National Institute for Legislative and Democratic Studies
National Assembly

# RESEARCH ISSUE Brief

Issue 5, No. 2, May 2018

## Appraisal of the performance of the Economic Recovery and Growth Plan (ERGP): How far so far?

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### Executive Summary


- There is evident work in progress to ensure that the ERGP succeeds. Positive results are already manifesting in key economic indices such as real GDP growth year on year, growth in foreign reserves, and downward trend in inflation, increased capital importation and narrowing foreign exchange gap.
- However, at year ended 2017, GDP was at 1.92% growth rate, Nigeria ranked 145 in world bank's ease of doing business and power generation is hovering somewhere between 4,000 and 5,000 MW as against targeted metrics of 7% GDP growth rate, ranking at 100 for ease of doing business and a 10,000 MW electricity generation by 2020.
- Consequently, the ERGP implementation team still has challenges to deal with. These include funding, budget implementation, security challenges (specifically in the North-East and North-Central), fluctuation in global oil prices and increasing use of alternative sources of energy (e.g., shale oil).
- The key drivers of any economic plan especially the ERGP are oil prices & production volumes, political stability and macro-economic policies. The implementation team must continually guard these key drivers within the next two years as these will impact the achievement of the plan's objective.
- Government at the State and Local Government levels through the National Economic Committee should be involved to drive an all-inclusive implementation of the Plan. While some of the target metrics

appear overly ambitious, overall the ERGP appears to be on course and remains quite robust and achievable.

- This is however subject to constant evaluation and assessment at fora where questions such as how a 7% growth can be achieved when capital expenditure is projected at 30% per the plan. As these questions are asked, attention also needs to be paid to ensuring that these recovery plan translates into not just growth but development so that these gains are felt by the citizenry.

## I. What is the Issue on Economic Recovery and Growth Plan?

Available data on GDP of 1.92 as at fourth quarter of 2017 shows that the Nigerian economy is out of a recession. The country had earlier gone into a recession when in 2014 the global price of crude oil declined thus, having attendant fiscal consequences on the Nigerian economy and the populace at large. **Section 16(2) (a) of the 1999 Constitution (as amended) provides that, "the State shall direct its policy towards ensuring the promotion of a planned and balanced economic development"**. It was desirable in April 2017 that the government initiated and launch the Economic Recovery and Growth Plan as a medium term all-round developmental initiative focused on restoring growth, investing in people and building a globally competitive economy. Unfortunately, while recession is a short rum phenomenon that requires fiscal and monetary policy mix to address, it might require more than that to help bring the millions of people that have been thrown into poverty and unemployment as a result of the recession. Inflation is still at double digit (above 11%), unemployment rate still high (29%) and underemployment still above 14%.Inequality and poverty rate have also continues to soar. As such, this issue brief therefore appraises the performance of the Federal Executive government in achieving the targets set in the Economic Recovery and growth plan and effort of the ERGP focus labs. The appraisal is done with a view to suggest alternative ways that can be employed to enhance the realization of the objectives set in the ERGP. Special attention is given to the legislative effort that would need to be put in place to support the government efforts towards sustaining and improving the current economic recovery.

## II. Situational Analysis of key Execution principles and target vis-à-vis achievement of the ERGP

| Execution Principles and Target | Achievement of the ERGP |
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| **Stabilize the macro environment** | • Introduction of the Voluntary Asset & Income Declaration Scheme (VAIDS): Effective implementation of the VAIDS is gradually restoring the efficiency of the country's tax system. According to Inland Federal Revenue Service chairman, a total of **N20bn (out of a target N305bn**) has so far been realised from 262 corporate taxpayers who have declared their assets under the scheme within 8 months of implementation.<br>• Introduction of Importers & Exporters (I&E) FX window: Premia in the FX Market has narrowed in the post I&E window era and remains relatively flat, albeit susceptible to intermittent FX demand. **The Naira has gradually settled to N360-N365 in the parallel Market as at April 2018.**<br>• Sustained recovery from recession and growth in **GDP to 1.92% as at Q4 2017**. The Nigerian economy advanced 1.9 percent year-on-year in the fourth quarter of 2017, accelerating from a 1.4 percent growth in the prior period. It is the third consecutive quarter of expansion and the strongest since the fourth quarter of 2015.<br>• Headline inflation moderates with a downward trend for 14 consecutive months to 13.34% as at Q1 2018 compared to 18.33%1 in October 2016.<br>• · Foreign reserves hit a 5 year high of $46B in Q1 2018 as stability is restored in oil producing states through sustained dialogue with Niger Delta militants and rising crude oil prices |
| **Achieve agriculture and food security** | • The ERGP has continued to ride on the success of the CBN Anchors Borrowers' Programme. Over N55bn has been disbursed by the Central Bank of Nigeria to over 250,000 farmers under the scheme. About 80 per cent of this has gone into rice production, further driving the nation's target of attaining self-sufficiency by 2018 with respect to rice production.<br>• Increase in non-oil revenue generated from agricultural sector. Agriculture contributed 21.97% to nominal GDP. This figure is higher than the rates recorded for the fourth quarter of 2016 and lower than third quarter of 2017 at 21.35% and 24.44% respectively. Annual growth rate recorded was 11.29% in 2017 as against 9.61% in 2016.<br>• N118.98 billion as budgetary allocation to the Agricultural sector for the year 2018, N15b higher than N103b of previous year. |

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| | • Other pipeline projects recently launched include the Accelerated Agricultural Development Scheme (AADS), commissioning of the West African Cotton Company Limited (WACOT) Rice Mill in Argungu, Kebbi State with production capacity of 120,000 metric tonnes, African Soil Information Service (AFSIS) pilot project all geared towards enhancing productivity within in the agricultural sector. |
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| **Ensure energy sufficiency in power and petroleum products** | • Nigeria still tops the chart as the largest producer of crude oil in Africa. With its current exemption from the oil cut by OPEC which commenced in January 2017, there has been improved crude oil production. With a maximum production capacity of 2.5m barrels per day, production went up from 1.4m b.pd in April 2017 to 1.7m b.pd. According to the Monthly Oil Market Report by OPEC in 2018,production had reached 1.8m b.pd. This represents a 29% increase compared to production in April, 2017.<br>• Nigerian National Petroleum Corporation on the 23rd of April announced that it had been able to reduce the cost of producing a barrel of crude oil to $20 down by 13% from $23 per barrel last year.<br>• Increased power generation from 3,500 MW to about 5,000MW with improved transmission and generation capacity of about 7,000. The highest peak generated between April 2017 till date is 5,222.3MW generated in December 2017.<br>• Other milestones include the Commissioning of Azikel Refinery in Bayelsa State, the first private modular refinery with production capacity of 12,000 bpd; resumed operations of the 250,000bpd Forcados terminal by Shell and launch of the power sector recovery program (culminating in the signing of various power plant construction contracts). |
| **Drive industrialization focusing on SMEs** | • The ERGP Labs geared at empowering youths was launched in March 2018.<br>• Enactment and signing into law of the following Acts to further consolidate on the improvement in Ease of Doing Business;<br>• The Secured Transactions in Movable Assets Act 2017 (the "Collateral Registry Act") – guarantees access to affordable credit secured by movable properties of Medium, Small, & Micro Small Enterprises (MSMEs).<br>• The Credit Reporting Act 2017 (the "CRA") – provides a platform for "credit information providers" to provide credit bureau with information relating to a person's credit worthiness, credit standing or |

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| | capacity, and to the history and profile of such person with regard to credit, assets and any financial obligations.<br>• Movement by 24 places to a new ranking of 145 among 190 economies on the World Bank's Ease of Doing Business Index. Improvement from the 170th & 169th position in 2016 and 2017 respectively<br>• Passage of the Financial Intelligence Unit Act 2018 to ease and document financial transactions in Nigeria and other countries with a view to create transparency in the payment system. |

## III. Conclusion and Policy Suggestions

This brief appraises the performance of the Economic growth plan of the Federal government after one year of implementing the policy. The brief conclude that there is evident work in progress to ensure that the ERGP succeeds. Positive results are already manifesting in key economic indices such as real GDP growth year on year, growth in foreign reserves, and downward trend in inflation, increased capital importation and narrowing foreign exchange gap. However, at year ended 2017, GDP was at 1.92% growth rate, Nigeria ranked 145 in world bank's ease of doing business and power generation is hovering somewhere between 4,000 and 5,000 MW as against targeted metrics of 7% GDP growth rate, ranking at 100 for ease of doing business and a 10,000 MW electricity generation by 2020.

Consequently, the ERGP implementation team still has challenges to deal with. These include funding, budget implementation, security challenges (specifically in the North-East and North-Central), fluctuation in global oil prices and increasing use of alternative sources of energy (e.g., shale oil). The key drivers of any economic plan especially the ERGP are oil prices & production volumes, political stability and macro-economic policies. The implementation team must continually guard these key drivers within the next two years as these will impact the achievement of the plan's objective. Government at the State and Local Government levels through the National Economic Committee should be involved to drive an all-inclusive implementation of the Plan.

While some of the target metrics appear overly ambitious, overall the ERGP appears to be on course and remains quite robust and achievable. This is however subject to constant evaluation and assessment at fora where questions such as how a 7% growth can be achieved when capital expenditure is projected at 30% per the plan. As these questions are asked, attention also needs to be paid to ensuring that these recovery plan translates into not just growth but development so that these gains are felt by the citizenry. That notwithstanding, the ERGP focus lab and implementation team must continue to track developments and achievements in the coming quarters with respect to the ERGP and forge collaboration with the various committees agriculture, Economic Development, Public Finance etc in the National Assembly that central to the realization of the targets in the ERGP. The current posture of operating in isolation and implementing independently of the National Assembly may not be sustainable.

***The views expressed in this Research Issue Brief are those of the author(s) and do not necessarily represent the views of the Institute and its Management.***

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