



World Bank Presents December 2023 Nigeria Development Update (NDU) Report

Introduction

The Centre for the Study of the Economies of Africa (CSEA) hosted the World Bank for a presentation of its December 2023 publication themed: '*Nigeria Development Update: "Turning the Corner, From Reforms and Renewed Hope to Results."*' The event was held on January 17, 2024, at the CSEA Conference Room in Abuja. Evelyn Dan Epelle, Communications Fellow at CSEA, commenced the event at 10:15 AM (WAT) with an opening remark that assured insightful conversations and discussions that will provide evidence-based policy options to support the stabilisation of Nigeria's macroeconomic landscape.

Summary

The focal point of the event was the revelation of results stemming from reforms initiated in the preceding June 2023 publication. As Nigeria grappled with macro instability in March 2023, two pivotal reforms - the removal of fuel subsidies (PMS) and the unification of Foreign Exchange (FX) in June, set the course for change.

NDU Presentation

Nyda Mukhtar and Dr. Joseph Orinya Ogebe, esteemed Economists from the World Bank, presented a comprehensive analysis of the December 2023 publication. The report indicated that Nigeria's macroeconomic reforms increased the inflation rate to 24.5% (annually) and witnessed a 2.2% Gross Domestic Product (GDP) growth stagnation. This paved the way for innovative solutions to the negative effects of the reforms. Also, the removal of FX restrictions on 43 items aimed to uplift 1.4 million people from abject poverty. The report further discussed cost-cutting measures to help stabilise the crippled economy.

For instance, it recommended that foreign exchange (FX) reserves be given time to stabilise, and trade restrictions be removed to enable growth in the economy. This would foster public trust and help raise Nigeria's borrowing capacity, given that the country's revenue is not yielding enough to boost the economy.

Question and Answer Session

This session was facilitated by Nyda Mukhtar, Dr. Joseph Orinya Ogebe, Economists at the World Bank, Dr. Nonso Obikili, Development Coordinator at the United Nations Development Programme (UNDP), as a discussant.

Question by Dr. Nonso Obikili: What political message does this report present, what should Nigeria do if the reforms fail, and how can we mitigate these future risks in 2024 and beyond?

Response by Nyda Mukhtar and Dr. Joseph Ogebe: The World Bank does not discuss or make a political recommendation but agrees that a political factor is affecting macro instability, which has been discussed under “Governance” in its previous NDU publication. If the reforms fail, Nigeria can strategize by finding out why they failed and what can be done to achieve a lasting solution. Climate change is one of the major risks affecting economic growth, likewise low rate of production, high level of insecurity, among others.

Question by Evelyn Dan Epelle: The NDU indicated a lack of transparency in how funds in Nigeria’s non-oil export accounts are managed and how Nigeria fills financing gaps through contracting ways and means financing from the CBN. Does Nigeria have a revenue problem or a spending problem?

Response by Nyda Mukhtar: Nigeria has a revenue problem, and before we can discuss the spending problems, we must first address the revenue problem. At the moment, the level of revenue is so low that the focus is on Nigeria’s need to spend more, which will necessitate more borrowing.

Question by Dr. Adedeji Adeniran: What role can social programs play in economic development, and how do we respond to the inconsistencies in their implementation? The World Bank is pushing for more reforms and more revenue by raising taxes (from poor people with limited income)...away from politics, what should the Nigerian Government prioritize?

Response by Nyda and Joseph: The World Bank considers social programs like the social register a good initiative and awaits its outcome. Under revenue adjustments, we recommend the following as crucial; enhanced transparency (for instance, the Nigerian National Petroleum Corporation (NNPC) should clarify how much is held and spent); an increase in Value Added Tax (VAT) rate, a reduction in ban restrictions to assist the market rate; and the simplification and harmonisation of multiple taxes. We must figure out why the reforms are not yielding measures and consider the next action. The situation would have been worse if the reforms had not been implemented.

Question by Prof. Chinedu Nwajiuba: Is there a possibility that we are dealing with symptoms and not an accurate diagnosis? How did the World Bank achieve 4 million as estimated data on the poverty rate?

Response by Nyda: The World Bank has considered the possibility of misdiagnosis, but we must also deal with the immediate symptoms to improve the situation rather than not taking action in the moment. We have a team that works on calculating the poverty rate using a module. Poverty is measured by the impact of two methods: probe and inflation. The analysis looks at household data, a basket of goods, and the affordability of these goods.



Question by Dr. Chukwuka Onyekwena: What are the pressures on inflation, and why is it constantly increasing?

Response by Nyda and Joseph: Monetary policy tools have proven effective. The inflation rate of 24.5% represents the average annual inflation rate for the reform scenario. For a non-reform scenario, we expected a lower inflation rate. The rates began to rise following the removal of the Petrol (PMS) subsidy and the increase in Foreign Exchange (FX). With the reforms still in effect, the World Bank predicts a decrease in the inflation rate by 2025. Recent monetary measures taken by the Central Bank of Nigeria (CBN) have positively affected commercial rates, causing them to rise.

Comments and Feedback

The World Bank agrees that macro instability is never a popular topic to discuss as it does not show the immediate results of reforms. It is only when the reforms are put in place that outcomes gradually begin to be visible. Some unique insights emerged from the discussions:

Dr. Joseph Ogebe, World Bank, described Nigeria's economy as *"A bleeding patient who needs surgery. The surgery will be painful, but if well done, the patient will reap the benefits."*

Dr. Chukwuemeka Eke, University of Abuja, notes that Nigeria's problem is expenditure, and the country can draw lessons from Ghana and Rwanda to help fix our leadership and revenue problems. In his words, *"Instruments do not drive leadership rather, Leadership drives instruments"*.

Isiaka Akande, Research Associate, CSEA, admonished the Nigerian Government to consider deliberation on policies before implementing them because policies have pros and cons. *"Nigeria is walking between worst and best times; we have not built strong institutional structures and must build our idiosyncrasies."*

Participation

CSEA welcomed a gathering of 26 stakeholders from civil society organizations (CSOs); the World Bank, the U.S. Embassy, the United Nations, the Development Bank of Nigeria, the University of Abuja, the Institute of Governance and Economic Transformation (IGET), think-tanks and research institutions among others. Participant opinions, questions, and feedback added depth to the discourse, shaping a collaborative narrative for Nigeria's economic trajectory.

Conclusion

Despite the prevailing macro instability, the event unveiled a roadmap for growth; while acknowledging challenges, the report presented a compelling case for stability through strategic structural reforms.



While delivering the closing remarks, Dr. Adedeji Adeniran, Director of Research at CSEA, expressed gratitude to the World Bank team and urged CSEA's continued collaboration for tangible national results.

Evelyn Dan Epelle, CSEA Communications Fellow, extended well wishes to the speakers, discussants, and participants, bringing the event to a close and ushering in light refreshments amidst networking.

For feedback, comments, or enquiries, please contact CSEA at: enquiries@cseaafrica.org