

Facilitating Investment and Public Policy

Strategies for Economic Reconstruction in Northern Nigeria

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Focus: Jigawa State Investment Promotion Office



Objectives..

- To answer the following questions:
 - *Does Jigawa need to attract new investments?*
 - *Does the state have what it takes to attract investments?*
 - *Why would investors come?*
- Also:
 - Promoting Agricultural Investments in Jigawa: understanding policy objectives, strategy and challenges;
 - Understanding the [conflicting?] view points of investors, government and communities affected by the projects
 - The key elements of Jigawa State Agricultural Development Strategy

Does Jigawa need new investments?

“in our new world economy, every place must compete with other places for economic advantage.....every community has to transform itself into a seller of goods and services, a proactive marketer of its products”

Philip Kotler et al Marketing Places Free Press, 1993

Does Jigawa need to attract investments?

- Jigawa a small economy [$<1\%$ of GDP], per capita income in the region of US\$250-300
- economy undiversified [agrarian], widespread informality-subsistence enterprises [nearly 500,000 micro enterprises [2.5% of all micro-enterprises], medium scale [14] and small [271]
- Inter-sectoral linkages virtually non-existent:
- Poverty and unemployment:
 - Incidence of Poverty 79
 - Unemployment rate 28 above national average of 21
 - Nearly 500,000 new entrants into the labour force by 2019

Need for investments contd.

- Demographics: current pop >5 m, >7 m by 2020 and nearly 15m by 2050.
- 3.11% of Nigeria's population but produces <1% of Nigeria's output
- Youthful population [could be an advantage if you invest in them] with a dependency ratio of 1:1; that is:
 - 42.2% of pop <15 years PLUS 8.8% of Pop > 60 years [nearly 51% or 2.8 m of pop are dependents] in need of support from:
 - 49% of pop between ages of 18-59 years

Need for Investments contd.

- Precarious fiscal resources
 - Independent Revenue Effort <7% [local revenue as proportion of all revenues]
 - Economic Independence Index abysmally low [local revenue as proportion of recurrent expenditures]
- Several other reasons
 - Need to modernize,
 - grow beyond the current borders,
 - deploy a more efficient technology and learn new production techniques,
 - Develop new skills etc.

Does Jigawa have what it takes to motivate/attract investors?

Investors could be motivated by:

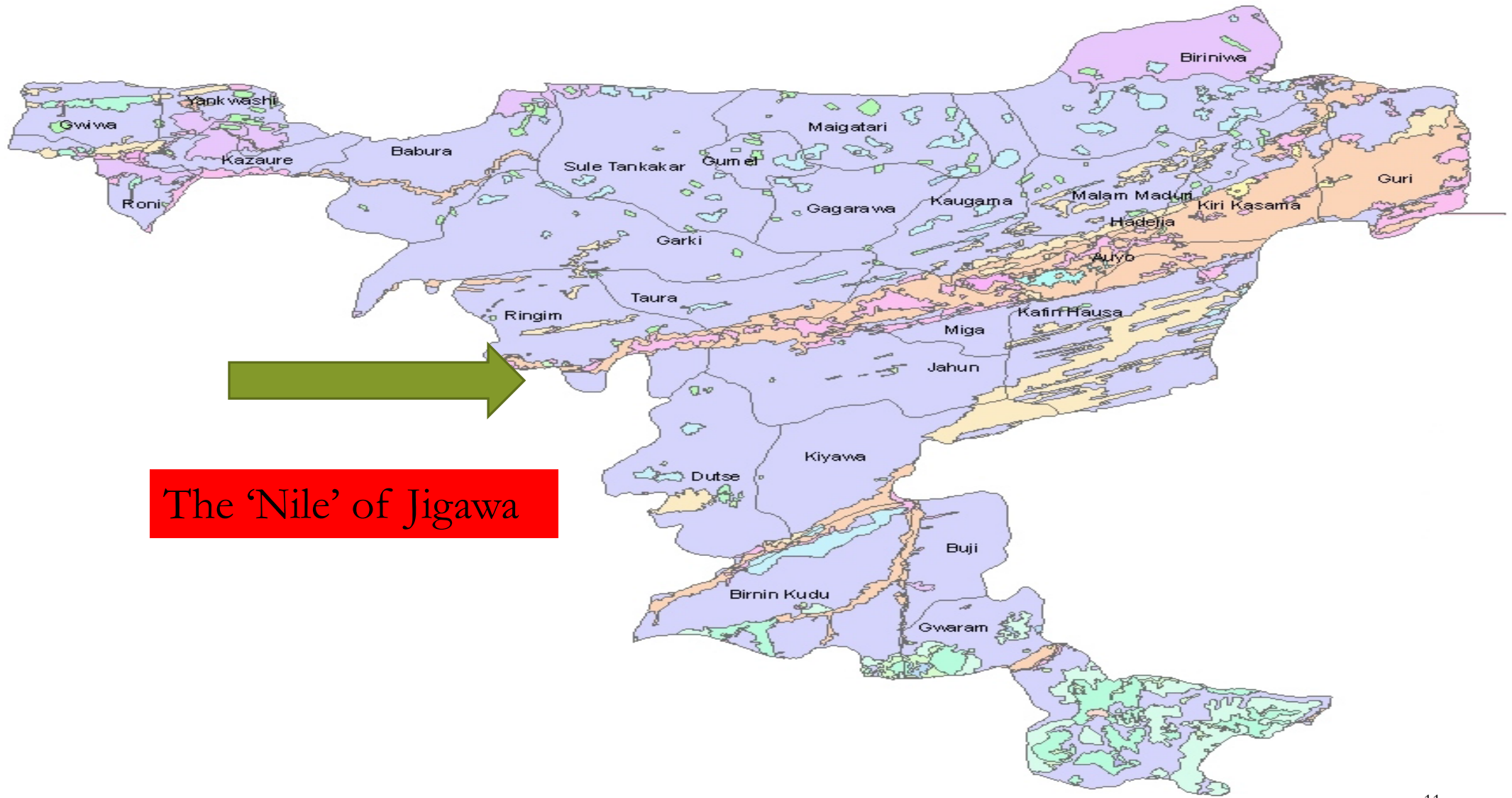
- Resources to tap: how much is readily available?
- Market for end product: size? Proximity?
- Labour availability: what skills? At what cost?
- Access to incentives and support packages
- Competitiveness of the location: determined largely by
 - Infrastructure availability and quality [power, water, roads, railways etc.]
 - Friendliness of the regulatory environment [are laws investor friendly?, how long does an investor have to wait for a license to construct a warehouse etc.]
 - Support mechanism [such as an investment promotion agency]

Why Jigawa? I-[invest in Nigeria]

- Key constituent of Africa's largest [US\$500 b] and fastest [7-8%] growing economy
- Market access: domestic approx. 170 million and ECOWAS approximately 340 million
- Access to vast and untapped resources: oil-15th largest producer, 6th largest deposit of natural gas, over 34 mineral deposits for commercial exploitation...

Why Jigawa? II-[vast, untapped resources]

- 1.6 million ha of arable land
- 400,000 ha of wet lands [flood plains] stretching for more than 150 kilometers. This is the 'Nile of Jigawa'.
- Nearly 15% [285,000 ha]of arable land is irrigable although less than 50,000 ha are currently cultivated
- 80 grazing reserves suitable for ranches and livestock development...



The 'Nile' of Jigawa

Why Jigawa? III [Unique Strategic Location]

- Proximity to large markets in Kano and other Northern States
- Vital transit point and trade route between the crop-producing NW and livestock rich NE of Nigeria
- Proximity to Niger-Republic thus providing access to a potential market of 300 million people through regional and cross border trade with countries in North and Central Africa

Why Jigawa? IV [Investment Climate]

- Nigeria's Best among the 36 States and FCT on ease of doing business according to the World Bank doing business indicators [2010]
- Qualitative Infrastructure: 2,000 Km of high quality all –season roads linking towns and villages and improving access of firms to regional markets. New cargo airport
- Private sector orientation: Government privatized SOEs in 2012 and seeking to privatize and concession more this year...

Promoting agricultural investments: policy objectives

- Open up the agricultural sector beyond subsistence, enhance productivity through new production techniques and providing competitive investment incentives to domestic and foreign investors
- Ensure **sustained agricultural growth** to enhance food security and empower a significant number of farmers.
- Create synergy between the agricultural and manufacturing sectors by promoting the production of crops that will be used as raw materials in the agro and agro-allied subsectors –including sesame, rice, dates, cassava and sugar cane.
- Support private sector investments in the production of key agricultural products with potentials for export.

Promoting agricultural investments: The Strategy

The best way to strengthen agriculture and enhance its status is to end its isolation from the rest of the economy....by developing, along with it, other sectors, notably light manufacturing & processing and nurturing Micro and Small Enterprises. The strategy is therefore to:

1. Promote and facilitate investments in large-scale commercial agriculture;
2. Promote value-chain development: attract investments in manufacturing and processing;
3. Support micro and small farming and non-farming enterprises;

Promoting large-scale Agricultural investments: The Challenge

- 1. Subsistence smallholder system: average farm holding per family of 7 is about 2.5 Ha. This** limits capacity to apply improved farming practices and therefore productivity growth with consequences on incomes and productive employment
- 2. Large scale agricultural investments in the pipeline [2 sugar, 1 rice and 1 tomato] with aggregate land requirement in excess of 50,000 ha of fertile agricultural land.**
- 3. Several key issues to consider:**
 - Jigawa has a land area of some 2.4 million ha. Although roughly three-quarters is arable, a much smaller area is available for cultivation, leaving little room for agricultural expansion.
 - As a result, great difficulties are going to be faced in producing enough food to sustain future populations in the face of population growth and conflicting land use (urbanization, etc.)

The Challenges of promoting large-scale investments contd.

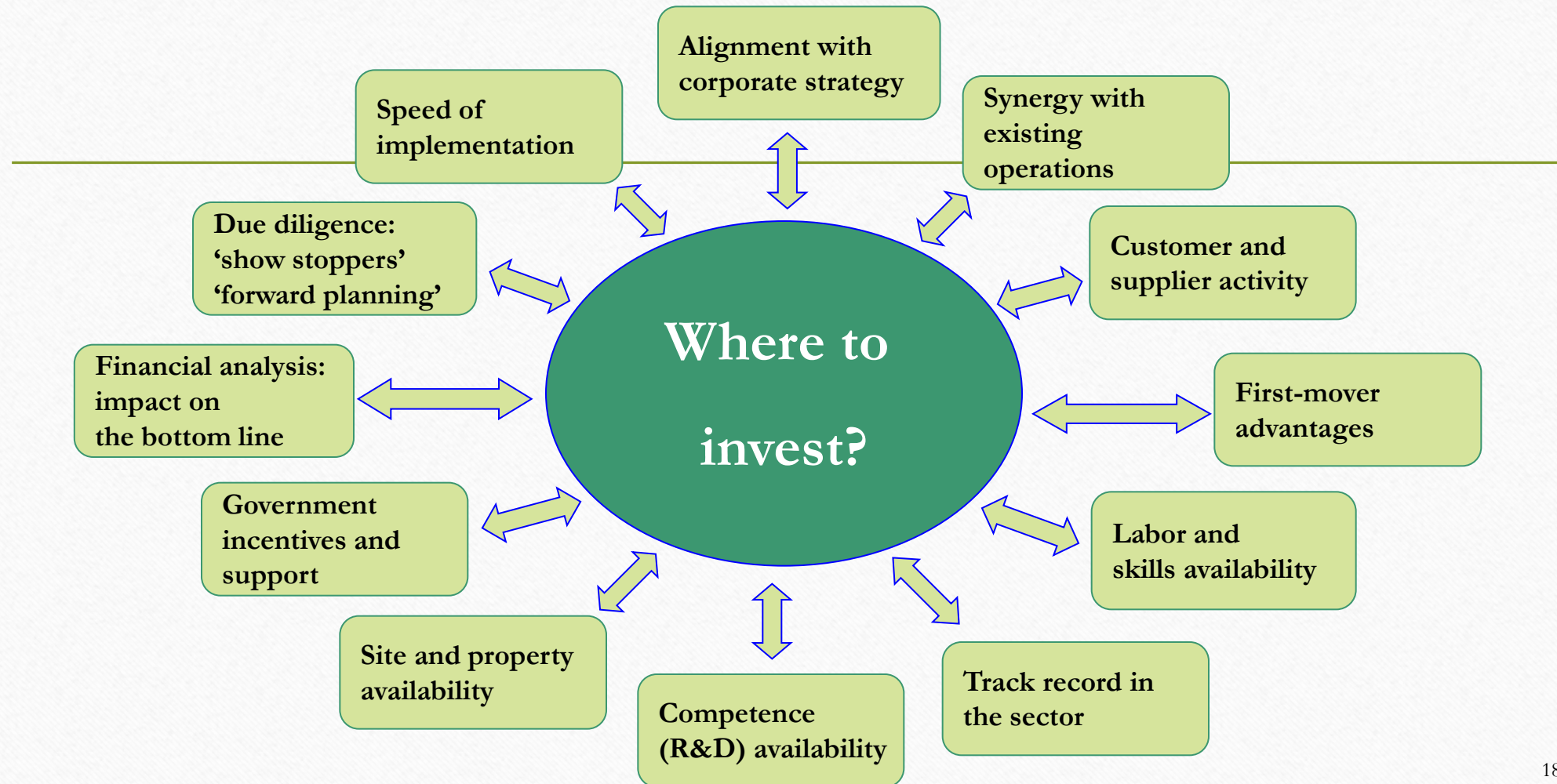
- Although private investment in the agricultural sector could offer significant potentials to grow the economy and generate employment opportunities for Jigawa State citizens, large-scale investments in the sector could also carry considerable risks-key among which are:

- the displacement of local communities,
- loss of livelihoods
- environmental damage.

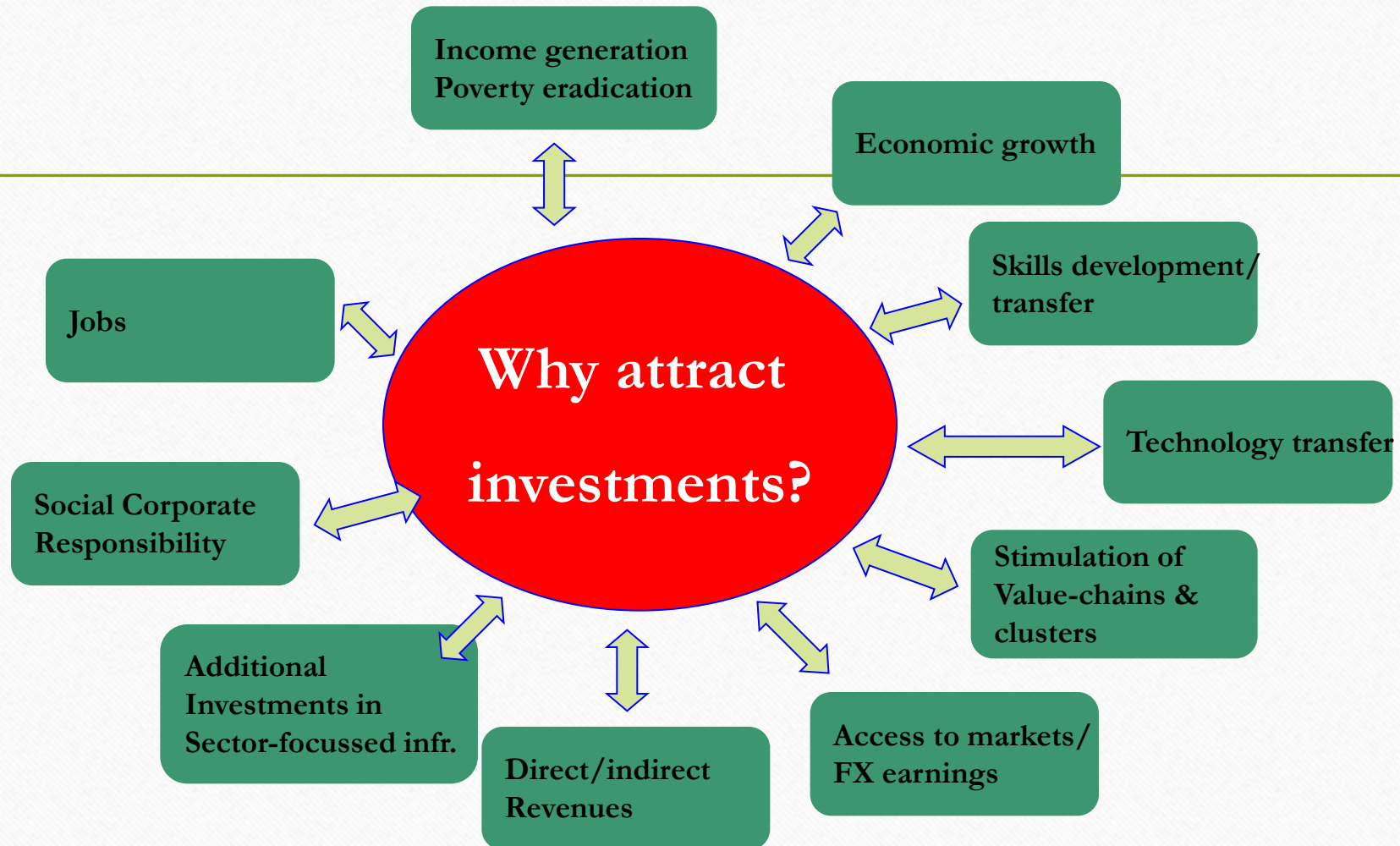
In many instances, the social costs of the projects could exceed the potential benefits to the communities. The investors, government officials and communities affected by the projects would normally have divergent views on allocation of land for large-scale investments [see slides 17, 18 and 19]

- There is need to promote and operationalize policy initiatives that would serve the development needs of the State, safeguard the interests of investors and communities as well as maintain a delicate balance between the potential benefits and costs of large scale agricultural investments.

Understanding the Investors Point of View



Understanding Government's Point of View



Understanding the communities' point of view....



Making the Strategy Effective: I

Develop a comprehensive framework for agricultural development policy in the state with clearly defined vision, mission and strategic objectives. Also

- Consistent with state & national vision as well as overall state & national development policy.
- Incorporates the principles of Responsible Agricultural Investments
- Identifies and selects for focus agricultural produce for State promotion based on comparative and competitive advantages
- Defines clearly a suitable incentive structure

Making the Strategy Effective: II

Design a land allocation process for large scale farming that

- Is fast, efficient and transparent
- ensures minimum risk to the investor and maximum positive impact on the host communities
- Is food-security friendly
- Is sensitive to the needs of the community [for example it allows peasant farmers to have continued access to land sufficient for their needs];

Making the Strategy Effective: III

Undertake a comprehensive Land Mapping exercise to produce land map of Jigawa and of specific sites showing:

- soil types, topography, climatic conditions
- profile of the communities within the sites including:
 - Population size and distribution
 - Economic activities

Making the strategy effective: IV

Domesticate the Principles of Responsible Agricultural Investment:

- *Ensure Investment is food-security friendly: allow buffer zones for the expansion of communities and food production in designated project sites*
- *Consult all those materially affected by the project and enforce all agreements: **Sensitize extensively, sign Community Development Agreements***

IV contd.

- *Closely monitor all processes relating to the project and ensure transparency.*
- *Investors must respect the rule of law and industry best practice etc.*
- *Ensure that investment generates desirable social and distributional impact and should not increase vulnerability [CSR, Out grower scheme, Investor-support to MSEs etc.]*
- *Carryout detailed impact assessment of the investment; ensure that other resources are utilized judiciously and responsibly*

Making the Strategy Effective: V

Support Micro and Small farm and non-farm enterprises:

- Design a strategy for the development of the MSEs
- Facilitate access to finance, markets & technology, business development services
- Develop suitable out-grower scheme models and assist in grouping farmers into clusters

Making the Strategy Effective: VI

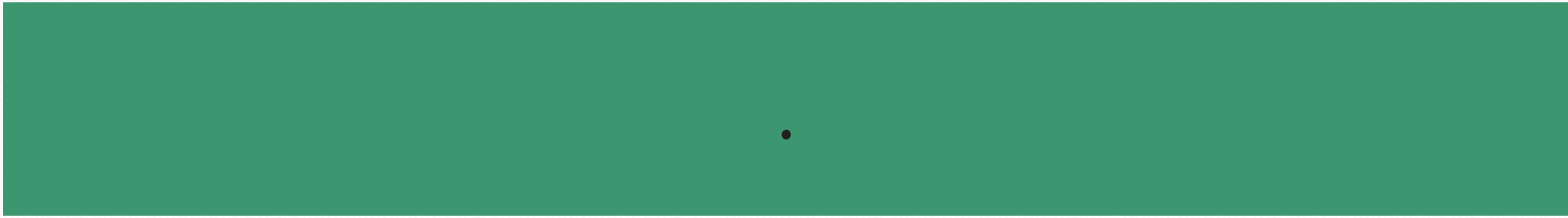
Support value-chain development:



New policy initiatives

In order to convert investor enquiries into operational investments while **safeguarding the interests of all parties involved**, the following value-adding policy initiatives were introduced:

- The Processes and Procedures to access land by investors were streamlined, simplified and fast-tracked. In particular, all investor-requests for land will be met within 14 working days from date of submission of application.
- New guidelines for the allocation of land for large-scale agricultural investments were designed in line with the **Principles of Responsible Agricultural Investments**.
- A Framework for the design of an Out-grower Scheme is being developed in consultation with investors, community & business associations and development partners. The Out-grower scheme is now an integral part of any large-scale agricultural project in the state
- *A land* allocation process for large scale farming in a manner which allows peasant farmers to have continued access to land sufficient for their needs was designed and approved



Thank You!

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