

Conference Summary

Strategies for Economic Reconstruction in the Northern States of Nigeria

April 7th and 8th, 2016

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The Challenge of Economic Reconstruction

The nineteen northern states of Nigeria constitute 73 percent of Nigeria's territory, nearly 60 percent of its population, currently exceeding 100 million people. In less than 34 years (2050), however, the UN predicts that the northern states will contain over 240 million, overwhelmingly youthful, residents who will demand livelihoods. The North's "youth bulge" and accompanying dependency burden present a demographic crisis whose trajectory virtually guarantees a reduction in average per capita incomes for northern youths. This demographic shift will not only widen existing regional differences, the potential polarization within Nigeria risks increasing social tensions, thereby reducing the human security of all Nigerians. Indeed it follows that Nigeria cannot prosper as a nation unless all regions participate in its prosperity.

Besides demography, the list of challenges facing the northern states is truly daunting: environmental degradation, widespread poverty, increasing inequality, fragile infrastructures, low education standards, endemic violence, economic stagnation, local governance failures, and rising youth unemployment. Accordingly, the conference participants address these challenges directly by asking: How can northerners join with fellow Nigerians to mobilize their natural, organizational, financial, and human resources so as to attract productive investments in employment-generating industries? To be sure, productive investments are the key to youth employment. But increasing industrial productivity invariably requires the reallocation and concentration of scarce resources like capital, land and water. Conference participants are committed to pursuing realistic and candid conversations about how new public-private collaborations will deliver employment and dignified livelihoods for northern youth. This event is intended to be one of many future conversations about these policy issues, so our goal is not to offer a neat solution but rather to encourage more conversations. To initiate these conversation the conference presenters were asked to consider the following questions.

- * What are the obstacles to productive investment from the perspective of investors?
- * What incentives are required to attract investments in employment-generating industries?
- * How can states bring electric power and infrastructures to nurture productive industries?
- * How can states foster economic governance institutions to coordinate networked investments?
- * How can states encourage agro-industrial linkages, value chains and industrial clusters?
- * How can civil society groups bolster educational institutions so as to make youths employable?

Overview of the Presentations and Panels *(Please consult Conference Program and PPTs)*

During the keynote "conversation" members of the organizing committee reviewed the challenges of economic reconstruction, not by dwelling on the North's well-known conflicts but, instead, by focusing on pursuing realistic investment strategies that will increase employment opportunities for northern youth. While northern communities are very diverse, they are also unified in their commitment to invest in their children's employment opportunities. Investment

is defined here as upgrading human resources and the quality of services as well as increasing the material productivity of agriculture, industry and services. Given the projected increase of the northern population, e.g. over 240 million by 2050 and an enormous increase in the number of youths seeking employment in rapidly urbanizing cities, the conference organizers assume that the private sector will provide the investment needed to raise productivity and provide employment for northern youth.

Since Nigeria is a democratic federal state, the sub-national units, e.g. the nineteen states, constitute indispensable agents who possess the authority to recruit private investors, allocate land, educate youth and construct infrastructures. Upgrading economic governance institutions and the civil service in the northern states, therefore, is a major objective of the conference. A third viewpoint argues that the energies of civil society groups, foundations, and community organizations must also be mobilized so as to contribute to economic reconstruction, especially in the areas of education, social enterprise and community participation of urban youth. The conference organizers presume that collaboration and dialogue among investors, state government officials and civil society leaders will strengthen economic reconstruction.

The first panel, *Challenges and Strategies for Investment*, analyzed the opportunities and challenges facing investors in the northern states and reviewed case studies of firms and projects in the states of Jigawa and Kano. All agree that the potential for investment and increased productivity was huge. The potential of the “Northern Economic Corridor” (e.g. Hadejia-Kano-Kadawa-Zaria-Kaduna) for the production of agro-industrial products and the networking of light manufacturing was emphasized by all presenters. Treichel advocated learning from the East Asian experience. This means that the Nigerian state policy maker must design an industrial policy with goals and performance standards so as to increase productivity, coordinate among actors, and upgrade the skills of northern workers. States should do the same. He also recommended exploring Special Economic Zones (SEZs) as other African countries like Senegal are doing, in order to attract investment and opportunities to upgrade production systems.

Mahmoud presented three, empirically rich, case studies analyzing the successes and frustrations of three industrial producers operating within differing scales, sectors and investment communities. Productivity, profitability and employment, however, are fragile for these firms because of poor infrastructure, lack of reliable power, shortages of medium term credit, skill shortages, and disorganization among state regulators. State facilitation and information dissemination was reported to be virtually absent. Despite these obstacles, these firms have survived and will thrive if plans for power generation and investment promotion become institutionalized in the northern states.

Sagagi first described large, innovative, commercial agricultural investments in rice, sugar cane and tomatoes located in the flood plains of Jigawa State; and then analyzed the public policy dilemmas arising from negotiating investor access to land at the expense of small scale farmers in these schemes. His dilemma centers on these tough choices. If agro-industrial production is the route to economic reconstruction in the northern states, then the productivity of basic resources---land and water--- must be raised significantly in order to feed the skyrocketing northern population, produce income generating products for both southern Nigerian and export markets, and supply raw material for agro-industrial industries (e.g. textiles, commodities, leather, meat products etc). Agro-industrial investments may solve the aforementioned needs, but public policy, security and social equity require implementing strategies for including small

scale farmers as land owners and as producers. Given the low productivity of small holders as well as their propensity toward fragmented, land tenure practices, officials are cross-pressured by competing demands for access to watered land. Out-grower schemes and/or contract farming strategies are in place, but managing quality standards and exercising authority over contract farmers is notoriously difficult. Unsurprisingly, the discussion and debate around these policy issues was vigorous, engaging and realistic.

The second panel, *Catalyzing Investment in Northern Nigeria*, centered on the investment strategy of the Dangote Group: a diversified, northern-origin, innovative conglomerate, producing high volume, low priced commodities: the largest private sector employer in Nigeria. Mansur Ahmed summarized the causes of northern economic stagnation, the absolute necessity of maximizing the productivity of northern land to raise living standards, the conglomerate's plan to solve the power deficit by building two power plants (solar and thermal), the logic driving Dangote Group's agro-industrial investment strategy, and their regional economic governance policies. Discussion focused on equity issues, linkages to farmers and the quality of employment generation for northern Nigerians.

The third panel, *Strategies for Empowering Industrial Reconstruction*, was kicked off by Kate Steel of USAID's *Power Africa* consortium. Her presentation described the restructuring of the Nigerian power production and distribution companies and the difficulties firms encounter in securing payments, obtaining fuel (gas) and delivering power to industries. Her insights into the feasibility of off-grid, renewal power systems using newer, more energy efficient devices set the stage for the social entrepreneur, Hannah Kabir of CreedsEnergy. Reflecting a the perspective of a new generation of female entrepreneurs, she explained how she founded a solar energy firm that builds sustainable energy systems for excluded and marginalized communities. Kabir was followed by SAIS student, Ahmed Ahmad who presented his project on solar micro-grids for northern businesses. Questions centered on cost, accessibility of solar panels and the availability of finance for powering excluded communities. A Round Table on economic construction in the North East zone completed the first day by exploring how rehabilitation projects, NGOs and religious groups might participate in the revival of economic activity.

The fourth panel, *Economic Governance for Investment and Employment*, assessed the performance and future of public sector agencies operating at the state level for economic reconstruction. The Commissioner of Kano State for Budget and Planning, Aisha Bello, outlined the achievements of Kano in the areas of education, infrastructures, business associations, youth and livelihoods. Lubeck charted the industrial decline of Kano, concluding that in order to achieve reconstruction, state governments must solve the industrial coordination problem by creating dedicated, professionally staffed, industrial promotion agencies. Rather than modeling on China, northern states will acquire greater learning from a similar, diverse, society such as the Federation of Malaysia. In Malaysia, professionally staffed, state economic development agencies coordinated public and private investments so as to manage industrial estates, strengthen SME linkages. and upgrade labor productivity. Kate Meagher's presentation analyzed the looming employment deficit for northern youth and argued persuasively for focusing on production for the home market rather than the far more demanding global markets. Similarly, she cautioned policy makers against promoting entrepreneurship in the absence of demand and for treating the SME/informal sector as a panacea when, in fact, this sector requires much more support, appropriate vocational education linkages, practical internships and the

fostering of supplier linkages to medium and large firms. Commentators debated the performance of Kano governors in the past and cited the technocratic weakness of state-level civil servants.

A related special presentation by Navdeep Sodhi of Afroconsulting on the value of export incentives as a tool for diversifying exports, and as compensation for Nigerian manufacturers burdened with high infrastructural and power costs, provoked a sharp debate among participants; mostly due to perceived abuses of the EEG scheme. Sodhi responded first by acknowledging the problems associated with the EEG, but also argued that export incentives were still appropriate because of feeble status of manufacturing in Nigeria, the employment benefits, and the positive learning gains that firms acquired by competing in international markets.

A fifth panel, *Restructuring Education for Employment and Higher Productivity*, addressed the chasm between the skills and aptitudes demanded by employers, especially the SMEs, and the capacity of educational institutions to produce graduates with effective skills. Repeating many of the same concerns voiced by Meagher regarding entrepreneurship courses taught by academics that lack a problem solving perspective, Deputy Governor Abubakar reviewed Kano State's efforts to transform vocational education so as to increase practical knowledge and diffused the tools of entrepreneurship. Ya'u's presentation argued that civil society organizations (CSOs) offer the practical training missing from schools that could complement formal education, largely because CSOs are constantly adjusting, learning new skills in the field and engaged in participatory problem solving exercises. He concluded by promoting the siting of an "aHub" that will serve as a digital knowledge incubator for Kano youths. Sagagi's presentation on MAFITA and other programs covered many of the same issues as earlier presentations but focused on efforts to upgrade and enrich apprenticeship programs for SMEs and skilled workers. Testing and certificate systems are required to valorize practical credentials. Sagagi confirmed points made by Ya'u and Meagher regarding the lack of student exposure to the practical tools needed for managing an actual business. All agreed that internships, partnerships and incubators must be increased. The "take away" from this panel suggests that training for uncertain employment is ineffective, expensive and, discouraging for northern youths.

The sixth panel, *Incubating Northern Industries*, began with Amal Hassan recounting her career as an info entrepreneur in Kano and now as the CEO of several information-based firms. She presented her business model for launching BPOs and Call Centres and then offered a detailed explanation of the productivity and employment benefits generated by her firms. Ya'u's review of digital industries in the north covered film and video production, viewing houses, and mobile phone repairers. Employment is high because these industries are labor-intensive, and because they produce cultural products consumed by northern youth. GSM repairers have acquired the practical knowledge prized by educational institutions but their movement up the value chain has been stunted by indifferent support. Similarly, Munzali Dantata's presentation on tourism and hospitality underscored the labor absorbing potential of these industries and the growing market generated by the emerging middle classes.

The final session was devoted to planning future conversations about investment and employment in the northern states. A Task Force composed of participants was formed under the chairmanship of Mansur Ahmed and Amal Hassan to pursue the conference's goals and to reach out to regional leaders and communities in all states of northern Nigeria.