

## Policy Brief

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# Implications of Food Systems for Food Security: The case of the Federal Republic of Nigeria

By Isabelle Tsakok

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Oil dominates Nigeria's economy- "Africa's Giant". Oil revenues are both a blessing and a curse: a blessing because they are the single most important contributor to government revenues; a curse because, through the Dutch Disease, they undermine the productivity and competitiveness of other non-oil sectors, primarily agriculture and agri-processing; and manufacturing, two major sources of non-oil employment and incomes. Since Nigerian governments did not try to counter the Dutch Disease, Nigeria's food systems have remained low productivity, a refuge for the majority of poor and vulnerable worsening overall poverty. The COVID-19 pandemic, closely followed by the widespread global supply chain dislocations and high inflation aggravated by the Russian invasion of Ukraine, has exacerbated an already difficult situation for Nigeria.

To achieve its ambition of substantially reducing poverty by 2030, Nigeria must overcome daunting challenges on multiple fronts, e.g., governance, fiscal, socio-political and environmental. Whatever success is achieved along these fronts will have significant implications for its food systems and food security.



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## INTRODUCTION

The Federal Republic of Nigeria (Nigeria for short) is often referred to as the “Giant of Africa” as it is the largest country and economy in Africa, with an estimated GDP of \$ 450 billion (2019), produced by over 200 million people. Its natural resources are abundant, e.g., plentiful agricultural land, oil and gas, and unexploited reserves of minerals and metals, hydropower and marine fisheries.

However, for Nigeria to realize its considerable potential and become an economic powerhouse, it must successfully address its core challenge: diversify away from its heavy dependence on oil and gas. Nigeria must transform other sectors, like agribusiness, sustainably and inclusively. Although the share of oil and gas revenues has declined slowly to around 10% of GDP (2018-19), they still account for 90% of export earnings; 70% of the federal government revenues, and around 50% of consolidated government revenues. (World Bank Group, June 2019)

The dominance of oil and gas has contributed to structural problems, which include (1) the shallow transformation of the agribusiness sector; (2) the vulnerability of the economy and government finances to oil price shocks (as evidenced by the late 2014 price downturn pushing Nigeria into the recession of 2015-16); (3) oil-price driven boom and bust cycles which inevitably undermine sustained broad-based growth and investment.

This Policy Brief addresses the main challenges of Nigeria’s food system as it is impacted upon by these problems. At the outset, to structure the analysis, we adopt IFPRI's concept of food systems and FAO's (1996) concept of food security.<sup>1</sup> Thus,

*"Food systems are sums of actors and interactions along the food chain—from input supply and production of crops, livestock, fish, and other agricultural commodities to transportation, processing, wholesaling and preparation of foods to consumption and disposal..."* (IFPRI).

*"Food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life."* (FAO 1996)

Both concepts are holistic. Food systems are all-encompassing. The holistic concept of food security demands that all four pillars of availability, access, utilization, and stability simultaneously hold. This policy brief will assess the functioning of Nigeria’s food systems along these four pillars/dimensions.

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1. IFPRI: International Food Policy Research Institute; FAO: Food and Agriculture Organization

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## Nigeria: GNI/CAPITA: US \$ 2000 (current \$, Atlas Method)<sup>2</sup>

### *Brief Background*

Nigeria has a huge potential which it must use to address the challenges it faces.

1. *Generating gainful employment for millions:* Nigeria has one of the world's largest population of adolescents (age 10-19) numbering 41 million (some 23% of the total population). This group that is expected to rise to 84 million in 2050. Add to this a population growth rate of 2.6% per year and a poverty rate of around 40% at the national poverty line (2018-19). (WBG, Nov 2020).
2. *Building human capital:* Nigeria's scores poorly on the Human Capital Index (2020): at 0.36, with rank 168th. Nigeria scored the sixth lowest in the world.<sup>3</sup> Nigeria has poor health indicators; e.g., its stunting rate; infant and under 5 years old mortality rate; and maternal mortality rate, are some of the highest in the world, while life expectancy is among the lowest. According to the Nigerian Nutrition and Health Survey (2018), one in three children under 5 years old is chronically malnourished. Half of Nigerian adults (age 15-49) are illiterate; many of them women. There are large gender gaps in basic and secondary education, particularly in the north. Nigeria recently overtook India as the country with the most under-age-five deaths in the world, over 850,000 a year (2019). (WBG, June 2019)
3. *Promoting and enforcing peaceful conflict resolution mechanisms:* Nigeria is classified as experiencing "medium-intensity conflict". Its over 400 ethno-linguistic groups are espousing different social norms and customs, especially concerning the role of women. There are also stark spatial disparities between the north and the south; between urban centers and isolated rural areas. Such spatial disparities make Nigeria vulnerable to violence; indeed, conflicts have been flaring up simultaneously in different regions of the country;
4. *Strengthening public sector governance:* Despite efforts to increase transparency, Nigeria has consistently ranked in the bottom 30% of countries in Transparency International's Corruption Perception Index (CPI). Thus, for 2021, Nigeria scored 24, with rank 154.<sup>4</sup> (Transparency International, 2021) Public institutions are considered corrupt; and incapable of preventing the mismanagement and theft of public funds. Critical sets of factors that contribute to undermining public sector governance include: (i) problematic intra-and-inter governmental coordination, at different levels of government, in particular between the federal and state levels;<sup>5</sup> (ii) lack of transparency and accountability in the management of public resources; and (iii) public administration marred by overlapping institutional responsibilities and mandates in every sector, resulting in poor delivery of essential services.

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2. WDI. <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=NG>

3. The Human Capital Index was developed by the World Bank as part of its World Development Report (2019). The index measures how much capital one country loses through education and health. The score ranges from 0 to 1; 1 meaning the maximum potential is reached. The score measures the % of potential that is realized and the rank is a comparison with other countries. Thus, for 2020, the highest score was obtained by Singapore at 0.88, rank 1; the lowest by Niger at 0.29, rank 173. Morocco scored 0.50, rank 110. A score of 0.36 means that a child born in Nigeria today will be 36% as productive in adulthood if he/she enjoyed complete education and full health in his/her early years. [https://en.wikipedia.org/wiki/Human\\_Capital\\_Index](https://en.wikipedia.org/wiki/Human_Capital_Index) (last edited, Feb 22, 2022; accessed May 24, 2022)

4. For comparison, for Denmark: rank 1, score 88; for South Sudan, rank 180, score 11.

5. Nigeria is a Federal Republic with 36 states and one Federal Capital Territory, with the capital Abuja.

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*Oil & gas—a blessing and a curse for Nigeria:* Oil and gas contribute around 10% of Nigeria’s GDP, constituting about 90% of export earnings. This has been true since the 1970s. This heavy dependence on oil, a highly volatile commodity, has been, in various ways, problematic for Nigeria to achieve sustainable, employment-rich, and inclusive growth. These include:

- The oil-driven ups and downs in growth make it hard to sustain growth which requires resilience to periodic shocks, as evidenced by the most recent oil price downturn and recession (2015-16) when an average of 7% annual growth from 2000-14 dipped to 2.5% (2015), then -1.6% (2016). The economy was barely recovering when it was hit by the COVID-19 pandemic in 2020 throwing it into its deepest recession in two decades.
- The low employment intensity of mining and extractive industries mean they employ less than 1% of working Nigerians. Poor Nigerians are even less likely to find employment in such industries. Thus, the economy is not employment-rich even during good times of high oil prices. (WBG, Feb. 2022). Furthermore, Nigeria has the highest rate of informality in Sub-Saharan Africa, 50-65%.<sup>6</sup> (WBG, Nov 2020)
- The “Dutch Disease”<sup>7</sup> impact of oil wealth influxes undermines the competitiveness of the non-mining sectors, including agribusiness; and manufacturing. Unless the government resorts to preventive measures; e.g., policies to counteract the appreciation of the exchange rate, saving part of the resource windfall in a sovereign wealth fund to use for investment in the productivity of the non-oil sectors, and in the diversification of the economy. Its policy of maintaining a stable nominal exchange rate by imposing de-facto restrictions on foreign sales and widespread trade protectionism—with tariff and non-tariff barriers—exacerbates Nigeria’s non-competitiveness. (WBG, 2020)

### ***Determinants of availability: supply-side—status and issues***

*Agribusiness—primary agriculture and non-farm agro-processing—a major sector but uncompetitive and of low productivity.*<sup>8</sup> *Agribusiness is a major sector: it provides well over 50% of all jobs and contributes to more than 35% of GDP; with primary agriculture and off-farm agro-processing contributing around 21% and 14% of GDP respectively. (WBG, 2022)* Nigerian agriculture is primarily rainfed and therefore very risky. On average, only 2.2% of plots are irrigated, ranging from 0.6% in the South West to 5.6% in the North West. It is dominated by smallholders—88% of farming households; with family farms ranging from 0.30-0.43 ha in the South and South East; to around 1.95-2.03 ha in the North Central and the North East. At the national level, farms operated by female-headed households average 0.45 ha compared to 1.24 ha by male-headed households. The main crops—food and cash—are: maize, cassava, guinea corn, millet, yams, and rice; peanuts and cashew nuts; oilseeds and pulses. Livestock (which includes fish) consists of cattle for meat and

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6. The rate of informality varies widely in SSA. It ranges from a low of 20-25% in Mauritius, South Africa and Namibia; to a high of 50-65% in Benin, Tanzania and Nigeria. It averages 40% in low-income SSA to 35% in middle income SSA. (IMF working paper, July 2017)

7. The “Dutch Disease” is a condition generated by a sudden influx of wealth arising from an extractive sector, such as oil, gas, coal or mining. This condition undermines the competitiveness of other non-extractive tradable sectors through the mechanism of exchange rate appreciation. As the real exchange rate appreciates, imports competing with the non-extractive sectors becomes cheaper while its exports are taxed as they now earn less in domestic currency. The “Dutch Disease” is not inevitable since government can adopt policies to counter this impact. The few countries which have done so successfully include Norway, Malaysia, and Mexico. (WBG, April 2020)

8. Agribusiness comprises primary agriculture; storage and transportation; processing—food and non-food, transport, marketing and distribution; food services, hotels and inputs.

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milk; small ruminants (e.g., goats and sheep); and poultry. Within agribusiness segments, labor productivity tends to be highest in input supply and processing; and lowest in hotels and food services. Primary agriculture tends to be a residual employer for low-skilled labor who cannot find better jobs elsewhere. Most smallholders practice subsistence farming as they are constrained by conditions that make profitable commercial farming difficult, most often out of reach. These include:

- *Technology transfer*: Virtually non-existent research and extension services have not generated high-yielding crop varieties and improved livestock breeds. Investment in Nigeria's agricultural research has fallen from a low of 0.39% in 2008 to 0.22% of AG GDP in 2017 (WBG, 2022)<sup>9</sup> This underinvestment constitutes a major constraint in an environment of climate change within which farmers' mitigation and adaptation strategies are critical for building resilience and enabling survival itself;
- *Input markets*: Unreliable access to and low-quality of input supplies such as seeds and fertilizer. Overall, less than 10% of farmers used improved seeds and inorganic fertilizers. Furthermore, farmers pay a high price for the poor transportation system as 70% of fertilizer costs are due to poor transport;
- *Finance*: Poor access to finance as commercial banks consider most smallholders too risky to be clients. Also, smallholders typically cannot use the land as collateral, given their weak land rights and the dismal performance of land administration services. Poor land administration is a major stumbling block to development as it is a frequent source of land disputes and inter-communal conflict and violence;
- *Output markets*: For myriads of smallholders, selling their produce is also problematic. Widespread infrastructure deficiencies constrain them (e.g., roads, logistics; energy, storage, dissemination of market information; contract enforcement; markets dominated by a few large companies, etc.). In fact, approximately 75% of rural people do not even have access to an all-season road network;
- *Discrimination against female farmers*: Women who constitute around 40% of total agricultural labor are further constrained by social norms that dictate that they be relegated to low-return activities such as poultry rearing. They are also burdened with household responsibilities that severely limit their engagement in remunerative activities; constrained by a communal belief that they cannot earn more than their husbands; have less access to irrigated land; and are severely discriminated against in terms of land ownership. They are less able to use the land as collateral in their farming business than the men: thus, 72% of men report using land as collateral versus only 38% of women. (Oseni et al, Oct 2013)

Thus, Nigerian agriculture has barely begun its transformation.<sup>10</sup> It has none of the five conditions which together exist for decades in all agricultures that have transformed

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9. In comparison, the share is 2.79% of AG GDP in South Africa; 0.99% of AG GDP in Ghana <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=NG>.

10. This is despite the fact that the Ministry of Agriculture and Rural Development (FMARD) launched a structural reform process in 2011 called ATA. (Ecker et al, March 2021)



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successfully.<sup>11</sup> (Tsakok, 2011) The low productivity of agriculture also undermines the development of the off-farm agribusiness value-chains. (WBG, June 2019). As a result of these structural problems, total factor productivity (TFP) has remained stagnant for decades. Thus, over the past 20 years, yields have been significantly below potential, especially for staples; and per capita value added in agriculture has risen by less than 1% annually. (WBG, June 2019).

*Extensive food loss and waste further undermine supply:* Extensive food loss and waste (FLW) is a global problem, not just in Nigeria as roughly 25-30% of food produced is never eaten, while its production generates 8-10% of global greenhouse gas emissions. In Nigeria, however, the problem is somewhat worse: the country loses and wastes 40% of the total food produced, equal to 31% of land used, and the source of 5% of Nigeria's GHG emissions. FLW costs an estimated 9.1% of Nigeria's GDP annually. (World Bank et al, 2020) The extent of FLW can be exemplified by considering three major food items: (i) maize, important not only for human consumption, constitutes about 50-70% of livestock feed; (ii) tomatoes, a common vegetable used in regular diets; and (iii) catfish which provides about 40% of an animal protein supply, accounts for around 64% of all aquaculture production. Artisanal fisheries contribute to some 80% of total fish production in Nigeria. The net FLW is 25%, 76%, and 34% respectively. For maize and tomatoes, the main loss hotspots are during the handling, transport, and storage stage; for catfish, during the wholesale and retail phase. (World Bank et al., 2020)

*The existential threat of climate change to Nigeria's food supply:* Nigeria is one of the most disaster-prone countries in Sub-Saharan Africa (SSA); extremely vulnerable to droughts, floods, landslides, gully erosions, and wind storms. For example, the September and October 2012 floods affected 32 states (out of 36 states), displacing six million people and inflicting US\$ 16 billion in losses and damages. Extreme weather events are already accelerating natural resource degradation, erosion, pollution, etc., all contributing to increased poverty and conflict. Climate change alone is estimated to reduce yields by 20-30% and up to 50% by 2080. This would mean a 4.5% reduction in GDP by 2050. (WBG, June 2019) Global climate models predict a range of lower yields for West Africa, including Nigeria by 2050, with the most severe reductions between 2030-2050. During the same period, Nigeria's population is expected to double to 400 million by 2050, with the urbanized population reaching 70% of the total (52% in 2020).<sup>12</sup> (World Bank et al., 2020).

## ***Determinants of access: demand-side—status and issues***

*Recent growth performance pre- and post-COVID 19 not pro-poor:* Nigeria grew at an average of 7% per year between 2000-14, way above its high annual population growth rate of 2.6%. Yet during this period, poverty reduction was only modest. Then, as oil prices collapsed, annual growth rate dropped to 2.7% in 2015; -1.6% in 2016; and it remained below the population growth rate of 2.6% until 2019, when the country was hit by the COVID-19 pandemic and oil price shock of 2020.<sup>13</sup> Since 2015, poverty reduction virtually

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11. The five conditions are: (1) a stable framework of macroeconomic and political stability; (2) an effective technology transfer system; (3) access to lucrative markets; (4) an ownership system, including a system of usufruct rights that rewards individual initiative and toil; and (5) employment-creating non-agricultural sectors. These are discussed in Isabelle Tsakok: *Success in Agricultural Transformation: What it means and What makes it happen.* (Cambridge University Press, 2011). The five conditions are also set out in five Policy Briefs published by the PCNS in 2018 and 2020. The dates are respectively; July 6, July 13, Sept 12, Oct 03, Oct 18; July 2020 on the challenges to smallholder agriculture. <https://www.policycenter.ma/publications/policy-briefs>

12. WDI, Urban population as a % of total. 2020. <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=NG>

13. The price of oil tumbled by more than 60% from Feb to May 2020. (WBG, Feb 2022)

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stagnated. Nigeria then experienced its worst recession in 20 years. Inflation in 2021, exacerbated by the Russian invasion of Ukraine since Feb 24, 2022, and high unemployment and underemployment, all combine to erode the meager purchasing power of the poor and vulnerable.

*Highly disparate spatial conditions of poverty and vulnerability, while overall numbers are growing:* Poverty is extensive: it is primarily rural and it is very unevenly distributed over the country. Given the above lack luster economic performance punctuated by the quick succession of severe shocks, extensive poverty has deepened in Nigeria. In 2018, an estimated 40% (83 m) of Nigerians lived below the international poverty line, while another 25% (53 m) were vulnerable.<sup>14</sup> For 2018-23, the poor and vulnerable are expected to rise by another 12 m. (World Bank, Overview) Seemingly intractable factors contribute to this worsening situation: e.g., (i) conflict in the North East (Boko Haram); (ii) banditry in the North West, Nigeria's poorest region;<sup>15</sup> (iii) farmer-pastoralist conflict in the North Central; and (iv) anti-oil militancy in the Delta. Furthermore, the frequency and intensity of the latter conflict seems to be seasonal; e.g., during the lean season,<sup>16</sup> when pressure on pastures increase for the Fulani who are an agro-pastoralist community. The ongoing hardships and uncertainties inflicted on the world economy by the Russian invasion of Ukraine make the ambition of the Buhari Government—lift 100 million Nigerians out of poverty by 2030—even harder, but even more critical to achieve for Nigeria is the largest contributor to poverty in SSA as nearly 20% of poor people in SSA live in Nigeria. (WBG, Feb 2022)<sup>17</sup>

### ***Determinants of utilization: nutrition and health***

*The COVID-19 pandemic exacerbated widespread nutritional deficiencies:* Before the COVID-19 assault, poverty reduction had stagnated since 2015. The absolute number of extreme poor has risen from around 70 m (2015) to 80 m in (2019). (WBG, Feb 2022) The Government of Nigeria responded rapidly though lockdown measures in March 2020 which were lifted at end October 2020 following a positivity rate of only 0.4% (as opposed to 20% in mid-June). However, the impact on the nutrition and the health of the population has been already harsh because: (i) the lockdowns closed markets and dampened economy activity, especially in informal services where most Nigerians work; thus (ii) almost 70% of households reported decreased income forcing them to cut back on their total food consumption. In Nigeria, 5 out of the top 10 risk factors that drive disability and death are related to poor diets. Malnutrition is a serious problem, especially during the first critical 1000-day window of child's life. The under-five mortality rate of 132 deaths per 1000 live births, is one of the highest in the world. (WBG, Nov 2020). Nearly 20% of children (age

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14. There is no consensus on how to identify and measure the vulnerable population. One definition (World Bank) is: "...Vulnerable employment refers to the sum of contributing family workers and own-account workers... They are the least likely to have formal work arrangements, are the least likely to have social protection and safety nets to guard against economic shocks, and often are incapable of generating sufficient savings to offset these shocks.

<https://databank.worldbank.org/metadataglossary/world-development-indicators/series/SL.EMP.VULN.ZS#:~:text=They%20are%20the%20least%20likely,Limitations%20and%20exceptions.>

Another source is: "Quantifying vulnerability to poverty: A proposed measure applied to Indonesia", by Lant Pritchett, Asep Suryahadi, Sudarno Sumarto. Policy Research Working Paper, # 2437. Sept. 2000. <https://openknowledge.worldbank.org/bitstream/handle/10986/21355/wps2437.pdf?sequence=1&isAllowed=y>

15. This region has the highest rate of stunting; the highest fertility rate; the lowest rate of English literacy; with 35 million poor and this number is rising. (WBG, June 2019) Sokoto state, in the extreme north west, on the border with Niger, has the highest poverty rate of 87.7%; for comparison, in Lagos, it is 4.5%. (WBG, Feb 2020).

16. The lean season in the Sahel usually runs from approximately June through August. However, it has started much earlier, given increasing desertification, even Feb-March. (UN News, Dec 2021)

17. While there are difficulties in estimating the largest contributor to global poverty, estimates suggest that almost two thirds of global poverty is in SSA (World Bank, 2020)

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5 and under) are underweight; 32% are stunted;<sup>18</sup> only some 58% of children are properly breastfed. (GAIN, 2022) Some major health problems include: (i) Anemia—No progress has been achieved in reducing anemia which is around 55% of women of reproductive age (age 15-49); (ii) Obesity—No progress in reducing obesity which is around nearly 16% for adult women (age 18 and up), nearly 6% for adult men (in comparison, the regional average is nearly 21% for women and around 9% for men); and (iii) Diabetes which afflicts nearly 7% of adult women and 7.5% of adult men (in comparison with the regional average for Africa at 4.5% (2021). (IDF, 2021)<sup>19</sup>). (Global Nutrition Report, 2020). Despite this overall bleak nutritional and health picture, there have been some notable improvements; e.g., in malaria prevention; polio eradication; immunization coverage; and ante-natal care.

*Systemic problems make access to basic sanitation, quality water, and health care services virtually non-existent for the majority:* Nigeria has chronically underinvested in basic services: e.g., sanitation, potable water, health care; this underinvestment a result of low and volatile level of government revenues and expenditures (in 2019 only 6% and 12% of GDP respectively); and inefficiencies throughout the system. (WBG, Nov 2020) Thus, an estimated 56% of Nigerians lack access to sanitation services; almost 25% practice open defecation.<sup>20</sup> In 2018, Nigeria's Water, Sanitation and Hygiene (WASH) sector was declared to be in a state of emergency as roughly 60 million Nigerians do not have access to safe drinking water. (World Bank, May 2021)<sup>21</sup> In the 1970s and early 1980s, Nigeria's health care system was considered comparable to other countries; but today, like other basic services, it is one of the most severely underfunded in the world.<sup>22</sup> Despite the Abuja Declaration (2001) that governments should allocate at least 15% of their budgets to health care, Nigeria allocates well under 10%. In 2016, it was 5.9% of total government spending or 0.5% of GDP. (WBG, June 2019) Nigeria's Center for Disease Control (CDC) was allocated some \$ 4 million in 2018, which comes to less than 0.02 cents per Nigerian! (Global Citizen, Sept 2020) Local governments are responsible for funding the primary care level, but they are themselves seriously underfunded and suffer from limited capacity. Primary health care facilities lack essential inputs including medicines, supplies, equipment, and skilled personnel. For example, in 2016, average drug availability was only 35%. (WBG, June 2019) There is a low ratio of doctors to population as over 1000 Nigerian doctors have emigrated to the UK between 2018 and 2019. Over 70% of health care spending is out-of-pocket.<sup>23</sup> Poor people cannot afford to pay these expenditures. Thus 69% of women in the poorest quintile have to forgo treatment. Total fertility rate (TFR)<sup>24</sup> is high at 5.3; and a large proportion of women of child-bearing age (age 15-59) have a low contraceptive prevalence

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18. Stunting is the impaired growth and development that children experience from poor nutrition, repeated infection, and inadequate psychosocial stimulation. Children are defined as stunted if their height-for-age is more than two standard deviations below the WHO Child Growth Standards median. Some consequences of stunting are poor cognition and educational performance; lost productivity; and when accompanied by excessive weight gain later in childhood, an increased risk of nutrition-related chronic diseases in adult life. Stunting is largely irreversible. The SSA average for stunting is nearly 31%.

19. The IDF Africa Region includes 48 diverse Sub-Saharan African countries and territories, and represents 32 diabetes organizations in 27 countries.

20. In fact, Nigeria is about to surpass India in having the largest population of open defecators in the world. (WBG, Nov 2020).

21. Women and girls disproportionately suffer from such lack of access as they bear the burden of carrying water for long distances. This chore not only undermines their general welfare, but also their ability to attend schools, while putting them at higher risk of gender-based violence.

22. One major problem is that data collection and record keeping is poor. This problem undermines efficiency.

23. The SSA average for out-of-pocket expenditures is 35%. Some 25% of households paid bribes in comparison to a SSA average of 19%. (WBG, Jn 2019)

24. TFR: the number of children a woman would have in the course of her life if the fertility rates observed at each age in the year in question remained unchanged. The TFR of Africa is 4.21 children per woman (2022). Africa has the highest TFR in the world. For comparison, it is 2.2 in India and 1.7 in China (2020). For global comparisons, see WDI. Total fertility Rate. 2020.



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rate, with a 20% rate of unmet family planning services. (WBG, Nov 2020)

### ***Determinants of stability: macro, trade and resilience to shocks***

*Nigeria highly vulnerable to macro-economic and political instability:* Recent crises have been severely testing Nigeria's stability and resilience to shocks. Nigeria's response to the socio-economic shocks unleashed by COVID-19 pandemic and the Russian invasion of Ukraine have laid bare key sources of vulnerability. One such is Nigeria's tight fiscal space, as it collects less domestic revenue than any other country in the world. Another such is its longstanding dependence on oil and gas. Moreover, the government not only did not counter the effect of a chronically overvalued Naira, but it made matters worse by adopting restrictive exchange rate and trade policies, as during the 2014-15 crisis. Thus, the protected domestic markets remain susceptible to uncompetitive practices as markets are highly concentrated with high barriers to entry. These concentrated markets tend to push input prices up, undermining productivity and growth of both agribusiness and manufacturing. The underdevelopment of these major sectors in turn undermines Nigeria's ability to successfully diversify from oil and gas; thus, setting up a vicious circle. Another key problem has been repeated violent conflicts in many regions; conflicts deeply rooted in religious differences, and complex socio-economic and ethnic rivalries. Other potentially destabilizing factors include widespread poverty, and high youth under/unemployment.<sup>25</sup> The public commitment to the social contract is also being undermined by public perception of rampant corruption. Regarding Worldwide Governance Indicators and Global Peace Index, Nigeria ranks in the bottom 10% of all countries in terms of political stability and the absence of violence and terrorism. (WBG, Nov 2020)

*However, Nigeria has points of integrity and sources of resilience:* Despite multiple threats to its stability, Nigeria has been drawing upon the strength of certain institutions at the Federal, state, and village levels. Federal level institutions include the Economic and Financial Crimes Commission, the Federal Inland Revenue Service; and Auditor-General. Federal and state governments have worked together effectively to tackle polio and Ebola. State-level governments include: the Lagos state government, known for setting international benchmarks for increasing domestic revenue and strengthening the state-citizen contract; Kaduna State has been implementing business-enabling reforms; and Edo State is implementing significant reforms in education. Informal institutions at the village level, age-grade associations (especially in the south), and faith-based organizations of all religious denominations deliver essential services, thus filling some of the gaps left by government agencies. Traditional rulers serve as peacemakers and maintain order: e.g., Emirs in the North; Obas in the South West; and Obis in the South East. Last but not least, Nigeria has a dynamic entrepreneurial sector strengthened by a diaspora of 1.2 million people providing money, markets, and skills for Nigerian firms and sending substantial remittances (for example, in 2017, the remittances exceeded half the value of total government spending. Personal remittances have plummeted, however, due to the pandemic, to total around US\$ 17 billion in 2020 (4% of GDP)).<sup>26</sup>

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25. Nearly 17% are youths (age 15-35); nearly 44% are between age 0-14 (2019) (Vanguard, Jan 2022)

26. Personal remittances received by recipient country. (WDI. Personal remittances in current US \$. 2020). In 2018, it was US\$ 24.8 b (6.1% GDP) and in 2019, 23.81 b (5.3% GDP).

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## CONCLUSION

The ambition of the Buhari Government is to lift 100 million Nigerians out of poverty by 2030. This is just in eight years' time; a steep challenge indeed to overcome even in "normal" times.<sup>27</sup> In this period of multiple crises, prospects for longer-term stability and inclusive growth for any country, are highly uncertain. If history is any guide, times of crisis have also been times of opportunity to reorient priorities and policies fundamentally. A case in point is the Indonesia of Gunnar Myrdal's Asian Drama (1968) "As things look at the beginning of 1966, there seems to be little prospect of rapid economic growth for Indonesia". Under Suharto's "New Order" (1967-98), Indonesia's pro-poor growth which averaged nearly 5% per year, proved Myrdal's pessimism wrong. (Timmer, 2018) Myrdal despaired over two key features of Sukarno's Indonesia: widespread corruption and extensive rural poverty. Timmer lays out the policies which promoted pro-poor growth during three decades which substantially reduced poverty, especially of smallholders. In Buhari's second term, the government is updating the Economic Recovery and Growth Plan (ERGP) of 2017-20 as it is formulating its Economic Sustainability Plan (2021-25), with the ambition of achieving substantial poverty reduction. It has already taken some difficult reform measures.<sup>28</sup> To the extent its Plan succeeds, Nigeria's food systems will deliver improved food security.

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27. "Normal" here means pre-pandemic, pre-Russian invasion of Ukraine, pre-widespread dislocations of supply chains; pre-high inflation on basic food and fertilizer, etc.

28. These recent reform measures include: power sector reform; gasoline subsidies; exchange rate unification and exchange rate management; transparency of oil revenues; debt transparency and sustainability.

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## About the Author, Isabelle Tsakok

Isabelle Tsakok, development practitioner, policy analyst, researcher, and teacher, is a Senior Fellow at the Policy Center for the New South. She grew up in the Republic of Mauritius, a multi-lingual, multi-ethnic and multi-cultural society. She holds a PHD in Economics from Harvard University, and a BA in Phil/Econ from the London School of Economics. As World Bank staff and consultant, she has focused on agricultural and rural development including on issues of agricultural transformation, food security, and poverty reduction. She has worked in most regions of the developing world, including Africa – North and South of the Sahara; Asia - South, Southeast and East; and Latin America. She has taught courses on agricultural policies and institutions at the World Bank; the School of Agricultural and Rural Department, Renmin University of China; the School of International and Public Affairs (SIPA), Columbia University; and the Université Polytechnique Mohamed VI, Morocco. Her publications address issues of methodology of partial equilibrium analysis for assessing agricultural policies and distortions; and of agricultural transformation from smallholder, subsistence to demand-driven commercial farming. Her latest book publication is *Success in Agricultural Transformation: What it Means and What Makes it Happen* (Cambridge Univ. Press, 2011).

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## Policy Center for the New South

Building C, Suncity Complex, Al Bortokal Street Hay Riad 10100 - Rabat

Email : [contact@policycenter.ma](mailto:contact@policycenter.ma)

Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54

Website : [www.policycenter.ma](http://www.policycenter.ma)

