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Prof. Tunde Esan PhD.

An assessment and evaluation of the fundamentals, that motivate and drive African commerce goes beyond face value attempts. The dept of our knowledge will always be challenged by new evolving factors. These are the dynamics of the new economy and the driving factors. From the traditional trade and exchanges, to much more hegemonic trading blocs, our objective in the editorial board is to seek submissions that will not only give information but contribute to knowledge.

That is why two main bodies that support nations of Africa and aid it's commercial growth has a place in this edition of the Journal. This are African Continental Free Trade Area AfCFTA and African Development Bank AfDB.

Barrister Olusegun Awolowo widely acclaimed treatise on Nigeria Without Oil; a major submission on the dangers of a mono cultural economy, may not have had the world geopolitical and economic agitations on the climate change and it's repercussions on its stable initially, but the geostrategic implications of Zero oil plan is far reaching. While it's implementation will drive economic growth and diversify the economy, it's deemphasization of fossil oil and greenhouse gas as a driving factor of the economy, aligns with the future of the world based on clean energy. Coming from one of the most experienced technocrats in Nigeria, the submissions in the Journal will be an invaluable resource for the academia and drivers of the formal economy in Africa.

AfDB 10 YEAR PLAN (2023-2033) is one of the most ambitious study and problem solving submission when it comes to Africa. It not only focussed on building a financial infrastructure designed to meet and mitigate the present challenges but seeks to continue to build a dynamic institution that will meet short term and long term needs of Africa in driving growth. The facts behind the figures are clearly elucidated.

The submission on MIKTA-Africa relations traces the long term relationship between MIKTA countries and Africa. With 1.3 billion people and it's increasing middle class, Mexico, Indonesia, South Korea, Turkey and Australia are not only tapping into their historical engagements with the countries in Africa, but are looking for new ways of enhancing cooperation for mutual benefits. With contribution from one of the most experienced MIKTA expert; Dr H. Usra Harahap, Indonesia Ambassador to Nigeria and ECOWAS, policy makers and students of International Economic Relations will find this invaluable.

AN ANALYSIS OF THE CAUSAL RELATIONSHIP BETWEEN STOCK MARKET CAPITALIZATION AND FINANCIAL DEVELOPMENT IN NIGERIA

By

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Abstract

This study examined the causal relationship between financial development and stock market capitalization in Nigeria, using annual data from 1985 to 2023. Financial development was measured by the contribution of the banking and insurance sector to the national economy. Capital market growth was measured by the annual value of stocks in the economy. The study used least square estimates and the Granger causality test to analyze the causal relationship between the variables. The financial sector was also disaggregated to explore the impact of the individual components of the financial development indicators. The results showed a stable and positive relationship between financial development and capital market growth in Nigeria. Also, capital market development Granger caused financial market development. The study further revealed that banking sector development enhances the performance of the capital market while development in the insurance sector does not have any significant effect on either capital market development or banking sector development. The study recommended that enhancing the financial system and fostering the growth of capital markets was essential for financial sector development, especially the banking sector development in Nigeria.

Keywords: Financial Development, Market Capitalization, Causality, Insurance, Banking Development.

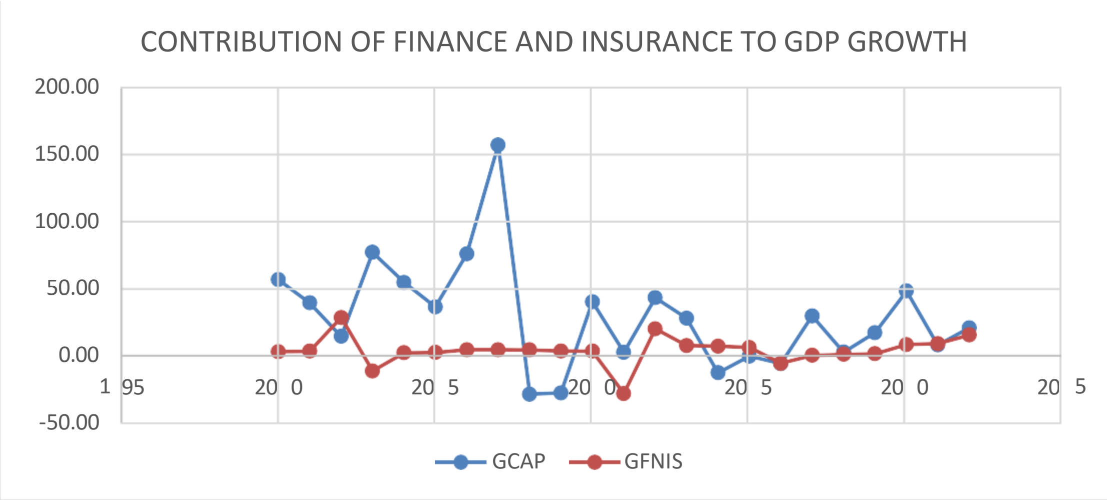
1.0 Introduction

The nexus between financial development, particularly in the realms of banking, insurance, and stock market capitalization has been a subject of significant interest. The dynamics between these elements play a pivotal role in shaping the economic landscape of nations, influencing investment patterns, risk management strategies, and overall economic stability. Financial development encompasses the growth and evolution of various financial intermediaries, with the banking and insurance sectors serving as fundamental pillars. As a primary financial intermediary, the banking sector facilitates capital mobilization and allocation, while the insurance industry provides risk mitigation instruments crucial for economic activities. Simultaneously, stock market capitalization reflects the aggregate market value of publicly traded stocks. The stock market's role extends beyond being a platform for trading securities, it serves as a barometer for economic health, capturing investors‘ sentiment and providing insights into overall market confidence.

Enhancing the financial system and fostering growth in capital markets are integral components of economic development. Financial development encompasses the enhancement of the financial system's size, depth, efficiency, and stability. Meanwhile, capital market growth involves the expansion of stock and bond markets in terms of volume, value, liquidity, and diversity. The positive impacts on economic growth are anticipated through the mobilization of savings, efficient resource allocation, risk diversification, and facilitation of innovation from financial development and capital market growth. However, the causal relationship between financial development and capital market growth is not clear and consistent across countries and regions. Some studies have used different indicators, methods, and techniques to test the direction and magnitude of causality between these two variables.

Some found evidence of the supply-leading hypothesis, which means that financial development causes capital market growth. Other studies have found evidence of the demand-following hypothesis, which means that capital market growth causes financial development. Yet, some studies have also found pieces of evidence of bi-directional causality or no causality between the two variables.

Fig 1: Contribution in Finance and Insurance to GDP Growth



Source: Authors' computation using eviews 9

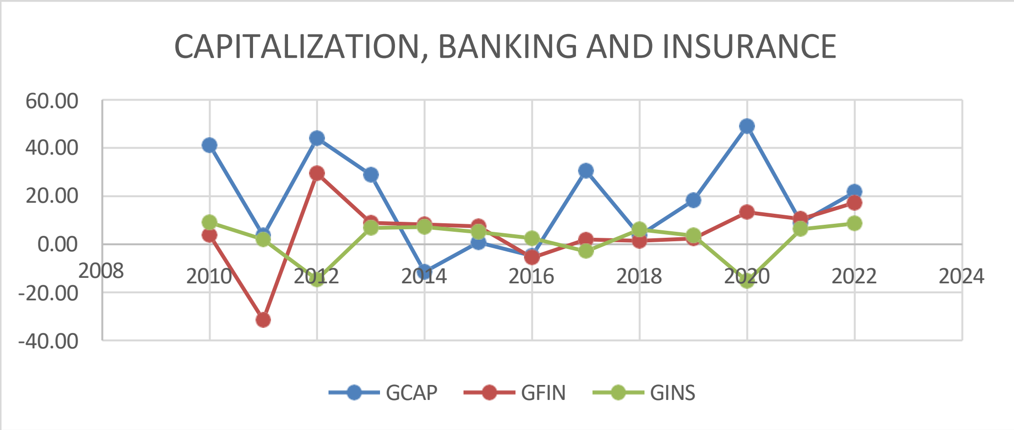
In the last decade, from 2013 to 2023, an improvement in banking development always resulted in a corresponding improvement in subsequent year‘s growth in market capitalization. Also, slides in growth in capitalization result in a noticeable decrease in banking sector performance to the overall economy.

1.1 Capital Market, Banking, and Insurance Development

A cursory look shows a substantial growth and impact of the banking and insurance sectors on the economy. The banking sector, represented by metrics such as total assets, loans, and deposits, showcases its extensive reach and influence. Similarly, in the insurance sector, returns like premiums and claims underline its vital role in managing and mitigating various risks. Stock market capitalization captures the ebb and flow of market valuations. The metric, derived from the cumulative market value of publicly traded stocks, provides a snapshot of the overall health and vibrancy of financial markets.

As financial markets evolve, understanding the intricate relationships between banking, insurance development and stock market capitalization becomes imperative for policymakers, economists, and investors alike. The discussions delved into conceptual, theoretical literature, and empirical analyses to unravel the causal links that define these relationships.

Fig 2: Market Capitalization and Growth in Banking and Insurance.



Source: Authors' computation using eviews 9

In the last decade, the indicators of financial development have increased with an increase in the value of market stocks. On average, between 2010 and 2022, stock market capitalization, had an average growth rate of 18.01% while banking and insurance contributions to the national aggregate grew by 5.2 % and 1.87 % respectively (CBN, 2023).

1.2 Study Objective

The primary objective of this study is to investigate the causal relationship between financial development and capital market growth, addressing the question of whether financial development leads to capital market growth or the reverse. The study will utilize various methodologies to test the direction of causality and will disaggregate financial development indicators to assess their individual impacts on capital market development and economic growth. The findings are expected to provide valuable insights into the specific contributions of the banking and insurance sectors and offer policy recommendations to foster financial and capital market growth.

2.0 Theoretical Literature

According to Beck and Levine (2004), financial development encompasses the enhancement of both efficiency and accessibility within the financial system, which includes the banking sector, insurance industry, and stock market. A robust and efficient financial sector is a critical driver of economic growth, enabling the mobilization and allocation of resources, supporting risk diversification and management, facilitating the transmission and implementation of monetary policy, and providing essential financial services. Stock market capitalization, representing the aggregate value of a company's or market's shares, reflects investors' expectations and confidence regarding the future performance of a firm or the broader economy. As such, stock market capitalization serves as a significant indicator of the stock market's size and maturity, as well as of the accessibility and cost of equity financing (Beck & Levine, 2004).

The relationship between financial development and stock market capitalization explains how one variable affects the other directly and predictably. For example, if financial development causes stock market capitalization, it means that a more developed financial system leads to higher stock market value, and vice versa. This relationship is important for understanding the role of the financial sector in economic growth and development, as well as the potential feedback effects between the two variables.

The causal analysis of financial development and market capitalization can be divided into three main hypotheses, according to Patrick (1966). The supply-leading hypothesis states that financial development causes economic growth by providing more funds and services to the productive sectors, especially in the early stages of development. The demand-following hypothesis states that economic growth causes financial development by increasing the demand for financial intermediation and diversification, especially in the later stages of development. The feedback hypothesis states that there is a bidirectional causality between financial development and economic growth, implying that they mutually reinforce each other over time.

Numerous empirical studies have explored these hypotheses using diverse methodologies and datasets, yet the findings remain inconclusive and vary across countries and regions. Prats and Sandoval (2020) examined the causal relationship between stock market capitalization relative to GDP and real GDP growth in ten Central and Eastern European countries. Employing a cointegrated Vector Autoregression (VAR) model along with the Granger causality test, the Toda-Yamamoto procedure, and frequency domain analysis, they provided insights into this relationship. To assess financial system development within the BRICS nations, Guptha and Rao (2018) applied principal component analysis to construct indices for the financial system, financial market, and financial institution development, which facilitated their investigation of the connection between financial development and economic growth. In a related study, Khan *et al*. (2018) analyzed the progression of stock markets and economic growth in G-20 countries through panel data analysis, employing both fixed and random effects models as well as the Granger causality test. Building on this research, Khan *et al.* (2022) employed the Autoregressive Distributed Lag (ARDL) model to further investigate these dynamics.

However, there are still some gaps and challenges in the literature, such as the measurement and definition of financial development and stock market capitalization, the identification and control of endogeneity and heterogeneity issues, the consideration of institutional and structural factors, and the robustness and sensitivity of the results, inability to disaggregate the financial development to recognize specific impacts of the financial development indicators.

Nigeria presents a compelling case for examining the causal relationship between financial development and capital market growth. As Africa's largest economy, Nigeria boasts a substantial and varied financial system and capital market, shaped by multiple waves of financial sector reforms and liberalization policies since the 1980s (Agbada & Odejimi, 2013). These reforms have aimed to drive financial development and capital market expansion. Despite this, Nigeria's financial system and capital market continue to grapple with several significant challenges, including limited financial inclusion, high interest rates, regulatory weaknesses, governance issues, corruption, and economic instability.

Adetunji *et al.* (2022) highlight that while financial inclusion in Nigeria has increased over recent years, significant barriers remain. Although account ownership rose, especially among the poorest demographics, financial inclusion initiatives have not consistently reached vulnerable populations, with rural areas still facing notable challenges in accessing financial services. Conversely, Awolowo and Taiwo (2023) focus on regulatory impacts, finding that while recent reforms have helped stabilize Nigeria‘s capital markets, challenges in governance and transparency continue to impede robust market growth. Together, these studies underscore the complex nature of Nigeria‘s financial inclusion and regulatory environment.

This study seeks to analyze the causal relationship between financial development and capital market growth in Nigeria using recent annual time series data from 1985 to 2023. Financial development is measured by the contribution of banking and insurance to gross domestic product (GDP), while stock market development is captured through the annualized value of market capitalization. Additionally, interest rate levels and economic growth rates are included as control variables. The findings will provide actionable policy recommendations to enhance Nigeria's financial development and support sustainable capital market growth.

2.1 Overview of Nigeria's Financial Sector

Nigerian financial development and stock market capitalization are important indicators of the economic performance and potential of the country. Financial development refers to the improvement of the financial system in terms of its efficiency, stability, depth, and inclusiveness. Stock market capitalization measures the size and liquidity of the stock market relative to the overall economy. Nigerian financial development and stock market capitalization have been growing steadily over the years, especially since the introduction of various reforms and initiatives by the government and regulators. Some of these include the consolidation of the banking sector, the establishment of the Asset Management Corporation of Nigeria (AMCON), the introduction of the Pension Reform Act, the launch of the Fintech Roadmap, and the implementation of the Nigerian capital market master plan.

According to the World Bank (2023), Nigeria‘s financial development index increased from 0.23 in 2004 to 0.34 in 2019, while its stock market capitalization increased from 16.7% of GDP in 2004 to 46.1% of GDP in 2023. These indicate that Nigeria‘s financial system has become more developed and diversified and that its stock market has become more attractive and accessible for investors. Some studies have found that Nigerian financial development and stock market capitalization have a positive and significant impact on economic growth, as they facilitate the mobilization of savings, the allocation of resources, the diversification of risks, and the promotion of innovation (Obiakor, 2016). However, other studies have suggested that the effect of financial development and stock market capitalization on growth may depend on other factors, such as the quality of institutions, the degree of openness, and the level of financial stability (Oyadeyi, 2023).

2.2 Review of Empirical Literature

Ogbulu, (2020) examined the impact of capital market development on the industrial sector growth in Nigeria. The study used the autoregressive distributed lag (ARDL) model and the Granger causality test to analyze the data from 1981 to 2016. It found that capital market development had a positive and significant effect on the industrial sector growth in Nigeria. It also found that there was no causal relationship between stock market development, openness, and economic growth in Nigeria during the evaluation period. It recommended that the government should implement policies that would enhance the efficiency and transparency of the capital market to encourage more participation of the private sector in industrial activities.

Ogbonna (2021), investigated the relationship between macroeconomic components and the Nigerian capital market using the vector autoregressive (VAR) approach. It used the data from 1981 to 2018 and employed the impulse response function and the variance decomposition analysis. The findings showed that macroeconomic variables had a significant relationship with market capitalization in Nigeria. The study using the Granger causality test showed that market capitalization was Granger caused by changes in the macroeconomic components in Nigeria. It recommended that the government should adopt policies that will stabilize the macroeconomic environment and enhance the performance of the capital market.

Ibi, *et. al* (2015) examined the effect of monetary policy on the Nigerian stock market using the smooth transition regression (STR) model. The study used data from 2000 to 2019 and employed the nonlinear least squares method. The findings revealed that monetary policy had a significant and nonlinear effect on the Nigerian stock market. It also showed that the stock market responds differently to monetary policy shocks depending on the state of the economy. It recommended that the monetary authorities should consider prevailing economic conditions and the stock market dynamics when formulating and implementing monetary policy.

Prats and Sandoval (2020) in their study titled: ―Does stock market capitalization cause GDP growth? A causality study for Central and Eastern European countries. They employed the Cointegrated VAR model with the Granger causality test, the Toda-Yamamoto approach, and the Frequency Domain approach. Their findings revealed that there was substantial evidence indicating a reciprocal cause-and-effect association between the stock market capitalization to GDP ratio and real GDP in numerous countries. Policymakers were advised to promote the growth of stock markets as a means to bolster economic expansion. However, the study did not consider other dimensions of financial development such as the banking sector or bond market.

Gupta and Rao (2018) explored the causal relationship between financial development and economic growth using data from the BRICS countries (Brazil, Russia, India, China, and South Africa). They employed principal component analysis to create indices for financial institution development, financial market development, and overall financial system development, alongside the Toda–Yamamoto causality test. Their findings indicated that the relationship between finance and growth was not uniform across the BRICS nations. The authors suggested that policymakers should tailor financial reforms to the unique circumstances of each country. However, the study did not account for potential structural breaks or regime shifts in the data.

Khan et al. (2018), in their study on the Development of the stock market and economic growth: the G-20 evidence used Panel data analysis with fixed effects and random effects models. The Granger causality test was applied. The study concluded that Stock market development causes economic growth in the long run for the G-20 countries. Policymakers should promote the development of stock markets as a source of long-term finance for the economy. The study failed to consider the possible endogeneity or reverse causality between the variables.

Khan et al. (2022) employed the ARDL bounds testing approach to cointegration and the Granger causality test to investigate the relationship between stock market performance and macroeconomic fundamentals. Their findings revealed that economic growth and banking sector development positively influenced stock market performance. The authors advised policymakers to implement measures that enhance the stability and efficiency of both the banking sector and stock market, while also addressing inflation and trade barriers. However, the study did not account for potential nonlinearities or threshold effects in these relationships.

Oyadeyi (2023), in his study on financial development, real sector, and economic growth in Nigeria adopted the Granger-causality method on principal component analysis-based financial development index. The author concluded that the negative effects of financial development on the real sector were temporary. The paper demonstrated bi-directional causation from Nigeria‘s financial sector to the real sector. It suggested that Nigeria should prioritize changes that strengthen the long-term connection between financial development and the real sector by enhancing the quality of financial services to satisfy the demands of the real sector. Despite the robustness of the work, it failed to examine the impact of external shocks or institutional factors on the relationship.

Chukwu and Ubah (2022) investigated the causal relationship between selected financial development indicators and economic growth in Nigeria from 1985 to 2016 using the Granger causality test and vector Autoregressive (VAR) estimation technique. The study revealed a two-way causality between money supply and Real Gross Domestic Product (RGDP) and a one-way relationship from private debt to total debt securities on RGDP. No causal link was found between lending-deposits spread and liquidity ratio on RGDP. The study recommended government initiatives, including financial reforms, infrastructure development, and the creation of a favorable business environment to attract quality investments, fostering real sector growth, job creation, and overall economic growth. This study also failed to identify the role of stock market development or other financial indicators in the relationship.

A further review of the gaps in existing literature both from studies in Nigeria and other economies, the majority of the related pieces of literature employ the use of credit to the private sector as a measure of financial development. This made it very difficult to identify the real financial development indicators as they relate to the measurement of contributions to national output. This work will utilize the contribution of banking and insurance as a measure of financial development.

3.0 Methodology

3.1 Data and Sources

The study utilized annual time series data from the Central Bank of Nigeria Statistical Bulletin CBN (2023) publication for the period 38 years 1985-2023. The choice of the period is subject to the availability of data.

Table 1: Operational Definition of Terms and Symbols

Variables	Symbols	Details
Stock Market Capitalization	K_t	Annual Stock value as captured by The Nigerian Stock Exchange.
Financial Development	F_t	This represents the total annual contribution of both the Banking and insurance sectors to GDP.
GDP growth rate	G_t	This captures the actual expansion in the economy represented by the annualized actual economic growth rate in Nigeria.
Banking sector Development	B_t	Banking sector development is captured by the contribution of the banking sector to the national economy (GDP).
Insurance sector development	I_t	Insurance development is captured by the contribution of the insurance sector to the gross domestic product.
Interest Rate	R_t	This measures the prevailing maximum interest rate.

Source: Authors‘ compilation.

3.2 **Model Development**

Two models will be estimated. The first model will capture the cumulative impact of financial development represented by the contribution of the banking sector and the insurance sector to national output. In the second model, financial development will be disaggregated into banking sector development and insurance sector development. In both models, lending interest rate and rate of economic growth will be the control variable while capital market growth captured by annualized market capitalization.

Model 1:

The model captures the relationship between stock market capitalization and financial development with definitions of the variables as captured in the table above.

$K_t = f(F_t, G_t, R_t)$.

The above equation is transformed into an explicit form to comprise the stochastic term and is stated as below.

$K_t = \beta_0 + \beta_1 F_t + \beta_2 G_t, + \beta_3 R + \varepsilon_t$

Subscript t: estimated period i.e. 1985 to 2023

Furthermore,

β_0 represents the intercept of the regression function. β_1, β_2 and β_3 represent the slope of the series. As expected, β_1, $\beta_2 > 0$ are expected to be apriori positive while β_3 is expected to be negative.

Model 2:

This model captures the disaggregated relationship between stock market capitalization and financial development (Banking sector development and Insurance development) with definitions of the variables as captured in the table above.

$K_t = f(B_t, I_t\ G_t,\ R_t)$.

The above equation is transformed into an explicit form to comprise the stochastic term and is stated as below.

$K_t = \alpha_0 + \alpha_1 B_t + \alpha_2 I_t + \alpha 3Gt, + \alpha_3 R_t + \varepsilon$

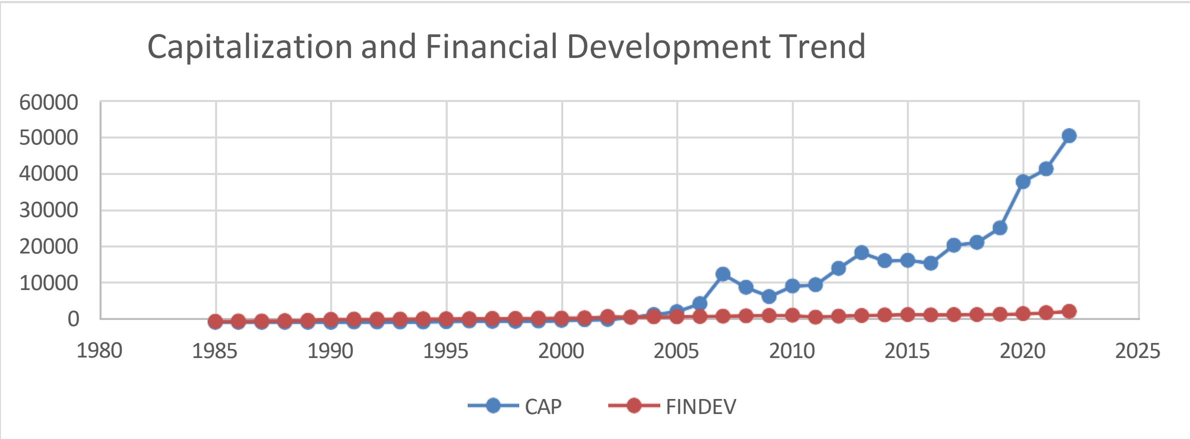
Subscript t: estimated period i.e. 1985 to 2023

Furthermore, α_0 represents the intercept of the regression function. α_1, α_2 and α_3 represents the slope of the series. As expected, α_1, $\alpha_{2,}$ $\alpha_{3>}$ 0 are expected to be apriori positive while α_4 is expected to be negative.

4.0 Presentation and Discussion of Result

4.1 Graphical Presentation of Time Series Data

Fig 3: Trend Display of Stock Market Capitalization and Financial Development



Source: Authors‘ compilation

The above shows that an upward movement of Financial Development (FINDEV) gives a pushup to capitalization (CAP). Financial development and stock market capitalization have a positive correlation.

4.2 DESCRIPTIVE STATISTICS

Table 2: Summary Statistic of Annualized Data

Variable	Notation	Mean	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
market capitalization	C	9199.99	51188.87	6.60	12984.68	1.64	5.17
Financial Devt.	F	1406.01	3009.35	254.99	665.03	0.17	2.49
Baking Devt.	B	1236.06	2718.36	197.37	590.56	0.19	2.72
Insurance Devt	I	169.95	297.55	57.63	81.31	0.22	1.43
INT RATE	R	23.62	36.09	11.75	5.15	-0.04	3.12
Economic Growth Rate	G	4.61	14.60	-1.92	3.81	0.44	2.77

Source: Authors‘ computation using Eviews 9

The summary statistics indicate that there are no significant outliers present, allowing the mean values of the datasets to serve as reliable representations. The overall mean market capitalization is reported at 9199.99. When further analyzed, it becomes evident that the banking sector plays a more substantial role in financial development compared to the insurance sector. Market capitalization demonstrates a notable range, with a minimum of 6.6 and a maximum reaching approximately 51,189. This wide range, coupled with a large standard deviation and strong positive skewness, suggests a consistent upward trend in market capitalization relative to the financial development metrics. Notably, the banking sector exhibits a more rapid convergence towards financial development than its insurance counterpart, indicating that banking development is advancing at a quicker pace in contributing to overall financial progress.

4.3 Table 3 Correlation Matrix

	C	F	G	I	R	B
C	1.00					
F	0.86	1.00				
G	-0.27	-0.05	1.00			
I	0.81	0.93	-0.08	1.00		
R	0.42	0.49	-0.20	0.42	1.00	
B	0.86	1.00	-0.05	0.90	0.49	1.00

Source: Authors' computation using E-views 9

The ordinary unconditional correlation analysis reveals important behavioral patterns within the data series. Notably, a perfect positive correlation exists between financial development (F) and banking development (B), indicating a strong interdependence in both their magnitude and direction. This suggests that as one grows, the other tends to grow in tandem, reflecting a close relationship between these two aspects of financial systems. In contrast, other variables exhibit varying degrees of correlation. For instance, the economic growth rate shows a very weak negative relationship with both insurance development (I) and banking development (B). This indicates that changes in these sectors do not significantly influence economic growth rates, or vice versa. Capital market development emerges as a key variable of interest, demonstrating a strong positive correlation of 0.86 with banking development and 0.81 with insurance development. This suggests that as capital market development progresses, there is a corresponding increase in both banking and insurance sectors, highlighting their interconnected roles in facilitating economic activities. These findings underscore the complexity of interactions among financial sectors and their collective impact on economic growth. The strong correlations suggest that enhancing capital market development could be pivotal for advancing both the banking and insurance sectors, which in turn may contribute to broader economic growth.

4.4 LEAST SQUARE ESTIMATES

The correlation matrix result is also in line with the direct least square estimate as given below.

Model 1: Financial Development and Stock Market Capitalization

Table 4: Least Square Estimate.

Dependent Variable: CAP	**Market Capitalization**			
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FINDEV (F)	17.128	1.743	9.825	0.000
GROWTH (G)	-791.154	271.763	-2.911	0.006
INT RATE(R)	-145.268	229.456	-0.633	0.531
C	-7,801.547	5,238.800	-1.489	0.146
R-squared	0.794	Mean dependent var		9,199.992
Adjusted R-squared	0.776	S.D. dependent var		12,984.677
S.E. of regression	50.759	Akaike info criterion		20.386
Sum squared resid	1,324.31	Schwarz criterion		20.558
Log likelihood	-383.331	Hannan-Quinn criter.		20.447
F-statistic	43.632	Durbin-Watson stat		1.849
Prob(F-statistic)	0.000			

Source: Authors‘ computation using E-views 9

The model reveals the relationship between Stock market capitalization (C) and Financial development (F). A strong positive FINDEV coefficient with minimal standard error, a t-value >2, and a probability value less than 0.05 level, implies that financial development is statistically significant in determining stock market development and also, an increase in financial development will increase market capitalization. The model also has statistical significance of economic growth rate to stock market capitalization while interest rate though with a very large negative coefficient, does not have statistical significance to market capitalization.

The R^2 and adjusted R^2 values of 0.79 and 0.78, respectively, indicate that 79% of the variation in stock market capitalization can be explained by financial development, economic growth rate, and the prevailing interest rate. Additionally, the F-statistic with a probability value of (0.000) confirms the model's statistical significance, appropriateness, and predictive power.

Model 2 Estimate

Table 5: Disaggregated Financial Development

Dependent Variable: Market Capitalization				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BANK DEV	16.95067	4.286516	3.954416	0.0004
INSR DEV	18.48466	29.83364	0.619591	0.5398
GROWTH	-789.9218	277.1646	-2.85001	0.0075
INT RATE	-144.0642	234.3935	-0.614625	0.543
C	-7846.38	5407.784	-1.450942	0.1562
R-squared	**0.793821**	Mean dependent var		9199.992
Adjusted R-squared	0.768829	S.D. dependent var		12984.68
S.E. of regression	6243.06	Akaike info criterion		20.43841
Sum squared resid	1.29E+09	Schwarz criterion		20.65388
Log likelihood	-383.3298	Hannan-Quinn criter.		20.51507
F-statistic	31.76372	Durbin-Watson stat		1.797995
Prob(F-statistic)	0			

Source: Authors computation using Eviews 9

C = 16.95B + 18.48I - 789.92G - 144.064R - 7846.38

The model shows that bank development and insurance have a positive linear relationship with market capitalization while interest rate shows an inverse relationship. The F-statistics of 31.76 (0.000) is significant at 5%. The Durbin-Watson statistics of about 1.8 show a near absence of autocorrelation.

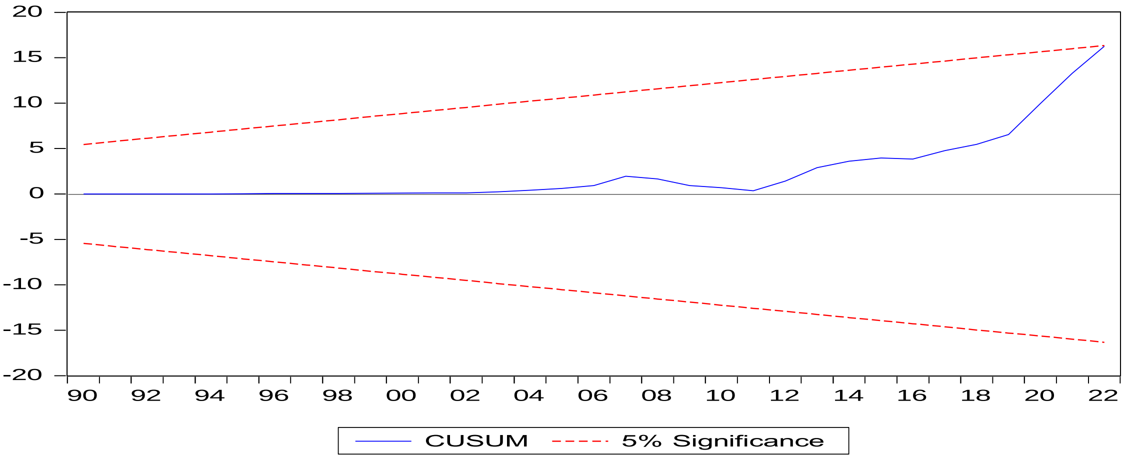
To assess the impact of different components of financial development on stock market capitalization, financial development was divided into banking sector development and insurance development. The results show that while both components have positive coefficients, only banking sector development is statistically significant. This suggests that, although financial development as a whole plays an important role in stock market growth, banking sector development is the more influential factor driving stock market capitalization. Also, the disaggregation analysis highlights that economic growth now has statistical significance in determining market capitalization.

Model Diagnostic

The strength of the model lies in the ability of the financial development indicators and control variables to explain over 77% of the expected changes in stock market capitalization with an adjusted R^2 value of 0.77.

A Stability Diagonatic test using the Recursive CUSUM Test was also employed which also revealed at 5% that the CUSUM remains within the acceptable border limits.

Fig: 4 Recursive CUSUM Test



4.4 **Granger Pairwise Causality Test**

The Granger causality test is a statistical hypothesis test used in econometrics to determine whether one time series can be considered a cause of another time series. Granger causality helps assess whether changes in one variable precede changes in another, suggesting a potential causal relationship. It will help unravel the causal relationship between market capitalization and the selected indicators of financial development.

From the result shown below, the p-values (< 0.05) show an accepted level of significance. Typically, p-values less than 0.05 indicate strong evidence against the null hypothesis (which posits no causal effect).

Table 6: Granger Causality Matrix

Pairwise Granger Causality Tests *Lags: 2*			
Null Hypothesis:	*Obs*	*F-Statistic*	*Prob.*
CAP does not Granger Cause BANK DEV	38	6.47107	0.0045
BANK DEV does not Granger Cause CAP		0.47114	0.6287
INS DEV does not Granger Cause BANK DEV.	38	0.95327	0.3965
BANK DEV does not Granger Cause INS DEV		3.54313	0.0411
FIN DEV does not Granger Cause CAP	38	0.50202	0.6101
CAP does not Granger Cause FIND DEV		6.54913	0.0042
INS DEV does not Granger Cause CAP	38	0.14135	0.8687
CAP does not Granger Cause INS DEV		0.56869	0.5721

Source: Authors‘ computation using e-views 9

CAP Granger Causes BANK DEV:

The low p-value (0.0045) suggests that we can reject the null hypothesis at conventional significance levels (e.g., 0.05). Therefore, there is evidence to suggest that changes in capital (CAP) at the specified lag can be considered as a Granger cause of changes in bank development (BANK DEV).

BANK DEV Granger Causes CAP: Null Hypothesis: Bank Development (BANK DEV) does not Granger Cause Capital (CAP).

The F-Statistic of 0.47 and a prob of 0.6287 which is above 0.05; shows that there is not enough evidence to conclude that changes in Bank Development (BANK DEV) at the specified lag Granger cause changes in Capital (CAP).

Similarly, evaluating BANK DEV and INS DEV, with an F-statistic of 3.543, and a Prob of 0.0411 shows that there is evidence to suggest that changes in Bank Development (BANK DEV) at a 2-period lag could be considered as a Granger cause of changes in Insurance Development (INS DEV). However, there is no evidence to suggest that insurance Granger caused Bank Development.

Also, the Capitalization Granger caused financial development but the reverse is not the case. Insurance and Capital showed no sign of Granger causality.

5. Summary, Conclusion, and Recommendations

5.1 Summary

The summary statistics suggest that there are no significant outliers, and the mean effectively represents the data series. Market capitalization shows considerable variation, with a wide range between a minimum of 6.6 and a maximum of approximately 52,000, accompanied by a large standard deviation, reflecting consistent growth over the period. Banking sector development has a greater impact on financial development than the insurance sector, and it converges more quickly to financial development.

The correlation matrix indicates a positive correlation between financial development and banking sector development, with a strong positive relationship between capital market development, banking, and insurance development. While correlation does not confirm causality, it supports the model's explanatory variables. The estimated model reveals that financial development significantly influences stock market growth, with economic growth also statistically significant, while interest rates are not. Disaggregation shows that banking sector development is a key determinant of stock market capitalization, while insurance development is not. Economic growth becomes statistically significant in this context.

Further, the Granger causality test indicates that stock market capitalization Granger causes both financial development and banking sector development. Additionally, banking development Granger causes insurance development, while there is no Granger causality between insurance development and stock market development.

5.2 conclusion

In conclusion, the findings suggest that banking development plays a crucial role in shaping stock market capitalization. Policymakers should target measures to enhance the banking sector for overall economic development.

We acknowledge our inability to capture all market and regulatory dynamics. Several factors influence the intricate behavior of the stock market. This study may not have fully captured the complexities of market dynamics, such as investor attitude, market speculation, and abrupt changes in market conditions.

5.3 Recommendations

1. Given the evidence that stock market capitalization granger causes banking development, policymakers should consider focusing on policies that enhance capital accumulation to promote banking sector development.

2. The strong positive correlation between capital market development and both banking and insurance development suggests the importance of fostering a robust capital market for overall financial development.
3. Policymakers may need to pay attention to the impact of economic growth rate on stock market capitalization, as it appears to be statistically significant.
4. Disaggregation of financial development reveals that banking sector development significantly influences stock market capitalization. Policymakers should prioritize measures that boost the banking sector to positively impact the stock market.
5. The absence of Granger causality between insurance development and other variables suggests that policy interventions for insurance development may not have an immediate causal impact on other financial development and stock market capitalization.

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MIKTA-AFRICA RELATIONS: PROGRESS AND POSSIBILITIES

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Introduction:

When MIKTA was conceived on the sidelines of the 68th session of the UN General Assembly in September, 2013, by five participating countries ; Mexico, Indonesia, South Korea, Turkey and Australia. It has, as its focus and main concept; fullfiling the role of a responsible middle power in the service of world peace and prosperity.

It started as an informal consultative group, whose members freely exchange their aims and views on critical issues affecting humanity, at various fora, ready to work together, for the advancement of United Nation's goals, international organizations and regional groups of interest.

At the multilateral level, these countries has been maintaining diplomatic and economic relations with African Union and regional groups like ECOWAS , South Africa Development Community, (SADC) Economic Community of Central African States (ECCAS) Arab Maghreb Union (AMU) Common Market for Eastern and Southern Africa (COMESA)

With the potential for multidimensional impact, particularly with its growing population and economic potential, MIKTA Nations are improving ties with Africa and strengthening areas of cooperation.

There have been occasions where MIKTA has shown concern and interventions like the rest of the world when it comes to Africa. When Ebola broke out in September 2014, MIKTA as a body expressed deep concern. Various member states mobilized health emergency protocols to mitigate the effect. On the 25th of September 2014, it issued statements like many international bodies. This is in line with WHO declaration of the outbreak; an international health emergency of international concern, because it was the largest Ebola outbreak since it's discovery in 1976, with secondary infections in Mali and Nigeria.

At the level of the United Nations, which held a session on building and sustaining peace, on the 24th of April 2018, with the theme: "Africa's Peace and Security Landscape by the year 2023, (End of First Ten-Year Implementation Plan of Agenda 2063): A Prospective Analysis of Peace and Security Challenges" MIKTA made joint remarks with other international organizations supporting international efforts on peace building in Africa.

MIKTA member countries has been addressing the challenges of Peace keeping operations, with contributions that has impacted Africa positively.

How can the MIKTA model for international cooperation address the future challenges of peace keeping? The questions were the subject of October 2nd 2019 International Peace Institute seminar. Member countries shared their experience in peacekeeping operations with reference to Africa. At the seminar, Major General Imam Edy Mulyomo, Former Force Commander of United Nations Mission for the Referendum in Western Sahara, outlined the importance of Western Sahara as geographically strategic, as it borders Morocco, Algeria and Mauritania. At the seminar, Kemal Dermiciler, Turkey's Ambassador to Bahrain, noted his country's contribution to peacekeeping operations which include operations in Somalian territorial waters. Nejib Friji, Director of IPI MENA highlighted MIKTA's aim of strengthening multilateralism and global governance and emphasized the potential and capacity of MIKTA for fostering peace.

Conceptual Clarifications:

The key concepts used in this paper are defined in this section. These are: "Cooperation" "Relations" "Progress"

Cooperation:

In broad term, the word cooperation means working with someone or a group to achieve set goals. The concept underscores cooperation at different levels of engagements; national and international. In the bilateral and multilateral sense, it is the willingness of nation states, in coordination with one another , to achieve set goals.

Longman (374, 2009)

Progress:

According to Longman (1388, 2009) progress means to improve, develop in a positive way. It is the opposite of regress. To move something to a more advanced situation. In the geo-economic term, progress means increase in economic status within and or among nations. Progress can be in different areas; civilisation, economic development or industrialization. The area of study that we pay attention to indicate the field of scholarship that the idea of progress plays a role.

Relations:

It is a way in which two or more people are connected. It is a state of being related or the state of affairs existing between those having relations; nation states and or geographical entities.

The potential for increasing engagement and cooperation between MIKTA and African region is immense and enormous. This can be seen based on critical evaluation and assessment of the historical relationship between MIKTA countries and Africa.

Mexico

Mexico and Africa relationship is longstanding. It can be divided into two blocks, Africa's relationship with the Middle East states and that of the sub Sahara Africa with 48 countries.

Relationship between Mexico and North Africa dates back to the Ottoman Empire. In 1905, Porfirio Diaz administration established a consulate office in Egypt with the aim of documenting trade and supporting Mexican ships and citizens traveling through the Suez Canal. Mexico established diplomatic relations with Morocco in 1962 and with Algeria in 1964. In sub Sahara Africa, the relationship dates back to the middle of the last century and the last quarter of the century. This was when President Luis Cheverria, the president between 1970 and November 1976, was in power and made two Presidential visits to Tanzania and Senegal. Mexico has five residential embassies in Africa; Nigeria, South Africa, Kenya, Ethiopia and Ghana. Mexico trade is concentrated in four African countries; South Africa, Algeria, Egypt and Nigeria. In North Africa , Mexico has presence in three important countries; Egypt, Morocco and Algeria, that together contribute a little over 80 percent of the exchanges. Mexico exports products mainly from the automobile, electronic and pharmaceutical sectors. It imports goods from the oil and energy sectors. There is a mutual and reciprocal trade in agricultural products.

Mexico has been a Permanent Observer of the African Union since 2005, and the Mexican embassy in Ethiopia has been in charge of the relationship since 2007. Through it's high ranking representative, Mexico has been reaffirming it's interest in deepening the relationship with AU and it's members.

In the areas of human development, Mexico awards scholarships to nationals of various African countries; in the fields of health, engineering, teaching and veterinary medicine. On peace promotion and building in Africa, the Permanent Representative of Mexico to the United Nations, took part in the Security Council Mission to the Great Lakes in from 27;April to 7 May 2002, with the aim of promoting peace and stability in Democratic Republic of Congo and Burundi. At the height of Liberia crisis, at the level of the UN Security Council , Mexico contributed to the adoption of the Presidential statement on Liberia on 13 December 2002, which proposed a comprehensive strategy to mobilise international efforts to reach a ceasefire, resolve the conflict and promote national reconciliation. Mexico supports projects and programmes, in favour of African region within the United Nations system. For example, in United Nations Organisations like United Nations United Development Organization (UNIDO) World Food Program (WFP) World Health Organization (WHO) and Food and Agriculture Organization (FAO) of the United Nations. Mexico maintains good relationship with Southern Africa Development Council (SADC) Mexico maintains relations with all it's member states and participates as an observer in its annual consultative meetings. Mexico offers post graduate scholarships to nationals from SADC states.

Indonesia

The partnership between Indonesia and Africa goes back to close to a century. It goes back to the historic 1955 Asia-Africa Conference in Bandung. The conference brought together leaders from the newly independent African nations, with common aim of opposing colonialism and upholding the sovereignty of newly independent states. The Bandung conference laid the foundation and inspired the formation of the Non-Aligned Movement and later the Asian-African Strategic Partnership.

Apart from the individual countries bilateral relations with Indonesia, on August 20 and 21, 2019, more than 700 delegates from 53 African countries gathered to attend the Indonesia-Africa Infrastructure Dialogue in Bali.

The Indonesia-Africa Dialogue serves as a platform for key stakeholders in business, government and other areas of interest to discuss, dialogue and make submissions in the key area of infrastructure and related areas. Key stakeholders like the Indonesia Foreign Affairs Minister, the host of the event, Retno Marsudi accompanied the President, Joko Widodo to the event. With the dialogue, Indonesia, had planned to enhance it's investments and cooperation in the development of infrastructure in Africa. During the two day dialogue, Indonesia launched new initiatives for Preferential Trade Agreement with many African countries. Economic relations has since been growing. For example, the monetary value of bilateral trade between Indonesia and African countries reached US $11.25 billion in 2018. Indonesia has 16 embassies in Africa, a Consulate General in Cape Town in South Africa and many honorary consuls. Indonesia companies are doing well in Africa. Privately owned companies like Indofood, and Wings Group have plants in some African countries. To a large extent Indonesia is dependent on Africa for it's energy needs. It imports oil from countries like Angola, Equatorial Guinea, Algeria and Nigeria.

The government of Indonesia equally successfully launched the G20 Bali Global Blended Finance Alliance on Monday 20 May 2024. The launch and signing of the Bali Global Blended Finance Alliance was attended by nine founding countries with three representatives from the G 20 countries, finance organizations and some African countries. Among the countries that have signed the letter of intent are Democratic Republic of Congo and Kenya. One of the key goal of the Bali Global Finance Alliance according to its founding objective is the " strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets"

It will accelerate South South cooperation.

Nigeria has enjoyed strategic relationship with Indonesia. This has included several delegations from the National Institute for Policy and Strategic Studies visiting Indonesia. These has resulted in cooperation between National Institute for Policy and Strategic Studies and National Resilience Institute of Indonesia. (LEMHANNAS). LEMHANNAS has offered scholarships to candidates from NIPPS. In addition, there has been capacity training collaboration on technology transfer to Nigeria. Officers of the Nigeria National Agency for Science and Engineering Infrastructure has benefited from this. In addition Indonesia-Commercial Association (INCA) has held several meetings with Nigeria, aimed at encouraging much needed foreign direct investment to Nigeria. INCA has been acting as a link between different pool of business in Indonesia and Nigeria. This includes agri-business, energy, finance, health, ICT.

South Korea

South Korea relationship with Africa has been evolving over the years. It's strategic trade particularly in automobile and technology products has been a feature of African international commerce. Of the AfDB's active bilateral trust funds, the US$115.4 million, Korea-Africa Trust Fund established by Korea in 2007, is one of the largest. In June 2024, Soul hosted the first ever Korea-Africa summit. 48 out of the 54 African members of the African Union attended the summit to discuss issues ranging from economic development to security and technology. South Korea development assistance to Africa has been a feature of collaboration and it is expected to grow from $628 million in 2023 to $13.6billion in 2030. Courtesy of it's government, Korean companies operating in Africa have access to C$19.1 billion in export financing.

The critical area focused on by South Korea is the potentiality in technology market. South Korea has been offering tailored AI infrastructure services to countries with less developed AI capacity. Korea-Africa summit provided a platform for Seoul to pursue it's collaboration with African countries in the area of artificial intelligence. It is pursuing it's collaboration with Nigeria to establish an ICT and AI training center. South Korea is equally discussing with countries like Kenya and Madagascar for possibilities in AI- powered purification systems.

The direction of stronger partnership between South Korea and Africa is in critical minerals. One of the outcomes of the Korea-Africa summit is that a Korea- Africa Critical Minerals Dialogue will be inaugurated. The countries of interests are Zambia, DR Congo and Ghana. As it is, there is no Pan- African mineral policy, a paradigm of cooperation with Africa countries is being created by South Korea. At the South Korea-Africa summit, Tanzania secured a loan of $2.5 million for five years from the Korea Development Cooperation Fund. An infrastructure development MOU was signed with Rwanda and Ethiopia, this includes a $1 billion financing facility with Ethiopia.

Turkey

Turkey has deep historical relationship with Africa, inherited from the Ottoman Empire era with all North African countries. Between 2020 and 2021, out of the top ten trading partners of Turkey in Africa, five were from North Africa and the other five from the sub Sahara Africa. Most African countries see Turkey as a rising trading partner and donor, that at least in its relationship with the continent appears caring. Turkey provides all its official development assistances through bilateral channels, coupled with aids. In the earlier years of Turkey and Africa rapprochement, Turkey prioritized it's development cooperation with Africa over economic concerns. Amidst the Somalian hunger crisis in 2011, it's humanitarian intervention and engagement contributed in enhancing it's footprint in Somalia and promoting its identity as a humanitarian actor in Africa. This has paid off in Somalia in material terms. Turkish companies such as Albayrak and Favori is giving priority by Somalia government in the award of big infrastructure projects, like airport renovation, management and port management. Though Turkey has a relatively small aid budget compared to other big donors, it's aid has been efficient and delivering good results. The ten largest aid-recipient countries in Africa between 2015 are Somalia, Sudan, Niger, Djibouti, Gambia, Ethiopia, Guinea, Mauritania, Chad, Senegal. It should be noted that the Organization for Economic Cooperation and Development (OECD) considers these countries Least Developed Countries (LDC). In terms of scholarships, from 1992 and 2022, Turkey provided more than 15000 African students with post graduate and doctorate scholarships.

In the sub-sahara Africa, Turkey is enhancing it's role and Turkish companies are gaining big infrastructural projects. For example, one of the Turkeys big companies, Summa, won several important projects, these includes the building and running of Guinea Bissau new international airport in 2022, construction of Senegalese national stadium, and construction of airports in Niger and Sierra Leone. The value of projects undertaken by Turkish companies in Africa in 2021 was USD 5b. According to OECD statistics, Turkey's FDI outflow to Africa increased from USD 34.6 million in 2015, to USD 96.1 million in 2020. Top recipients of Turkey FDI flow into Africa are; Tunisia, Algeria, Egypt, Sudan, South Africa, Morocco, Kenya, Ivory Coast, Nigeria, and Zambia. The economic exchange is equally expanding in the purchase of military equipments. In terms of unmanned combat aerial vehicles and drones since 2022, Morocco, Libya, Ethiopia, Somalia, Niger, Togo and Burkina Faso have purchased them from Turkey.

Turkey's relationship with Africa is dynamic. Despite Turkey strong ties with the Western world, with its membership of NATO and it's long candidacy status with the European Union, African countries do not perceive its Western ties as counter productive to its relations with Turkey. One of the motivation for Turkey's engagement with Africa equally pertains to its quest for a higher status and geostrategic considerations; where Turkey "would like to win together, succeed together and walk together with Africa" This policy has been in practice for some time. For example in 2016, the first Turkey -Africa Economic Forum was held in Istanbul on 2-6 November. The Forum was a joint effort by the government of Turkey, African Union Commission, Foreign Economic Relations Board of Turkey and Turkey Exporters Assembly. The government of Turkey mobilized men and materials to make it a success. The President Recep Erdogan and his ministers were present and representatives of 42 African countries, including Secretary Generals and Commissioners of African regional economic communities were equally present. The occasion witnessed large number of official meetings and signing of bilateral agreements. Since 2019,

the government of Turkey has been providing an annual financial assistance to African Union to the tune of one million dollars annually.

Turkey takes as a priority , the task of assisting (LDC's) Low Developing countries, 33 of which are in Africa. In January 2011, Turkey hosted the Fourth United Nations Conference for LDC's in Istanbul. On February 22-23 2018, Turkey organized Economic and Business Forum with the West African Economic Community (ECOWAS) in Istanbul. The aforementioned expresses the significance Turkey placed on Regional Economic Communities in Africa.

Australia

Australia has diplomatic relations with all the 54 African United Nations member states. It has equally over the years established ties with African regional bodies like; Economic Community of West African States (ECOWAS) South African Development Community, Common Market for Eastern and Southern Africa, and East African Community. Some of the avenues for advancing the shared interest of Australia/Africa includes, economic summits, bilateral engagements.

One of such is the importance the Australian and METS companies attach to Africa. They sponsor famous Africa Down Under Mining conference ; annual Australia-Africa week in Perth, and the Mining Indaba in South Africa. Two way value of Australia and Africa trade in 2021 was estimated to be $9.6 billion. Australia largest export to Africa is wheat valued at

$900 million in 2021. Gold which is the largest import from Africa valued at $1.6 billion in 2021, came primarily from Cote d'Ivorie, Ghana, Mali and South Africa.

In humanitarian services, in addition to Direct Aid Program, which is the Australia government scheme that partners with community level organizations in many African countries towards supporting projects which directly contribute to socio-economic development outcomes.

In the education sector, Australia government has been providing scholarships to African students to study in Australia. While the number of African students are a modest proportion of international students in Australia, over 45000 African students that studied in Australia between 2001 and 2021. Scholarships offer great educational experiences that is in turn invaluable in the long term contribution to the development of Africa; as they use their education and knowledge to contribute to key sectors like health, technology, and agriculture, that helps the economy.

An awards and fellowship for women in Agricultural Research and Development tagged; The Australia Awards, emphasise Australia commitment and determination to building capacity with long term impact in promoting gender equality; an initiative that is line with Australian value.

In ten years up to 2019, annual visits by Australian residents grew to 177000, an indicator of the increase in the number of Australians in diaspora. On the average, eight percent of those numbers, do so on business.

Australia Center for International Agriculture Research operates in 11 countries in Africa

Conclusion

MIKTA member Nations has diplomatic relations with most countries in Africa. This provides opportunities for stronger bilateral ties that promotes global agenda in the critical areas of focus like financial regulations, climate change and combating transnational crimes. MIKTA can jointly develop a policy of investing in government funded work programs to encourage African expatriates to return to their countries of origin. The will encourage and facilitate transfer of skills needed by many African countries facing critical skills shortage. This will in addition encourage manpower development in African countries, as critical skills are transfered. MIKTA member countries focus should be sustainable job-creating sectors. For example, sustainable job-creating technologies to transform Africa, it's people and areas like the mining sector.

The changes and expansion in Africa economy is linked to a young and growing population with the emerging middle class anxious to engage in key areas of life; education, economy. The realization of future growth in Africa should spur MIKTA to action. For example by 2050, three countries in Africa is projected to have a combined population of about 830 million: Nigeria projected to have 400 million, Ethiopia 280 million and Democratic Republic of Congo 145 million. The continents average GDP growth rate of 3.1 percent surpasses the global average of 2.9 percent with ample room for further expansion. This is with its mineral resources; 30 percent of the world mineral resources. With its large consumer market, the influence of Africa in world affairs will increase MIKTA soft power. Through it's members engagement with Africa, a strong foundation will be laid for prosperous exchange. MIKTA should deliberately pursue a strategic engagement with the African Union, in areas like "Peace, Security and Governance", "Education, Science-Technology- Innovation skill"

In pursuing greater cooperation with Africa, MIKTA can support multilateral projects in favour of Africa. This can be done in United Nations systems like; Food and Agricultural Organization (FAO) World Health Organization (WHO) United Nations Educational, Scientific,and Cultural Organization (UNESCO).

In the maritime sector, the waters off Africa's eastern coast ; the Red Sea, Gulf of Aden, Western Indian Ocean are vital trade arteries for MIKTA countries.

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ZERO OIL PLAN: EXPLORING NIGERIA'S ALTERNATIVE TO A MONOCULTURAL ECONOMY

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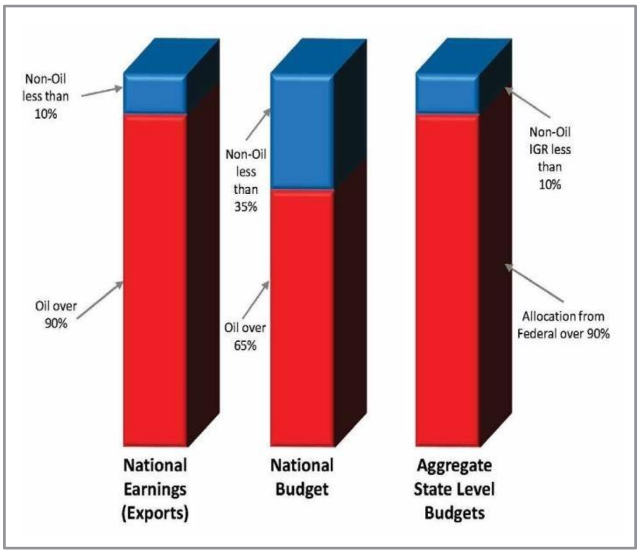
African Continental Free Trade Area

1.0 Background

1.1 Why Nigeria must move beyond Oil

Nigeria must prepare itself to survive in a world in which it can sell no more oil. Over the past five decades we have essentially run a monoproduct economy- entirely dependent, financed, and operated, on income generated from crude oil exports.This undue concentration of our exports has created vulnerabilities within the Nigerian economy, as fluctuations in international oil prices cascade deep across both Nigeria‘s real and financial sectors. Overthe past few decades, earnings from crude oil have accounted for between 65 percent and 70 percent of Federal Government revenues, and between 92 percent and 95 percent of national income. At the State Level, the dependence is just as striking. On aggregate, 90 percent of the budgetary revenues of States in Nigeria is funded through allocations from the Federation (mostly oil), while only 10 percent is funded by internally generated revenues within States. The capacity for self sustenance in many States has therefore been largely unexplored. Crude Oil has provided the requisite foreign exchange and capital that has financed Nigeria‘s imports, foreign reserves, public spending, and to some extent private economic activity. This over

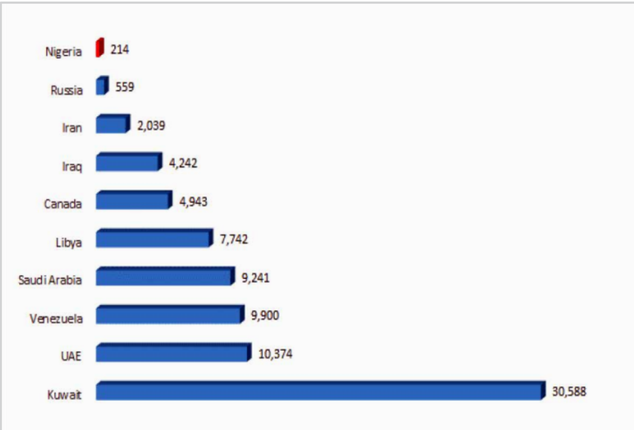
Figure 1-Concentrations in the Nigerian Economy



concentration on a single commodity creates deep fault lines within the economy, as global oil price crashes travel through all facets of the Nigerian economy. Oil is however not a ‗curse' as posited by many, but rather an endowment to be used in preparing us for the future. Nigeria is definitely better off with oil. However, our country must note the commodity's finite nature, and its limited use for long term sustainable economic advancement. Nigeria's Oil resources should be used as a down payment to build a robust diversified export basket of other products – to create jobs, earn foreign exchange, and attract investments. Essentially Nigeria must ―use oil to move beyond oil‖.

Although Nigeria is considered a major player in global crude oil markets, a number of constraints limit the extent to which this commodity alone can transform the Nigerian economy. For instance, Nigeria has one of the lowest oil reserves per capita within the Top 10 oil producing countries in the World. Although we have significant proven oil reserves of 37 billion barrels, our large pollution of 170 million people means we do not have enough oil to meet the needs of all our citizens. For instance, Venezuela, with more reserves, but a lower population than Nigeria, has oil reserves of 9,900 barrels per person (i.e. for each citizen); Saudi Arabia has 9,241 barrels per person; while Nigeria has only 214 barrels per person.

Figure 2: Oil Per capita in major



To translate this another way, assuming Nigeria produced all its proven oil reserves in one day, and immediately distributed the financial proceeds to all its citizens, the maximum amounteach person would receive is US$15,000* each (i.e. NGN 3 million per Nigerian, at US$70 per barrel). In this scenario, after this _one time‘ NGN3 million cash distribution, there would be no more oil for anyone, and no more oil even for unborn Nigerians in future…forever. Crude oil‘s limited ability to drive the economy is clear once we view Nigeria‘s oil reserves as only NGN3 million of oil per person (subject to further exploration), and beyond that, there is nothing more. Thispoint illustrates not only the finite nature of oil onthe Nigerian economy, but the limits of the wealthwhich can be created by focusing on just this single exportable resource.

NGN3 million per Nigerian...

In this scenario, after this _one time‘ cash distribution, there would be no more oil for anyone, and no more oil even for unborn Nigerians infuture…forever.

Figure 3– Nigeria's Earnings from Crude Oil

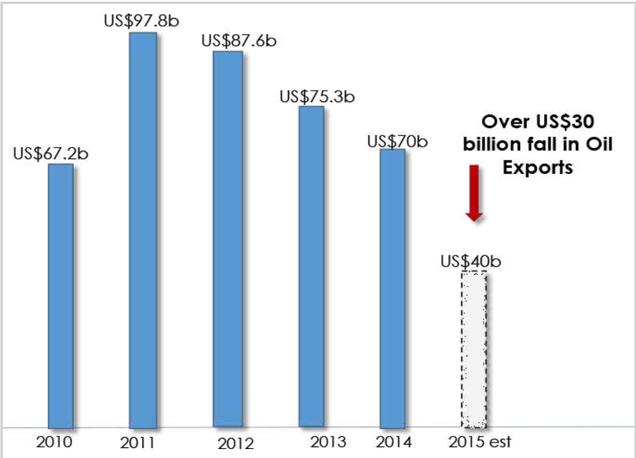
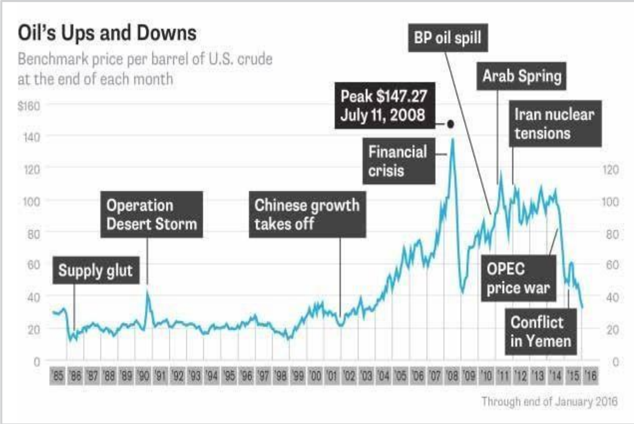


Figure 4 – Oil's 30 year History



Source Nymex

1.2 The Zero Oil Vision

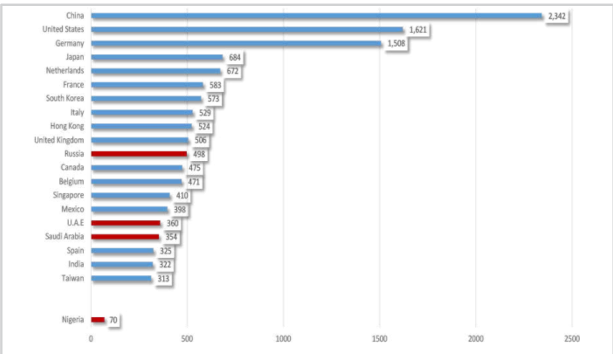
The Zero Oil Vision simply seeks to answer four basic questions regarding Nigeria's economic future:

(1) What would Nigeria do if we have no crude oil to sell?
(2) What else (other than oil) can Nigeria sell to the rest of World to earn significant foreign exchange, and generate income for Federal and State governments?
(3) How do we ensure that these new exported goods create enough jobs, and private wealth; as well as improve the quality of living, across Nigeria?
(4) How quickly can we prepare our country for a time of Zero Oil?

These questions are essential to frame the journey of restructuring the Nigerian economy to ensure we can earn the majority of foreign exchange from non-oil sources (as against mostly crude oil today).

A look at the top global exporters reveals, that only 3 out of the Top 20 exporters in the world generate majority of their export revenues from crude oil

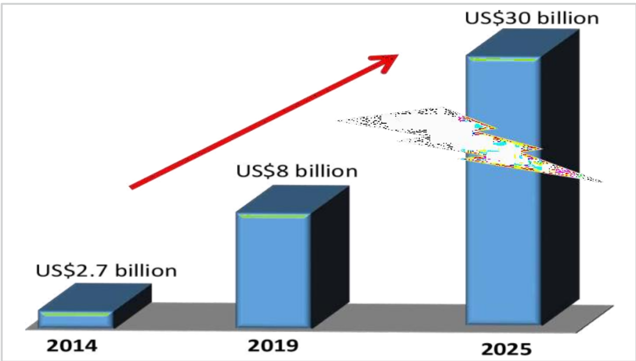
Figure 5 - Top 20 Exporters Globally 2013



Furthermore, within the Top 20 exporters, the non-oil exporters tend to be richer, have faster growth rates, and have economies that are more resilient. Nigeria therefore cannot expect to only stick to exporting oil, and become a major economic engine, or deepen the size and resilience of its economy.

To transform Nigeria‘s export agenda, the Zero Oil vision lays out the pathway for Nigeria to earn at least 20 percent of its GDP from non-oil exports, or approximately US$100 billion. This however starts with an objective to reach US$30 billion in non-oil exports in the first 10 years, which is approximately half of what was earned from crude oil exports in 2014. The non oil export targets are thus – US$18 billion (2019), US$30 billion (2025), and US$100 billion (over the long term). This agenda moves Nigeria away from being a mono-product economy, dependent on the export of a single raw material (i.e. crude oil); and transforms Nigeria into a multi-product economy driven by exports from agribusiness, solid minerals, manufacturing, and downstream oil & gas industrial products.

Figure 6 –The Zero Oil vision for non-oil exports



The Zero Oil vision will require scaling up production in the country to unprecedented levels, and creating the necessary sourcing and marketing mechanisms to get Nigerian goodsinto foreign markets at competitive quality and prices.

1.3 The Global Export Market

Total exports (or overall trade) of goods around the world are estimated at US$20 trillion a year (2014 est.). Exports of services are also estimated at another US$4.7 trillion. Developing countries have continued to gain market share in international trade, as more of these countries move up the value chain into partial processing and production of intermediate goods, before building specialization in finished and branded products.

Developing countries in East Asia have been the best performers over the past decade, and witnessed the fastest export growth globally. In implementing the Zero Oil plan, Nigeria will leverage experiences from East Asia, and adapt practices that have worked to our specific situation. Generally, Sub-Saharan African countries have performed less well in export led economic transformations; as such Nigeria will therefore be charting out new frontiers within the subregi on through its massive export diversification program in the Zero Oil plan.

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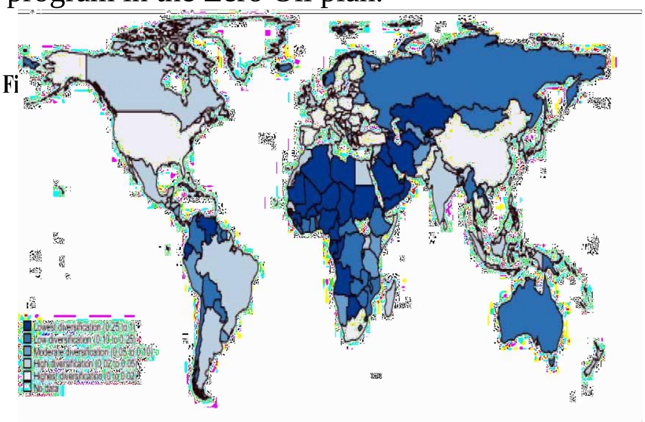
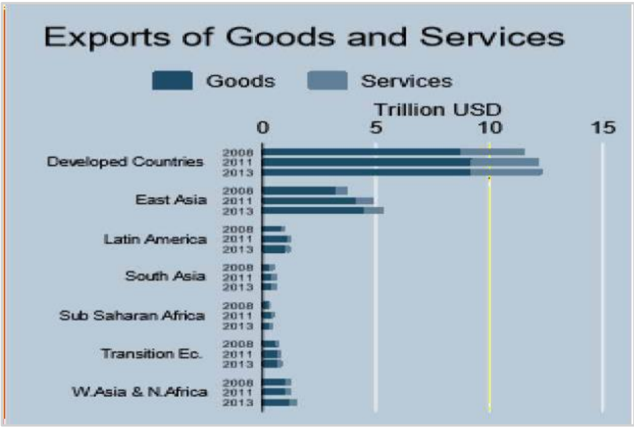


Generally, Sub-Saharan African countries have performed less well in export led economic transformations; as such Nigeria will therefore be charting out new frontiers

Figure 8–Exports of Goods and Services per region (2014)



To grow its exports Nigeria will have to address significant challenges typical to the subregi on. For many developing countries (especially Africa), integration into international and regional markets remains limited and has largely stalled since 2011. Africa still accounts for less than 4 percent of global trade. Overall trade driven by commodities has been flat for the past 5 years. Trade flows in most commodity related sectors in recent years have declined, while trade volumes have increased in manufacturing sectors. Many developing countries continue to struggle with export diversification. Africa in particular is constrained by its current export practices which rely largely on exporting a few categories of products to a limited number of countries. These practices are unsustainable for the continent, and are neither in the interest of Nigeria or the wider subregion. This is why the Nigerian government is implementing the Zero Oil plan.

Asia‘s success has come from a substantial increase in exports, especially exports of manufactured goods. In addition, Asian governments have invested heavily in hard

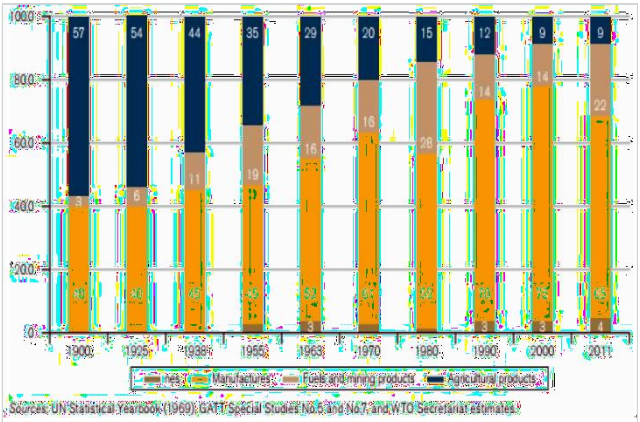
infrastructure that aids the process of creating production clusters, getting goods to ports, and shipping them to foreign markets. Figure 8 shows that Sub-Saharan Africa (including Nigeria) are heavily concentrated on exports from one or just a few products.

1.4 Export Opportunities for EmergingEconomies

Global export markets are constantly shifting, creating openings and opportunities for new-comers. For instance over the past 10 years, developed countries have faced a relative decline in their ability to export and supply certain goods into international markets. High volume, lower and medium technology products have become the strategic foothold through which developing countries are penetrating the international markets with their goods. This should also be Nigeria‘s foothold into the global export markets.

There has been a remarkable shift of the value of globally exported products away from agricultural products, into manufactured goods. There is also however anecdotal evidence that individual countries also have to evolve through this cycle – first starting from agro exports, and working their way towards exporting higher value manufactured goods over time.

Figure 9 - Product shares in world merchandise exports since 1900



Most of the highest value exports are either manufactured or processed goods (except for oil, gas, and or manu.

are more valuable, and more economical to transport due to their higher value-to-weight ratio. As part of the Zero Oil plan, Nigeria will also adopt strategies to maximize the financial value of its exports, provided that such initiatives do not limit our national ability to access key markets. The first priority of the Zero Oil plan will be to acquire market share in key product groups where Nigeria has natural advantages (even if margins are initially low), and then steadily increase our share and margins in the value chains over time.

Figure 10 – Annual international trading values of key products

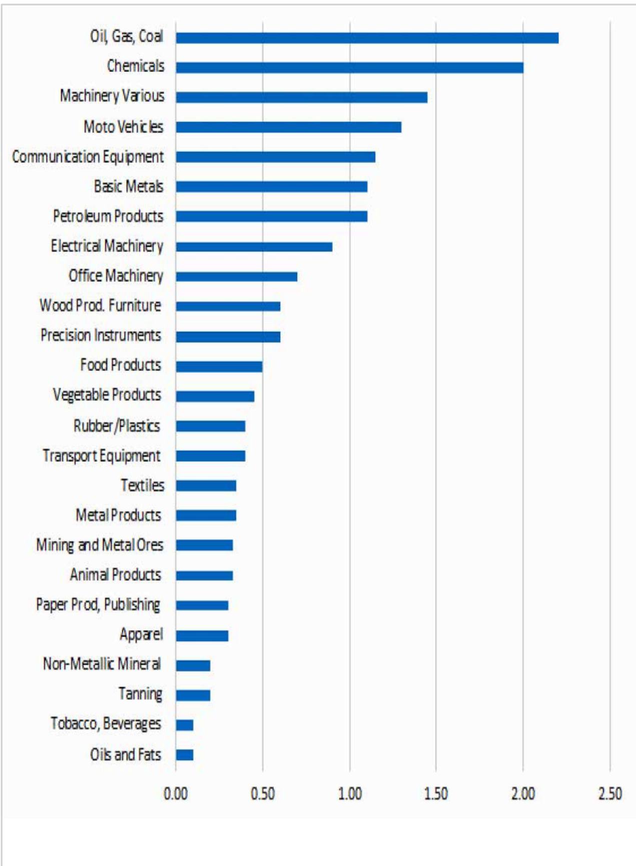


Figure 11–Categories of goods exported by developed and developing Countries

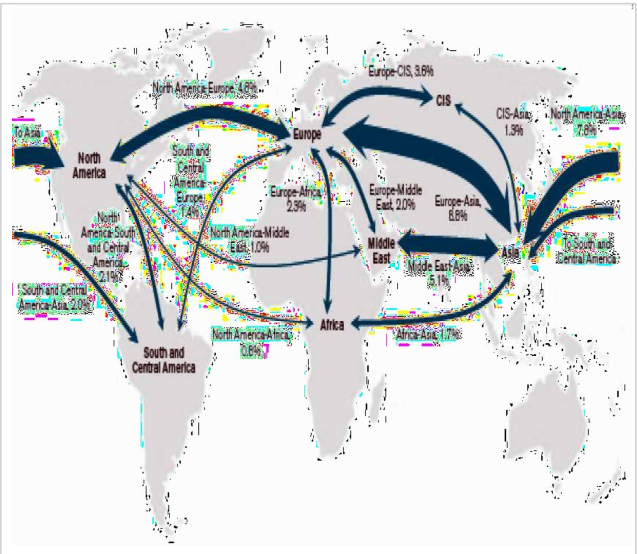
Exports Dominatedby	Broad Product Categories
Group A: Developed Countries (over 60% exports)	• Motor Vehicles • Chemicals • Paper, Prod, Publishing • Animal products • Machinery • Transport Equipment

Exports Dominated by	Broad Product Categories
Group B: Both Developed Countries & Developing Countries (Between 40% and 60% Exports)	• Food products • Precision Instruments • Rubber/ Plastics • Metal Products • Basic Metals • Non-Metallic Minerals • Vegetable Products • Tobacco Beverages • lectrical Machinery • Petroleum Products
Group C: Developing Countries (Over 60% Exports)	• Wood Products\ Furniture • Mining and Metal Ores • Oils and Fats • Tanning • Office Machinery • Textiles • Apparel • Communication Equipment • Oil, Gas, and Coal

1.5 International Trade Corridors andRegional Trade

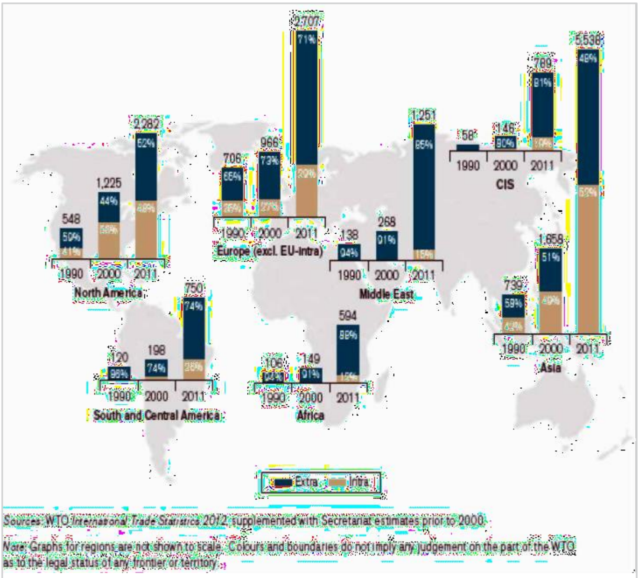
Today, the international corridors with the highest trade volumes are: the Europe-Asia corridor; the North America-Asia corridor; the Middle East-Asia corridor; the North America-Europe corridor; and the Europe-CIS corridor. The five listed trade corridors account for over one-third of all trade flows in the world. From the above, Nigeria therefore does not have an existing corridor with major trade volumes to push its goods cheaply into foreign markets. This gives an indication that freight costs may be relatively pricey exporting from our subregion, and other positive trade externalities of international trademay not exist in our path. Nevertheless, producing goods competitively enough may compensate for this concern.

Figure 12–International trade corridors



The absence of large trade corridors in Nigeria's proximity means that under the Zero Oil plan Nigeria will have to prioritize entering a few key markets with _deep pockets' to generate large enough off-takes for the products in which we choose to specialize.

Figure 13 –International Trade by region (who has the money tobuyour goods internationally?)



Intra-regional trade is critical for export growth. Approximately 48 percent of trade in North America is between countries on the same continent (i.e intra-regional trade); 29 percent in Europe, and 52 percent in Asia; however African intraregional trade remains extremely low at 12 percent of its total trade. Over 80 percent of Africa's exports are shipped overseas, to the European Union (EU), China and the US. Africa'sintra-regional trade and exports is hampered due to complex and conflicting trade rules, cross- border restrictions, poor transport networks, and relatively small buying power of most African markets.

The Nigerian Zero Oil plan will explore ways to boost intra-African trade as a strategic imperative; Nigeria will however also maximize the market opportunities in well-developed channels in the short to medium term, to boost foreign income.

1.6 Winning the Global Trade Race: ThroughCompetitiveness of Exports

In recent years, the rise of Asian export engines (such as China) mainly through low and medium technology goods has redefined the allocation of investment capital globally. Capital is naturally attracted to regions that demonstrate higher productivity and output levels. In the case of exports in particular, it is key that unit costs of production are as low as possible for Nigeria to compete globally.

A critical factor, which continues to underpin the success of exporting nations, is the degree of ―competitiveness on exports‖. In this regard, most nations have adopted two strategies. The first strategy has been investments in national shared services (e.g. power, ports, transport, and storage) that transforms a country into a major export hub. Under this strategy, cross cutting national competitiveness issues are addressed, and a significant number of products become competitively exportable from specificcountries. The second strategy (typically done in combination with the first), has been to develop specialization.

mobilizing targeted groups of companies and investors, to become competitive producers on the global cost curve for select products.

The global cost curve gives an indication of where a country (or company) compares in its unit cost of production compared to other exporters around the world. It is the holy grail of the international export business.

Under the Zero Oil plan, Nigeria will prioritize export competitiveness for select non-oil sectors and aim to operate in the lower third (bottom 33 percent) of the cost curves of the strategic export products in which we choose to specialize.

1.7. Case Studies of an Export Led Economic Revolution

Many countries have used specific policy measures to drive exports. Nigeria can adopt and adapt some of these lessons to its environment. Some of the strategies reviewed in preparing the Zero-Oil plan are shown in this section.

China

China *(population 1.4 billion)* is the largest exporter in the world with total exports of $2.3 trillion and a global export market share of 12 percent. The foreign currency reserves of China exceed US$3 trillion, due to their large export focus. Over the past thirty years, the Chinese government has taken deliberate steps towards increasing its exports from the country. Examplesof specific export driven policy measures:

- Economic partnership and trade agreements
  - China currently has over 13 free trade agreements (FTAs) signed.
- Sectorial targeting for export: including light industrial products, textiles, and machinery and electronic goods.
- Liberalised foreign investment laws and incentives for joint ventures.

- Establishment of Special economic zones and open cities.
- Incentives for exports including: investor tax holiday, 50 percent reduction in CT, zero duty for inputs for export, export VAT refunds etc.
- Strong China EXIM balance sheet, financing 12 percent of all trade. (export credit, insurance, working capital etc).
- Attracted global brands and franchises to produce from China
- Import substitution policies

India

India *(population 1.3 billion)* had exports as at 2015 of US$310 billion. India is the 19th largest exporter globally accounting for 1.7 percent of the global export market share. The foreign currency reserves of India exceed US$300 billion. The Indian Government has also used aggressive export strategies to increase export of Indian products globally. Examples of specific export driven policy measures:

- Sectorial targeting for export: target sectors include agriculture, handlooms, handicraft, gems & jewellery, leather and marine sectors.
- Strategic trade agreements to increase market access – PTAs, FTAs etc.
- Sectorial export promotion councils, with mandates to promote exports of specific sectors
- Designation of additional ports for to boost exports
- Export incentives schemes: duty entitlement pass book, Merchandise Export from India Scheme (Duty scripts offered for export for notified goods, Service Exports from India Scheme , Export promotion capital goods scheme (EPCG)- import M&E for exporters at10 percent duty
- Duty free Export oriented units / parks, special economic zones, export processing zones.
- Export financing – credit guarantee scheme

Local and international Made in India campaigns

Malaysia

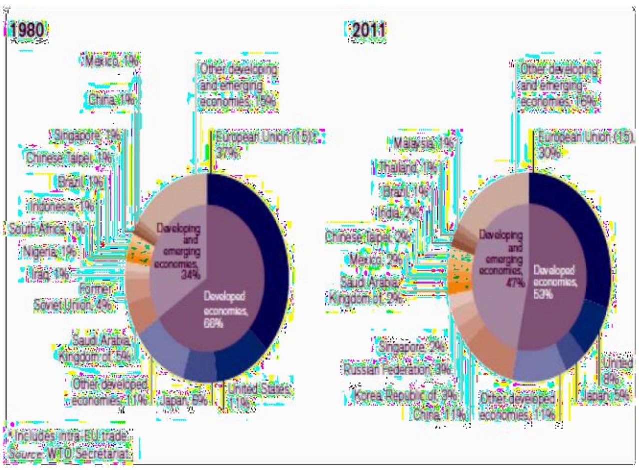
Malaysia *(population 31 million)* had exports as at 2015 of over US$230 billion. Malaysia is the 23rd largest exporter globally. The foreign currency reserves of Malaysia exceed US$ 90 billion. Malaysia's economy is one of the most dependent on exports globally, with an Exports to GDP ratio of 76 percent. Examples of specific export driven policy measures:

- Export promotion sectorial focus: palm oil, electrical products, food & beverage, Plastics& rubber.
- Export Incentives: exemption of income tax for export increases, tax exemption for qualifying expenses from export of services
- Export Excellence Awards.
- Sector specific export promotion councils.
- Annual international trade and export exhibitions.
- International trade offices – 39 offices
- Duty exemptions for export driven manufacturing.
- Extended Tax relief for export oriented projects (4-10 years relief).
- Export financing – central re-financing of export credit, credit insurance etc.
- Development of free trade zones and free commercial & industrial zones facilities.

1.8 The Situation of Exports in Nigeria

Nigeria once featured prominently on the global export markets, with a well-diversified suite of products to offer; however over the years the export basket has become significantly overweight on one major product – crude oil. For instance in 1980, both Nigeria and China had a 1 percent share of the global export market, an indication of the level of promise within the Nigerian economy at that time. However, by 2011, China had claimed 11 percent of global exports, while Nigeria had shrunk to 0.4 percent of the market.

Figure 14 - Shares of selected economies in world merchandise exports 1980-2011



In 1980, both Nigeria and China had a 1 percent share of the global export market... However, by 2011, China had claimed 11 percent of global exports, while Nigeria had shrunk to 0.4 percent of the market.

The absence of a cohesive bold non-oil exports agenda was primarily responsible for Nigeria's retreat in global exports.

Figure 15- Exports of GDP for key countries

S/n	Country	Exports to GDP - 3 year average
1.	Brazil	12 percent
2.	Russia	29percent
3.	India	24percent

4.	China	24percent
5.	South Africa	31percent
6.	Malaysia	76percent
7.	Indonesia	24percent
8.	Nigeria	18percent *(but only 1% if Crude Oil is excluded)*
9.	Turkey	27percent

Nigeria Export Promotion Council (NEPC)

Figure 16–Where does Nigeria export most of its products (2014)?

1. India
2. United States
3. Brazil

Figure 17–What are Nigeria's key non-oil Exports?

Excludes all hydro carbon exports – oil or gas

1. Cocoa
2. Tanned Hides (i.e. leather)
3. Oily seeds

Challenges faced by non-oil exports in Nigeria

A number of challenges have hindered non-oil exports in Nigeria over the years, some of which include:

(i) Absence of a list of strategic export products to concentrate national efforts, accelerate output, and capture market share in international trade.

(ii) No clear priority markets and countries to deepen Nigeria's relationships for the specific purpose of boosting exports into those markets.

(iii) Poor sourcing mechanisms and gathering infrastructure to aggregate output in Nigeria from large and small businesses, for export preparation (e.g. standardization, packaging) and onward shipping.

(iv) Absence of mechanisms to mobilize large off takes for exports, and de-risk the demand side concerns of Nigerian producers and suppliers.

Poor market intelligence and information to coordinate investments and production for the purpose of exports

(v) Inadequate affordable long term funding and trade lines for export focused operations.

(vi) Constantly changing policy positions from government (on issues such as export incentives, and export grants).

(vii) Disconnect between Federal government efforts to boost non-oil exports, and the activities at State and Local Government level.

(viii) Poor coordination of the various efforts of government MDAs on boosting non-oil exports – i.e. varied activities, conflicting communications.

1.9 Why the Zero Oil Plan is critical toNigeria's future

Oil will not last forever, and Nigeria must begin to plan for a future without oil. The Zero Oil plan sets out this agenda, and serves as a bedrock for the Nigerian economy over coming years. By generating at least US$30 billion from non- oil exports, the Zero Oil plan will fundamentally restructure the real sector. The plan will scale up production to unprecedented levels (agriculture, industry, and solid minerals), ensure supporting infrastructure (power and transport) exists to support production, and move those products into foreign markets. The plan will also have cross cutting effects that ripple through all aspects of the Nigerian economy.

The expected effects of the Zero Oil plan include:

(1) Strong Trade Balance, Strong Currency – Increased foreign exchange income, which will strengthen Nigeria's balance of trade and support the Naira.

Improved Public finances – Growth in real sector output will drive economic activity and strengthen the government's fiscal position.

(2) Jobs, Skills, and Quality of Life–The plan will cascade into employment due to national output growth. Export led employment will drive improved skills, wage growth, and therefore an overall improvement in quality of life.

(3) More Strategic Sovereign Relationships
– Repositioning Nigeria's regional and international bilateral relationships with particular emphasis on increasing market access for goods produced in Nigeria.

Growth in Real Sector Output–The plan will result in a rapid increase in the output of key products (including agro products, manufactured goods, solid minerals, and oil & gas derivative products). The plan sets output targets for strategic sectors over the next 5 to 10 years, to track and monitor.

(4) Improved Competitiveness – The plan pushes for lower operating costs within the real sector. This is key for Nigeria to operate at the lower end of the global cost curve for key products, and successfully sell its goods at globally competitive prices round the world (by addressing power, freight, and shipping constraints).

(5) Economic Linkages –The plan facilitates economic inclusion of adjacent industries, as well as micro, small, and medium enterprises.

Higher Investments – The plan will drive increased domestic and foreign investments in Nigeria to support output growth, and provide bankable channels for modernization of Nigeria's financing markets. Capital will be allocated across the export value chain – including processing plants, agricultural fields, and associated infrastructure.

2.0 Why Export from Nigeria

Full name: The Federal Republic of Nigeria

Population: 170 million

Area: 923,768 sq km (356,669 sq miles)

Monetary unit: 1 Nigerian naira = 100 kobo

Nigeria has a population of 170 million people, and is the largest country in Africa, accounting for over 15 percent of the entire continent‘s population and 47 percent of West Africa‘s population. The Nigerian population is expected to become the 3rd largest in the world by 2050. Nigeria has a relatively young citizenry with a median age of 18 years, indicating a large presence of youth in the country. Nigeria is also the biggest oil exporter in Africa, and possesses the largest natural gas reserves on the continent. It has about 44 solid minerals in commercial quantity. With these large reserves of human

and natural resources, Nigeria has every reason to build a prosperous economy, significantly reduce poverty, and create wealth.

The Future Nigerian Economy

The Zero Oil plan has been developed to envision a Nigerian economy that can last into the future. To achieve this we adopt an economic model which emphasizes mobilizing Nigerian people and land for productive ventures to drive exports(and not just natural resources).

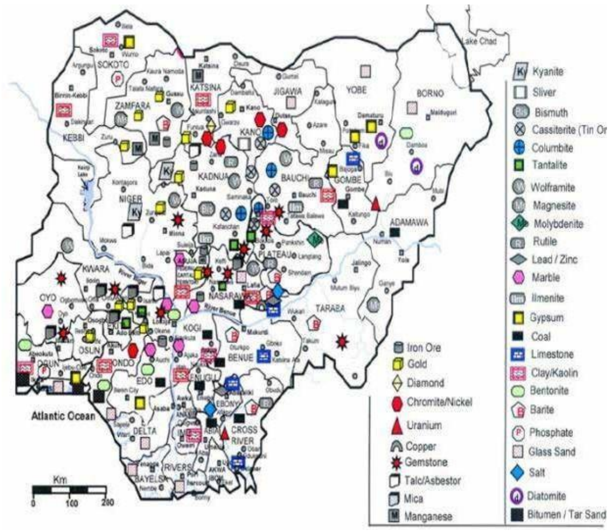
2.1 Strengths

- **Strength: Vast Energy Resources-** Nigeria possesses a vast amount of energy resources. It is the 11th largest producer of crude oil globally and the largest producer of oil in Africa. Nigeria also has 37 billion barrels of proven reserves, which is 10th largest in the world.

Figure 18–The Energy Map of Nigeria

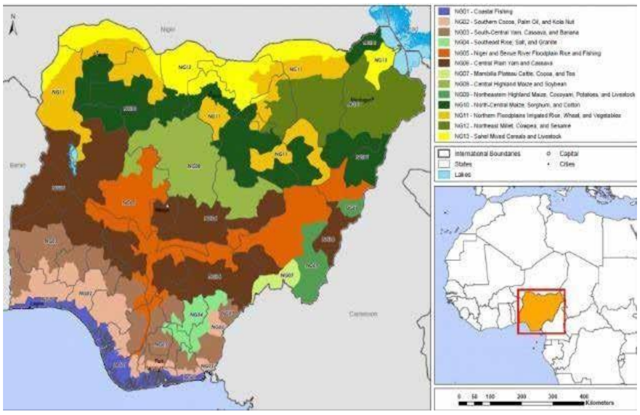
In addition to having the 10th largest oil reserve globally Nigeria also possesses the 8th largest gas reserves globally, with 187 trillion cubic feet of gas reserves. Natural gas could provide feedstock for numerous gas driven export industries, such as petrochemicals, fertilizer, methanol, or energy intensive manufacturing sectors.

- **Strength: Vast Solid Minerals Resources-** In addition to the large oil and gas reserves, Nigeria has large relatively untapped solid
- mineral assets. According to the National Geological Survey Agency, Nigeria is in possession of 44 exploitable solid minerals in commercial quantities. Some of these minerals include; Iron ore, Gold, Chromite/ Nickel, Copper, Gemstone, Manganese, Gypsum, Limestone, Coal, Clay/Kaolin, Marble, Uranium, Gemstones, Barite etc
- Figure19–Some Solid Minerals in Nigeria



- **Strength: Significant Arable Land for Agriculture-** Nigeria has large agricultural potential with 84 million hectares of arable land and 279 million cubic meters of surface water providing large irrigation potential. The strength of the Nigerian agricultural system lies in the diverse agro-climatic regions, which stretches from the Niger-Delta region in the south with a lot of aquatic potential to the more arid areas of the north which is preferred for livestock growth and certain crop growth. In addition, the rainy season in Nigeria spans over 6 months in majority of the country, which allows for the cultivation of cash crops such as cocoa, rubber, coffee, cotton, cassava, rice and palm kernel in exportable quantities. Whilst other staple crops such as yam, maize, fruits and cassava also grow in most areas.

Figure20–Agricultural Potential in Nigeria



- **Strength: Strategic Geographic Location, access to large markets (i.e. well positioned coastal country) -** Nigeria is strategically located to take advantage of growing export opportunities globally. Located at the Gulf of Guinea at 8.0000N, 10.0000E, Nigeria is not landlocked and has direct access to the Atlantic Ocean, providing access to vital markets, especially with line of sight access to consumers in the US, EU, and South America. Nigeria also has feasible tradingroutes to Eastern markets (China, India,
S.E Asia etc). Nigeria is also strategically located to take advantage of growing Intra- Africa trade opportunities, especially those in Western and Central Africa due to proximity.

Strength: Basic Investments exist in key Export Infrastructure - Nigeria has also made some legacy investments in key export infrastructure. For instance, existing viable routes exist from the hinterlands to the ports. Similarly, some investments have gone into ports over the years, for example the Lagos (Apapa) port complex, Tin Can Island Port complex, Onne Port Complex, Calabar Port Complex, Rivers Port Complex, and Delta Port Complex. The existing export route and port infrastructure will need to be upgraded and expanded to meet the needs of a massive increase in exports; however the basic elements already exist to be improved upon.

(3 times the population of South Africa) and is currently the 7th largest country in the world. Furthermore the Nigerian population is young and growing fast.

Figure 21– Top 10 most populous countries in the world

**** Nigerian population projected to 2015**

Rank	Country	Population
	World	7,256,490,011
1	China	1,367,485,388
2	India	1,251,695,584
3	United States	321,368,864
4	Indonesia	255,993,674
5	Brazil	204,259,812
6	Pakistan	199,085,847
7	Nigeria**	181,562,056
8	Bangladesh	168,957,745
9	Russia	142,423,773
10	Japan	126,919,659

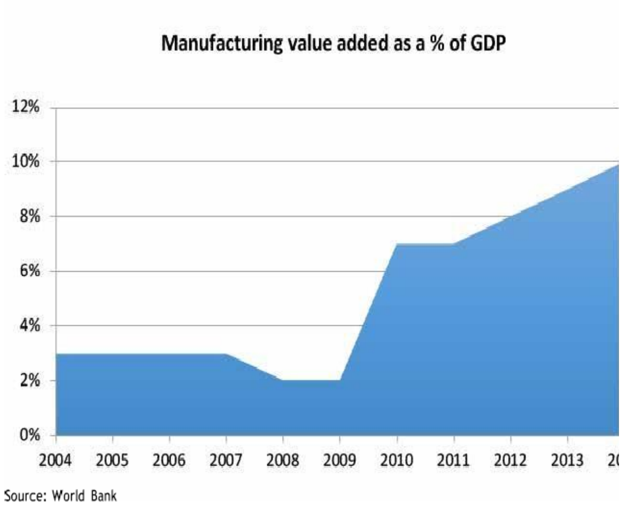
The big local population creates captive markets, around which investors can first build scale and competitive operations, before then spilling over into the larger export markets. Furthermore, other countries want access to Nigerian markets which can be used to negotiate good trade agreements to promote reciprocal exports of Nigerian goods into foreign markets.

- **Strength: Large and Affordable Workforce-** Nigeria has a workforce estimated at over 55million people, the 9th largest in the world. Furthermore, wages in the country are competitive compared to those in developed markets, or a number of emerging markets. The presence of a large affordable work forcewas one of the factors that drove investors and exporters to setup in China over the past 3 decades. Nigeria can also replicate the same.

- **Strength: Diaspora community** – The number of Nigerians living in diaspora is estimated as between 5 and 17 million people. The number of Nigerians offshore therefore likely exceed the populations of Ireland, Switzerland, or Singapore. The large diaspora community provides unique assets to transfer skills, technology, capital, and know-how to boost Nigerian exports. Nigeria can also boost exports directly through sales of goods to Nigerians abroad and also to use existing Nigerian diaspora networks (with the support of embassies) to promote the export of Nigerian goods and services to priority markets around the world.

- Strength: Legacy manufacturing base – Nigeria is the base for over half of the manufacturing capacity of West Africa (i.e. ECOWAS) and therefore remains a hub for industry in the region. This provides vital assets to produce value added products for exports. Nigeria's manufacturing capacity utilization typically hovers around 50 percent, indicating there is scope for increased productivity even on the existing installed manufacturing base. Although, significant investments and retooling is needed in the Nigerian manufacturing sector, the legacy base provides a platform to build upon for exports

Figure 22 – Nigeria's Manufacturing value-added as percentage of GDP



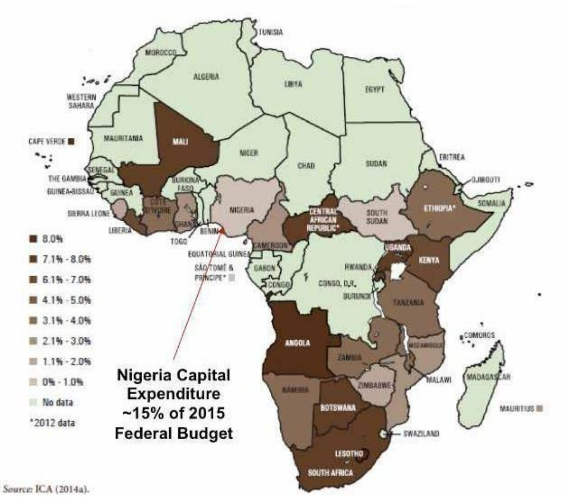
2.2 Weaknesses

- **Weaknesses: Quality and standards requirements of target markets** - Although Nigeria has had success in exporting its oil and gas resources it has not done as well in its export efforts within the non-oil sector. A challenge has been the level of compliance with quality and standards requirements of target markets. An estimated 15 percent of Nigerian food and agro products exported from Nigeria and ECOWAS as a whole are rejected from the borders of Europe, America and Asia, as they do not conform to the required country standards. These will be addressed under the Zero Oil plan. Whilst standards organizations such as the Standards Organization of Nigeria (SON), and National Agency for Food and Drug Administration and Control (NAFDAC), have made positive strides towards controlling quality of exported products, better coordination is needed between public and private sector players to strengthen this area.

- **Weaknesses: Infrastructure (Power, road, and rail)**-Infrastructure is viewed as the backbone for the development of any economy. Most successful developed and developing countries have an infrastructure stock equal to 70 percent of their GDP, while Nigeria currently has an infrastructure stock of between 20 percent and 25 percent of GDP. Poor infrastructure reduces operating competiveness, which is one of the most critical elements in the international exports markets

  The Nigeria Infrastructure Master Plan, estimates that Nigeria needs US$3 trillion investments over the next 30 years (i.e. US$100 billion annually). To achieve cost competitive exports however, only a fraction of this will be required.

Figure 23 – Budget Allocations to Infrastructure in Africa



In meeting the Infrastructural needs for large-scale exports, Nigeria can identify the priority pieces of infrastructure needed specifically for export purposes. Such key export infrastructure will be packaged and accelerated in development because they support feasible commercial routes. A pinpoint approach to the nation's infrastructure development (prioritizing areas of immediate commercial viability) will make export infrastructure programs affordable, feasible, and of interest to private sector concessionaires. These will include
- transport corridors, key export ports, and production hubs.

Weaknesses: Lack of Export Aggregators-A gap in the Nigerian non-oil export value chain is the current lack of efficient and qualified aggregators. For instance, farmers struggle to find credible off takers for produce, leading to waste, inconsistent production, and an inability to expand. This has been further worsened by the low level of information available to farmers and miners about market prices and where and to whom to sell their output. There is also a significant absence of reliable export logistics facilities (e.g. warehouses) and logistics providers. Assuch, there is high volatility in market volumes,swinging..

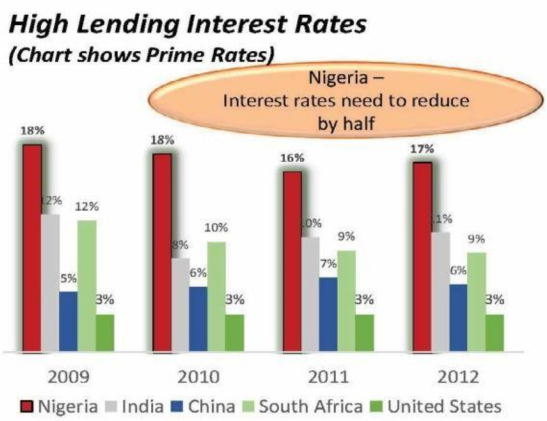
(public or private) will 'make markets‘, and provide physical and virtual locations to facilitate trade in specific products for exports.

- **Weaknesses: Low levels of real sector output**–Real sector output overall is low in Nigeria. Our country does not produce enough in most cases to meet its needs and thus reverts to imports, which reduces the ability to export. Most countries export their surplus production after producing more than enough for their local markets. Nigeria therefore needs radical reform of various sectors to accelerate the growth of real sector output, in agriculture, solid minerals, manufacturing, and oil & gas industrial activities.

- **Weaknesses: Inadequate Export Financing-**. The high costs of finance, short duration of funding, and low appetite (and understanding) for export finance limits growth within the exports sector. The Export Credit Agency in the country (NEXIM) is significantly undercapitalized, while commercial banks have more expertise and know-how in import finance, rather than export finance.

In addition to these specific issues, real sector finance in Nigeria also has a number of structural issues – including, low commercial bank assets to GDP; low stock market capitalization; high interest rate etc.

Figure 24 – Prime Lending rates in key markets



- **Weaknesses: Export logistics and administration–** The logistics performance index looks at logistics performance (including exports logistics) for countries all over the world. The index is based on efficiency of customs clearance, quality of trade and transport related infrastructure, ease of arranging shipments, quality of logistics services etc. Currently Nigeria's logistic performance index is 2.81 (1 being low and 5 high), indicating relatively low performing export logistics capabilities in the country.

Figure 25 – Logistics Performance Index of Key Countries

- **Weaknesses: Poor Market Intelligence and Low Export Know-How -** There is a relatively low level of export market intelligence especially for MSMEs in Nigeria. Many exporters struggle in basic areas – Where to source products cheaply? Who to sell products to? Where are the credible off takers? How best to package goods for exports and meet foreign requirements? For many small business exporters, this information is often too expensive to develop or obtain.

2.3 Opportunities

- **Opportunities: Moving into low-tech high volume goods –** Over a three-decade period, East Asian economies became the export engines of the world, by taking over low-cost production from rich countries who were no longer competitive in those sectors. However, with the current structural rebalancing going

  on globally, a number of those economies, such as China, also now need to let go of some sectors as well, which will have significant implications for Nigeria. The rising cost pressures in China is increasingly leading to the transfer of certain low cost production to other smaller economies. The so-called ―hollowing-out‖ effect may lead to low-end production relocating to African countries such as Nigeria, where they have a chance to be more competitively produced and exported.

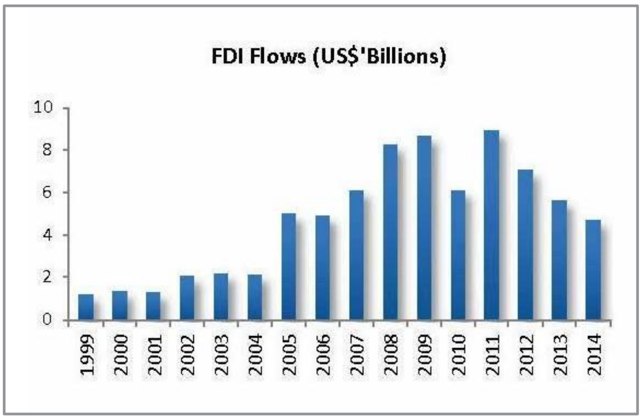
- **Opportunities: Converting competitive and comparative advantages of Nigerian States -** Nigeria has significant comparative and competitive advantage in the production of certain key resources such as gas related industrial products, palm oil and cocoa. These industries will provide the fastest export growth opportunities and are areas where Nigeria has either previously shown global leadership or has the potential to be a leading producer and exporter globally. More importantly by encouraging entrepreneurial spirits within Nigeria's State governments, Nigeria could unlock a race for States to look within for credible exports projects based on their areas of strengths.

Opportunities: Building capacity on highly imported products - Large local markets with high imports create the captive markets necessary to support companies that later become global exporters. For example, China is one of the world's largest steel exporters today, because it is the world's largest steel consumer. The large industries that are setup to supply the local market sand reduce imports are the same assets to produce for exports. Sectors such as these provide the dual benefit of a rapid reduction in the trade balance (through lower imports), and eventually a positive contribution to the trade balance (as the surplus is exported).

- **Opportunities: Readily available global technology available to ramp up production-** For low and medium technology products, Nigeria has access to capital goods and equipment from both developed and developing countries, at reasonably competitive prices. The capital goods (i.e. inputs, plants, and equipment) for low and medium tech goods have become increasingly accessible and affordable. The rise of Asia as an export engine was also coupled with the rise of emerging markets as providers of certain categories of capital goods.

- **Opportunities: Nigeria has historically been a leading destination for foreign direct investments–** Nigeria has emerged as a major destination for foreign direct investment over the last few years. There is some investor appetite and willingness to do business in Nigeria.

Figure 26 – Nigeria historical FDI inflows



Source: UNCTAD

With the proven willingness of investors to do business in Nigeria, this provides an opportunity for the Nigerian government to channel such investments towards export related industries and export infrastructure. This is essential to the Zero Oil plan and therefore an opportunity that should not be missed

- **Opportunities: International institutional capital sources available for exports development –** There are several global capital sources that Nigeria can tap to enable export led growth in key sectors of the economy. For instance, the presence of initiatives such as the ―King Abdullah Initiative for Agricultural Investment Abroad‖ provide a unique opportunity to finance the development and export of key agricultural products. Such exports can in turn supply wealthy markets such as those in the Middle East. Other such institutional capital pool sexist in other regions of the world as well.

- **Opportunities: Trade Agreements -** The strategic use of trade and investment agreements to drive Nigeria's export agenda is key to achieving export diversification. Trade agreements give rise to opportunities, provided they are structured to protect the interest of Nigeria's local industries. Some of these are the- African Growth Opportunity Act (AGOA), European Partnership Agreement (EPA) and African Free Trade Zone Agreement (AFTZA), and other World Trade Organization agreements. New trade agreements are anticipated in coming years, and should be adapted to meet Nigeria's Zero Oil objectives.

Figure 27 – Degree of Global Economic Integration around the world

2.4 Threats

- **Threats: Recovering oil prices-** The recent crash in global oil prices has created a renewed urgency to diversify Nigeria's export basket. There is however a threat that as the price of oil recovers, the urgency may once again be lost. The Zero Oil plan will set up inclusive governance structures and a legal

  framework to sustain the national agenda of export diversification, regardless of oil price cycles. The case to be made to Nigerians is the same, that even at US$100 per barrel; Nigeria does not have enough oil to make its citizens wealthy. This is why we must diversify away from oil, and create wealth through other means.

- Threats: Trade restrictions (duties, technical restrictions, and subsidies)
  -A big threat to an export driven Nigerian economy is the risk of tariff and non-tariff barriers being introduced by other countries. Such trade actions can restrict Nigeria's ability to expand its market share of exports into target markets. Many countries also give subsidies to their industries to drive output and distort market dynamics. To mitigate against this Nigeria needs to deepen its capacity in commercial diplomacy and build strong public sector and corporate links in target markets.

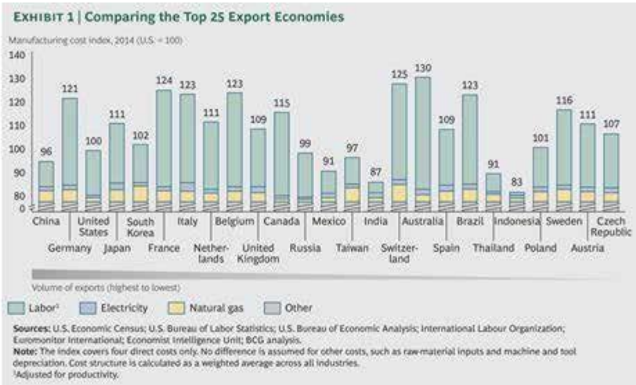
- **Threats: Macroeconomic pressures**– Macro pressures may limit the government's ability to accelerate the export diversification agenda. Although low commodity price screate the right urgency to diversify exports, low commodity prices also create less room for flexibility on fiscal and monetary policy. This is due to pressures from low national and government revenues.

- **Threats: Policy summersault-** Private sector Investors are essential for the success of the Zero Oil plan. Investors are however concerned about policy reversals and discontinuations by government. Under the Zero Oil plan, Nigeria will apply administrative, policy, regulatory, and legal instruments to provide comfort and continuity on the decisions to sustain the journey.

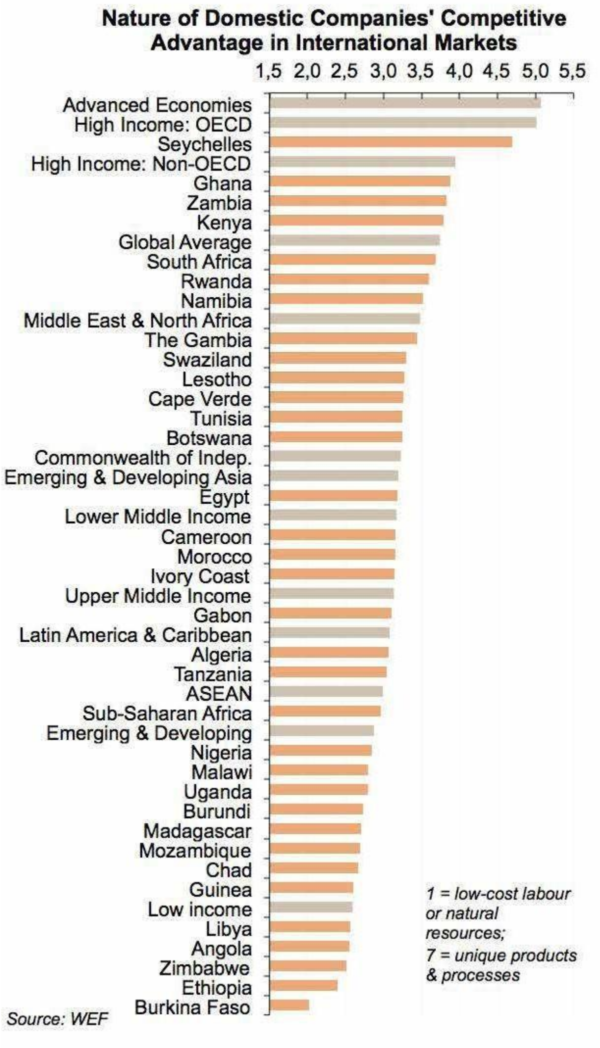
- **Threats: International competition -** Although Nigeria remains an attractive destination for investors, the investment climate in Nigeria needs to be improved(as measured by the World Bank and World Economic Forum). Nigeria will address broad

- investment climate concerns, but more importantly, will also address the sectorial concerns to make production competitive. As mentioned in earlier sections, the goal of the Zero Oil plan is to ensure specific export sectors in Nigeria (to replace oil) can produce within the bottom third of their respective global cost curves. Globally, cost and quality competition never stops. Likewise, Nigeria must adopt practical tactics to compete now, and stay competitive into the future.
-
- Figure 28 shows large variations in macro manufacturing costs of the top 25 exporters in the world. This varying cost is evidence that macro level competiveness may not be as important as sector level competitiveness. It is important to note that many exporters actually build deep specializations and competitiveness in specific export sectors, even when this level of competitiveness is not necessarily reflected in the wider economy as a whole. In exports, what matters for a country is therefore not to be competitive broadly, but rather to be competitive in specific sectors and activities (i.e. sector level competitiveness).

- Figure 28 – Comparing Manufacturing Index of the Top 25Export Economies
-



- The Zero Oil plan will facilitate a process through which MDAs can work with the private sector to achieve sector competitiveness, and ensure production costs are in the bottom third of the global cost curve for key export sectors.
- **Figure 29 – Nature of Domestic Companies Competitive Advantage in International Markets**



3.0 The Nigeria Zero Oil Plan

3.1 Goals and Objectives

The ―Zero Oil‖ plan is Nigeria‘s first coherent agenda to diversify its source of foreign income. The Zero-Oil plan has been designed as a 10 year plan to accelerate Nigeria‘s non-oil exports thereby reducing our dependency on crude oil revenues. It is a new direction for Nigeria that will stimulate economic growth, create jobs, improve standards of living, and ensure macroeconomic stability. The plan will ramp up production in key sectors of the economy where Nigeria can earn considerable foreign returns. The Zero Oil plan will remove export barriers and thus creating a more enabling export environment in Nigeria.

The three core objectives of Nigeria‘s Zero Oil plan are as follows:

(i) To add a minimum of **US$150 billion to Nigeria's foreign reserves** from cumulative non-oil exports over the next 10 years

(ii) To create **at least 500,000 additional jobs annually,** due to increase in productive activity (from non-oil exports only)

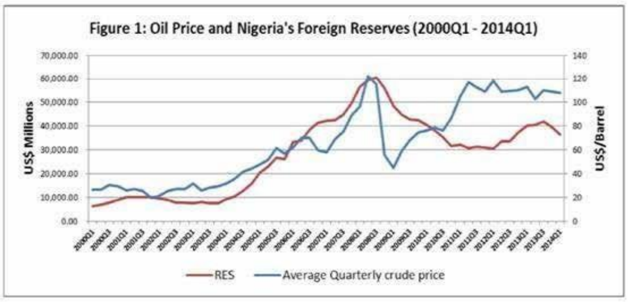
(iii) **To lift** at least 10 million Nigerians out of poverty

OBJECTIVE #1 – *To add a minimum of US$150billion to Nigeria's foreign reserves from cumulative non-oil exports over the next 10 years*

Nigeria's foreign exchange reserves increased significantly from US$3.40 billion in 1996 to US$28.28 billion in December 2005 peaking at an all-time high of US$62.08 billion in September2008 before declining to US$ 39.07 billion as

at July 2014 (Figure 30). The unprecedented increase in the country's external reserves was attributable to high oil prices.

Figure 30: Oil price and Nigeria's Foreign Reserves (2000- 2014)

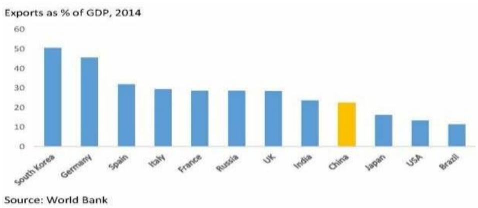


Source: Statistics Database, CBN (2014)

Crude oil exports account for over 90 percent of Nigeria's foreign reserves, and with recent pressure on oil prices, Nigeria's reserves have shrunk. The purpose of the Zero Oil plan is to find other sectors to replace lost oil income, but more importantly to sustain exports of other products into the future, in order to avoid other macro risks in future.

It is critical that Nigeria finds other means to earn foreign exchange and augment its reserves. The Zero Oil plan therefore aims to grow non-oil exports from US$5 billion (today), to US$18 billion (2019), and eventually US$30 billion (2025). The plan is to ensure that over this period, non-oil exports will contribute a cumulative addition of US$150 billion or more to the nation's foreign reserves.

Figure 31: Export as a percent of GPD



The Zero Oil plan therefore aims to grow non-oil exports from US$5billion (today), to US$18 billion (2019), and eventually US$30 billion (2025).

The longer term vision under the Zero Oil plan is however much bigger. The long term vision is for Nigeria to run an economy without oil (i.e. with Zero Oil). This will be comparable to other emerging market economies. The long term plan beyond 2025 is therefore for Nigeria‘s non-oil exports to exceed 20 percent of GDP (based on 2013). This would mean yearly non-oil export revenues exceeding US$100 billion. When that is achieved, Nigeria‘s independence from oil will be complete.

OBJECTIVE #2 – *To create at least 500,000 additional jobs annually, due to an increase in productive export related activities*

Successful export policies typically drive job growth. In the United States exports support over 10 million full time and part-time jobs. Similarly in China, where over 13 million new jobs are created each year, the bulk of these Chinese jobs come from exports and domestic investments. Essentially exports drive jobs.

According to the NBS, Nigeria typically creates about 1.2 million jobs a year (both formal and informal). This however is insufficient as the Nigerian workforce is estimated to grow by at least 2 million people each year. Faster job creation initiatives are therefore needed. The government is promoting policies and initiatives to drive mass employment, to not only clear the backlog of unemployed, but also drastically bring down the unemployment rate.

The Zero Oil plan aims to achieve massive job creation, by ensuring economic linkages, all along the export value chain in agriculture, solid minerals, general manufacturing, and oil& gas industrial products. Jobs will be created in development, production, processing, packaging, transportation, marketing, shipping.

Inancing, and other ancillary services. This is achievable due to the scale of Zero Oil activities to develop other export sectors to the level of replacing oil.

OBJECTIVE #3 – *To lift 10 million Nigerians out of poverty*

According to the NBS, 70 percent of Nigerians live in poverty on less than US$1.25 a day. Deliberate action is therefore required to reduce poverty, and empower more Nigerians.

Figure 32: Extremely poor geographic distribution

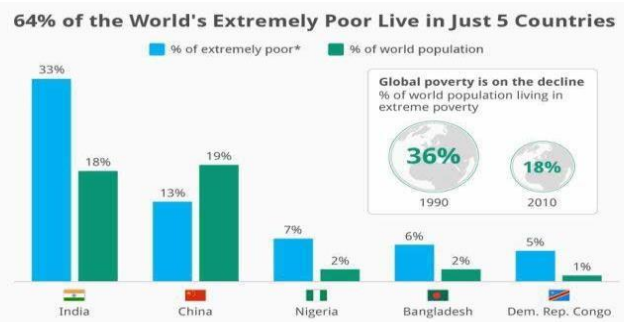
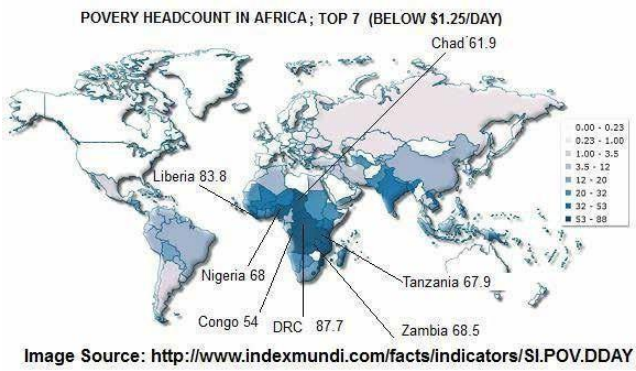


Figure 33: Poverty Headcount in Africa



About 14 million Nigerians were lifted from poverty between 2003 and 2010. If Nigeria‘s poverty reduction rate continues at this rate, 40 percent of the Nigerian population will still live in poverty by 2066. The pace at which less wealthy Nigerians are empowered therefore needs to hasten. The Zero Oil plan aims to accelerate poverty alleviation in Nigeria as the plan touches every State in the country, and introduces initiatives to integrate the grass roots into productive activity

through its export led strategies. China‘s total export is valued at US$ 2.2trillion a year, of which over 90 percent from non-oil export. Nigeria intends to achieve similar results in drastic reduction of poverty by aggressively growing non-oil exports to drive the economy.

3.2 Why is the Zero –Oil Plan different?

The Zero Oil plan provides a framework to effectively grow Nigeria‘s Non-Oil sector and replace lost earnings from oil. It is Nigeria‘s first coherent agenda to drive the economy through exports. The Zero Oil plan provides a clear road map that will boost production and get Nigerian products into multiple markets.

The Zero Oil plan is unique in four ways:

(i) **Focused & Deliberate**– the plan focuses on one lever ‗exports‘ through which economic activity will be unleashed throughout the country. It deliberately repositions Non-oil exports as the major foreign revenue driver. The plan systematically evaluates Nigeria‘s sectoral strengths and identifies priority sectors through which Nigeria can earn up to US$30 billion by 2025. The plan strategically maps out target markets to which Nigeria can market its priority products. It also provides the necessary guidance on priority areas to allocate resources for export.

(ii) **Drives Output -** the Zero Oil plan lays out the roadmap to scale up production in Nigeria to unprecedented levels. The ramp up of production is cross cutting - in agriculture, manufacturing, solid minerals, and the downstream petroleum sector. It is only what Nigeria has produced, that Nigeria can export. The Zero Oil plan defines specific mechanisms to drive sustainable increases in real sector output.

(iii) **Results Focused** – the Zero-Oil plan sets clear goals and targets that are achievable and measurable. The result is simple - Nigeria‘s intention is to earn more foreign exchange from non-oil sources. By pursuing this goal, other benefits will follow - investments will increase, jobs will come, the fiscal position will improve, and we will have more flexibility in foreign exchange policy. While the benefits are desirable, the most primary objective however is to grow foreign exchange from other non-oil sources. This prioritization of one primary result will help decision makers evaluate results of policy choices and decide when to modify or continue with recommendations.

(iv) Coordinated -The Zero Oil plan has been developed by the Nigeria Export Promotion Council (NEPC) taking into account lessons learned from prior policy thrusts in export led economies. The success of other countries is premised heavily on strong coordination between government Ministries, Departments, and Agencies (MDAs). The Zero Oil plan is directly linked with existing economic plans of the Nigerian administration. Specifically the plan will coordinate with the efforts and activities of other key Federal ministries, such as: Ministry of Agriculture and Rural Development, Ministry of Solid Minerals, Ministry of Petroleum Resources, Ministry of Power, Works & Housing etc.

It is only what Nigeria has produced, that Nigeria can export.

3.3 The Zero Oil Framework

Figure 34 - The Zero Oil Framework

The Zero-Oil framework is based on six strategic pillars:

i. ―Zero-Oil‖ Export sectors
ii. ―Zero-Oil‖ Markets
iii. ―Zero-Oil‖ Sourcing
iv. ―Zero-Oil‖ Finance & Incentives
v. ―Zero-Oil‖ States & Zones

―Zero-Oil‖ Organization & Institutions

The pillars are further broken down into specific thrusts to execute the program.

i. <u>“Zero Oil” Export Sectors</u>

This pillar identifies Nigeria‘s priority sectors for export; which are products with the capacity to replace oil revenues.

In doing so, we evaluate sectors using a multi- pronged approach and classify them into Categories-A and B.

Category - A : Big Ticket areas.

This category represents sectors that have the best ability to significantly contribute to Non-oil export income. These are big financial earners. These items are heavily traded internationally, and are areas where Nigeria has the ability to build scale. The list includes 11 strategic export products, where Nigeria will pursue a 5 percent market share of their global exports. By scaling up production and exports of Category - A products, Nigeria can earn up to US$ 30 billion by 2025. These are – Petrochemicals & Methanol, Soybeans (and derivatives), Sugar, Cotton & Yarn, Nitrogenous Fertilizer & Ammonia, Palm Oil, Rice, Rubber, Hides & Leather, Cocoa (and deriviatives) and Gold, amongst others.

Category-B: Legacy export areas.

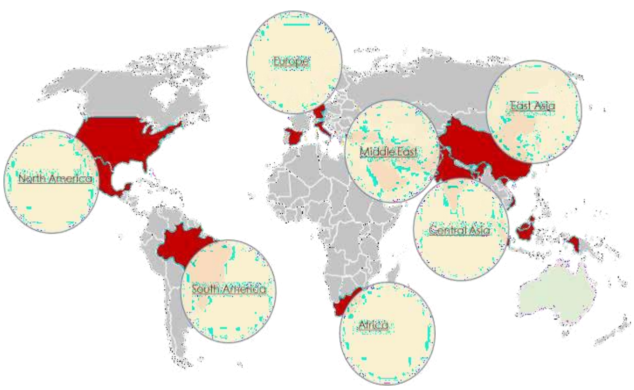
This category represents products where Nigeria has history and natural ability to export; however, the potential for foreign income may be limited. For these products, the size of their international traded market is not as liquid. Nevertheless, these products can bring foreign exchange, create jobs, and serve as the base for further industrial processes. Some of these include – Cashew, Cassava, Tomato, Ginger, amongst others.

ii. **<u>"Zero Oil" Markets</u>**

The markets pillar identifies target export markets from where Nigeria can generate sustainable foreign exchange. Nigeria's current Non-oil exports are concentrated in specific regions and are not diverse. About 60 percent of Non- oil products are exported to Asia and Europe.

in particular India, and the United Kingdom. The Zero-Oil plan proposes the expansion and diversification of Nigeria's export markets. The plan identifies a list of 22 countries (i.e. —Export 22‖), with the highest potential to buy our high priority export products. The plan also highlights an —Export to Africa‖ initiative, for Nigeria to strategically deepen its product entry into Sub- Saharan Africa, over a period of time. Specific initiatives to open these markets, and generate off takes for Nigerian products are covered under this pillar.

Figure 35: Export Continent Destination



iii. **<u>"Zero Oil" Sourcing</u>**

The sourcing pillar lays out a framework to scale up production of strategic export products. The sectoral policy decisions of other MDAs and States are critical for this pillar. The pillar sets production targets to ensure Nigeria meets its total Non-oil value target. The targets ultimately highlight the investments, capacity, and effort required for each priority sector.

This pillar also lays out key thrusts to address export logistics, by identifying critical transport corridors to move goods from the hinterlands to the ports. The establishment of National export aggregators and buying centers, as well as reforms within the Nigerian Commodities Exchange, are critical to create off-take points for large and small businesses to integrate into the export value chain.

iv. "Zero Oil" Finance and Incentives

The finance and incentives pillar is a critical element that will propel exports worldwide. The pillar lays out initiatives to raise funding for non- oil exports, and channel these towards projects to boost Nigeria's export diversification. The pillar therefore addresses challenges that constrain Nigerian exporters in both of the key categories of export finance – (i) pre-shipment financing (to fund material and labor necessary to fulfill foreign sales order), and (ii) post shipment financing (to generate early liquidity to exporters while offering payment terms to buyers).

Initiatives under the Finance and Incentives Pillar include- Recapitalization of the National Export Credit agency; Initiation of the Export Development Fund EDF, (which is backed by law but never executed for decades); earmarking portions of existing intervention funds for MSME exporters; setting a mechanism to accelerate capital into transformational export projects; amongst many others.

The finance & incentive pillar also lays out a frame work, to lower costs of incentives and maximize their benefits. This includes guiding principles for a reformed EEG scheme, and introduction of smart incentives to reward export growth.

v. "Zero Oil" States and Zones

The states and zones pillar empowers States Governments to lead aspects of the Zero Oil Plan. The economic policies of the 36 States and FCT are key to restructuring the Nigerian economy. The Zero Oil plan builds an entire pillar on having the States drive key aspects of the export diversification agenda. This includes the One State One Product initiative (OSOP), where States identify a Category-A, Category-B, and alternate products, which they can specialize for exports.

Other initiatives under this pillar include – States developing local export links into the National export corridors; and the establishment of an export empowerment platform to provide export.

skills, tools, and competencies to thousands of Nigerians. This pillar also includes mechanisms to mobilize and coordinate MSMEs, Youths, and Women to ensure they are integrated into the National export value chain.

vi. "Zero Oil" Organization and Institutions

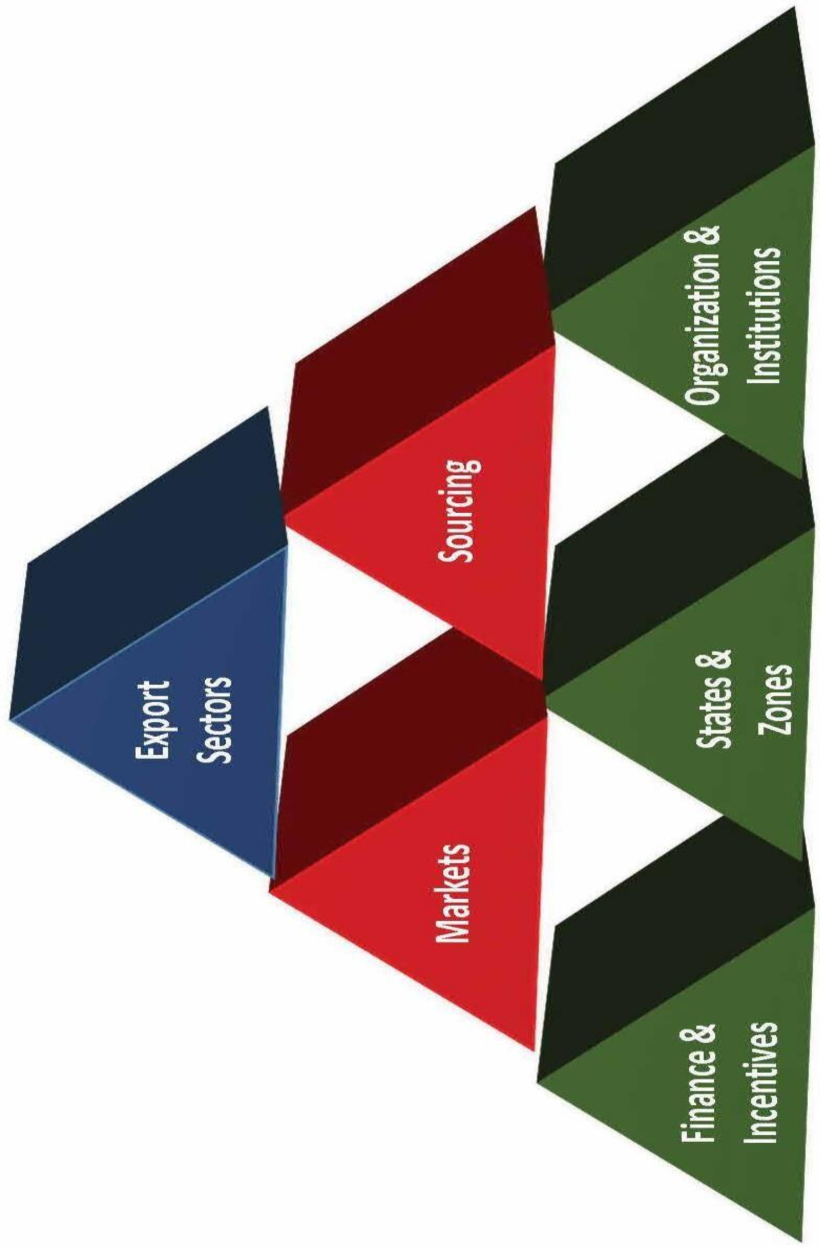
Effective implementation of the Zero-Oil plan requires a well-structured governance system to drive the programme and facilitate collaboration between multiple MDAs. The plan defines a performance management framework based on key indices and feedback mechanisms. This pillar includes – establishing Zero Oil programme governance structures at the Federal and State levels; setting up workgroups to include multiple MDAs; reorganizing the NEPC; and proposing an institutional model to improve the business environment to encourage more investments.

A Note on Export of Services

Export of services are an essential component of the global exports markets. Global exports in goods are estimated at US$20 trillion a year; while exports of services are estimated at US$4.7 trillion a year. India and many emerging market countries have leveraged on service exports (e.g. technology and call centers) for their economic growth.

This ―Zero Oil‖ plan recognizes the importance of services in Nigeria‗s export diversification journey. This current document however is fo cused mainly on goods exports. A separate Zero Oil document (i.e. ―The Zero Oil Plan: Services Pack‖) details out initiatives for exports of services from Nigeria.

The Zero Oil Framework



4.0 "Zero Oil" Sectors and Products

A Focus on Nigeria's Sectorial Strengths

The Nigeria Zero Oil Plan identifies key sectors with the best potential to accelerate Nigeria's rise in the global non-oil exports market.

Under the Zero Oil plan, Nigeria adopts a dual strategy in selecting target export sectors; these are:

(1) Category-A- Big Ticket items - This category of sectors present the highest financial potential from exports. These sectors are the best options for Nigeria to earn sufficient revenues to displace crude oil revenues. They are therefore critical to reach the US$30 billion target for non-oil exports.

(2) Category-B - Legacy export items- This category of sectors include products where Nigeria has a history, or natural ability to earn some foreign exchange. Although products in this category may not yield as much foreign income, they are however essential to job creation and MSME involvement in the national export markets and will therefore also be encouraged.

A considerable level of export growth is achievable in Nigeria considering the size of its economy.

Top Merchandise Exports for Select Countries

Many countries earn significant foreign exchange from just a few high value export products. Nigeria also must find such ―Big Ticket Items.

(i.e. Category-A products) to accelerate it srevenue diversification from crude oil. Figure 36 shows the value of the top five non-oil exports, as well as the value of total exports, from BRICS and MINT countries.

Figure 36–Export value of Top 5 Non-oil products for BRICS and MINT

	Cou n-try	Top 5 Non-OilExports	Annual Export Value (Top5 non oil Exports only)	Annual Export Value (Total All Exports)
1.	Brazil	Iron Ore, Soy-beans, Raw Sugar, Poultry,Corn	~US$ 90 billion	~US$250 billion
2.	Russia	Refined Petro-leum, PetroleumGas, Raw Alumi-num, Semi-Fin- ished Iron, Gold	~US$180 billion	~US$500 billion
3.	India	Refined Petro- leum, Medica-ments, Jewelry,Rice, Cotton &Yarn	~US$ 95 billion	~US$300 billion
4.	China	Computers, Broadcasting Equipment, Tele-phones, Inte- grated Circuits, Office Machine Parts	~US$530 billion	~US$2.2 trillion
5.	South Africa	Gold, Dia-monds, Plati-num, Coal, IronOre	~US$ 50 billion	~US$120 billion
6.	Malay-sia	Integrated Circuits, Refined Petroleum, PalmOil, Computers, Telephones	~US$ 95 billion	~US$260 billion
7.	Indo-nesia	Coal, Palm Oil, Rubber, Refined Petroleum, Leather footwear	~US$ 55 billion	~US$200 billion
8.	Turkey	Semi-Finished Iron, Refined Petroleum, Vehicles (and parts), Gold, and T-shirts	US$40 billion	US$170 billion

A number of themes emerge from these countries‘ exports including:

(1) The top non-oil exports are mostly in highly traded products internationally.

(2) Countries tend to specialize in areas they have some natural (or developed) production advantage.

(3) A limited number of non-oil exports contribute a large amount to total exports (i.e. concentration of exports). For instance, the top 5 non-oil export sectors for BRICS and MINT tend to account for at least 30 percent of their total exports.

These themes are used in prioritizing sectors under the Nigeria Zero Oil plan.

Selection Criteria for Zero Oil Sectors

Three key criteria are adopted in selecting the ―Big Ticket‖ export items for the Zero Oil Plan (i.e. Category-A products).

Criteria 1: Size of the product\sector traded internationally (i.e. financial value)

- Priority sectors selected are liquid and well traded on international markets. This makes it easier to find buyers, and to add new capacity without distorting market structures.

- Thinly traded products will not yield sufficient income for Nigeria. When the financial value of exports are small, sufficient foreign exchange is not earned.

Therefore, for Category-A products, the Zero Oil plan assesses only products with a minimum international market traded size of US$20 billion. In some instances, closely related sectors are also aggregated to reach the US$20 billion minimum threshold in defining the sectors.

Criteria 2: Relative ease of operating in the sector(i.e. degree of complexity)

- Priority sectors under Nigeria‘s Zero Oil plan possess relatively simple business models and technology requirements. The degree of ease to invest and operate determine show quickly it is to scale up production for that sector in Nigeria. This will include a consideration for the size of investments; level of technology needed; and complexity of the supply chain.
- Sectors that are less complex will better ensure that Nigeria‘s export diversification is accelerated.

Criteria 3: Comparative advantages within Nigeria(natural ability for Nigeria)

- Priority sectors include areas where Nigeria has existing natural endowments and abilitiesto do well.
- These will include sectors that utilize natural resources and endowments in Nigeria. It alsoincludes sectors where Nigeria has a strong history or legacy.

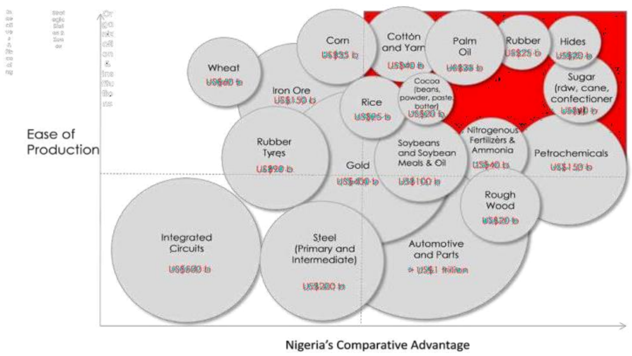
Over 200 products\sectors were assessed under these criteria using a weighted index.

From this, a final list of 11 products were identified as Category-A products under the Nigeria Zero Oil Plan.

Category-A Products (—Big Ticket‖ items)

Products have been mapped on the Zero Oil grid using Criteria 1 to 3,to prioritize non-oil products.

Figure 37–Identifying priority export products for Nigeria



The Top 11 products under the Nigeria Zero Oil plan are therefore listed as follows:

1) Petrochemicals & Methanol
2) Soybeans
3) Sugar
4) Cotton & Yarn
5) Nitrogenous Fertilizer & Ammonia
6) Palm Oil
7) Rice
8) Rubber
9) Hides and Leather
10) Cocoa
11) Gold

These products are best suited to accelerate attaining the financial goals set under the Zero Oil agenda (i.e. to reach US$30 billion in non-oil exports by 2025). It should be noted that the list above does not include Zero Oil Category-B products, which are also discussed in subsequent sections of the plan. Category-B products are also important for economic growth such as cashew, cowpea, ginger, she a butter, sesame, etc.

The 5 percent Rule

In setting financial targets for each sector, the Zero Oil plan adopts a 5 percent target market share of their global trade. This ensures any additional output or supply from Nigeria is not too drastic to distort international market prices and dynamics within these sectors. Adopting this rule implies Nigeria reaching 5 percent market share for these products over the next 8 years.

Implications of the 5 percent rule are shown in Figure 38 below.

Figure 38- Applying the 5 percent rule to set export targets

	Sectors	Total International Trade (Annual Average)	Nigeria's Target Share of Global Market	Nigeria's Target Export Volume
1.	Petrochemicals & Methanol	US$ 150 billion	5%	US$7.5 billion
2.	Soyabeans, and Soyabeans Meal and Oil	US$ 100 billion	5%	US$5 billion
3.	Sugar (raw, cane, and confectionary)	US$ 60 billion	5%	US$3 billion
4.	Cotton and Yarn	US$ 40 billion	5%	US$2 billion
5.	Nitrogenous Fertilizer and Ammonia	US$ 40 billion	5%	US$2 billion
6.	Palm Oil	US$ 35 billion	5%	US$ 1.8 billion
7.	Rice	US$ 25 billion	5%	US$1.3 billion
8.	Rubber	US$25 billion	5%	US$1.3 billion
9.	Hides and Leather	US$20 billion	5%	US$1 billion
10.	Cocoa (beans, paste, butter, powder)**	US$20 billion	5%**	US$2 billion**
11.	Gold*	US$400 billion	0.5%	US$2 billion
	TOTAL			**US$28.8 billion**

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In the case of Gold, an exception to the 5 percent rule has been adopted because of the significant uncertainty in available Gold reserves within Nigeria. Due to this uncertainty, a 0.5 percent rule is used only in the case of Gold. Similarly, in the case of Cocoa, Nigeria already has 5 percent market share, so the target is to double that market share.

Sector Briefs for Category-A Products Sector 1- Petrochemicals and Methanol

The Petrochemicals & Methanol Industry

Over US$150 billion of Petrochemicals and Methanol are traded internationally every year. These industries typically emerge in countries with significant natural gas or coal reserves. The most popular products in this sector include – Propylene, Ethylene, Benzene, Toluene, Xylene Isomers, and Methanol. Many other derivatives also exist.

Current Status in Nigeria

As of today (2016), Nigeria has only one Petrochemicals Plant, Indorama Eleme Petrochemicals in Rivers State, with an installed capacity of approximately 1 million tpa. Nigeria ismostly self-sufficient in terms of Petrochemicals production and usage.

Key Facts

- The No 1 Exporter, Saudi Arabia, makes over US$15 billion from Petrochemicals related exports (installed capacity exceeding 80million tons)
- Some of the largest global Petrochemicals companies are- BASF (Germany) and Dow Chemicals (U.S), etc.

Why Export From Nigeria

Nigeria has 187tcf of gas reserves, the 8th largest in the world. Many of the States in South Southern Nigeria can support this industry.

Nigeria‘s Zero Oil Target

The Zero Oil target is to earn at least US$7.5 billion in export income from Petrochemicals and Methanol.

[Refer to Document ―Zero Oil: Petrochem and Methanol 1\1\1‖ for further details]

Sector 2- Soybeans and Soybeans meals & oil

The Soybeans Industry

Over US$100 billion of Soybeans and its derivative products are traded internationally every year. Soymeal accounts for over 60 percent of world meal production (vegetable and animal meal) and occupies a prominent position among protein feed-stuffs used for the production of feed concentrates for food and animal feedstuff

respectively. At the global level, the bulk of soybean output is stored and shipped in bulk to large-scale industrial units for further processing into oil and meal. The product typically trades as

– soya beans, soya oil, and soya meal. Only four countries - USA, Brazil, Argentina and China - account for almost 90 percent of world output.

Current Status in Nigeria

As of today (2016), Nigeria‘s annual production of Soybeans is estimated at 500,000 mt, while the installed capacity for beans crushing is estimated at 600,000 mt. The bulk of Nigeria‘s Soybeans output is used as feed mill within the domestic poultry industry. Average yield levels are approximately 1.2 MT/ha (versus global average of 2.3 MT/ha). Soybeans in Nigeria is produced on smallholder farms averaging no more than one hectare or 2.47 acres due to low mechanization. Nigeria imports approximately US$20 million of Soybeans and related meals annually.

Key Facts

- The No 1 Exporter, Brazil, exports US$ 30billion in Soybeans and derivatives each year
- Some of the largest Soy industry players, include- Bunge, ADM, Cargill etc.

Why Export From Nigeria?

The Nigerian middle belt States have shown historic capacity to cultivate soybeans in commercial quantity.

Nigeria‘s Zero Oil Target

Under the Zero Oil plan, Nigeria aims to earn at least US$5 billion in export income from Soybeans and its derivative products.

[Refer to Document ―Zero Oil: Soybeans1\1\2‖for further details.

Sector 3- Sugar

The Sugar Industry

Over US$60 billion of Raw Sugar, Cane, and Confectionary, is traded internationally every year. Sugar is produced in over 100 countries worldwide. Over 70 percent of world sugar production is consumed domestically and there maining is traded in the world. However, a significant share of this trade volume takes place under bilateral long-term agreements or with preferential terms. Since only a small fraction of world production is traded freely, small changes in production and government policies tend to have large effects on world sugar markets. Asa result, sugar prices have been unstable in the world market. Raw sugar and refined sugar are two different products. They are both traded internationally. Countries that produce Beet sugar are the ones that typically export refined sugar, while cane sugar producing countries export either raw or refined sugar.

Current Status in Nigeria

As of today (2016), Nigeria is a major importer of Sugar. Annual demand is just over 1 million tpa, while domestic production (i.e. starting from sugar cane to Sugar) is about

10,000 tpa. The bulk of the installed production capacity in the Nigerian Sugar industry is mainly in late stage Sugar refining (raw sugar to refined sugar) - and therefore not integrated to process from Sugar cane. Nigeria‘s annual import bill for Sugar exceeds US$500m every year. Efforts are still ongoing by the Nigerian government (through the Nigeria Sugar Development Council), to boost self-sufficiency in Sugar production. Some major players in the domestic Sugar industry are

– Dangote Sugar, BUA Sugar, Savannah Sugar, Josepam Sugar, Flour Mills, amongst others

Key Facts

- The No 1 Exporter, Brazil, exports over US$20 billion in Sugar and derivative products each year.
- Some of the world‘s largest Sugar industry players, include- Sueducker, Cosan SA Industria & Commerico, British Sugar etc.

Why Export From Nigeria?

The Nigerian Northern and Middle belt States have the capacity to grow Sugar cane in commercial quantity. The Sugar Development Council has ongoing investments in processing plants currently identified in at least 8 States.

Nigeria‘s Zero Oil Target

The Zero Oil target is for Nigeria to reach and exceed Sugar self-sufficiency. The target is to earn at least US$3 billion in export income from Sugar and its derivative products.

- *[Refer to Document Zero Oil: Sugar 1\1\3 for further details*

Sector 4- Cotton and Yarn

The Cotton and Yarn Industry

Over US$40 billion of Cotton and Cotton Yarn is traded internationally every year. Cotton is the most widespread profitable non-food crop in the world. Its production provides income for more than 250 million people worldwide and employs almost 7 percent of all labor in developing countries. Approximately half of all textiles are made of cotton. Emerging market countries play a great role in the production, movement and processing of cotton into a finished product. China is the world's largest producer of cotton, but most of this is used domestically. Cotton is spun into Cotton Yarn; which can be used for weaving or knitting into cloth and textiles. Cotton Yarn is also traded heavily around the world. The Yarn industry is a captive area for emerging economies, as it requires mainly the ability to produce cheaply, and meet specifications consistently, rather than depending on branding or marketing, which are prone to varying consumer tastes, as seen in the much broader textiles and garments industry.

Current Status in Nigeria

As of today (2016), Nigeria produces over 100,000 metric tons of cotton; growth has however been weak over the years. Nigeria is a net exporter of raw cotton and yarn, earning over US$200 million a year in foreign income from these products. Cotton production is dominated by small scale farmers with farms ranging from 3 to 5 hectares, yields are also low 0.2t/ha (compared to a world average yield of 0.7 t/ ha). There are also significant land cultivation constraints on cotton output, and processing limitations to manufacture Yarn. Nigerian textile and apparels sector, which should be major users of cotton, have struggled for years and run at low capacity utilization. Some major players in the domestic cotton industry are – West African Cotton Company (WACOT), amongst others.

Key Facts

- The No 1 Exporter, India, exports over US$7.5 billion of Cotton and Cotton Yarn each year
- Some of the world largest Cotton and Yarn players, include- Cargill, Allenberg Cotton, Chinatex Cotton etc.

Why Export From Nigeria?

Many Nigerian Northern States grow Cotton and have a long heritage of well-run Cotton linked businesses.

Nigeria‘s Zero Oil Target

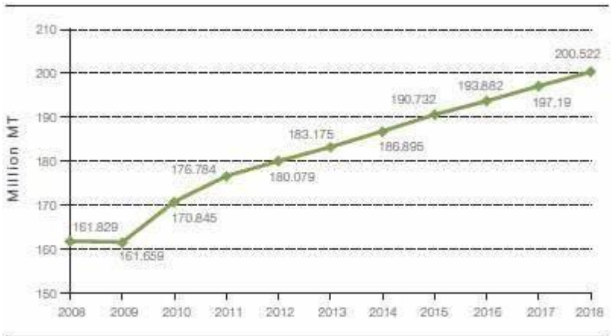
The Zero Oil target is for Nigeria to earn at least US$2 billion in export income from Cotton and Yarn.

[Refer to Document Zero Oil: Cotton 1\1\4 for further details).

The Nitrogenous fertilizer and Ammonia industry

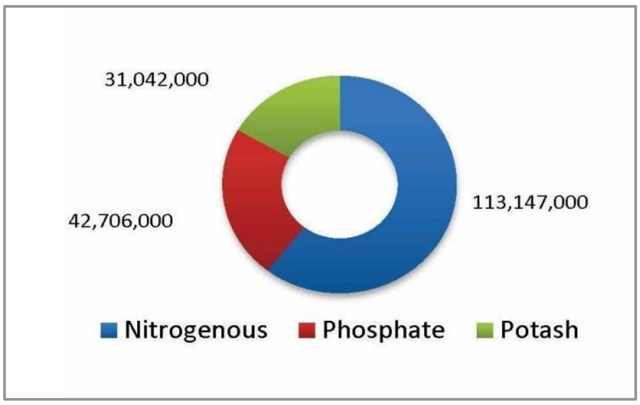
Over US$40 billion of Nitrogenous fertilizer and ammonia (―Fertilizers‖), is traded internationally every year. Total fertilizer consumption is estimated at 183.2 million tons as of 2014. This is forecasted to increase to 200.5 million tons by 2018. The global demand for fertilizer is expected to grow on average by 2.1 percent over the next 3 years.

Figure 39- Outlook on global fertilizer production



Of all existing fertilizers, nitrogenous fertilizers have the largest demand and consumption witha production of 113 million tons in 2014.

Figure 40- Main types of Fertilizer Produced Globally



The biggest exporters of Fertilizers are Russia, China and Qatar. Africa consumes 3 percent of global fertilizer production. Whilst the continent is a net exporter of nitrogenous fertilizer and phosphates it is a net importer of potash fertilizers. The growth rate of consumption of nitrogenous fertilizers in Sub-Saharan Africa is 4.6 percent and the major users are South Africa, Nigeria, Kenya and Ethiopia.

Current Status in Nigeria

Leading players in the Nigerian Nitrogenous fertilizer production industry include Notore Chemicals and Eleme Fertilizer; both companies have installed plant capacities exceeding 1 million tons each. New investors on the horizon include the Dangote group, amongst others. In terms of local demand, Nigeria has reformed its local fertilizer distribution policy with the introduction of the Growth Enhancement Scheme (GES) programme.

Key Facts

- The No 1 Exporter of Nitrogenous Fertilizers, Russia, exports over US$4 billion; while the No 1 Exporter of Ammonia , Trinidad and Tobago, exports over US$2 billion each year
- Some of the world largest Cotton and Yarn players, include- Yara, KOCH, K+S, Agrium, CF Industries etc

Why Export From Nigeria?

The key input for the development of Nitrogenous fertilizers and Ammonia is Natural gas. Nigeria has a competitive advantage in the Southern part of the country with 187 trillion cubic feet of gas reserves, the 8th largest gas reserves globally. There is also existing capacity for production with proven international investments in the sector within Nigeria and new green field projects being promoted.

Nigeria‘s Zero Oil Target

The Zero Oil target is for Nigeria to earn at least US$2 billion in export income from Nitrogenous fertilizers and Ammonia.

[Refer to Document Zero Oil: Nitrogenous Fertilizer and Ammonia 1\1\5 for further details]

Sector 6- Palm Oil

The Palm Oil Industry

Over US$30 billion of Palm Oil is traded internationally every year. Palm Oil is the largest vegetable oil in the world in terms of produced volume. Global palm oil production was 62.4 million tonnes in 2014, with Indonesia and Malaysia producing approximately 85 percent of the world‘s palm oil. About 45 percent of the Palm Oil produced is consumed domestically. Palm Oil is used in many consumer products and about three-quarters of this is for food and cooking purposes. Global palm oil consumption has grown an average 7 percent per annum

for the last two decades. The global demand has also experienced substantial growth by the rising consumption in the emerging Asian markets. India and China are the world‘s largest consumers of palm oil today.

Current Status in Nigeria

Over forty years ago, Nigeria was the leading producer of palm oil accounting for 43 percent of global production. As of today, Nigeria produces approximately 930,000 metric tons of Palm Oil, representing 1.5 percent of global production. The rise of domestic consumption to approximately 2 million metric tons has also made Nigeria a net importer over the years. Nigeria now spends an average of US$250 million per annum importing Palm Oil. About 80 percent of Palm Oil production is scattered within small holders and spread over an estimated 1.6 million hectares of land. The remaining palm oil in Nigeria isp roduced from large palm oil plantations which occupy only about 300,000 hectares combined.

Key Facts

- The No 1 Exporter, Indonesia, exports over US$16 billion of Palm Oil each year.
- Some of the world largest Palm Oil players include: Wilmar International Limited, PT Astra Agro Lestari Tbk, Sime Darby, Fielda Global Ventures etc.

Why Export From Nigeria?

In Nigeria, 24 States have the potential to produce palm oil. The South-East and South-South States however, are the leading producers and have been producing in commercial quantities for years.

Nigeria‘s Zero Oil Target

The Zero Oil target is for Nigeria to earn a minimum of US$2 billion in export income from Palm Oil.

Sector 7- Rice

The Rice Industry

Global rice trade is estimated at US$25 billion. More than 700 million tons of rice is produced annually, equivalent to 470 million tons of milled rice), but just over 40 million tons of milled rice is traded internationally. Rice trade expanded in the late 1980s in the wake of trade liberalization in many countries and the General Agreementon Tariffs and Trade in 1994.

Most of the rice produced is directly consumed in the host countries. Asia accounts for most of the rice grown and consumed in the world, 90 percent of global production and 87 percent of consumption. The top rice-exporting countriesare Thailand, India, Vietnam and Pakistan. The top rice importers are China, Nigeria, Philippines, and Iran. In Africa, rice production has lagged rice production, especially in Sub-Saharan Africa where the gap has reached over 10 million tons of milled rice, costing the entire region over US$3.8 billion annually. West Africa accounts for over 40 percent of Africa's production.

Current Status in Nigeria

Nigeria is the world's second largest importer of rice (behind China), importing over 3 million tons of rice annually. There is a domestic production shortfall costing the country over US$1.5 billion annually at a 6 percent market growth rate.

Recent attempts to resolve the supply gap through backward integration policies have led to an increase in the development of integrated rice mills in the country. The reforms to the rice industry has also attracted an estimated US$1.6 billion in investments in rice growing, mills and related activities. Leading players in the rice industry in Nigeria include, Stallion Group, Olam, BUA Group, Dangote Group, Flour Mills etc.

Key Facts

- The No 1 Exporter, India, exports over US$ 6.1 billion of rice each year, followed by Thailand, which exports over US$4.5 billion of rice.
- Some of the world largest rice producers and exporters are regional players.

Why Export From Nigeria?

Nigeria has favorable rice growing ecologies that allows it to produce upland, lowland and irrigated rice. The use of new seeds and growing methods has also allowed Nigeria to grow rice in both the wet and dry seasons. Almost all regions of the country can produce or mill rice.

Nigeria's Zero Oil Target

The Zero Oil target is for Nigeria to earn at least US$1.3 billion in export income from rice.

[Refer to Document Zero Oil: Rice 1\1\7 for furtherdetails)

Sector 8- Rubber

The Rubber Industry

Globally, US$25 billion of Rubber is traded internationally every year. Rubber production is predominately concentrated in Asia, which accounts for over 90 percent of total world production. Rubber is used as a strategic raw material in multiple products, with over 70 percent of output being used to manufacture rubber tyres. The rubber tyre market is liquid with a total international trade value of US$80billion. The three largest producers of natural rubber are Thailand, Indonesia and Vietnam. Thailand has been the world‘s largest producer of natural rubber for over 20 years and accounts for 34 percent of world production. Global natural rubber consumption has grown at approximately 5 percent per annum for the past five years, which has been driven by increased consumption in the natural rubber producing countries and the industrialization drive of other developing economies. China is the largest consumer of rubber in the world, accounting for nearly 37 percent of world consumption of rubber. China uses most (80 percent) of its natural rubber for tire manufacture.

The surplus of rubber in the global market has led to significantly reduced international prices over the years.

Current Status in Nigeria

Nigeria currently produce over 140,000 metric tons of rubber every year which accounts for 1.2 percent of world‘s production of rubber. Less than half of Nigeria‘s production (60,000 metric tons) of rubber is exported whilst 57 percent is used domestically. Car tyres, which used to consume over 70 percent of Nigeria‘s rubber, are no longer produced in Nigeria following the exit of Michelin and Dunlop manufacturers. Nigeria uses its rubber as raw material for multiple industries such as shoes, carpet, adhesive etc.

Nigeria is falling significantly short of its production capacity for rubber. Significant cultivation constraints, international rubber price fluctuations, land & storage, amongst other issues, have constrained the growth of Nigeria‘s rubber sector. It is estimated that about 18 million hectares of land is suitable for the cultivation of natural rubber in Nigeria. However, only about 247,000 hectares of land is under natural rubber cultivation; with about 154,000 hectares under tapping. Smallholdings (usually 1 to 5 hectares) account for between 75 to 85 percent of rubber production in Nigeria; while the remaining output is from estate plantations.

Key Facts

- The No 1 Exporter, Thailand, exports over US$8.4 billion of natural Rubber each year (In Rubber Tires, China does over US$15 billion of exports).

- Some of the world largest rubber players include- Sri Trang Agro-Industry Plc., Thai Rubber Latex Corporation), Thai Hua Rubber Public Co., Ltd., Von Bundit Co., Ltd., Southland Rubber Co., Ltd.

Why Export From Nigeria?

About 18 states in Nigeria grow rubber and have long-standing history in production and commercial retail of this product. The rubber producing states are dispersed across the middle belt and southern regions of Nigeria.

Zero Oil Target

The Zero Oil target is for Nigeria to earn a minimum of US$1.3 billion in export income from Rubber.

Sector 9- Cocoa

The Cocoa Industry

About US$20 billion of Cocoa beans and its intermediate products (Cocoa powder, liquor, and butter) is traded internationally every year. Cocoa beans account for 50 percent of the combined traded value. Approximately 3 million metric tons of cocoa is produced every year with the main cocoa producing regions being Africa, Asia, and Latin America. Africa represents 70 percent of global production of Cocoa. Ivory Coast is the largest producer of Cocoa beans accounting for 33 percent of the world‘s output. Cocoa and its derivatives are most widely used for the production of chocolate. Increasing global appetite in the chocolate confectionery market has led to increasing demand for cocoa. As the primary regions for chocolate manufacturing, Europe and the United States are the main importers of post-processing cocoa products (paste, butter, powder). A significant share of this trade largely takes place under preferential terms and duty-free basis.

The intermediate cocoa product market is sizeable creating opportunities for value addition. For example, over US$2.7 billion of Cocoa butter is imported largely by Europe; US$2.5 billion of Cocoa powder the by Europe, the United States, and Asia; and US$2 billion of Cocoa Paste largely by Europe. The booming consumption in Asia (led by wage growth) is expected to increase the demand for cocoa in the US$100 billion chocolate and confectionary industry. Cocoa prices have been relatively stable over the past five years and are less prone to fluctuations.

Current Status in Nigeria

For years, Cocoa has ranked as the second largest exported product after crude oil. Nigeria produces approximately 280,000 metric tons of cocoa per annum. Over 90 percent of Nigeria's cocoa production is exported with less than 10 percent of production retained for domestic consumption. Nigeria's cocoa industry contributes significantly to employment and boasts of employing 5 million Nigerians. Significant challenges continue to constrain cocoa production in Nigeria including: low yields as a result of aged cocoa trees, farm losses of up to 30 percent from pests and diseases every year, lack of reliable and credible off takers etc. Nigeria has 810,000 hectares of land dedicated to cocoa cultivation; the majority of which is located in the South-West region. Smallholdings, typical family run farms, produce the vast majority of cocoa. There are approximately 300,000 cocoa farmers in Nigeria.

Key Facts

- The No 1 Exporter of cocoa and its deriviative products, Ghana, exports over US$5.7 billion of Cocoa (beans, powder, paste and butter) each year.
- Some of the world largest Cocoa producers and exporters are mid-sized regional players.

Why Export From Nigeria?

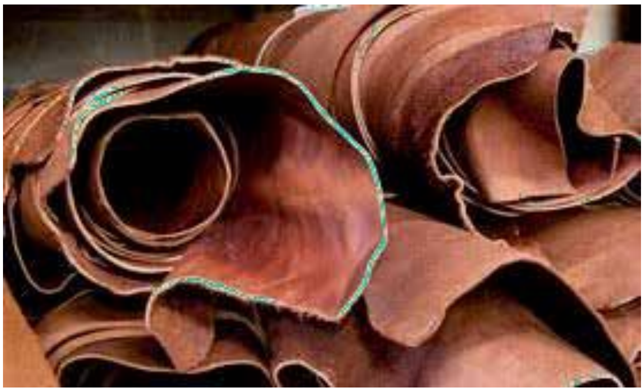
Cocoa is Nigeria's largest Non-oil export, and the country has a demonstrated capacity to produce in this sector. The majority of cocoa is produced in the South Western region of Nigeria; however, there is capacity for it to be produced in 14 statesa cross the country.

Nigeria's Zero Oil Target

The Zero Oil target is for Nigeria to earn a minimum of US$2 billion in export income from Cocoa.

[Refer to Document Zero Oil: Cocoa 1\1\9 for further details).

Sector 10 - Hides and leather



The Hides and Leather Industry

The Global trade in Hides and Leather is estimated at US$20 billion. Leather is one of the most widely traded commodities in the world. More than half of the world supply of leather comes from developing countries mostly with large livestock industries. About 65 percent of all leather comes from bovine sources. Raw hides and skins represent 22 percent of the value of the international meat trade .

Globally over 2.2 million tons of bovine hides, 165,000 tons of sheep and lambskin and over 10,600 tons of goat and kidskin are exported annually. The value of total raw hides and skins exported annually is over US$4 billion, whilst the total value of rough tanned leather exported exceeds US$16 billion. Both commodities are dwarfed by the value of the final product, which includes footwear, upholstery, bags, amongst others. This category has an export value over US$44 billion a year.

Whilst the value of raw hides grew 16 percent over the last 16 years, the value of rough tannedand finished leather grew by 60 percent (due to a higher global demand for value-added hide products). Both however paled in comparison to the 202 percent growth witnessed in the export of leather shoes. The countries with the fastest growing leather industries – such as the Republic of Korea, Taiwan, China, Indonesia and Vietnam – have been hindered by shortcomings in raw material supply and have had to import large quantities of hides and skins. Currently new tanneries are being set up in these countries in order to meet the growing demand for leather, while there is a decline in the number of tanneries in developed markets, such as Europe, Japan and the USA.

Current Status in Nigeria

In Nigeria despite the slaughter of over 7 million cattle annually, majority of cattle hide is not traded internationally but rather used as edible hides (―pomo‖), which is a local food delicacy. The higher price comparison of the edible hides market against the leather industry has led to low incentives for farmers to sell their hides into the larger export value chain. The Nigerian leather industry is primarily centered in Kano.

It is estimated the Nigeria‘s livestock population contains 20 million bovine animals, 40 million sheep/lambs and over 55 million goats/kids. Nigerian Bovine hides and skin production has also increased from an average of 1.7 million pieces (1993-1995) to 2.3 million pieces (2012 estimate). Whilst sheepskins and lambskins have grown from an average of 5.4 million pieces (1993-1995) to 14.4 million pieces (2012 estimate). Goatskins and kidskins have also grown from 11.3 million pieces (1993-1995) to

21.2 million pieces (2012 estimate).

Key Facts

- The No 1 Exporter of bovine hides is the United States ($2 billion), while Italy is the No 1 exporter of tanned bovine and equine hides ($4 billion).
- Some of the world's largest hides and leather producers are regional players.

Why Export From Nigeria?

Nigeria has favorable land size and available species of livestock for the hide and leather industry. Although most slaughtering is executed at village level and in urban abattoirs, the growing size of the finished leather market puts Nigeria in a strong position to take advantage of its historical cattle trade and leather industry. Most states in the North West and North Eastern regions of Nigeria.

Nigeria‘s Zero Oil Target

The Zero Oil target is for Nigeria to earn at least US$1 billion in export income from Hides and Leather.

[Refer to Document Zero Oil: Hides and leather 1\1\10 for further details]

Sector 11 - Gold

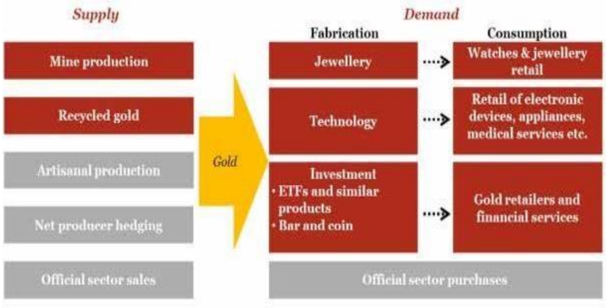
The Gold Industry

Over US$400 billion of gold is traded internationally every year. In 2015 there were 183,600 tons of gold stock globally above ground (i.e. over US$5 trillion of gold stock). China is the largest producer of Gold in the world, accounting for 15 percent of global gold production. Asia produces about 22 percent of newly mined gold. Africa produces 20 percent (mainly South Africa), Central and South America produce 17 percent and North America produces 15 percent.

Gold is used globally for jewelry, investments, within the technology industry, and by Central banks for reserves. Gold is a key source of foreign exchange for export producing countries; in 2012Gold represented 36 percent of all Tanzania‘s exports and 26 percent of exports for Ghana and Papua New Guinea.

In terms of uses for Gold, there has been an increasing trend over the years for Gold to be treated as the closest alternative to money or cash. In recent times investment demand (gold bars, coins and gold backed traded funds) has accounted for 35 percent of the global gold demand, jewelry has accounted for 43 percent central bank purchases has accounted for 12 percent and technology/manufacturing has accounted for 10 percent.

Figure 41–Supply and Demand for Gold



The largest gold producing countries include China, Australia, USA, Russia, Peru, South Africa and Ghana.

Current Status in Nigeria

In Nigeria, the gold industry peaked in the 1940s(1.4 tons produced) and has steadily declined since then. Gold is found in alluvial and eluvial placers and primary veins from several parts of super crustal belts in the country. Key producing states are found in the North West, North Central, and South Western States. Today, there is no large scale Gold mining operation in Nigeria; most gold assets are still in varying stages of exploration. Other Gold producing operations are small scale, or artisanal mining operations.

Key Facts

- The No 1 Exporter of Gold are China and Hong Kong with a combined export value exceeding US$90 billion.
- Some of the world's largest gold miners include: Goldcorp, Barrick Gold, Newmont Mining, AngloGold Ashanti, amongst others.

Why Export From Nigeria?

Nigeria has large untapped and relatively unmeasured gold resources. Currently most gold mining is done at an artisanal level. The geological potential for large discoveries of gold fields in Nigeria is very high, and can be achieved with intense exploration programs over the next few years. The relatively untapped gold endowments, as well as the low cost of labor makes Nigeria a good prospect for gold investors

Nigeria's Zero Oil Target

The Zero Oil target is for Nigeria to earn at leastUS$2 billion in export income from gold.

[Refer to Document Zero Oil: Gold 1\1\11 for further details]

Category-B Products

The Zero Oil Category-B products are important in ensuring that exports drive inclusive economic growth across all States of Nigeria. For most of these products, Nigeria already has a strong history and heritage of production, both in small and mid-sized operations. The global export market size of these products are however not high enough to qualify as Category-A products. Today, these Category-B products have significant levels of informal trade between Nigeria and other countries. The goal of the Zero Oil plan is to formalize these exports, accelerate output growth, and maximize their job creation potential. Category-B products may have less financial impact on foreign exchange earnings, but they are necessary to further diversify Nigeria's export basket, as well as provide a base for further value addition and other industrial processes.

In setting targets, the Zero Oil Category-B products are based on three possible outcomes, using the size of the product traded globally as well as Nigeria's current export values. The three alternative export targets are listed as follows–

(i) Greater than US$ 500 million
(ii) Greater than US$ 250 million

Greater than US$ 100 million

Figure 42 –Zero Oil Category-B Products

S/n	Sector	Global Export Value	Nigeria Current Export Value	Nigeria —Zero Oil‖ Export Target
1.	Cement and Clinkers	~US$ 16 billion	N.A	>US$250 million
2.	Tomato (fresh and partly pro-cessed)	~US$ 15 billion	Net Importer	>US$250 million
3.	Banana & Plantain	~US$12 billion	Net im-porter	>US$250 million
4.	Oranges	~US$ 5 billion	Net im-porter	>US$250 million

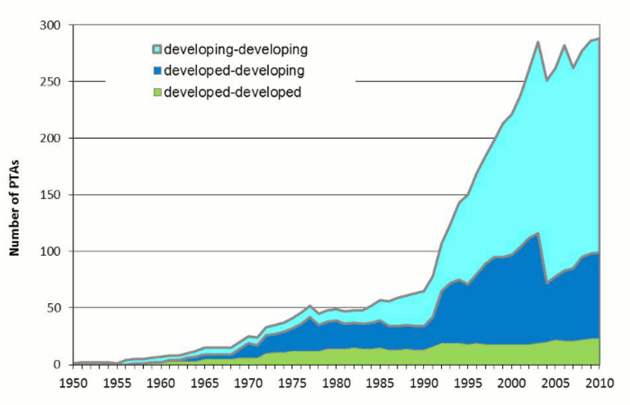
5.	Cashew	~US$4.5	~US$-90milli	>US$250
		billion	on	million
6.	Cassava	~US$ 3 billion	~US$ 2 million	>US$250 million
7.	Sesame	~US$ 2 billion	~US$300 million	>US$500 million
8.	Spices	US$2 billion	~US$30 million	>US$250 million
9.	Ginger	~US $ 700 m	~US $ 30m	>US$100 million
10.	Shea Butter	~US$200 million	~US$ 5 million	>US$100 million
11.	Cowpea	N.A	N.A	>US$100 million

5.0 "Zero Oil" Markets

The Importance of Market Access

Nigerian exports can only grow through real and effective access to foreign markets. While over the past 20 years there has been considerable trade liberalization around the world, most African countries (including Nigeria) have not maximized the benefits of newly opened markets. The increase of Preferential Trade Agreements has been impressive, but in many cases, this has led to increasing imports into Africa, rather than increasing exports from Africa. At the launch of WTO in 1994, only 37 such preferential agreements were in place; but by 2008, more than
200 agreements had been implemented with many more in the implementation stage. Trade liberalization to open new markets are therefore here to stay, Nigeria must therefore leverage this to increase exports of its own goods abroad.

Figure 43 –Number of Preferential Trade Agreements



A number of issues have historically impaired the ability of Nigerian companies to penetrate foreign markets. These include

(1) **Absence of credible off take agreements -** Local companies face difficulty generating firm orders from foreign buyers.

(2) **Low market awareness and intelligence -** Poor information on market dynamics within target foreign markets.

(3) **Product Standards-** Various markets have specification standards and packaging requirements that are not met by local exporters.

(4) **Unreliability of Supply -** Local supply chains are viewed as intermittent and do not guarantee consistent throughput of exportable goods.

(5) **Implied subsidies in foreign markets (or foreign suppliers)-**Subsidies by foreign governments distort prices, making it difficult for some Nigerian exporters to compete.

(6) **Market structure\practices and global product merchants** – Trade in many products is dominated by a few global trading firms, creating an implied oligopolyof buying entities.

(7) **Branding and Product Awareness**– Exporting branded items significantly increases the cost and complexity of getting local products overseas.

Although barriers from import tariffs matter, the extent of tariff costs however depends on the destination of the goods exported (i.e. whether goods are going into developed or developing markets). Tariffs into developed countries are typically low, for instance, the average tariffs in the United States is 3.5 percent, Japan 4.6 percent, and the EU 5 percent. While average tariffs in emerging market countries are relatively higher, with India at 48.5 percent, China 10 percent, and Brazil 31.4 percent.

To accelerate the pace at which Nigerian goods gain access to foreign markets, theZero Oil plan adopts seven main thrusts.

- **Thrust 1 -** Strategic Markets (—The Export 22‖ and —The Export to Africa agenda‖
- **Thrust 2 -** Export Accelerators
- **Thrust 3 -** —The Xport Naija‖ Marketplace
- **Thrust 4 -** International Quality and Standards Protocols
- **Thrust 5 -** Export Driven Trade Agreements & Transformational Commercial Diplomacy
- **Thrust 6 -** Export Infrastructure
- **Thrust 7 -** Joint Ventures with Global Trade Groups

Thrust 1 - Strategic Markets

The Zero Oil Plan has short-listed a number of priority markets in which to grow Nigeria‘s non-oil exports. Nigerian exporters can succeed in many markets around the world
– including large, small, developed, and developing countries. However, a number of specific markets are expected to drive the bulk of our foreign income growth under the —Zero Oil‖ plan.

These priority markets have been selected using the following criteria:

(i) The target country‘s position as a top importer of at least one of the Zero Oil Category-A products.

(ii) The country‘s purchasing power to import and trade heavily from international markets.

(iii) Historical trade links and ties with Nigeria that can be grown significantly in coming years.

The strategic export countries are labelled as the Zero Oil —Export 22‖ countries.

Figure 44 –Number of Preferential Trade Agreements

	Country	Country‘s total annual Import bill (average)	Nigeria‘s Target Export Products to country
	Africa		
1	South Africa	US$ 100 billion	Rice
	America (North)		
2	Mexico	US$350 billion	Soybeans
3	United States	US$2,000 billion	Sugar, Fertilizer\ Ammonia, Rubber, Cocoa
	America (South)		

4	Brazil	US$200 billion	Fertilizer\Ammonia, Rubber
	Asia (Central)		
5	India	US$ 400 billion	Fertilizer\Ammonia, Palm Oil, Gold
6	Bangladesh	US$30 billion	Cotton & Yarn
7	Pakistan	US$40 billion	Palm Oil
	Asia (East)		
8	China	US$1,500 billion	Petrochemicals, Soy-beans, Sugar, Cotton & Yarn, Palm Oil, Rice, Rubber, Lather, Gold
9	Indonesia	US$180 billion	Sugar, Cotton & Yarn
10	Malaysia	US$ 190 billion	Rubber, Cocoa
11	South Korea	US$ 490 billion	Leather
12	Vietnam	US$120 billion	Cotton & Yarn
	Europe		
13	France	US$660 billion	Petrochemicals, Cocoa
14	Italy	US$450 billion	Sugar, Leather
15	Germany	US$1,100 billion	Petrochemicals, Cocoa
16	Netherlands	US$ 550 billion	Palm Oils, Cocoa
17	Spain	US$300 billion	
	Soybeans		
18	Turkey	US$220 billion	Petrochemicals, Cotton& Yarn
19	United Kingdom	US$620 billion	Gold, Petrochemicals
	Middle East		
20	Iran	US$45 billion	Rice, Cocoa
21	Iraq	US$40 billion	Rice
22	Saudi Arabia	US$160 billion	Rice

Nigeria will do the following within each of the Export 22 countries.

(i) Establish Export Trade Offices, in collaboration with (or within) Nigeria's foreign missions in these countries (with clear mandates to facilitate generation of foreign procurement orders)

(ii) Execute Nation-to-Corporate agreements with the largest businesses and buyers in strategic sectors within these countries

(iii) Compile domestic product requirements and standards for strategic products

(iv) Establish dedicated trade promotion platforms for these target markets

(v) Increase export development and trade missions from Nigeria to these countries

Figure 45 -"Export 22" Countries for accelerated exports

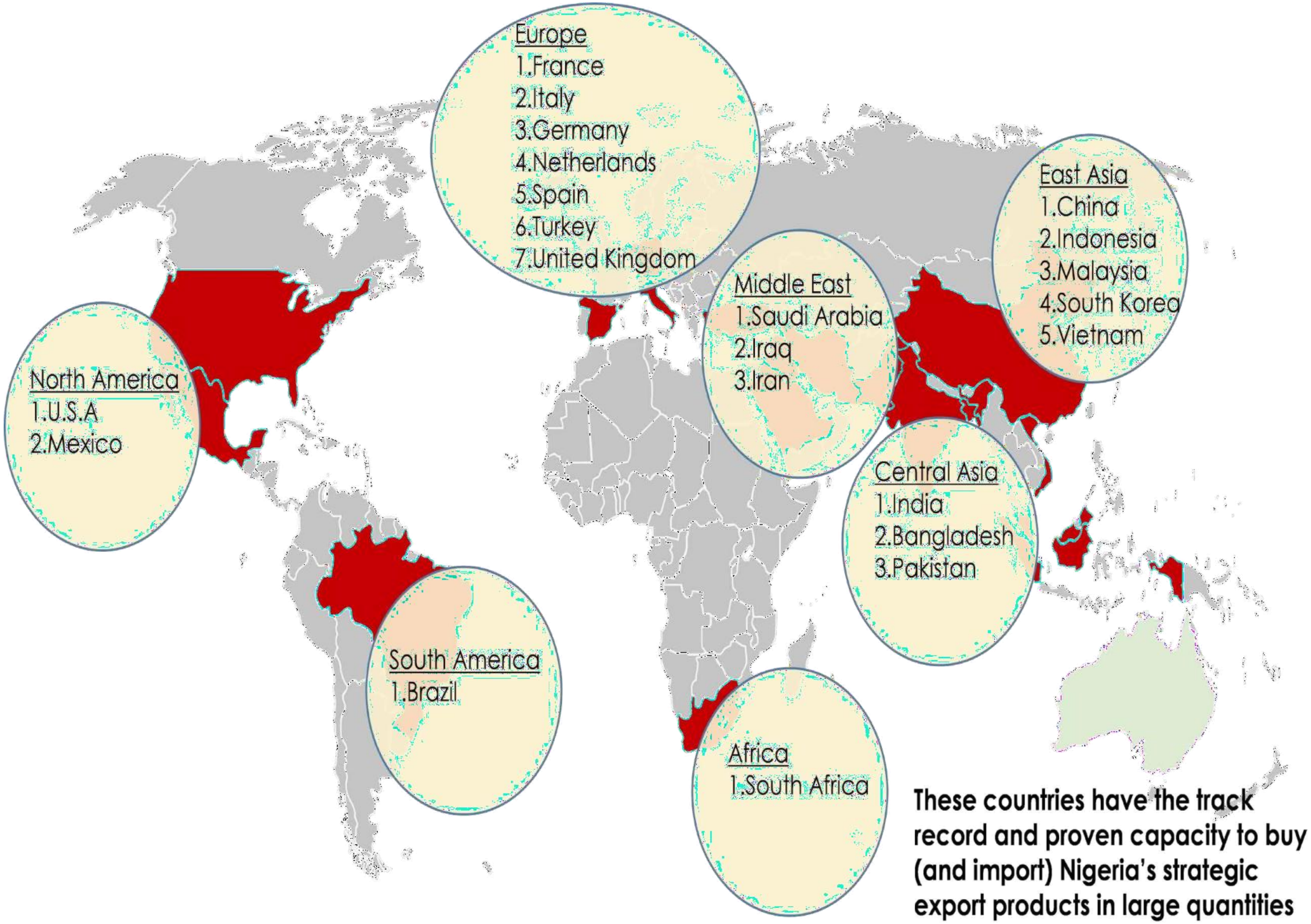
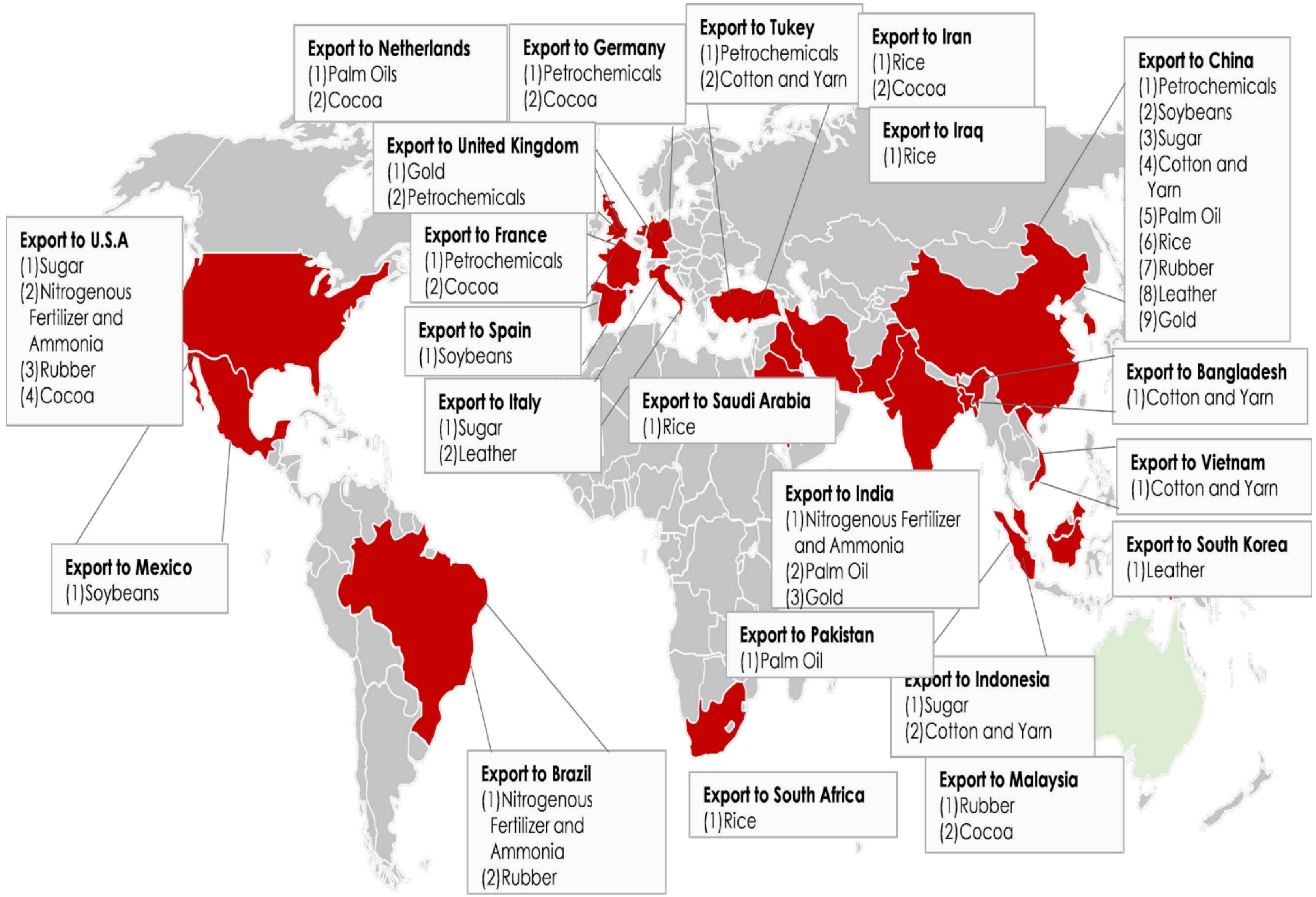


Figure 46 -Sample of products to be exported from Nigeria to “Export 22” countries



The ―Export to Africa‖Agenda

Sub-Saharan Africa key facts

-Total Exports ~US$150 billion

Nigeria will also deepen its regional export penetration into the African market. Africa remains a strategic export market for Nigeria, due to the regional proximity and shared heritage of nearby countries. West and Central Africa in particular with a population exceeding 500million people are captive markets for made in Nigeria products. It should be noted however that developing the African exports markets will have its unique challenges. Although the 49 countries in Sub-Saharan Africa have a combined import bill of just over US$200 billion a year, Nigeria and South Africa alone account for 75 percent of this import bill. By excluding these 2 countries (i.e. Nigeria and South Africa), the total import bill for the other 47 Sub-Saharan African countries is reduced to US$50 billion a year (or approximatelyUS$1 billion per country in annual imports). This is indicative of insufficient market depth to export into these markets (outside South Africa). The limited absorptive capacity, and low-income levels, of many African countries in the near term may constrain Nigeria‘s ability to export large volumes of products to Africa, in order to meet its post oil objectives.

Nevertheless, Nigeria sees intra-African trade, and exports as essential to creating a unified and prosperous continent. Nigeria will therefore build a strong export foothold in these markets, and grow with key African markets as they expand and become more robust.

The Zero Oil plan will emphasize the following key priorities regarding Nigeria‘s exports to Africa.

(1) Formalization of Nigerian exports to African countries

(2) Export facilitation support into neighboring countries, for surplus Nigerian industrial output (e.g. Cement, Petroleum products etc.)

Thrust 2 - Export Accelerators

The Zero Oil plan will facilitate the development of National Export Accelerators (i.e. one stop shops), to simplify administration of exports procedures, and fast-track capacity building in the non-oil exports for small businesses. In designing the accelerators, extensive consultations were done with experts who have developed and executed similar programs in other countries, especially emerging economies similar to Nigeria. Under the Zero Oil plan, the accelerators will provide operating platforms for the government and private sector service providers to aid the export process.

Figure 47 –A sample Export Accelerator

Nigerian Export Accelerators will be setup across key production hubs in Nigeria, as well as at major export ports in the country. All Accelerators will be linked to a common network, and will be focused on driving export transactions, quickly and cheaply;

The functions of Export accelerators will include:

(1) One stop shops to house all regulatory agencies involved in the export process (NEPC, NEXIM, SON, Customs etc.)
(2) International regulatory contacts and links regarding requirements in foreign markets
(3) References for exporters planning to get into the business
(4) The ―First Point of Call‖ for existing or prospective non-oil exporters in Nigeria needing support
(5) A virtual link to the offshore Export Trade Offices, in collaboration with (or within) Nigeria‘s foreign missions

Thrust 3 - The ―Xport Naija‖ Marketplace

Xport Naija.ng will be an international export marketplace (a technology platform) providing trade leads, request for proposals, and export tender opportunities from companies and government organizations in Nigeria. The market place will broker transactions between thousands of registered businesses, or find new sources, suppliers, and manufacturers, for Nigerian goods for export. The market place will be a core public-private technology backbone, on top of which other private sector provider scan then build add-on services and platforms for more specialized export functions.

Figure 48 –The Xport Naija Platform

XportNaija.ng will offer importers, exporters, and international traders; unlimited number of trade leads, trade submissions, uploads of product photos, ability to view export supply statistics, and more. The market place will cover many sections; Export products, Import products, International Agents and Distributors, International Suppliers and Manufacturers, International Business Travel, International Trade Financial Services, International Trade import and export joint ventures and investment opportunities. It will be a virtual market place to perform export operations.

Under the Zero Oil plan, this platform will bridge the gap between Nigerian businesses and with international of ftake opportunities.

Thrust 4 - Standards and Quality Protocols for Exports

Non-compliance with technical, safety, and packaging requirements in foreign markets typically leads to rejection of some Nigerian exports. Most product requirements differ across countries, and across various products. With the Zero Oil Plan, Nigeria will improve regular communications of standards requirements to exporters, and adequately test products before they leave our shores.

Under the Zero Oil Plan, Nigeria will pursue the following five objectives in setting up Quality and Standards Protocols for Exports:

(1) Establishing operational protocols with local and foreign Standards Organizations (and key regulators) as it relates to Nigerian exports. This will include consolidating key personnel contacts in those organizations, formal standards documentation, providing updates on requirements, and setting up fast track procedures to certify key products for exports into specific markets etc.

Establishing Product Trace ability mechanisms to ensure products shipped from Nigeria, can be traced throughout all hand-off points on the export supply chain including - the responsible export merchant, the freight channel used, the responsible processing\ packaging plant, the source farm etc. this will enable Nigeria trace and fix defects in the production, processing, packaging, or shipping of goods for exports.

(2) Deepening standards and compliance tests on specific strategic products. This will include facilitating upgrades in public and privately owned testing and certification facilities

(3) Consolidating testing points for key products before they leave Nigeria (to prevent the very few low quality exporters who give the country a bad reputation)

Rolling out the ―Export Value Chain Quality Framework‖, to ensure sectoral policies (starting from actual production) are consistent with international requirements for specific goods. For instance, the use of certain pesticides in cultivating crops disqualifies some products from entering markets like the E.U. Therefore, decisions on export standards need to be made at inception or development stage, and not just at harvest, shipping or packaging stages. The Export Value Chain Framework will tie export standards into sectorial development policies. Nigeria will begin to think about exports from the time a seed is planted, or when the foundation of a processing plant is laid

Figure 49– Examples of key foreign regulators essential lto Nigeria Exports (members of ISO) The International Organization

ISO International Organization for Standardization

Examples of some National Standards Organizations

S/n	Country	Key Regulator
1.	United States of Americ a	American National Standards Institute (ANSI)
2.	China	Standardization Administration of the People‘s Republic of China (SAC) General Administration of Quality Supervision, Inspection & Quarantine of the People‘s Republic of China (AQSIQ)Etc

3.	Brazil	Associação Brasileira de Normas Técnicas (ABNT)
4.	India	Bureau of Indian Standards (BIS)
5.	South Africa	South African Bureau of Standards (SABS)
6.	Germany	German Institute for Standardization (DIN)
7.	Saudi Arabia	Saudi Standards, Metrology and Quality Organization (SASO)

The Nigeria Export Promotion Council (NEPC) will work closely with key domestic regulators to set up these standardization protocols including the Standards Organization of Nigeria (SON), the National Agency for Food and Drug Administration and Control (NAFDAC), amongst others.

The ―Zero Oil‖ plan is in pursuit of achieving―Zero Rejects‖ for Nigerian exports.

Thrust 5 - Export Driven Trade Agreements & Transformational Commercial Diplomacy

Most countries negotiate trade agreements with the specific aim of increasing access of their goods into target markets.

Some examples of agreements put in place by other countries to boost their exports include:

- Australia (a major Sugar producer), negotiated with Korea to eliminate tariffs on its exports of Sugar into Korea.

- The United States negotiated increased auto exports to Korea, before reducing U.S tariffs of Korean Auto imports.

- Indonesia and Malaysia compete on trade agreements to boost their respective palm oil exports to Pakistan.

Under the Zero Oil plan, Nigeria‘s trade agreements will also be based on criteria to boost exports of Category-A and Category-B products into target countries. All Nigerian trade agreements going forward will boost the non-oil export agenda, especially into ―Export 22‖countries. For example, these agreements will tackle tariff and non-tariff issues limiting Nigerian exports, and seek ways to boost exports of key products – such as Petrochemicals, Sugar, Cocoa, Palm Oil, Cotton & Yarn etc.

Existing (and new) trade agreements in Nigeria, will be assessed against a ―Zero Oil‖ agreement template to ensure their contribution to the post oil agenda. The supervising Ministry of the Zero Oil plan, the Ministry of Industry, Trade, and Investment, will include checklists and internal approvals to ensure trade agreements facilitate the export diversification agenda.

All trade agreements will therefore be consistent with Nigeria‘s Zero Oil Agenda, these include:

- TIFA– Trade and Investment Framework agreements
- BIT –Bilateral Investment Treaties
- PTA – Preferential Trade Agreement
- FTA – Free Trade agreements
- CEPA – Comprehensive Economic Partnership Agreements
- CECA – Comprehensive Economic Cooperation Agreements

Commercial Service Program for foreign missions

For enhanced commercial diplomacy, a ―Commercial Service Partner Program‖ will also be instituted by the NEPC to support Nigerian Foreign Missions in providing the best service to Nigerian companies seeking entry into foreign markets. The Commercial Service program will provide a center of excellence, where the economic desks of Nigerian foreign missions can draw on specialized trade advice and experience to support their goals relating to exports. The partner program will also build competencies for Nigeria to track anti-trade practices in target countries (such as technical barriers, subsidies etc.), so these issues can be escalated higher up for resolution. The Commercial Service program will setup support infrastructure for missions along major regions in the world, with priority given to Export 22 countries.

Thrust 7 - Integrated platform for Export Trading and Management Companies

Export Intermediaries

Many small business owners in Nigeria do not have the time or resources to pursue international sales. However, their output is critical to meet the national Zero Oil goals. Under the Zero Oil plan, Nigeria will use export intermediaries in key sectors to boost procurement and exports from micro, small, and medium enterprises.

To achieve this, the Nigerian government (the NEPC working with relevant MDAs) will facilitate the creation of specialized Export Trading Companies (ETCs) and Export Management Companies (EMCs). Each EMT and EMC is expected to have product specializations, and will be capitalized to trade specific goods. In some instances, EMCs will provide finance as well as operational support for export sales in product specialty areas. Most ETCs and EMCs will hold and trade inventory by purchasing goods for exports, directly from the Nigerian producer for their own account. This eliminates any risks associated with the export transactions for MSMEs, allows them to focus on production, and not worry about specialty financing (with unique product specific financial solutions). ETCs and EMCs will also be able to obtain better financing terms from the National ECA (the NEXIM bank), other financial institutions, and other intervention funds (such as the Anchor Exporter Program, see ―Zero Oil‖ Financing and Incentives Section). Under the Zero Oil plan, ETCs and EMCs will exist in 3 categories:

(1) **Cooperative owned ETCs and EMCs-** which will be funded collectively as not for profit organizations by players within the sector

(2) Public-Private Joint Venture ETCs and EMCs
– which will be strategic joint ventures between the government and key global trading groups, who have the capacity to rapidly grow exports of key products (in all instances government stake will not exceed

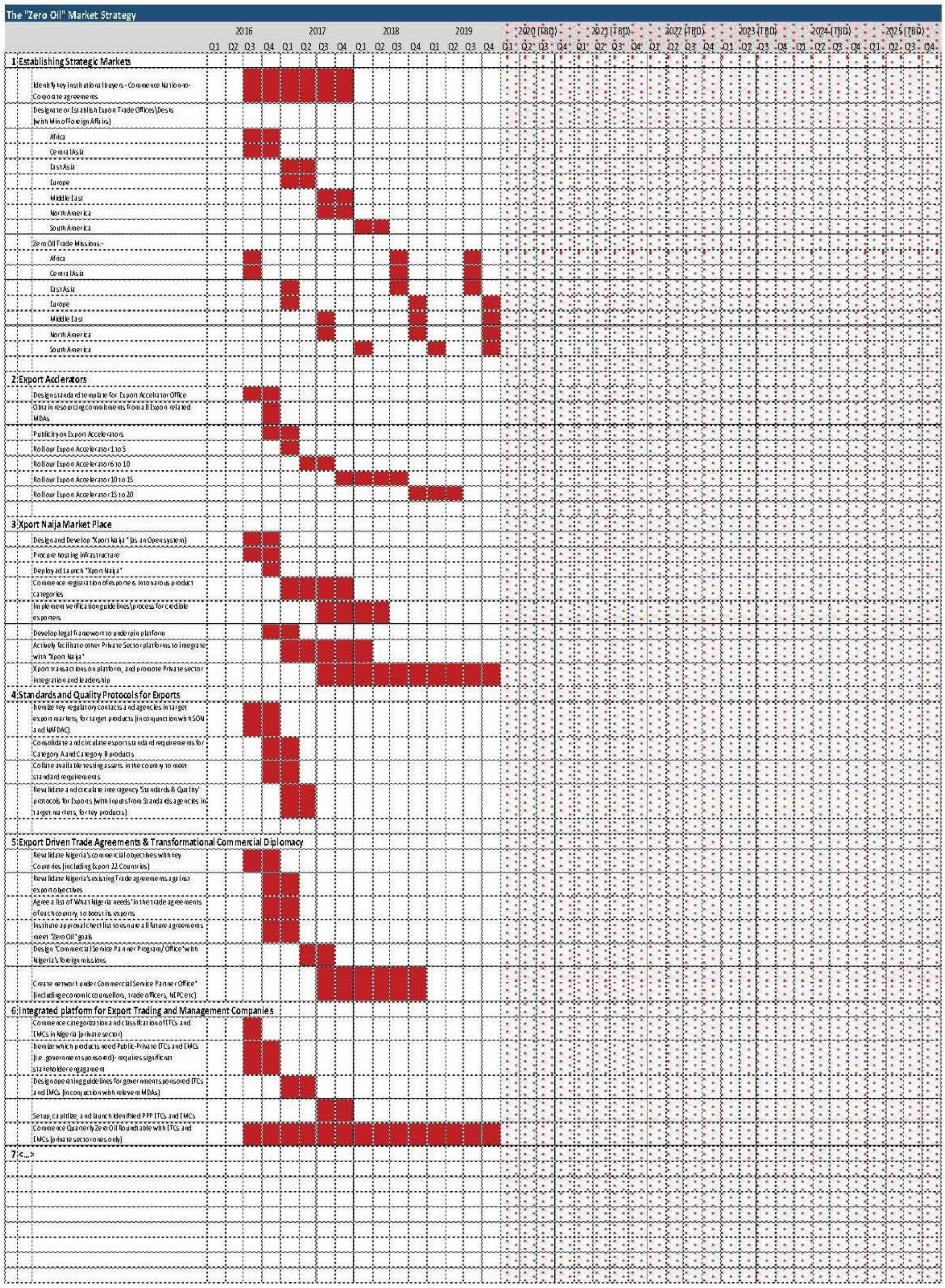
40 percent, and credible private sector layers will operate the venture)

(3) Private ETCs and EMCs–which will be completely privately owned and run.

Practically, ETC's and EMCs will be actualized in similar ways to commodities trading brokers, or trading boards. It is important to note however that the policy is not to mandate producers to sell to specific ETCs or EMCs, but rather to createan option for producers to sell their output. They will be ready off takers and _market makers' for export products.

The NEPC working with relevant sectoral MDAs will create a framework **"The Export Traders Network"** to track, regulate, and promote large scale ETCs and EMCs in the country.

Figure 50– "Zero Oil" Markets-- Roadmap



6.0 "Zero Oil" Sourcing

The Importance of Sourcing

The Zero Oil Plan will scale up output and production in Nigeria to unprecedented levels. A nation can only sell what it can produce- therefore for Nigeria to earn over US$30 billion in exports by 2025, Nigeria must also develop the ability to rapidly scale-up output (in tons) of goods produced in the country.

For decades, Africa‘s (and Nigeria‘s) economy has been constrained by various impediments to real sector output. We define the ―real sector‖ in this context as the parts of the Nigerian economy concerned with actually producing goods and services, as opposed to parts of the economy concerned with financial markets. For the purpose of the Zero Oil plan the real sector covers – Agricultural output, Solid Minerals output, Oil & Gas industrial products output, and General manufacturing output. In its simplest form, we measure output in the tonnes of the specific product produced in Nigeria.

The Sourcing initiatives under the Zero Oil plan, aim to answer the following basic questions:

(1) How much of a product do we need to produce to meet the financial targets of our exports (quantity in tons)?

(2) What resources do we need to mobilize to produce the target production amounts?

(3) How do we effectively gather all the output and get them to ports for exports?

(4) What initiatives can we adopt to reduce production and transportation costs, for Nigerian goods to be globally competitive? (bottom third of respective global cost curves for selected products)

The Nigerian Real Sector Today

The Nigerian real sector has not lived up to its potential. For years infrastructural challenges and policy inconsistencies have limited investments and growth in the real sector. The Nigerian real sector today is mostly informal, with over 50 percent of business activities within the country operating outside regulated spaces. MSME‘s are the preeminent real sector operators in the country. As of 2014, Nigeria had32 million MSMEs employing 59.7 million people. Industry fragmentation is also a typical problem, with low operating scale, and unproven history of consolidation to improve firm efficiency (i.e. through mergers and acquisitions).

The various Ministries and agencies of government in Nigeria are developing sectoral policies and plans to grow output across the country. These respective sectorial plans are the bedrock of real sector reform; as such the Zero Oil plan will integrate into the various MDA policies to align real sector targets, with the export goals of the country.

While each part of the real sector has its own peculiar challenges, there are recurring themes identified. The cross cutting issues that have held back the Nigerian real sector for decades include (the extent of which differs from sector to sector):

(i) Agriculture

a. Low yields
b. Inadequate acreages of cultivated lands
c. Poor use of inputs and technology in crops and livestock
d. Insufficient storage facilities
e. Poor market access, lack of large buyers, and low of ftakes (i.e. to processing plants, marks etc.

(ii) Manufacturing

a. Aged plants and equipment
b. Expensive freight costs (i.e. transportation)
c. Unreliable supply of energy, and high costs of self-generation (i.e. gas, electricity)
d. Insufficient access to domestic feedstock and inputs
e. Uncertain regulatory positions (e.g. tariffs, trade agreements, waivers, administrative actions etc.)

(iii) Solid minerals

a. Insufficient national geophysical data to refine the search for Nigerian minerals in commercial quantity
b. Inadequate amount of proven mineral reserves (i.e. few exploration programs according to international standards)
c. Insufficient presence of renowned mining companies in the country
d. Licensing regime without incentives (and disincentives) tied to performance

(iv) Oil & Gas Industrial

a. Little integration between ownership of upstream reserves, and investments in downstream industrial projects (i.e. few integrated projects and players)
b. Lack of gas gathering (pipelines and processing) and infrastructure for domestic industry
c. Uncertain long term gas pricing regime for local industrial activities
d. Insufficient number of major hydrocarbon driven industrial zones and hubs

These serve as a basic framework of issues seen across multiple sectors in the

country.

The current Nigerian administration is already developing a number of interventions across each of these areas to address the real sector constraints.

Sectoral Owners

- The Federal Ministry of Agriculture and Rural Development (FMARD), is currently resolving issues in agriculture to grow food and non- food output in the country

- The Federal Ministry of Industry, Trade, and Investment (MITI) is currently addressing challenges in the manufacturing space to grow value-addition and processing.

- The Federal Ministry of Steel and Solid Minerals is already driving reforms in minerals exploration and development in Nigeria.

- The Federal Ministry of Petroleum Resources is intervening in the development of oil and gas downstream industrial activities in Nigeria.

The Zero Oil Plan will co-ordinate with the real sector reform agenda of each of these government Ministries. In implementing the plan, the various Ministries will set the policies to meetthe output goals needed to meet Nigeria‘s export targets in a post oil world

The ―Zero Oil‖ Sourcing Strategy

To accelerate the pace at which Nigerian goods are produced across strategic sectors, the Zero Oil plan adopts seven main thrusts.

- **Thrust 1 -** National ―Zero Oil‖ Output Targets
- **Thrust 2 -** Real Sector Output Policy (from key MDAs)
- **Thrust 3 -** Nigerian Export Production Requirements Matrix (N.P.R Matrix)
- **Thrust 4 -** Export Aggregation & Buying Centers
- **Thrust 5 -** Field-to-Export Transport Corridors
- **Thrust 6 -** Industrial Scale Output (Local and Foreign Investors)
- **Thrust 7 -** Nigerian Commodities Exchange

Thrust 1-National ―Zero Oil‖ Output Targets

The Zero Oil Plan national output targets is the amount of real sector production required for the Nigerian economy to no longer depend on oil. The National ―Zero Oil‖ targets create a common vision on sectoral output, which government agencies and private sector investors can jointly pursue.

In setting the output targets, the foreign income goals (under the Zero Oil markets strategy), are divided by long run price assumptions for each product. In circumstances where the product trades on multiple price benchmarks (due to varying specifications or degrees of processing), a blended price is adopted which is best representative of the product basket. These out put targets should not be taken literally, but rather viewed as indicative of ballpark production levels, which Nigeria needs to exceed to achieve its export goals.

Figure 51– Output targets for Category-A

S/n	Sector	Nigeria Est Output 2016	Nigeria "Zero Oil" output target	Nigeria Current Trade Status 2016
1.	**Soybeans**	0.5 million tons	14.7million tons	Net importer today
2.	**Petrochem& Methanol**	0.7 million tons	10.9 million tons	Net importer today
3.	**Sugar**	0.001 million tons	9.3 million tons	Net importer today
4.	**Nitrogenous Fertilizer & Ammonia**	0.2 million tons	8.8 million tons	Net importer today
7.	**Rice** *(Export grade)*	0.5 million tons	7.8 million tons	Net importer today
8.	**Rubber**	0.14 million tons	4.4 million tons	Net exporter today
6.	**Palm Oil**	0.93 million tons	3.7 million tons	Net importer today
5.	**Cotton & Yarn**	0.1 million tons	1.6 million tons	Net exporter today
9.	**Hides and Leather**	<N.A>	0.7million tons	Net exporter today
10.	**Cocoa**	0.28 million tons	0.6 * million tons	Net exporter today
11.	**Gold**	N.A	0.06 million tons *(i.e. 2m oz)* **	N.A

Cocoa target is based on 2x current production, which is more than the 5 percent rule (since that target is already met).

The Zero Oil output targets include two components in their computation:

(1) The production increases needed to become self-sufficient (if Nigeria is still a net importer)PLUS

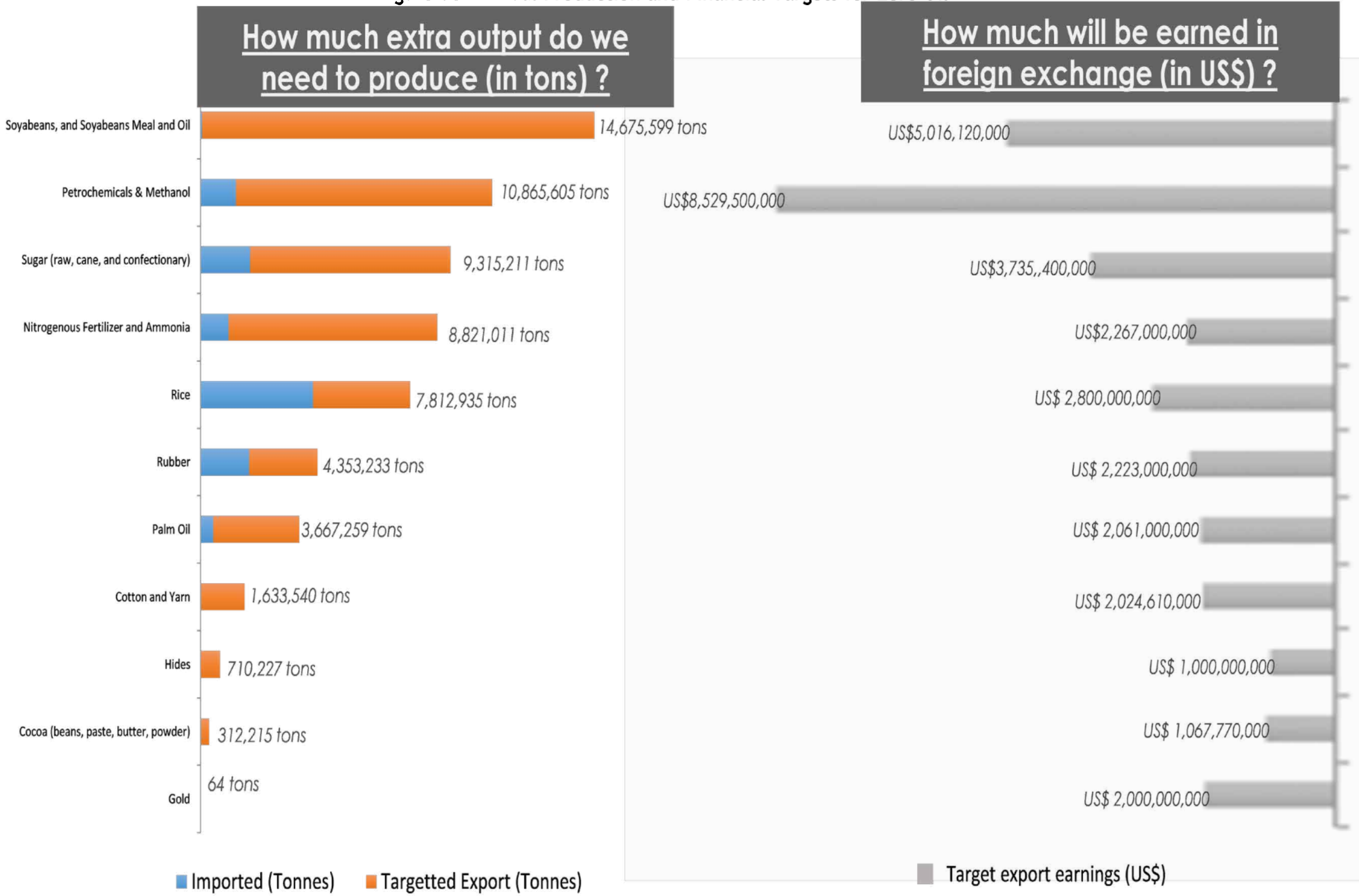
(2) The production increases needed to reach Nigeria's export financial targets

Similarly, output targets for Category-B products have also been set to meet their targets for foreign income.

Figure 52– Output targets for Category-B

S/n	Sector	Nigeria Est Output 2016	Nigeria "Zero Oil" output target	Nigeria Current Trade Status 2016
1.	**Cement and Clinkers**	<>	<>	<>
2.	**Tomato**(fresh and partly processed)	<>	<>	<>
3.	**Banana & Plantain**	<>	<>	<>
4.	**Oranges**	<>	<>	<>
5.	**Cashew**	<>	<>	<>
6.	**Cassava**	<>	<>	<>
7.	**Sesame**	<>	<>	<>
8.	**Spices**	<>	<>	<>
9.	**Ginger**	<>	<>	<>
10.	**Shea Butter**	<>	<>	<>
11.	**Cowpea**	<>	<>	<>

Figure 53- Annual Production and Financial Targets for Zero Oil



Sources: Derived from value of exports and average product prices

Thrust 2 - Real Sector Output Policy of key MDAs

The sectorial policies to increase domestic output will be designed by respective MDAs to meet targets set under the ―Zero Oil‖ plan.

Each sectorial policy will ensure:

- Output targets (in tons) can be met
- Timelines can be met
- Specifications can be met
- Investors can be mobilized

Sector policies will be developed as follows:

1. Foods Policies (e.g. Rice, Cocoa, Cashew) - These will be led by the Ministry of Agriculture and Rural Development and related MDAs.

2. Non-Foods Agro Industrial Policies (e.g. Cotton to Yarn, Hides & Leather) - These will be led by the Ministry of Industry, Trade, and Investment and related MDAs.

3. Solid Minerals Policies (e.g. Gold) – These will be led by the Ministry of Mines & Steel Development.

4. Oil & Gas Industrial Policies (e.g. Petrochemicals, Methanol) - These will be led by the Ministry of Petroleum resources, and related MDAs.

The Zero Oil plan provides both the output targets, and export channels for these goods to enter into foreign markets; while the respective MDAs as shown above provide the detailed sectorial policies to boost output to target levels.

[Sectorial policy matters will be covered in detail within the respective Zero Oil Sector documents as shown under the ―Zero Oil‖ Sectors pillar in Section 5]

Export Value Chain Quality Framework

With reference to the 4th Thrust in the ―Zero Oil Markets‖ pillar, an Export Value Chain Quality Framework will be established to ensure sectoral policies developed by MDAs (starting from actual production) are consistent with international export requirements for those goods. For instance, as mentioned earlier, the use of certainpesticides in cultivating crops disqualifies some

products from entering markets like the E.U. Therefore, decisions on export standards need to be made at inception or development stage, and not just at harvest, shipping or packaging stages. The Export Value Chain Framework integrates export standards into sectorial development policies. Export planning in Nigeria will therefore start from the time a seed is planted, or when the foundation of a processing plant is laid. This is critical in promoting sector policies that will work for exports in the long run.

Thrust 3 - National Exports Production Requirements Matrix (NPR Matrix)

Under the ―Zero Oil‖ plan, a national mechanism to estimate and mobilize the resources (and investments) needed to meet our output targets will be developed. The National Production Requirements Matrix (NPR Matrix) is a comprehensive collation of the physical and financial resources needed to meet the production targets under Zero Oil objectives.

The matrix provides a planning and monitoring template, which lays out what is needed to meet the real sector output goals in the country. For instance, using the Matrix, the objective of producing 1 million tons of Soybeans a year, is further decomposed into specific requirements. This could include - Land (670,000 ha), assumed yields (1.5 mt/ha), Processing capacity (0.5 million tons) (to process only 50 percent), Investments (US$20m) etc. Through this Nigeria knows which resources it must mobilize (both public and private), in order to meet the output goals it has set. The NPR Matrix breakdown of output targets into which resources are needed brings discipline into how projects are launched and tracked in the country. The system will also ensure Nigeria can track the progress made towards achieving output growth for the Zero oil plan. A variant of this System will also be rolled out for each State of the Federation.

Using the Exports Requirements Matrix, the ―Zero Oil‖ plan also gives a sense of where these resources can be found. For instance, Indonesia cultivates 6 million h.a of land to generate US$16billion annually in Palm Oil exports; however the whole of Edo State (a key Palm Oil State for ―Zero Oil‖) is only 1.6 million h.a. in size. Nigeria therefore needs more States for Palm Oil to match Indonesia‘s exports (assuming same yields).

Figure 54 – Executive Summary, of the "Zero Oil" National Exports Production Requirements Matrix (NPR Matrix Q2 2016, Plan

		Target	Agro requirement				Industry\Processing Requirement		Infrastructure requirement		Project Split		Financial requirement
S/n	Product	Zero Oil Output Target (increase)	Land Needs	Assumed Yield	# of animals	% of output from MSMEs	Number and Capacity of Plants	% of output from MSMEs	Pipelines	Storage	# of Mega Projects	# of MSMEs	Investments needed
1.	Soybeans	+14.7million tons	3.2-14.7 Million Ha	[1 5] t/ha	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	TBD
2.	Petrochem & Methanol	+10.9 million tons	2,300 4,800 Ha	N/A	N/A	>5%	Plants: 11 22 Capacity: 500k to 1m tons]	>5%	YES	YES	[11 22]	TBD	$53 - $85 billion
3.	Sugar	+9.3 million tons	475,000 1.5 million ha	6 - 19.5	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	TBD
4.	Nitrogenous Fertilizer & Ammonia	+8.8 million tons	2,000 4,000 Ha	N/A	N/A	>5%	4-8 Ammonia: 420,000 840,000 Urea: 740,000 1.4m	>5%	YES	YES	4-8	TBD	$14 billion
5.	Rice	+7.8 million tons	2 8 million Ha	1-4 t/ha	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	TBD
6.	Rubber	+4.4 million tons	1.2 6.1 million Ha	0.4 3.5 t/Ha	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	$7 - 8.5 billion
7.	Palm Oil	+3.7 million tons	750k 1 million Ha	3.5 5 t/Ha	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	$1.2-$1.7 billion
8.	Cotton & Yarn	+1.6 million tons	12-14 million Ha	0.12-0.13 tons per Ha	N/A	<70%	TBD	N/A	NO	YES	TBD	TBD	$5-$10 billion
9.	Hides and Leather	+0.7million tons	TBD	TBD	TBD	<70%	TBD	N/A	NO	YES	TBD	TBD	TBD
10.	Cocoa	+0.62* million tons	800k-1.7 Ha	350-800kg/Ha	TBD	<70%	TBD		NO	YES		TBD	TBD
11.	Gold	+0.06 million tons *(i.e. 2m oz)***	N/A	N/A	N/A	>5%	TBD	N/A	NO	YES	TBD	TBD	$1.6-$3 billion

Thrust 4 - National Export Aggregation & Buying Centers

The Zero Oil plan will facilitate the establishment, or designation, of National Export Aggregation and Buying centers to source products from specified catchment areas. Aggregators will either _make markets‘, with operators having the financial capacity to take inventory risk, or _facilitate markets‘ in which operators will serve as brokers, matching buyers and sellers of export products.

Export aggregation centers will serve as physical consolidation points for products, and serve as market places for export bound products.

National Aggregation Centers will have the following features:

Export Aggregator Features

i. Warehousing
ii. Grading, sorting, and packing
iii. Cooling
iv. Transacting (areas to buy and sell)
v. Loading and Dispatching (inbound and outbound products)
vi. Inbound gathering (optional, to actively gather products from producers)
vii. Ancillary services: e.g. technical assistance; outsourced harvesting, financing; processing
viii. Registered operators at the center (EMTs, EMCs, packaging companies, other types of firms)

Advantages of these aggregation and buying centers to producers and exporters, include:

- Cost savings: Through cheaper logistical and storage support to and within National aggregation and buying centers.

Market opportunities: Market opportunities increase as these aggregation centers allow buyers access large volumes of output. It reduces search costs in finding quality products for exports

- Financing: The Aggregation and buying centers provides a good opportunity for warehouse inventory for financing. Furthermore, at National aggregators, financiers will have access to most players on the export value chain.

- Value Services: The Export aggregation centers create hubs to deploy other value services to producers, traders, exporters etc.

Figure 55– Types of Export Aggregators for Nigeria—Zero Oil‖

S/n	Type	Sponsor
1.	**Public aggregators**	Joint Federal and State government OR State Only
2.	**Public\ Private aggregator**	Federal\Statein conjunction with Private sector consortium or Cooperatives
3.	**Sole anchor operator**	Single private sector entity with excess facility

Under the Zero Oil plan, some of the Export Aggregation and Buying Centers will be existing brownfield dual-purpose facilities (i.e. serving other purposes). Such facilities will be designated as aggregation points, and not built from start. A number of aggregation points will however be new builds, but this will be done only after a strong business case on the financial sustainability of such a site. Each aggregator will be launched and approved by NEPC, and require credible sponsor(s).

Locating Aggregation Centers

The criteria for locating Aggregation Centers will include:

(1) Transport Corridors: As much as possible, Export aggregation centers will be established along identified transport corridors in Nigeria to get products from field to ports for exports (refer to Thrust 5).

(2) Airports, Seaports, and Inland-ports: Some export aggregation centers will also be located at key ports throughout the country; this will be done in association with the Ministry of Transport, the Ministry of Aviation, and other relevant government agencies. These types of port aggregators will be targeted at specific markets and specific products.

(3) Special Economic Zones: A number of special economic zones under the administration of NEPZA and OGFZA will be designated as aggregation centers for exports of key products. The selection of these Export Aggregation SEZs will be based on a detailed cost benefit analysis executed by NEPZA and other relevant MDAs.

Digital Aggregation (Sourcing platform)

As part of the Zero Oil Plan, NEPC will deploy an export trade platform where information from established sourcing and aggregation centers will be made available to traders globally. This will be an extension to the XportNaija.ng platform and will allow farmers to get access to regional pricing information, financial services information and other value added services available.

Good Production Practices

NEPC will apply the Standards and Quality Protocols (under ―Zero Oil‖ Markets Pillar) within each aggregator. This will include working with domestic and international standards organizations to provide information to farmers and other producers on the requirements to access international markets. In addition to this, Good Handling Practices (GHP) will be incorporated within the centers to ensure maximum safety is taken in transporting and processing/packaging of products

Thrust 5 - Field-to-Export Transport Corridors

Nigeria needs to develop strategic transport corridors to ensure land-locked producers, who depend on overland routes to access seaports, can do so cost effectively and reliably. High overland freight costs are one of the greatest impediments to exporting from Nigeria. Under the ―Zero Oil‖ plan, Nigeria will actively develop, upgrade, and operate, key transport corridors to ensure goods get to sea cost effectively.

To achieve this, the country will cut down freight and storage costs, as this is the only way to have competitive products on the global stage. We must be able to move large amounts of cargo, in a consistent, reliable way.

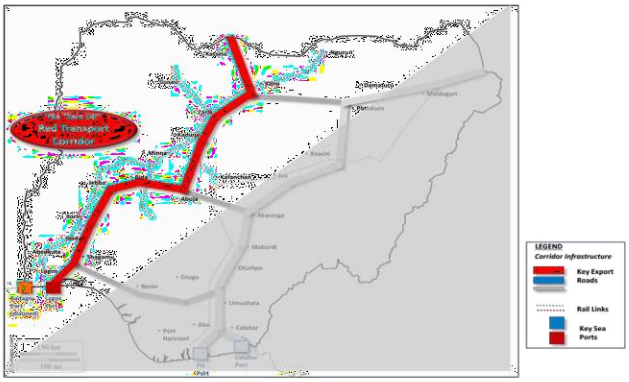
Meeting the ―Zero Oil‖ targets requires that Nigeria move at least an extra 70 million tons of cargo annually, from producing centers all over the country, to major sea ports; and then shipping the cargo to foreign markets. This requires careful planning of existing transport infrastructure, but more importantly a coordinated approach to managing the transport corridors that tie the coasts to the Nigerian hinterland. Under the ―Zero Oil‖ plan, these corridors are called the Filed-To-Export transport corridors.

The ―Zero Oil‖ plan defines two primary Field-To- Export Corridors in the country. The Red Corridor and the Blue Corridor.

The Red Transport Corridor

The main route for the Red Corridor goes through Katsina, Kano, Zaria, Kaduna, Abuja, Bida, Jebba, Ilorin, Ibadan, Lagos.

Figure 56– The ―Zero Oil‖ Red Transport Corridor



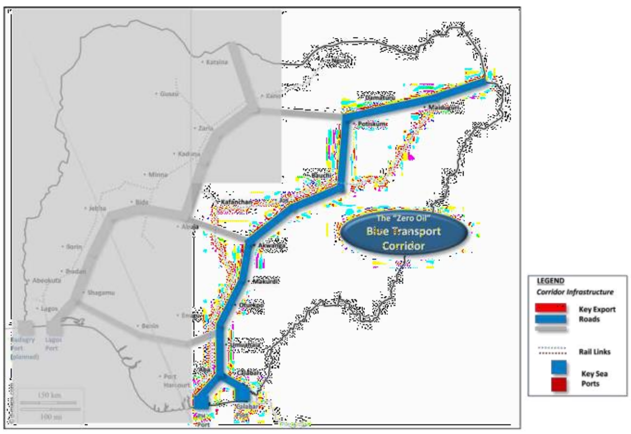
This corridor is already the busiest trade corridor in Nigeria today, mainly for intra-Nigerian trade, and for moving imported goods from Lagos all the way to Katsina and Kano. A significant part of the Red corridor is defined as the LAKAJI corridor in most contemporary literature. The objective of the ―Zero Oil‖ plan along this corridor is to move cargo from the hinterlands towards the Seaportsin Lagos (Apapa and Badagry) for exports to the rest of the World.

A narrow gauge rail line exists along this corridor, with minor deviations from the road network. The rail lines include a few major cities into the nodal points of the road network– including Gusau, Minna, and Abeokuta. In planning the development of this corridor, investments will be made along the corridor‘s path to provide facilities and infrastructure necessary to support production, aggregation, and outward transportation of ―Zero Oil‖ products expected to pass through the corridor. Aggregation and Buying Centers for the respective products will be setup right along the corridor. Major cities and towns not situated along the main corridor route- such as Sokoto, and Bernin Kebbi- will have special interventions to link their production centers to the main corridor route, from where the cargo gets on the fast lane to Lagos ports fore xport.

The Blue Transport Corridor

The main route for the Blue Corridor goes through Maiduguri, Potiskum, Bauchi, Jos, Akwanga, Makurdi, Oturkpo, Enugu, Umuahia, Aba, Calabar, and Port Harcourt.

Figure 57 – The ―Zero Oil‖ Blue Transport Corridor



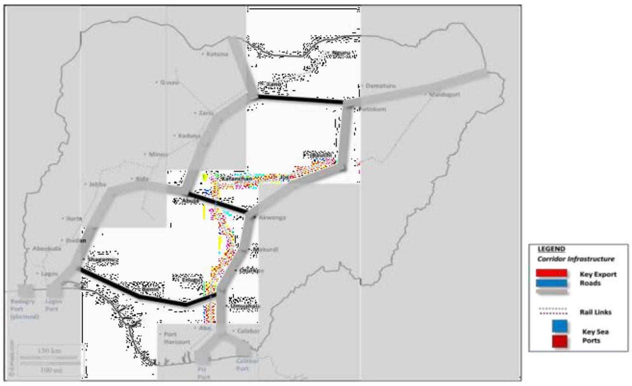
The objective of the ―Zero Oil‖ plan along this corridor is to move cargo from the hinterlands to the seaports in Calabar and Port-Harcourt for exports.

A narrow gauge rail line exists along this corridor, also with deviations from the road network. The rail lines include a few major cities into the nodal points of the road – including Kafanchan, Keffi, Lafia. Investments along this corridor will also emphasize setting up facilities and infrastructure to support the specific products passing through. Similar to the Red Corridor, Aggregation and Buying Centers for the respective products will be setup right along the corridor. Major cities and towns not situated along the main road route- such as Yola, Jalingo, Damaturu, Orlu-willhave special interventions to link their production centers to the main road route, from where it then gets on the fast-lane to the Calabar and Port- Harcourt ports for export.

The Inter-Corridor Linkages

Three Inter-corridor linkages will drive cargo flow between both the Red and Blue Transport Corridors, as well as integrate major cities between the two main corridors into Nigeria‘s―export super highway‖.

Figure 58 – The ―Zero Oil‖ Inter-Corridor Linkages



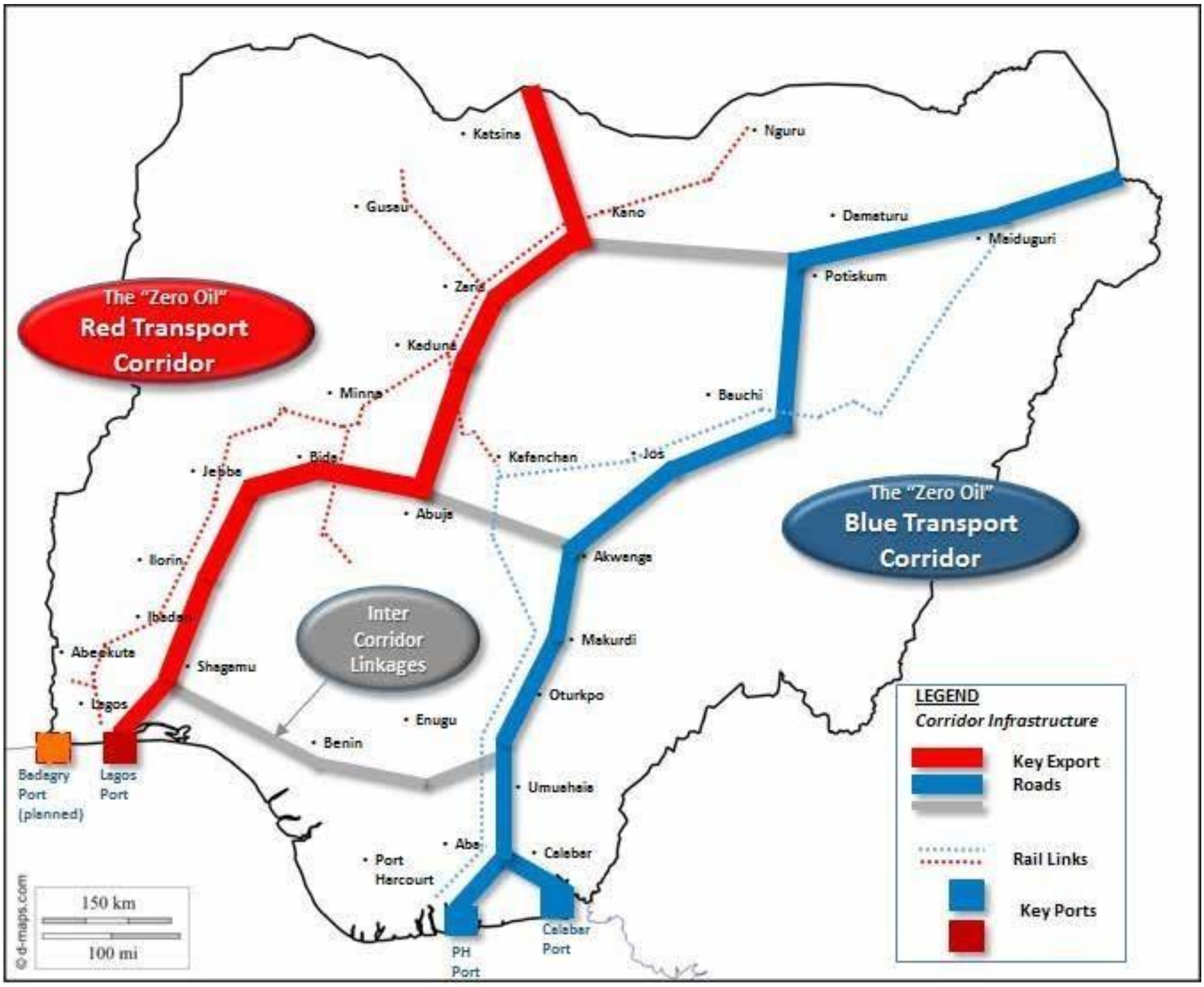
The Inter Corridor linkages will be:

(1) Inter Corridor Linkage A- Which links Kano City to Potiskum

(2) Inter Corridor Linkage B- Which links Abujato Akwanga

Inter Corridor Linkage C- Which links Shagamu, Ijebu Ode, Benin City, Asaba, Awka, and Enug

Figure 59 – The "Zero Oil" Field-to-Export Transport Corridors



Field-To-Export Corridor Initiatives

The Field to Export Corridors are already existing trade routes in the country, but typically managed as disjointed pieces of infrastructure. The ―Zero Oil‖ plan views the corridors assets as a single continuous asset, to be managed as a single cohesive unit. Under the ―Zero Oil‖ plan the corridors' disparate assets will be planned and governed collectively and collaboratively to boost non-oil exports – such as roads, rail, ports, warehouses, buying centers, industrial hubs, water supply, farm lands, port facilities, and regulatory provisions.

Some priority initiatives along the Field-To-Export Corridors include:

- Developing fresh food warehousing, reload facilities, tracking & tracing systems, and other logistics requirements along the main rail and road routes of the corridors
- Investing in large scale storage capacity along the main rail and road routes of the corridors
- Enhancing provisions for safety and security, along the main rail and road routes of the corridor
- Developing a multimodal transport model (rail, road, and air) as a standardized foundation for moving cargo along the main routes of the corridors
- Coordination of efforts between federal agencies, State governments, Investors, and other regulators regarding operational requirements (i.e. low costs, reliability etc.) for international trade. Instituting other forms of information exchange in managing the

corridor.

- Prioritizing infrastructure investments for the hard infrastructure (rail, road, ports) along the corridor

Thrust 6 - Industrial Scale Output through Local and Foreign Investors

Nigeria needs a number of large-scale transformational projects in priority sectors to accelerate the rate of output growth. For

instance the country needs more mega sized Petrochemical and Methanol complexes (like the Dangote Complex), more city sized Palm Plantations (like Asian Agri Inc in Indonesia), more town sized Sugar plantations, just to name a few. The key to achieving this will be a major investment drive under the ―Zero Oil‖ plan to mobilize large sponsors domestically and internationally into key sector projects.

Part of the investor mobilization drive will include reviewing existing investment incentives, to make them sharper and more focused on sectors that accelerate export diversification. The relevant agency (NIPC) is mandated to lead investment mobilization and investment incentives, working with other MDAs. Under the ―Zero Oil‖ plan, credible investors in key sectors will be prioritized.
For each ―Zero Oil‖ sector, Nigeria will attract and accelerate new projects from industrial sized players.

These industrial sized players include:

- Top 50 companies in the sector globally
- Top 20 companies in the sector domestically
- Top 10 companies in the sector within Africa
- Top 10 companies in the sector, exporting from the largest exporter countries

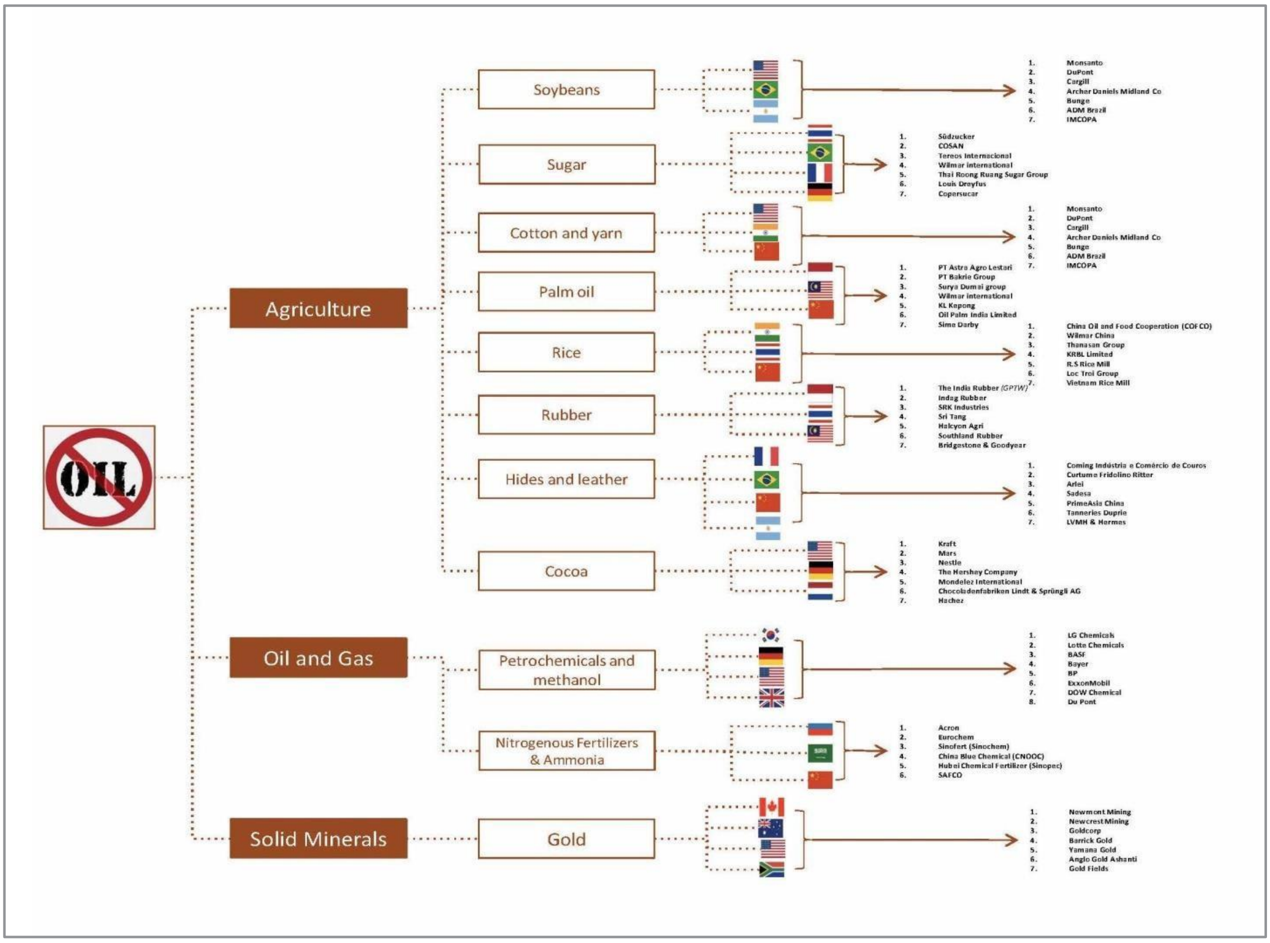
The above group (running into hundreds) will serve as the anchor group (but not the only group) to develop industrial scale projects within Nigeria.

It should be noted that MSMEs are also catered for in the Zero Oil plan, through Aggregators and in the ―Zero Oil‖ States and Zones pillar.

Investor Mapping

Under the Zero-Oil plan, Nigeria will operate an investor promotion and tracking platform, this platform will work with all relevant MDAs to maintain foreign and local investor relationships in the Zero Oil Sectors. Working with the NIPC, Investors will be mapped by sector and by region to follow through on their project commitments.

Figure 60- The Investor Spider Map (Looking for Investors to develop projects for Nigerian "Zero Oil")



Thrust 7 - Nigerian Commodities Exchange

Under the —Zero Oil‖ plan, the Nigeria commodities exchange (NCX) will be strengthened and repositioned. The exchange, when expanded, will support activities within the Export Aggregators, as well as enable operations of the Export Trading Companies and Export Management Companies.

The NCX will improve price discovery, and create ready markets for specific commodities meant for exports. A fully functional exchange will therefore accelerate the —Zero Oil‖ goals.

Figure 61- Some Successful Commodities Exchanges inthe World

With the repositioned NCX, farmers will use the exchange information to determine selling decisions; while exporters will use the exchange to better aggregate quality supply. This will apply only to products where the exchange specializesor ‗makes a market'.

The key issues that will be considered in repositioning the NCX. include:

1. Ownership – to determine whether to pursue a public owned, public-private, or fully privatized exchange

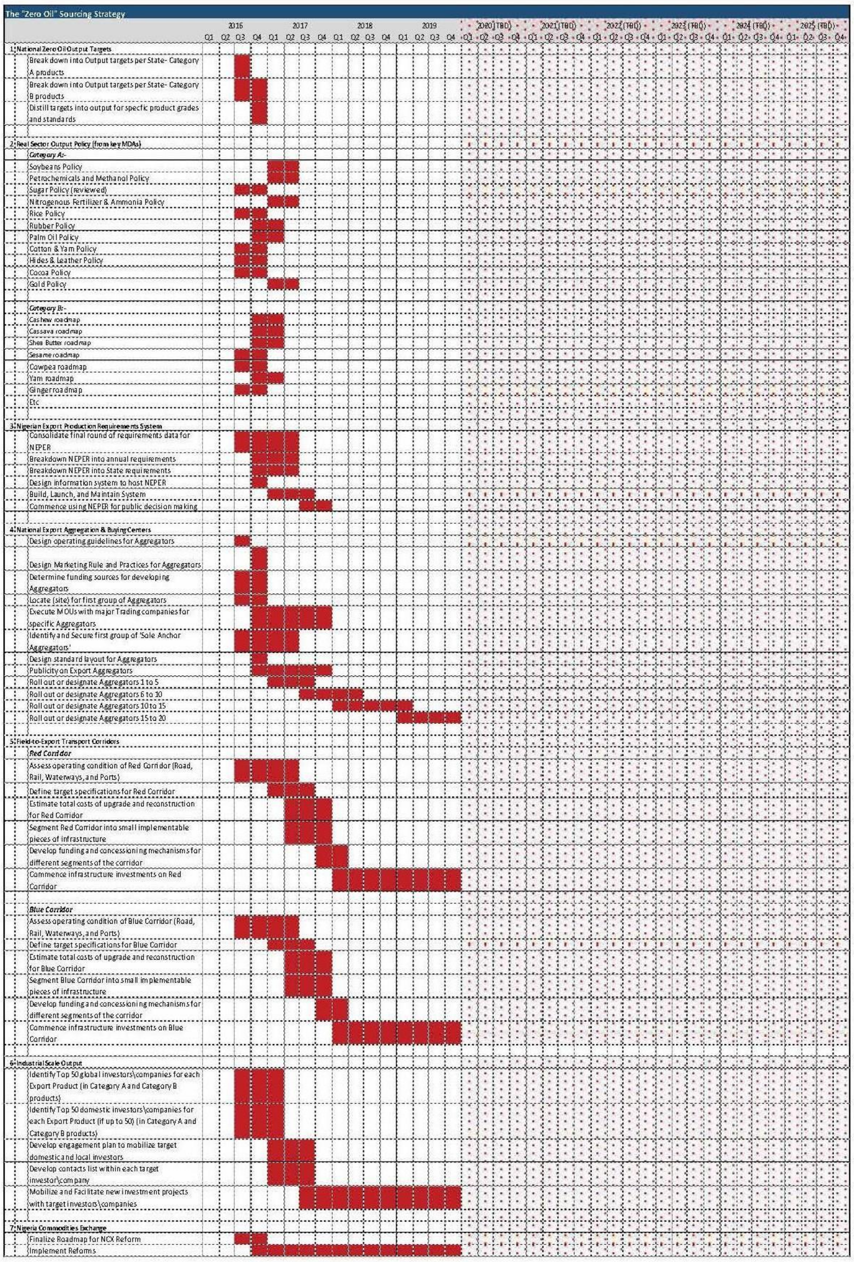
2. Decentralization – to determine if other smaller specialized commodities exchanges are needed for specialized products (this may or may not be required)

Sourcing – to ensure the exchange has access to quality supply, and is seen as a

credible place to trade products or find buyers

3. Standards – to ensure that the quality and specifications of goods, according to the exporters requirements, are satisfactory
4. Payment obligations – to capitalize the exchange sufficiently for it to deal, and therefore ensure payments on trading instruments do not fail due to unforeseen counterparty issues
5. Law – to upgrade existing laws to recognize key instruments .e.g. the warehouse receipts
6. Storage availability - to ensure the exchange has a sufficient network of its own, or 3rd party owned, warehouses and silos to hold inventory
7. Information Systems - to ensure the exchange has strong information systems to facilitate trades and provide market information

Figure 62- The NCX Operating Framework



7.0 "Zero Oil" Finance andIncentives

Exports need capital and incentives

Governments in many export led economies have used incentives and financing mechanisms as a means of increasing exports from their countries. A number of constraints (infrastructure, financingetc.) in the Nigerian business environment puts Nigerian exporters at a cost disadvantage ranging between 30 percent and 40 percent compared to other competitive global players. Affordable funding and incentives are therefore essential to improve export competitiveness in Nigeria.

Most countries apply multiple incentive strategies to boost exports, including - financial grants, duty drawbacks, tax rebates, pre-export capacity building programmes etc. The Chinese Government for example in spite of their status as the world‘s largest exporter, issued export linked tax rebates worth US$102.7 billion (656 billion Yuan) in the first six months of 2015. Concessionary financing for export-based transactions are also common across other major exporters in the world. Japan and South Korea are renowned for promoting exports (even over domestic consumption) through attractive export focused financing packages for their companies.

The Finance and incentives initiatives under the Zero Oil plan, aims to answer the following basic questions:

Where will funding come from to boost growth of Nigerian non-oil exports?

(1) What is the best way to channel funds to MSMEs and Large corporates for non-oil exports?

(2) What is the most effective way to deploy national intervention funds to diversify exports?

(3) How does Nigeria maximize its returns from the export incentives it gives to companies?

(4) What other innovative ways can funding be raised and deployed to the non-oil exports sector?

Nigeria‘s Financing Markets - not meeting the needs of exporters

Over the years, Nigeria‘s financial markets have not developed requisite capabilities in export-based financing, as focus has been on import transactions. Both pre-shipment and post shipment financing for exports is insufficient- this is caused by various factors including; low appetite for non-oil export risk by Nigerian financiers, constrained balance sheets, and an insufficient supply of truly bankable export transactions. In addition the Nigerian financial system has structural constraints which stifle the real sector overall.

Today, Nigeria's financial markets are characterized as follows:

- Low Credit to Private Sector
- High borrowing interest rates
- Short loan tenures
- Low Stock Market Capitalization to GDP
- Low Corporate Fixed Income Capitalization
- Weak venture capital market
- Very few MSMEs accessing formal financing channels
- Too much financing dedicated to activities that drain our foreign reserves (i.e. imports)

Addressing the financing needs of non-oil exporters will require both systemic reforms for real sector funding, as well as focused reforms on export based funding.

Figure 64–Commercial Banking Assets as Percentage of GDP

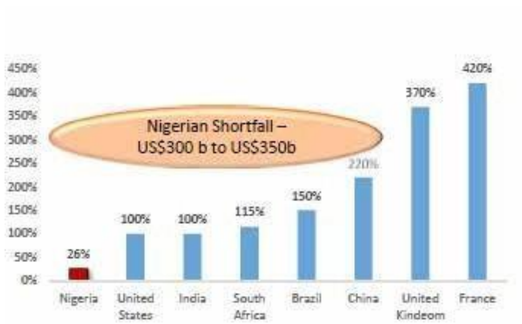
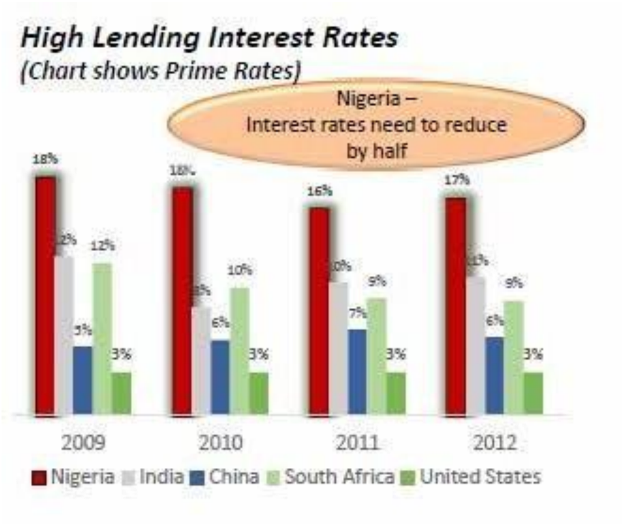


Figure 65 – A comparison of lending rates in key economies



The —Zero Oil‖ Finance and Incentives Strategy

To accelerate the pace at which Nigerian goods gain access to foreign markets, the Zero Oil planadopts seven main thrusts.

- **Thrust 1 -** Export Trade Finance
- **Thrust 2** - Export Expansion Grant (EEG)
- **Thrust 3 -** The Export Development Fund (EDF)

- **Thrust 4 -** International Business Growth Incentive (as SMART Incentives)
- **Thrust 5 -** SME Export Finance
- **Thrust 6 - S**pecial Purpose Vehicle for **T**ransformational **E**xport **P**rojects(S.T.E.P)

Thrust 7

Thrust 1- Export Trade Finance

The total value of intermediated trade finance in Africa is approximately US$350 billion. Nigeria is estimated to account for at least a fifth of this amount. As part of the Zero Oil Plan, strong trade finance (especially export finance) has been identified as an essential thrust for export growth. Financing can be the differentiator for Nigerian exporters, as strong export funding, leads to – better risk management, favorable payment terms to foreign buyers, and lower overall costs. These can make Nigerian exports more competitive.

A number of challenges currently limit export finance in Nigeria:

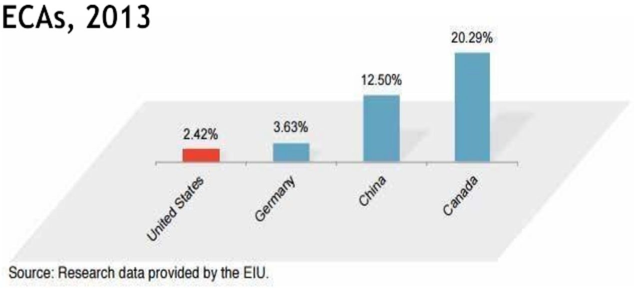
- Inability to assess the true credit-worthiness and operational credibility of exporters (leading to extensive administrative procedures and collateral requirements by Banks)
- High costs of export finance
- Fragmented markets and small ticket transactions make Nigerian export finance costly
- Uncertainty in foreign regulatory and institutional requirements underlying some overseas transactions (which increases the possibility of a technical default in export transactions)
- Constrained balance sheets of financial institutions to take large export exposures

These challenges constrain Nigerian exporters in both of the key categories of export finance –
(i) pre-shipment financing (to fund material and labor necessary to fulfil foreign sales order), and
post shipment financing (to generate early liquidity to exporters while offering payment terms to buyers.

Government Backed Export Finance

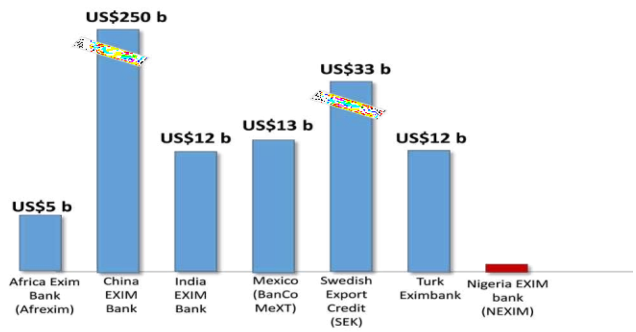
The ―Zero Oil‖ plan will reposition the national Export Credit Agency (ECA) as a major driver of non-oil export financing. All over the world, Government sponsored Export Credit Agencies (ECAs) play an important role in boosting national exports. Nigeria is starting from a relatively low non-oil exports base; the Zero Oil Plan will therefore facilitate significant recapitalization of the existing ECA in the country (i.e. the NEXIM bank).

Figure 66 - Percentage of Total Exports Supported by ECAs, 2013



China for instance has relatively more of its exports (12.5 percent) facilitated by the national ECA, the China EXIM bank, compared to other developed countries. The United States for instance has only
2.4 percent of exports financed through its ECA because its exporters are relatively sophisticated. Nigeria is a developing country and will need a higher percentage, which is why the Zero Oil plan targets achieving between 10 percent and 15 percent of non-oil exports financed through the government owned ECA. This means between US$3 billion and US$4.5 billion in non-oil export transactions financed annually through the National ECA by 2025.

Figure 67- Total Assets of government owned Export Credit Agencies (ECAs) around the world



Applying a 10 to 15 percent target of ECA funded transactions to total Nigerian non-oil exports, means Nigeria's national ECA (i.e. NEXIM Bank.

needs to be significantly recapitalized.

In addition, the Zero Oil Plan outlines that Nigeria's ECA should focus more on exports financing instead of imports, as commercial banks already cover imports sufficiently.

Thrust 2- Export Expansion Grant (EEG)

The Export Expansion Grant is a post shipment incentive designed to assist Nigerian exporters, reduce their cost, and increase price competitiveness offshore. It works as a financial credit given to exporters depending on the value and type of products exported. The EEG is a derivative of the Export (Incentives and Miscellaneous Provisions) Act of 1986. The Act contains 18 major incentives Export Expansion Grant (EEG), Duty Drawback Scheme, Manufacture-in-Bond Scheme and Export Development Fund, the EEG is the only effective and functioning export incentive, particularly as all the other schemes have been replaced, incorporated, or amalgamated into the EEG.

Under the Zero Oil Plan, the EEG is a critical incentive to encourage non-oil export participation. The EEG was designed as a vital instrument for the diversification of the Nigerian economy, particularly in view of the implications of infrastructural deficiencies on the cost of production and competitiveness of export- oriented companies.

Qualified applicants are granted Negotiable Duty Credit Certificates (NDCC) to offset against their import duty on raw materials.

The EEG has achieved considerable success in increasing Non-Oil exports from Nigeria, however the costs of sustaining the old EEG framework have become too high, and the scheme is therefore being redesigned.

How other countries have designed their Export Credits

Similar incentives in other export-focused economies are done to ensure affordability. Economies such as Malaysia, India and Brazil that are highly ranked exporters are currently applying duty script rates, which were lower than Nigeria's old EEG scheme.

Figure 68- Financial credit ceilings of EEG equivalent programs in other countries

	Country	Maximum EEG rate (or equivalent)
1	Malaysia	3 percent
2	India	2 percent
3	Brazil	<..>
4	Nigeria (old)	35 percent

As part of the Zero Oil plan the Nigerian EEG will therefore be redesigned and introduced to bonafide exporters.

A few key principles, which will guide the new EEG scheme, include:

(i) A downward review of the ceiling of the EEGrate to be more in line with global practice and ensure affordability

(ii) A broader range of fiscal charges (i.e. not just import duties) against which to net-off duty certificates e.g. to include income taxes etc.

(iii) A more focused classification on which export products qualify for EEG. This will include Zero Oil Category-A, Category-B, as well as other sectors considered strategic.

(iv) Effective governance and tighter controls on issuance and validation of duty certificates.

The details of the revised EEG guidelines (and any future updates) will be published as administrative releases by NEPC

Thrust 3- Export Development Fund

As part of the Zero Oil Plan, the Export Development Fund (which is provided for by law, but has never been instituted), will be constituted and launched. Governments of other countries have established similar facilities to boost exports including Malaysia's Export Services Fund, India Export Development Fund, and Bangladesh

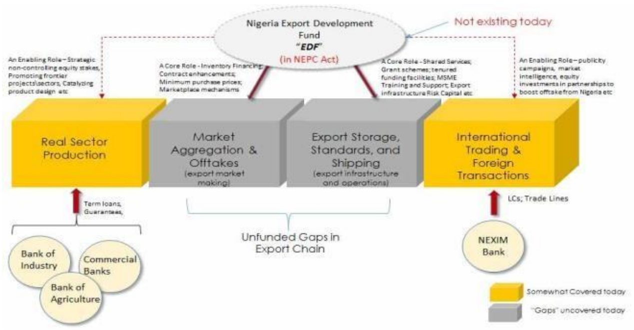
Export Development Fund etc. These funds make the difference in these countries evolving into major export powerhouses.

The Nigerian export development fund will mobilize capital into under-funded sections of the export value chain - which will include expenditure on public goods, as well as investments in strategic private vehicles with high export potential.

The export value chain in Nigeria cuts across four phases:

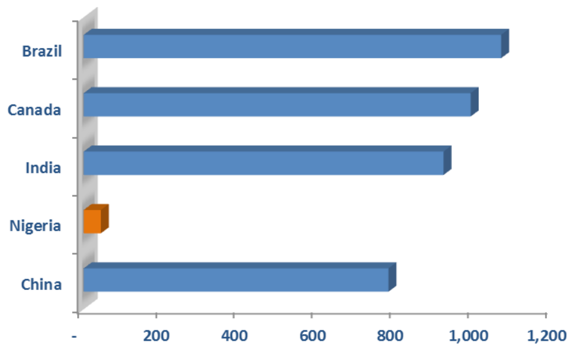
1. Real Sector Production
2. Market aggregation and off-takers (i.e. Market Making)
3. Export storage, standards and shipping (i.e infrastructure and operations)
4. International Trading and foreign transactions.

Figure 69- The Export Value Chain



(1) **Real Sector Production (for Exports)–** Real sector production already gets some funding from alternative sources, but this is generally insufficient. The cumulative credit disbursed by commercial banks for exports was approximately NGN75.8 billion as at the end of 2013. This represents approximately 0.2 percent of total credit disbursed in the country, which shows significant underfunding for export-focused operations. Beyond this challenge, banking credit to the private sector as a whole (for both export and non- export businesses), is low compared to other major economies in the World. Under the Zero Oil Plan, the EDF will play an enabling role (not a core role) in the real sector.

Figure 70: Banking credit to private sector in 2014



Billion USD

(2) Market Aggregation & Offtakes (i.e.Market Making)

- This segment gets very little financing in the country at the moment. Nigeria needs significant market making and intermediary export services, such as –product dealing, inventory aggregation, amongst others. These are _market making' activities that create pools of local demand for exportable products. Only a few _market making' entities in Nigeria today have balance sheets for considerable amounts of trade. Under the Zero Oil Plan, the EDF will play a core role and increase financing available to – enhance off take contracts, bulk up balance sheets of credible traders, and facilitate clearing prices so sufficient orders can move products from areas of surplus production in Nigeria, to where they are needed for exports.

(3) **Export Storage, Standards, and Shipping (i.e. Infrastructure and Operations) -** This segment also gets very little financing in the country. Nigeria needs significant investments inexport logistics, storage, holding areas, grading points (for standards) and shipping. In Nigeria today, most of these items are duplicated by a few exporters, with insufficient scale to bring down costs for the entire exports sector. Under the Zero Oil Plan, the EDF will play a core role, by increasing expenditure in public goods that lower the costs of export logistics in the country. It will include designing and co-developing – physical aggregation points, shared storage facilities, low cost freight operations, amongst others.

(4) **International Trading & Foreign Transactions -** This segment gets some funding from alternative sources, but this is generally insufficient. Nigeria needs to penetrate the international arena to move its goods. This requires strong publicity, contractual off takes, financial products to back export transactions, and ensuring consistent quality supply from Nigeria. Under the Zero Oil Plan, the EDF will play an enabling role (not a core role), by investing in global partnerships that boost off take from Nigeria, expand our capacity for market intelligence of foreign markets, and strategic campaigns (with governments and corporates) to boost Nigerian goods.

Fund Structure

Some key elements of the fund structure include:

- *Size:* To be determined
- *Funding Source:* An annuity inflow in Naira, based on a charge on imported products causing a material drag on Nigeria's trade balance (or any other source as approved by the FGN)
- *Custodian:* CBN and National DFIs
- *Legal:* Already backed by law (NEPC Act)
- *Manager:* Public-Private
- *Governance:* As per Act, includes MoFI, MITI,FMARD, National Planning, MAN etc

Thrust 4 - International Business Growth Incentive (as SMART Incentives)

Under the Zero Oil plan, Nigeria intends to increase exports of priority products to meet its financial targets in non-oil export income. To achieve this, existing companies and new playerswill need incentives, which reward export growth and performance.

(5) Export Incentives in Nigeria will be designed to be SMART (i.e. Specific, Measurable, Attainable, Realistic, and Tangible)

(1) A National Campaign to increase awareness of export incentives

A number of fiscal activities are available forbusinesses in export and financial institutions that supzport export. Under the Zero Oil plan, a national awareness campaign to sensitize businesses and banks on the available incentives will be executed (i.e. road shows, marketing materials, communication strategy etc.)

Some Export Incentives in Nigeria today

The Federal Government of Nigeria encourages the exportation of "Made-in- Nigeria" goods to stimulate growth in the non-oil sector. The following tax incentives exist:

- Companies engaged in exportation and manufacturing are entitled to unrestricted Capital Allowances.
- Any industry set up in an Export Processing Zone (EPZ) with the intention of exporting goods manufactured there will be exempted from tax.
- Dividends paid by wholly export- oriented companies are exempted from tax.
- Interest earned by banks on loans granted by them for export businesses are exempted from tax.
- 10 percent tax concession for five years. This concession will apply to industries that export not less than 60 percent of their products.

(2) Growth in Export Allowance

Large-scale exporters are key to opening up international markets. Increased private sector participation in agricultural and commodity sourcing is essential for exports to grow. As part of the Zero Oil plan, Nigeria will introduce tax exemptions as an incentive for increases in non-oil export sales.

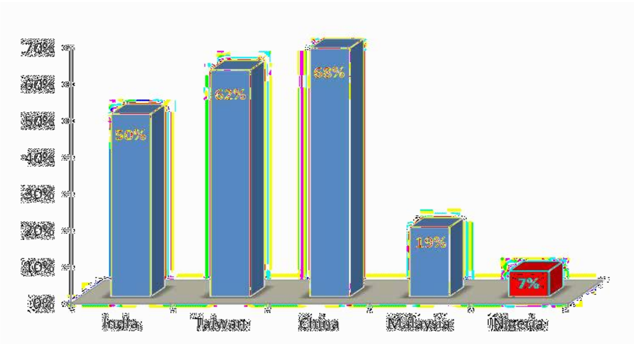
Structure of the Incentive

- *Objective:* to encourage growth in export sales in key sectors of the economy.
- *Benefit:* a credit applied to the statutory income tax of qualifying companies, in a percentage equal to their growth in non- oil export sales. For instance, if a company increases its export sales value by 10 percent, a 10 percent exemption from statutory income is applied (subject to the high watermark provision)
- *Limits:* The credit is applied up to a maximum of 50 percent of statutory income for that year of assessment.
- *Sectors:* Applicable to all non-oil export sectors
- *Eligibility:* To ensure administrative costs are reasonable, this will apply to firms registered with the NEPC (and in turn submitted to the FIRS) with export turnover in excess of US$250,000, and to companies operating as a going concern for a minimum of one year. The turnover limit will be reviewed periodically.
- *High watermark provision:* A company's highest historical export sales level (while receiving the incentive), will serve as the baseline from which growth is calculated

Thrust 5- SME Export finance

MSMEs have a key role to play in the Zero Oil plan. As at the end of 2013, SMEs contributed approximately 7 percent to total national exports from Nigeria. This is considerably low when compared to other export led economies such as China, Malaysia, Taiwan and India as illustrated below.

Figure 71: MSME contributions to exports



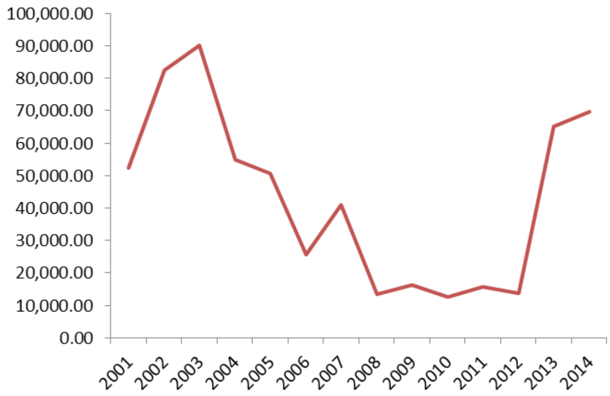
The low values reported are partly because of the large informal nature of Nigeria's MSME exports,as well as the dominance of oil exports, which is handled mainly by large firms.

MSMEs in export are largely concentrated in the manufacturing and retail & trade sectors with under 5 percent contribution from the agricultural and solid minerals sectors. The most significant challenges confronting Nigerian MSMEs from exporting are – access to finance, difficulty understanding foreign markets, standards, and skills.

An ―Access to finance‖ survey completed by the Federal government revealed that less than1 percent of SMEs in Nigeria accessed funds through formal channels in the previous 3 years. Commercial bank credit to the MSMEs has been low, accounting for 0.13 percent of total credit, and fluctuating significantly over the past 15 years, ranging between NGN 12 billion and NGN69 billion cumulative.

Under the Zero Oil plan, a number of schemes will be introduced to boost MSME funding for the purpose of exports.

Figure 72: Commercial bank loans to MSME



Zero Oil SME Export Finance Interventions

1) *SME Export Credit Guarantee Facility*

Through the Zero Oil plan, existing and new intervention funds will create earmarks for MSME exporters. SME credit guarantee and working capital credit facilities have worked effectively allover the world to accelerate exports. The Nigeria Government as well has established numerous financing interventions targeted at the MSME sector. Some of the Nigerian Government‘s concessionary facilities for MSMEs include-a NGN 220billion Micro, Small and Medium Enterprises Development Fund (MSMEDF), a NGN 200billion SME Credit Guarantee Scheme, a NGN3billion Agricultural Credit Guarantee Scheme, amongst others.

Under the Zero Oil plan, a percentage of these intervention funds will be ring-fenced and earmarked for SMEs focusing specifically on the export business.

2) Larger Export Credit Agency SME Trade Facility

Although Nigeria‘s ECA bank has increased its financial support to the MSME sector these efforts will need to be compounded. Specifically, total direct credit from Nigeria‘s ECA to the MSME sector was NGN 23.3billion between 2009 and 2012. NEXIM‘s credit facilities to SMEs are predominately extended to enterprises in the Manufacturing (58 percent) and Agro-allied sectors (21 percent).

Total credit to SMEs from Nigeria‘s ECA was NGN
23.3 billion between 2009 and 2012. It is essential to increase Nigeria‘s ECA credit facilities to the SME sector to foster inclusion and growth within exports in Nigeria. In 2014, Exim banks of US, China and Thailand provided credit facilities of US$5.1 billion, US$227million and US$700millionrespectively to SMEs. It is therefore evident that Nigeria needs to increase commitment of trade facilities to SMEs for export.

Under the Zero Oil plan a dedicated SME export trade facility, will be launched and warehoused in the NEXIM bank. The earmarked capital will be used to provide direct trade support to SMEs, insurance facilities and other pre and post shipment financing to the sub-sector, with preferential terms.

1) *Anchor Exporter Programs and MSME Exports Cooperatives Funding Programs*

As part of the Zero Oil plan, a series of initiatives and incentives will be established to support major off-takers from MSMEs, for exports. These will include Anchor Exporter Programmes (a variant of the Central Bank of Nigeria‘s Anchor Borrower‘s programme), and the MSME Exports Cooperatives Funding Programs.

For the Anchor Exporter Program, Nigeria will identify mid-sized and large scale off takers who buy from thousands of MSMEs, and can export commercial sized amounts of priority products. Anchor Exporters are critical to MSMEs since the funds they receive will go downstream to procure goods from MSMEs. Anchor Exporters will qualify for incentives, including quality inputs, concessionary financing, amongst others.

For the MSME Exports Cooperatives Funding Programs, Nigeria will facilitate the disbursement of intervention funds and private credit facilities through SME export cooperatives. The cooperative structure will de-risk financing to MSMEs in export, as the MSMEs will be able to cross guarantee each other and consolidate their financials. Additionally this structure will also streamline the monitoring and performance reporting process.

2) Export Counterpart Matching Fund

As part of the Zero-Oil plan, States will be encouraged to partner on counter-part matching fund schemes. Export counter-part funding schemes will be promoted between State Governments, DFIs (i.e. BOI, BOA, NEXIM), and private financial institutions, to share risk and mobilize capital for MSME exporters. The export counter-part funding will act as a stand- alone mutual fund agreement between the Federal Government, development banks, State governments, and private financial institutions. Under this structure, the State Governments will match financial commitments earmarked for SME export finance in each state. This will be administered as medium term loans with single digit interest rates, and channeled into the MSME export cooperatives and Anchor Exporters.

Thrust 6 - Special Purpose Entity for Transformational Export Project (S.T.E.P)

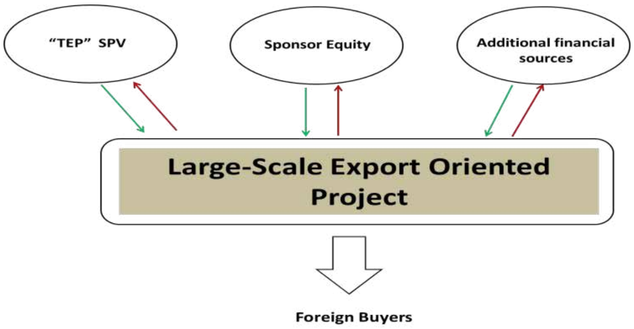
As mentioned under the ―Zero Oil‖ Sourcing pillar, Nigeria needs a number of large-scale transformational projects in priority sectors to accelerate the rate of output growth. The country needs more mega-sized projects, and all these must be funded. Under the Zero Oil plan, large- scale export focused projects will be leveraged as a means of meeting non-oil revenue targets.

As part of the Zero Oil plan, a scheme will be developed to accelerate capital mobilization for large scale greenfield and brown field export projects. The scheme termed – Special Purpose Entity for Transformational Export Projects (S.T.E.P)– will involve identifying or initiating, large-scale export projects in the country and mobilizing capital from various intervention funds(and other institutional sources) in the country.

The Special Purpose Entity (STEP) will secure unfunded commitments from finance sources in the country, with the understanding that the entity will catalyze credible sponsors to pursue transformational export projects in Nigeria. Institutional players who give unfunded commitments to S.T.E.P will be on standby to mobilize their funds once projects are evaluated and ready to go. The entity will be independently governed (public and private) and agree unfunded commitments from a number of sources, including:

- The Central Bank of Nigeria (through the intervention funds of the CBN)
- Domestic Development Banks (e.g BOI,BOA, The Wholesale Bank etc.)
- Sovereign Wealth Fund
- Pension Funds
- International Development Banks
- Private Institutional Financiers
- Amongst others

Figure 73: Funding structure for Transformational Export Projects



Some guiding principles on how S.T.E.P will be run:

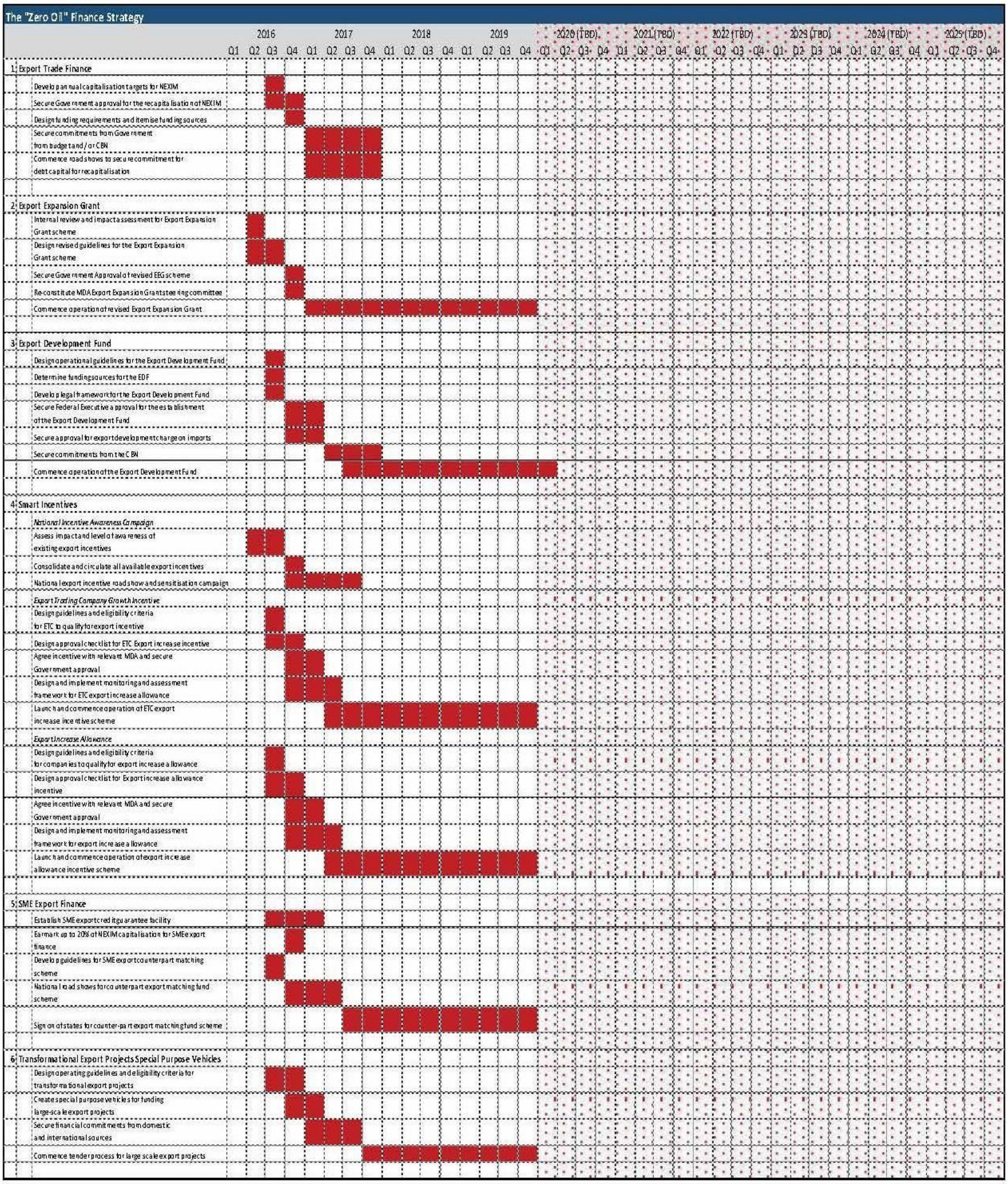
- *Objective:* mobilize capital for transformational export projects
- *Qualifying projects:* A project with minimum export sales of US$20 million per annum The sponsor should demonstrate ability to raise at least 20 percent (unencumbered) of total project funds etc.
- *Funding:* Unfunded upfront, as ST.E.P will work through commitments from existing intervention capital sources, and other institutional providers
- *Participation in projects:* The S.T.E.P mobilized funds for the project, not to exceed30 percent of total funds needed. Therefore

70 percent of project costs should come from sponsor, and other private capital sources. This will manage government‘s risk exposure, and ensure other financiers are involved to ensure project quality.

- *Instruments:* Debt (long tenured), Quasi Equity, or Guarantees
- *Target Project Sponsor:* Strong track record, strong balance sheet, being one of the _Industrial Scale Producers‘ (as defined in―Zero Oil‖ Sourcing) is an added advantage
- *Deal Sourcing:* Active (not waiting for projects to come for help). A number of active approaches, including using tenders for companies and projects to bid for S.T.E.P capital mobilization. Project selection to be done collectively by sources of financial commitment

Special consideration will be given to the projects with demonstrated capacity to generate sizeable foreign exchange from exports, and projects that can demonstrate financial commitments from other commercial sources. NEPC will provide detailed guidelines on the scheme through administrative releases

Figure 74: ―Zero Oil‖ Finance and Incentives -- Roadmap



8.0 "Zero Oil" States and Zones

The Importance of the States level Economic Agenda

The Zero Oil Plan will align economic and export policies at Nigeria's Federal and State levels. For years, an issue in Nigeria's economic agenda has emerged from varying polices from the different tiers of government. This disconnect between Federal and State goals has historically slowed down progress on major economic and sectoral reforms. The Zero Oil plan however addresses this issue by creating a strong role for States in implementation of the program.

The economic policies of the 36 States of Nigeria and FCT are key to restructuring the Nigerian economy. The State governments within Nigeria are uniquely positioned to allocate land and other domestic resources to projects. Further more, State and Local government regulatory agencies are also the ‗first points of contact' for producers in their interactions with government. State level leadership in the Zero Oil plan is therefore essential for success, and essential for private sector confidence.

Special Economic Zones are also critical to success. Over the past 30 years, Nigeria has declared a number of special economic zones for the specific aim of boosting exports. These zones are regulated by the Nigeria Export Processing Zone Authority (NEPZA), and the Oil& Gas Free Zone Authority (OGFZA).

The ―States and Zones‖ initiatives under the Zero Oil plan, aim to answer the following basic questions.

(1) What are the comparative advantages in exports for each of the 36 States of the Nigeria (and FCT)?

(2) What specific actions can States take to accelerate growth in output and exports of their priority export products?

(3) Which resources must States mobilize to meet the target production amounts?

(4) How will States govern their respective responsibilities under the Zero Oil Plan?

(5) How will existing Special Economic Zones beleveraged to boost non-oil exports?

The Wealth of the States

Nigerian laws give the Federal government significant powers relating to natural resources (e.g. oil, solid minerals etc.); but also empowers the State governments with significant control over land. State governments also have the closest degree of interaction with Nigerian people, by virtue of their proximity to communities, and their close ties with historical legacies. The ability for Nigerian States to mobilize land and engage people towards economic activity is essential to the success of the Zero Oil agenda.

Figure 75: Population densities in Nigeria

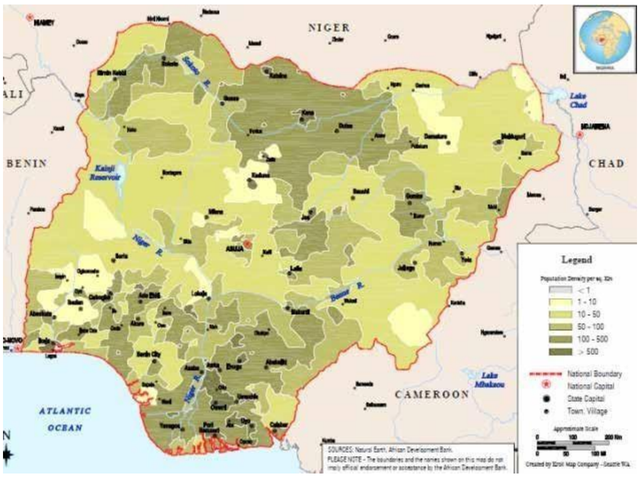


Figure 76:Land-- Map of Nigerian States by Size

No	State	km²
1	Niger State	76,363
2	Borno State	72,898
3	Taraba State	54,473
4	Kaduna State	46,053
5	Bauchi State	45,837
6	Yobe State	45,502
7	Zamfara State	39,762
8	Adamawa State	36,917
9	Kwara State	36,825
10	Kebbi State	36,800
11	Benue State	34,059
12	Plateau State	30,913
13	Kogi State	29,833
14	Oyo State	28,454
15	Nasarawa State	27,117
16	Sokoto State	25,973
17	Katsina State	24,192
18	Jigawa State	23,154

19	Cross River State	20,156
20	Kano State	20,131
21	Gombe State	18,768
22	Edo State	17,802
23	Delta State	17,698
24	Ogun State	16,762
25	Ondo State	15,500
26	Rivers State	11,077
27	Bayelsa State	10,773
28	Osun State	9,251
-	Federal Capital Territory	7,315
29	Enugu State	7,161
30	Akwa Ibom State	7,081
31	Ekiti State	6,353
32	Abia State	6,320
33	Ebonyi State	5,670
34	Imo State	5,100
35	Anambra State	4,844
36	Lagos State	3,345

Source: 2006 Census

Figure 77:People-- Nigerian States by Population

Rank	State	Population
1	Kano	9,401,288
2	Lagos	9,113,605
3	Kaduna	6,113,503
4	Katsina	5,801,584
5	Oyo	5,580,894
6	Rivers	5,198,716
7	Bauchi	4,653,066
8	Jigawa	4,361,002
9	Benue	4,223,641
10	Anambra	4,177,828
11	Borno	4,171,104
12	Delta	4,112,445
13	Niger	3,954,772
14	Imo	3,927,563
15	Akwa Ibom	3,902,051
16	Ogun	3,751,140
17	Sokoto	3,702,676
18	Ondo	3,460,877
19	Osun	3,416,959
20	Kogi	3,314,043
21	Zamfara	3,278,873
22	Enugu	3,267,837
23	Kebbi	3,256,541
24	Edo	3,233,366
25	Plateau	3,206,531

26	Adamawa	3,178,950
27	Cross River	2,892,988
28	Abia	2,881,380
29	Ekiti	2,398,957
30	Kwara	2,365,353
31	Gombe	2,365,040
32	Yobe	2,321,339
33	Taraba	2,294,800
34	Ebonyi	2,176,947
35	Nasarawa	1,869,377
36	Bayelsa	1,704,515
–	FCT Abuja	1,406,239

The ―Zero Oil‖ States & Zones Strategy

To accelerate the pace at which Nigerian goods gain access to foreign markets, the Zero Oil plan adopts seven thrusts under this pillar.

- **Thrust 1 -** One State One Product (OSOP)Export Programme
- **Thrust 2 -** Exportable Resources
  Intelligence: State level Geo-mapping of exports
- **Thrust 3 -** State distribution networks into
  national export corridors
- **Thrust 4 -** Export Empowerment Platforms
  (the Skills, Tools, & Competencies)
- **Thrust 5 -** The MSME and Youth Export
  Programme
- **Thrust 6 -** Mapping Special Economic
  Zones to Zero Oil profiles

Thrust 7

Thrust 1 - One State One Product (OSOP) Export Programme

The One State One Product programme is an initiative for Nigerian States to actively develop at least one major export product in commercial quantity. The programme creates alignment between targets set at the Federal level, with objectives and activities at the State level. While the OSOP programme requires each State to identify at least one export product, the States will be encouraged to pursue more than one export product where they are willing and able.

OSOP has been adapted after the One Village One Product (OVOP) development concept promoted by the Japanese Government for facilitating rural economic development in developing countries. OVOP is aimed at producing competitive products utilizing local resources in which the area has a comparative advantage.

The Zero Oil plan has taken into account successes through similar models in the following countries:

- China – One Factory One Product
- Phillippines – One Town One Product
- Thailand – One Tambon One Product

Figure 78:One State One Product for Exports(Category-A, Category-B, and Alternates)

	State	Export Category-A	Export Category-B	Alternate Products
1	Abia	Palm oil	Cashew	TBD
2	Adamawa	Rice	Cassava	TBD
3	Akwa Ibom	Petrochemicals & methanol	Cassava	TBD
4	Anambra	Palm oil	Cassava	TBD
5	Bauchi	Leather	Cowpea	TBD
6	Bayelsa	Petrochemicals & methanol	Palm Oil	TBD
7	Benue	Soyabean	Shea Butter	TBD
8	Borno	Leather	Cotton	TBD
9	Cross Rivers	Rubber	Cassava	TBD
10	Delta State	Fertilizers and Ammonia	Palm Oil	TBD
11	Ebonyi	Rice	Palm Oil	TBD
12	Edo	Palm oil	Cassava	TBD
13	Ekiti	Cocoa	Citrus	TBD
14	Enugu	Rice	Cassava	TBD
15	Gombe	Leather	Rice	TBD
16	Imo	Palm oil	Cassava	TBD
17	Jigawa	Cotton	Sesame	TBD
18	Kaduna	Soyabean	Gold	TBD
19	Kano	Rice	Leather	TBD
20	Katsina	Cotton	Leather	TBD
21	Kebbi	Rice	Leather	TBD
22	Kogi	Sugar	Rice	TBD
23	Kwara	Sugar	Rice	TBD
24	Lagos	Soyabean	Coconut	TBD
25	Nassarawa	Soyabean	Rice	TBD
26	Niger	Gold	Rice	TBD
27	Ogun	Rubber	Cassava	TBD
28	Ondo	Cocoa	Cassava	TBD
29	Osun	Gold	Cashew	TBD
30	Oyo	Cocoa	Cashew	TBD
31	Plateau	Soyabean	Corn	TBD
32	Rivers	Petrochemicals & methanol	Palm Oil	TBD
33	Sokoto	Cotton	Leather	TBD
34	Taraba	Sugar	Leather	TBD
35	Yobe	Leather	Shea Butter	TBD
36	Zamfara	Gold	Rice	TBD
-	FCT	Soyabean	Shea Butter	TBD

Nigeria Export Promotion Council (NEPC)

product in every state that can be developed for export and that can yield significant foreign exchange. The plan aims to translate each state‘s natural comparative ability to their internationally competitive advantage. The Zero-Oil plan evaluates strategic products from each state and selects a primary OSOP product and a secondary product in each state.

OSOP will drive investments to ramp up production in each state. The initiative will be collaboratively implemented by key stakeholders in the local, state and federal establishments and will require a coordinated implementation structure to ensure its success.

The Zero Oil objectives will be met by breaking down national Zero Oil targets, into State level targets. For planning purposes, the combined value of State targets will exceed the national targets, as this is necessary to have buffers and redundancies in helping Nigeria meet its overall goals.

Each State government will implement the following initiatives for OSOP:

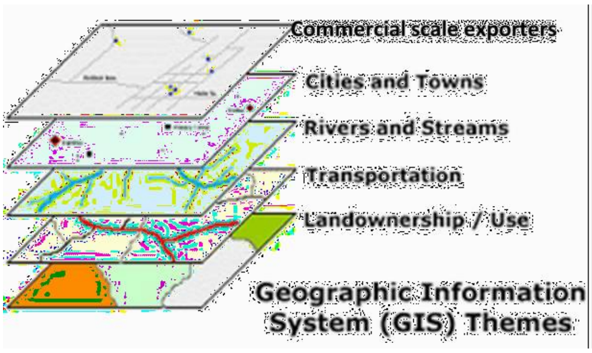
(i) Prioritize necessary export products for the State – Category-A, Category-B, and Alternates
(ii) Set output targets for respective export sectors in each State drawing from national output targets (working with the Federal program)
(iii) Develop State level Export Production Requirements Matrices (similar to the Federal Matrix), to itemize the resources needed to meet these goals
(iv) Setup up necessary institutions and roadmaps (i.e. a State Level Zero Oil plan) to accelerate output to meet these goals

Thrust 2 - Export Market Intelligence: State level Geo-mapping of export resources

Under the Zero Oil plan, the NEPC will work with respective States to map out geo spatial data identifying all major production centers and

resources needed to meet output goals. The identification and geo-mapping of production points are critical to – plan government interventions, design aggregation strategies, facilitate private sector off takes, and enhance transport corridors.

Figure 79: Geographic Information Systems for Zero Oil resources in States



Using the Geo-mapping initiative of the Zero Oil plan, States will be able to answer a number of questions, including: Where are the potential exporters of key products concentrated in the State? Which internal State infrastructure is essential to get products to market? How dorespective States situate new investors to boost the local export business? How can successful export hubs be replicated in other local governments? These, and many other questions will be answered through the State Exports GIS.

More than ever before, countries and sub- nationals (i.e. States) are looking for competitive advantages to attract new businesses to implement their economic policy. Governments all over the world now recognize that they are in an unprecedented competition with other State actors. Global information systems provide crucial information for understanding and developing export assets, which can create advantages for local companies.

Thrust 3 - State distribution networks into National export corridors

A major decision that States need to makeis how to link their farms and factories (in seemingly remote areas) into Nigeria‗s national

―export super highway‖ (i.e. The Field to Export Corridors). The Federal government has defined the major export corridors- i.e. the Red Corridor and the Blue Corridor -in the Zero Oil ―Sourcing‖ pillar. Likewise, respective States will also develop localized State level corridors to link their production centers into the identified Federal Export Transport Corridors. These are localized, State specific initiatives aimed at feeding into the corridors.

As part of the Zero Oil Plan, the State distribution networks will focus specifically on feeding output in to the national export transport corridor closest to the State.

Figure 80:States link production centers and resources to the identified National Field-to-Export Corridors (Illustrative)

Figure 81: The types of State interventions required on export distribution infrastructure

	Strategy	Mechanisms	Impacts (Cost and Time)
1	Increase and Improve Intercon-nections	• Add Facilities • New logistics services	Shorten delays Shorten routes Reduce admin Increase transparency
2	Establish Interoper-ability	• Harmonize technical standards	Better competition leading to lower costs

3	Increase Market Access	• Eliminate regulatory burden, charges, checkpoints • Traffic management • Security enhancement	Reduce cost of cargo handling Increase availability of export services
4	Increase Corridor Capacity	• Capital Investments (new, expansion, rehabilitation)	Reduce congestion

Thrust 4 - Export Empowerment Platforms (the Skills, Tools, & Competencies)

The Zero Oil plan recognizes the need to empower Nigerians, with the skills, tools, and competencies, needed to succeed in the global exports markets. Empowering people on how to integrate into the global export supply chain is essential for diversifying Nigeria‘s export revenues. The more people become experts on the export market, the more Nigeria as a country becomes an export giant. The true economic potential of exports is unleashed when more Nigerians know about exports and use it to support their livelihoods.

The Zero Oil plan adopts an ―Export Empowerment Platform‖ built on 14 base competence.

comprehensive list of 70 detailed competencies needed to build world-class competitive advantage in exports.

The 14 base competencies (or priority skills) are the highest priority competencies needed to execute relatively straight forward export transactions.

Figure 82- Export Priority Capabilities: The 14 base competencies

1. Know how to use freight forwarders and custom Brokers
2. Know how to Pack goods for Exports
3. Understand use of certificates of origin
4. Know how to label goods for exports
5. Can produce commercial invoices for exports
6. Know how to arrange export shipments by highway
7. Can identify Nigeria's competitive advantage in the export market
8. Can get information to profile potential export customers
9. Can arrange shipping and warehousing for exports
10. Can define international objectives
11. Know how to arrange shipping insurance for exports
12. Know how to process letters of credit
13. Know how to work effectively with foreign cultures
14. Can assess product suitability for export markets

In addition to the base competencies, the Zero Oil plan further adopts 70 competencies needed for deep proficiency in export markets. These 70 skills are categorized under four competency classifications, these are:

(1) Global entrepreneurship
(2) International marketing
(3) International finance, and
(4) International trade logistics

Figure 83 – The Export Empowerment Competency Platform

The 70 identified competencies are used as the basis for the Zero Oil ‗National Export Empowerment Platform'.

The Empowerment Platform is a mechanism to develop export capacity and know how within Nigerian people and companies. The platform is a combination of- skills development programmes, export tools, and a support system to aid domestic exporters. The platform will be customized for each State and deployed in conjunction with State governments, to include - competency gap assessments, as well as capacity development interventions. Furthermore, a suite of tools (e.g. technology, mobile systems, industry contacts, networks etc.) will be developed to aid firms in each State deliver on the competencies identified.

Figure 84–Global Entrepreneurship Export Competencies for Nigerian companies (16)

1. Can identify Nigeria's competitive advantage in the export market
2. Can define my firm's international objectives
3. Know Nigeria's regulations affecting exporters
4. Familiar with International businesses travel documentation
5. Know how to work effectively with foreign cultures
6. Know effect of free trade areas and customs unions
7. Know impact of multilateral institutions on company's exports
8. Know how exports are classified in the Harmonized System
9. Know how to use foreign export agents to enter export markets
10. Know impact of trade rules e.g. countervail and anti-dumping
11. Know how to use strategic alliances to enter export markets
12. Know impact of various tariff treatments on firm's exports
13. Know how to use trading company to enter an export market
14. Familiar with insurance and financing programs
15. Know how to use licensing to enter export markets
16. Knows how to use countertrade to enter export markets

Figure 85 - International Marketing Export Competencies for Nigerian companies (18)

1. Can get information to profile potential export customers
2. Can assess company's product suitability for export markets
3. Can get information to prepare competitive profile for exports
4. Know when product adaptation is necessary for exports
5. Can get information to prepare market penetration plan
6. Can get information on target market regulations
7. Can get country profile information for export target markets
8. Can quantify additional costs related to export marketing
9. Can tailor promotional strategies to foreign market needs
10. Can develop a comprehensive export marketing plan
11. Know various export pricing options and approaches
12. Can get and interpret secondary information on target markets
13. Can do primary research in export target markets
14. Can obtain promotional value from overseas trade fairs
15. Can obtain promotional value from government trade missions
16. Can access export opportunities with Nigerian government
17. Know constraints on international pricing
18. Can use media outlets in export markets to promote products

Figure 87 - International Trade & Logistics Export Competencies for Nigerian companies (20)

1. Can use freight forwarders and custom brokers
2. Know how to pack goods for export
3. Understand use of certificates of origin
4. Know how to label goods for exports
5. Can produce commercial invoices for exports
6. Know how to arrange export shipments by highway
7. Can arrange shipping and warehousing for exports
8. Know how to prepare freight rate calculations
9. Know health and safety regulations for exports
10. Know how to arrange shipping insurance for exports
11. Understand use of Export Declaration
12. Know how to follow-up on stranded shipments
13. Know environmental regulations for exports
14. Understand containerized freight requirements
15. Know terms on international logistics and trade
16. Know how to reserve space on vessels
17. Know how to arrange rail and road freight for exports
18. Know conference and non-conference shipping rates
19. Know costs of chartering ships and/or aircraft
20. Familiar with national facilities for exports

Under the Zero Oil plan, the competencies in the Empowerment Platform will be deployed through three primary channels:

(i) *Skills and Training Programs*

a. Practical skills development programs through the NEPC, and affiliated training networks
b. Incorporation of key export skills into existing curriculum of key academic institutions.

(ii) *Export Toolkits*

a. A suite of ready made toolkits to support exporters deliver on key competencies (e.g. technology, mobile, standard templates forreuse etc)

(iii) *Export Business Support Providers and International Trade Specialists*

a. Service providers and consultants to aid companies in the export process
b. As part of the Zero Oil plan, the NEPC will setup a certification system for international trade specialists in Nigeria, to ensure exporters have ready access to support when needed

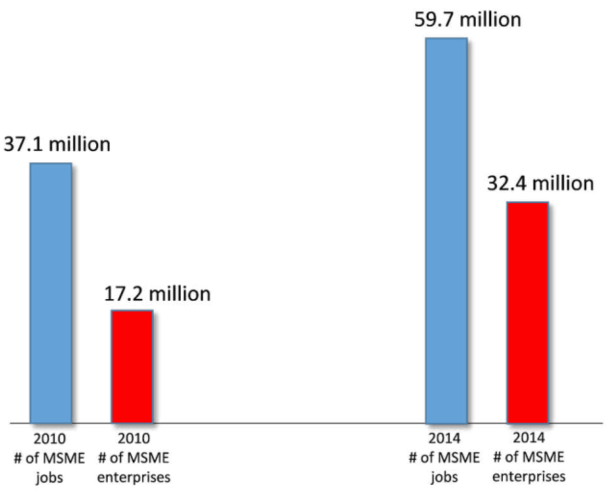
The focus of the Empowerment Platform is on practical skills and capacities that immediately empower people or firms to export. These empowerment requirements may vary substantially across firms, States, products, or target markets.

Thrust 5 – The MSME& Youth Export Initiative for States

The ability of Nigerian micro, small, and medium enterprises (MSMEs) to compete in international markets is key to ensuring Nigerian grassroots also benefit from an export revolution. MSME‘s are essential in making sure companies have access to affordable local goods for exports.

According to the Nigeria Bureau Statistics (NBS), in 2010 Nigeria had 17.2 million MSMEs employing 37.1 million people; by 2014 Nigeria had 32.3 million MSMEs employing 59.7 million people.

Figure 88–MSMEs in Nigeria



The Zero Oil plan will deepen development of the MSME sector for exports. MSMEs in Nigeria are faced with a myriad of issues- including, poor access to markets; poor access to finance; poor access to technology\equipment; and poor coordination of efforts to support them.

The MSME Export Initiative under the Zero Oil plan will use exports as an economic engine for MSME formation, growth, and sustenance.

The MSME Export Initiative will be implemented in conjunction with State administrations, and the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN

Nigerian MSME exports currently face the following challenges:

- Most Nigerian MSME exports are informal (typically to West and Central African countries)
- Female participation in formal exports is low
- Significant challenges accessing financing schemes for MSME exports
- Significant challenges with basic packaging and certifications needed to standardize

exports

Under the Zero Oil plan, the following MSME Export Initiatives will be implemented:

(1) **MSME Export Co-operatives**–Cooperative structures are important for MSMEs to succeed. In the agricultural sector for instance, farmer cooperatives around the world play an important role in the exports of agricultural commodities. Likewise, Nigeria will facilitate the creation of product specific export cooperatives to consolidate the operations of MSMEs. Such cooperatives will improve the bankability of MSME exporters through cross guarantees and consolidated financials. Representatives of Export Cooperatives will be supported in visiting several selected foreign markets to gain deeper insight into the nature of each market and the economic, political, and social forces at work within them.

For direct exporting, the MSME export cooperatives will deal directly with several kinds of foreign buyers or their foreign-based agents. For indirect exporting, the Export cooperative will work through intermediaries, either a Nigerian firm or a Nigerian based agent of a foreign buyer.

(2) **Marketing Development Assistance Schemes for MSME exporters**– As part of a package to reduce market development costs for small businesses, a range of incentives will be given to defray marketing costs of MSMEs. The range of support incentives will include – defrayed costs for flight tickets; accommodation; and space rent on trade

missions. The Nigerian government will also cut marketing costs by conducting key marketing studies for use by large groups of MSMEs in strategic product areas.

(3) **Anchor Exporter Programme**–As part of the Zero Oil plan, a series of initiatives and incentives will be established to support major off- takers from MSMEs, for exports. The Anchor Exporter Programs (a variant of the Central Bank of Nigeria‘s Anchor Borrower‘s programme) will identify mid-sized and large scale off takers with the capacity to source and export commercial sized amounts of priority products from MSMEs, for the specific purpose of exports. Such Anchor Exporters will be identified, and qualify for available incentives and funding. The criteria to qualify as an Anchor Exporter, will vary by sector – and will include buying products from a minimum number of MSMEs, the size of proposed export investments, and the tonnage and value of products for exports.

(4) **3rd party Toll Packaging for Exports –**The Zero Oil Plan will facilitate 3rd party toll packaging companies, to pack MSME goods for a service fee. Goods from Nigerian MSME exporters have historically been rejected due to poor packaging standards. Specialized Packaging firms will therefore be promoted under the Zero Oil plan as _Toll Packagers‘ to provide packing services to MSMEs within aggregators and in other key Nigerian locations. Toll packagers will use the latest packaging standards and techniques. Toll packaging providers may also have warehouses to support MSMEs. Specialized packaging firms within aggregators will be given incentives for fast growth. These service providers will also sensitize Nigerian exporters about leading requirements for global exports – including barcoding amongst others.

(5) *Annual Award for Quality MSME Export Products*

-The Zero Oil plan will launch annual awards for MSME exporters to reward promising small exporters and bring attention to the export market. The objectives of the award

scheme are: - to encourage quality products conforming to international standards; to propagate a culture of quality consciousness; to instill a sense of confidence within small exporters; and to enhance the image of Nigerian products in export market. The State level selection committees followed by a final selection at the National level will base these awards on recommendations every calendar year.

(6) Women in Exports Programme– Nigerian women constitute a significant portion of MSMEs, and are therefore essential to a successful MSME strategy. The Women in Exports programme is a series of export assistance programmes designed for women-owned businesses that are new to, or have limited experience in exporting. These programmes will handhold Women owned SMEs to navigate through the exports process and penetrate or further expand their export markets. Qualifying women will need to be operating existing business for at least 2 years, and be majority owners in their businesses.

This programme gives women the best possible start to being exporters. Under this programme, women participants will be setup into networks, with more experienced female exporters mentoring new exporters. The programme will leverage the Zero oil Export Empowerment Platform, to develop women through export promotional activities, trainings, seminars and visitation programmes in enhancing their capability to become sustainable exporters. The women in these programs will also be rolled into the larger MSME Exports Cooperatives for financing and other support.

(7) New Generation Exports Initiative (i.e. Youth in Exports) - This is a strategic initiative to develop young talent in Nigerian exports, and allow youth-owned export businesses to be a catalyst of entrepreneurship and job creation. Through New Generation Exports, Nigeria will scout for thousands of youth-owned enterprises through dedicated channels. The criteria for the participants are – Nigerian youth owned enterprises, high-potential products or services, good ethics in business, and are curious about exports. The best performing enterprises in the initiative will be supported to complete export transactions from end-to-end.

The New Generation Export Program will be deployed via two main channels:

Figure 89 – The Nigeria Youth Service Corps

(i) *Nigeria Youth Service Corp (NYSC)*- During the service year, Youth corpers will be formed into ―Export Youth Corps‖, and added to the national export network. At various points during the year, the groups will be taken through export proficiency trainings and given opportunity to execute real export transactions. Export Youth Corps will also qualify to be formed into MSME Export Cooperatives for concessionary creditlines will be given to export to back credible export transactions.

Figure 90–Undergraduate Students

Ministry of Industry, Trade, and Investment

(i) *Universities and Polytechnics*– Students in tertiary institutions will be formed into ―Export Clubs‖ and be part of Youth Export Networks while they are in school. They will be entitled to training, events, observing real export trades, and executing real export transactions.

Communication for the ―New Generation Exports Initiative‖ will be done mainly through social media and other new media platforms.

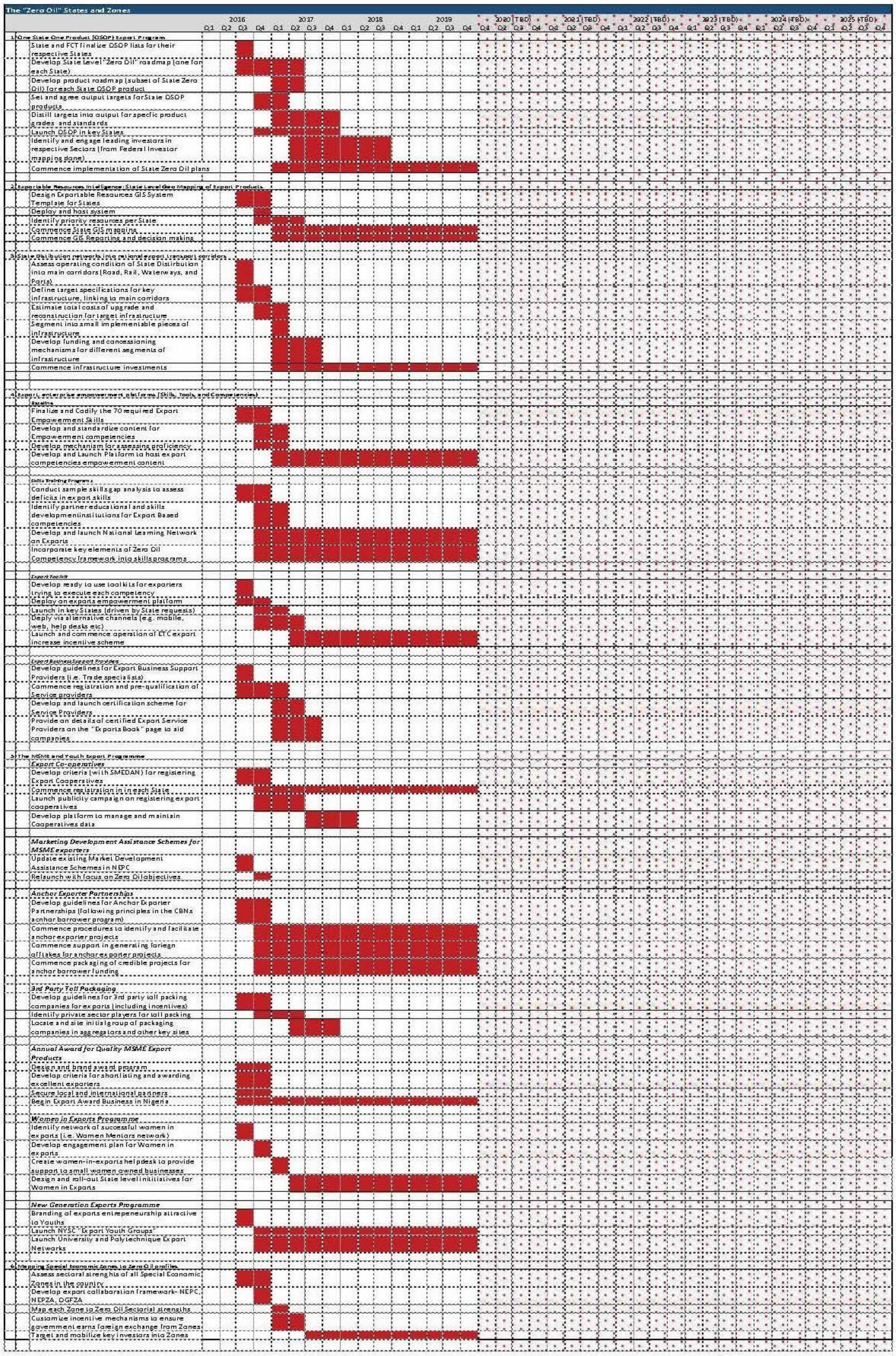
Thrust 6 – Mapping Special Economic Zones to Zero Oil profiles

Nigeria has over 30 areas designated as Free Zones, dispersed in all geo political areas of the country. The Free Zones are areas where goods can be imported, processed, and re-exported without the intervention of Customs and other typical regulatory authorities.

All over the world, Free Zones have played a critical role in boosting investments and exports, similarly Free Zones are critical to Nigeria meeting its Zero Oil objectives.

Under the Zero Oil plan, each Free Zone in the country will be mapped against products and sectors of the Zero Oil plan, to ensure they can support the plan. The Zone mapping will be done either for Category-A or Category-B products, and export volume targets will also be agreed (as done in OSOP). Some Zones will support development of multiple products, while others will support one specific product. It's important to note that the mapping of Zones to Zero Oil profiles does not mean those existing Zones will stop carrying out their normal activities. The mapping process just ensures the Zone managers actively push initiatives to support the Zero Oil agenda

Figure 91: ―Zero Oil‖ States and Zones – Roadmap



9.0 “Zero Oil” Organization &Institutions

The Importance of Organization and Institutions

The Zero Oil Plan will put in place governance and institutional structures to sustain implementation of the programme over the long term. Achieving the plan‘s goals will require strong inter- ministerial and inter-agency coordination. A broad array of stakeholders, from both the public and private sector, are essential for successful implementation of the plan. An inclusive and responsive governance system will therefore be setup to achieve these goals.

Government will avoid policy summersault in implementing the ―Zero Oil‖ plan. As much as possible, inconsistencies in the investment environment will be resolved. The ―Zero Oil‖ plan also needs to be driven from the highest levels of the Federation for it to be successful, as is the case in many counties. For example, the United States President Chairs the President‘s Export Council; likewise the Malaysian Prime Minister chairs their National Export Council.

The ―Organization and Institutions‖ initiatives under the Zero Oil plan, aims to answer the following basic questions:

(1) How will the program be governed at the Federal and State level?

(2) How will roles for different MDAs be coordinated and tracked?

(3) How will progress be measured, feed back received, and changes to the plan handled?

(4) How will Nigeria co-ordinate its institutions offshore to meet the programme's objectives?

(5) How will institutional reforms improve the business environment for private sector involvement?

Institutional support for Zero Oil –To leverage, and not duplicate

The Zero Oil plan‘s initiatives tend to be cross cutting, requiring actions from a broad array of government institutions. To achieve its goals, the ―Zero Oil‖ plan will not replicate statutory mandates of existing MDAs in government, but rather leverage such capabilities and powers of these institutions to achieve Zero Oil objectives. This is consistent with the Nigerian government's objective of cutting costs, removing duplications, and reducing overhead expenses. Furthermore, it is important to leverage existing institutions to ensure government policy is consistent and institutionalized across MDAs.

The Federal Ministry of Agriculture and Rural Development will lead policy decisions to increase output of Agro products. The Federal Ministry of Mines and Steel Development leads policy decisions to increase output of solid minerals. The Federal Ministry of Industry, Trade, and Investment leads policy decisions to increase output of manufactured goods. The Federal Ministry of Petroleum Resources leads policy decisions to increase output of petroleum industrial products.

In addition to these, the Federal Ministry of Finance will drive fiscal and funding interventions; The Federal Ministry of Foreign Affairs is essential for commercial diplomacy and penetrating foreign markets; The Federal Ministry of Power, Works, and Housing for infrastructure needs and interventions along the transport corridors; the Federal Ministry of Information and Culture to sensitize Nigerians; and so on.

The Nigeria Export Promotion Council (NEPC) will provide the channels to export, get Nigerian production into foreign markets, and serve as the

National Secretariat of the ―Zero Oil‖ plan. This isin line with its mandate as the primary agency toboost non-oil exports from Nigeria.

The ―Zero Oil‖ Organizations and Institutions Strategy

To ensure sound governance in implementing the agenda, the Zero Oil plan adopts seven thrusts under this pillar.

- **Thrust 1 -** The National Zero Oil Board
- **Thrust 2 -** The State Zero Oil Boards
- **Thrust 3 -** Zero Oil Work Groups
- **Thrust 4 -** Zero Oil Monitoring and Tracking
- **Thrust 5 -** NEPC Restructuring
- **Thrust 6 -** Foreign Mission Network on International Exports
- **Thrust 7 -** Institutionalization of Investment Climate Reforms

Thrust 1 - The National Zero Oil Board

The National Zero Oil Board will be established as an apex body responsible for overseeing the implementation of the Zero Oil plan.

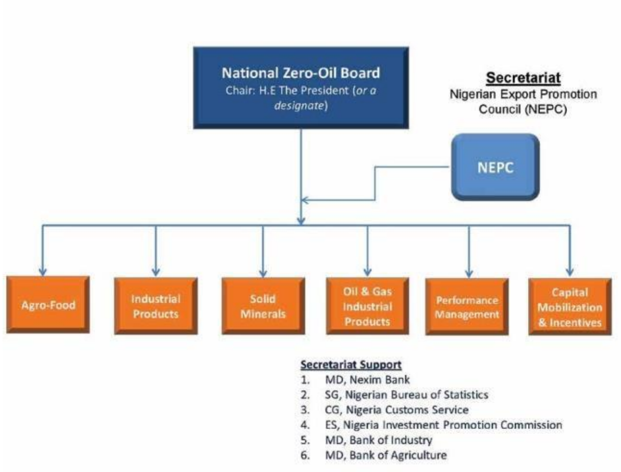
The Board will approve a comprehensive implementation framework to fast-track execution of the Zero-Oil plan. Stakeholders in the private and public sector will be engaged continuously as implementation is underway to assess impact of specific policy thrusts, re-assess the methodology and incorporate specific policy feedback to the plan.

The National Zero Oil Board is predicated on lessons learned from comparable structures internationally. Similar governance structures have been used to promote export dialogues between public and private sector, to drive export expansion policies and international trade, as well as to resolve cross cutting challenges within the nation‘s export.

Examples of some other similar export governance bodies include:

- The United States Presidential Export Council
- South Africa‘s National Export Advisory Council
- India‘s Board of Trade
- Malaysia‘s National Export Council

Figure 92: The ―Zero Oil‖ National Governing Board



The National Zero-Oil Board will have the following key responsibilities:

- Facilitate the accelerated implementation of the Nigeria Zero Oil Plan.
- Approve the work program and set milestones
- Ensure effective monitoring and evaluation of the program‘s impact
- Disseminate export performance targets to Ministries, Departments & Agencies and States.
- Identify and resolve cross-cutting issues affecting the growth of exports in the country.
- Mobilize resources to implement the program

The Board will be supported by 6 sectorial work groups, and 37 State Boards across the country. The NEPC will be the secretariat of the Board and will draw from other key agencies as secretariat focal points. The National Board is expected to meet at least twice a year.

The Board will be constituted of key members from the public and private sector

The Board will be constituted as follows:

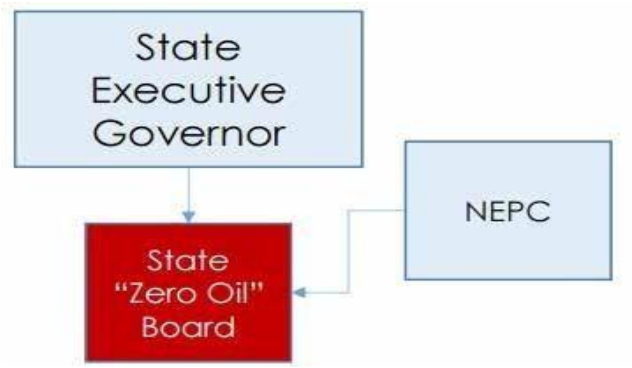
- **Chair** – His Excellency, the President; or a designate of the President
- **Sectoral Ministries** – Agriculture; Solid Minerals; Petroleum; Industry, Trade & Investment
- **Enabling Ministries** – Finance; National Planning; Power & Works; Foreign Affairs; Information and Culture
- **States** – Two sitting Governors (North and South); to be periodically rotated
- **Private Sector Groups** – MAN, NACIMMA, Farmers Association

Thrust 2 - State Zero Oil Boards

State Zero Oil Boards will also be constituted in each state of the Federation. The objective of the State Boards will be to drive the implementation of the Zero-Oil plan at the state level. The State Boards will facilitate the enabling environment to realise production and exports from the States. The State Boards will facilitate investment into strategic export sectors in the State.

The State Boards will be chaired by The Executive Governor in each State, and the vice-chair will be the respective commissioners of commerce. The State Boards are expected to meet quarterly and will escalate issues to the National Zero-Oil Board through the State Board Secretariat, which his also NEPC.

Figure 93: The ―Zero Oil‖ State Board



The key roles of the State ―Zero-Oil Board‖ are as follows:

- Coordinate the implementation of the One State One Product programme (OSOP) in the state.
- Validate the ―Zero Oil‖ Output Target for key export products assigned to State.
- Develop and provide requirements to meet Zero Oil output targets e.g. land to cultivated, investments needed etc.
- Monitor and report Non-oil export performance in the State.
- Identify strategic projects that can ramp up Non-oil exports from the State
- Mobilize domestic and international investors to ramp up production (private and public sector) in the State.
- Develop programmes to include MSMEs in the supply chain, and local skills.
- Provide feedback to the National Zero-Oil Board on cross cutting issues pertaining to Non-Oil export in the State.
- Develop and approve State level Zero-Oil plan

The State Zero Oil Boards will include key members from the public and private sector as well.

The State Boards will be constituted as follows:
- **Chair** – His Excellency, the Governor
- **Sectoral Ministries** – Agriculture; Solid Minerals; Petroleum; Commerce
- **Enabling Ministries** – Finance; Planning; Power & Works; Education

- **States –** Two Local Government Chairmen ; to be periodically rotated
- **Private Sector Groups –** Leading Private Investors and Employers in the State; relevant to OSOP products if possible (max of 3)

Thrust 3 – Zero Oil Work Groups

The Zero-Oil Work groups will serve as the work houses for the sectorial agenda. A number of work groups will drive the sectorial execution of the Zero-Oil plan, led by the respective Ministries in charge of that sector. Others will serve as enabling working groups, to address issues of export competitiveness. The Zero Oil work groups will coordinate efforts across MDAs and the private sector. The Work groups will be active operators, to remove constraints, mobilize export investments (working with State governments), and execute necessary public projects.

The six Zero Oil Work groups are as follows:

1. ―Zero-Oil‖ Agro-Foods Work Group
2. ―Zero-Oil‖ Industrial Products Work Group
3. ―Zero-Oil‖ Solid Minerals Work Group
4. ―Zero-Oil‖ Oil & Gas Industrial Products Work Group
5. ―Zero-Oil‖ Capital Mobilization & Incentives Work Group
6. ―Zero-Oil‖ Performance Management Work Group

Others Work Groups may be created with approval from His Excellency, the President.

The primary responsibilities of the Zero-Oil Work Groups will be as follows:

- Develop and drive sectorial initiatives to meet Zero Oil objectives.
- Drive sectorial policy, regulation, legislation, on key export sectors etc.
- Update the sectorial plans periodically based on results from execution.
- Review and monitor the results of policy initiatives to determine whether policy decisions are sustained or changed as needed.
- Engage investors and other stakeholders (in conjunction with States), in specific sectors to understand issues affecting production and exports in the sector
- Engage international partners and MDAs on boosting exports in select sectors
- Mobilize domestic and international resources to ramp up production in strategic Zero-Oil sectors.

Institute an effective monitoring and evaluation framework to track sectorial export performance

The Work Groups will bring together relevant MDAs involved in sectorial policy development and administration. Work Groups will be chaired by respective Honourable Ministers in charge of the area.

The Work Groups are expected to meet Monthly, and report directly to Chair of the National Zero Oil Board.

Figure 94: The "Zero Oil" Board Work Groups

1. **Honourable Minister of Agriculture & Rural Development** *(chair)*
2. Representative of the Ministry of Industry, Trade and Investment
3. Representative of the Federal Ministry of Finance
4. Representative of the Central Bank of Nigeria
5. *Managing Director*, Bank of Agriculture
6. *Managing Director*, Nigeria Export-Import Bank
7. *Director General*, NAFDAC
8. *Director General*, Sugar Development Council
9. *Comptroller General*, Nigeria Customs Service
10. *Director General*, Food and Agricultural Organization
11. Representative of National Rice Millers Association of Nigeria
12. Representative of National Palm Produce Association of Nigeria
13. Representative of Rice Farmers Association of Nigeria
14. Representative of Cocoa Association of Nigeria
15. Representative of All farmers Association of Nigeria

1. **Honourable Minister of Industry, Trade and Investment** *(chair)*
2. Representative of the Ministry of Agriculture
3. Representative of the Federal Ministry of Finance
4. Representative of the Central Bank of Nigeria
5. *Managing Director*, Bank of Agriculture
6. *Managing Director*, Nigeria Export-Import Bank
7. *Director General*, Standards Organisation of Nigeria
8. *Comptroller General*, Nigerian Customs Service
9. Representative, Manufacturers Association of Nigeria
10. Representative of Cotton Farmers and Merchants Association of Nigeria
11. Representative of Rubber Association of Nigeria
12. Representative of Rubber Research Institution
13. Representative of All farmers Association of Nigeria

1. **Honourable Minister of Petroleum Resources** *(chair)*
2. Representative of the Ministry of Industry, Trade and Investment
3. Representative of the Federal Ministry of Finance
4. Representative of the Central Bank of Nigeria
5. *Director General*, Department of petroleum Resources
6. *Director General*, Standards Organization of Nigeria
7. *Comptroller General*, Nigeria Customs Service
8. *Managing Director*, Nigeria Export Import Bank
9. *Managing Director*, Bank of Industry
10. Representative of Fertiliser Producers and Suppliers Association of Nigeria
11. Representative of Manufacturers Association of Nigeria
12. Representative Nigerian Association of Chambers of Commerce & Industry, Mining & Agriculture

1. **Honourable Minister of Mines & Steel Development** *(chair)*
2. Representative of the Federal Ministry of Finance
3. Representative of the Federal Ministry of Industry, Trade and Investment
4. *Managing Director*, Nigeria Export-Import Bank
5. *Director General*, Bank of Industry
6. *Comptroller General*, Nigeria Customs Service
7. *Director General*, Nigeria Mining Cadastre Office
8. *Executive Secretary*, Nigeria Investment Promotion Commission
9. Representative of National Miners Association of Nigeria
10. Representative of Nigerian Association of Small Scale Industrialists
11. Representative of Nigerian Association of Chambers of Commerce & Industry, Mining & Agriculture

1. **Honourable Minister Budget & National Planning**
2. Representative of the Federal Ministry of Industry, Trade and Investment
3. Representative of Federal Ministry of Agriculture and Urban development
4. Representative of Federal Ministry of Solid Minerals
5. Representative of Federal Ministry of Petroleum Resources
6. Representative of Central Bank of Nigeria

1. **Honourable Minister of Finance**
2. Representative of the Federal Ministry of Industry, Trade and Investment
3. Representative of Federal Ministry Agriculture and Urban developmer
4. Representative of Federal Ministry Solid Minerals
5. Representative of Federal Ministry Petroleum Resources
6. Representative of Central Bank of Nigeria
7. *Managing Director*, Bank of Indust
8. *Managing Director*, Bank of Agriculture
9. *Managing Director*, Nigeria Export Import Bank
10. *Controller General*, Federal Inland Revenue Services
11. *Comptroller General*, Nigeria Custo Service
12. Representative of Bankers Committee
13. Representative of National Association of Micro Finance Bank

Thrust 4 - Zero Oil Monitoring and Tracking

The overall aim of the Zero Oil Monitoring and Tracking Framework is to ensure that the programme's results are consistent with the national objective of diversifying Nigeria's export trevenue sources away from crude oil.

The primary functions of the Monitoring and Tracking procedures are to:

- Strengthen the program evaluation systems and capacities of the Government for the Zero Oil program
- Ensure the Zero Oil program can be improved upon during implementation based on feedback from activities, and lessons obtained from evidence.
- Contribute to institutionalizing national knowledge on sectoral development and exports
- The Honorable Minister of National Planning will Chair the Monitoring Work Group (as stated in the earlier sections).

Performance Metrics- What Nigeria will Measure ?

The Zero Oil plan will track four groups of indices:

(1) **Zero Oil Activities & Tasks Indices-** These will measure program success based on completion of activities key to diversifying the country away from oil. To track completion of activities (not outcomes), such as- investments in transport corridors, completion of export skills programs, launching initiatives in the Zero Oil Work plan, creating a planned fund, providing needed resources in the NPRMatrix etc

Zero Oil Output Indices – These will measure real sector output increase in both Category-A and Category-B products. As mentioned in earlier sections, it is essential that Nigeria ramps up production, and increase output, before export sales can be achieved.

(2) **Zero Oil Revenues Indices**–These measures the financial value of non-oil exports earned by the country. It will also be broken down into export revenues of specific products and sectors identified under the Zero Oil program.

(3) **Zero Oil Development Impact Indices**– These will measure the spillover economic benefits of achieving Zero Oil production and export targets. These include items like direct and indirect jobs supported by new export projects, Number of MSMEs engaged, new products & technology spin offs etc.

Figure 95: The ―Zero Oil‖ performance indices

S/n	Category	Metrics will include…
2.	Zero Oil Output	Production increase in Nigeria- inTonnes- for Tonnage Produced; and Tonnage Exported for: 1. Petrochemicals and Methanol 2. Soybeans (raw, meal, oil) 3. Sugar (raw, cane) 4. Cotton and Yarn 5. Nitrogenous Fertilizer and Ammonia 6. Palm Oil 7. Rice 8. Rubber 9. Hides and Leather 10. Cocoa (beans, butter, paste,powder) 11. Gold 12. Respective Category-B prod-ucts (Cashew, Cassava, Sesame etc) Etc.
3	Zero Oil Rev-enues	Export Revenue increase in Ni-geria- in US$ - for Financial value Exported for: 1. Petrochemicals and Methanol 2. Soybeans (raw, meal, oil) 3. Sugar (raw, cane) 4. Cotton and Yarn 5. Nitrogenous Fertilizer and Ammonia 6. Palm Oil 7. Rice 8. Rubber 9. Hides and Leather 10. Cocoa (beans, butter, paste, powder) 11. Gold 12. Respective Category-B products (Cashew, Cassava, Sesame etc.) Etc.
4.	Zero Oil Devel-opment Impact	These will include key spillover economic impacts of Zero Oil programs 1. Jobs created from new projects (direct and indirect) 2. # of MSMEs mobilized and engaged 3. Cumulative growth in foreign reserves (from non-oil exports) 4. Cumulative growth in tax income from new projects

Zero Oil Project Tracker

To implement the Zero Oil program, a master list of major projects, investments, and operations, within priority sectors will be complied and maintained by the secretariat

The Zero Oil Project Tracker will (at a minimum) track the following information on large scale exports projects in the country.

Project\ Plant\Operation2- Sponsor or Owner
3- Capacity or Size of operation4- Product Specifications
5- Status (operating, planned, in construction)
6- Investments Size (if available)
7- Planned Output (in tonnes)8- Location
9- Others as needed

The Project tracker ensures national interventions can be deployed at the micro level, and issues are resolved on time, to ensure private sector investments are completed on time to diversify national exports.

Decision Making

The performance metrics and project tracker will be consolidated bi-annually, into national export diversification reports. The aggregated information will be customized and routed to three user groups:

(i) *The Presidency* – Focused on the most critical metrics, major projects, and any items of national security or sensitivity.

(ii) *The National Zero Oil Board, and State Level Boards* – Focused on more detailed metrics that require operational decision-making. Will include information that can be shared across Ministries and States.

The General Public – Focused on keeping the Nigerian people informed on progress of the program. Major achievements and milestones will be shared with the domestic and international community.

Thrust 5 - Institutional restructure of NEPC

As the lead organization in the implementation of the Zero-Oil plan, it is important to ensurethat NEPC is well positioned and institutionally effective to deliver this objective.

A detailed institutional review of NEPC has been performed by KPMG to assess the capabilities and requirements for the agency to achieve its mandate.

The agency was reviewed against the following critical pillars:

- Organisational Structure
- People
- Markets
- Technology
- Products
- Resources etc.

The critical success factors for the effectiveness and success of any Export Promotion Organization include;

- A dynamic institutional structure with clearly demarcated responsibilities and functions to ensure effective contribution to the Export Promotion and Development process,
- Robust mechanisms for sound export policy planning and designing, policy advocacy, policy implementation and policy adaptation, based on feedback of results, to achieve sustainable export growth.

International benchmark

To align NEPCs structure to global best practice, a robust benchmark of the operations of key export promotion offices across the world was performed.

Reforms from NEPC Institutional Review

The institutional review gave rise to a set of reforms to better position NEPC. Some of the key reforms include.

1. *One-Stop-Shop for Export Development* – This will involve establishing a new Export Development department, to serve as a one-stop-shop for access to finance and export capacity development.

2. *Establishment of Smart Offices* – This will involve streamlining NEPC's zonal offices to regional offices and the establishment of Smart offices in each state. The Smart offices will be established in partnership with the State Government and will be used to effectively implement programmes directly at the state level.

3. *Export Training Institute* – This involves establishing an Export Training Institute as a unit within the Export Development department. The Export Training Institute will have single point responsibility for all training and business development activities of the Council.

4. *International export offices* – This involves establishing international trade offices in selected countries as a means of boosting export market penetration.

5. *Functional-Based Organizational Structure*
   – This is a reorganization for better delivery. An organizational review was performed taking into account intra- organizational collaboration, alignment with corporate strategy, clearly defined roles and responsibilities, ensuring a balance between efficiency and control etc. Three organisational structures were considered: functional, product-based and market- based. A functional based organogram was selected and is being implemented.

Other reforms in NEPC will be instituted and reviewed as the ―Zero Oil‖ plan progresses.

Thrust 6 - Foreign Missions: International Trade Administration Network

The ―Zero Oil‖ plan will leverage capacities within Nigeria's foreign missions abroad. The missions deploy diplomatic professionals with a cross section of skills and competencies, essential for commercial diplomacy to push Nigerian interests abroad.

As part of the Zero Oil Plan, a Commercial Service Partners Program will be created by the NEPC to deepen export support capabilities in Nigeria's foreign missions. The Commercial Service Partners will create an active network of officers and economic desks across key foreign missions to support Nigerian companies in gaining access to foreign markets.

The Commercial Service Partner network will provide a number of capabilities, including Trade Counseling, Market Intelligence, Business Match-making, Advocacy, Commercial Diplomacy, and Trade Promotion Programs.

Thrust 7 - Institutionalization of Investment ClimateReforms

Nigeria needs to mobilize billions of dollars in private sector investments to meet the production and infrastructure targets set out under the Zero Oil plan. A good Investment Climate is critical to mobilize these investments. The Investment Climate determines the ease and cost of doing business in Nigeria, and will drive the pace at which capital is deployed on export-focused projects in the country.

Role of the Ministry of Industry, Trade, and Investment

World Economic Forum Indicators – GCI Index

S/n	Indicators	Key MDAs Involved
1	Market Size	Cross cutting
2	Macro Economic Environment	MoFI, CBN
3	Labour Market Efficiency	Ministry of Labour
4	Financial Mkt Dev	MoFI, CBN, NSE, ASCE
5	Business Sophistication	MITI, Min of Agric, Min of Solid Min, Min of ICT, Min of Petroleum
6	Market Efficiency	Cross cutting
7	Innovation	Min of Sci & Tech; MITI
8	Tech Readiness	Min of Sci & Tech; MITI
9	Higher Education and Training	Ministry of Education; MITI
10	Institutions	Cross Cutting
11	Infrastructure	Ministry of Power; Ministry of Transport; State Govts
12	Health and Primary Education	Ministry of Health; Ministry of Education

The Ministry of Industry, Trade, and Investment, has prioritized reforming the Nigerian business environment (i.e. Investment climate) in order to meet the nation's economic objectives. These reforms are essential to the successful implementation of the Zero Oil plan

10.0 Interfaces and Roles

Collaboration by Multiple MDAs

Ministries, Departments, and Agencies (MDAs) of government will have varying roles as part of the Zero Oil plan. For the Zero Oil plan to succeed, a number of MDAs will play strong leadership roles.

Some areas of support needed from the key MDAs are listed as follows:

(i) Finance Ministry

- Fiscal measures to fund the Export Development Fund, the S.T.E.P scheme, and other funding interventions
- Interventions in National export credit agencies (e.g. NEXIM), and other development banks
- Unlocking new sources of capital to meet investment needs for projects

(ii) Agriculture Ministry

- Sectoral policies to accelerate growth in production within key sectors – e.g. Palm Oil, Cocoa, Rice, Soybeans etc.
- Collaboration in setting up key Export Trading Companies (ETCs) and Export Management Companies (EMCs), to create off takes for exports
- Facilitating new investors in Agriculture for key Agricultural export products (both for Category-A and Category-B products)
- Collaboration in development of aggregation and buying centers for products aimed for exports (working with State governments)

(iii) Steel and Solid Minerals Ministry

- Sectoral policies to accelerate growth in production within key sectors – e.g. Gold
- Accelerating the pace of Gold exploration in Nigeria to meet sufficient reserves to produceat least 2m oz of Gold a year over the long term
- Facilitating new investors for key Solid Minerals export (both for Category-A and Category-B products)

(iv) Petroleum Ministry

- Sectoral policies to accelerate growth in production within key sectors – e.g. Petrochemicals, Methanol, Fertilizer etc.
- Facilitating new investors for these sectors

(v) Industry, Trade, and Investment Ministry

- Sectoral policies to accelerate growth in production within key sectors – e.g. Cotton &Yarn, Hides & Leather, Rubber etc.
- Mobilization of investments into all export focused sectors in the Zero Oil plan
- Incentives administration for new investments in key sectors
- Facilitation of Industrial hubs and clusters to accelerate output growth
- Implementing an MSME strategy to link small businesses with export supply chains (in

conjunction with Ministry of Agriculture and Ministry of Solid Minerals)
- Trade agreements with special focus on Nigerian exports into target markets

(vi) Power and Works Ministry

- Accelerate investments into key road transport corridors, needed for exports – e.g. The Red Corridor (Katsina to Lagos), The Blue Corridor (Maiduguri to Port Harcourt and Calabar), and Inter- Corridor Linkages etc.
- Collaborate in works needed to develop national aggregation centers
- Power supply in strategic production and industrial hubs to accelerate output growth

(vii) Transport Ministry

- Accelerate investments into key rail transport corridors, needed for exports – e.g. The Red Corridor (Katsina to Lagos), The Blue Corridor

  and Calabar) with facilities to meet the needs of large bulk exports

(viii) Foreign Affairs Ministry

- Deepen the ability of Nigeria‘s foreign missions to facilitate export commercial diplomacy
- Collaborate on opening up foreign markets for Nigerian products
- Provide international trade administration to support Nigerian companies get into target markets
- Collaborate on setting up the Commercial Service Partner Programme.

(ix) National Planning Ministry

- Codify and communicate Zero Oil plan to all MDAs as Government policy.
- Performance management to track progress on Nigeria meeting its non-oil export objectives

(x) Labour Ministry

- Policies to prepare and mobilize workforce into upcoming projects of identified export sectors
- Provide a framework to maximize the employment gains realized from the anticipated growth of investments within the country

(xi) Education Ministry

- Initiatives to boost technical and vocational education skills needed in identified export sectors (i.e. employable skills, rather than only professional skills)

Integration of key sectorial technical skills and concepts (based on the Export Empowerment Platform) into existing curricula in select secondary and tertiary institutions, for target export sectors.

(xii) Youth Ministry

- Integrate the National Youth Service Corps with export empowerment programs (e.g. the Youth in Exports Initiative), to mobilize Nigerian youths into using exports for a living

(xiii) Standard Organization of Nigeria (SON) and National Agency for Food and Drug Administration (NAFDAC)

- Establishing Standards protocols to ensure effective testing, and speedy processing of strategic export products being shipped to target markets
- Partnerships with key standards institutions in target markets, to increase confidence in Nigerian goods, and fast track access to select markets

(xiv) Nigeria Bureau of Statistics (NBS)

- Gather and track information on non-oil exports in the country (to include development data, volumes increases, geographical trends etc)

(xv) Nigeria Investment Promotion Commission(NIPC)

- Mobilizing foreign and domestic investments into target sectors to boost non-oil exports under the Zero Oil plan

(xvi) Nigeria Customs Service

- Instituting fast track processes and procedures for Nigerian exports, to reduce costs and time to export

(xvii) Nigeria Ports Authority (NPA)

- Investments in logistics equipment and facilities for sea ports to cope with larger volumes of bulk export cargo
- Collaboration in locating and designing in-land ports to also serve as major export aggregation points

(xviii) Nigeria Export Processing Zone Authority (NEPZA) and Oil & Gas Free Zone Authority (OGFZA)

- Mobilizing investments and projects into existing special economic zones to accelerate growth of non-oil exports from existing Zones
- Mapping existing Zones to one or more Zero Oil priority areas, to develop specialization over time

(xix) State Administrations

- Developing a version of State Level _Zero Oil' plans for respective States, to ensure all States identify the non-oil export products to diversify their revenue sources
- Driving the One-State-One Export program as part of the State Zero Oil plan
- Mobilizing investments into the State, and creating enabling environment for projects boosting non-oil exports
- Providing incentives and support to accelerate non-oil export projects

- Creating special investment vehicles for the State to earn income from successful non-oil export projects

(xx) Domestic Development Banks e.g Bank of Industry, Bank of Agriculture, Wholesale Bank, NEXIM

- Special funding windows for non-oil export projects

Participation in special funding vehicles under the Zero Oil plan to accelerate capital deployment to transformational non-oil export projects (i.e S.T.E.P).

(xxi) Central Bank

- Provide special funding windows for non-oil export projects
- Provide incentives to commercial banks to fund non-oil export oriented projects
- Participation in special funding vehicles under the Zero Oil plan to accelerate capital deployment to transformational non-oil export projects (i.e S.T.E.P)

(xxii) The Zero Oil Plan will also be driven by activities from many other MDAs no listed here

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AFRICAN DEVELOPMENT BANK GROUP

THE TEN-YEAR STRATEGY

The African Development Bank Group (the Bank) announces its Ten-Year Strategy 2024-2033, Africa and the world face deep challenges. After a decade of strong economic performance, countries across Africa have shown great resilience. But the continent must deal with a set of interlocking crises – some global, others originating within the continent – that threaten to undermine its hard-won gains. Africa has emerged from the Covid-19 pandemic only to confront worsening food insecurity and a growing debt crisis. The impacts of climate change are inten-sifying and accelerating. Conflict and political instability have surged, while the youthful working age population continues to grow at a faster pace than jobs. With limited opportunities in their home countries, millions of Africa‘s young people, the continent‘s future, are seeking economic opportu-nities in other regions. These accumulating crises threaten to trap Africa in a cycle of emergency response. The continent urgently needs to shift resources into building sustainable and resilient growth that delivers jobs and equity.

This Strategy sets out how the Bank will take urgent action to support African countries as they manage these multiple hurdles. It shows how the continent can regain momentum towards the African Union‘s Agenda 2063 and the Sustainable Development Goals (SDGs) while seizing opportunities to lock in lasting progress. The Strategy responds to the call for multilateral development banks (MDBs) to increase their focus on global and regional challenges as they affect the continent‘s progress, with a focus on the priorities of African countries, individually and jointly, in these turbulent times.

The Strategy rests on a foundation of optimism about Africa‘s potential to transform societies, economies, and the lives of the people of the continent for the better. Over the past two decades, Africa has got many of the fundamentals right, enjoying its most sustained period of economic growth and bringing about steady improvements.

> While the continent must deal with multiple andinter locking crises, the Strategy rests on a foundation of optimism. Africa‘s unique assets, including a young and dynamic workforce, renewable energy potential, natural resources, and a growing urban population, present vital opportunities for sustainable growth, green development, and increased participation in global markets.

in people‘s lives. Over the next decade, Africa can create sustained growth, drive transformation, and contribute towards critical global solutions. Its progress will be driven by its unique assets: a young and dynamic workforce, growing urban consumer markets, integration of national economies, huge clean energy potential and extensive natural resource wealth. Africa‘s population is the youngest and fastest growing in the world presenting the continent with an unparalleled demographic window of opportunity. By 2030, the continent will have 477 million young people between the ages of 15 and 35, constituting a potential workforce for transforming Africa and the world·

Africa's population is the youngest and fastest growing in the world presenting the continent with an unparalleled demographic window of opportunity.

The Strategy outlines the vision of an Africa that is **prosperous, inclusive, resilient** and **integrated**. This vision is supported by **twin strategic objectives**: accelerating inclusive green growth and driving prosperous and resilient economies. While pursuing these twin objectives, the Bank will ensure sustainability by balancing the environment, equity, and economy. The **mission** of the Bank adopted 60 years ago remains relevant – to promote the sustainable economic development and social progress of Regional Member Countries (RMCs), both individually and jointly. Meeting the needs of

The African Development Bank's Ten-Year Strategy sets out a vision of a prosperous, inclusive, resilient, and integrated Africa, supported by twin objectives of accelerating green growth and driving prosperous and resilient economies across the continent.

RMCs remains the Bank's core focus. The Bank's primary contribution to this vision and mission is its **High 5 operational priorities**, which combine the critical priorities outlined by African countries with the Bank's core strengths as a partner in delivering high-quality, transformative investment projects and programmes:

- **Light up and power Africa:** Promote access to modern and affordable energy for all.
- **Feed Africa:** Achieve food security for Africa, through the transformation of agriculture.
- **Industrialise Africa:** Establish African manufacturing as an engine of job creation.

Integrate Africa: Promote regional integration and value chains, as foundations for a more productive and integrated African economy

Improve the quality of life of the people of Africa: Focus on enhancing the living standards of Africans, particularly women and young people, to enable them to achieve their potential.

The Bank draws on a strong record of results under the High 5s over the past decade, with tens of millions of Africans benefiting from their implemen- tation. Over the next decade, the High 5 agenda must be accelerated and scaled up. Across the High5s, the Bank will maximise its impact by stepping up its overall volume of financing while making fewer but more transformative investments, delivering results for people across Africa. These investments will be aligned with the Bank's areas of comparative advantage and will focus on transformative change. To seize opportunities while managing risks, the Bank will adapt its operational model to deliver at speed and scale. The Bank will invest in regional and global public goods where they support African countries' priorities.

To ensure the High 5s achieve their transformative potential, the Bank will systematically be guided by **a set of cross-cutting priorities** across its operations, knowledge work and policy dialogue.

- Across all its activities, the Bank will strive to close Africa‘s inequality gaps, including equipping and investing in **women** to achieve their full potential and contribute to sustainable growth and prosperous societies.
- **Young people** are Africa‘s greatest asset. The Bank will support governments to improve the quality of life of young people with a focus on developing the skills they need to succeed in today‘s job market.
- No region has contributed less to **climate change** – and no region faces graver threats than Africa. The Bank will support African countries as they adapt to the accelerating impacts of climate change while following low-carbon development trajectories in line with the Paris Agreement and protecting biodiversity, the environment, and nature. These are all critical elements for securing the continent‘s long-term prosperity.
- Amid rising **shocks, conflict, fragility** and political instability, the Bank will intensify its efforts to support countries adversely affected by fragility. The Strategy has a strong focus on tackling cross-border challenges and reducing the isolation of landlocked and remote areas.
- The Bank will work with African countries to support the development and delivery of **governance**. The Strategy focuses on economic governance, including domestic resource mobilisation, strong public expend- iture and financial management frameworks, transparency, accountability and anti-corrup-tion measures, and sustainable management of debt.

The **private sector** will be at the heart of the Bank‘swork. Over the next decade the Bank will substan- tially scale up and deploy its public and private sector operations in complementary ways. These will involve creating the enabling environment and critical infrastructure needed for a healthy private sector, while investing in promising firms, value chains and micro, small and medium-sized enterprises (MSMEs), particularly those that are led by women and youth. The Bank will provide support for private financing where appropriate and public finance only where necessary to preserve fiscal capacity within the region.

Across all its activities, the Bank will strive to close Africa‘s gender inequality gaps, including investing in women to achieve their full potential and empowering them to contribute to sustainable, inclusive, and prosperous societies.

The Bank has a mandate to mobilise **development finance** for Africa. Against a background of rising needs and growing debt burdens, scaling up finance from all sources is a central theme of the Strategy. The Bank will work

The Bank must now urgently reform to be fasterand more responsive to the substantial ambitions of regional member countries, delivering impacts at scale for people across Africa.

- Investing in long-term **partnerships**. The Bank will use its convening power as an African institution to forge alliances with African governments and regional institutions, other MDBs and partners, the private sector, and civil society, to tackle the continent‘s most pressing challenges while contributing to solutions to global challenges
- Strengthening its **institutional model** by improving the quality and efficiency of opera- tions, simplifying processes, investing more in its people, and building a stronger learning culture.

The world needs strong African institutions. While the African Union provides the political lead, the Bank, as Africa‘s premier development institution, provides the economic and financial engine to support the realisation of the continent‘s ambitions. The Bank is a voice for transformation across Africa and for Africa internationally.

INTRODUCTION

1. *The African Development Bank Group is releasing its Ten-Year Strategy (2024-2033) at a time when Africa faces a series of shocks and crises – some global, others originating on the continent.* After two decades of strong economic growth and sustained progress in improving people‘s lives, countries across Africa have shown great resilience. Having weathered the Covid-19 pandemic, however, African countries still face the need to find work for a growing working-age population, while contending with growing food insecurity, a debt crisis, frequent shocks, conflict and political instability, and the accelerating impacts of climate change. These shocks and crises are threatening to undermine Africa‘s progress towards the African Union‘s Agenda 2063 and the United Nations Sustainable Development Goals (SDGs).

2. *The Strategy outlines the Bank's response to these multiple, interlocking challenges.* It also outlines how the Bank will support African countries to seize the opportunities presented by the continent‘s unique assets, while building resilience to crises and regaining momentum towards the vision of a prosperous, inclusive, resilient, and integrated continent. The Strategy responds to the recent call for the multilateral development banks (MDBs) to intensify their efforts to address global challenges and scale up their investments in regional and global public goods[2] as they affect progress across the continent.
3. *The African Development Bank Group Ten-Year Strategy (2024-2033) is grounded in Africa's vision as reflected in the African Union's Agenda 2063 – The Africa We Want, which aims to deliver trans- formational outcomes for Africa's peoples.* The Strategy is also built on the SDGs and is focused on supporting African countries as they realise the continent‘s vision of inclusive and sustainable development. It builds on the Bank‘s previous long-term strategy (2013-2023), which sought to place the Bank at the centre of Africa‘s transfor- mation and to improve the quality of Africa‘s growth.
4. *The High 5s — Light-up and Power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa – are closely aligned with Agenda 2063 and the SDGs.* They reflect African countries‘ priorities and the Bank‘s core strengths as a partner to support the delivery of sustainable, high-quality investment projects and programmes.
5. *The Strategy sets out the Bank's cross-cutting priorities that need to be in place for the High 5s to deliver their transformative potential*. These investments include promoting gender equality; investing in young people; addressing climate change and protecting biodiversity; building Africa‘s resilience to shocks, fragility, and conflict; and strengthening economic governance. These cross-cutting priorities will be integrated across the Bank‘s operations, knowledge work, policy dialogue and global advocacy.

To achieve its goals, Africa urgently needs to increase access to affordable and sustainable finance. The Strategy outlines how the Bank will fulfil its mandate to mobilise finance for Africa from all sources — not just international public finance, but also private investment and domestic revenues. Finally, the Strategy describes how the Bank will develop its operational and institutional model over the next decade, to enhance its capacity to deliver results at scale for the people of Africa. The Strategy has been informed by extensive stakeholder consul-tations, analytical work, and recommendations of an independent evaluation of the Bank‘s previous Ten-Year Strategy (2013-2022).

1.1 AFRICA‘S PROGRESS OVER THE LAST DECADE

1. *Over the period of the last Ten-Year Strategy, African countries got many of the fundamentals right*. For the decade before the Covid-19 pandemic (2010-2019), Africa

enjoyed sustained economic growth, with GDP rising at a rate of 3.3% per year. In 2019, the continent was home to six of the world's ten fastest-growing economies. Africa's growth has been built on structural change that transformed economies based on traditional agriculture and raw commodities into modern, diversified industrial and service economies.

2. *This strong performance reflects the efforts made by African governments to put in place the basic conditions for lasting growth.* It also reflects a combination of significant improvements in domestic policies alongside the boom in commodity prices. Overall governance has marginally improved over the last decade and[4] the business environment[5] has become more conducive to private investment and business development.

3. *Africa's economic success has been bolstered by rising prices for commodity exports over the past decade.* A substantial increase in oil prices brought about temporary windfall benefits for oil-producing countries. The prices of copper and gold reached unprecedented levels, driven partly by high demand from rapidly expanding Asian economies. Africa also benefited from increased inflows of external capital, including foreign direct investment, official development assistance, and remittances. African countries experienced a notable upswing in borrowing from international capital markets. These additional resources were primarily channelled into infrastructure development, which in turn accelerated economic growth across the continent.

4. *This period of growing prosperity improved life for the people of Africa*. Extreme poverty (the proportion of people living on less than USD2.15 a day) fell from 55% in 2000 to 34% in 2020.[6] Child mortality rates fell by half from 153 to 74 deaths for every 1,000 live births in sub-Saharan Africa.[7] Life expectancy increased by 10 years. School enrolment rates increased, reaching 98% for primary and 54% for secondary school in 2020, while gender gaps narrowed. Improvements in education, health and nutrition have helped build a more productive workforce. Absolute employment improved from 310 million in 2013 to 511 million in 2023,[8] but this has been outpaced by pandemic job losses and workforce growth which in turn has elevated unemployment, underemployment, and labour force underutilization.

5. *Infrastructure has expanded, giving more Africans access to clean water and reliable energy*
— *both essential for productive livelihoods.* Access to energy has increased, agricultural production is rising, and new value-chains are emerging. Agricultural output grew as more land was brought into use. The rapid development of agricultural processing has been a source of inclusive growth, creating opportunities for rural communities, including women and young people. Intra-regional African trade is set for take-off and the continent is embracing the digital economy.

1.2 AFRICA‘S CHALLENGES ARE EXACERBATED BY ACCELERATING GLOBAL CRISES

Africa’s challenges over the last decade

1. *However, many challenges exist and are not to be underestimated*. Much of the world, including Africa, is off-track to reach most of the SDG targets by 2030. Domestic resource mobilisation to finance the continent‘s development remains low. Many countries across Africa still face major gaps in access to power, clean water and sanitation, and other essential infrastructure. These gaps impede not only quality of life for Africans but also the development of modern, productive economies. Uneven access to and quality of education and skills development, health and other basic services are hindering the development of human capital – the knowledge, skills and health that enable people to realise their potential as productive members of society. African women face entrenched barriers to gaining equal access to jobs and Much of the world, including Africa, is off-track to reach most of the SDG targets by 2030. economic opportunities, and to participating fully in decision-making at all levels. Economic growth has not created enough jobs over the last decade, leaving millions of young people jobless. Although governance has improved, corruption remains a challenge in some countries. Progress in overall governance in the continent has been undermined by worsening security, democratic backsliding, and Covid-19.

2. *In some parts of Africa, food security – reliable access to sufficient nutritious food – has decreased over the past decade, as humanitarian challenges combine with conflict, climate change, environ- mental degradation, and structural challenges in agriculture.* Around one-fifth of Africa‘s population is undernourished. Some 600 million Africans – 43% of the continent‘s population – lack access to electricity[10] while almost a billion people lack access to clean cooking solutions and technology.

3. *More rapid inclusive and sustainable growth is needed to speed the process of creating wealth and improving lives***.** While the proportion of people who are living in extreme poverty has fallen, it has fallen more slowly than population growth, so the number of poor people in Africa has continued to rise. In 2022, around 431 million people in Africa (about 31%) were living in extreme poverty.[11] Millions more live close to the extreme poverty threshold and are therefore highly vulnerable to shocks and downturns. In some areas, increased poverty has contributed to significant migration as skilled professionals and low-skilled labourers seek opportunities beyond the continent. The migration of higher-skilled young people dims the prospects for Africa‘s youth-led renaissance and exacerbates the brain drain.

4. *Reducing inequality in Africa is necessary not just to improve people’s lives, but also to foster more dynamic growth and boost the development of markets.* The

benefits of Africa's more rapid growth have been skewed by inequalities between geographical areas, between urban and rural populations, and between men and women. In Africa, as in other parts of the world, women dispro- portionately face systemic disadvantages. They earn less for equivalent work; they face discrim- ination and, in some cases, laws that institution- alise unequal opportunity. Reducing inequalities, particularly in education and health, can boost the skills and health of the workforce, which is essential for increasing productivity and innovation

> Africa is acutely vulnerable to climate change, health crises, global economic volatility, and conflict. Many of these challenges require cross-border, regional and global solutions.

Multiple global shocks and crises are undermining Africa's progress

5. *Africa faces a set of shocks and crises that threaten to undermine or reverse its hard-won gains*. Africa is acutely vulnerable to climate change, health crises, global economic volatility, and conflict. As a result, the continent's progress is punctuated by recurrent shocks, which often interact and reinforce each other. Pressure from conflict or climate change can undermine a country's ability to cope with other crises, such as health threats or global economic turbulence. Many of these challenges require cross-border, regional and global solutions.

6. ***Climate:*** *Climate change jeopardises economies and increases fragility.* In the coming years, as the impacts of climate change intensify and accelerate, every African country and economic sector will be increasingly affected, creating huge adjustment costs. Africa is exceptionally vulnerable to climate change, which affects millions of people. This makes adaptation efforts more pressing as rapid changes in weather patterns erode the productivity of local water and food systems[12]. Climate change exacerbates economic vulnerability by reducing economic growth and tax revenues, and by requiring additional expenditure and borrowing to respond to extreme weather events. Climate scientists project that Sub-Saharan Africa is warming 1.5 times faster than the global average. By undermining countries' adaptive capacity, climate change is contributing to increased fragility. Climate changeis already imposing economic costs and social disruption, with adaptation alone projected to cost the continent at least USD50 billion annually by2050.

7. ***Covid-19:*** *Covid-19 underlined Africa's health weaknesses.* The pandemic exposed critical weaknesses in Africa's health systems. The number of hospital beds per head of population are below global averages, and intensive care facilities proved

inadequate to the needs of the pandemic. African countries also lack the diagnostic and surveil- lance capacities required to control the spread of epidemic disease. Inadequate clean water and hygiene in almost half of Africa's primary healthcare facilities undermined attempts to control the spread of the virus. Africa depends on imported medical supplies, drugs, and vaccines, and found itself last in the queue in the global competition for access. Resources were diverted from other critical health services, such as child immunisation and the treatment of malaria and tuberculosis.

8. *The social and economic effects of the pandemic were severe. Around 22 million jobs were lost in 2021 and 30 million people were pushed into extreme poverty.*[15] Workers in the informal sector, especially women and young people, were the hardest hit. African children lost on average half a year of schooling, causing long-term harm to their learning. Africa suffered its first recession in 25 years, with tourism, services, and trade the sectors most disrupted.

9. *The pandemic has served as a wake-up call highlighting Africa's vulnerabilities*. Covid-19 is not Africa's first major health crisis. The 2014-2016 West African Ebola outbreak cost the affected countries as much as USD32 billion in lost economic output. Investing in more resilient health systems in Africa is essential to contain future disease outbreaks and their disruptive effects and to secure global health security.

10. ***Food security:*** *Food security crisis takes hold across Africa.* Africa emerged from the pandemic only to face continuing global economic instability and a growing food security crisis. Russia's invasion of Ukraine[16] has led to sharp rises in global food prices. Fifteen African countries depend on Russia and Ukraine for more than half of their wheat imports. The war has also disrupted global markets in fuel and fertilisers, driving up food production and transport costs. Despite holding 65% of the world's unused arable land,[17] Africa is a net food importer. The continent's agricultural trade deficit of USD50 billion per year makes it vulnerable to volatility in global food markets.

11. *Global turbulence combined with climate change and underlying fragility has created a growing food security crisis*. In Africa, spending on food claims a share of household incomes much larger than the global average, especiallyfor

the poorest households, where it can reach 60%. At least 28 million people became food insecure between 2020 and 2022.[19] Nearly 95% of African agriculture is rainfed and therefore vulnerable to drought, which is increasing in frequency and intensity.

12. ***Debt**: As the debt crisis grows, debt distress is spreading.* Turbulence in the global economy has also contributed to a growing debt crisis in Africa. The new wave of debt crisis, which began in 2010, appears more severe than the first wave (1980-1994) in speed, magnitude, and nature. The ratio on total debt to GDP increased by more than 24% in less than a decade, from 38.4% in 2010 to 62.5% in 2019. And in 2020, within just a year, the debt-to-GDP ratio increased on average by more than 10% to reach 71%. This large increase in debt reflects the need for African governments to mitigate disruptions caused by the COVID-19 pandemic, including increased health expendi- tures, large scale fiscal stimulus packages, direct transfers to vulnerable groups, automatic fiscal stabilisers, and direct liquidity injections.

13. *In 2022, public debt in Africa reached USD1.8 trillion and in 2023, 24 African countries are either in debt distress or at risk.*[21] More African debt is now owed to bondholders and creditors who do not belong to the Paris Club and deal directly with debtor countries. As a result, established debt resolution mechanisms are becoming less effective. While there have been some initial steps towards effective debt management, progress on debt restructuring has been slower than desired, emphasising the urgent need for a more agile and effective process

14. ***Conflict and instability:*** Africa faces increasing challenges of conflict and political instability. Levels of conflict have risen over the past two decades. Eleven of the world‘s 15 most fragile and conflict-affected states are in Africa.[22] Numbers of refugees and internally displaced people have risen steadily, reaching nearly 35 million in 2022.[23] Many of the conflicts are regional, as conflict and its consequences including illicit markets,[24] youth radicalisation, and population displacement spill across national boundaries. From the Sahel to the Great Lakes region and the Horn of Africa, conflict often interacts with climate change holding back progress. Political instability and military take-oversare becoming frequent in parts of Africa.

15. *The root causes of conflict and fragility are complex and context specific.* A lack of shared prosperity, inclusive governance arrangements and transparency, plus inability to manage competing demands, have contributed to conflict pressures. The economic impacts of conflict are severe: they can include degraded infrastructure and capital assets, disruption to tax collection, lost trade and investment, and reduced economic diversity. On average, African countries affected by high- intensity conflict have annual economic growth

16. Percentage points lower than other African countries, and the impacts of this lost growth accumulate over time. Around one-fifth of Africa‘s population lives in areas affected by long-term conflict and fragility. These areas are also home to half of the continent‘s extreme poor. The SDG vision of ending global poverty faces its last and most difficult frontier in Africa‘s conflict areas

1.3 MEGATRENDS CREATE OPPORTUNITIES FORAFRICA IN THE DECADE AHEAD

1. *The Bank's Ten-Year Strategy rests on a foundation of optimism about Africa's potential over the next decade to transform economies and improve life for millions.* Agenda 2063 envisages Africa gaining a share of global wealth commen- surate with its share of the world‘s population and natural resources. Given the right policies and an acceleration of investment, the Bank believes, the next decade will bring significant progress towards this goal. This optimism rests on the many oppor- tunities that the next decade‘s mega trends offer African countries, including Africa‘s demographic transition; climate action; the global energy transition; technological changes and the digital revolution; global food systems transformation; and urbanisation.

Africa‘s demographic opportunity to power growth that benefits all

2. *Africa's population, already the world's most youthful, is poised to surge. This demographic asset can become a powerful force for economic and social transformation.* By the end of the Bank‘s Strategy period in 2033, the median age in Africa will be just 19. Another 70 million young people will have joined Africa‘s work force – and the continent

Between 2030 and 2050, Sub-Saharan Africa isexpected to account for 90% of the growth in the world‘s working age population. By the target year of Agenda 2063, Africa‘s population will exceed thatof India and China combined.

will account for one-third of the world‘s under-25 population. Between 2030 and 2050, Sub-Saharan Africa is expected to account for 90% of the growthin the world‘s working age population.[26] By the target year of Agenda 2063, Africa‘s population will exceed that of India and China combined.

3. *There are two vital conditions for seizing Africa's demographic opportunity: developing skills and creating decent jobs.* Giving Africa‘s children and young people the education, employa- bility skills, and training they need to realise their potential would create the capabilities Africa needs to raise productivity and fuel inclusive growth. Creating enough decent jobs to absorb new entrants to the labour force would enable Africa‘s youth to transform their societies, with benefits for the entire global economy. To create enough jobs, more emphasis on enhancing entrepreneurship among young people is vital, taking advantage of the private sector‘s power to develop skills and create jobs.

4. *Over the next decade, Africa has an unparalleled demographic window of opportunity.* Providing Africa‘s youth with the education, knowledge, and skills they need to

flourish, along with remunerative jobs and secure, resilient livelihoods, will transform Africa and the world. Africa‘s young people have demonstrated their dynamism, innovation, creativity, and resilience. Demography does not define the destiny of nations. But demographic trajectories create possibilities – and Africa‘s youth represent an asset of boundless possibility.

Climate change holds profound risks –but Africa is a key part of the solution

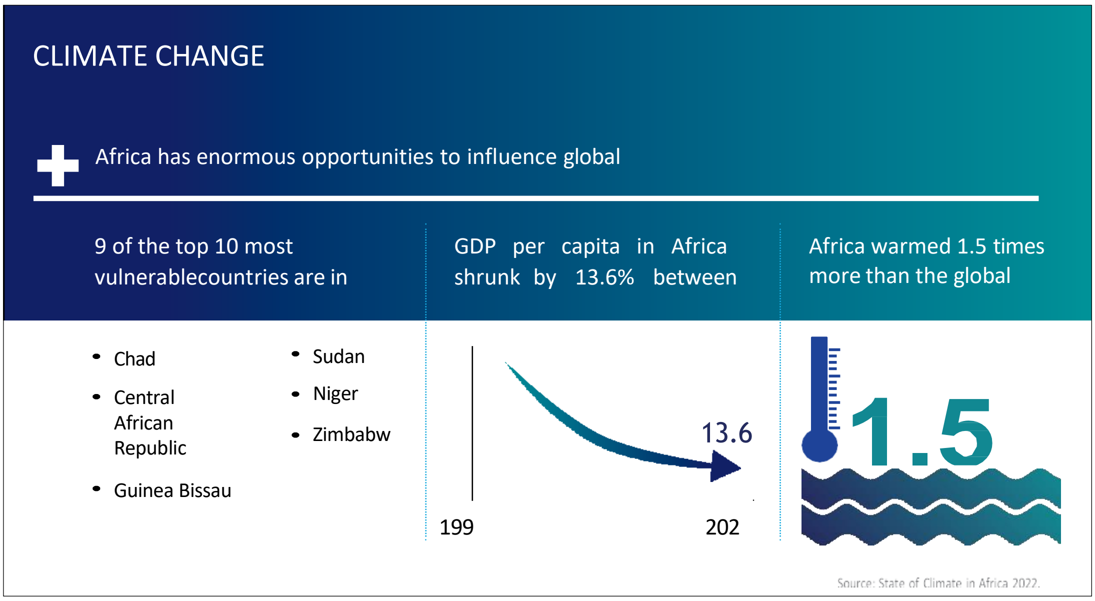
5. *Climate change is humanity's reminder that we share a single planet, a common destiny, and respon- sibility for future generations. Africa can play a key role in reducing the risks that climate change poses.* Investing in Africa and climate-positive growth can contribute significantly to the attainment of the goals of the Paris Agreement. Over the next decade, Africa can entrench in a low-carbon development trajectory by greening its development, including by harnessing its vast renewable energy potential and exploiting its abundant reserves of ―transition minerals‖ in alignment with the Paris Agreement. Africa‘s vast forestry resources also provide a vital carbon sink, representing a global asset for which Africa should secure a return that helps finance a fair and just transition to a low-carbon future.

6. *Africa's significant natural resources are vital for global climate solutions. Africa has huge potential to capture more value from its natural resources.* Africa has an abundance of natural wealth – including plentiful agricultural land, untapped clean energy potential and extensive mineral reserves. The continent hosts 30% of the world‘s mineral reserves, including large stocks of cobalt, diamonds, platinum, and uranium, as well as vast gold reserves. Africa‘s uncultivated arable land.

In the global energy transition, Africa has a critical role in decarbonising growth

7. *Africa can build a fundamentally green energy infrastructure by pursuing a low-carbon trajectory from its current low energy base.* It has abundant sources of energy, including more than 60% of the world‘s solar potential. With investments in optimal energy generation mixes that enhance energy security for RMCs, Africa can achieve the triple goals of providing universal energy access, realising a step-

increase in power supply and decarbonising growth. The continent could diversify its economy by becoming a major exporter of power and green hydrogen, as well as derivatives such as ammonia. Surging global demand for the ―transition minerals‖ needed for solar panels, wind turbines, batteries and electric vehicles will create further opportu- nities for industrial development and export



Technological change and the digital revolution are transforming lives across Africa

8. *New physical, digital, and biological technol- ogies are transforming manufacturing and services in Africa and across the globe.* Like earlier industrial revolutions, this global transformation will have varied and unpredictable social and economic consequences. The industries of the future may look very different from those of the past. They are bound to present both risks to be managed.

9. Including cyber espionage, cybercrime, and sabotage of critical infrastructure – and opportu- nities to be seized. African economies will be able to leapfrog old ―smokestack‖ industrial technologies in favour of new forms of production, including those driven by artificial intelligence.

10. *Digitalisation has already revolutionised Africanlives.* Around 4 in every 5 Africans own a mobile phone, around half of which are connected to the internet, and these figures are rising rapidly.[27] Mobile technology platforms have given millions of people access to financial services. In agriculture, mobile agri-tech platforms have linked farmers to consumers, increased access to inputs such.

11. as fertiliser, and improved the flow of information on prices. New and more productive IT-enabled services are taking root across the continent. As early adopters of new technologies, Africa‘s young people will be at the forefront of

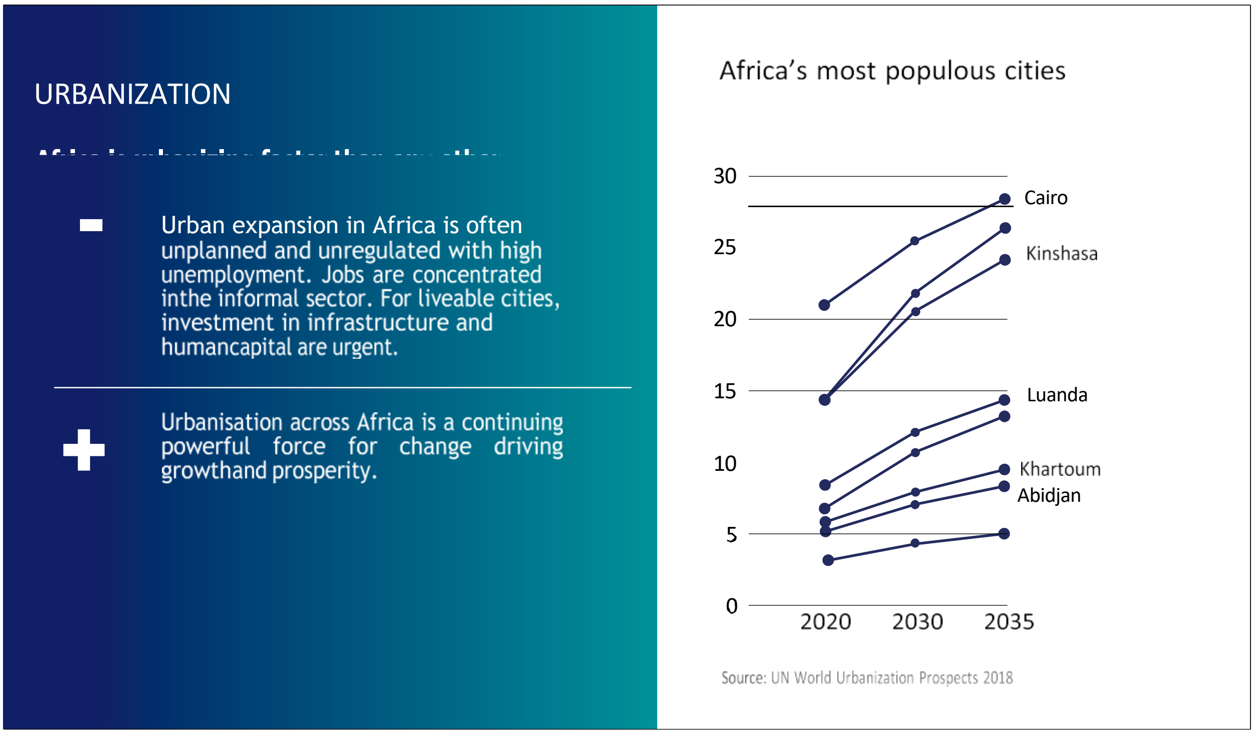
these global changes. It is a top priority to equip African youth with the education, technical skills, and entrepre- neurial knowhow they will need to take advantage of these opportunities, and to succeed in the labour markets of the future.

Fixing the global food system will give Africa an opportunity to drive food security

12. *The world's food systems are no longer fit for their purpose of providing healthy, affordable, and sustainable diets for all.* Food insecurity, malnutrition, and poor health linked to diets are symptoms of a global failure. Agriculture is also leading to ecological damage, while farming and land-use changes contribute around one-fifth of greenhouse gas emissions and threaten biodi- versity. Russia's invasion of Ukraine turned the spotlight on the fragility of the international trading system for food, as the disruption of cereal and fertiliser supplies fuelled inflation and magnified food insecurity in many countries. At the same time, new seed varieties, water management systems, and fertilisers are boosting agricultural production.

13. *How these changes are governed, managed, and used will shape the evolution of 21st century food systems.* Africa's dependence on food imports, with cereal imports alone costing USD75 billion per year, is both a cause and a symptom of food insecurity. The United Nations Food and Agriculture Organisation estimates that 39% of Africa's cereals supply now comes from imports – four times the proportion in Asia. Investing in agricultural productivity, sustainable and climate-resilient production systems, market development, and infrastructure could triple the value of Africa's agricultural production to over USD1 trillion by 2030, making Africa one of the world's breadbaskets. of the continent's population living in urban centres increased from less than one-third to 42%.[30] By the end of the Strategy period in 2033, half of Africa's population will be living in urban centres. Nine of the 22 countries that will account for over 70% of global urbanisation by 2050 are in Africa. If not well planned, urban growth can lead to informal settlements, urban sprawl, and environ- mental degradation, challenging the already limited capacity of the municipal, provincial and subnational government systems of rapidly urbanising RMCs.

14. *Over the decade ahead, urbanisation and rising incomes will continue to reshape markets and create new value chains*, with Africa's cities playing a key role in innovation, investment, and the climate change response. African cities can foster job creation, investment, skills development, and the emergence of dynamic rural-urban market linkages. Careful planning, managing, and financing of urban growth – at local, national, and regional levels – is required for cities to continue to be hubs of economic dynamism.



MISSION AND COMPARATIVE ADVANTAGE

1. As outlined above, the Strategy is grounded in **Africa's vision** for its future as reflected in the African Union's ***Agenda 2063 – The Africa We Want:*** **—**An integrated, prosperous and peaceful Africa driven by its own citizens and representing a dynamic force in the international arena‖.

   The African Development Bank was established years ago with a mission to promote the sustainable economic development and social progress of its RMCs, both individually and jointly. It is consistently rated as one of the world's most effective development agencies.[31] It has an outstanding track record in delivering innovative financing solutions and successful investments. Perhaps most important, it is Africa's development bank. Its legitimacy and strong partnerships across the continent make it uniquely positioned to support African countries to achieve their ambitions. *Within Africa's development ecosystem, the Bank's comparative advantage rests on five pillars:*

   - unique status and proximity as an African institution and trusted partner to African governments;
   - expertise and leadership as a funder of high-quality infrastructure in Africa;
   - a mandate to mobilise sustainable develop- ment finance for Africa;
   - ability to provide context-specific knowl- edge, capacity development and support for economic governance;
   - power to amplify Africa's global voice and influence.

2. *The Bank's core business is providing finance forhigh-quality investment projects.* The Bank's core operational priorities – the High 5s – lie at the heart of Africa's development needs. They are the founda- tional investments needed to achieve

Agenda 2063, currently in its second decade of implementation, and the SDGs. It has been independently assessed.

> The Bank‘s core operational priorities – the High 5s – lie at the heart of Africa‘s development needs. They are the foundational investments needed to achieve Agenda 2063 and the SDGs.

6. That the High 5s support delivery of 85-90% of Agenda 2063 and SDG commitments. The High 5s reflect the investment priorities of RMCs and their expectations of the Bank, as reaffirmed in the consultations undertaken for this Strategy.

7. *This Ten-Year Strategy builds on a strong record of delivering development impact under the High 5s.* During the previous Ten-Year Strategy period (2013-2022), the Bank supported tens of millions of Africans with electricity connections, access to transport, and clean water and sanitation. It supported improved agriculture production and marketing methods and created millions of jobs. The Bank has also supported African countries as they accelerate their transition to clean energy, through initiatives such as Desert-to-Power, one of Africa‘s largest solar projects. Bank investment shave enabled governments to link up Africa‘s energy infrastructure, increasing cross-border trade in electricity and thus enhancing the reliability and affordability of power supplies.

8. *The Bank has backed government programmes to enhance food security by boosting agricultural yields and deepening agricultural value chains.* The Bank‘s investments in roads, bridges, ports, and border crossings have connected millions of Africans to public services and markets, helping to break down trade barriers across Africa and with the wider world. The Bank has been a key partner to the Regional Economic Communities (RECs) and played a central role in the development of the African Continental Free Trade Area (AfCFTA). Its private-sector portfolio has demonstrated availability of profitable investment opportunities across the continent, mobilising other investors. The Bank has boosted the development of scientific and technical education and training, supporting governments to equip young Africans with the skills they need to succeed in today‘s job market.

9. *The Bank has a mandate from the African Union to mobilise development finance for Africa* It pursues this mandate by using its own resources and by attracting private investment for Africa. Through the African Development Fund (ADF), it provides low-income countries with much-needed concessional finance, lending to them on more favourable terms than the market offers. It also provides non-concessional, longer-term resources to middle-income countries and the private sector.

10. *As a strong, triple A-rated institution, the Bank uses its balance sheet to raise funds on private capital markets, mobilising USD4 for every dollar in capital.* This makes it a highly effective channel for development finance. This was

recognised during the period of the last Ten-Year Strategy. A record-breaking general capital increase pushed up the Bank‘s capital to USD205 billion, including a USD2.7 billion increase in paid-up capital, and a record 16th ADF replenishment, which reached USD8.3 billion. Bank-supported initiatives such as Africa50 and the African Investment Forum have helped unlock private investment and link African firms with international investors. The Bank‘s support for African financial institutions has extended access to financial services for small enterprises and entrepreneurs, with a strong focus on empowering women-led African businesses.

11. *Above all, the Bank is Africa's development bank.* As an African institution with deep roots, the Bank has forged strong partnerships with the region‘s governments and institutions. RMCs have a strong say in its operations. A trusted source of knowledge, ideas, and technical support, the Bank co-creates opportunities and solutions by adapting its approach to each country‘s priorities. Over the past decade, the Bank has greatly enhanced its capacity to engage in policy dialogue and support African countries with technical advice and capacity development. The Bank complements its infrastructure investments with a high level of expertise in sector policy and in key areas of economic governance, including macroeconomic management, domestic resource mobilisation and public financial management. The Bank usesits convening power to promote the exchange of knowledge and experience on Africa‘s shared challenges. It is also a voice for Africa on the global stage, reflecting Africa‘s priorities in forums where international policy is made

2.1 OUR VISION AND AMBITION FOR THE NEXTDECADE

1. *The Bank's vision in the coming decade is,* **"*a prosperous, inclusive, resilient and integrated Africa*"**. This vision is supported by twin strategic objectives, which are ***accelerating inclusive green growth*** *and* ***driving prosperous and resilient economies in Africa*** **(Box 1)**. This vision and these objectives reflect the African Union‘s vision of ―*an integrated, prosperous and peaceful Africa,*‖ and underline Africa‘s opportunity to take advantage of its natural wealth, including its people. The focus on inclusion indicates the Bank‘s intention to improve opportunities, resources, and choices for all, especially marginalised and excluded groups, including young people and women. Inclusive growth will lead to equality of treatment and opportunity and job creation. The Bank will also focus on resilience ensuring that people and countries are better able to prevent, prepare and recover from multiple and increasing shocks Balancing the environment, equity, and economy will be key across all the Bank‘s work in support of sustainability.

2. *The Bank's primary contribution to this vision and objectives is its High 5 operational priorities, which represent the critical needs and priorities outlined by African*

countries, and the Bank's core strengths. Independent assessments have shown that achieving the High 5s will bring Africa closer to achieving the SGDs and Agenda 2063. The Bank will accelerate and scale up the High 5s in the decade ahead.

3. *For the High 5s to achieve their transformative potential, a set of cross-cutting priorities need to be pursued.* These priorities are 1) promoting gender equality; 2) investing in young people; 3) responding to climate change and investing in climate action; 4) building resilience to shocks, fragility and conflict; and 5) strengthening economic governance.

OUR VISION FOR AFRICA OVER THE NEXT DECADE	**A PROSPEROUS, INCLUSIVE, RESILIENT, AND INTEGRATED AFRICA**
THE AFRICAN DEVELOPMENT BANK'S MISSION	**Contributing to the sustainable economic development and social progress of our regional members individually and jointly**
TWIN STRATEGIC OBJECTIVES	• Accelerating inclusive green growth in Africa • Driving prosperous and resilient economies in Africa
OUR COMPARATIVE ADVANTAGE	• Trusted partner with proximity to African governments • Leadership in infrastructure development in Africa • Mandate to mobilise sustainable development finance for Africa • Provide context-specific knowledge and capacity development solutions • Amplify Africa's voice and influence
GUIDING PRINCIPLES	• Country ownership • Differentiated approach • Selectivity • Sustainable impacts and results • Innovation • Strengthening partnerships and collaboration
OPERATIONAL PRIORITIES DELIVERED THROUGH PUBLIC AND PRIVATE SECTOR PARTNERSHIPS	**Accelerating and scaling up the High 5s** • Light up and power Africa • Feed Africa • Industrialise Africa • Integrate Africa • Improve the quality of life for the people of Africa **Cross-cutting investment priorities** • Promote gender equality • Invest in young people • Respond to climate change and invest in climate action • Build resilience to shocks, conflict, and fragility • Strengthen economic governance

4. *The MDBs have jointly recognised their responsibility to address global challenges and scale-up support to client countries.* They have identified measures to make better use of their balance sheets, increasing their lending headroom over the coming years while safeguarding their credit ratings and long-term financial sustainability. Recognising the importance of aligning closely with the specific priorities and needs of client countries, MDBs are exploring changes to their business models to increase their capacity to tackle pressing collective challenges at the national, regional, and global levels. They have also recognised the need to collaborate more effectively, by strengthening co-fi- nancing arrangements and their focus on

mobilisingprivate capital and developing new mechanisms for country-led multi-year programmes.

5. *To scale up and accelerate the High 5s, while supporting global and regional public goods, the Bank will mobilise resources at scale from all available sources.* Over the Strategy period, the Bank will be both a lending institution and a strategic partner for African governments in mobil- ising development finance. It will complement and leverage core and traditional sources of financing. To achieve the ambitious plans set out in the Strategy, the Bank will become a stronger and more agile institution (see **Annex 1**). Subsequent sections of the Strategy outline in detail the Bank‘s priorities in the decade ahead.

6. *Over the next decade, the Bank will seek to accelerate progress towards Africa's vision of shared prosperity*. It will work with governments to foster inclusive growth, ensuring that no region or person is left behind. This includes a dedicated effort to systematically build Africa‘s resilience to shocks and crises, a crucial step in maintaining and strengthening inclusive development. Andit will actively support Africa‘s goal of economic integration, facilitating joint action on shared challenges.

7. *The High 5s are the heart of the Ten-Year Strategy*. They reflect the most pressing investment needs of the Bank‘s RMCs and their expecta- tions of the Bank. They also reflect the Bank‘s comparative advantage as a partner of high-quality infrastructure projects. The High 5s express the alignment between what RMCs identify as their priorities and what the Bank is best placed to offer.

8. *The High 5s represent an integrated agenda for the next decade of transformation*. Sustained and rapid progress in each of the High 5s is contingent on progress across all areas. Taken individually, each of the High 5s has the potential to improve millions of lives. Achieved collectively, they will create a virtuous circle of transformation, setting Africa on a course towards the future envisaged in the African Union‘s Agenda 2063. The Bank has made progress on the High 5s for nearly a decade and can demonstrate an impressive track record of results. But the Strategy is not a business-as-usual agenda for the Bank. This chapter sets out how the Bank will scale up and accelerate the High 5s over the next decade in order to fulfil their transformative potential. *Addressing the future of Africa's coming generations will be a major focus of the High 5s*. Through the High 5s, the Bank will seek to place young people at the centre of Africa‘s development. The Bank‘s investments in agriculture, transport infrastructure, energy, industry and in particular light manufacturing will create decent jobs, especially for young people. By delivering on the High 5s, the Bank will invest in entrepreneurship and job creation for young people. This will be achieved through support for economic governance and an enabling business environment, for the entre- preneurship life cycle and ecosystem, for market- driven skills development and private sector-led job creation, across all economic growth sectors and value chains, including the media, tourism, creative industries, art and fashion, sports and digital technology. This Strategy views young people across

Africa as not merely beneficiaries but also key actors central to driving Africa's transformation and seizing this unparalleled demographic window

Addressing the future of Africa's coming generations will be a major focus of the High 5s

of opportunity.

9. *The High 5 agenda is broad and ambitious, and the Bank recognises that it cannot do everything*. As agreed with Governors during the seventh general capital increase, the Bank will be guided by its Selectivity Paper, which underpins this Strategy and is detailed in the High 5 section.

10. The Bank will invest in fewer but more trans- formative operations that deliver high economic and social returns across the High 5s and the Bank's cross-cutting priorities. Operations will be identified through four criteria.

- Alignment with the Bank's areas of ***compar- ative advantage***. Each of the Bank's country and regional strategies will identify a limited number of operational priorities, chosen according to national or regional priori- ties and needs. This will enable the Bank to select investments that match both its comparative advantage and the priorities of RMCs in achieving sustainable development trajectories.

- Delivery of ***results at scale***. In most instances, this will mean selecting fewer but larger investments, resulting in lower trans- action costs and therefore more impact forthe investment, while considering the specific characteristics of smaller countries and small-island countries. However, the Bank will also take account of the potential of its opera- tions to mobilise other sources of develop- ment finance or private investment and may approve smaller interventions where these offer catalytic impact. Regional approaches and interventions such as the Lusophone Compact and the Horn of Africa Initiative will be refined and enhanced.

- Support for ***cross-cutting priority invest- ments***: promoting gender quality; investing in young people; enabling countries to respond to climate change and invest in climate action; building resilience to shocks, fragility and conflict; and improving economic governance. Investments in these areas will be systematically integrated into project designs, and into delivery and monitoring arrangements.

- Accompanied by ***knowledge solutions***, dialogue on policy reform, technical assis- tance, and support for capacity development. In this way, the Bank will ensure that invest- ments are anchored in appropriate policy and institutional frameworks, to enhance impact and sustainability.

3.1 LIGHT UP AND POWER AFRICA

Accelerating progress towards universal electricity access for Africa through a clean energy revolution.

Ambition for 2033

1. *By 2033 African households and firms will have access to affordable, reliable, and sustainable and modern energy.*[33] Every household will have access to electricity and clean cooking solutions and technology. More reliable and affordable power will enable Africa's firms and agricul- tural producers to grow, create jobs and enhance food security. Reformed utility companies will drive the efficient and equitable delivery of energy, including through public-private partnerships. A low-carbon development pathway will be firmly established, creating new economic opportunities for Africa, especially for young people and women, while contributing to the global goal of net-zerocarbon emissions.

Opportunities and challenges

Achieving universal electricity access by 2033 requires connecting more than 600 million people. This will require a threefold increase in the current annualised rate of new connections, to 90 million, half of which will be through off-grid solutions. Most new generation capacity will be from renewables, as Africa hosts some of the world's best renewable energy potential. This is not just good for the planet it also represents one of the most economical ways to achieve energy for all in Africa.

2. *Achieving universal access will require at least a doubling of the current rate of investment, to around USD190 billion per year through to 2030.*[34] To absorb this additional investment, significant trans- formation will be required across the power sector. Currently, most of the utilities in Sub-Saharan Africa are unable to cover their operating costs due to inefficiency, inadequate governance, high operating costs, high system losses, sub-optimal pricing, and poor revenue collection, which has contributed to a growing debt burden. Universal access will require many utilities to undergo a transformation to boost their performance and ensure their financial viability.

Achieving universal access to clean cooking by 2033 means providing more than 1 billion people with clean cooking solutions and technology. This is key to addressing gender inequality, given the disproportionate exposure of African women and children to the harmful effects of cooking with biomass, while slowing down deforestation and reducing greenhouse gas emissions.

Achieving universal electricity access and clean cooking solutions by 2033 will Empower African households and businesses with reliable, affordable, and sustainable energy, driving economic growth and job creation across the continent

Bank priorities

3. The Bank's investments under Light Up and Power Africa will prioritise:

- Accelerating RMCs' access to **universal, reliable, and affordable modern energy**, which includes electricity and clean cooking solutions, services for their populations and productive sectors.

- Developing **socially, economically, and environmentally sustainable energy** sectors.

- Entrenching a **low-carbon development pathway**, thereby enhancing green growth while enhancing energy security.

- Strengthening the sustainability of **power sectors and utilities** and enhancing energy efficiency.

- Building robust **intra- and inter-regional power systems** that will underpin the devel- opment of an interconnected continental power grid, linking existing power pools, and facilitating the establishment of an African Single Electricity Market.

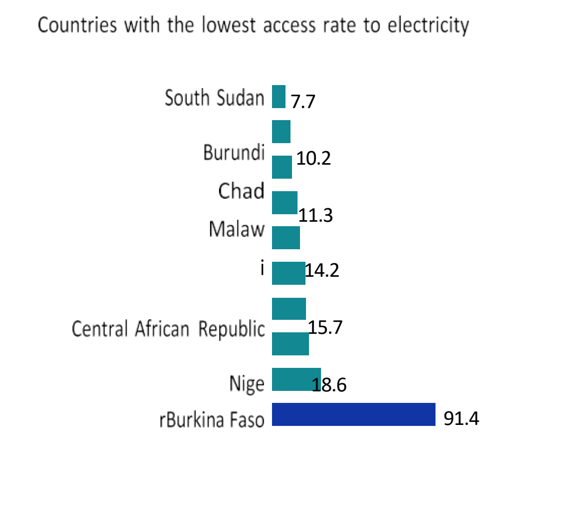
4. *The Bank will also support Africa in harnessing emerging opportunities within the growing renewable energy market to support Africa's indus- trialisation agenda.* This includes promoting the manufacturing of solar panels, renewable energy equipment, batteries, and related value chains to meet the rising demand for e-mobility and energy storage systems. Africa's abundant reserves of minerals make it well positioned to capitalise on these opportunities, including industrialisation that supports the clean energy supply chains. The Bank also aims to play a pivotal role in assisting African countries in maximising their export potential for power, green hydrogen including its derivatives, and renewable energy-based synthetic fuels.

ENERGY/POWER

In the global energy transition, Africa has a

- Across Africa 600 million people lack access to energy access and nearly a billion lack access to clean cooking solutions. But this is a huge potential market ready for investment.

+ With the right investments in place, Africa can achieve the triple goals of accelerating access to universal energy access, a step-increase in power supply while decarbonising growth and becominga



3.2 FEED AFRICA

Strengthen food security for Africa through a transformation of African agriculture.

Ambition for 2033

1. *By the end of the Ten-Year Strategy, Africa's farmers, the majority of whom are smallholders, will be feeding the continent and supplying vibrant agroprocessing industries.* Increasing farm yields and diversifying food systems will reduce dependence on food imports and set the scene for self-reliance, while equipping Africa's agricul- tural sector with the capacity to penetrate global markets and participate in global value chains in food processing.

2. *Agriculture will support the development of more prosperous rural livelihoods, meet the food demands of an urbanising population, and underpininclusive, commercially vibrant, and business-ori- ented farm and agroprocessing sectors.* New seed technologies, strengthened infrastructure, increased use of productivity-enhancing inputs, and more efficient markets will dramatically narrow the yield gap between Africa and other developing regions. By sustainably intensifying its agriculture, Africa will have made major strides towards the eradication of hunger and food insecurity. Investment in productive adaptation to climate change will have created more resilient food systems, equipped to respond to climate risks

Opportunities and challenges

3. *The agricultural sector is key to Africa's social, environmental, and economic transformation*. Agriculture accounts for around one-quarter of Africa's GDP — a much higher share than in other developing regions. Over 80% of the continent's extreme poor live in rural areas. While Africa is urbanising rapidly, agriculture remains the main source of livelihoods and absorbs most new entrants to the labour market. With Africa's population set todouble by 2050, agricultural development will be thekey to food security, jobs, and shared prosperity.

4. *In other developing regions, the transformation of agriculture has been a major driver of progress*, raising yields and quality to feed growing urban populations. However, while Africa's farms have expanded output by 3-4% annually since 2000 they have done so mainly by bringing new land under cultivation. Cereal yields in Africa are just half those found in India and Bangladesh. Maize yields in south-east Asia are 4.7 tonnes per hectare, compared with 2 tonnes in East Africa, where maizeis a food staple.

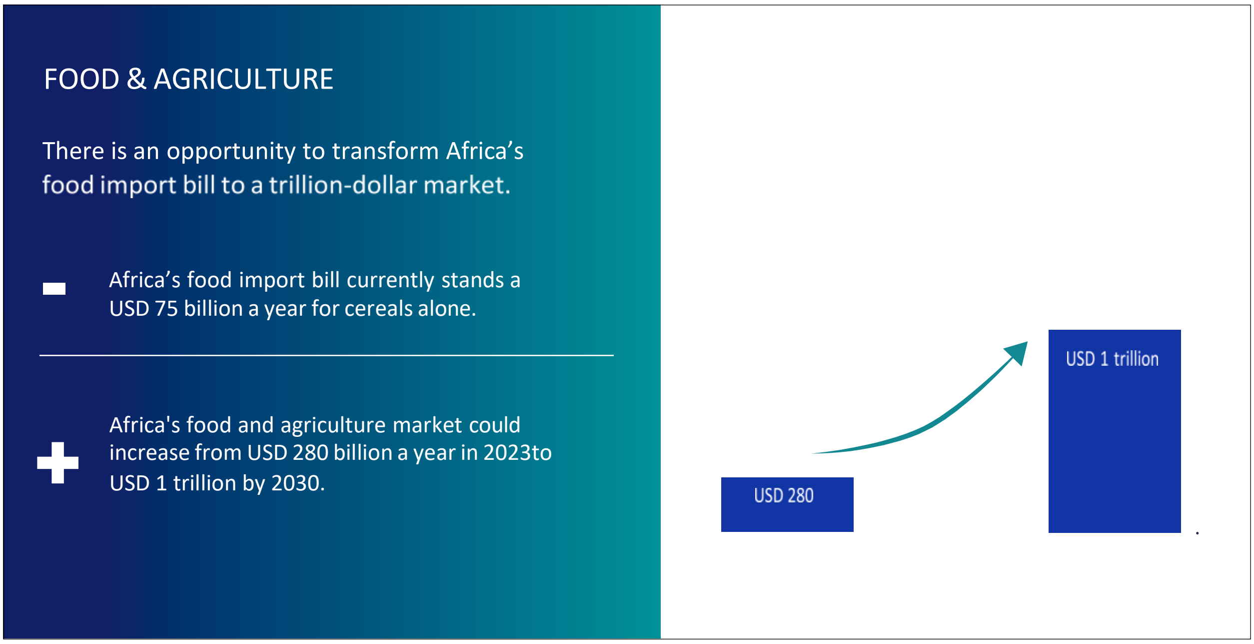
5. *The yield gap is linked to gaps in infrastructure, markets, and policies.* Currently, less than 10% of Africa's cultivated land is irrigated. Limited fertiliser use keeps yields low and depletes soil nutrients. Increased use of fertilisers, while taking care of soil

health, is important for boosting agricultural production in Africa. Only around one-third of arable land is sown with improved seed varieties. Farmers point to credit constraints as a major barrier to expanding production. The high cost of processing weakens the ability of African farmers to compete with imports. The lack of value addition is a central concern.

6. *Africa now faces a growing food security crisis.* Covid-19, high global food prices, climate shocks and sub-regional conflict have combined to trigger acatastrophic rise in food insecurity, particularly in the Sahel and the Horn of Africa. Despite its abundant arable land, Africa‘s agricultural trade deficit sits at USD50 billion per year, making it acutely vulnerable to disruption in international markets. Volatile food prices have been exacerbated by increases in the cost of fuel and fertilisers, driving up production costs in African agriculture. The result has been sharp rises in undernourishment and malnutrition.

7. *Climate change is exacerbating the food security challenge.* Overreliance on rainfed agriculture and high levels of poverty magnify the risks associated with more protracted and severe droughts, more intense storms, less predictable rainfall, and higher temperatures. Warming scenarios above the 1.5°C threshold could bring about major yield reductionsin food staples and livestock agriculture.

8. *The investment needs are substantial, but so is the potential for social and economic returns*. The Bank estimates that up to USD40 billion per year[36] is needed to transform agricultural production in 18 key value chains. Much of this investment will need to come from the private sector. However, it could open markets worth USD85 billion annually.[37] Strategic investments in infrastructure, markets, policies, and value addition could rapidly close Africa‘s yield gap, paving the way for food self-re- liance, avoidance, and reduction in greenhouse gas emissions and fostering more inclusive growth. With the continent‘s market for agricultural goods projected to reach USD1 trillion[38] — a four-fold increase over a decade — these investments can also be a major driver of industrialisation



Bank priorities

9. *Over the Ten-Year Strategy period, the Bank will work with African governments to invest in scaling up successful agricultural technologies*, to boost agricultural productivity and increase access to high-yield, climate-adapted crop varieties by:

- Investing in climate smart **agricultural value chains**, by strengthening input and output markets, supporting production, and improving post-harvest activities and agro processing. These will include local and regional value chains, supporting farmers and agri-businesses in taking advantage of the opportunities created through the AfCFTA. Young people and women, who are key actors in these value chains, stand to benefit greatly.

- Expanding **input supply chains**, to provide lower cost, more reliable inputs such as seedsand fertilisers, while promoting successful marketing models for farmers, traders, and SMEs. The Bank will extend finance for agri-business and strengthen hard and soft infrastructure — including through the development of Special Agro-industrial Processing Zones.

- Improving **nutrition** outcomes by increasing the availability of nutritional foods and other ―nutrition smart‖ investments in line with the Multisectoral Nutrition Action Plan·

Transforming African agriculture will not only ensurefood security for the continent but also create vibrant agro processing industries, reduce dependence on food imports, and pave the way for self-reliance and prosperity in rural communities.

- Supporting regional and national **research and development institutions**, to help strengthen agriculture policies and promote innovative technologies, as well as nature-based solutions, such as agro-ecology.

10. *At the Africa Food Summit in Dakar in January 2023, heads of state and governments committed to accelerating their investments in food and nutrition security*. The Bank is setting up and coordinating a collaboration platform to work with partners, including with private institutions. Working closely with African governments the Bank will support the development of systematic approaches to building food security and self-reliance, while promoting private investment in regional agricultural markets and value chains. Working across the food-en- ergy-water nexus to promote more resilient food systems will be key.

3.1 INDUSTRIALISE AFRICA

Establish Africa's manufacturing sector as an engine of job creation on the back of elevated infrastructure, including energy.

Ambition for 2033

1. *By 2033, industrialisation will be firmly under way across all African regions*. Most African countries will be experiencing structural economic change — that is, a significant shift in labour away from smallholder agriculture and the informal sector towards modern industries. African governments will be supporting this transition through industrial policy, investment promotion and targeted investments in infrastructure and services. African manufacturing firms will be competing with importers to meet the growing demands of African cities and participating in international value chains. African industries will be generating jobs at scale, creating opportunities for young Africans, women, and new arrivals in Africa's growing cities. The integration of African markets under AfCFTA will

Africa's manufacturing sector, spurred by the integration under the Africa Continental Free Trade Area, aims to compete globally, fostering economiesof scale and enhancing job creation

enable firms to specialise and achieve economies of scale. African industries will be a magnet for both international and African investors.

Opportunities and challenges

2. *Africa is beginning to industrialise*. Productive clusters are emerging in key locations, spurred on by the continent's rich natural resource base, foreign direct investment, and digital technolo- gy-driven financial development. Manufacturing employment is increasing, and African firms are becoming more integrated in regional and global production networks. But these are early beginnings. Manufacturing value-added has increased over the past five years to 11.2% of GDP but remains well below other regions — as does total factor produc- tivity, a broader measure of productivity.

3. Several constraints are holding back Africa's industrial development

- *Physical and digital infrastructure*. Lack of reliable and affordable power, weak port and transport infrastructure, and limited digital connectivity, raise costs and limit market access, affecting the competitiveness of African firms and their ability to adopt digital technologies *Firm environment.* In Africa, structural business challenges, such as limited access to affordable credit and underdeveloped capital markets, hinder the growth of medium and large enterprises. High transaction costs for information validation and a lack of knowl- edge-sharing infrastructure further constrain firm development.

- *Small and fragmented markets*. Indus- trialisation cannot take place without markets developed enough to generate the revenues firms need to invest in production. Small, fragmented economies marked by low incomes therefore impose constraints on investment and industrial development. Trade integration can help reduce constraints.

- *Human capital*. Africa's education and training systems have not effectively responded to the demands of Africa's private sector. Low completion rates and poor learning outcomes result in a lack of foundational skills. There is limited investment in vocational and technical training. The region has low gross enrol- ment rates in tertiary education (10%), and even lower enrolment in science, technology, engineering, and mathematics (STEM) fields.

- *Gender disparities are a barrier to industriali- sation*. In Africa, as in other parts of the world, women face lower wages than men for equiv- alent work and are underrepresented in the labour market and high-value manufacturing sectors. This disparity, partly due to educa- tional gaps in STEM fields, limits the pool of potential workers and entrepreneurs in manufacturing.

Bank priorities

4. *The Bank will support the development of industry value chains*, particularly in export-oriented manufacturing, to promote economic diversification, productivity gains and improved trade balances. These value chains will be both national and regional. The Bank will work with African governments to support effective industrial policies, infant industries, and enterprise development through non-sovereign operations, assisting the most promising firms to expand production and create jobs. Investments will be accompanied with technical assistance to enable firms to modernise, innovate, develop skills and enhance productivity. Access to market finance for African enterprises will be improved by working with clients, including governments, regulators, and stock exchanges, to deepen financial sectors and capital markets. Recognising that MSMEs are a major source of employment, especially for women and young people, the Bank will support their development through financial intermediaries, creating opportunities within industrial value chains.

5. Under Industrialise Africa there are five priority sectors:

- Developing **agro processing in special processing zones**. In support of both Feed Africa and Industrialise Africa, these special processing zones will focus on the develop- ment of value chains in food staples such as rice and cassava, as well as horticultural products.

- **Supporting extractive resources beneficia-tion**. The Bank will support value addition in Africa for critical minerals to power Africa‘s industrialisation including for the electric vehicles value chain (such as cobalt, lithium and nickel) and mining, as the global supply chains for these emerging industries are being formed.

- The Bank will continue to support Africa‘s net zero transition during which transition natural gas is a relevant resource for the continent‘s industrialisation, particularly for harder to abate industrial sectors, if used in line with the 1.5°C Paris Agreement goal, respective nationally determined contributions (NDCs)[1] as well as LTSs, where these are available. The Bank will support the acceleration of renewable energy investments and the development of sustainable alternatives to natural gas for industrialisation and securing of related energy security.

- Focusing on **connectivity infrastructure, digital and data services**, and support for digital entrepreneurs. Beyond its role in direct financing, the Bank will develop innovative approaches aimed at closing the financing gap for digital technology.

- Supporting the **pharmaceuticals and vaccine manufacturing** sector, under its Vision 2030 Pharmaceutical Action Plan. The aim is to increase the share of the African market met by African producers to around 50% by 2030.

- Focusing on bottlenecks holding back development of the **textile sector**, including infra- structure, logistics and skills. Globally, the textile and garment sector is second only to agriculture as a source of employment in developing countries

3.1 INTEGRATE AFRICA

Promote the free movement of goods, finance, and people, and build regional value chains as the foundation for a more productive African economy and to drive industrialisation

Ambition for 2033

1. *By 2033, the implementation of AfCFTA will be well advanced, drawing on the building blocks put in place by Africa's Regional Economic Communities*. Cross-border infrastructure connections and improved border management will have made trade across national borders faster and less costly. Cross-border power transmission will have boosted regional trade in electricity and promoted the emergence of regional power pools. Intra-African trade volumes will be rising steadily. African farmers, agri-businesses, and industrial firms will be linked into regional value chains and enjoying rising productivity through economies of scale and the benefits of specialisation. Africa's financial institutions will be offering their services in regional markets. Air and rail networks will have expanded and will be carrying more people and freight. Visa-free travel and mutual recognition of skills will have supported the emergence of regionallabour markets, helping to fill key skills gaps.

Opportunities and challenges

2. *Africa's division into 54 national economies — many of them small and landlocked — has long been a barrier to the continent's progress*. Regional economic integration is a shared priority of Africa's leaders. Under AfCFTA, which builds on a network of sub-regional trade agreements, tariffs will gradually be dismantled on over 90% of intra-Af- rican trade by 2035. If the practical challenges are overcome, full implementation of AfCFTA could increase trade by USD450 billion by 2035, raising average incomes by 7% and lifting 30 million people out of poverty.[42] Economic integration will also spur the development of manufacturing, allowing African industries to benefit from larger markets and economies of scale. At present, Africa accounts for less than 3% of global value-added in manufac-turing. Yet promising beginnings of industrialisation are appearing in many locations, and the potential for economic transformation is clear.

3. *Intra-African trade is growing, but still represents just 15% of total African trade.*[43] The *Africa Regional Integration Index,*[44] jointly produced by the Bank and the UN Economic Commission for Africa, tracks integration along five dimensions. The index shows that Africa's integration lags well behind other global regions, but with promising dynamics at the sub-regional level, with the East African Economic Community registering the highest score. Tellingly, goods traded within Africa have greater value-added than those exported outside the continent, which are often unprocessed minerals and primary commodities. This shows the potential of regional integration to drive economic growth.

4. *However, the removal of tariffs under AfCFTA and other free trade agreements is just a step towards regional economic integration*. There will be further challenges around removing non-tariff barriers, clarifying rules, and moving towards common regulatory standards. Intra-regional trade is also held back by poor infrastructure and limited transport connectivity. Major investments in ports and seafaring, roads, rail, and energy systems will be required to reduce the costs of trading across national

borders.

5. *Another dimension of regional integration is cooperating in managing cross-border natural resources, such as forests and river systems*. Africa's lakes and river systems are a vital resource for hydropower, irrigation, and fisheries. Unless managed in a collaborative and sustainable manner, they can easily be degraded by overutilisation. Integrated water resources management can help RMCs optimise the use of shared water bodies. There are many interdependencies across Africa's water-energy-food ecosystems that call for cross- border collaboration – particularly considering growing pressures from climate change and biodi- versity loss. The Bank recognises the multi-purpose use of water and has prioritised the adoption of an ecosystem approach for multi-purpose projects in its water policy.

Bank priorities

6. Under Integrate Africa there are three priorities:

- Scaling up **infrastructure connectivity**, drawing on the Bank's strong compara- tive advantage in regional and cross-border projects.

- Promoting **cross-border trade and invest- ment**, to support the implementation of AfCFTA and regional trade agreements. The Bank will support the improvement of the regulatory environment for regional integra- tion, working with African countries and RECs to eliminate tariff and non-tariff barriers to trade, harmonise laws and regulations, build the capacity to meet product standards, and support regional value chain development. The implementation of free movement of persons protocols within Regional Economic Communities, to help reduce labour market gaps in high-growth and innovative economic sectors, will also be a focus. This will benefit young people who are more versatile and able to move across countries and sectors.

- Deepening Africa's **financial integration**, to enable financial institutions to become regional players able to facilitate cross-border trade, banking, and payments, and supporting the integration of capital markets.

3.1 IMPROVE THE QUALITY OF LIFE FOR THE PEOPLEOF AFRICA

Ambition for 2033

1. *Agenda 2063 sets out the vision of an Africa whose progress is people-driven, relying on the potential of African people, especially women and young people.* By 2033, more Africans will enjoy the opportunity to fulfil their potential enabling them to lead fulfilling lives. Having made up on ground lost during the Covid-19 pandemic, the continent will have registered major advances in public health, learning, and access to basic services, including clean water and sanitation. African societies will be

more equitable, with economic success progressing together with improved social mobility and a reduction in inequality. African women and youth will benefit from measures to promote their equality and empowerment, allowing them to participate fully in economic, social, and political life at all levels.

Opportunities and challenges

2. *The Bank's work under this High 5 focuses on specific challenges within Africa's human development*. One is the lack of quality health infra-structure. Africa has major unmet health needs. It accounts for just 18% of the world's population but bears 24% of its disease burden and experiences 50% of deaths from communicable diseases.[46]

3. *Poor health is linked to deficits in basic health infrastructure.* Africa has only 1.3 hospital beds per 1,000 people (compared with 6.1 in Europe) and only one intensive care bed for every 100,000 people (compared with seven in India).[47] Around 30% of Africans live more than two hours from primary health services.[48] Half of primary health facilities in Africa lack basic water and sanitation, and only one third have reliable access to electricity. As revealed during the Covid19 pandemic, diagnostic equipment is in short supply and poorly maintained, with only two countries able to perform Covid-19 tests at the outset of the pandemic. While health infrastructure is just one dimension of building robust national health systems, it is a critical one, and the one that best matches the Bank's comparative advantage.

4. *A second challenge is the lack of vocational and technical education and training.* Africa's education and training systems are weakly aligned with the needs of its labour markets. One in five business leaders cite a lack of skilled workers as a major constraint on their businesses. These results are symptomatic of underlying weaknesses at all levels of the education system. African countries have not yet prioritised science, technology, and engineering.

5. *A third challenge is the lack of adequate water and sanitation services.* Between 2000 and 2020, around 500 million people gained access to at least basic drinking water, bringing the proportion to 69% of the population. However, progress has lagged behind population growth, meaning that the number of people without access to clean water continues to rise, reaching around 411 million people in 2022. Progress on sanitation has been even slower, with 67% of the population in Africa lacking basic services. There is marked inequality in these figures, with populations in rural and conflict-affected areas lagging. The intensifi-cation of the water cycle through climate change, with more frequent and more intense droughts and flooding, is placing infrastructure under increased pressure. The Covid-19 pandemic exposed how poor hygiene facilities in African countries increases their vulnerability to epidemic disease.

6. *Expanding access to affordable financial and non-financial services has a key role to play in empowering African women and young people to achieve their potential.*

Savings accounts, insurance, credit, digital and electronic payment mechanisms, and other financial services can help households plan their finances, develop their livelihoods, and manage income fluctuations and unexpected expenses. Financial services are key to enabling Africa‘s microbusinesses to make produc-tivity-enhancing investments and generate more income and employment. Financial inclusion also helps tackle gender inequality and youth economic participation. Many of Africa‘s small businesses are owned and managed by women and youth, but they lack access to credit, insurance products and services tailored to their needs. Across Africa, only 37% of women have a bank account, compared with 48% of men. The spread of mobile technol-ogies is creating new opportunities for expanding access to financial services.

Bank priorities

7. Recognising that other partners are better placed to lead on many aspects of human development, the Bank will focus on five areas:

- Filling critical **infrastructure gaps in national health systems** with the aim of expanding inclusive access to quality health services and promoting resilience to future health crises. The focus will be on primary health- care coverage, combining investments with infrastructure services, including water and sanitation, electricity, and digital connections. The Bank will work with private investors to develop innovative secondary and tertiary healthcare facilities and expand access to diagnostic infrastructure, to facilitate the management of infectious disease.
- Delivering climate-resilient and safely managed **water and sanitation** services to fill access gaps. The Bank will support integrated water resource management for agriculture, fisheries, and livestock, and back the efforts of African countries and regions to better manage their water resources and ecosystems.
- Accelerating access to finance and ecosystem support services for **start-ups, micro and small enterprises owned or led by women and young people**, in both the formal and informal sectors. Where appropriate, the Bankwill explore partnerships with multinational corporations, regional champions, and larger national firms in RMCs, as well as the African diaspora, to help integrate micro, small and medium-sized enterprises into global and regional value chains.
- Supporting African countries in developing **technical and vocational education and training** (TVET) and the teaching of science, technology, engineering, and mathematics (STEM) in higher education institutions.

  Innovative programmes and partnerships will be designed and implemented to enable public and private sector employers in RMCs to attract and retain highly skilled young people to stem the tide of brain drain as well as to encourage diaspora an Africans to re-en- gage with the continent. The Bank aims to establish Youth Entrepreneurship Investment Banks (YEIBs) across Africa to finance youth entrepreneurship and innovation with a focus on emerging economic sectors, such as the creative industries, and climate-smart, digital and artificial intelligence (AI)-enabled businesses.

- To ensure a demographic dividend is realised, investments are required across a range of sectors. The **Bank will invest in skills for employment and productivity, youth entre- preneurship and ecosystem support**. This will include access to finance and non-finan- cial services for MSME growth, value chain development and industrialisation to deliver more and better jobs

4. CROSS-CUTTING PRIORITIES

8. The transformative potential of the High 5s rests on investing in a set of crucial priorities that can unlock the full benefits of the Bank‘s Strategy for all Africa‘s people. The following five priorities will be integrated systematically across the Bank‘s operations and pursued through partnerships, and policy dialogue. Investment targets for both sovereign and non-sovereign operations will be set in actions plans, including for gender and youth.

4.1 PROMOTE GENDER EQUALITY

Closing Africa‘s gender gaps will promote social justice and fairness, but it is also an imperative for inclusive economic growth. That is why gender equality will be central to the Bank‘s Ten-Year Strategy

1. *Across its investments under the High 5s, the Bank will strive to close Africa's gender equality gap.* Promoting gender equality is not just the right thing to do; it is also smart economics. Women are critical to Africa‘s social and economic transfor-mation. Yet they are being held back by structural inequality. Disparities in access to education and labour markets deprive women of opportunities to achieve their potential and deny Africa‘s firms the skilled workers they need to raise produc-tivity. Inequality in access to land and finance leave women farmers with productivity levels 20 to 30% below their male counterparts, hindering progress towards food security.[52] Inequalities in access to banking and finance limit opportunities for women traders and entrepreneurs. It is women and children who provide most of the unpaid labour involved in collecting water and firewood, and who bear the health risks of using traditional cooking fuels. Female-headed households are often the most vulnerable. Closing Africa‘s gender gaps will promote social justice and fairness. But it is also an imperative for inclusive economic growth. That is why gender equality will remain at the heart of the Bank‘s Ten-Year Strategy.

2. *The Bank will accelerate its actions to empower women and close the disparities that disadvantage them.* To boost employability and job creation, the Bank will enhance technical skills and support infrastructure that meets women‘s needs. Using its Gender Marker System, which will be strengthened to provide full-project cycle support, the Bank will ensure that at least 80% of public-sector operations and 50% of private-sector operations directly benefit women and girls. The Bank will ensure that gender mainstreaming is scaled up in new and ongoing budget and investment interventions, including a more systematic assessment of gender issues in country strategy papers and sector action plans. It will continue to use its analytical capacity to spotlight gender disparities and encourage.

> Each year for the 10-12 million young women and men entering Africa‘s labour markets, only 3 million formal sector jobs are being created. Africa‘s young population is a transformative asset and the Bank will focus on enhancing youth employability and entrepreneurship

national policymakers to address them. It will also put the vital role played by African women at the centre of its global advocacy and support women for leadership positions. The Bank will develop new initiatives and strengthen existing ones such as Affirmative Finance Action for Women in Africa (AFAWA), which aims to provide finance for micro, small and medium-sized business led by women, together with value-chain development, digital platforms, and training.

4.1 INVEST IN YOUNG PEOPLE

1. *The Bank will support countries as they invest in young people and their huge potential*. A young population is a transformative asset, enabling Africa‘s workforce to become larger and more productive. Each year, however, for the 10-12 million young people entering Africa‘s labour markets, only 3 million formal sector jobs are being created as Africa‘s private sector has remained small and not industrialised enough to keep up with the labour market demand for decent jobs For Africa‘s transformation to occur, young people must be provided with the skills and opportunities they need to succeed in the workforce and as entre-preneurs. To this end, the Bank will support entre- preneurship and job creation among young people, with emphasis on the role of the private sector (Box 2). The Bank will continue to convene stakeholders including the private sector, to support youth entre- preneurs through skills development, financing, andbusiness development.

Box 2: Increasing Investments in Young People

Achieving the twin objectives of the Strategy, *accelerating inclusive green growth in Africa*, and *driving prosperous and resilient economies in Africa*, requires targeting Africa's greatest asset, young people. The Bank's approach to entrepreneurship and job creation for young people will mainly be through:

Advancing policy dialogue and investments: The Bank will leverage its policy lending, investment operations and partnerships to promote favourable policies and investments for employment and entre- preneurship in RMCs, including countries in transition and smaller countries. This includes creating a more supportive enabling environment and targeted investments to address youth employability, entrepreneurship,and access to good quality jobs.

Institutionalizing skills development and job creation as a corporate priority: The Bank will incorporate specific indicators for youth into the Results Management Framework. These indicators will cover jobs creation and support for youth-led businesses. In addition, several other indicators, such as those related to skills development, will be disaggregated by age.

The Bank will develop a Youth, Jobs and Skills Marker across Sovereign and Non-Sovereign Operations to help promote greater employment impact of the Bank's investments. As a successor to the Jobs for Youth in Africa Strategy 2016 – 2025, the Youth, Skills and Jobs Action Plan 2025 - 2032 will be an integral part of the implementation of the Bank's Ten-Year Strategy.

4.3 RESPOND TO CLIMATE CHANGEAND INVEST IN CLIMATE ACTION

1. *Climate change is one of the greatest threats facing Africa today*. Africa's prospects depend heavily on its ability to respond to the effects of the increase in average global temperatures. Adaptation investments are time-sensitive — the longer the delay, the greater the cost. Between USD2.6 trillion and USD2.8 trillion is needed by 2030 to implement Africa's climate commitments as expressed in recently submitted NDCs.
2. *While African countries recognise the need to respond more effectively to climate challenges, their ability to act is constrained.* Many countries have limited space in their budgets; borrowing more to fund climate goals would worsen their considerable debt burdens. African and other global leaders are therefore calling for a review of the international financial architecture with an explicit emphasis on debt, to increase access to quality climate finance, especially for the countries with greatest need. A renewed focus on climate change needs to start with acknowledging Africa's financial needs for reducing emissions and increasing resilience to climate shocks. The gap between Africa's finance needs and availability is widening. Africa's vulner- ability is also increasing as 9 of the 10 most vulnerable countries are in Africa. However, Africa has tremendous opportunities to provide global solutions to climate change.
3. *There is also a growing recognition that, while Africa contributes little to global greenhouse gas emissions, it already contributes to climate change mitigation through the preservation of its forests.* The Congo Basin Forest — the world's

second- largest tropical rainforest — plays a crucial role by removing USD55 billion worth of carbon from the atmosphere every year, 36% of the combined GDP of the six countries that surround the forest. Africa‘s forests are also rich in biodiversity. Yet just USD170 million in international public finance on average annually was directed towards preserving Africa‘s forests from 2010 to 2020. The African carbon market has taken off, including in the Congo basin, but both investments and pricing remain low. Investments are required to create the necessary infrastructure of carbon market facilities to enhance transactions

4. *Climate and biodiversity are central to the Strategy*. In line with the collective commitment made by the MDBs, the Bank will in accordance with the 2021-2030 Climate Change and Green Growth Framework, mobilise climate financing at scale and speed commensurate with Africa‘s climate action.
5. *To bolster access to climate finance beyond the levels anticipated under this Framework, the Bank will redouble its efforts to mobilise financing*, including from the private sector, and through the recently established and operationalised Climate Action Window which seeks to provide a dedicated source of climate finance for Africa‘s most vulnerable, and least adaptive countries (the 37 ADF countries) to the impacts of climate change.
6. *The Bank will support the development of green economy value chains*. The continent has immense potential to leverage on climate-smart technologies, processes and industries, especially in renewable energy, smart agriculture, sustainable transportation, waste disposal, water management, carbon sequestration and carbon credits trading, to create thousands of new, well-paid green jobs in RMCs, particularly for young people and women. The Bank will engage in partnerships and programmes to enable and catalyse these green economy ecosystems.
7. *The Bank will also emphasise investment in natural capital management, biodiversity, and nature conservation*. Africa‘s abundant natural resources could power economic transformation. Through initiatives such as the African Natural Resources Management and Investment Centre, the Bank will support improvements in natural resource governance and natural capital valuation and facilitate investment in natural resources. Through mechanisms such as the African Circular Economy Facility (ACEF), a multi-donor trust fund, the Bank will accompany African countries as they develop circular economy models in critical areas, including mining and nature-based sectors

4.4 BUILD RESILIENCE TO SHOCKS, CONFLICT, ANDFRAGILITY

1. *Amid rising conflict and political instability, the Bank will concentrate on counteracting the underlying causes of fragility across Africa*. The Bank‘s extensive analysis of fragility highlights the importance of long-term investment in extending infrastructure connections into remote and margin- alised areas and promoting

equitable access to public services and livelihood opportunities. The Bank will promote legitimate and inclusive governance arrangements to support conflict-affected areas that must manage competing demands for resources. It will invest in agriculture and diversify local economies to make them less vulnerable to shocks and climate pressures. Through targeted health infrastructure investments, it will enable governments to build more resilient health systems, boosting capacity for the surveillance and control of infectious diseases, and creating an indigenous African pharmaceutical industry.

2. *The Bank will tackle fragility both through targeted investments under its Transition Support Facility (TSF) and other related vehicles by mainstreaming resilience-building across its operations.* The TSF provides additional resources to the countries most affected by conflict and fragility. As agreed with shareholders during the ADF-16 replenishment, the TSF is now adopting a programmatic approach, directing its resources towards strategic interventions that directly tackle the root causes of conflict and insecurity – particu- larly those that affect multiple countries in regional hotspots. Across its operations, the Bank will use a fragility and conflict lens, based on sound fragility diagnostics, to build long-term resilience.

3. *Through its operations, the Bank is tackling the structural causes of conflict, violence and insecurity across the continent*. The Bank‘s projects in agriculture, transport, energy, and skills development create income and employment opportunities, while ensuring inclusivity. Scaling up the High 5s will help reduce the severity and velocity of conflict and insecurity in the continent and to protect assets and investments.

4. *The Bank will do more to support countries to respond quickly to multiple and increasing crises and shocks*. Bank programmes will be informed by context-specific analysis of the risks and pressures facing African countries. These programmes will be conflict-sensitive to help counter well-known causes of conflict and will include built-in measures to mitigate risks from global and regional threats, build emergency preparedness and crisis-response capacity, and deliver benefits that are robust to shocks and crises. In addition to creating special facilities like the Climate Relief Facility (CRF), the Bank will promote the use of disaster risk clauses in financing agreements and provide greater flexibility in redeploying undisbursed loans and grants in times of crises and promote the use of risk mitigation tools. The Bank is reviewing its framework for dealing with natural disasters and shocks to ensure its response is more systematic and speedy response in the future. This will include a review of the Bank‘s operational model in times of crises to ensure that it can respond with maximum flexibility and speed

Scaling up the High 5s will help reduce the severity and velocity of conflict and insecurity across the continent and protect assets and investments

5. *Partnerships are central to the Bank's work on fragility and resilience*. The Bank will deepen its partnerships across the humanitarian, development, and peace nexus, to promote joint efforts to prevent conflict and build resilience. It will work with RECs,

the UN system and specialised UN agencies, partners such as the International Committee of the Red Cross (ICRC) and civil society organisa- tions (CSOs) to promote long-term solutions to population displacement. This includes efforts and investments aimed at preventing and addressing forced displacement situations through the inclusion of refugees, IDPs, returnees and hosting communities.

4.5 STRENGTHEN ECONOMIC GOVERNANCE

6. *African countries continue to build on their governance gains since the early 1990s*. Many countries that invested in knowledge and capacity development and built relevant governance insti- tutions have been able to sustain high levels of economic development. Economic reforms must be maintained and deepened to improve systems of public administration, and put in place effective legal, regulatory and judicial systems. The Bank will continue and strengthen its support for RMCs‘ capacity to maintain macro-economic stability and ensure effective and efficient public spending, while increasing transparency, participation and account- ability in policymaking and service delivery.

   Good governance is about the contract between states and citizens and the ability of governments to nurture economies to share prosperity and build resilience. Institutions that demonstrate integrity and efficiency in the management of public affairs are essential if countries are to achieve higher and more inclusive growth and stable societies

7. *The Bank will support African countries' efforts to develop the policies and institutions needed for vibrant, diversified, and inclusive economies.* Good governance is about the contract between states and citizens, and about the ability of governments to nurture economies in a way that shares prosperity and builds resilience. When governance is poor, officials can exploit public office for private gain, transparency and accountability becomes weak, and instability thrives. Institutions that demonstrate integrity and efficiency in the management of public affairs are essential if countries are to achieve higher and more inclusive growth and stable societies.

8. *The Bank has built an extensive governance portfolio, with a strong focus on supporting RMCs in developing competitive business environments, managing budgets, allocating public finance, and taking anti-corruption measures.* The Bank‘s work on governance in the private sector has helped to promote business-enabling environments

   The Bank‘s work on governance in the private sector has helped to promote business-enabling environments, gener- ating employment essential for young women and men and stimulating structural transformation of African economies

generating employment essential for young people, and stimulating structural transformation of African economies. The results range from increased investment to large-scale job creation. Public finance management, one of the Bank‘s interventions, has focused on transformation opportu- nities for Africa, including efficient revenue mobili- sation and equity in public spending, and debt management.

9. *Improved natural resource governance is needed to exploit emerging energy transition opportunities.* Revenues from Africa‘s natural resource wealth could finance investments in skills and knowledge on a transformative scale. However, governance challenges – international and as well as domestic – have limited the realisation of this potential. The Bank will support the efforts of governments to improve the policy, regulatory and legal frameworks of sustainable natural resource management.

5. TACKLING GLOBAL ANDREGIONAL CHALLENGES

5.1 THE BANK‘S STRATEGIC APPROACH

1. The Bank's focus is firmly on the priorities of the continent and its RMCs, including sustainable development. Yet Africa‘s progress is vulnerable to shocks and crises that cross borders regionally and globally. Many of these challenges call for action on every continent. Securing the sustaina-bility of investments requires targeted action across the African region to support global and regional public goods – cross-border benefits that reach all citizens, including liveable climates, healthy populations, peace, financial stability, and reliable sources of food and energy. The Bank stands ready to work with African countries, with regional and global institutions, and with its other partners to do its part in this global endeavor.

The Bank‘s focus is firmly on the priorities of the continent and its regional members. Yet Africa‘s progress is vulnerable to shocks and crises that cross borders. Action to tackle cross-border challenges affecting Africa‘s progress must be accelerated

2. *As outlined in Chapter 1, action to tackle cross-border global and regional challenges affecting Africa's progress must be accelerated.* Recently, there has been growing recognition of the importance of focusing on a set of challenges, specifically global and regional public goods. In situations where no single country has an incentive or the ability to solve global and regional challenges, solutions to these challenges can be seen as public goods as they generate benefits for all.
3. *The Strategy reflects recent discussions on how MDBs will work together to scale up their investments in regional and global public goods where progress is being affected across their client countries.* The MDBs have a clear comparative advantage in their ability to catalyse both public

The Multilateral Development Banks will work together to scale up their investments in regional and global public goods. To increase their capacity to support public goods, MDBs are exploring changes to their business models and ways to work together more effectively as a system and private sector investments while sharing their knowledge, providing affordable loans, and managing risk. Having worked closely with countriesas long-term partners, MDBs are also able to bring many stakeholders together to support investments in global and regional public goods. To increase their capacity to support global and regional public goods, MDBs are now exploring changes to their business models and ways to work together more effectively as a system

4. *Although the focus of the Strategy is clearly on accelerating and scaling up the High 5s, the Bank will consider how supporting global and regional public goods can increase the sustainability and impact of its operations*. Through its convening power, its knowledge, and the environmental and social safeguard framework, the Bank will support actions of its RMCs by advocating for and investing in a selected set of global and regional public goods to be agreed with the Board. Action plans will be prepared or updated for each of the prioritised global and regional public goods. These will in turn inform the Country Strategy Papers (CSPs) and the Regional Integration Strategy Papers (RISPs) – the two most important strategic planning tools for country engagement. The Bank will also prioritise research on global and regional public goods, including approaches for allocating concessional financing, quantifying economic cost and benefits, and exploring a shadow carbon price to guide the selection of projects. The Bank will, where possible, rely on existing diagnostics by other partners and instead focus its diagnostic work on critical and more targeted areas to inform its interventions, leveraging its comparative advantage.
5. *Consistent with the call for MDBs to work together as a system, the Bank will explore new partnership approaches to support selected global and regional public goods*. For example, country platforms will be explored to promote greater country ownership of multiyear joint transforma-tional programmes. The Just Energy Transition Partnership (JETP) in South Africa is an example of a country platform in a middle-income country bringing together various partners for a just energy transition. While engaging in these kinds of partner- ships, the Bank will promote equity and fairness premised on differentiated pathways to net-zero emissions in line with the Paris Agreement.

The Bank recognises that concessional financing is necessary to support global and regional public goods. This financing should come in addition to country allocations for low-income
countries eligible for support from the ADF. Such financing is important to provide sufficient incentives for countries to pursue global and regional public goods without diverting resources dedicated for national development goals. However, conces-sional resources are currently insufficient to provide RMCs with the finance they need to invest in global and regional public goods. The Bank will therefore seek to build on existing mechanisms to increase concessional financing, including for middle- income countries. Middle-income countries play an important role as regional growth

poles, generating cross-border spillovers and augmenting regional and global public goods. The Bank will enhance its support to middle-income countries, including by revamping existing instruments and exploring new mechanisms, to strengthen incentives for investments in regional and global public goods.

5.1 PRIORITISING GLOBAL AND REGIONAL PUBLICGOODS IN THE DECADE AHEAD

1. *Good governance is about the contract between states and citizens and the ability of governments to nurture economies to share prosperity and build resilience. Institutions that demonstrate integrity and efficiency in the management of public affairs are essential if countries are to achieve higher and more inclusive growth and stable societies. As an African institution, the Bank will ensure that it focuses on the most urgent global and regional challenges, aligning its action with the needs and capacities of its RMCs, its selectivity commitments, and its comparative advantage.* The Bank is already supporting some key global and regional public goods. It was one of the first MDBs to engage systematically on issues of fragility in Africa and has built up over 20 years' experience in promoting Africa's resilience. The Bank has developed financial instruments aimed at strengthening global and regional public goods that are aligned with RMC's development priorities. The Bank is already adapting its operational model to respond better to global and regional challenges. Measures include:

   - The Bank's **Transition Support Facility** (see Chapter 4) channels additional resources to African countries affected by fragility, to support institutional, economic and societal resilience. The Facility is refocusing its efforts to take a more programmatic approach to tackling causes of fragility.
   - In 2022, the Bank launched the **Climate Action Window** as part of the ADF-16 replen-ishment. The window provides a dedicated source of quality climate finance for the African countries most vulnerable to climate change while facilitating these countries' access to increased international climate finance.
   - The **regional envelope** of the ADF has helped mobilise billions of dollars in support of cross-border infrastructure investments in water, transport, ICT, and energy. Through this envelope, the Bank aims to counteract the disincentives that hinder investment in regional public goods, especially at the initial project stages.

2. *The Bank's current support for global and regional public goods is dedicated to climate change; pandemic preparedness and public health; regional peace, stability and resilience; debt management and financial stability and food and energy security, as outlined below.* These pressing global and regional challenges are aligned with the development needs and priorities of RMCs and the Bank's comparative advantage.

Climate change

3. *In addition to the specific measures outlined in Chapter 4, and as the premier*

development partner in Africa as well as an implementing entity for most global climate funds, the Bank will support African countries to increase access to climate financing from global climate funds and other instruments, such as green bonds. As part of this Strategy, the Bank will seek to be catalytic in mobilising climate finance at scale and speed for addressing Africa's climate change needs, including supporting RMCs bids to gain accreditation to these funds, hence directly accessing these global funds.

4. *To complement the global efforts to achieve the Paris Agreement goals, particularly limiting warming to 1.5ºC above pre-industrial levels, the Bank will prioritise low-carbon development investments through programmes such as the Desert to Power Initiative and Alliance for Green Infrastructure in Africa (AGIA).* Such investments will ramp up renewable energy and energy efficiency, in accordance with international climate goals such as COP28's UAE consensus, to reduce or avoid greenhouse gas emissions.

The Bank is a key player in mobilizing climate finance to support Africa's climate goals, including through global climate funds and green bonds

5. *Over the last ten years the Bank has established green and social bond programmes amounting to USD10 billion, with proceeds allocated to more than one hundred eligible sustainable projects.* Building on this experience, the Bank will expand Africa's green bonds market, which is underde- veloped, representing just 0.4% of global market share. By issuing more green and social bonds and supporting African countries as they issue sovereign bonds, the Bank will play a critical role in accelerating green growth.

Pandemics preparedness and public health

6. *Covid-19 exposed the fragility of African healthsystems and underlined the urgent need for Africa to invest in regional and national pandemic prepar-edness and response, while strengthening national health systems and ensuring security of supply for health products (see Chapter 2).* The Bank

Investing in pandemic preparedness and public health is a top priority, as recent crises have shown the fragility of health systems in Africa

aims to promote regional harmonisation of health policies and regulations in areas such as treatment protocols and licensing of health technologies. Building capacity in the pharmaceutical and health sectors to produce and innovate is an essential part of pandemic preparedness. It remains a regional public good because market incentives in the global pharmaceutical sector do not automati-cally align with public objectives of providing health care to those who need it most in poorer countries and investing in longstanding, neglected and new health threats. There is still not enough investment in research into regional epidemics and in ensuring that low-cost drugs and health products are available in Africa

7. *To build local production capacity in the pharmaceutical sector, the Bank has approved a Pharmaceutical Sector Action Plan.* The Bank will continue to focus on supporting plans of its RMCs to prepare for future pandemics and health shocks. Because of its experience in dealing with Ebola and Covid-19, the Bank is an Implementing Entity in the Pandemic Fund recently established by the World Bank to support investments in pandemic prepar-edness. As the Pandemic Fund becomes fully funded and operational, the aim is that the Bank will be a partner of choice for many African countries seeking access to these resources.

8. *The Bank will strengthen its partnerships and alliances with key agencies involved in developing health systems.* These include the World Health Organisation, Africa Centres for Disease Control and Prevention (Africa CDC), the West African Health Organisation, and other regional health organisations, as well as African Higher Education Centres of Excellence, development finance institu-tions, the private sector and foundations. Over the Strategy period, the Bank will explore the possibility of increasing investment to at least USD3 billion to develop an indigenous pharmaceutical industry by supporting the establishment of the African Pharmaceutical Technology Foundation (APTF)**(Box 3)**

Box 3: Establishing the African Pharmaceutical Technology Foundation

Africa has minimal capacity to produce its own medicines and vaccines. Local pharmaceutical companies have been held back by lack of access to technology and lack of the necessary skills and knowledge. Technological upgrading of plants, building and retaining skills, and nurturing a thriving regional research and development ecosystem all remain large challenges. The African Pharmaceutical Technology Foundation, an independent agency located in Kigali, Rwanda, is dedicated to boosting Africa's capacity across the entire pharmaceutical value chain to produce drugs, vaccines, diagnostics and therapeutics.

The Foundation fills a key gap in the institutional architecture in Africa for regional health security and pandemic preparedness. It serves as a trusted technology intermediary and convening space for technological deal-makingfor the

Regional peace, stability, and resilience

9. *The increasing insecurity and conflict across the globe, including in Africa, have highlighted the importance of treating peace and stability as regional and global public goods.* For example, the Sahel crisis has expanded since it started in 2011 and is now threatening to spill over to coastal West Africa. Insecurity undermines existing investments, deters new investments, impedes growth and deprives people and countries of their prospects for development and prosperity. Conflict is the main cause of food insecurity and leads to forced displacement. Conflict also forces governments to increase their military spending, crowding out development spending and adding to the fiscal pressure in a continent where debt levels are already high

10. *New financing and delivery approaches are needed to build the capacity of institutions and communities to prevent conflict, rebuild economic and social infrastructure, protect*

investments, and mobilise more public and private resources for these purposes. Building resilience to shocks, conflict and fragility is a priority for the Bank and is identified as a cross-cutting area in supporting sustainable implementation of the High 5s (see Chapter 4). The ―disaster triangle‖ of rural poverty, youth unemployment and environmental degradation is undermining progress towards the SDGs across the continent. Food price inflation, pandemics, conflict, and climate-related risks are threatening to leave entire countries and regions within countries behind, thereby creating a conflict risk, including for their neighbours. To reverse the current trend and foster peace and stability, it is crucial to leverage official development assistance to raise additional resources at scale and deploy them through holistic investment strategies that involve the public sector private sector, and civil society. This requires continuous financial innovation as exemplified by the Transition Support Facility and the Private Sector Credit Enhancement Facility. Exploring new options will also be important, such as the African Union-endorsed proposal for a security-indexed investment bond.

11. *Regionally led partnerships underpin a new paradigm for recognising that peace, development, and the fulfilment of humanitarian needs cannot be achieved without one another – the idea known as the humanitarian, development, and peace nexus.* The Bank is working in close partnership with the African Union, RECs, and RMCs to promote regional approaches and solutions that prevent conflict and build the foundations for peaceful, prosperous, and resilient countries. In addition, it is vital to accelerate the creation of a common African market in line with the vision of AfCFTA, as regional integration and cooperation are critical ingredients of peace and resilience.

Debt and Financial Sustainability

12. *Recent emergencies such as the global financial crises, the Covid-19 pandemic and Russia's invasion of Ukraine have underlined the need to focus on preventing financial market contagion and spillover effects*. Debt levels across the continent have been rising to unsustainable levels, adding to Africa's financing challenges (see Chapter 1). The Bank will explore options to bring a swift and effective resolution to Africa's debt problems a critical step for transformative growth. Based on its Sustainable Borrowing Policy, the Bank is strengthening its ties with RMCs and partners to tackle the rising debt problem. The Policy seeks to support sustainable borrowing practices by recipients of ADF resources (ADF only and Blend countries) with a view to achieving inclusive and sustainable growth.

Food and energy security

13. *Food and energy security heavily depend on cross-border cooperation.* Both can be substantially strengthened through collective action, such as through trade, regional and continental regulation, or cooperation on cross-border natural resources management for food security, and cross-border electricity transmission networks for energy security. Food and energy security thus require collective action to be produced and maintained.

14. *Africa lags in the provision of both these critical public goods, however.* Around one-fifth of Africa's population is undernourished, and 600 million Africans lack access to modern energy and almost a billion people lack access to clean cooking solutions (see Chapter 3). Fixing regional food and energy systems is of critical importance to the continent's sustainable development. Two of the Bank's High 5s, Light up and Power Africa and Feed Africa, underline the Bank's focus on delivering these priority investments. Africa has the potential to deliver on food and energy security for its population, in a sustainable way

6. PROMOTING PRIVATE-SECTORSOLUTIONS

6.1 CO-CREATE INVESTMENT OPPORTUNITIES AT SCALE

1. *Private investment will be the source of most of the finance that Africa needs to achieve the SDGs and the objectives of Agenda 2063.* Enabling private-sector development is at the heart of the Bank's work. Africa's businesses and entrepreneurs account for 90% of jobs, 70% of gross domestic product, and 70% of investment.[61] Creating a favourable environment for private investment is therefore key to narrowing Africa's financing gaps and promoting inclusive green growth. The Bank will support the development of private enterprise as a means of generating quality jobs, promoting inclusion – especially for women and young people – and building long-term resilience and sustainability.

2. *Building up the industrial sector in Africa will require a marked increase in investment over the next decade*. At present, Africa attracts just 3.5% of global foreign direct investment, most of which is directed to natural resource and extractive industries.[62] African industry and its partners, including the Bank, need to do more to attract international investors to the opportunities emerging across the continent. Africa also needs to deepen its own banking systems and capital markets to better serve the financing needs of the private sector. Africa's vibrant small and medium-sized enterprises, including women-run businesses, the majority of which finance their activities with household savings and informal loans, need better access to financial services. The Bank aims to support entrepreneurs to invest in growth and job creation, including in the informal sector, where so much of Africa's entrepreneurial energy lies.

3. *The Bank will work closely with African countries as they move up value chains of products and services.* It will support them to identify, target, and develop regional and global niches in which they can compete. The Bank's approach reflects the wide range of factors reshaping Africa's private sector landscape – political, socioeconomic

Currently capturing just 3.5% of global foreign direct investments, Africa needs enhanced financial systems to support the private sector, including SMEs, and stimulate job creation across the continent

technological, and environmental. These include opportunities stemming from the diversification of Africa‘s financial and trade partners, increased consumer demand spurred by urbanisation and the growing middle class, expansion of regional trade and investment under AfCFTA, opportunities within green technologies, and technological change

4. *To boost private-sector development, the Bank will carry out public- and private-sector operations on three complementary levels to:*

- Foster a conducive business environment by supporting sectoral reforms in high-growth sectors, national frameworks for public-pri- vate partnerships, and policy provisions for integrating trade and implementing AfCFTA. As well as backing industrial policies for growth poles and special economic zones (SEZs), the Bank will promote industrialisation through capital market policies and regula- tions. The integration of MSMEs into regional value chains and e-governance reforms will be critical for this effort. Market opportuni- ties and rising digitalisation have increas-ingly motivated young African entrepreneurs, leading to more start-up creations in the technology sector.
- Promote access to integrated infrastruc- ture, with a focus on transport corridors and regional integration. The Bank‘s infrastructure investments will support cross-border trade, SEZs, industrial zones, agroprocessing zones and broadband infrastructure Help businesses to grow by increasing their access to finance through financial intermedi-aries and developing programmes to integrate MSMEs into regional value chains in high growth sectors. The Bank will support trans- formative projects with African industrialists to spur regional value chains, develop entre- preneurship networks, and scale up digital financial inclusion and fintech, including for the informal sector.
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5. *Private-sector development in countries affected by fragility will be a focus.* The Bank will use its sovereign and non-sovereign operations strate-gically to combine support for upstream challenges (e.g., by improving the business environment) and mid-stream issues (e.g., by filling critical infra- structure gaps), with downstream investments in enterprise development. The Bank will also transform the Private Sector Credit Enhancement Facility (PSF) to provide services for third-party projects, deepen its suite of instruments, and expand its areas of coverage to include fragile areas in non-ADF countries. The Bank will encourage RMCs to pursue economic governance reforms to decrease investment risk and attract institu-tional and other investors to back transformational projects by harnessing frameworks such as the Compact with Africa

62 SCALE UP PRIVATE SECTOR FINANCEFOR TRANSFORMATIVE INVESTMENTS

1. *Over the next decade, the Bank will bring engagement with the private sector to the centre of its operations.* The interactions between the Bank's sovereign and non-sovereign operations, already strong, need to be strengthened further. As the Bank reinforces its approach at the country and regional levels, and where appropriate sub-national levels, transformative projects to anchor these programmes will be identified using a public- private partnership (PPP) approach. These projects will prioritise private sector involvement, either through private concessions or PPPs, leveraging limited public sector funding to improve regulatory frameworks and stimulate greater private sector participation and hence private sector financing.

2. *The Bank will endeavour to scale up private sector finance.* Currently, the Bank maintains a healthy balance between maintaining its AAA credit rating to provide market concessional financing to its RMCs and expanding its private sector business across Africa in high-risk environments with the attendant higher credit risks and potential losses that could threaten its AAA credit rating. This often leads to a culture of risk avoidance in the guise of informed risk-taking, accompanied by a longer and heavier decision-making process.

   Skill sets also differ significantly between sovereign and private sector operations. Hence th eincentives differ to recruit and retain experienced private sector staff, who will primarily be hired from other development finance institutions and commercial financial institutions such as banks, non-bank financial institutions, private equity funds and investment banks.

3. *The Bank will consider various options to scale up private sector finance.* An example to be considered in the medium term, is spinning-off non-sovereign operations into a new legal entity where financial resources are ring-fenced, risk appetite significantly increased but informed, and specialised private sector professionals hired to develop these complex projects and raise finance from institutional investors.

4. *In this proposal, the Bank's private sector spinoff would aim to diversify its instruments and would scale up the use of guarantees to attract greater financial flows from global and regional institutional investors.* The Bank will also explore scaling up a comprehensive risk solutions business, intended to facilitate global and regional institutional investment into high-impact investments in Africa.

5. *The Bank will also explore providing scaled-up comprehensive risk mitigating solutions to investors and lenders in Africa, including on third-party projects.* These solutions will include tailor-made political risk insurance credit enhancements and de-risking solutions such as political risk guarantees. In addition, partial credit guarantees will address

   regulatory issues and current market failures that prevent institutional investors from participating at scale in the financing of projects in Africa. The Bank will also provide first loss guarantees to encourage institutional investors to finance transform- ative projects. The risk solutions will be extended to non-investment grade situations, working in partnership with the PSF, public insurers and the Co-Guarantee platform partners.

6. *Working in partnership with global and regional insurance and reinsurance companies, the Bank will engage with institutional investors to create innovative risk solutions.* This compre-hensive risk solutions business, combined with the Bank's comparative advantage as a trusted advisor to RMCs, will provide an unrivalled investment proposition to institutional investors investing in Africa.

7. *The Bank will continue to develop strategic networking and investment platforms to bring institutional investors to Africa.* An example to be explored is the Africa Investment Forum (AIF) which aims to match global investors with Africa's most promising companies and investment opportu-nities. Working in partnership with other multilateral actors, the Bank will seek to attract and anchor major investors through tailor-made resource-mo-bilisation platforms that fill gaps in Africa's financial ecosystem. A key target will be institutional investors.

8. *The Bank will mobilise investment through its project preparation facilities*, such as the NEPAD Infrastructure Project Preparation Facility and the Middle-Income Country Technical Assistance

The Bank will consider innovative approaches to scale up private sector finance, such as creating as eparate legal entity for non-sovereign operations to increase risk appetite and attract institutional investors

Fund (MIC-TAF). The high costs and technical challenges involved in preparing bankable projects are currently a significant constraint on Africa's ability to access development finance. Over the life of the Strategy, the Bank will seek to rationalise and aggregate its project preparation and risk-sharing facilities. It will also work with African governments to develop frameworks for public-private partner- ships in infrastructure.

9. *Over the next decade, the Bank will substan-tially increase the ambition of its non-sovereign operations (NSOs).* The goal is to triple NSO financing to USD7.5 billion per annum by the end of the Strategy period, including mobilisation from third-party sources. The Bank will achieve this in partnership with other MDBs and development finance institutions, drawing on their expertise in particular sectors and markets. To support these ambitions, significant resources across the NSO system will be required to achieve this scale of growth with speed, including new expertise in guarantees, experienced and senior investment staff, experienced credit risk officers, and legal and safeguards officers. Our investment and portfolio management processes will need to be tailored to this new approach, including increased use of delegated authorities.

7. URGENTLY INCREASINGFINANCE FOR AFRICA

1. *As well as scaling up its own investments, in line with the MDB agenda, the Bank will focus on mobilising international climate finance, international private investment, domestic resources and access to finance for MSMEs.*

7.1 AFRICA'S FINANCING GAP ANDINVESTMENT OPPORTUNITIES

2. *Africa faces major financing gaps.* RMCs have emerged from the pandemic with worsened fiscal balances and rising debt, just when they need to invest more in national development. The IMF has estimated that around USD500 billion would be needed between 2021 and 2025 to put Africa back on its pre-pandemic pathway to converge with advanced economies. These financing gaps are compounded by a global financial architecture that has failed Africa. Approximately 3% of domestic and international climate finance is allocated to Africa[63]. The global system is not capable of tackling the rising debt challenges of African countries in the wake of the financial stresses posed by Covid-19, climate change and Russia's invasion of Ukraine.

3. *Current financing gaps have pushed governments towards riskier borrowing options.* As more African countries have reached middle- income status, they have sought to scale up their investments in national development to accelerate their economic transformation. Many have turned to the international markets to meet their needs. Some have resorted to Eurobond issues, while

> Africa faces major financing gaps. Only 3% of domestic and international climate finance is allocated to the continent, posing a critical challenge that is exacerbated by a global financial system of ten failing to meet its needs With infrastructure investments at 3.5% of GDP, less than half the level in Asia, the sector, crucial for economic transformation, remains severely underfunded

others have used their natural resources as backing for loans from bilateral lenders, triggering massive fiscal stimuli and loosened monetary policy, and hence fuelling global inflation. Countries have also turned to other non-traditional donors attracted by the relative speed with which such funding can be accessed. However, these are expensive, high-risk borrowing options. Eurobonds come with higher interest rates, harder repayment terms and greater refinancing risk than traditional development finance. Foreign currency borrowing also leaves African countries vulnerable to economic downturns and exchange rate fluctuations. In the wake of the pandemic and Russian invasion of Ukraine, rising interest rates and a strong US dollar have sharply increased the cost of servicing debt.

4. *As a result, the continent's debt-to-GDP ratio has almost doubled over the past decade to 66%.*[64] The need to pay back interest on debt servicing is reducing the resources available to Africa governments, for vital social spending and public investment in infrastructure. As of June 2023, 24 countries were either in, or at high risk of, debt distress, while no low-income African country was at low risk of debt distress. Several African countries have sought relief through the G20 Common Framework, but the system is very slow. Furthermore, debt relief initiatives — while urgently needed — leave unresolved the underlying problem of a lack of affordable development finance at the scale that African countries require.

The financing gap is constraining Africa's progress on many fronts. The continent currently invests around 3.5% of GDP on infrastructure, less than half the level in Asia.[65] Private investors account for just 10% of infrastructure financing.

and the level of private investment in public-private infrastructure partnerships has declined in recent years. Underdeveloped infrastructure constrains private-sector development and the growth of domestic revenues. The Infrastructure Consortium of Africa estimates that poor transport infrastructure adds 30-40% to the costs of goods traded across Africa's borders — a major barrier to developing integrated markets under AfCFTA.

5. *The need to mitigate and adapt to a changing climate and meet global commitments on climate action add to the funding gap*. To finance their NDCs under the Paris climate agreement, African countries need USD277 billion a year to 2030. Current flows of climate finance to Africa are far short of that, at just USD30 billion a year, most of it concentrated in a few countries.

Only a fraction of Africa's investment require-ments will come from international development finance. Africa needs to mobilise revenue on several levels. Large institutional investors, such as sovereign wealth funds and insurance companies.

With the continent's debt-to-GDP ratio almost doubling over the past decade to 66%, debt burdens and the reliance on high-risk financing options underscore the urgency of addressing Africa's financial architecture to support sustainable development.

hold global assets exceeding USD100 trillion.[67] Attracting just a small fraction of those funds into African infrastructure investments would go a long way to closing the financing gap. With more global investors looking for opportunities to link capital to social value, Africa can be a destination for prudentyet transformative investments.

6. *At the same time, the global financial archi-tecture should be radically transformed by placing developing countries' needs at the centre of every decision and mechanism*. Such an overhaul is necessary because current global threats have left the world's financial system unable to mobilise stable and long-term financing at the scale urgently needed to achieve the SDGs. Africa alone will need USD1.3 trillion annually

to achieve its sustainable development needs by 2030. Africa needs a more responsive, inclusive and accountable interna-tional financial system to support the acceleration of global development.[68] The G20 and the inter- national development community have called for in-depth reforms of the MDBs to respond better to the multiple crises. The World Bank Group and the International Monetary Fund, for their part, have proposed adapting the global financial archi-tecture to deal with overlapping crises, restore debt sustainability, and achieve the SDGs. The World Bank Group has modified its vision, mission, operating model, and financial capacity.

The global financial architecture has failed Africa

7. *Under India's 2023 Presidency of the G20, the G20 Expert Group on Strengthening MDBs recently released a roadmap for updating the MDB system, with milestones and timelines touching on all aspects of MDB evolution.* The roadmap, known as the Triple Agenda, covers vision, incentive structures, operational approaches, and financial capacity. It aims to ensure that MDBs are better equipped to finance a wide range of SDGs and trans boundary challenges, such as climate change and health

72 MOBILISE PUBLIC INVESTMENT FOR THE HIGH 5S

1. *A major part of the solution to Africa's financing gap must come from renewed efforts by African countries to mobilise domestic revenues, to increase funding for public services and infrastructure.* In sub-Saharan Africa, average tax revenue today stands at 16.5% of GDP. In 2022,[70] Africa's average tax-to-GDP ratio fell significantly below that of the Asia-Pacific region (19%), Latin America and the Caribbean (22%), and the OECD (34%). Tax-to-GDP ratios vary considerably across African nations, ranging from 11% in Nigeria to 32.5% in Tunisia. These variations show the potential formost African countries to mobilise greater revenuesby strengthening tax collection systems, improving tax compliance, combating tax evasion and illicit financial flows, and promoting fair and effective tax policies. If African countries are to finance their planned transformation, their average tax-to-GDP ratio needs to be above 20%. The mobilisation of more domestic revenue must be accompanied by measures to raise the quality of public investment and expenditure, including reducing leakages from corruption and wastage *The Bank will work with African countries to scale up public investment in the High 5sby leveraging its concessional (ADF) and non-concessional (ADB) windows, as well as Trust Funds.* It will use its full range of its instruments including programme-based operations, technical assistance, and capacity building. As well as supporting domestic resource mobilisation, public financial management, and procurement, the Bank will strengthen the ability of its RMCs to prevent leakage of public resources by promoting trans-parency, accountability, and control of corruption. The Bank will innovate in its approaches and operations to also support provinces, municipal-ities, states and sub-national entities in its RMCs, particularly in response to the challenges of urbani-sation and climate change.

2. Managing Africa's deteriorating external debt position will be a key priority. The Bank will champion Africa's case for a more effective debt relief process under the G20 Common Framework, ensuring that the interests of Africa's people come first. It will work with African countries to promote stronger and more transparent debt management systems

73 INCREASE THE BANK'S FINANCING CAPACITYTHROUGH INNOVATION

1. *Under the Ten-Year Strategy, the Bank will rise to the challenge of supporting access to affordable finance at the scale Africa needs.* The Bank draws on an impressive track record of innovative financial initiatives, partnerships, and transactions. In recent decades, it has developed from a predominantly lending institution to become a strategic partner for accompanying African countries as they access financing from all sources. As well as scaling up its own resources, the Bank will make full use of its partnerships, convening power and catalytical role.

2. *The Bank will make its balance sheet work harder for Africa.* The Bank's current lending capacity over the next ten years, excluding financial innovation and balance sheet optimi-sation, is estimated at USD73 billion for the Bank and USD26 billion for the ADF. There is an urgent need to expand this resource base, to ensure that the Bank can meet the costs of Africa's evolving needs, in the face of global challenges. Since 2015,the Bank has been at the forefront of balance sheet optimisation, making innovative use of risk

> To bridge the financing gap, Africa must increase domestic revenue mobilization and enhance the quality of public investment and expenditure. Addressing Africa's external debt is also a priority, with the Bank championing more effective debt relief processes and promoting transparent debt management systems

transfer products. In 2018, it became the first MDB to undertake a synthetic securitisation transaction on its private sector portfolio. In 2022, it launched another pioneering risk transfer transaction, with the support of the United Kingdom, partially trans-ferring the risk on USD2 billion in sovereign loan assets to private insurers. This risk transfer enabled the Bank to free up USD2 billion from its balance sheet to finance climate investments. In total, the Bank has so far unlocked more than USD10 billion in additional lending capacity.

> There is an urgent need to expand the Bank's resource base, to ensure that the Bank can meet the costs of Africa's evolving needs, in the face of global and regional challenges

3. *Over the life of the Strategy, the Bank estimates that it will require substantial additional resources to increase its financing capacity. The main instruments and*

initiatives to mobilise additional funding include:

- **Sustainable hybrid capital:** In 2022, the Board approved the issuance of sustainable hybrid capital bonds – a new asset class, and another innovation led by the Bank. Hybrid capital aims to be mobilised through capital markets, shareholders, and foundations, and by channelling the IMF's Special Drawing Rights (SDR) to MDBs, a creative solution conceptualised by the Bank that fully meets the IMF criteria for reserve asset status.

- **ADF market borrowing:** The financing needs of Africa's low-income countries have outgrown the financing capacity of the ADF. Leveraging ADF equity to borrow from the financial markets would enable the ADF to broaden its funding base and better respond to client needs, while retaining strong perfor-mance incentives and promoting debt sustainability. The Bank's projections suggest that up to USD5.3 billion in additional finance could be raised in each ADF refreshment cycle. These resources would then be on-lent through a new instrument – the moderately concessional loan (MCL) – as well as through traditional ADF loans and grants.

- **Significant risk transfers/Balance sheet optimisation:** Drawing on lessons from past risk transfer products, the Bank will explore options for replicating synthetic securiti-sation transactions on its non-sovereign portfolio, as well as new forms of risk-sharing transaction with shareholders and private- sector partners. The Bank will also build up its capacity to mobilise resources when projects originate, including by deploying of guarantees. Working more systematically with the insurance market will enable the Bank to crowd in more financing, to complement its own resources.

4. *While important, financial innovations will not in themselves be enough to meet the growing needs of African countries*. The Bank's most recent general capital increase was not calibrated to withstand the impact of global crises of the magnitude of the Covid- 19 pandemic, or the economic turbulence triggered by Russia's invasion of Ukraine. Global and continental challenges in Africa have outpaced MDB financing capacity – including at the Bank – to fully meet regional shareholders' transformational needs and expectations. These developments have also affected the credit ratings of Bank shareholders and increased the Bank's risk capital consumption, thereby reducing its lending headroom just when financing needs were greatest.
5. *While the Bank will be focusing on strength-ening its standalone credit profile towards AAA from Fitch, and to reduce its reliance on the callable capital of Triple-A shareholders*, it will make full use of balance sheet optimisation transactions and innovative financial instruments to sustain its lending volume.

6. *In line with the long-term financial sustain- ability framework of the Bank conceptualised for GCI-VII, the Bank will explore the possibility of a general capital increase* at the end of the GCI-VII cycle to at least maintain its lending trajectory or increase its financing capacity in consultation with shareholders. There is a pressing need to make more concessional finance available through the African Development Fund, which remains an indispensable resource for low-income and fragile countries. While ADF is planning to augment its resources through market borrowings, vulnera-bility and fragility remain central issues for Africa, with climate change exacerbating fragility. There is a stark need for substantial grant funding as those critical resources are needed to help address the root causes of fragility and the unique development challenges of low-income countries.
7. *The Bank will pursue a bolder approach to co-financing and syndication.* Over the life of the Strategy, the Bank aims to become the co-fi-nancing partner of choice for Africa, for both public- and private-sector operations. It will seek mandated lead arranger roles, to source funding for clients beyond its own resources. It will build its partnerships and investor network, with the aim to support the possibility of a doubling of the Bank‘s syndication and co-financing target. The Bank aims to increase substantially its co-financing arrange-ments, currently valued at more than USD11 billion. The Bank will establish a collaborative loan syndication platform to provide institutional investors with direct access to the Bank‘s projects. It will develop a managed co-lending portfolio programme with institutional investors, including insurance companies, sovereign wealth funds and pension funds, to support co-investment.
8. *Strategic use of blended finance will enable the Bank Group to attract additional investment to its projects and programmes, from both traditional and non-traditional investors*. A blended finance strategic framework will be established, to ensure the optimal use of development finance and philan-thropic funds to mobilise and scale up private capital flows to low-income countries. The Bank also recognises the continuing demand for conces-sional financing from middle-income countries, particularly given their central role in delivering regional and global public goods, by combating climate change, promoting security and supporting peace building efforts.
9. *Trust funds and special funds provide the Bank with much needed resources to complement the Bank's ordinary resources as well as donors' contributions to the ADF*. They offer the flexibility to supplement the Bank Group‘s financing, both

The Bank will leverage innovative financial instruments and partnerships to expand its financing capacity. Significant innovations, such as sustainable hybrid capital and leveraging ADF equity for market borrowing, will play a crucial role in increasing the Bank's lending capacity to public and private sectors operations, in a resource's scarce environment. Trust funds and special funds are therefore key instruments to be modernised and expanded. The Bank manages a portfolio of trust funds in areas aligned to its strategy and operational priorities. They enable the Bank to generate new evidence, pilot innovations, and provide the analytical work and technical assistance that underpin successful operations

10. *In both public-sector and private-sector operations, trust funds, which can deploy grants and non-grant instruments such as conces-sional loans, guarantees, or equity, can have an important catalytic effect.* The Bank will continue to position itself as a prudent fiduciary manager of these concessionary resources and remain the trusted partner of donors as it aspires to substan-tially increase the volume of resources it is able to attract, by a factor of three times over the current level of trust fund mobilisation. The institution will target raising sizable volume of grants or deeply concessional loans over the course of the next ten years. The Bank will also expand and deepen its partnership with private foundations and other philanthropic organisations, in recognition of their growing role in development finance.

8. BOOSTING THE BANK'S IMPACT

1. *To achieve the ambitious results set out in this Strategy, the Bank will continue to enhance its effectiveness as a development partner, building on the reforms implemented over the past decade.* This chapter sets out the actions the Bank will take over the life of the Strategy to become stronger, better, and faster. Many of these reforms are aligned with the MDB reform agenda. They are grouped in four areas:

   - adapting the delivery model to strengthen the Bank‘s engagement with global and regional challenges;
   - building the Bank‘s capacity as a solutions bank;
   - building strategic partnerships; and
   - strengthening the Bank‘s institution model.

2. *The measures set out here build on strong foundations*. Since 2015, the Bank has established comprehensive policies, procedures and practices fully aligned with international standards, that have considerably strengthened its organisation and ability to respond to clients‘ needs. In 2016, the Bank adopted a new Delivery and Business Development Model and, in 2020, introduced the ―One Bank‖ approach to improve coherence. In 2019, the Bank realised its largest capital increase and, in December 2022, the largest replenishment in the history of the ADF. Each was accompanied by an ambitious programme of reforms designed toenable the Bank to achieve better results for Africa. The Bank‘s rapid response to recent crises has demonstrated its agility in meeting Africa‘s most pressing

needs.

3. *These reforms have made the Bank one of the most highly rated development organisations in the world*. Africa‘s needs have grown more complex in recent years, however, stretching the Bank‘s capacity on several fronts and compelling it to press ahead with further ambitious reforms

8.1 ADAPT THE BANK’S OPERATIONAL MODEL TODELIVER AT SPEED AND SCALE

1. *To seize opportunities while managing risks and shocks, the Bank must evolve its operational model over the next ten years. This will require investing in regional and global public goods where they support African countries’ priorities*, in collab-oration with other MDBs. As part of this broad evolution, one of the Bank‘s major priorities will be to improve its ability to implement high-quality projects and programmes that have lasting impact. Measures will include the following:

Enhancing quality and effectiveness of operations

2. *Improve quality of operations:* The Bank will upgrade its operational processes and standards, to prioritise quality throughout the project cycle. The Operations Manual will be regularly updated, to guide staff through all the steps in the project cycle from project identification and preparation to imple-mentation and supervision, and completion and learning. The Bank will support these measures by training and accrediting staff through the Operations Academy. Building on ongoing initiatives such as Project WAKANDA (Working better, Accountability, Know-how, Accessibility, New, Decentralisation, Accuracy), the Bank will develop a top-notch IT capacity designed to enhance effectiveness and productivity.

3. *Build a robust pipeline of operations:* Timely preparation and approval of Bank operations ensures efficient use of resources and builds credibility with clients, shareholders, and other partners. By improving project preparation and ensuring that planning is realistic, the Bank will build a robust pipeline of operations that are implemented on time *Enhance ability to identify and address imple-mentation hurdles:* The Bank will provide adequate resources for supervising and supporting the implementation of operations and invest in deeper reporting processes. It will progressively introduce risk-based supervision, ensuring that resources are allocated to the operations where they are needed most. To identify and address any difficulties in implementation, the Bank will undertake regular country portfolio performance reviews followed by country portfolio improvement plans. The Bank‘s country presence will provide continuous imple-mentation support, timely action to restructure projects when needed, and agility in responding to dynamic country

contexts and emerging challenges. Accountability for timely delivery will be shared from managers down to delivery teams. Support will continue past project completion and include, where appropriate, additional finance.

Building knowledge to strengthen impact

4. *Invest in building up country-level and regional knowledge of the opportunities and threats facing African countries:* The Bank will strengthen its regularcycle of analytical work, including assessments of resilience, fragility, climate investments and vulner- ability, food security, and gender equality. This diagnostic work will be undertaken with partners, wherever possible, to build a shared understanding of the risks facing African countries. The Bank will ensure that its knowledge products better support the design and implementation of projects.

Backing cross-border interventions that meet country demand

5. *Seizing cross-border and subregional oppor- tunities and tackling challenges, such as the management of forests and water resources, will help ease climate pressures, preserve natural assets, and counter the causes of conflict:* Building on existing

> The Bank will adapt its operational model to manage better global and regional challenges, focusing on improving project implementation and impact. Strengthening project pipelines and addressing implementation hurdles will ensure efficient use ofresources

instruments, such as the Transition Support Facility, the Climate Action Window, and the Middle-Income Country Technical Assistance Fund, the Bank will create dedicated funds and programmes focused on key cross-border investment areas. These include infrastructure connections and services in remote and economically marginalised areas, and open labour markets and the free movement of people within Africa, to boost youth employment and the mobilisation of remittances.

Using social and environmental safeguards to put people first

6. *With a strong focus on how its operations affect people, the Bank will protect communities and the environment from harm while maximising the benefits of projects.* Bank operations in the next decade will be consistent with Provision 11 of the Updated Integrated Safeguards Systems (ISS), which stipulates that the ―Bank Group‘s vision and actions go beyond a ‗do no harm‘ approach and towards enhancing development gains‖. By identifying and managing environmental and social risks and impacts, the application of safeguards will support borrowers‘ goals of protecting communities and the environment from unintentional harm, improving

social inclusion, and sustainably reducing poverty and increasing prosperity. This approach will help deliver high-quality, sustainable operations.

8.2 CREATE KNOWLEDGE ALIGNEDWITH COUNTRY PRIORITIES

1. *Under the Ten-Year Strategy, the Bank will accompany its finance with training, technical assistance, policy dialogue, policy-based operations, and knowledge brokerage – linking knowledge producers, users, and sources – in RMCs.* Over the next decade, it will build up a targeted programme of knowledge and sector work, in line with its Knowledge Management Strategy 2022-2031. Where partners are leading the generation of new knowledge and evidence, the Bank will act as a broker, giving countries access to the knowledge they need and helping them translate it into their own contexts.
2. *To maximise and sustain its development impact, the Bank will prioritise investments in knowledge and institutional capacity* through two integrated operational objectives

    - Strengthening the quality and impacts of the Bank's operations: The Bank will continue to work with RMCs to sharpen analytical support and programme/country diagnostics, tuned to local context to maximise impact. Various instruments will provide solid foundations for prioritising investment and enhancing devel-opment effectiveness across the High-5s. These include country diagnostic notes, country strategy papers and regional integra-tion strategy papers, country capacity devel-opment needs assessments. The Bank will also rely on country performance and institu-tional assessments, ex-ante additionality and development outcome assessments, country resilience and fragility assessments, and insti-tutional and fiduciary clinics for prioritising investments

    - Enhancing the quality of institutions and policy environments in the RMCs: The Bank will continue to provide economic intelligence to potential investors and the RMCs through knowledge generation, data analytics, and structured capacity development to enhance the quality of institutions and economic governance. Instruments to be deployed include annual economic outlook reports and economic analysis at continental, regional and national levels.

    - *Key priorities will include:* research for development to reposition the Bank as the continent's premier development knowledge institution; economic analysis to support operationsin the Bank's business delivery units; economic intelligence to support investment prioritisation and policy decision-making in RMCs; policy-based operations to catalyse reforms that will enhance macro-economic policy management; capacity building and knowledge management to enhance institutions and governance capacity; knowledge partnerships and knowledge brokerage to co-develop solutions to Africa's challenges; natural resource management and investment promotion to provide the knowledge basis for investments in the natural resources sector; data systems and support services to collect, collate, and maintain up to date and accurate data analytics on key development variables.

3. *The Bank will work closely with other MDBs to generate knowledge aligned with the demands of RMCs, as outlined in the multilateral development bank reform agenda proposals*. The Bank will use its Knowledge Management Strategy to strengthen partnerships with institutions such as the World Bank Group, the International Monetary Fund, bilateral development agencies and relevant RMC institutions to produce country and regional specific data that will inform operations programming. Improving the quality of data and working together on diagnostics will be a major focus over the next decade.

4. *Robust economic analysis will inform the design and implementation of lending operations for both sovereign and non-sovereign clients.* The Bank's flagship economic reports and diagnostic studies will provide an evidence base for policy makers and partners across the continent. They include the African Economic Outlook, Regional Economic Outlook, Country Policy and Institutional Assessments, and Country Resilience and Fragility Assessments. The Bank will undertake deeper analysis on key themes such as inclusive growth, governance, domestic resource mobilisation, climate change interventions, natural resource management and enabling environment for private investment.

5. *Over the next decade, the Bank will build up its capacity for technical assistance, policy dialogue and knowledge brokerage.* Each of its operations under the High 5s offers a platform for engaging with RMCs to strengthen their policies and institutions. To this end, the Bank will build the capacity of staff in country offices on policy issues and support them with technical expertise from its regional centres and headquarters. The Bank will use its convening power to link African countries to sources of technical expertise across Africa and around the world, and to facilitate the sharing of knowledge and development solutions among African countries and regional economic communities.

6. *The Bank will provide tailored capacity development support.* It will work with a wide range of partners, including governments, civil society, and the private sector, to identify and bridge capacity gaps. Technical assistance will be offered to partners to support the implementation of development policies and programmes. The African Development Institute, the African Legal Support Facility, and the African Natural Resource Management and Investment Centre are among the platforms the Bank will use to provide specialist support, drawing on the expertise of African academic institutions.

8.3 DEEPEN PARTNERSHIPS FOR SUSTAINABLEOUTCOMES

1. *Building strategic relationships across the African continent and with global partners committed to Africa's progress is a priority.* The Bank will work with others to mobilise financial resources to support national priorities, including through co-financing agreements and trust and special funds, complementing the Bank's statutory resources. The Bank will also focus on larger co-fi- nancing instruments with demonstrated results. Non-financing partnerships will include coordi- nation and cooperation platforms, joint advisory services, and policy dialogue.

2. *One of the Bank's strengths is its ability to bring together partners from across Africa as an effective econvenor and facilitator.* The Bank will continue to build robust, long- term relationships with African governments, regional bodies, and the African Union. It will consult and engage with the private sector, civil society organisations and research insti-tutions, and work closely with local communities. Improving engagement with civil society and other country-level partnerships will be critical for enhancing accountability and governance. The Bank has prioritised its partnership with the African Union to support reforms and accelerate the imple-mentation of Agenda 2063 and other key initiatives that are beneficial to the continent.

3. *Deepening collaboration with other MDBs will be a key priority over the next decade, strength-ening the MDB system.* The Bank will prioritise joint programming with other MDBs such as the World Bank Group, the European Bank for Reconstruction and Development, and the European Investment Bank, based on a clear division of labour, enabling larger and more transformative operations. In line with the interests of African countries, the Bank will help to develop common procurement, environ-mental and social safeguard rules, to reduce the burden on borrowers, and will look for opportunities to share diagnostic and analytical work, including public goods. The Bank will also seek relationships with other multilateral and bilateral partners, such as the International Fund for Agricultural Development, the European Union, the World Health Organisation and the World Food Programme, drawing on partners' expertise while focusing on its own areas of comparative advantage. In supporting global and regional public goods, the Bank will work with regional economic communities, specialised UN agencies and civil society organisations.

4. *Country and regional strategies and programmes will set out how the Bank will maximise its impact by working in synergy with partners.* Partnerships will be both long-term and agile in responding to changing circumstances. The Bank will take a leadership role in areas where it possesses a comparative advantage, while supporting other partners' leadership in their areas of expertise

8.4 STRENGTHEN THE INSTITUTIONAL MODEL

1. *The Bank will pursue an ambitious programme of continuous improvement internally*. As part of its programme of reforms under the Development and Business Delivery Model (DBDM) and subse-quently through policy commitments under the Seventh General Capital Increase (GCI-VII) and the Fifteenth ADF replenishment (ADF-15), the Bank has achieved encouraging progress in improving its business processes. It is now closer to its clients and is working as ―One Bank‖. This progress is insufficient, however, as evidenced by the persistent low disbursement rate, portfolio management challenges and insufficient readiness of the Indicative Operational Programme (IOP). In the coming decade, the Bank will therefore prioritise the following measures.

Streamlining and simplifying business processes

2. *The Bank will heed the calls for MDBs to rationalise their processes and work together to tackle the considerable development challenges, including cross-border and global challenges.* This collaborative approach should enable the Bank to make the most of the skills, knowledge and financial resources available in the MDB system to scale up project bankability and coordination, while delivering more impact with greater efficiency. The adoption of more programmatic based approaches outlined above would require further streamlining and simplifying of business processes.

3. *Decentralising of operations under the matrix structure.* While the Bank has made progress on decentralisation, the targets of the decentralisation plan are still to be reached. The Bank will locate staff closer to clients and establish further country offices where feasible, as set out in the Bank's Real Estate Framework.[71] The Bank will optimise its organisation and improve its internal operational processes, while assessing the need for additional staffing resources, in line with the strategic staffing objectives.

4. *Adopting a value-for-money approach across all the priorities in the Strategy*. Future staff growth will prioritise operations and the support required to improve results on the ground. The Bank will be prudent in managing the growth of its adminis-trative costs, with some carefully managed growth in accordance with emerging business needs and incompliance with the cost containment framework.

5. *Improving environmental and social safeguards to reflect evolving international standards with a focus on country systems***.** Operational teams will include appropriate skills to fully implement the integrated safeguards system. Training and mentoring support will be provided, as required. Additional safeguarding resources will be focused on high-risk operations. The Bank will support countries as they develop and strengthen their national systems in line with discussions on MDB reform.

Enhancing the workforce: people, culture, and incentives

6. *Invest in the workforce of the future.* To deliver the ambitions of the Strategy, the Bank must attract and retain the highest calibre of staff. Under its People Strategy,[72] the Bank will work to be Africa‛s employer of choice, fostering a respectful and supportive work environment with competitive compensation and benefits.

7. *Assess how to attract the best talent and ensure the right skills mix.* Boosting skills while supporting clear career paths is a business imperative in a competitive market for development professionals. The priorities of African countries are best supported by Bank staff who have cutting-edge skills in their areas of expertise, who understand Africa‛s challenges and priorities, who keep abreast of new developments in their profes-sional disciplines, and who can deliver responsive and practical solutions. The current diversity of Bank staff is a strength. During the next decade the Bank will provide greater support for women‛s career progression and work towards achieving gender parity across the institution. It will continue to seek greater value for money in its staffing model, recruiting more staff locally and developing more flexible contracts. The Bank will continue to increase its presence in countries affected by conflict and fragility where detailed understanding of the country context is essential.

8. *Invest in the Bank's technical capacity.* The Bank will create a pool of well-trained operations analysts and assistants at each regional delivery hub and in selected country offices, to manage operations-related activities and support task managers and investment officers as they deepen implementation support. The Bank will develop a roster of experts so it can engage consultants more rapidly and explore more flexible ways to deploy technical staff to countries and regions through short-term assignments. A centralised project unit will be created that can deploy to any country and region when required. At the same time, the Bank will increase the number of task managers and investment officers, in line with the strategic staffing programme.

9. *Build a stronger culture of learning and knowledge management***.** Improved learning will lead to better long-term outcomes and more sustainable results. The Bank will build learning into its strategic planning and project cycles. On completion of each country strategy or operation, lessons will be analysed and shared so that they can inform future practice. Self-evaluation in partnership with borrowers and independent validation by the Independent Development Evaluation Department are crucial and complementary parts of the learning cycle. Project closure will also include exploring measures that clients can take to boost long-term sustainability and, where appropriate, follow up through technical assistance or additional finance.

   Completing the Bank's digital transformation

10. *The Bank's digital transformation will enable it to operate as one while making the best use of its assets across the continent.* The Bank has already made significant progress since the onset of the Covid-19 pandemic in upgrading IT systems and platforms to support remote working. It will continue to invest in systems, technology, and other tools to support staff and increase produc-tivity, including generative artificial intelligence and machine learning. A strong IT architecture and structured

client engagement will enable the Bank to deliver on these priorities.

8.5 MEASURE THE BANK'S IMPACT ON THE LIVES OFAFRICA'S PEOPLE

1. *The Bank will develop a new Results Management Framework to assess progress on delivering the Ten-Year Strategy and strengthen accountability for achieving results* ***(Annex 2).*** The Bank measures its success by the lasting improve-ments it makes to the lives of the people of Africa. The Results Management Framework will track aggregate results annually using key indicators. Results will be reported in the Annual Development Effectiveness Review, providing a picture of the Bank's contribution to Africa's development results, the health of its portfolio and its progress in strengthening its own efficiency and effectiveness.

2. *The Bank will scale up the use of state-of- the-art technology to measure more accurately and better understand the impact of its operations on development dynamics and beneficiaries.* In particular, the Bank will scale up two key innovations:

    - The Joint Impact Model[73] is an econometric framework elaborated with ten other devel-opment finance institutions to assess how investments contribute to economic growth and create jobs. The model will be an impor-tant tool for assessing wider impacts, particu-larly for non-sovereign operations.

    - Satellite imagery can enable the Bank to better assess and understand the development impact of its operations. Drawing on state-of- the-art technology, the Bank uses high-reso-lution impact mapping to assess living condi-tions before and after regional infrastructure construction and rehabilitation.

3. *The Bank will improve accountability for results***.** The new Results Management Framework will serve as an accountability tool, through a strengthened system of key performance indicators that managers will share with delivery teams. These indicators will cover knowledge and resource-mobilisation activities, as well as selectivity and value for money. To ensure accountability, the Bank will increase its use of standard indicators, to enable it to aggregate results and track progress towards corporate targets. Sector managers will be accountable for oversight, quality, and timely delivery. They will also ensure that task team workloads are well balanced, skillsets are augmented, and sufficient resources are available to support implementation, completion, and learning. In addition, all managers will be accountable not only for delivery of their work programmes, but also for the effective use of staff and budget resources.

4. *The Bank will support commitments in the Strategy through operational action plans for key sectors and thematic areas*. The Strategy sits at the apex of the Bank's strategic architecture, defining the high-level objectives and principles to which all its operations align. The Bank will continue to renew its operational approaches under

each High 5, and to develop and update 8 in critical cross-cutting and complementary areas such as climate change, gender, youth, natural resource management, knowledge management and governance. The actions plans will drive selectivity and focus on the Bank's priority areas. Three-year rolling programmes and results-based budgets will set out operational and institutional objectives for each three-year period, along with the resources required and the results expected.

5. *A mid-term review of the Ten-Year Strategy will be conducted by 2029, to examine progress towards its commitments and, if necessary, adjust to ensure that the Strategy's objectives are achieved.* Operating environments are changing rapidly, regionally, and globally, so there will be a management review of the Strategy in the third year, or at any other time necessary to ensure the Strategy remains relevant. The Board of Directors will be consulted should such a change become necessary. There will also be an independent evaluation at the end of the Strategy period.

CONCLUSION

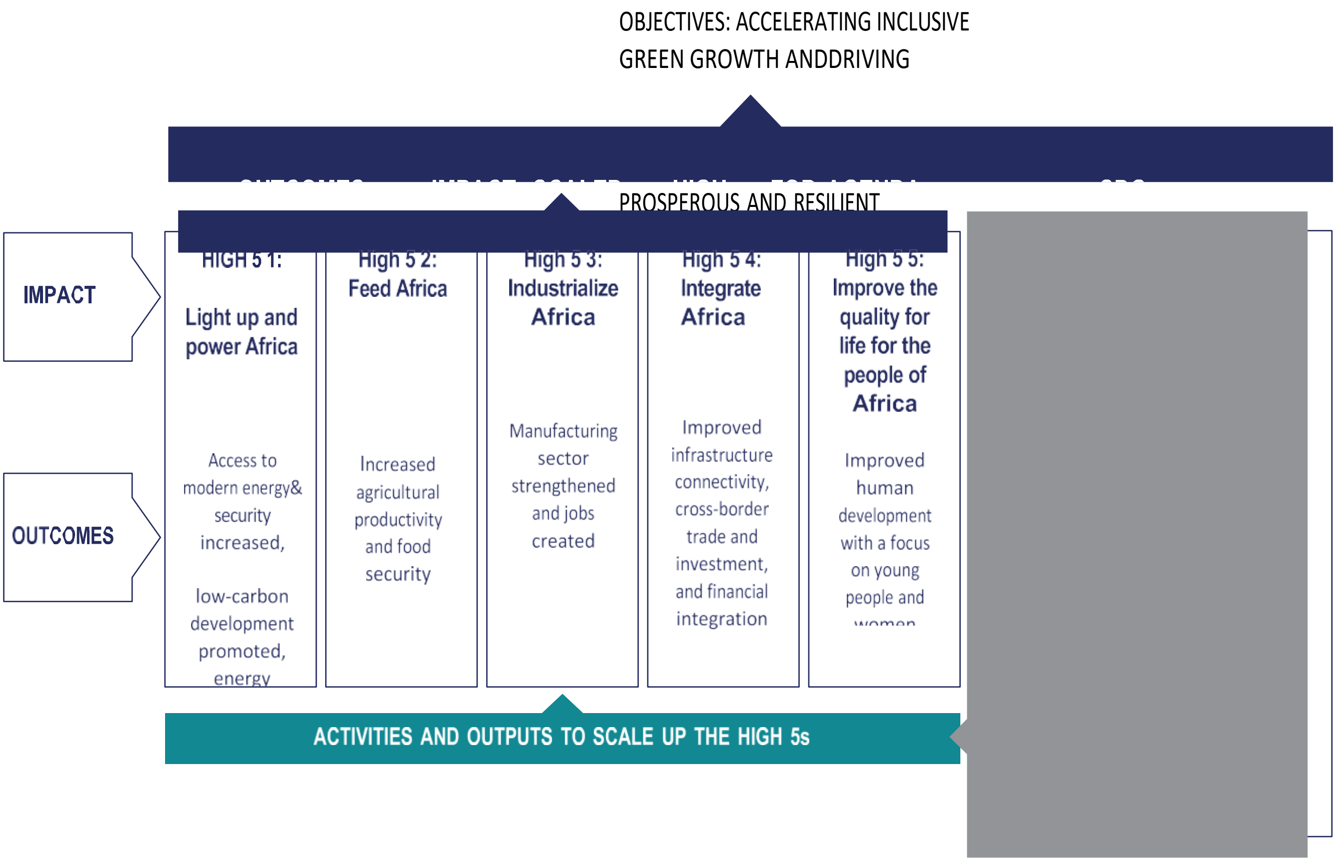
1. *This Ten-Year Strategy sets out the strategic framework for the Bank's operations for the period 2024-2033.* It is ambitious yet focused, designed to seize Africa's opportunities as well as tackle the unprecedented challenges facing the continent. The Strategy is inspired by a vision of **"a prosperous, inclusive, resilient and integrated Africa"**.

2. *The Strategy centres on the High 5s as the Bank's core contribution to the UN Sustainable Development Goals and the African Union's Agenda 2063.* The High 5s reflect the Bank's comparative advantage and the needs and priorities of Africa countries. The Strategy sets out bold plans for accelerating progress on the High 5s through trans-formational investments.

3. *The Strategy outlines the Bank's response to the complex threats facing Africa today,* answering the call for MDBs to scale up urgently their efforts tackle global and regional challenges affecting the people of Africa. The interlocking threats of climate change, rising debt, food insecurity, unemployment, conflict, and health crises threaten to set back Africa's progress and frustrate aspirations. Under the Strategy, the Bank will work with Regional Member Countries to use its investments and its position as an African institution to promote African solutions.

4. *The Bank will use the Strategy to urgently accelerate progress for Africa, using both public and private resources, and by making the most of its own resources for the benefit of Africa*. Finally, the Strategy sets out an ambitious agenda for enhancing the Bank's capacity to be more responsive and nimbler as a provider of qualitycooperation and solutions for Africa.

ANNEXES



ANNEX 2: SUMMARY RESULTS MANAGEMENTFRAMEWORK

The Results Management Framework (RMF) 2024-2033 supports the implementation of the Bank's Ten-Year Strategy 2024-2033, with two overarching objectives: guiding the Bank in delivering on the Strategy and accounting for its performance. This annex sets out the objectives and logic of the RMF, closely aligned with Strategy objectives, as well as monitoring, reporting and reviewing processes. It also includes a set of indicative indicators organised around the four-levelRMF structure. A comprehensive RMF paper, including final indicators and the proposed level of ambition, will be published separately.

A. INTRODUCTION

- The RMF 2024-2033 has three mainobjectives:
- To assess the implementation of the TYS 2024-2033 to ensure the delivery of devel- opment impact, inform decision making and facilitating learning.
- To support the Bank's contribution to the African Union Agenda 2063 and the United Nations Sustainable Development Goals (SDGs).
- To ensure transparency and accountability to Management, the Board, and external stake- holders regarding the Bank's performance and results.

B. RMF STRUCTURE

- To achieve these objectives, the RMF follows a four-level structure, which reflects the multiple levels at which progress is required and must be tracked. The four levels include:

- Level 1: The progress Africa is making towards the vision of a prosperous, inclusive, resilient and integrated continent.
- Level 2: The Bank's contribution to Africa's development progress. This covers both the Bank's High 5 operational priorities and cross-cutting investment priorities
- Level 3: The Bank's operational performance.
- Level 4: The Bank's institutional performance as a development organisation.

B. RMF LOGIC

The causal links between its four levels can bedescribed as follows (starting with Level 4).

IF the Bank continues to capitalise on its strengths as a development organisation, (institutional and financing models),

AND improves operational performance, (operational model),

- **THEN** it will advance its cross-cutting investment priorities **AND** deliver sustainable development results within its High 5s operational priorities

This will contribute to the TYS 2.0 vision of supporting a prosperous, inclusive, resilient, andintegrated Africa.

Using this logic and a 4-level structure, the RMF breaks down the TYS logic into 30 main objectives or result areas across the four levels.

C. ASSESSING, REPORTING AND LEARNING FROM PERFORMANCE

The Bank will assess performance, gain knowledge and report on progress every year against TYSobjectives using RMF indicators and targets through a multi-pronged approach:

- A series of Annual **Sector and Thematic Development Effectiveness Reviews & Learning sessions** will assess progress the Bank is making, particularly under Level 2of the RMF, to inform decision making and learning. These sessions will be chaired by the relevant Vice-President and will bring together sector experts and the ecosystem to review results trajectories, identify underperforming areas, propose course correction measures and draw the necessary lessons.
- Similarly, Annual **Operational and Institutional Reviews and Learning sessions** will review progress made by the Bank under Level 3 and 4 of the RMF. These sessions will be chaired by the relevant Vice-President and will assess operational and institutional performance in the context of reforms under implementation, with a view to identify oppor- tunities for further enhancements.
- Insights and lessons learned captured during Annual Reviews and Learning Sessions will be captured in the **Annual Development Effectiveness Review (ADER).** In addition, the ADER will present a summary of the Bank'sresults in a user-friendly format to improve transparency and accountability to the Board, client countries, and other stakeholders.
- These data-driven institutional review meetings will inform programming and resourcing discussions. All new projects and strategies will be required to draw on lessons from experience and evaluations. This enhanced approach to Results Management seeks to move beyond accountability for results by using the RMF proactively to guide decision making and generate critical lessons on the Bank's performance, results and impact on development.

D. REVIEWING AND UPDATING THE RMF

In 2028, a mid-term review of the RMF will take place alongside the mid-term review of TYS. This review aims to realign the RMF with any adjustments made to the Strategy and reassess its effectiveness in monitoring and guiding its implementation.

The Bank's Strategy department is responsible for designing the Strategy and conducting its mid-term review. The Development Impact and Results department will report results against the RMF, facilitate annual reviews and learning sessions, report results in the ADER on a yearly basis and ensure the continuous review and update of the RMF, including its mid-term review in 2028

RESULTS MANAGEMENT FRAMEWORK TABLE

Invest in cross-cutting priorities Sharpen strategic focus of operations	Deliver multi-year country programs Increase size of operations	Strengthen implementation support Enhance the quality of implementation	Enhance Policy dialogue Provide tailored capacity development support	Reinforce Learning in project cycle
LEVEL 4 THE BANK'S INSTITUTIONAL MODEL: IMPROVING INSTITUTIONAL PERFORMANCE AND SCALING UP FINANCING CAPACITY				
BUILD STRATEGIC PARTNERSHIPS	INVEST IN PEOPLE	INCREASE FINANCING CAPACITY	SAFEGUARD FINANCIAL SUSTAINABILITY	DRIVE PROCESS EFFICIENCY AND DIGITAL TRANSFORMATION
Strenghen MDB collaboration and co-financing Catalyze Private capital investments	Strengthen staff diversity Ramp up capacity and skills mix Improve staff engagement	Increase financial capacity through financial innovation Expand use of guarantee instruments	Strengthen capital adequacy Improve cost efficiency	Digitalise systems and processes Enhance continuous process improvement

INDICATIVE LIST OF INDICATORS IN THE RMF

LEVEL 1 AND 2: AFRICA'S DEVELOPMENT PROGRESS AND THE BANK'S IMPACT ONDEVELOPMENT IN AFRICA

1. LEVEL 1 — LIGHT UP AND POWER AFRICA
1.1 Universal electricity access achieved
1.1.1 People with access to electricity (% population)[74]
1.1.2 People with access to clean cooking solutions (% population)
1.2 Power generation capacity increased
1.2.1 Generation capacity installed (GW)
1.2.2 Electricity production (GWh)
1.2.3 Share of renewable energy in the energy mix (%)
1.3 Energy efficiency enhanced
1.3.1 Power transmission and distribution losses (% of output)

LEVEL 2 — LIGHT UP AND POWER AFRICA
1.4 Accelerate access to modern energy
1.4.1 People connected to electricity (of whom)[75]
1.4.2 New on-grid electricity connections (households incl. number of people/Businesses/Public facilities)
1.4.3 New off-grid and mini-grid electricity connections (households incl. number of people/Businesses/Public facilities)
1.4.4 Households provided with clean cooking access
1.4.5 Power distribution lines (km)
1.5 Promote low-carbon development
1.5.1 Installed electricity capacity (MW)- of which from renewable energy
1.5.2 Net electricity production (GWh) - of which from renewable energy
1.5.3 Power transmission lines (km) – incl. national and regional
1.6 Enhanced energy efficiency
1.6.1 *[Work in progress]*
1.7 Build regional power systems
1.7.1 Cross-border transmission lines (km) [76]
1.7.2 Total capacity of cross-border transmission projects (MW)

2. LEVEL 1 — FEED AFRICA
2.1 Reduced level of malnutrition
2.1.1 Prevalence of undernutrition in Africa (million)
2.2 Reduced food insecurity
2.2.1 Prevalence of moderate or severe food insecurity in Africa (%)
2.3 Agricultural productivity increased
2.3.1 Cereal yield (ton/hectare)
2.3.2 Fertiliser consumption (kilograms per hectare of arable land)
2.4 Share of processed products increased
2.4.1 Africa's share of market value for key processed commodities (%)

LEVEL 2 — FEED AFRICA	
2.5	**Strengthen agricultural value chains**
2.5.1	New agro-industrial processing units created/upgraded (number)
2.5.2	Feeder roads built or rehabilitated (km)
2.6	**Expand input supply chains**
2.6.1	Farmers using improved inputs, including micro-irrigation, fertiliser, and climate resilient seeds (of whom women)
2.7	**Improve nutrition and food security**
2.7.1	People benefiting from improvements in agriculture (of whom women)
2.7.2	Land with improved water management (thousand ha)
2.8	**Support research and development institutions**
2.8.1	*[Work in progress]*

3.	LEVEL 1 — INDUSTRIALISE AFRICA
3.1	**Share of manufacturing GDP increased**
3.1.1	Gross fixed capital formation, private sector (% of GDP)
3.1.2	Value-added of the manufacturing sectors (USDbillions)
3.2	**Access to finance improved**
3.2.1	Access to finance (% adult population)
3.2.2	Domestic credit to private sector (% of GDP)

LEVEL 2 — INDUSTRIALISE AFRICA	
3.3	**Promote development of enterprises**
3.3.1	People benefiting from investee projects (of whom women/youth)
3.3.2	Enterprises supported with access to finance (of which women/youth-led/owned)
3.3.3	MSMEs effect (turnover from investments) (USDmillions)
3.4	**Develop agro-processing and textiles**
3.4.1	New agro-industrial processing units created/upgraded (number)
3.5	**Supporting extractive resources beneficiation**
3.5.1	*[Work in progress]*
3.6	**Expand connectivity infrastructure**
3.6.1	Roads constructed, rehabilitated, or maintained (km)[77]
3.6.2	People with improved access to basic ICT services (of whom women)
3.7	**Support pharmaceuticals and vaccine manufacturing**
3.7.1	New production capacity of essential pharmaceutical products (number)
3.7.2	New local production capacity of vaccines (%)

4.	LEVEL 1 — INTEGRATE AFRICA
4.1	**Flow of goods/services/people improved**
4.1.1	Number of countries that have ratified AfCFTA
4.1.2	African visa openness index (0 Low - 1 High)
4.2	**Cross border infrastructure expanded**
4.2.1	Regional Infrastructure Index
4.3	**Increased intra-Africa trade**
4.3.1	Intra-Africa trade (% of GDP)
4.3.2	Africa Competitiveness index (Index)

LEVEL 2 — INTEGRATE AFRICA	
4.4	**Expand regional infrastructure connectivity**
4.4.1	Cross-border roads constructed/rehabilitated (km)
4.4.2	Cross-border transmission lines constructed (km)
4.4.3	People with improved access to transport (of whom women)

4.4.4	Total capacity of cross-border transmission projects (MW)
4.5	**Promote cross-border trade and investment**
4.5.1	Intra-African trade supported by the Banks trade finance facilities (USDvalue and % of total)
4.6	**Deepen financial integration**
4.6.1	*[Work in progress]*

5.	LEVEL 1 — IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF AFRICA
5.1	**Reduced unemployment**
5.1.1	Unemployment rate % (rate for women %)
5.2	**Improved access to basic services**
5.2.1	Access to at least basic drinking water services (% population)
5.2.2	Access to at least basic sanitation facilities (% population)
5.2.3	Coverage of essential health services (Index 0 low-100 high)

LEVEL 2 — IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF AFRICA	
5.3	**Develop health infrastructure**
5.3.1	People with access to better health services (of whom women)
5.4	**Increase access to water and sanitation**
5.4.1	People with new or improved access to water (of whom women)
5.4.2	People with new or improved access to sanitation (of whom women)
5.5	**Develop technical and vocational education**
5.5.1	People trained through Bank operations (of whom women/youth)
5.5.2	People enrolled in skills development including digital skills (of whom women/youth)
5.6	**Support job creation**
5.6.1	Direct jobs supported (of whom women/youth)
5.6.2	Indirect and induced jobs supported (of whom women/youth)

LEVEL 2 — CROSS-CUTTING INVESTMENT PRIORITIES	
SCALE UP CLIMATE ACTION	
6.9	**Promote sustainable water management**
6.9.1	Land with improved water management (thousand ha)
6.10	**Minimise GHG emissions**
6.10.1	Net GHG emissions (CO2e)
6.11	**Leverage climate finance**
6.11.1	Climate finance (%)
BUILD RESILIENCE	
6.12	**Build critical infrastructure**
6.12.1	People benefitting from energy projects *in transition states* (of whom women)
6.12.2	Roads constructed, rehabilitated, or maintained *in transition states* (km)
6.12.3	People with new or improved access to water *in transition states* (of whom women)
6.13	**Invest in enterprise development**
6.13.1	Enterprises supported with access to finance *in transition states*
6.14	**Address climate risks**
6.14.1	Farmers practicing climate-smart agriculture *in transition states* (of whom women)
PROMOTE GENDER EQUALITY	
6.15	**Support jobs for women**
6.15.1	Direct jobs supported (*women*)
6.15.2	Indirect jobs supported (*women*)
6.16	**Provide finance for women-led businesses**
6.16.1	Enterprises supported with access to finance *which are women-led/owned*
INVEST IN YOUNG PEOPLE	
6.17	**Support jobs for youth**
6.17.1	Direct jobs supported *(youth)*

6.17.2 Indirect jobs supported *(youth)*
6.18 Provide finance for youth-led business
6.18.1 Enterprises supported with access to finance *which are youth-led/owned*
STRENGHTEN ECONOMIC GOVERNANCE
6.17 Strengthen budget and financial management
6.17.1 Countries supported with improved quality of budgetary and financial management (number)
6.17.2 Countries supported with improved procurement systems (number)
6.18 Improve debt management and transparency
6.18.1 Countries supported with improved transparency, accountability in public sector (number)
6.18.2 Public sector officials with improved skills and competencies in debt management and transparency (of whom women/youth).
6.19 Promote a conducive business environment
6.19.1 Countries supported with improved competitive environment (number)

6. LEVEL 1 — CROSS-CUTTING INVESTMENT PRIORITIES
CLIMATE ACTION SCALED UP
6.1 Green growth prioritised
6.1.1 Green Growth Index (Score : 0-100)
6.2 Reduced GHC emissions
6.2.1 Net GHG emissions (CO2e)
RESILIENCE ENHANCED
6.3 Resilience to conflict and shocks enhanced
6.3.1 Countries with improved Fragile States Index over the last 5 years (number)
6.4 Reduced number of refugees and Internally Displaced People
6.4.1 Refugees and internally displaced people (millions)
WOMEN EMPOWERED
6.5 The gender inequality gap narrowed
6.5.1 Africa gender index
INVEST IN YOUNG PEOPLE
6.6 Reduced youth unemployment
6.6.1 Youth neither in employment, education, or training (%)
IMPROVED ECONOMIC GOVERNANCE
6.7 Increased domestic revenue

LEVEL 3: THE BANK'S OPERATIONAL MODEL: ENHANCING OPERATIONAL PERFORMANCE

7. LEVEL 3 — IMPROVE QUALITY OF OPERATIONS
7.1 Design high-quality operations
7.1.1 SOs meet high standards for quality at appraisal (%)[78]
7.1.2 NSOs are designed to maximise expected development outcomes (%)
7.1.3 Operations achieving planned development results (%) SOs, NSOs
7.1.4 Completed operations delivering results that are likely to be sustained (%)
7.2 Invest in cross-cutting priorities
7.2.1 Operations addressing gender equality outcomes (%) SOs, NSOs
7.2.2 Operations effectively applying fragility lens at appraisal (%) SOs
7.2.3 Operations effectively supervised for environmental and social safeguards (%)
7.3 Sharpen strategic focus of operations
7.3.1 Operations are selective (%)

8. LEVEL 3 — DELIVER RESULTS AT SCALE
8.1 Establish effective country platforms
8.1.1 Share of RMCs with Bank facilitated country platforms (%)
8.2 Deliver multi-year country programmes
8.2.1 Share of lending programme allocated to multi-year country programme (%)

8.3	**Increase size of operations**
8.3.1	Share of ADB operations above UA 50 million (%)
8.3.2	Share of ADF operations above UA 25 million (%)

9.	LEVEL 3 — ACCELERATE IMPLEMENTATION
9.1	**Increase speed of execution**
9.1.1	Time from concept note to first disbursement (months) – SOs
9.1.2	Infrastructure projects that are procurement-ready (%) SOs
9.2	**Strengthen implementation support**
9.2.1	Operations meeting supervision reporting standards (%)-SOs, NSOs
9.3	**Enhance the quality of implementation**
9.3.1	Operations facing challenges (%)
9.3.2	Non-performing loans — NSOs (%)

10.	LEVEL 3 — ENHANCE IMPACT WITH KNOWLEDGE
10.1	**Invest in knowledge solutions & diagnostics**
10.1.1	Stakeholder’s satisfaction with knowledge generated by the Bank (%)
10.2	**Enhance Policy dialogue**
10.2.1	Stakeholder’s satisfaction with Bank-influenced/led policy dialogue (%)
10.3	**Provide tailored capacity development support**
10.3.1	*[Work in progress]*

11.1	**Invest in operations technical capacity**
11.1.1	Share of Operations staff trained in one or more Operations Academy pathway (%)
11.2	**Reinforce learning in project cycle**
11.2.1	Completion and learning report quality (PCR and XSR[79]) (%)

LEVEL 4: THE BANK'S INSTITUTIONAL MODEL: IMPROVING INSTITUTIONAL PERFORMANCE ANDSCALING UP FINANCING CAPACITY

12.	LEVEL 4 — BUILD STRATEGIC PARTNERSHIPS
12.1	**Strengthen MDB collaboration and co-financing**
12.1.1	Active resources mobilised for public sector operations (UA million)
12.1.2	Stakeholder’s satisfaction with the effectiveness of Bank’s collaboration with other MDBs (%)
12.2	**Catalyse private capital investments**
12.2.1	Active resources mobilised for private sector operations (UA million)

13.	LEVEL 4 — INVEST IN PEOPLE
13.1	**Strengthen staff diversity**
13.1.1	Share of women in professional positions (%)
13.1.2	Share of women in managerial positions (%)
13.2	**Ramp up capacity and skills mix**
13.2.1	Average number of operations per Task Manager
13.2.2	Skills mix index *[work in progress]*
13.3	**Improve staff engagement**
13.3.1	Employee engagement index
13.3.2	Managerial effectiveness index

14.	LEVEL 4 — SCALE UP FINANCING CAPACITY
14.1	**Increase financial capacity through financial innovations**
14.1.1	Financing capacity scaled up through portfolio risk transfers (UA million)
14.1.2	*[Work in progress]*
14.2	**Expand use of de-risking instruments**

14.2.1 Share of guarantee instruments (% of Bank portfolio)

15. **LEVEL 4 — SAFEGUARD FINANCIAL SUSTAINABILITY**
15.1 Strengthen capital adequacy
15.1.1 Risk Capital Utilisation Rate (RCUR)
15.2 Improve cost efficiency
15.2.1 Cost-to Loan Income Ratio (CLIR)

16. **LEVEL 4 — DRIVE PROCESS EFFICIENCY AND DIGITAL TRANSFORMATION**
16.1 Digitalise systems and processes
16.1.1 *[Work in progress]*
16.2 Enhance continuous process improvement
16.2.1 Share of business processes re-engineered as per schedule (%)

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[76] Indicators are assigned unique numbers. Indicators with grey shaded numbering are also included in other relevantclusters, such as the "Integrate Africa" cluster in this case.

[77] Several indicators, including this one, will be reviewed to ensure that they are aligned with the Paris Agreementand are climate informed.

[78] The indicator measures the share of SOs/NSOs that demonstrate gender equality by assigning a gender markerwhich indicates the extent to which SO/NSO integrates gender and women empowerment results in the results framework as a principal objective (Category 1), one or more of the outcomes (Category 2), one or more of the outputs (Category 3) or one or more gender-inclusive activities (Category 4). All Bank's SOs/NSOs are assessedusing the gender marker system.

[79] PCR: Project completion report (for SOs); XSR: Expanded supervision report (for NSOs

SPECIAL FEATURE

MATCHING WORDS WITH ACTION: WOLE SOYINKA IN THE STRUGGLE FOR DEMOCRACY AND GOOD GOVERNANCE

By Tunde Adeniran

(Being the presentation at the Wole Soyinka International Symposium @ The University of Lagos: Thursday 11 July, 2024)

Some days ago, an exercise in content analysis led me to an interesting discovery. For a people in search of a hero yearning for revolution through collectivist thought and democratic organization, it is not unusual to expect leaders among them to be perceived as having the capacity to innovate, create new system of thought, formulate a relevant ideology, inspire others and institutions. No wonder that more than fifty percent (50%) of those who have reacted (through the print, electronic and online media) to Wole Soyinka‘s recent public statements and what they considered to be ―actions‖ or ―inactions‖ on his part felt he had fallen short of expectations.

From ordinary folks to wishful Wole watchers, Kongites, Ògúnites, etc, the expectation is that Wole Soyinka should write, speak and act on the basis of their own perception of who he is and the roles they have assigned to him. But Wole Soyinka is Wole Soyinka and nobody‘s intellectual drone, including those who hold him in very high esteem.

The recent development brings to mind agelong controversies regarding the nature and essence of Wole Soyinka‘s writings; especially his plays, poetry and novels. As his creative energy found relative tolerance in the post-colonial era and the products shone in various genres, individuals and groups confronted him with their critical perspectives. Among the prominent ones were the Ibadan/Ife-based ideological purists and the triumphrate of Chiweizu, Jemie and Madubuike. From them came, among other accusations, the charge of obscurity, of being deliberately difficult and hard to comprehend. And there appeared to be insistence on absolute adherence to certain rules or structures.

With the power of intellect, however, Wole Soyinka has been illuminating the world which other people govern. To give effect to the ideas which he generates, he has from time to time spoken or acted politically to provide flashes of insight or direction. This is in line with the calling of a writer, subsumed under the artist when I made the following observation:

In whichever category an artist finds himself or in whatever category an artist surfaces, the capacity to impart upon general consciousness is limitless, depending upon his control over images, symbolism and emotions. With constant demonstration and practice of his art, the artist succeeds in any of these ways in carrying the people to believe certain norms and certain worldviews, and to accept certain philosophies while rejecting others. By the creative art manifested in these three directions, the artist plays the politician, and politics ultimately becomes one of the phenomena under the artist‘s penchant influence1.

Social media warriors were quite prominent in the recent disputation. Jideofor Adibe‘s mediatory commentary on the controversy was captioned ―Wole Soyinka, ‗Obidients‘ and ‗righteous incivility‘.‖2 It was an insightful and scholarly intervention. In his opinion, famous writers, activists and public intellectuals bear two heavy burdens. First, ―they are expected to be permanently anti-establishment, even when they have friends and family members in the establishment … The second burden is that there is often a failure by critics to take into consideration the fact that such activist writers and public intellectuals (like all living systems) evolve and may have consciously or unconsciously moved away from their earlier convictions‖3. He accused Wole Soyinka‘s critics of mistakenly judging him by what he was some decades ago rather than showing appreciation of likely changes in his career trajectory. He ended up, however, classifying the exchanges between Wole Soyinka and Peter Obi‘s supporters as asymmetrical, attributing the latter‘s discourtesy to ―moral concerns or the quest for justice by a weaker party‖. Now, time yet to do justice to this issue. Without attempting to freeze further debates on it, this is a special occasion to do justice. I wish to begin by summoning Soyinka‘s antecedents or heritage to tastify and bear witness, or provide some lead.

Wole Soyinka's Antecedents

Not long ago, Soyinka expressed some strong views ―in the name of Shakespeare‖.4 that makes him handy. There was Euripides before William Shakespeare and Bertolt Brecht after him. So, with those three, we take off.

Euripides, the Greek tragic poet who ranked with (but was more realistic than) Aeschylus and Sophocles, wrote many plays from the first production in 455B.C to 406B.C. Three of them were quite outstanding. Heraclidae, a patriotic play, was inspired by the Peloponnesian War. The Trojan Women was an indictment of war while the Bacchae, a ritualistic commentary on society, was essentially a protest for value reorientation whose inventive adaptation by Soyinka in The Bacchae of Euripides: A Communion Rite provides greater insight into human nature and the necessities of change.

From Euripides‘ preoccupation with violence and conflicts we move to the great William Shakespeare who emerged as a playwright in London in 1592 and ended in 1616 being recognized as the greatest playwright who ever lived. He wrote history plays with as much zeal and ingenuity as he wrote comedy and tragedy. Beginning with Othelo, followed by Lear and Macbeth, we are presented with clear oppositions of order and chaos, good and evil. From Shakespeare‘s perspective, man must behave well and combat evil. It is a human vision that qualifies to be a philosophy, which is one of the reasons for the persistent appeal of his plays, yet he has been variously castigated for not propounding a philosophy or the tenets of a particular religion. It could not be taken away from him, however, that he was master of poetry, prose and blank verse which he commanded skillfully to complement one another.

Bertolt Brecht (1898 – 1956), the German dramatist and poet, was a Marxist who generated controversies by his revolutionary experiments in the theatre. He wrote in defence of the downtrodden in their struggle for survival in a disorganized world characterized by violence and disaster. From his plays, The Threepenny Opera attests to his fundamental hostility toward the capitalist social structure as well as his compassion for humanity. The link between him and Wole Soyinka goes beyond the source of Opera Wonyosi and common experience of exile. While Soyinka‘s artistic creativity was blossoming in the 1970s he also founded Socialist Action Black Africa (SABA), an ideological movement reminiscent of Brecht‘s propagation of Marxism.

Matching Words With Action

Wole Soyinka watchers have been most active in observing his roles in the democratic struggle and the quest for good governance all over the world but especially in Africa and Nigeria in particular. Credit is given to him from his early days by those who expected anti-establishment positions largely up to the year 2015, when the All Progressives Congress (APC), the political party to which he appeared to have been favourably disposed, took over the governance of Nigeria. The APC was formed in February 2013 as a result of a merger of Nigeria‗s three largest opposition parties – the Action Congress of Nigeria (ACN), the Congress for Political Change (CPC) and the All Nigeria Peoples Party (ANPP) along with breakaway factions of the All Progressives Grand Alliance (APGA) and the new Peoples Democratic Party (nPDP).

This is against the backdrop of the founding in October 1952, of the Pyrates Confraternity (originally based at the University of Ibadan) with ―sworn enemies of all conventions‖ as the motto, his involvement in the Nigerian Labour Congress Strike of 1964, his fatalistic reaction to the 1964 – 1965 political crises in the Western Region of Nigeria, the visionary but dangerous initiative of the ―Third Force‖ on the eve of the Nigerian Civil War which led to his incarceration in solitary confinement by the military regime during the war and his many years in exile while being hunted by the military under the regimes of General Yakubu Gowon and Sanni Abacha. Under Sanni Abacha‗s tyrannical rule, a price was actually put on Soyinka‗s head not only for facilitating the activities of NALICON and allegedly equipping the United States branch of the Pyrates Confraternity for terror and subversion in Nigeria but for being the intellectual powerhouse of NADECO. Central to the external effectiveness of the National Democratic Coalition (NADECO) against Abacha was, of course, the clandestine Radio Freedom which transformed first into Radio Democrat and later became Radio Kudirat after the assassination of Kudirat Abiola, wife of Chief M.K.O Abiola who won the June 12, 1993 presidential election in Nigeria that was annulled. With the crucial input of Kayode Fayemi – a key player in the external opposition to Abacha, resourceful scholar and solid intellectual grounded in strategic planning – Soyinka was able to offer NADECO the much needed external propaganda with consequences on the domestic situation in Nigeria.

From the beginning of the Fourth Republic in 1999 up to 2015, Wole Soyinka‗s activism has also been widely acknowledged even though it is presumably a period of democratic rule and his often quoted ―the man dies in all who keep silent in the face of tyranny‖ would not necessarily apply. While keeping up with his record of defending democratic rights and egalitarian values, however, there have been expressions seeking to extract commitments from him on future writings and actions. To some, having been out at a younger age to demonstrate and like Mikkhail Bakunin the Russian revolutionary who was active in the First International, an apostle of violence who saw the act of destruction as a creative act, direct action on the part of Soyinka must continue forever. At this point, moral and political vision of his works not sufficient interventions. It must be followed by concrete political actions!

There are those who, nevertheless, have expressed genuine concerns. To them, how can a literary titan whose works and actions have been celebrated across the globe and have had considerable impacts in various parts of African make worrisome statements on some burning contemporary issues and be silent on some others? These are not those who wish to claim prerogative to decide what constitutes a Soyinkan action. There is need to acknowledge a problem here. One vital aspect, the role of the press, and this has been pointed out by Soyinka himself:

The press remains a contributory factor to the frustration of participants in public discourse. Misreporting, extrapolations, distortions, arbitrary expansions and misplaced summaries, false attributions, even mind-numbing fabrications have resulted in endless and pointless, exasperating debates over what was never said, over non-existent propositions, over non-issues and false deductions.5

―End SARS‖ and related matters, including violence during elections that are supposed to characterize democracy (simple and legitimate choices of leaders and representatives) and in other areas of social engineering in the process of governance resurface again. His humane political stand has always been dictated by what he appreciates as the essence and evil of violence in society and politics, in the processes of pursuing democracy and good governance. Biodun Jeyifo was succinct when he stated that: ―At the bottom of Soyinka‘s artistic sensibilities and political activism is a profound and unflinching preoccupation with the place of violence in human affairs and also in the processes of nature …‖6

About a decade ago, two great scholars had summed up Wole Soyinka‘s creative work and activism admirably. According to Toyin Falola:

The unquestionable hero in the condemnation of the post-colonial state, sometimes as a lone ranger, on other occasions as a member of the collective, has been Wole Soyinka, who has been the country‘s foremost writer and critic for over half a century. The most multitalented of them all, and the preeminent public intellectual, all his writings, irrespective of the genre, carry a compelling universal message, applicable not only to Nigeria but to all countries where similar conditions exist. A crusader with an uncommon skill and talent, his prolific energy has been used to oppose injustice, cruelty, and corruption. He can be emulated but not imitated.7

From his own perspective, Ngũgĩ wa Thiong‘o saw him as ―… a remarkable man of letters, action and conscience. He is the Byronic hero, or even better, a renaissance figure, dashing, defiant and daring. His writings – plays, poems, memoirs, and novels – carry one common banner: the man dies in him who keeps silent in the face of tyranny. As a writer and public intellectual who has voiced his concerns over major happenings in the different parts of the continent over the last fifty years and more, he has become the moral and democratic conscience of Africa.‖8

Quite an apt assessment. Without prejudice to those with the perspectives which demand instrumental or concessional deployment of his words and action in the socio-political space, the ideas, statements and actions of great writers are bound to provoke splendid criticism. If Shakespeare is sometimes thought to have changed his spokesman and viewpoint from play to play and Ibsen is commonly said to change his viewpoint from play to play, it is the totality, the interplay, which critics emphasise that one needs to be concerned with about Wole Soyinka. In this regard, beyond using art as a venue to inspire and restore hope in the midst of darkness and despair he has, within the confines of existential factors, been complementing words with actions to prop pillars of democracy and instigate good governance. The goal is to transform society in his various incarnations as Eni Ògún, Kongí or Àǹjònú. As it takes more than casual reading to appreciate his major works, interventions and chronicles, only the truly discerning could continuously decipher the dimensions of his calculated actions.

At 90, caught between the fulfilment of his mission as a playwright, poet, novelist, eassyist and political activist, and responding to the waves of critical antennas of those who have deposited various socio-political responsibilities at his feet, Wole Soyinka has reaffirmed his position. Using the vexatious issue of ethnic bias for which he has been accused as a pointer, he states:

I am not yet a convert to Igbophobia, but Sonny Igboanugo should not be held responsible for that failure. Some individuals are slow learners and, to make matters worse, I suspect it is too late for some of us, no matter what others may consider as the Laws of Reciprocity. One accepts challenges, and thankfully I feel re-energized whenever confronted by a new one. The problem is that one is still engaged in more meaningful projects, objects that institutions across the globe seem to consider have greater claims on humanity than distractions by Apostles of Hate. Alas, not all distractions can be passed over, Those that inject torrents of pus into human minds, especially those of impressionable youth, must be staunched at source.9

NOTES

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CONVERSATION WITH THE TOWN

Interview With Barrister Olusegun Awolowo

Executive Secretary, Nigeria Afcta Coordination Office. African Continental Free Trade Area (AfCFTA)

1. The federal government of Nigeria approved the ratification of the AfCFTA agreement in 2020, becoming the 34th member of the trading bloc. How far has the National Action Committee on AfCFTA gone with the implementation of programs and pursuing it's main objective?

As you have stated, Nigeria's membership of the AfCFTA has been ratified and a National Action Committee (NAC) inaugurated, which is co-chaired by the Minister of Industry Trade and Investment and the Minister of Finance with the mandate to develop Nigeria‘s strategy and mobilize all relevant public and private sector actors to realize her mission and strategic objectives for the AfCFTA on the domestic, regional and continental level. Since the inauguration of the committee, the NAC-Secretariat (NAC-SEC) recently renamed the Nigeria AfCFTA Coordination Office, has been the driving office for the development and implementation of a national strategy for Nigeria. Over the last four years, we have successfully had extensive workshop engagements with relevant stakeholders to gain valuable insights to aid research and seek validation of our plan, have had several sensitization programs in all six geopolitical zones in partnership with relevant agencies and associations whose stakeholders will be directly or indirectly affected by the AfCFTA to enlighten them of the objectives and benefits of the agreement. We also organized a Sub-national conference where engagements were held with State working committees from 31 states in attendance to cascade the AfCFTA strategy down to the sub-national level. Most recently the Nigeria AfCFTA Coordination Office has been able to ―handhold‖ several local companies and readied them for export trade under the Guided Trade Initiative (GTI) which showcased to the world Nigeria has fully commenced trade under the AfCFTA at the GTI launch held in Lagos on the 16th of July.

2. Under the AfCFTA agreement, members are committed to eliminating tariffs on most goods over a period of 5, 10, or 13 years, a key objective with economic implications for participating and member countries. What is the National Action Committee plans towards meeting this objective?

So far 48 tariff offers on trade in goods have been submitted either as individual state parties or as a collective customs union like in the case of Nigeria through ECOWAS .The tariff liberalization schedules, specifying which goods will have tariffs reduced or eliminated and within which time frames. As of February 2024, 45 of the 48 submitted tariff offers have been verified by the AfCFTA Secretariat to be in accordance with the agreed modalities for tariff liberalization as negotiations are still ongoing .However, a Provisional Schedules of Tariff Concessions are available. Our office will continue with extensive consultations with various stakeholders, including industry players, business associations, and government agencies to ensure that the sectors affected by tariff reductions are well-prepared and that their concerns are addressed.

3. A key plan of AfCFTA is the establishment of Pan-African Payment and Settlement System (PAY PASS) which seeks integrated payment platform. In meeting this objective, what is the National Action Committee payment system readiness in the short and long run?

The establishment of the Pan African Payment and Settlement System (PAPSS) is crucial for the successful implementation of the AfCFTA, as it aims to facilitate seamless and efficient cross-border payments across Africa. So far 15 central banks and 51 commercial banks around Africa of which 17 are Nigerian banks have joined the PAPSS network in readiness for trade. In the short term, The Nigerian AfCFTA Coordination Office will continue to engage stakeholders on the benefits this payment system has for efficient export trade such as the convenience of local currency use for cross-border transactions reducing the demand on foreign currency which can come with additional complications and fluctuations that hamper or impede trade, PAPSS will ensure faster and more transparent cross border transactions and with more financial intermediaries and institutions set to join the network, having more facilitation choices from around the continent will be an advantage for exporters. In the long term our office may look to set up monitoring and evaluation mechanisms to assess the effectiveness of PAPSS and make necessary recommendations. This could include regular reviews of transaction data, stakeholder feedback, and overall system performance.

4. What are the possible gains from AfCTA, which can drive improvements in Nigeria industrial and commercial variables, in view of AfCFTA and AFRIBANK launch of AfCFTA Adjustment Fund?

The Adjustment fund presents a substantial opportunity for Nigeria and traders as a whole. The fund is designed to help state parties adapt to the new trading environment under AfCFTA by offering support to businesses, industries, and governments, enabling them to fully leverage the benefits of this free trade agreement. The agreement will have an initial negative impact on state party earnings in terms of revenue generation due to the removal of import tariffs but the fund will provide financing, technical assistance, grants, and compensation to aid in this transition to the new trading regime and mitigate any potential negative impacts ensuring that no country is left behind. The structure of the Adjustment Fund is divided into the Base Fund, funded by contributions from State Parties as well as grants and technical assistance, aimed at addressing tariff revenue losses resulting from the implementation of the Agreement, The General Fund which will finance the development of trade-enabling infrastructure, and the Credit Fund used to mobilize commercial funding to assist both the public and private sectors in adjusting to and capitalizing on the opportunities. These three funds can support Nigeria's industrial development and SME support, Infrastructure and Skills Development and Regional Value Chain development.

5. What are your plans in mapping out export and business aggregation points and players in Nigeria, in pursuance of the objectives of African Continental Free Trade Area?

The relationship between AfCFTA and the FTZs managed by the Nigeria Export Processing Zones Authority (NEPZA) is symbiotic. AfCFTA provides a broader market and opportunities for businesses in Nigerian FTZs, while the zones themselves serve as strategic platforms to maximize Nigeria's benefits from the AfCFTA agreement. The Nigeria Free Trade Zones (FTZs) of which there are twenty-seven of them both private and public managed scattered around the six geopolitical zones, provide a platform for businesses to operate under favourable conditions like tax incentives, simplified customs procedures, and reduced bureaucratic constraints. These zones are expected to become key hubs for production and export under AfCFTA. Also, the AfCFTA enhances the attractiveness of Nigeria's free trade zones that have so far attracted over $ 30 billion in foreign direct investment and offers access to a larger continental market, making FTZs in Nigeria appealing destinations for companies looking to establish a base in Africa.

6. What is the nature of the relationship between AfCFTANG and the Free Trade Zones in Nigeria?

The Zero Oil Plan was aimed at preparing us for a world which didn't rely on oil anymore in response to the recession in 2016 due to the crash in international crude oil prices. The focus was pushing out policies for products that could generate up to US$30 billion in foreign exchange a year. You will find many similarities can be drawn from the AfCFTA agreement which will push Nigeria towards economic diversity. For example of the eight strategic pillars of Nigeria's implementation strategy, one is growing production capacity with initiatives built around the development of plans for priority products, programs for backward integration and raw material sourcing to grow local content, initiatives to grow the capacity of existing players and attract new investment and also agreeing on African standards and define implementation and compliance measures to facilitate access to relevant certification. From this, you can see both plans have similar strategic pillars which can easily be synchronized.

7. In your work; ZERO OIL PLAN, you said: "Making Nigeria a post oil economy will be the most consequential decision of our lifetime"

How do you hope to integrate some areas in this vision, towards the evolution of AfCFTAN development plans?

The Nigeria AfCFTA Coordination Office is working on several initiatives to achieve this. Firstly,The identification and mapping of business clusters which we have done in partnership with the Lagos Chamber of Commerce and Industry has resulted in on-boarding of over 2,000 businesses across several sectors. Some initiatives have been collaborations with NEPC to identify strategic locations that can serve as export hubs , the hubs are chosen based on factors such as proximity to raw material ,existing infrastructure and access to international markets. Capacity building and access to intervention for the on-boarded businesses to enhance their standardization in meeting the global standards for export. Engagement of major B2C and B2B marketplace such as Jumia and Traders of Africa in providing intra-Africa product visibility and aggregation point for the on-boarded businesses. The GTI has also provided a pathway for export traders to come onboard as showcased during the GTI launch recently held in Lagos.

8. It is said, as sometimes expected, some member states are pushing for competitive advantage and policies to favour them in AFCFTA. While some states in South African and West Africa sub-region are pursuing policies that will protect their interests, some in finished goods, what major competitive advantage should Nigeria, in your own view be pursuing ?

Nigeria is a country blessed with both human and natural resources which have provided several areas of competitive advantage within the AfCFTA. For example, Nigeria is home to a burgeoning tech ecosystem, particularly in Lagos, which is often referred to as the "Silicon Valley of Africa." Nigerian tech companies are leading in providing digital solutions, fin-tech, and e-commerce platforms on the continent. The large and youthful population is driving a strong entrepreneurial culture, which can be harnessed to create innovative products and services tailored for the African market. Still on the youth, Nigeria‘s entertainment industry, particularly Nollywood and the Music industry, has significantly boosted our cultural influence across Africa and the world. Leveraging this new cultural positioning has enhanced the ―Nigerian brand‖ positively and opened doors for other Nigerian products , services and partnerships. Nigeria's location along the West African coast makes it a strategic hub for trade and logistics. Lagos, in particular, is a key gateway for goods entering and leaving West Africa. Finally Nigeria has a growing manufacturing sector, sophisticated financial market and arable land larger than the size of some countries and most importantly a stable democracy and policy driven government which is key for foreign investor confidence.

9. In the short and long term, what in your view are going to be the major gains, in the implementation of AfCFTA programs in the next few years for Africans?

There are several plans that are already being implemented in mapping out export and business aggregation points in Nigeria:

1. The first one is the identification and mapping of business clusters which we have done in partnership with the Lagos Chamber of Commerce and Industry resulting in onboarding of over 2,000 businesses across several sectors.
2. Capacity building and access to intervention for the on boarded businesses to enhance their standardization in meeting the global standards for export.
3. Engagement of major B2C and B2B marketplace such as Jumia and Traders of Africa in providing intra-Africa product visibility and aggregation point for the onb oarded businesses.
4. Promotion of made-in-Nigeria products by the onb oarded businesses through the participation in major trade fair/exhibition such as IATF 2023 and LITF 2023 for an enhance market access and export facilitation.
5. Port and Transport Infrastructure: Investment in port facilities, roads, and railways can position Nigeria as a major logistics hub for intra-African trade under AfCFTA.
6. Diaspora Influence: The Nigerian diaspora is extensive and influential across Africa, providing networks that can be used to promote Nigerian businesses and products.
7. Policy and Diplomacy:

   Leadership in Regional Organizations: Nigeria‘s leadership role in ECOWAS (Economic Community of West African States) and other African institutions can be leveraged to influence trade policies and ensure that AfCFTA rules and regulations are favorable to Nigerian interests.

   Trade Negotiations: By actively engaging in AfCFTA negotiations, Nigeria can shape the trade environment to protect and promote its industries.