



EVENT REPORT

Dissemination of the Report on Employment Creation of **Industries without Smokestacks (IWOSS)** in Nigeria.



INTRODUCTION

The Centre for the Economies of Africa (CSEA) in partnership with the Africa Growth Initiative at Brookings (AGI) hosted a Hybrid Dissemination Event of its recently published report titled “Employment Creation Potential of Industries without Smokestacks (IWOSS): A Nigeria Case Study”. The event was held on the 15th June 2023 at the CSEA Conference Hall in Abuja, Nigeria. The event commenced at 9:00 am WAT with a brief rundown of the event’s agenda by the Anchor/Moderator, Aver Michael, a Communications Assistant at CSEA. The opening remark was followed by a welcome address and an overview of the Report by CSEA’s Executive Director and the Panel Moderator for the event Dr Chukwuka Onyekwena.

PRESENTATION

Dr Andrew Nevin, Advisory Partner and Chief Economist, PwC Nigeria, made the keynote speech which focused on Nigeria’s current economy. He noted that while the economy is at its worst due to the collapse in oil production and the removal of fuel subsidy. Nigeria can still boost its economy from exports in the downstream oil sector, hydrocarbon and agricultural sector. According to him, it makes no sense for the traditional manufacturing sector to export its produce because it faces challenges such as; poor infrastructure, high capital-intensive, time-consuming strategy, minimal ROI, high level of insecurity, and little or no power supply among others.

For the Nigerian economy to reach its goals, it should integrate Global Value Chains (GVCs) and Global Service Delivery (GSD) as its barriers are reducing. He believes that, talent should be inserted into 4 GVCs: programming outsourcing, animation/gaming outsourcing, business process outsourcing and call Centre outsourcing. He also noted that the need for Nigeria to engage in Brain export. Mr. Nevin explained that the required investment for the successful integration to the Brain export are broadband technology (needed infrastructure), Government policies (government support to enable export environment), power supply, and brain capital training. To conclude his speech, he emphasized that Brain export is the solution which will unlock the potential of prosperity in Nigeria.

The 2nd Session commenced with a presentation of the report “Employment Creation Potential of Industries Without Smokestacks (IWOSS): A Nigeria case study” by Mma Amara Ekeruche, Senior Research fellow at CSEA. The report was co-author with Oludele Folarin, Research Associate CSEA, Uchenna Efobi, Research Fellow CSEA, Kashema Bahago Research Associate CSEA, and Chukwuka Onyekwena Executive Director CSEA.

The background of the report acknowledges that Nigeria is faced with a high level of unemployment where the most affected groups are the youth and women who are faced with gender bias, skills gap and traditional socio-cultural norms. It also indicated that the unemployment rate for women and youths has increased from 5.63% in 2010 to 26.56% in 2018 and 6.83% in 2010 to 29.72% in 2018 respectively. Furthermore, the report notes the Industries Without Smokestacks as sectors with the potential to fill the role reserved for manufacturing industries. They are alternate sectors that hold the potential for future employment generation consisting of service-based sectors like Agro-processing, financial and business services, ICT, Tourism, formal trade and transportation among others. These sectors have the following characteristics; they engage in tradable activities, they have the ability to

employ large numbers of low or moderately skilled labour, have high value-added per worker, and exhibits the capacity for technological change and productivity growth.

According to the report, employment growth in the IWOSS sectors is projected to grow by 9.8% higher than non-IWOSS and manufacturing sectors. The IWOSS sectors expected to contribute the most growth include; Tourism, Construction, Export of crops and Horticulture, while the Sectors expected to create jobs are financial and business services, Agro-processing and transport.

The report identified some constraints to the growth of IWOSS such as Poor Infrastructure, Lack of access to finance, Skills gap, Corruption, Erratic power supply, etc. They recommendations for the sectors to thrive. They include: increased investment in infrastructure, closing the skills gap, improving governance and regulatory framework, and strengthen the development of financial institutions, commercial banks and informal mediums.

Panel Session

The interactive panel session featured experts including Dr. Andrew Nevin, Advisory Partner and Chief Economists, PwC Nigeria, Professor Emmanuel Nwosu, University of Nigeria Nsukka, Dr Anthony Simpasa, Chief Research Economist, African Development Bank Nigeria, Oluwafemi Aro, Monitoring and Evaluation Officer, Tony Elumelu Foundation, Dr. Amina Salihu, Deputy Director of MacArthur Foundation, Nigeria and Professor Joseph Nnanna, Chief Economists at the Development Bank of Nigeria.

Question 1

What sector do you think will be driving growth in the next couple of years, do you think the IWOSS sector will still be prominent and if so, what are the barriers to their growth?

Response by Mr. Andrew Nevin: Real Estate is a big driver as houses are necessary for everyone to shelter. Other sectors still prominent in the IWOSS sector are; music, entertainment, fashion and financial services. However, there is no new progress with regards to Nigeria's unemployment status.

Question 2

The question is focused on the African Growth and Opportunity Acts (AGOA). The United States of America's (USA) Congress is yet to decide whether to extend or throw out the African Growth and Opportunity Acts AGOA agreement which currently doesn't promote service trade between the U.S and Africa? What are your thoughts on this?

Response by Prof Emmanuel Nwosu: AGOA came into effect in 2000. In 2023, the U.S congress allowed African countries free access to join the U.S market especially non-oil exports. Many Africans countries have utilized the free trade area in different exports like foot wear and clothing among others. In 2022, African countries benefitted in volume of non-oil trade to the tune of 4.8 billion USD. The kind of free trade area depends on what the U.S congress calls Liberal trade rules of origin. There are 2 rules of origin guiding the agreement between the U.S and African countries which are; export from partner countries wholly obtained or substantially improved.

The major challenge of AGOA is that African countries have not been able to add substantial values to their exports. That is why the value of trade is low. Another challenge is the Rules of

Origin. These rules affect the value of exports added to the AGOA agreement and have prompted the U.S trade experts to re-think AGOA. Another challenge is having a separate agreement of trade in services. African countries cannot provide shipping and insurance services of trade in goods except they are outsourcing it to European partners. Some of the terms in the agreement overlap and need to be harmonized. There shouldn't be a separate agreement of Trade in Services as it depends on the extent of capacity these countries have in managing their services of import and export and also on the readiness of African countries to provide standard services needed in trade and trading rules.

Question 3

How can the new Government capitalize on investments in IWOSS sector?

Response by Professor Joseph Nnanna: A couple of bills came into Law, like the De-regulation of electricity which enabled the private sector to generate and distribute power among other states which has increased the potential to create more jobs. Also, the directive of the Central Bank of Nigeria to unify the exchange rate gives all sectors the opportunity to access currency in commercial banks, thereby enabling them to conduct their business more effectively. This sends a signal to the international community that Nigeria is open for business which will increase their level of business within all sectors of the economy.

Further, there is an increase to access in trading opportunities as businesses have more access to loan. For instance, there is a collateral free loan that enables SMEs access to a 6months loan which will subsequently be increased based on business growth. However, Nigeria needs more storage facilities across the country in order to sustain our export capacity.

Question 4

Are there key partnerships in regional institutions like the bank that Nigeria could benefit the IWOSS sector in Nigeria?

Response by Dr Anthony Simpasa: The Bank partnerships is driven solely to reduce poverty, focus on creative industries targeting women and the youth and how the creative industries have initiatives aimed at unlocking the potentials of the manufacturing sector. The bank has also taken steps in Agro-processing programs to resolve some of the constraints such as infrastructure, opening storage capacity in local Government areas, and opening markets for farmers across the country. This program will address food security and laws.

Question 5

How are the grant making rules lasting and how does your department strategy align with these IWOSS Sectors?

Response by Dr Amina Salihu: Grants making progress depends on the energy and critical thinking of the founders. Thus, the MacArthur Foundation follows good ideas, pays attention to data, and consults people to understand their problems before intervening, prioritizing political and economic policies in the effect of developments. The foundation is also interested in three things: establishing effective institutions, creative individuals and influential networks. without these, we won't have growth.

Question 6

What has been your Grants making strategy and how it aligns to the IWOSS sector?

Response by Oluwafemi Aro: The Tony Elumelu Foundation capitalizes on granting access to capital for businesses with high productivity in terms of job creation and generation of revenues. It also funds entrepreneur programs for new and existing businesses across Africa. The foundation also partners with International Organizations to get more fundings, and training in skill acquisition and help SMEs particularly with digital skills needed to set up a new business or improve their existing business.

General question to the panelists:

Nigeria's newly elected government is targeting to achieve 6% Economic growth. What is your advice for the government in terms of the sectors to prioritize and why?

Response from each panelist

Professor Joseph Nnanna: priority should be based on labor-intensive jobs like agriculture and youth influenced jobs like; the ICT sector, entertainment, creative industries and the movie industries. This is because Nigeria has potentials in the youths who are greatly involved in ICT skills and jobs such as social media influencers while the movie industry which has global recognition can be bigger and better.

Dr. Nevin: All the sectors are a priority because they have potentials if structured well. But the focus can be more on the Global Value Chain jobs like; programming outsourcing, animation/gaming outsourcing, business process outsourcing and call center outsourcing.

Dr Salihu: The new Government needs consistency (build on what is existing with progress), communication (the people need to feel what it means to be the giant of Africa) and courage (to implement the policies). There is a disconnect between growth and development and Nigeria needs to stop wasting its resources.

Dr Simpasa: There are many potentials in all sectors. However, the new government should focus on the availability of finance which is key for any sector to thrive. Government should also ensure that policy reforms are sustained (e.g., the abolition of fuel subsidy and unification of the foreign exchange market), identify opportunities to create more jobs. Also, government should look at the utilization of labor endowments and its usefulness to the economy. There is also, a need for proper economic policy management to avoid conflicting policies.

Questions from the Audience

1. How can mismanagement of policy be aligned with development plans and what approach do you think if there is an alignment between the development plans and the policies to enable a clear economic direction?

Panel Response: There has to be a plan which should reflect the analysis made and they must align because it is a representation of a vision. The only way we can align policies to a country's overall economic growth is by taking advice from people knowledgeable in the relevant sectors of policy interest. The policies to be adopted should be evidence-based (survey, research) to ascertain the level of socio-economic impact and justify the financial investments of government policies.

2. What type of economy are we practising and will it be sustainable? are we moving from an industrial sector to a service sector, and as a country, where do we lay emphasis in terms of growing a sustainable economy?

Panel Response: Nigeria is supposed to be a Federalism economy. However, citizens should concentrate on what is happening in the States and not the Federal capital territory alone. The impact should be consolidated at a lower level. For the service sector to be sustainable, the real sector must be the pillar. Research has shown that the service sector contributes 51% of Nigeria's Gross Domestic Product (GDP) compared to the real sector which is very weak. The major challenge of the Real sector is that, it has not been fully supported. For instance; if power supply becomes stable with a certain rate, will it be affordable for small businesses? The issue will shift from availability to accessibility.

3. What are the easiest ways to closing the skills gap?

Panel Response: Enrolling for vocational training. Seek opportunities from online programs some of which are free and others priced. The main thing to start up with, is to ascertain your area of interest and then find a network of people who are skilled in that area/field. It is worth to note, that our society has greatly contributed to this skills gap because they value a degree/certificate more than actually being skilled/knowledgeable in the field.

Dr Aloysius Ordu of the African Growth Initiative at Brookings gave the closing remarks. The event ended at 12:10 pm WAT.