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Rethinking Economic Stabilisation Reform Approaches in Nigeria



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Rethinking Economic Stabilisation Reform Strategies in Nigeria

NESG Research

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Abstract

This paper examines Nigeria's economic stabilisation efforts in 2024, highlighting the challenges encountered, the progress made, and the strategic adjustments necessary for sustained stability in 2025 and beyond. It sets the stage for re-evaluating Nigeria's approach to economic stabilisation by outlining key strategic directions critical to achieving and maintaining macroeconomic balance. Particular attention is given to the importance of establishing a sustainable economic framework that aligns short-term policy actions with long-term development goals, ensuring the economy is better equipped to absorb shocks. The article also highlights essential reforms and proposes a strategic roadmap aimed at building economic resilience and promoting inclusive growth. It stresses that the proposed reform priorities, if delayed or reversed, could prolong the achievement of economic stabilisation, with significant negative impacts on households, businesses, and the government.

1. Context Setting

In mid-2023, Nigeria embarked on a bold and ambitious reform agenda aimed at addressing entrenched structural challenges and unlocking the potential for sustainable economic growth. Despite initial enthusiasm and some progress, the nation finds itself at a crossroads. To fully harness the benefits of these reforms, Nigeria requires a strategic recalibration of its approach and decisive actions to overcome economic stagnation and an escalating cost-of-living crisis.

The Economic Transformation Roadmap, as outlined in the NESG Macroeconomic Outlook for 2024, laid out an ambitious blueprint structured across three (3) phases: **Stabilisation, Consolidation, and Acceleration** (NESG, 2024). While the initial stabilisation phase yielded some macroeconomic gains, the transition to the consolidation phase was met with challenges. Stabilisation, rightly identified as the foundation for sustainable and inclusive growth, remains precarious. Despite substantial reform efforts, tangible gains have been limited, and the envisioned transformation remains elusive. The current state of critical economic indicators reveals deep-seated challenges in policy execution, stakeholder engagement, and institutional capacity to efficiently and effectively design and implement robust reform programmes without distortions.

As illustrated in the Adjusted Economic Transformation Roadmap (see Figure 2), Nigeria remains entrenched at a pivotal inflection point, unable to sustain the momentum required for the transition to the consolidation phase. This state of economic inertia reflects the difficulty of reversing decades of structural deficiencies and the absence of mechanisms to translate reforms into measurable socioeconomic improvements.

PERSISTENT CHALLENGES HIGHLIGHTED BY KEY ECONOMIC INDICATORS

Inflation: Persistently high at 33.2 percent in 2024, continues to erode purchasing power and deepen economic vulnerabilities. Despite the recent CPI rebasing, inflation remains elevated, albeit at a slower pace.

Currency Depreciation: Sustained depreciation of the Naira in 2024 introduced significant volatility and uncertainty, undermining both business and consumer confidence.

GDP Growth: At a modest 3.4 percent in 2024, Nigeria's growth rate falls below the Sub-Saharan Africa average and is insufficient to significantly address unemployment and poverty.

Welfare and Living Standards: High inflation, slow economic growth, and welfare erosion have left millions in economic distress, exacerbating socioeconomic inequalities.

Debt and Fiscal Pressures: A substantial portion of public revenue is absorbed by debt servicing, significantly constraining the government's ability to fund development initiatives

2. Renewing Focus on Economic Stabilisation in 2025

In 2025, achieving economic stabilisation will once again take centre stage in government priorities. This focus is driven by growing public disappointment in short-term economic performance and an urgent need to regain growth momentum. A stronger economic trajectory is critical for bolstering private sector participation, safeguarding living standards, and mitigating the impact of rising economic uncertainty. However, achieving robust growth presents a formidable challenge that necessitates a rethink of current and prospective reform strategies. Learning from the reform mistakes of 2024 and refining even successful policies will be pivotal in 2025. However, **“learning by doing”** in isolation may not suffice. Drawing lessons from international best practices and adapting them to Nigeria's unique socioeconomic context will be equally important. Enhancing economic performance and strengthening the macroeconomic environment will be critical to revitalising the economy and ensuring that current and prospective reforms achieve their intended outcomes.

KEY LESSONS TO SHAPE FUTURE REFORM STRATEGIES

The reform outcomes of 2024 offer critical insights that must inform how the government approaches future initiatives:

Reforms and growth must be complementary:

Short-term stabilisation efforts and long-term growth strategies need not conflict. When well-aligned, they can reinforce each other.

Coordinated and consistent reforms:

Evidence demonstrates that coherent and internally consistent reforms are essential for achieving better outcomes.

Public support is crucial:

Economic reforms, especially structural adjustments, require a broad public buy-in to ensure sustainability and mitigate resistance.

Reforms must address equity concerns:

High unemployment, a strained business environment, and income inequality can undermine reform efforts. Policies must be designed to minimise adverse effects on the most vulnerable populations.

Timeliness is critical:

Delays in implementing reforms exacerbate economic uncertainty, which affects private sector investment and prolongs the recovery.

Reforms must be inclusive:

While reforms may not automatically benefit the poor, they can be designed to ensure equity and minimise unintended consequences.

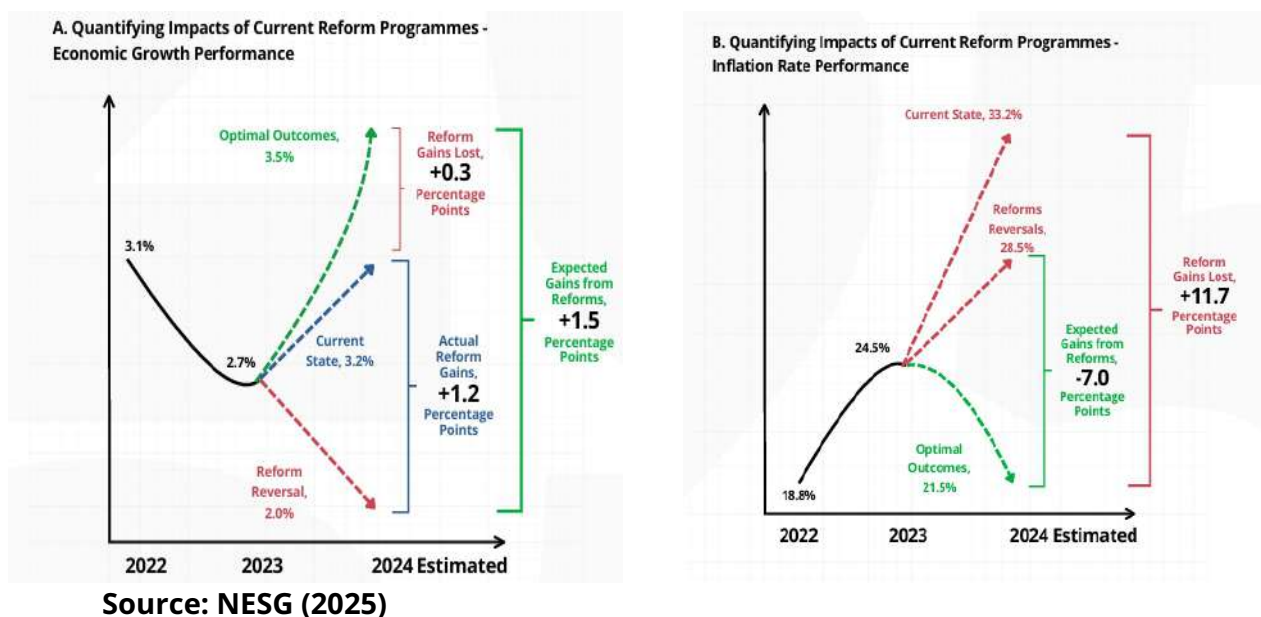
3. Assessing Current Economic Stabilisation Reforms

Nigeria's bold macroeconomic reforms, initiated in mid-2023, aimed to tackle deep-rooted challenges and lay the foundation for inclusive, sustainable growth. Key actions included the removal of fuel and electricity subsidies, exchange rate unification, and Naira flotation. The government also introduced tax reforms such as withholding VAT at source and digital tax collection to boost revenue, avert a fiscal crisis, and stabilise the economy.

These market-driven reforms have delivered tangible fiscal and external gains. Government revenues rose markedly across oil and non-oil sectors. The current account recorded its strongest surplus since 2014, while external reserves surpassed US\$40 billion in 2024—though they dipped below this level in 2025 due to frequent forex interventions by the Central Bank. The elimination of the parallel market premium also improved transparency and reduced FX distortions.

Despite these achievements, the broader stabilisation goals outlined in the 2024 NESG Macroeconomic Outlook Report—such as sustaining growth, lowering inflation, stabilising the currency, easing fiscal pressures, and encouraging competition—remain unmet. Implementation setbacks and emerging socio-economic challenges have limited reform impact, extended the stabilisation phase and led to missed opportunities from delayed policy actions.

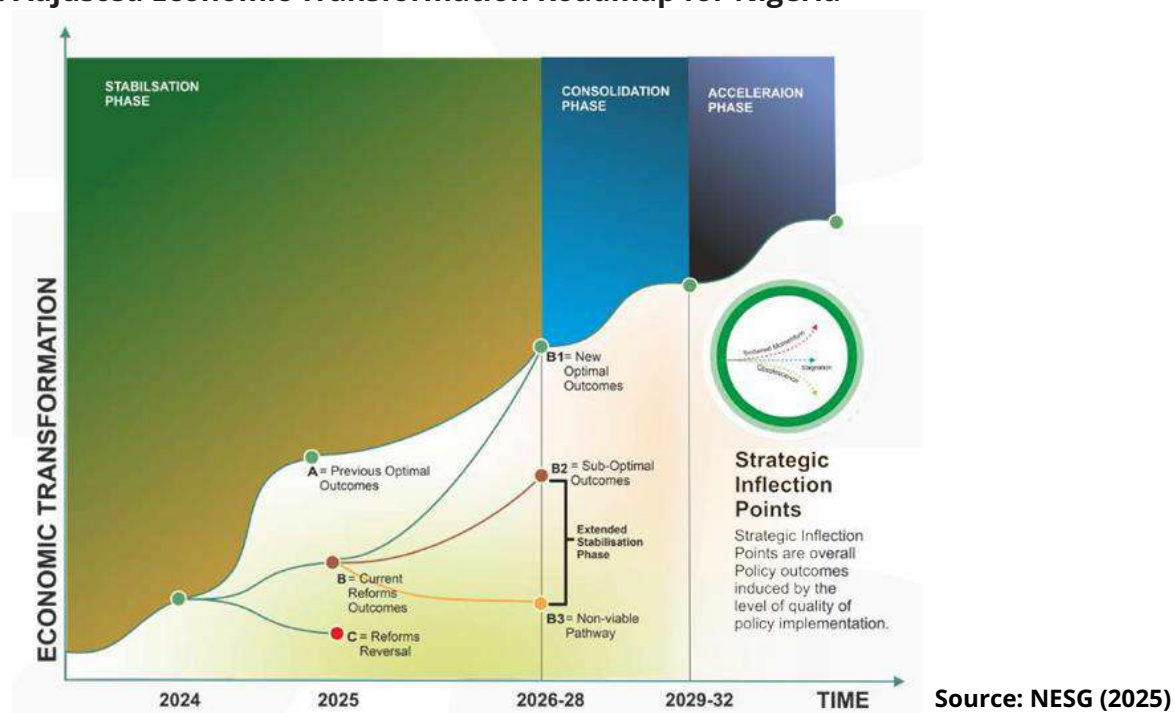
Figure 1: Stabilisation Reforms' Gains & Losses in 2024



4. Adjusted Economic Transformation Roadmap

True economic transformation in Nigeria requires more than well-crafted plans; it demands a clearly articulated and consistently applied economic philosophy. The urgency of achieving economic stabilisation in 2025 is not merely aspirational; it is imperative for unlocking the nation's vast potential and securing a prosperous future for all citizens.

As illustrated in the Adjusted Economic Transformation Roadmap (see **Figure 2**), Nigeria currently finds itself at a critical inflection point (Point B), struggling to sustain the momentum needed to transition towards a phase of sustained economic growth. This economic inertia reflects the challenges of overcoming decades of structural deficiencies and the lack of effective mechanisms to translate reform efforts into tangible socioeconomic improvements for Nigerians.

Figure 2: Adjusted Economic Transformation Roadmap for Nigeria

From an impact perspective, the success of the stabilisation phase will significantly impact the trajectory of Nigeria's economic transformation journey. Achieving stabilisation goals will deliver immediate and short-term benefits. At the same time, suboptimal performance will lead to significant development delays and poor economic outcomes, hindering the transition to subsequent phases of the roadmap (as illustrated by points B1 and B3 in **Figure 2**).

Pathways to Nigeria's Economic Stabilisation: A Three-Pronged Approach

The roadmap identifies three potential outcomes based on the quality of policy implementation and level of private-sector engagement:

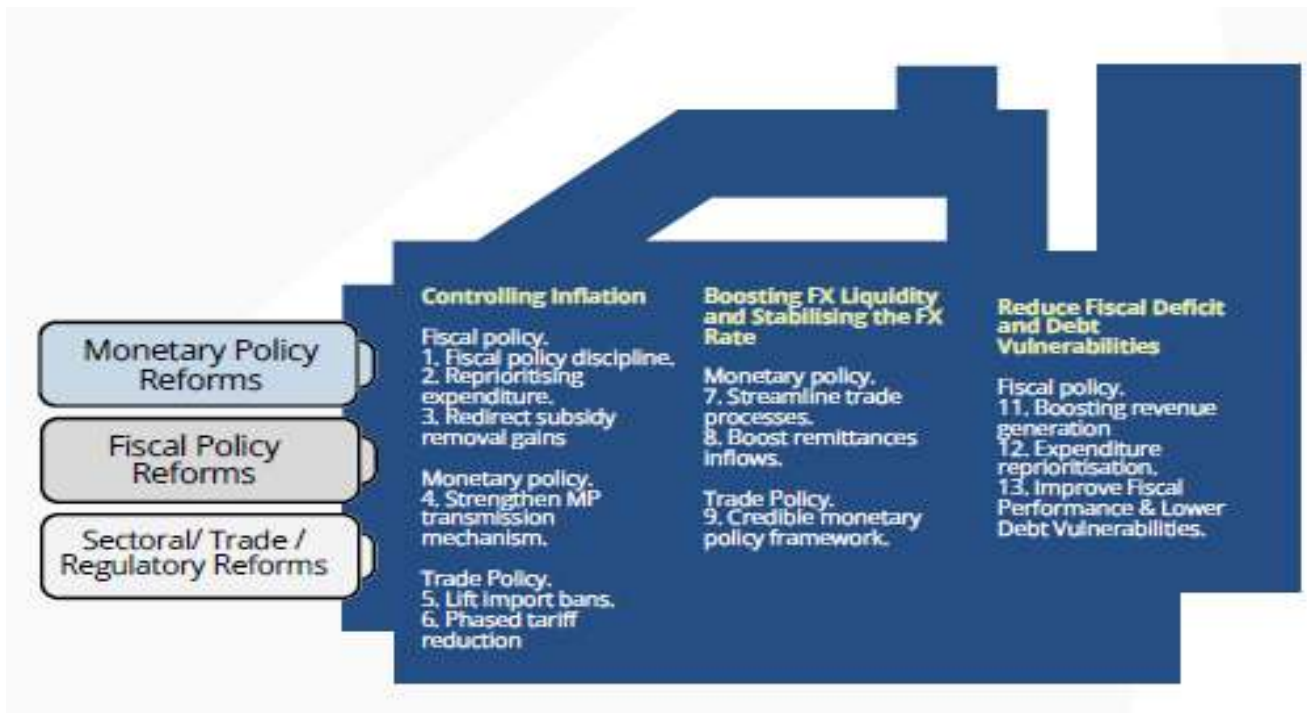
- **Pathway 1 (B to B1):** The optimal pathway entails a swift transition to the Consolidation Phase within a year, driven by three key actions: attracting investments in growth sectors, strengthening the policy environment through better regulation and institutional efficiency, and sustaining high growth via strategic infrastructure and innovation investments.
- **Pathway 2 (B to B2):** The sub-optimal pathway reflects a continuation of existing trends, marked by only limited progress. This scenario is characterised by recurring constraints on key drivers of economic growth, persistent infrastructure deficits, and a reversal of earlier gains in industrialisation and economic expansion. As a result, the economy remains stuck in the Stabilisation Phase, with its extension beyond one fiscal year.
- **Pathway 3 (B to B3):** Nonviable Pathway: This worst-case scenario depicts a decline in key economic indicators, with Nigeria burdened by persistent challenges that hinder growth and exacerbate economic deterioration. Following this pathway would extend the period for the Stabilisation Phase beyond the short-term horizon.

5. Strategies for Achieving Economic Stabilisation in 2025

Achieving monetary and fiscal stability is crucial in the Stabilisation Phase to foster a stable price environment and rectify monetary and fiscal imbalances that could obstruct broader economic stabilisation goals. This stability will require targeted measures aimed at reducing inflation, boosting foreign exchange liquidity, and improving fiscal performance. Implementing these measures will improve

macroeconomic stability, creating a conducive environment for domestic and foreign investments to thrive.

Low and stable inflation reduces uncertainties, making it easier for businesses to plan and expand operations, while improved foreign exchange liquidity facilitates access to capital and supports trade activities. Improved fiscal performance will promote increased public investment in infrastructure and social programmes, stimulating economic activity, creating jobs and alleviating poverty. Together, these efforts in the Stabilisation Phase lay the groundwork for sustainable macroeconomic reforms and mitigate risks of prolonged volatility.



In conclusion, while the landmark reforms introduced in 2024 are bold and necessary, their success in 2025 and beyond will hinge on strategic implementation. Addressing the gaps associated with current reform strategies is critical to fostering sustainable economic growth, reducing poverty, and improving the economy's resilience. Additionally, Nigeria's stabilisation journey is a defining phase of its economic transformation. Strategic execution, private sector collaboration, and unwavering commitment to reform will determine how quickly and effectively the country achieves economic stabilisation.

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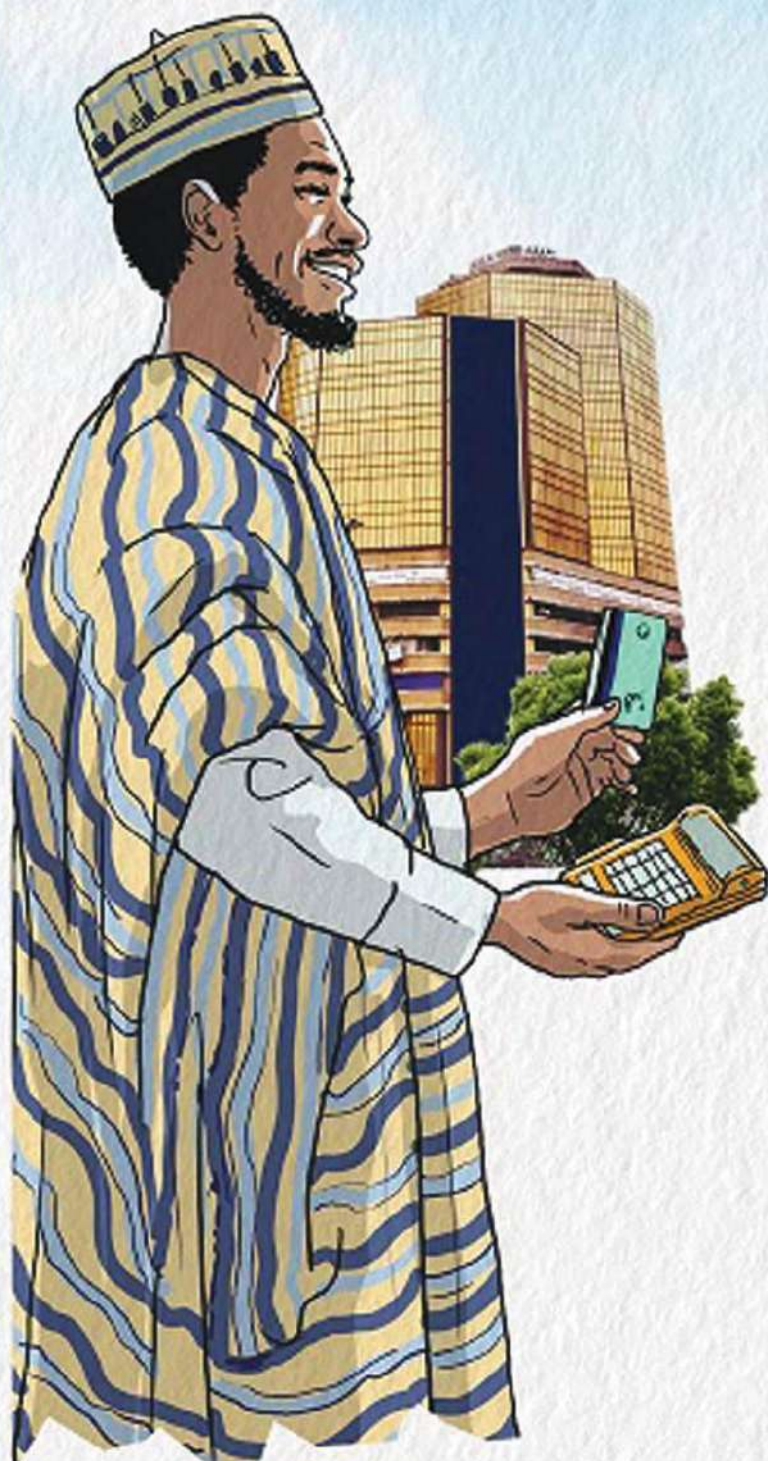
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Balancing Reforms with Structural Adjustments for Sustained Economic Growth in Nigeria

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Abstract

This paper examines the relationship between economic reforms and structural adjustments in Nigeria, highlighting how well-intentioned policies frequently fail due to weak institutions and inconsistent implementation. Despite numerous reform efforts from the Structural Adjustment Program (SAP) to the Economic Recovery and Growth Plan (ERGP) and the current National Development Plan, outcomes have remained suboptimal, hindered by infrastructural deficits, poor coordination, and social resistance. Using the 2023 foreign exchange reform as a case study, the paper illustrates how reforms without adequate structural support can lead to severe unintended consequences. Drawing lessons from Rwanda's institutional reforms, it highlights the critical role of institutional strength in sustaining economic policies. The paper presents a comprehensive approach that combines economic reforms with structural adjustments, including enhanced institutional autonomy, inclusive policymaking, and social protection mechanisms to support vulnerable populations. It recommends establishing a national reform implementation council and embedding reform continuity across political cycles. The study concludes that for Nigeria to achieve sustained economic growth, reforms must not only be economically sound but also socially inclusive and institutionally supported in order to close the persistent gap between policy design and successful implementation.

1. Introduction

Conceptually, economic reforms are crucial in driving growth and stability (Sanusi, 2012). Reforms are essential tools for addressing macroeconomic imbalances (World Bank, 2016) to achieve increased investment and productivity. The Nigerian economic trajectory has been shaped by successive policy reforms aimed at addressing structural inefficiencies and fostering sustainable growth. From the Structural Adjustment Program (SAP) of 1986–1993, which emphasised privatisation, to the National Economic Empowerment and Development Strategy (NEEDS, 2004–2007) and the Economic Recovery and Growth Plan (ERGP, 2017–2020), with each reform era being targeted at fiscal stabilisation and economic diversification. Under the current administration, reforms have continued through the National Development Plan (2021–2025), complemented by key fiscal and macroeconomic measures. Recent foreign exchange reforms have also sought to unify Nigeria's multiple exchange rates and curb arbitrage opportunities by adopting a more market-reflective regime. While these reforms are designed to yield some progress, their impact is often undermined, with mixed outcomes resulting from underlying structural weaknesses in the economy and inadequate institutional support (Aminu & Onimisi, 2014).

Policymakers in developing economies, including Nigeria, often implement ambitious economic strategies (Makinde, 2005); however, these reforms frequently fail to achieve their intended outcomes due to inadequate structural adjustments (Agbazuere, 2020). There is extant literature on the challenges of public policy implementation in Nigeria (Anam et al., 2024). Agbazuere (2020) highlighted issues such as weak institutional capacity, bureaucratic inefficiencies, policy inconsistency, corruption, inadequate funding, and lack of political will. Similarly, Ajakaiye and Jerome (2019) emphasise that despite the adoption of numerous economic policies, the absence of well-defined institutional mechanisms undermines their impact. Other studies have shown that, while Nigeria has developed well-intentioned policies, the gap between formulation and execution often undermines their effectiveness (Nike, 2016; Nnajiolor, 2013; Okikiola, 2025), leading to suboptimal socioeconomic outcomes. This paper examines the shortcomings in Nigerian economic reforms and how structural adjustment, particularly through the establishment of strong institutions, can be employed as an integrated approach for effective policy formulation and implementation towards sustained economic growth.

2. Common Challenges in Balancing Reforms

Despite well-intentioned economic reforms, several challenges hinder their success in Nigeria (Adeyemo et al., 2008). Weak institutional frameworks remain a major obstacle, as effective implementation requires robust institutions to enforce policies, regulate markets, and ensure compliance (Ojo, 1994). However,

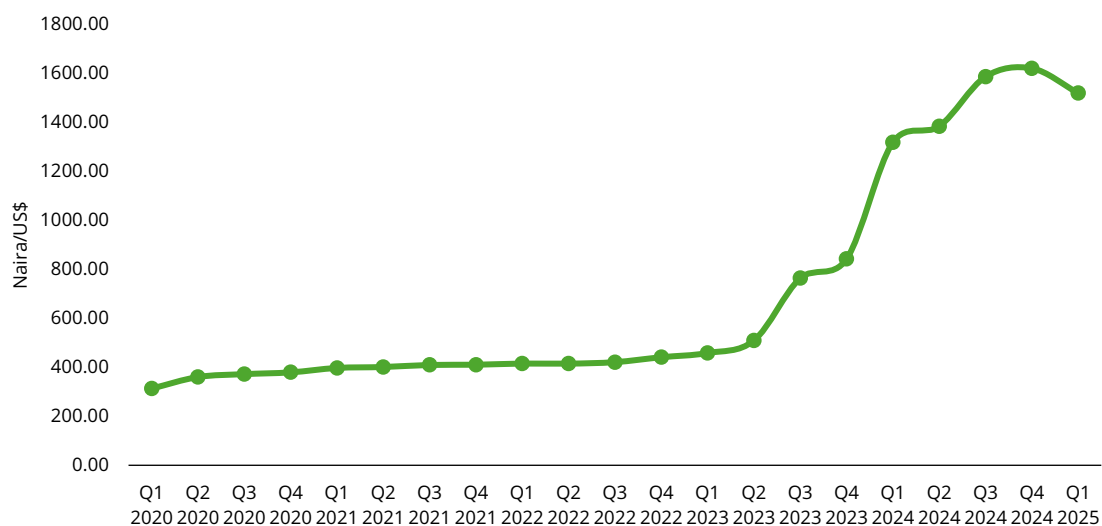
Nigeria's institutional capacity is weak, with agencies often lacking the autonomy and resources needed to execute reforms effectively. Additionally, infrastructural deficiencies significantly constrain the success of reforms, particularly in sectors such as manufacturing and agriculture (Tukur, 2022). Inconsistent power supply, poor road networks, and inadequate water resources continue to hamper economic growth and industrial expansion (Ogujiuba & Obiechina, 2011). Policy inconsistencies also present a challenge, as frequent policy reversals and lack of continuity undermine investor confidence and economic stability (Ojo, 2007). Successive administrations in Nigeria have often altered or abandoned economic policies, creating an unpredictable business environment.

Social resistance further complicates the implementation of reforms, particularly when policies involve the removal of subsidies or fiscal tightening (Okoye, 2024). Such reforms often face public opposition, limiting their implementation (Ojo, 2007). For example, the removal of fuel subsidies has historically led to nationwide protests, forcing governments to reconsider their stance. However, under the current administration, subsidy removals in the petroleum and electricity sectors have proceeded without major unrest. However, there have been public grievances and protests linked to the inflationary impact of the current administration's broader economic reform package, highlighting that social resistance remains a significant consideration. Furthermore, coordination failures between government agencies, private sector players, and international partners hinder the execution of reforms (Adeyemo et al., 2008). Overlapping functions and inter-agency rivalries further complicate the implementation process. Without better synergy, economic reforms struggle to achieve desired results.

3. Reforms and Structural Adjustment: A Case Study of 2023 Foreign Exchange Reforms

The process of balancing reforms with structural adjustment involves finding the right mix of short-term policy changes and long-term economic restructuring to ensure sustainable growth and stability. Looking closely back to 2023, Nigeria undertook one of its most significant structural reforms by overhauling its foreign exchange (FX) management system. The FX reform sought to eliminate the multiple exchange rate windows and unify the official and parallel market rates. The unification move was a laudable and necessary structural correction aimed at improving investor confidence and restoring external balance (World Bank, 2023). However, while the reform was designed to enhance FX supply and curb corruption in the FX allocation system, its short-term consequences were severe. As shown in Figure 1, the Naira, which had been relatively stable at N365 per US\$1, began to depreciate immediately after the introduction of the FX reform in mid-2023. By early 2024, the official FX rate had reached over N1,400 per US\$1 and continued to slide in subsequent periods. Additionally, inflation surged, hitting 28.92 percent by December 2023, the highest in two decades (NBS, 2023), mainly due to imported inflation and the removal of fuel subsidies.

Figure 1: Quarterly Growth of Official FX Rate (Q1 2020 – Q1 2025)



Following the reforms, there was an initial period of volatility in exchange rates, but these adjustments were considered crucial for achieving long-term economic stability. While the reforms were necessary to address fiscal leakages and enhance productivity, the timing and execution revealed underlying structural weaknesses within the economy, complicating the public's response to the reforms. As Nigeria navigated this complex landscape, the success of the 2023 foreign exchange reforms depended not only on the implementation of sound economic policies but also on addressing the structural barriers to growth and ensuring that the benefits of reform reached all segments of society.

Empirical research has consistently demonstrated that institutional quality is a crucial determinant of reform outcomes. Nsouli et al. (2006) emphasised that countries with strong institutional and political frameworks are more likely to see positive macroeconomic results from adjustment programs. In Nigeria's case, the FX reform was launched without parallel improvements in institutional governance, resulting in severe inflationary pressures, inadequate foreign exchange liquidity, and limited investor confidence (World Bank, 2024).

Comparative lessons from Rwanda highlighted how institutional reform can power economic recovery and resilience. Following the 1994 genocide, Rwanda undertook extensive institutional restructuring in the 2000s, establishing the Rwanda Development Board (RDB) to streamline investment promotion, business regulation, and public service delivery. The country also strengthened its anti-corruption and judicial systems. These reforms contributed to an average GDP growth rate of over 7 percent from 2001 to 2015, making Rwanda one of the top African performers in the World Bank's Doing Business rankings (World Bank, 2019). The Rwandan case illustrates the importance of institutional credibility and administrative efficiency in achieving economic reform outcomes.

In contrast, Nigeria's FX liberalisation occurred amid broader efforts to address fiscal and policy challenges, including the need for stronger regulatory coordination and institutional support. The absence of a dedicated reform governance body, such as an independent institution or regulatory board, to ensure policy continuity and effective oversight has contributed to short-term volatility. Strengthening such institutions could play a pivotal role in stabilising the market and enhancing investor confidence over time.

As with the SAP era, without corresponding productivity gains and robust institutional support, the FX reform risks perpetuating macroeconomic instability rather than resolving it. Scholars like Oyejide (1991) and, more recently, Agbazuere (2020) emphasise that structural adjustments require sequencing and complementary reforms, particularly in public finance, social safety nets, and the stimulation of the productive sector, to avoid regressive outcomes. The 2023 FX reform, while a necessary adjustment, underscores the need for a coordinated, inclusive, and socially aware reform strategy if Nigeria is to achieve sustained macroeconomic stability.

To make FX reforms sustainable and growth-enhancing, Nigeria must undertake structural adjustments that prioritise institutional strengthening. This includes reforming public financial management, ensuring the Central Bank of Nigeria's (CBN) autonomy, enhancing regulatory capacity, and safeguarding the rule of law. Moreover, reforms must be inclusive and participatory, involving key stakeholders such as civil society, labour unions, and the private sector to enhance legitimacy and compliance. As Acemoglu et al. (2012) argue, inclusive institutions are foundational to any long-term development strategy.

4. Policy Recommendations

- **Establish a national reform implementation and monitoring council:** Create a legally backed, cross-sectoral council to coordinate, track, and evaluate reform implementation. It should include representatives from federal and sub-national governments, civil society, the private sector, and academia. This body would ensure inter-agency coherence, resolve bottlenecks, and maintain public

accountability through regular reporting and transparency. Regular stakeholder forums and public dissemination of progress reports will foster transparency and enable corrective actions. Embedding mechanisms for citizen feedback and independent audits can further reinforce the council's legitimacy and effectiveness.

• **Strengthen institutional autonomy and enforcement capacity:** Reforms must be underpinned by strong, independent institutions. Nigeria should legislate and enforce autonomy for key bodies, such as the Central Bank and the Fiscal Responsibility Commission, as well as other regulatory agencies. These institutions need adequate funding, skilled personnel, and insulation from political interference to execute reforms consistently and credibly. Transparent recruitment and promotion processes will help attract and retain competent professionals. Strengthening internal audit and compliance mechanisms within these institutions will also ensure adherence to best practices and reduce the risk of corruption.

• **Institutionalise inclusive and participatory policymaking:** Mandate public consultation and impact assessment as prerequisites for major economic reforms. Engage citizens, labour unions, SMEs, and vulnerable groups early in the reform cycle to build legitimacy. Inclusive design improves transparency, reduces resistance, and ensures that policies reflect local socioeconomic realities. Capacity-building for both government officials and civil society actors on effective dialogue and negotiation techniques will enhance the quality of consultations. Periodic social impact assessments should be integrated into reform cycles to measure and adjust policies based on real-world outcomes.

• **Pair market reforms with strong social protection systems:** Structural adjustments, such as subsidy removals or currency liberalisation, must be accompanied by robust safety nets. Expand programs such as conditional cash transfers, health insurance subsidies, food assistance, and public works to protect the poor and vulnerable groups. This sequencing mitigates social hardship and maintains reform momentum. Moreover, linking social protection schemes with skill development and employment initiatives can help beneficiaries transition towards sustainable livelihoods. Transparent communication campaigns that explain the rationale and benefits of reforms, alongside social protections, will also help manage public expectations and reduce resistance.

• **Institutionalise Reform Continuity Across Political Cycles:** Reform strategies must be shielded from political disruptions. Embed key reforms into binding legislation and national development plans with cross-party consensus. Strengthen institutions such as the National Assembly and the National Planning Commission to ensure continuity. Long-term planning builds investor trust and sustains policy progress. Encouraging bipartisan dialogues and consensus-building workshops among political actors will foster shared ownership of reforms. Additionally, public education on the importance of reform continuity can create societal pressure against policy reversals.

5. Conclusion

Balancing economic reforms with structural adjustments remains a delicate yet critical undertaking for developing economies, particularly in countries like Nigeria, where complex socioeconomic challenges and institutional weaknesses complicate the implementation of policies. The key to success lies not only in ensuring that reforms are economically sound but also in making them socially sustainable and politically feasible. Reforms that prioritise short-term stabilisation, such as fiscal austerity or subsidy removals, may bring temporary relief but can exacerbate social inequalities and lead to public backlash if not carefully managed. Policymakers must, therefore, adopt a holistic approach that is both context-aware and inclusive, acknowledging the local realities and capacities of the country. Such an approach must prioritise long-term development goals such as poverty reduction, job creation, and infrastructure improvement over short-term gains. Furthermore, this strategy should include mechanisms for social

protection to cushion vulnerable groups from the adverse impacts of reforms. Inclusivity is also essential, ensuring that all stakeholders, from civil society to the private sector, are actively engaged in the policy design and implementation process. Only through a balanced strategy that integrates economic, social, and political dimensions can countries hope to achieve sustained economic growth and improve the livelihoods of their populations, ensuring that no one is left behind in the reform process.

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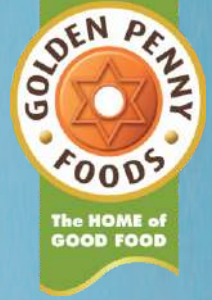
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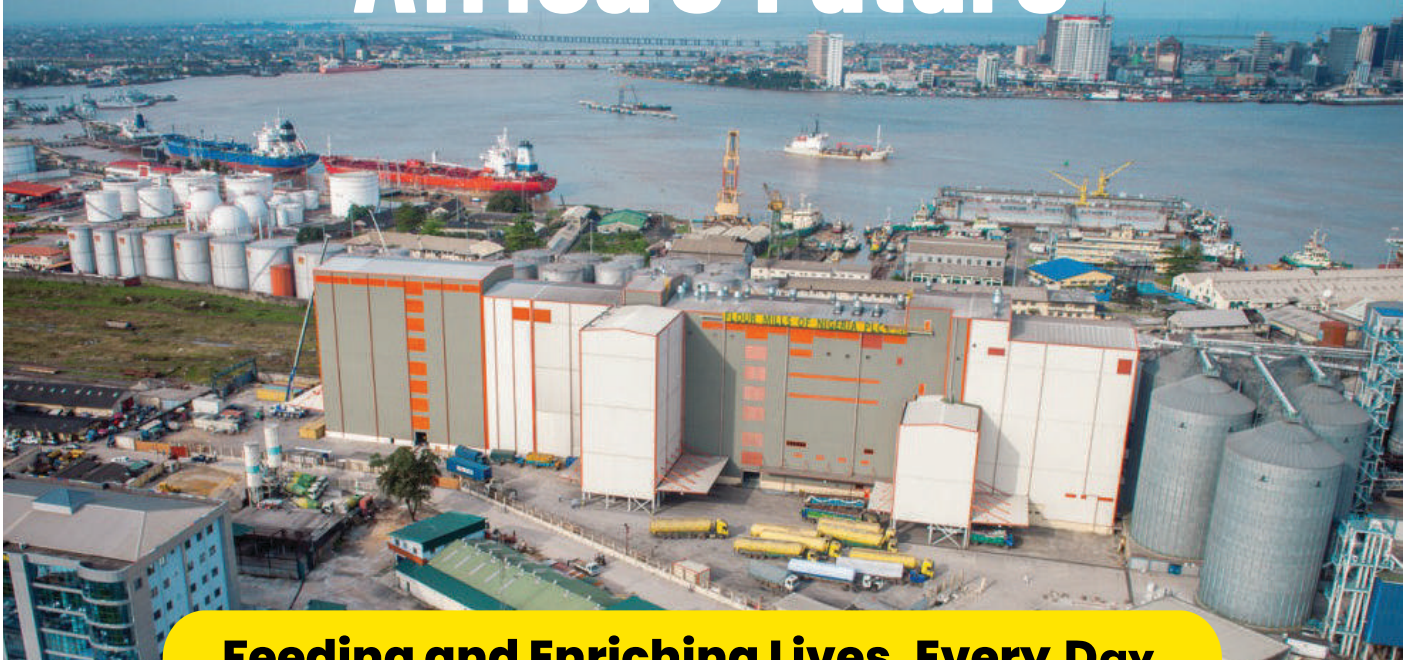


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Policy Reforms and Inflation in Nigeria

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Abstract

This article provides a concise analysis of the nexus between policy decisions and inflationary issues in Nigeria. Inflation has persisted as a significant problem in the history of the Nigerian economy. However, understanding the causes, trends, and historical policies is crucial for effective future policy formation and implementation, ensuring economic stability. The article examines the relationship between various policy reforms and critical drivers in Nigeria across different periods, providing recommendations for managing inflation.

1. Introduction

The Nigerian economy is one of Africa's largest, with approximately 260 million people, a wealth of human capital, vast agrarian zones, and natural resources such as coal, crude oil, and natural gas (World Bank, 2024). Despite these potentials, Nigeria is still described as a developing economy with several macroeconomic issues, ranging from unemployment, poverty, inflation, and low productivity, among others. Thus, inflation remains one of the most pressing and sometimes contentious issues in the economy.

Inflation is explained as a general increase in the price of goods and services over time. It is an economic phenomenon that has a significant impact on general economic growth and development. The effect of inflation on the economy can be positive or negative, depending on the targeted macroeconomic objective. For instance, according to Naz et al. (2012), "the pace of inflation has a significant impact on the poor and makes their lives extremely difficult." This explains the inability of the poor and vulnerable populations to meet their basic needs. Another negative impact of inflation is its effect on the economy, as it erodes the value of the country's currency, reduces economic stability, worsens wealth inequality, and reduces competitiveness, among other effects, as posited by the Cost-Push and Demand-Pull Inflation Theories. Nigeria's heavy reliance on imports has placed pressure on the naira, thereby causing an immediate and direct impact on inflation.

Regarding the positive outcome, a moderate level of inflation is necessary for economic growth. This can be further understood in the Phillips curve theory of inflation and unemployment, where higher inflation reduces unemployment and scales up growth. However, it can be said that in Nigeria, inflation has done more harm than good, and deliberate actions by the government and monetary authorities have been implemented to help mitigate its effects on all agents in the country.

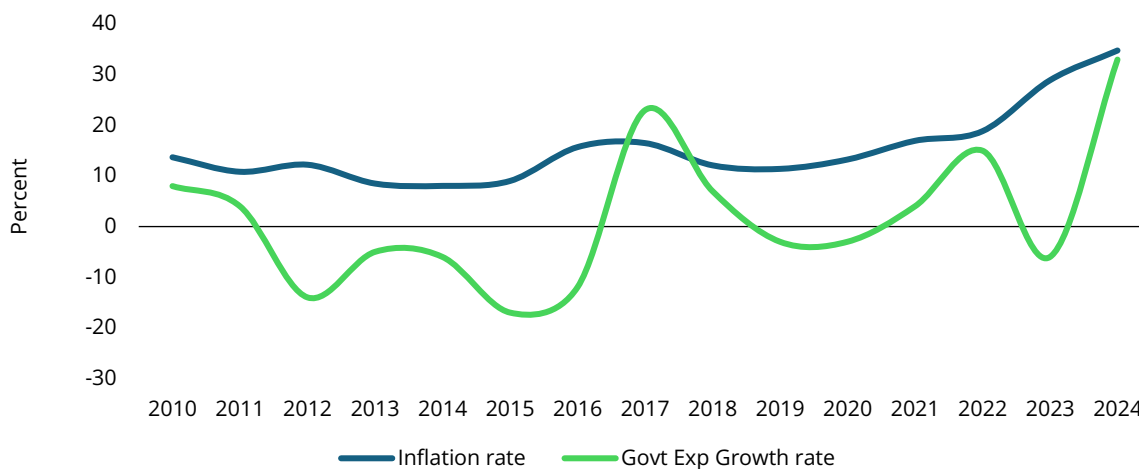
Now, the big question is: How effective were past policies in achieving price stabilisation? What policy reform can be best used to curb the effects of inflation in Nigeria? There are varied opinions regarding the effectiveness of policymaking in Nigeria, as well as the most appropriate policy to adopt for long-term stabilisation. As a complex topic, inflation is viewed from different perspectives. A school of thought views it as the result of an increase in the money supply and attributes it to monetary policy. Another theory views inflation as the result of a higher level of aggregate demand than aggregate supply, which is caused by an increase in government expenditure and can be attributed to fiscal policy. A contrasting view sees inflation as the result of under-productivity in response to growing demand, which can be attributed to supply-side policy.

2. Fiscal Policy and Inflation in Nigeria

One critical lesson learned from the great depression of the 1930s was the importance of government intervention in achieving economic stability. To that end, fiscal policy plays a reactive role in the stabilisation objective, especially when the interest rate approaches zero. However, in Nigeria, it is not farfetched that the Nigerian government's fiscal policy reform mainly focuses on addressing urgent national needs rather than regulating prices. Facts can be gathered from the recent 2025 budget proposed by President Bola Tinubu, which revealed a 9.77 percent increase from the preceding year in the fiscal plan. This illustrates an expansionary fiscal policy implemented by the government to address pressing economic issues, excluding the impact of currency fluctuations. However, this policy can lead to more inflation and

instability if not managed with precision and restraint, as per the Keynesian Fiscal Policy Theory.

Figure 1: Relationship between Government Expenditure and Inflation Rate in Nigeria



Data Source: CBN Statistical Bulletin and International Monetary Fund.

For an evidence-based report, the government expenditure was utilised as a fiscal tool to show the effectiveness of fiscal policy on inflation. **Figure 1** reveals a complex relationship between the growth rate of government expenditure from 2010 to 2024. In brief, the graph shows no consistent relationship between government expenditure growth and inflation. Sometimes, they move together, as in 2023-2024, when both sharply increased; however, at other times, they move in opposite directions, as in 2017, when government spending spiked while inflation remained stable. This suggests that government spending does not directly control inflation in this economy, and other factors likely play a significant role in determining inflation rates. However, the chart shows that government expenditures and inflation co-moved in some years, indicating a potentially positive relationship, as higher government expenditures are likely to lead to increased inflation. This generally suggests the effectiveness of fiscal policy transmission.

2.1 Fuel subsidy reforms

The 2023 removal of fuel subsidies has also contributed to the rate of inflation, which reached over 28 percent in early 2024. This policy, initiated by the government, led to a rise in fuel prices and general transportation costs, thereby increasing the cost of producing and transporting goods. The price of petrol skyrocketed from N185 per litre to over N1000 per litre, and in some locations, it exceeded N1000 per litre, thereby increasing transportation costs by more than 100 percent. However, according to Onyeiwu (2024), Fuel subsidies were detrimental to the Nigerian economy. They worsened budget deficits, encouraged corruption, and diverted resources away from critical sectors. This explains the justification for the government's implementation of the policy. The subsidies were also considered to be a drain on fiscal management, costing the government over N4.39 trillion in 2022. These resources would have been allocated toward infrastructural, healthcare, and educational development. The policy has also served as an incentive for private individuals and businesses to contribute to the energy sector of the economy. For instance, the Dangote refinery's \$19 billion project aims to refine 650,000 barrels per day, thereby contributing to Nigeria's efforts to reduce its reliance on imported refined crude oil.

2.2 Energy sector reforms

With the removal of the subsidy policy, solar adoption has increased, with many homes and businesses installing solar panels. On the other hand, the persistent lack of a stable power supply has crippled small-scale industries and artisans, forcing many out of business (Lucas, 2025). The power sector is facing

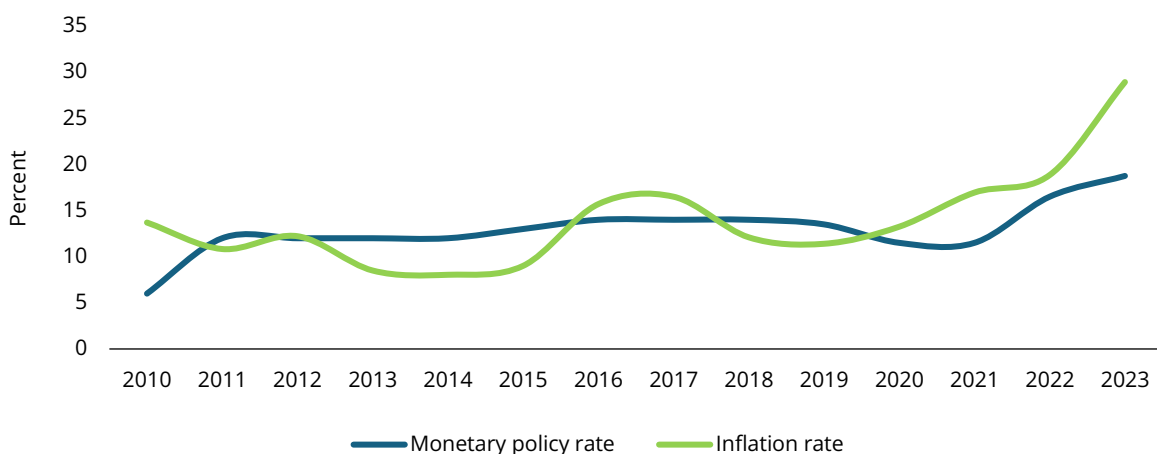
financial distress, with approximately N4 trillion in debt threatening its stability. However, the Electricity Act 2024 reform aims to address the liquidity challenges faced in the power sector, as well as attract new private-sector investments (Deekor, 2025). Examining the fiscal reforms in Nigeria, these strategies have mixed effects on the economy. To achieve general economic stability, the fiscal authorities must strike a balance between their policy and other sectors.

3. Monetary Policy and Inflation in Nigeria.

The growth of the money supply is linked to the high inflation rate because excessive money in circulation will increase the cash balances of all economic agents, leading to higher prices for goods and services. This brief analysis highlights the importance of monetary authorities adopting a resolute strategy that aligns with the macroeconomic objective of price stability. However, reducing inflation in Nigeria needs a complex strategy that surpasses the Central Bank of Nigeria's inflation targeting, as it cannot do it alone.

To control inflation in the economy, the central bank implemented measures to reduce excess liquidity by raising the monetary policy rate (MPR) from 18.75 percent in January 2024 to 27.5 percent in November 2024 (see **Figure 2**). This strategy, however, is unfolding conflicting views of the policy, leading to high borrowing costs and reduced investment and economic growth. Given this information, the governor of CBN, Olayemi Cardoso, explained that the MPR is not intended to be permanent, as reforms can be made, taking the inflation rate into account. He further explained that as inflation pressure begins to ease, the central bank may gradually reduce the interest rate to minimise the effect of the MPR policy. However, it is essential to examine historical trends in monetary policy rates and their impact on inflation to determine how effectively future policies will stabilise the economy.

Figure 2: Relationship between the Monetary Policy Rate and Inflation Rate in Nigeria



Data Source: CBN Statistical Bulletin

To achieve policy-relevant outcomes using the monetary policy rate, a graphical analysis was employed. Based on the graph, monetary policy has been ineffective in controlling inflation in recent years due to the influence of other economic factors. This suggests that the central bank has been chasing inflation with its policy rate but has struggled to keep pace with it, particularly in recent years. Fisher's equation underpins this, indicating that the persistent and growing positive gap between inflation and the monetary policy rate indicates negative real interest rates, which typically stimulate rather than constrain economic activity and inflation.

3.1 Exchange rate reforms

Further investigating the reforms made by the monetary authorities using the exchange rates as an indicator. The Nigerian economy recorded its fastest growth in about a decade in the fourth quarter of 2024, driven by key reforms, particularly the exchange rate reforms implemented by the Central Bank of Nigeria (Alli, 2025). The structuring, driven by the CBN governor, Olayemi Cardoso, consolidates all exchange rates into the Investors and Exporters (I&E) forex window, allowing the central bank to rebuild official reserves, now exceeding US\$37 billion. The World Bank's lead economist for Nigeria, Alex Sienaert, pointed out that more efforts are needed to ensure that this growth is inclusive, particularly through expanding cash transfer programmes for the vulnerable populations in the country

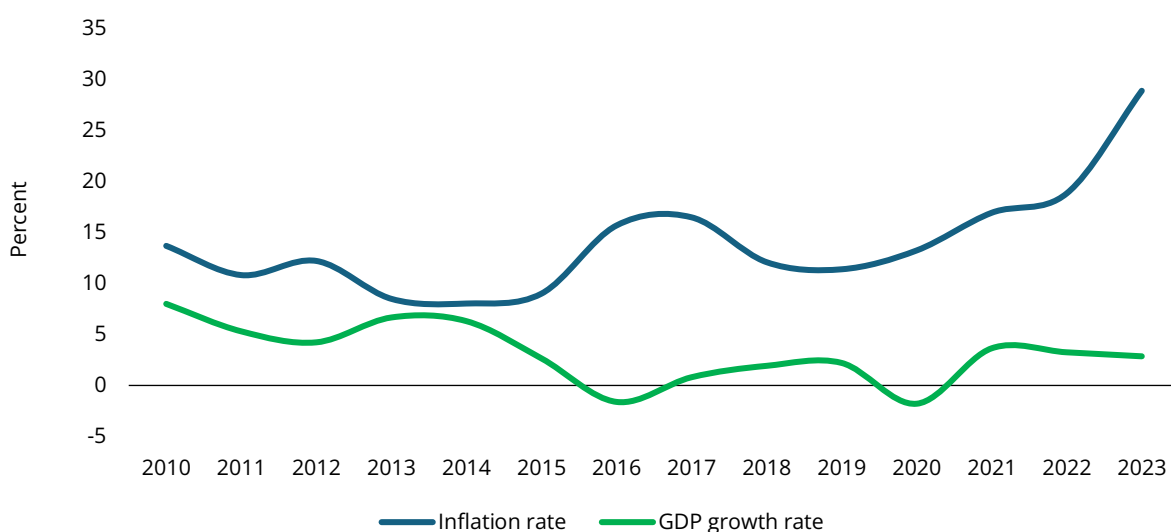
4. Supply-Side Policy and Inflation

The shift in Nigeria's economy from being primarily dependent on agriculture to being heavily reliant on oil has been a concern among policymakers, economists, and industrialists. It is not far-fetched to suggest that this revolution has limited the economy's industrial diversification, making it vulnerable to price fluctuations and hindering economic growth. To illustrate, Nigeria's current inflation is heavily characterised by global oil fluctuations and under-productivity in meeting the demands of the people. As such, the country relies heavily on the importation of goods, including refined petroleum, food items, machinery and equipment, vehicles, pharmaceuticals, textiles, chemicals, and more, from other countries.

Diversification is one of many ways to create a more resilient and stable economy. It entails strategies that include growing and developing different sectors beyond a country's traditional or dominant industries. This policy is linked to diversification, as it aims to encourage entrepreneurship, investment in human capital, infrastructure improvement, competitiveness enhancement, reduced reliance on a single industry, and the implementation of an appropriate plan, all of which contribute to price stability and reduced inflation.

Diversification can enhance the effectiveness of supply-side policies in the economy by improving output and specifically enhancing competitiveness, which will stabilise the economy. It is essential to acknowledge that supply-side policies have their drawbacks, just as fiscal and monetary policies do, and with a well-designed plan, can contribute to long-term economic development without exacerbating inflation.

Figure 3: Relationship between the GDP growth rate and Inflation rate in Nigeria



Data Source: World Bank

Figure 3 shows that the GDP growth rate in Nigeria for the period of 2010 to 2023 did not correlate with stable prices. This graph shows that the GDP growth rate in Nigeria from 2010 to 2023 did not correlate with stable prices. The lack of correlation between GDP growth and inflation in Nigeria from 2010-2023 can be justified by several structural and economic factors unique to Nigeria's economy, such as poor infrastructure, oil dependency, and external shocks, Nigeria's heavy reliance on imports for consumer goods, intermediate inputs, and capital goods, agricultural and food price volatility, as well as weak institutions resulting in policy inconsistencies. In reference to the data, GDP growth remained stagnant, while inflation rates increased significantly, especially after 2017. This indicates that, despite the country's efforts to maintain price stability, inflation reached its peak.

5. Insecurity and food insecurity reforms

Supply-side policy can also be viewed through the lenses of addressing insecurity and food insecurity, as a stable and productive economy can help reduce vulnerabilities and improve access to food and other resources. The recent devaluation of the national currency has led to skyrocketing food prices, and as such, black markets have flourished, exacerbating the challenges faced by ordinary citizens seeking food (NESG, 2024). Food crisis in Nigeria has reached unprecedented levels (Taiwo & Adekunle, 2024). Statistically, food inflation rose to 35.41 percent in January 2024, whereas the overall inflation rate was 28.9 percent in December 2023, increasing the number of Nigerians falling into poverty. A lack of productivity initially causes food inflation, and then inflation amplifies its effects. To reduce the rate of insecurity in the country, the government has implemented various policies such as the July 13, 2023 state of emergency on food security, the 200 billion for the cultivation of hectares of farmland, and as well as the Niger state Government's exemplary sub-national response underscores the importance of local cooperation and support for smallholder farmers but has not yield visible results.

6. Comparative Insights

Like Nigeria, Ghana has also faced challenges related to inflation. Specifically, Ghana experienced inflation exceeding 50 percent as of 2022-2023, primarily due to debt distress, high energy prices, and food insecurity. However, Ghana's collaboration with the International Monetary Fund (IMF) for a US\$3 billion financial aid focused on restoring economic stability, reducing debt, and boosting public financial management. Additionally, drawing insights from Indonesia, a resource-rich developing country like Nigeria, prioritises slow subsidy reforms and agricultural restructuring, which has helped the country mitigate the inflationary impact of external shocks and currency volatility. For instance, despite the COVID-19 pandemic, Indonesia's inflation rate remained below 6 percent in 2022-2023.

7. Recommendations and Conclusion

Numerous factors influence inflation and can be described as a complex and persistent issue that requires comprehensive solutions. The following strategies are recommended for addressing this challenge.

- Policymakers and stakeholders from various sectors should collaborate to develop a comprehensive strategy for managing inflation. This explicitly suggests that all bodies responsible for policy making (economic and financial, fiscal, monetary, trade, and commerce authorities, and others), as well as the private sector and other stakeholders, should collaborate to measure prospective solutions using cost benefit analysis when making decisions.
- All sectors of the economy, encompassing agriculture, manufacturing, education, oil and gas, services, and others, should work in tandem to provide goods and services that meet the demand of the people rather than relying on imported items.
- Nigeria is blessed with lots of resources that are sufficient for the country. On that note, the government should prioritise investment of these resources to improve efficient utilisation. This

suggestion encompasses human capital development, the exploration and extraction of natural resources, investment in renewable energy, and other related areas.

- Building on Ghana's reforms, Nigeria should prioritise fiscal consolidation, debt restructuring, and external anchor reform programs that can help recover investors' confidence and stabilise the currency and inflation.

Nigeria's economy is complex, and the country's condition and basic theories do not correlate. For this reason, reforms should be implemented independently of what works for other economies. The country's inflation crisis requires a comprehensive approach that encompasses commonly suggested solutions.

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AFRICAN EXPERTISE OR GLOBAL REACH WHY NOT BOTH?



Rethinking Nigeria's Trade Balance: Strategies to Reduce Deficits and Promote Export Diversification

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Abstract

Nigeria's trade has been a crucial issue, and it has been very challenging due to the economic instability and the immense focus on the oil sector. This article outlines strategies to expand and encourage trade surplus by introducing key approaches, including enhancing industrial capacity, developing infrastructure, empowering small and medium-sized enterprises, promoting better export diversification to strengthen economic resilience, fostering intra-African trade, and supporting sustainable growth. Policy recommendations include tax incentives for manufacturers, streamlined business processes, investment in renewable energy solutions for industrial zones, and modernisation of free trade zones. Implementing these measures can foster a resilient economy and drive sustainable growth, which is a crucial objective in today's economy.

1. Introduction

The trade balance, defined as the net difference between a country's exports and imports of goods, serves as a crucial economic indicator reflecting a nation's competitiveness and productivity. A positive trade balance, or surplus, occurs when exports exceed imports, signalling robust economic health and often leading to currency appreciation and GDP growth. Conversely, a trade deficit arises when imports surpass exports, potentially indicating economic weaknesses and exerting downward pressure on the national currency. As the largest component of a country's balance of payments, the trade balance is closely monitored by governments and central banks to guide policy decisions, including tariff adjustments and currency management. These measures aim to stabilise the economy by stimulating growth during downturns or controlling inflation during rapid expansions (Focus Economics, 2025; Kenton, 2023).

In Nigeria's case, the trade balance data from the third and fourth quarters of 2024 illustrate a sustained trade surplus, albeit with a notable contraction in Q4. The narrowing surplus highlights the challenges posed by rising import levels and the vulnerability associated with over-reliance on oil exports. Addressing these challenges requires strategic diversification of Nigeria's export base into sectors such as agriculture, manufacturing, and services, supported by effective trade policies, regional trade agreements like AfCFTA, and infrastructure development. Such measures are essential to enhancing export competitiveness, improving product quality, expanding market access, and ultimately fostering sustainable economic growth while stabilising the trade balance.

2. Overview of Nigerian Trade Balance

In Q3 2024, Nigeria recorded a total trade value of 35.16 trillion, with exports amounting to 20.49 trillion (58.27 percent of total trade) and imports at 14.67 trillion (41.73 percent), resulting in a trade surplus of 5.81 trillion. The country's top export destinations were Spain, the United States, France, the Netherlands, and Italy, with major export commodities including crude oil, liquefied natural gas, and cocoa. On the import side, China remained Nigeria's leading source, followed by India, Belgium, the United States, and Malta, with key imports being motor spirit, gas oil, wheat, and used vehicles. (NBS, 2025).

In Q4 2024, Nigeria's total trade stood at 36.60 trillion, with exports valued at 20.01 trillion and imports at 16.59 trillion, resulting in a trade surplus of 3.42 trillion. The country's main export destinations were the Netherlands, France, Spain, India, and Indonesia, primarily driven by exports of crude oil, liquefied natural gas, cocoa, and urea. On the import side, China led as the top source, followed by India, Belgium, the United States, and France, with key imports including motor spirit, gas oil, sugar, and aircraft parts. (NBS, 2025).

Although Nigeria recorded trade surpluses in the last two quarters of 2024, it remains important—and highly relevant—to discuss the causes of trade deficits and how to mitigate them. The recent surpluses were largely due to high crude oil prices, which are often unpredictable and driven by global market forces. That kind of surplus is not necessarily a sign of economic strength or resilience—it just means things worked in Nigeria's favour for a while. At the same time, the country continues to import a lot of refined fuel, machinery, and food, while its non-oil exports remain relatively weak. In other words, the structure of the

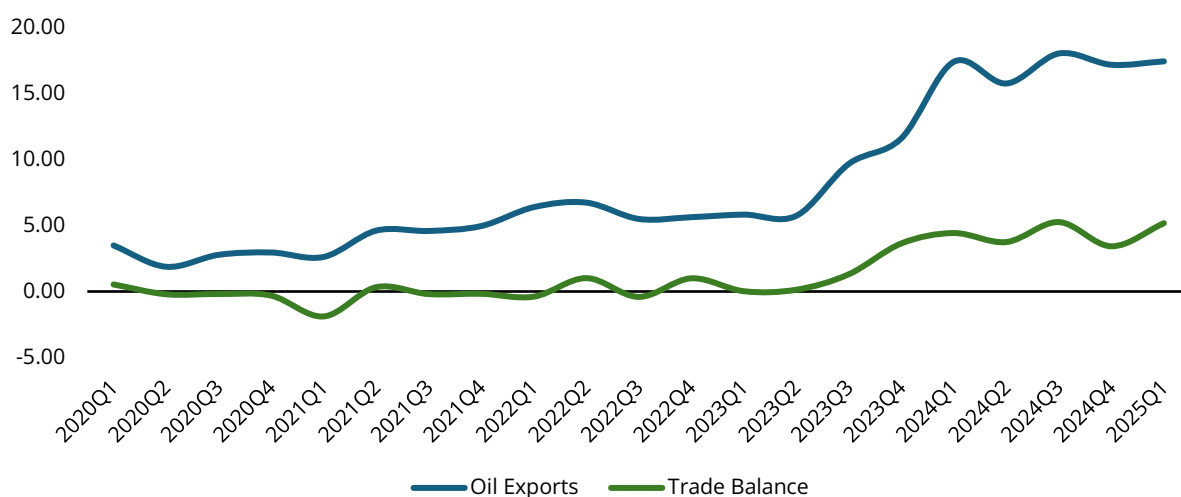
economy has not undergone fundamental change. This makes it risky to assume the surplus will last. That is why it is a great time to have this conversation—so Nigeria can utilise the current breathing room to address the underlying problems that cause deficits in the first place. Writing about the causes of trade deficits and how to prevent them is not only still relevant but also timely, forward-looking, and necessary.

3. Causes of Trade Deficit in Nigeria

• Overreliance on Oil

Nigeria's economy remains heavily dependent on crude oil exports, which account for over 90 percent of foreign exchange earnings. Fluctuations in global oil prices and demand directly impact trade balances. For instance, falling oil prices during the 2008 financial crisis and reduced U.S. demand post-2013 eroded Nigeria's trade surpluses. The lack of export diversification exacerbates vulnerability to these shocks, as seen in Nigeria's inability to offset oil revenue losses during price slumps.

Figure 1: Crude Oil Exports and Trade Balance in Nigeria (N'Trillion)



Data Source: National Bureau of Statistics

Figure 1 shows the relationship between crude oil exports and the trade balance in Nigeria from 2020Q1 to 2024Q4: The key observations are as follows:

- **Positive Correlation:** Generally, when crude oil exports are high, the trade balance tends to improve (move toward surplus), and when exports drop, the trade balance worsens (deficit).

• Trade Surplus/Deficit:

- **Trade Surplus:** Occurred in quarters like 2020Q1, 2021Q4, and 2022Q1, where the trade balance was positive.
- **Trade Deficit:** Most visible from 2020Q2 to 2021Q3, especially in 2021Q1, when the deficit was particularly steep.
- **Fluctuations:** The trade balance oscillates frequently, indicating sensitivity to changes in crude oil export values.

• Weak Non-Oil Export Base

Non-oil sectors, such as agriculture and manufacturing, contribute minimally to exports due to underinvestment and low competitiveness. Studies show that non-oil exports have not significantly improved Nigeria's balance of payments, as the agricultural sector is hindered by poor infrastructure and limited value addition. Despite recent growth in cocoa and sesame exports, non-oil products still account

for a small fraction of total trade. Empirical research by Adeyemi and Aladesanmi (2022) found a significant negative impact of non-oil exports on balance of payment disequilibrium, indicating that non-oil exports have not contributed positively to improving Nigeria's balance of payments. Similarly, Edevbaro and Eromosele (2020) concluded that the impact of non-oil export diversification on the balance of payments was statistically insignificant, highlighting the need for more effective diversification strategies to strengthen the external sector.

• **Heavy Importation of Consumer Goods and Capital Equipment**

Nigeria relies heavily on imports for refined petroleum, machinery, and consumer goods. In Q4 2023, imports increased by 56 percent compared to the previous quarter, driven by a surge in demand for fuel, vehicles, and machinery. This reflects domestic production gaps and a failure to develop local industries, leading to sustained demand for foreign goods (NBS, 2023).

• **Infrastructural Bottlenecks (Ports, Logistics, Power)**

Inefficient ports, poor road networks, and unreliable power supply increase trade costs. Businesses lose 2.5 trillion annually due to port congestion, manual processes, and high demurrage fees. These bottlenecks delay exports, raise logistics expenses, and deter foreign investment, undermining Nigeria's trade competitiveness (World Bank, 2023).

• **Inconsistent Trade and Industrial Policies**

Frequent policy reversals, such as sudden import bans and forex restrictions, create uncertainty for investors. For example, abrupt maize import restrictions in 2020 disrupted supply chains and discouraged agro-investors. Weak institutional frameworks and corruption further hinder the effective implementation of policies, stifling industrial growth (Kamo et al., 2024).

4. Strategic Measures to Reduce Trade Deficit

• **Export Diversification**

Export diversification is widely recognised as a strategic pathway to reduce economic vulnerability to external shocks. Distributing investment across multiple sectors not only mitigates risk but also enhances income stability and stimulates sustainable economic growth. The case of Nigeria, however, underscores the complexities and challenges of translating this theory into practice.

Despite decades of economic planning, Nigeria remains heavily reliant on crude oil, which accounts for approximately 90 percent of its export revenues. Between 1990 and 2020, the country managed to add only 47 new products to its export basket—less than half the average of 95 for peer economies such as Bangladesh and Tanzania. This underperformance has left the economy exposed to global oil price volatility and has constrained long-term growth prospects.

The Prebisch-Singer hypothesis cautions that overreliance on primary commodity exports results in deteriorating terms of trade over time, thereby undermining sustainable development. In this context, export diversification is not merely an option but a necessity (Anyanwu et al., 2024). Economic diversification theory further supports this argument, emphasising that expanding the export base enhances economic resilience, generates employment, encourages innovation, and ultimately improves living standards (Singer, 1950).

Empirical evidence from autoregressive distributed lag (ARDL) models supports this view, revealing a statistically significant and positive relationship between export diversification and economic growth in Nigeria, both in the short and long term (Anyanwu et al., 2024). Moreover, countries with more diversified export portfolios—particularly within Africa—tend to exhibit stronger intra-regional trade and more robust economic performance (UNCTAD, 2019; Hausmann et al., 2007).

Nevertheless, Nigeria's experience demonstrates that while the benefits of diversification are evident, achieving it is far from straightforward. Structural and institutional impediments—such as underdeveloped infrastructure, unreliable electricity supply, high borrowing costs, exchange rate volatility, and cumbersome bureaucratic processes—continue to stifle industrial output and export potential. Additionally, limited access to international markets and weak trade agreements have hindered the global competitiveness of Nigerian manufacturers.

In reality, export diversification is a demanding yet essential endeavour. It requires not only policy reform but also a strong political will, adequate institutional capacity, and a clear vision. For Nigeria, the path forward lies in confronting its foundational constraints and designing policies that are grounded in both global insights and local context. Only by doing so can the country lay the groundwork for a more resilient, inclusive, and dynamic economy.

• **Small and Medium Enterprises (SMEs)**

Small and Medium Enterprises (SMEs) are widely recognised as the lifeblood of Nigeria's economy, serving as key drivers of innovation, employment, industrial output, and inclusive growth (Adeosun & Shittu, 2021). Representing 97 percent of all businesses in the country, SMEs contribute approximately 50 percent of employment and account for half of industrial production. They are deeply embedded across diverse sectors, from agriculture and manufacturing to services and technology, and they play a critical role in fostering entrepreneurship, enabling technological progress, and supporting livelihoods—especially in rural areas.

Their contributions extend beyond basic economic metrics. SMEs are crucial instruments for poverty reduction, rural development, and structural transformation. Within the framework of structural transformation theory, SMEs play a pivotal role in transitioning economies from low-productivity agriculture to higher-value activities in manufacturing and services. This transformation not only fuels domestic value creation but also strengthens a country's export capacity and drives economic diversification (Olaore et al., 2021).

However, despite their enormous potential, Nigerian SMEs face significant systemic barriers. Limited access to finance remains a major constraint, often due to high interest rates, collateral requirements, and underdeveloped credit markets. Inadequate infrastructure, particularly unreliable electricity and poor transportation networks, undermines productivity. Regulatory complexity, insufficient market information, and challenges in meeting international quality and certification standards also impede their ability to scale and compete globally.

International experiences show that these challenges are not insurmountable. Strategic interventions such as financial support schemes, targeted infrastructure investments, regulatory simplification, capacity development programs, and well-structured public-private partnerships can significantly enhance SME performance. When supported effectively, SMEs can integrate more fully into global and regional value chains, boosting Nigeria's trade competitiveness and contributing meaningfully to reducing the country's trade deficit. Ultimately, unlocking the potential of Nigeria's SME sector requires a deliberate policy shift—one that sees these enterprises not merely as peripheral actors but as central to the country's industrial and trade development agenda (IFC, 2021).

• **Improving Industrial Capacity**

Nigeria's industrial performance remains moderate, with manufacturing capacity utilisation recorded at approximately 61.9 percent as of December 2024. While this reflects ongoing industrial activity, it also signals underutilised potential. Studies using Central Bank of Nigeria data from 1995 to 2023 reveal a positive relationship between capacity utilisation and manufacturing output, especially in **sectors such as** food processing, beverages, and oil refining. These findings emphasise the importance of addressing infrastructure gaps, technological limitations, and regulatory inefficiencies to enhance productivity and

industrial output (Central Bank of Nigeria, 2024).

The manufacturing sector's contribution to real GDP has declined from 11.4 percent in 2000 to 8.8 percent in 2023, showing clear signs of stagnation. This trend highlights the urgent need for policy interventions that prioritise industrial revitalisation. Promoting domestic industries and investing in value chains are key strategies to reverse this decline. The Nigerian Industrial Revolution Plan aims to increase industrial output from 4 percent to 10 percent of GDP, focusing on value addition, job creation, and improved trade performance through capacity building (Erumebor & Samande, 2025).

Nigeria's trade profile is characterised by a significant reliance on imported goods, with over 25 trillion worth of imports recorded in 2023, while non-oil exports remain relatively low. This dependence places pressure on foreign reserves and weakens the trade balance. Supporting domestic production is crucial in reducing this vulnerability. Establishing industrial clusters is another viable strategy for improving productivity and competitiveness. These clusters encourage specialisation, shared infrastructure, and efficient supply chains. The Aba Leather Cluster in Abia State, a centre for footwear and leather production, serves regional markets and has strong export potential. With targeted support, such clusters can attract investment and scale to global markets.

Industrial strategies, such as Import Substitution Industrialisation (ISI), support the development of domestic industries to reduce dependence on imports. While Nigeria's earlier adoption of ISI post-independence faced limitations due to weak technology and limited local inputs, the approach remains relevant in today's context if implemented with improved planning and execution.

• **Developing Infrastructure**

Infrastructure plays a foundational role in economic transformation, particularly through its ability to lower transaction costs, streamline logistics, and enhance the global competitiveness of domestic industries. Rooted in the Infrastructure-Led Development Theory, investments in transport networks, energy systems, and trade-enabling facilities are crucial for mitigating structural bottlenecks that hinder production and exports. Efficient infrastructure, especially in logistics and transportation, is a prerequisite for facilitating international trade and narrowing the trade deficit. Nigeria's ranking of 131st in the World Bank's 2023 Logistics Performance Index reflects serious gaps in this area. The recent completion of the Lekki Deep Sea Port in 2023 is a notable development that is expected to ease long-standing congestion at major ports, such as Apapa and Tin Can, thereby improving turnaround times for exports and enhancing trade efficiency (Ukpe, 2023).

Equally critical is the issue of energy supply. Nigeria's power generation capacity, which currently stands at around 4,000 megawatts, falls significantly short of industrial demand. As a result, manufacturers are forced to rely heavily on alternative energy sources, with electricity costs consuming up to 40 percent of their operating budgets. This significantly undermines industrial productivity and discourages investment. In response, the Siemens Presidential Power Initiative—an ongoing collaboration with Germany—aims to modernise the national power grid and expand electricity access, particularly for the manufacturing and industrial sectors (Siemens Nigeria & The Presidency of Nigeria, 2021).

From the lens of the Sustainable Industrial Development Framework, infrastructure is not only an economic necessity but also a means to promote inclusive growth and environmental sustainability. This perspective integrates the development of physical assets with human capacity building, institutional support, and long-term planning to ensure that industrial growth is both resilient and equitable. Adequate infrastructure is instrumental in enabling economic diversification, particularly in economies like Nigeria that seek to reduce their dependency on oil exports.

5. Policy Recommendations

- Offering tax incentives and low-interest loans to local manufacturers, the Finance Act 2023 introduces several incentives to boost manufacturing and industrial activities in Nigeria. Reduced corporate income tax rates and the Pioneer Status Incentive lower the tax burden, encouraging investment and competitiveness. Accelerated capital allowances incentivise the modernisation of production facilities by allowing companies to depreciate assets more rapidly, thereby reducing taxable income. The reinstatement of the Export Expansion Grant (EEG) promotes non-oil exports by providing cash grants to qualifying exporters, encouraging diversification of revenue. Additionally, tax incentives for Research and Development (R&D) activities foster innovation and technological advancements in these sectors.
- Enforcing local content policies, particularly in sectors like oil and gas, textiles, and agro-processing, expanding and modernising Free Trade Zones (FTZs), such as the Lekki Free Trade Zone, streamlining business registration and licensing processes, Prioritising completion of key transport corridors like the Lagos-Ibadan Expressway and the East-West Road, Investing in inland dry ports to reduce pressure on coastal ports, Investing in off-grid and renewable energy solutions targeted at industrial zones, Digitising customs and port operations to reduce delays and corruption.
- The Trade Policy of Nigeria, a strategic framework designed to leverage trade as a driver of economic growth and development, is another policy recommendation that can improve the trade balance. Recognising Nigeria's challenges, including its reliance on primary production, low global trade participation, and economic vulnerabilities tied to oil dependence, the policy aims to diversify the economy, promote non-oil sectors, and empower SMEs to enhance their international trade participation. It addresses constraints such as geopolitical tensions, protectionism, and non-tariff barriers while emphasising regional integration through ECOWAS and AfCFTA. The policy also prioritises private sector engagement, sustainable trade practices aligned with the UN Sustainable Development Goals (SDGs), and the creation of a competitive, trade-enabling environment to improve living standards. By fostering collaboration between the government and private sector, TPN 2023-2027 aims to build a diversified, resilient economy capable of maximising global trade benefits (AITRC 2, 2023).

6. Conclusion

Nigeria recorded notable trade surpluses in the third and fourth quarters of 2024; these gains are primarily attributable to high crude oil exports. This factor remains volatile and unsustainable as a long-term growth strategy. The country's persistent reliance on oil, weak non-oil export base, heavy importation of consumer and capital goods, infrastructural bottlenecks, and inconsistent trade policies continue to threaten the stability and resilience of its trade balance. To ensure lasting improvement, Nigeria must urgently diversify its export base by investing in agriculture, manufacturing, and services while also strengthening the capacity and competitiveness of Small and Medium Enterprises (SMEs). Addressing infrastructural deficits, simplifying regulations, and fostering a more predictable policy environment are also essential steps toward building a robust industrial sector and reducing import dependency. Ultimately, the path to a more stable and sustainable trade balance lies in comprehensive reforms that promote export diversification, industrialisation, and SME development. By leveraging current surpluses as an opportunity for strategic transformation, Nigeria can build a more resilient economy, one that is better equipped to withstand external shocks and deliver inclusive growth for its population.

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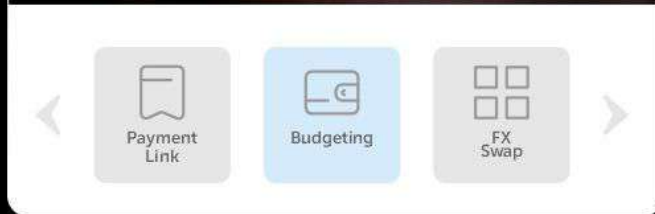
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People vs. Investment: Navigating Nigeria's Path to Economic Transformation

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Abstract

At the heart of Nigeria's path to economic transformation lies the enduring challenge of aligning economic growth with meaningful development outcomes. Despite posting a respectable 3.4 percent GDP growth in 2024, Nigeria continues to experience falling per capita incomes and widening inequality, symptoms of a growth model that is disconnected from human capacity, institutional quality, and productive investment. This paper interrogates the "people versus investment" dilemma through a comparative lens, drawing insights from China, Dubai, Singapore, Japan, and South Korea. It argues that sustainable transformation does not stem from prioritising one over the other but from their strategic integration. The paper distils five actionable policy priorities for Nigeria: revitalising technical and vocational education, targeting investment to high-multiplier sectors, deploying infrastructure to unlock productivity, institutionalising good governance, and creating a skills–investment feedback loop. By embedding these reforms within a coherent national agenda, Nigeria can chart a new course where growth becomes inclusive, investment becomes strategic, and people become the drivers, not just the beneficiaries, of transformation.

1. Introduction

Nigeria stands at a crossroads. On the one hand, it is a nation rich in natural resources and cultural vibrancy; on the other, it faces deep-seated socio-economic challenges that hinder the well-being of its people. At the heart of Nigeria's future lies a crucial debate: Should we first invest in developing our human potential, or should we focus on attracting the kind of investment that drives modern industry? This "people versus investment" dilemma is not just an academic discussion; it affects real lives and shapes the everyday opportunities available to millions of Nigerians.

Recent data from the National Bureau of Statistics (NBS, 2025) shows a promising 3.4 percent GDP growth in 2024, up from 2.7 percent in 2023. However, upon closer examination, the story becomes more complex. While the purchasing power parity figure may suggest otherwise, in terms of market exchange rate, the Nigerian economy contracted from US\$370.51 billion in 2023 to US\$187.67 billion in 2024, and the average income per person declined significantly from US\$1,596.63 to an estimated US\$763 (WDI, 2025). These numbers reveal a troubling gap between overall economic growth and the everyday improvement in people's lives. Nevertheless, the reality on the ground is even more stark: approximately 95 percent of Nigerian workers are employed in the informal sector, primarily in agriculture and small-scale trade (ILO, 2018; NBS, 2024). This means that while many are technically "employed," they struggle to lift themselves out of poverty. The promise of growth remains unfulfilled when the vast majority of the workforce is confined to low-paying jobs without clear pathways to advancement.

This paper examines Nigeria's pressing "people versus investment" debate by drawing on the experiences of countries such as China, Dubai, Singapore, Japan, and South Korea. These stories from around the world offer valuable lessons on how nations can create a cycle of growth where a skilled and empowered workforce attracts quality investment, and that investment, in turn, fuels further skills development and innovation. Scholars such as Acemoglu and Robinson (2012) remind us that inclusive institutions are key to ensuring that growth benefits everyone, while Easterly (2001) challenges us to look beyond top-down policies and consider the wisdom and agency of local communities. Influential thinkers like Sen (1999) and Becker (1964) further emphasise that nurturing human capabilities is at the core of any truly sustainable development. Ultimately, this article asks a simple yet profound question: How can Nigeria forge a virtuous cycle in which its people are empowered to drive and sustain high-quality growth? By carefully examining the balance between investing in human potential and creating an attractive investment climate, this article aims to shed light on pathways toward a more inclusive and transformative economic future for Nigeria.

2. Nigeria's Economic Context: Challenges and Realities

Nigeria's economic landscape is characterised by impressive aggregate growth figures, which, upon closer inspection, reveal deep-seated structural challenges. Despite a reported GDP growth of 3.4 percent in 2024, the benefits of this expansion have not translated into improved living standards for most Nigerians. In what follows, this article urgently examines three critical facets of this complex reality: the paradox of numbers, the skills gap, and the role of foreign expertise.

2.1 The Paradox of Numbers: Unveiling the Working Poor

Recent data from the National Bureau of Statistics (NBS, 2024a, 2024b) suggest a robust GDP growth rate; however, a disaggregated look at the labour market reveals a stark disconnect. While official unemployment figures hover around a seemingly modest 4-5 percent, nearly 95 percent of Nigeria's working population is engaged in informal activities, ranging from subsistence agriculture to petty trading. The prevalence of informal employment, often referred to as the “working poor” phenomenon, highlights that nominal employment does not necessarily equate to improved economic well-being. The implications are profound. Traditional economic indicators, such as GDP growth, often fail to capture the quality of employment and income distribution. A growing economy, driven predominantly by sectors with low job elasticity, can coexist with widespread underemployment and stagnant living standards. This paradox calls for re-evaluating how we measure progress, highlighting the need for metrics that better reflect the realities of income distribution, employment quality, and access to social safety nets.

2.2 The Skills Gap: A National Crisis

The phenomenon of the working poor is intrinsically linked to a significant skills gap within the Nigerian workforce. Despite a youthful population (with over 40.4 percent under 14 years old and a median age of 19.3 years – World Factbook), who could serve as a demographic dividend, a pronounced mismatch remains between the labour force's skills and those demanded by modern, high-value industries. Key challenges include:

- **Limited Quality Education:** Although enrolment rates in primary education have improved, the quality of education, particularly in technical and vocational disciplines, remains inadequate. Many youths lack foundational skills in numeracy and literacy, impairing their ability to engage in high-skilled work.
- **Inadequate Vocational Training:** Current training programmes often do not align with the needs of industries poised for growth, leaving a gap in technical and specialised skills.
- **Reliance on Foreign Expertise:** The persistent dependency on foreign technocrats in critical sectors highlights the failure to cultivate indigenous talent. This dependency not only perpetuates the skills gap but also leads to economic leakage, limiting sustainable job creation.

As noted by human capital theorists (Becker, 1964; Schultz, 1961) and reinforced by empirical analyses (World Bank, 2019), investing in education and skills development is pivotal for driving productivity and economic growth. For Nigeria, a strategic overhaul in both formal education and vocational training is essential to empower its youth and break the cycle of low productivity and limited innovation.

2.3 The Role of Foreign Expertise: A Necessary Bridge or a Perpetuating Challenge?

In many Nigerian industries, foreign expertise has emerged as both an opportunity and a challenge. On the one hand, foreign professionals bring advanced skills, technology transfer, and best practices that can catalyse rapid industrial development. Studies (e.g., Blomström & Sjöholm, 1999) show that foreign direct investment (FDI) can facilitate knowledge spillovers and bolster competitiveness in emerging markets. However, this reliance on expatriate talent also poses critical concerns:

- **Dependency and Brain Drain:** A heavy reliance on foreign experts may suppress the development of local talent and hinder efforts to build a self-sustaining, skilled workforce.
- **Economic Leakage:** Profits and expertise brought in by foreign professionals often result in earnings repatriation, limiting domestic reinvestment.

• **Limited Knowledge Transfer:** Without robust policies aimed at skill transfer and capacity building, the presence of foreign experts may only serve as a temporary fix rather than a catalyst for long-term human capital development.

Thus, Nigeria's challenge is to strike a balance, leveraging the immediate benefits of foreign expertise while simultaneously investing in and nurturing local talent. Policies that promote joint ventures, incentivise the training of local workers, and facilitate robust technology transfer are essential for ensuring that foreign investment becomes a bridge to Indigenous capacity rather than a crutch that perpetuates dependency.

2.4 Breaking the Cycle: Skills, Investment, and Job Creation

Nigeria's economic landscape reveals a vicious cycle: a pronounced skills gap limits the attractiveness of investment, while insufficient investment hinders job creation and the development of human capital. Traditional development models that emphasise capital inflows alone fail to address this interdependence. Human capital theory (Becker, 1964) underscores that investments in education and training yield long-term productivity gains. Nigeria's lack of a sufficiently skilled workforce deters both domestic and foreign investors, thereby perpetuating the creation of low-value jobs.

To disrupt this cycle, a dual-pronged strategy is essential. First, Nigeria must invest significantly in modernising its education and vocational training systems to align with industry needs. This involves reforming curricula, expanding quality technical education, and promoting lifelong learning initiatives. Second, targeted investment should focus on sectors with high potential for generating skilled employment and fostering innovation. Encouraging public-private partnerships and incentivising local capacity building can ensure that investments spur growth, enhance job quality, and promote economic inclusivity.

2.5 Infrastructure as a Foundation for Transformation

Robust infrastructure is critical for unlocking Nigeria's economic potential. Beyond facilitating trade and reducing transaction costs, modern infrastructure creates an environment that attracts high-value investment and fosters innovation. However, Nigeria faces significant deficits in power, transportation, and digital connectivity.

Inadequate power supply disrupts industrial production and heightens operational costs, while underdeveloped transportation networks impede the efficient movement of goods and people. Moreover, unreliable internet connectivity limits access to information, curtails digital innovation and reduces the overall competitiveness of Nigerian businesses in a globalised economy.

Addressing these challenges requires substantial public investment and strategic engagement with the private sector through public-private partnerships. Prioritising sustainable infrastructure, such as renewable energy projects, green transportation solutions, and advanced digital networks, will enhance market integration and create the physical backbone necessary for economic transformation.

2.6 Good Governance as a Catalyst for Transformation

Effective governance is the linchpin for sustainable economic development. Empirical studies consistently demonstrate that high-quality governance, characterised by transparency, accountability, and the rule of law, strongly correlates with robust economic performance (Kaufmann, Kraay, & Mastruzzi, 2010). In Nigeria, persistent governance challenges, including corruption, bureaucratic inefficiencies, and weak institutional capacity, undermine investor confidence and stifle development.

As repeatedly highlighted by Transparency International (2023) and Mauro (1995), corruption diverts crucial resources from development projects and erodes public trust in institutions. Weak governance leads to inefficient public spending and suboptimal policy implementation, exacerbating economic **disparities**. Moreover, burdensome regulations and administrative red tape discourage entrepreneurship and impede market dynamism.

Nigeria must prioritise reforms that enhance regulatory quality, streamline bureaucratic procedures, and promote open government initiatives to catalyse transformation. Strengthening oversight mechanisms and ensuring the rule of law is crucial to creating a stable and predictable business environment that can attract both domestic and foreign investment. Ultimately, good governance is not a mere adjunct to economic policy; it is the foundational element that enables all other aspects of economic transformation to flourish.

3. Case Studies: Lessons from International Experiences

China's economic transformation offers a compelling case study of how a deliberate, people-centric strategy can catalyse long-term industrial growth. At the heart of China's approach was the early recognition that its vast, low-cost labour force could become a competitive advantage if paired with strategic policy design. Following the launch of the "Reform and Opening-Up" policy in 1978, the government established Special Economic Zones (SEZs) that offered incentives to foreign investors while investing heavily in basic education and vocational training. Between 1980 and 2010, China's gross secondary enrolment rate surged from under 50 percent to above 90 percent (UNESCO, 2022), enabling a steady supply of semi-skilled labour that powered export-oriented industries. This sequence of skills development, first, then industrial scaling, supported a more than 30-fold increase in GDP per capita, from under US\$200 in 1980 to over US\$9,000 by 2020 (World Bank, 2023), and lifted over 770 million people out of poverty (World Bank, 2016). Notably, China's success was not driven solely by capital inflows but by the deliberate alignment of human capital, industrial policy, and infrastructure expansion to support value-chain upgrading (Naughton, 2007; Lin, 2011).

This human capital-investment interplay finds a contrasting but instructive variation in Dubai. Unlike China, Dubai's transformation did not emerge from a large domestic labour force but from a bold vision to compensate for demographic and resource constraints through infrastructure-led investment. Over the last three decades, the Emirate has invested aggressively in world-class logistics, transport, and financial infrastructure, constructing iconic projects such as the Jebel Ali Port (one of the world's largest man-made harbours) and Dubai International Airport, now among the busiest globally. Simultaneously, economic free zones offering 100 percent foreign ownership and zero corporate tax attracted multinational corporations and high-skill expatriates (Oxford Business Group, 2020). Although Dubai relies heavily on imported talent, as expatriates make up over 85 percent of its workforce (Dubai Statistics Centre, 2023), it has embedded knowledge flows by creating a cosmopolitan labour environment supported by streamlined governance and regulatory stability. While critiques persist about exclusionary labour practices and limited local capacity development (Davidson, 2009), Dubai's trajectory affirms how strategic infrastructure and institutional coherence can convert geographic constraints into global competitiveness.

Singapore's experience provides yet another perspective—one that centres squarely on human capital as a national economic asset. With virtually no natural resources and a small domestic market, Singapore's post-independence leadership, led by Lee Kuan Yew, pursued a skills-first development strategy. Heavy investments were made in public education, vocational institutes, and tertiary research centres, including partnerships with multinational corporations to co-develop curricula (Ashton et al., 2002). Over time, this shift enabled a transition from low-end assembly work to high-value sectors, such as semiconductors, pharmaceuticals, and financial services. The Economic Development Board played a central role in coordinating industrial upgrading and attracting foreign investment, while initiatives like SkillsFuture embedded lifelong learning across the labour force. As a result, GDP per capita rose from US\$500 in 1965 to over US\$65,000 by 2022 (IMF, 2023), and Singapore consistently ranks in the global top 10 for human capital development (World Economic Forum, 2022). However, the model also underscores the importance of careful balance—Singapore's dependence on foreign professionals (who constitute 38 percent of the labour force) has required nuanced efforts to ensure local upskilling and social cohesion (Yeoh & Lin, 2012).

A similarly state-driven transformation unfolded in Japan, where post-war recovery was anchored in reconstructing both human and institutional capital. Recognising the central role of disciplined labour in rebuilding industrial capacity, Japan prioritised universal basic education, vocational training, and national

integration. The Ministry of International Trade and Industry (MITI) coordinated industrial policy with remarkable precision, supporting targeted sectors like shipbuilding, steel, and later electronics through preferential financing, tax incentives, and strategic trade protection (Johnson, 1982). Between 1950 and 1973, Japan's economy grew at an average annual rate of 9.7 percent, transforming it into the second-largest economy in the world by the 1980s (OECD, 2020). Social norms such as "kaizen" (continuous improvement) were institutionalised in corporate culture, reinforcing quality control and productivity gains. Although subsequent decades brought challenges—demographic ageing, asset bubbles, and corporate inertia—the post-war period remains a textbook case of how state-guided industrial policy and human capital formation can rebuild national prosperity from devastation.

South Korea's developmental trajectory mirrors elements of the Japanese and Chinese models but with a distinctive pivot from imitation to innovation. Emerging from the Korean War in the early 1950s with GDP per capita below US\$100 and institutional fragility, South Korea initially focused on labour-intensive manufacturing. However, through a series of Five-Year Economic Plans and strong collaboration between the state and businesses, the government shifted its emphasis toward science, engineering, and high-tech industries. Large conglomerates (Chaebols) such as Samsung and Hyundai were supported through preferential access to credit and export subsidies, while technical high schools and university R&D centres rapidly expanded (Amsden, 1989). Public expenditure on education rose to over 5 percent of GDP by the 1990s, and R&D investment climbed to 4.8 percent of GDP by 2022—one of the highest globally (OECD, 2023). By 2020, South Korea had become a global leader in electronics, biotechnology, and green technology, with GDP per capita surpassing US\$32,000 (World Bank, 2023). While concerns persist over youth unemployment and Chaebol dominance, South Korea's model highlights how long-term alignment between skills development, industrial strategy, and innovation policy can drive sustained economic growth and mobility.

Together, these international experiences reveal a common pattern: sustainable economic transformation does not arise from singular policy interventions but from the deliberate sequencing and synergy of investments in human capital, infrastructure, and institutional capacity. Whether through China's mobilisation of low-cost labour for industrial scale, Dubai's infrastructure-led global positioning, Singapore's skills-centred diversification, Japan's state-coordinated reconstruction, or South Korea's innovation ecosystem, each case demonstrates that development success stems from coherent national strategies rooted in context, but driven by long-term capability building. For Nigeria, these lessons offer both guidance and caution: Real transformation will require not just capital inflows or sectoral fixes but a systematic and sustained commitment to empowering its people, reforming institutions, and aligning investment with strategic national development goals.

4. Comparative Analysis: Key Insights and Takeaways

The development experiences of China, Dubai, Singapore, Japan, and South Korea reveal no single formula for transformation but rather a convergence around strategic sequencing, institutional coherence, and deep investment in people. These countries faced different constraints (geographic, demographic, or post-conflict). However, they shared a common understanding: long-term prosperity is built through a virtuous interaction between human capital, productive investment, infrastructure, and state coordination.

A central insight is the necessity of strategic policy sequencing. In China, the mobilisation of mass vocational education preceded the large-scale entry of foreign capital. Labour-intensive SEZs were viable precisely because the workforce was sufficiently literate, trainable, and institutionally embedded. Similarly, Singapore front-loaded education reform, building the human foundations for its eventual rise in high-tech industries. In contrast, Dubai has leapfrogged constraints by importing talent and focusing on world-class infrastructure; however, this model raises long-term sustainability questions that Nigeria cannot ignore. South Korea's evolution from basic manufacturing to a global innovation leader was not spontaneous; it was planned over decades, with targeted R&D incentives matched by rigorous skills upgrading. For Nigeria, this suggests that policy ambition must be anchored in careful timing: human capital formation cannot be deferred without distorting the trajectory of investment and innovation.

Another lesson is the role of institutional discipline and state coordination. Japan and South Korea exemplify how effective bureaucracies, empowered with planning authority and insulated from short-term political pressures, can drive sectoral transformation. Their respective ministries (MITI in Japan and the Economic Planning Board in Korea) did not merely regulate markets but actively shaped them, directing credit, managing trade exposure, and enforcing accountability. Even in Singapore, where market liberalism is celebrated, the state plays an active role in shaping the country's economic direction. This contrasts with Nigeria's institutional landscape, where fragmentation, weak policy coherence, and bureaucratic turnover often undermine even well-designed initiatives. Without institutional continuity and strategic oversight, reform priorities remain aspirational rather than transformative.

Equally important is the insight that skills and investment must be mutually reinforcing. In each case, governments aligned educational reforms with industrial strategy. For example, South Korea linked its Chaebol industrial expansion to the growth of technical universities and STEM-focused schooling. China's early focus on labour-intensive sectors allowed it to upskill incrementally, while Singapore embedded industry in curriculum design. Nigeria's current reality, where firms lament poor worker readiness while graduates face chronic underemployment, reflects a breakdown in this synergy. Rebuilding this link requires not only educational reform but also stronger partnerships among industry, government, and training institutions.

Infrastructure emerges as another shared foundation. Whether through Dubai's ports, China's logistics corridors, or Japan's industrial zones, the message is clear: economic transformation requires physical platforms that reduce transaction costs, support trade, and enhance firm competitiveness. Nigeria's infrastructure deficits, particularly in power, transport, and broadband, continue to suppress the productivity of both people and capital. But the lesson from these countries is not just to invest, but to invest strategically: aligning infrastructure plans with industrial clustering, export value chains, and urban job density to maximise returns.

Finally, while all five cases embraced foreign investment, they did so with purpose and constraint. China restricted foreign direct investment (FDI) to targeted sectors and ensured that joint ventures facilitated technology transfer. Singapore welcomed multinationals, but only into industries with local skills pipelines. South Korea offered incentives selectively, tying them to performance benchmarks. In contrast, Nigeria's investment regime has often been passive, responding to capital rather than shaping its direction. This approach risks deepening dependency and missing opportunities for local value addition. What the successful cases teach us is that attracting investment must be embedded within a broader national vision, one that positions capital to serve long-term human and industrial goals.

In synthesising these insights, it becomes clear that Nigeria cannot afford to choose between "people" and "investment" as competing priorities. The comparative experience affirms that transformation is only possible when the two are pursued in tandem. Countries that scaled industrial growth without neglecting human capital and that attracted capital with clear performance expectations were those that made the leap from stagnation to dynamism. Nigeria must internalise this integrated logic, resisting the lure of short-term gains in favour of building durable national capabilities.

5. Priorities for Nigeria's Economic Transformation

Nigeria's first strategic imperative is to overhaul its skills development ecosystem through a national programme that aligns vocational training with industry demand. Despite its youthful demographic advantage, the country remains constrained by a widening skills mismatch; millions of young people are unable to transition into meaningful employment because their training lacks relevance to the modern economy. Drawing lessons from China's mass mobilisation of vocational labour and Singapore's tight coordination between education and industry, Nigeria must rethink how it trains its workforce. This involves not only expanding technical and vocational institutions but also reforming their curricula to reflect the skills required in sectors such as renewable energy, agribusiness, construction, information and communication technology (ICT), and advanced manufacturing. Public-private partnerships should anchor this reform, with industry players co-developing apprenticeship models and Sector Skills Councils established to define standards and track labour market needs.

The second pillar of transformation lies in redefining Nigeria's investment strategy, away from extractive,

enclave-type capital flows and toward targeted, high-multiplier investments that generate jobs, deepen value chains, and spur innovation. For too long, investment promotion has been reactive and broad-brushed, failing to distinguish between capital that creates economic complexity and that which reinforces commodity dependence. As seen in South Korea's support for industrial champions and Singapore's selective foreign direct investment (FDI) attraction, investment must be carefully curated to align with national priorities. Nigeria's focus should be on sectors that strike a balance between scalability and inclusivity, such as agro-processing, digital infrastructure, green energy, and light manufacturing. This requires a modernised Nigerian Investment Promotion Commission (NIPC) that serves as a transaction-oriented one-stop shop, along with a set of clear incentives tied to performance benchmarks, such as technology transfer, job creation, and local sourcing.

A third priority is to confront Nigeria's infrastructure deficit not through piecemeal projects but through coordinated investments that unlock productivity and regional competitiveness. Infrastructural weaknesses, particularly in energy, transportation, and broadband, are a binding constraint across all sectors. It raises production costs, discourages private investment, and reinforces spatial inequality. As Dubai's transformation shows, world-class infrastructure can be a differentiator, even in resource-scarce contexts, if tied to an overarching development vision. For Nigeria, the challenge is to prioritise infrastructure that connects people to jobs, firms to markets, and ideas to capital. This involves expanding off-grid renewable energy in industrial zones, linking rural and urban areas through transportation corridors, and extending broadband access to facilitate digital entrepreneurship. Public-private partnerships will be crucial, but they must be underpinned by strong regulatory frameworks and efficient procurement processes. Infrastructure must stop being a headline announcement and become a foundational strategy.

Equally critical is the need to place governance reform at the heart of Nigeria's economic transformation. Without credible institutions, none of the other priorities, such as skills, investment, and infrastructure, can yield sustained outcomes. The comparative evidence is clear: countries that transformed successfully had capable, transparent, and coordinated state systems. Japan's MITI, South Korea's planning ministries, and Singapore's anti-corruption institutions were not merely technocratic; they were transformative. In contrast, Nigeria's bureaucratic inefficiencies, opaque regulatory processes, and weak enforcement mechanisms continue to deter both local initiatives and foreign capital. Governance reform must, therefore, focus on reducing discretionary bottlenecks, increasing transparency in public spending, and rebuilding trust between citizens and the state. This includes digitising service delivery, streamlining business registration, empowering anti-corruption bodies, and enhancing judicial efficiency. Good governance is not simply about morality; it is the infrastructure of confidence upon which any serious development agenda must rest.

Finally, Nigeria must institutionalise a policy architecture that ensures continuous alignment between its human capital ambitions and its investment strategies. One of the most striking weaknesses in the current policy landscape is the absence of feedback mechanisms across key sectors; education reform happens in isolation from industrial policy, and investment flows are rarely analysed for their employment impacts. By contrast, countries like South Korea and Singapore engineered institutional frameworks that linked skills forecasting, economic planning, and budget execution in a coherent loop. Nigeria must adopt a similar approach, perhaps through a National Transformation Council that integrates the efforts of education, labour, industry, and finance ministries. Such a body could oversee the publication of an annual Skills–Jobs–Investment Scorecard, guide sectoral planning, and align public expenditure with employment outcomes. Institutionalising this loop would ensure that development is not left to chance but guided by evidence, foresight, and cross-sectoral coordination.

In sum, Nigeria's transformation agenda must move beyond abstract ambition toward grounded execution. The five priorities outlined – skills, investment, infrastructure, governance, and institutional coordination – are not isolated interventions but mutually reinforcing levers. Their success will depend not only on policy design but on political will, institutional discipline, and societal ownership. The country stands at a threshold: with the right reform mix and sequencing, it can convert its demographic pressure into demographic dividends and its latent potential into sustained prosperity. However, that journey must begin with a clear understanding that economic growth alone is insufficient; what matters is how growth is produced, who participates, and whether it leads to meaningful transformation in the lives of ordinary Nigerians.

6. Conclusion

This paper has examined the deep structural disconnect between Nigeria's economic growth and the lived realities of its citizens. Despite favourable growth figures, the country continues to struggle with pervasive informal employment, stagnant productivity, and a persistent reliance on foreign expertise. Drawing lessons from global case studies, the analysis reveals that successful economic transformation is neither the product of investment alone nor of human capital in isolation. Instead, it emerges from a deliberate synergy between people, capital, infrastructure, and institutions, each reinforcing the other in a well-sequenced development strategy. The comparative evidence shows that countries that achieved lasting progress invested early and consistently in their people, built institutional capacity to guide investment, and aligned infrastructure and governance to support national objectives. Nigeria must adopt a similar path, one that resists quick fixes and embraces systemic reform. The five strategic priorities proposed in this paper – skills development, targeted investment, infrastructure expansion, governance reform, and institutional coordination – provide a practical framework for initiating this journey. These are not silver bullets, but they are necessary conditions for any serious developmental leap. As Nigeria looks ahead, the choice is not between growth and equity or between people and investment. The real challenge is to engineer a virtuous cycle where empowered citizens attract productive investment, and investment, in turn, enhances the capabilities of people and institutions. That is the foundation upon which inclusive and enduring economic transformation must be built.

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The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

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