

Firing up Nigeria Economic Growth

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INTRODUCTION

Nigeria is at a critical juncture in its development journey, seeking to place the economy on a path of sustainable and inclusive growth. A clear consensus among economic stakeholders is that this vision cannot be achieved unless the growth process is driven by transformative sectors. These sectors are considered transformative because they hold the potential to diversify sources of wealth and expand economic opportunities. For decades, economic growth has relied heavily on oil, leaving the economy vulnerable to global oil price shocks, fiscal volatility, and limited employment creation. Although there is broad agreement on the need to depart from this trajectory, Nigeria's next phase of transformation must trigger structural change through strategic investments and policies targeted at identified priority sectors.

In Volume 1 of the Strategic Sector Report Series, the Nigerian Economic Summit Group (NESG), using a rigorous and analytical sector prioritisation framework, identified six priority sectors—Agriculture, Manufacturing, Energy (including electricity and other forms), Information and Communication Technology (ICT), Construction, and Trade—as central to accelerating growth and transformation. Collectively, these sectors represent Nigeria's competitive advantages, untapped market potential, and opportunities for forward and backward linkages necessary to drive diversification.

Agriculture remains fundamental, serving as a major employer and source of livelihood for a significant share of the population. Despite persistent challenges such as low productivity and poor infrastructure, targeted reforms and investments could unlock agriculture's potential in food security, agro-processing, rural development, and export growth. Revitalising agriculture, therefore, not only strengthens social inclusion by raising rural incomes but also reinforces supply chains for both manufacturing and trade.

Manufacturing plays a critical role in value addition, diversification, and technological upgrading. While the sector has shown resilience, industrial clusters in agro-processing, automotive assembly, pharmaceuticals, and consumer goods will be essential to realising its growth and job-creating potential.

Harnessing this fully will require coordinated interventions in financing, skills development, innovation, and trade facilitation.

Energy, especially electricity, is another priority sector, serving as the backbone of productivity across industry and services. Yet the sector is plagued by challenges in generation, distribution, and affordability, constraining its ability to meet rising demand for power to drive industrialisation and urbanisation.

ICT has emerged as a transformative enabler, providing a platform for efficiency, innovation, and market access. By developing digital infrastructure and services, Nigeria stands to leapfrog traditional development, deepen financial inclusion, and strengthen integration into regional and global value chains. In parallel, infrastructure, urbanisation, and industrialisation demand a thriving Construction sector. Construction directly and indirectly creates jobs while supporting housing, transport, and industrial parks. Its growth underpins broader diversification by improving logistics, enabling manufacturing clusters, and strengthening trade hubs.

The final sector, Trade, both domestic and cross-border, connects production with consumption, strengthens competitiveness, and unlocks the benefits of regional integration. Expanding trade calls for reforms in logistics, customs, market access, and regulatory frameworks that would allow scalable growth, particularly for small and medium-sized enterprises. Together, these six sectors outline Nigeria's route to stronger growth, more and better jobs, enhanced export competitiveness, and inclusive development.

This volume of the Strategic Sector Series provides an in-depth analysis of each sector, assesses constraints and opportunities, evaluates cross-sector linkages and enablers, and proposes targeted policy interventions aligned with Nigeria's Vision 2030 and the Renewed Hope Agenda. Addressing sectoral gaps holistically will unlock synergies critical to delivering durable transformation in Nigeria's economic landscape.

A green John Deere tractor with yellow wheels is plowing a field at sunrise. The tractor is moving from left to right, leaving a trail of dark soil behind it. The field is covered in green grass. In the background, there is a dense forest of evergreen trees. The sky is a mix of orange and yellow, indicating the sun is low on the horizon. The overall scene is peaceful and productive.

SECTION A: AGRICULTURE

Agriculture remains a cornerstone of Nigeria's economy, historically serving as the backbone of growth, employment, and foreign exchange earnings before the advent of crude oil. In the decades following independence, the sector contributed over 40 percent to Nigeria's Gross Domestic Product (GDP) and dominated export revenues, particularly through cash crops such as cocoa, groundnuts, cotton, and palm oil. However, the discovery and subsequent dominance of crude oil in the 1970s fundamentally altered the trajectory of the Nigerian economy, leading to a dramatic decline in the relative importance of agriculture. In 2024, the sector's contribution to GDP fell to 27.8 percent, while oil continues to dominate foreign exchange earnings, leaving the economy highly vulnerable to fluctuations in global oil markets.

The agricultural sector is composed of four major activities, Crop Production, Livestock, Forestry, and Fisheries. Of these, Crop Production is overwhelmingly dominant, accounting for 71 percent of total agricultural output in 2024. According to the Nigerian General Household Survey (GHS, 2023/2024), 71.6 percent of households engage in Crop Production, while 42.8 percent participate in Livestock farming and only 5.6 percent in Fisheries¹ (NBS, 2024). This distribution highlights not only the centrality of crop production to Nigeria's food system but also the underdeveloped potential of other subsectors such as livestock, aquaculture, and forestry.

Despite these high participation levels and Nigeria's vast natural endowments, the sector has been unable to meet the country's growing food demand. This paradox is stark: Nigeria is the world's largest producer of cassava and one of the global producers of pineapple, palm oil, cocoa, and sorghum, yet it relies heavily on imports of food staples. The country's import bill on food and live animals surged from ₦3.1 trillion in 2021 to ₦7.0 trillion in 2024, placing immense pressure on foreign exchange reserves and exposing the economy to external shocks. This rising dependency reflects persistent challenges of low agricultural productivity, driven by structural, institutional, and environmental bottlenecks³.

Several interlocking constraints explain this underperformance. Poor infrastructure—particularly inadequate rural roads, storage facilities, and irrigation systems—limits farmers' access to markets and fuels post-harvest losses. Low levels of mechanisation and outdated farming practices continue to make production labour-intensive and inefficient. Limited access to finance, coupled with restrictive land tenure systems, constrains investment in modern inputs and technologies. Insecurity in many food-producing regions has further disrupted farming activities, while environmental degradation and climate change amplify risks to both yields and livelihoods. Additionally, inconsistent and poorly implemented agricultural policies have eroded private sector confidence, further discouraging long-term investment in the sector.

Against this backdrop, this diagnostic report provides a comprehensive assessment of Nigeria's agricultural sector. It examines the structural bottlenecks undermining productivity, analyses the socio-economic consequences of the sector's persistent underperformance, and identifies untapped opportunities across the agricultural value chain. The report emphasises the importance of implementing coherent, consistent, and well-targeted policies that capitalise on regional comparative advantages, enhance linkages with other sectors of the economy, and reposition agriculture as a key driver of food security, poverty reduction, and sustainable economic transformation in Nigeria.

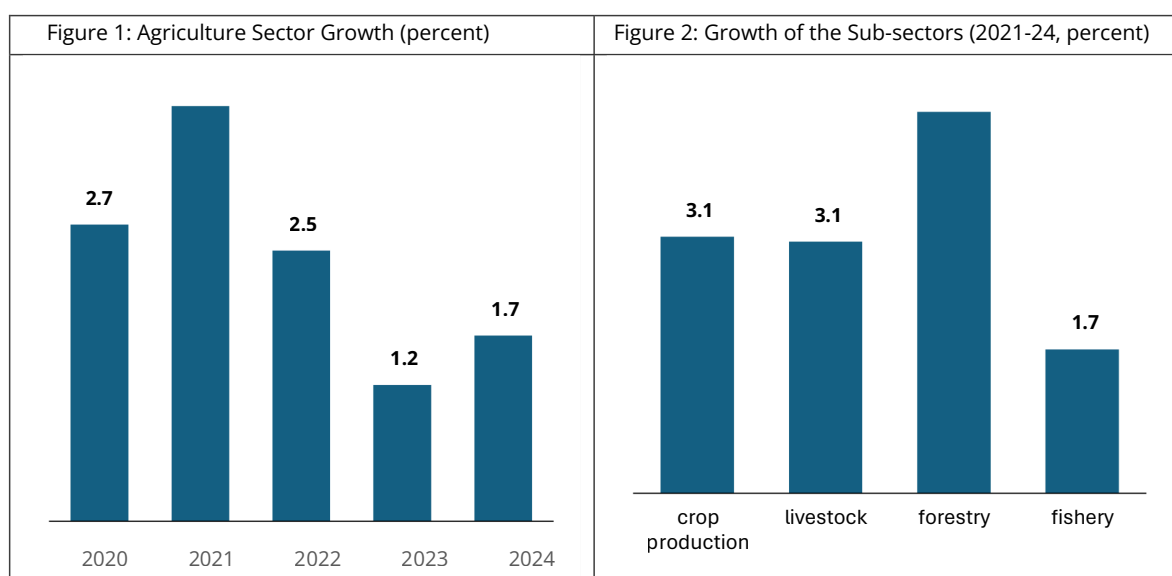
¹ NBS (2024). Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time, retrieved from: <https://www.nigerianstat.gov.ng/pdfuploads/pdf>

² Ibid.

³ FAO. (2022). Digital Agriculture Platform to Enable Access to Capital, Improved Production, Aggregation, and Trade for Smallholder Farmers: Babban Gona and AFEX Nigeria | E-Agriculture, retrieved from: <https://www.fao.org/e-agriculture/events/digital-agriculture-platform-enable-access-capital-improved-production-aggregation-and-trade>

2.1 Overview & Structure of the Agricultural Sector

Agriculture demonstrated remarkable resilience during the height of the COVID-19 pandemic, emerging as the only broad sector that recorded positive growth. While the broader economy contracted, agriculture expanded by 2.7 percent in 2020 and further by 3.8 percent in 2021 (see Figure 1). In contrast, Industry and Services contracted by 22.7 percent and 5.4 percent in 2020, underscoring agriculture's role as a stabilising force in an otherwise fragile economy. However, this resilience has not translated into sustained momentum. Deep-rooted structural constraints, ranging from insecurity and recurrent flooding to low mechanisation levels and critical infrastructure deficits, have continued to weigh on productivity. As a result, agricultural growth decelerated, averaging just 1.8 percent between 2022 and 2024. Within the sector, crop production accounted for about 70 percent of agricultural GDP, yet that of the forestry subsector eclipsed its growth performance. Despite contributing a modest 4.6 percent on average to agricultural GDP between 2021 and 2024, forestry has emerged as the fastest-growing subsector, highlighting its catalytic role in sustaining agricultural expansion even in the face of sector-wide vulnerabilities.



Data: National Bureau of Statistics (NBS); Chart: NESG Research

2.2 Challenges Confronting the Agriculture Sector

a) Low irrigation coverage & climate vulnerability: Most Nigerian agriculture is rain-fed (seasonal), making production highly vulnerable to rainfall variability and increasing climate extremes (droughts, floods). Irrigation coverage and water-management infrastructure are limited, constraining possibilities for double-cropping and resilience. Only 1.7 percent of plots are irrigated⁴.

b) Poor rural infrastructure (roads, storage, cold-chain): Inadequate rural roads, limited rural electrification, and low cold-chain and warehouse capacity limit farmers' access to markets and lead to significant post-harvest losses—estimated at 40 percent of total output in some cases⁵.

c) Limited access to finance & high cost of capital: Farmers and SMEs face restricted access to affordable credit and insurance. Short tenors, high interest rates, and lack of collateral prevent investment in productivity-enhancing equipment (irrigation, mechanisation) and in storage/cold-chain. Agriculture is the least funded sector, accounting for 4.8 percent of bank loans. The risk aversion in financing the sector is further amplified by low insurance penetration among agricultural MSMEs, estimated at 4.7 percent in 2020⁶.

⁴ NBS (2024). Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time, retrieved from: <https://www.nigerianstat.gov.ng/pdf/uploads/.pdf>

⁵ FAO (2021). Nigeria at a glance. Retrieved from: <https://www.fao.org/nigeria/fao-in-nigeria/nigeria-at-a-glance/en/?scrlybrkr=47aa3443>

⁶ SMEDAN & NBS (2021). Nigerian MSME Survey Report, retrieved from: https://smedan.gov.ng/wp-content/uploads/2022/03/2021-MSME-Survey-Report_1.pdf

⁷ World Bank (2023). Agricultural land (percent of land area) – Nigeria. World Development Indicators. Washington, D.C.: The World Bank.

d) **Land fragmentation and urban development:** Fragmentation reduces economies of scale for mechanisation. Agricultural land accounts for about 76 percent of Nigeria's total land area⁷. However, in many peri-urban areas, urban expansion and land development have been documented to encroach upon arable and vegetative lands, reducing the area available for farming^{8,9}.

e) **Regulatory and policy inconsistency:** Fluctuating trade measures, sudden bans/controls (e.g., proposals on staple exports), or ad hoc subsidies create uncertainty and discourage private-sector investment in storage, processing and export linkages.

f) **Communal conflicts and Insecurity:** The Northern zone is recognised as the food basket of Nigeria, which is also most exposed to insecurity. The fear of being attacked or kidnapped has seriously depleted the availability of labour supply for farm activities, as many farmers are reluctant to work in their fields due to safety concerns. In northeastern Nigeria, the Boko Haram insurgency has neutralised approximately 30 percent of the country's wheat production capacity¹⁰.

g) **Low Mechanisation and Outdated Farming Practices:** Many Nigerian farmers still rely on rudimentary tools and traditional methods, which limit productivity and make farming labour-intensive. Nigeria's tractor density at 0.27 hp/hectare is far below the FAO's recommended tractor density of 1.5 hp/ hectare¹¹. Only 8.7 percent of farmland plots use equipment machines, with less than 1 percent of agricultural households owning tractors, pickups, sprinklers, and harvesters¹².

h) **Inadequate use of farm inputs and limited access to extension services:** Herbicides are used on 32.6 percent of cultivated plots. In comparison, pesticides and inorganic fertilisers are applied on 16.3 percent and 26.2 percent of cultivated plots, respectively. Also, only 24.4 percent of farming households benefit from extension services¹³.

i) **Environmental degradation and Climate change impacts:** Desertification and soil erosion reduce arable land, particularly in states like Kano and Sokoto¹⁴. Flooding and unpredictable rainfall disrupt planting cycles in coastal and rainforest zones¹⁵. Adamawa, Borno, and Yobe states have been particularly hard hit. Some 880,000 people have been affected in the three states, and nearly 300,000 hectares of farmland have been destroyed¹⁶.

8 Oladehinde, G., Fatusin, A., & Ojo, V. (2019). Urban Expansion and Loss of Agricultural Land in Osogbo, Osun State, Nigeria, using Multi-Temporal Imageries. *Journal of African Real Estate Research*, 4(1), 123–138.

9 Iortyom, E. T., Semaka, J. T., & Kargbo, P. (2022). The Effect of Urban Expansion on Peripheral Agricultural Lands in Makurdi City. *European Journal of Development Studies*, 2(4), 100–108.

10 Gana, U., Farouq, M., Isah, U., & Yahaya. (2025). Asymmetric Impact of Insecurity on Agricultural Productivity in Nigeria, retrieved from: https://mpa.ub.unimuenchen.de/123113/1/MPRA_paper_123113.pdf

11 see [1] NBS (2024). *Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time*, retrieved from: <https://www.nigerianstat.gov.ng/pdfuploads/pdf>

12 FAO (2021). *Nigeria at a glance*. Retrieved from: <https://www.fao.org/nigeria/fao-in-nigeria/nigeria-at-a-glance/en/?scrybrkr=47aa3443>

13 SMEDAN & NBS (2021). *Nigerian MSME Survey Report*, retrieved from: https://smedan.gov.ng/wp-content/uploads/2022/03/2021-MSME-Survey-Report_1.pdf

14 World Bank (2023). *Agricultural land (percent of land area) – Nigeria*. World Development Indicators. Washington, D.C.: The World Bank.

15 NBS (2024). *Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time*, retrieved from: <https://www.nigerianstat.gov.ng/pdfuploads/pdf>

16 Ibid.

17 Simire, M. (2021). Kano lists causes of low agricultural productivity - *EnviroNews* - latest environment news, climate change, renewable energy, retrieved from: [1] NBS (2024). *Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time*, retrieved from: <https://www.nigerianstat.gov.ng/pdfuploads/pdf>

18 FAO (2021). *Nigeria at a glance*. Retrieved from: <https://www.fao.org/nigeria/fao-in-nigeria/nigeria-at-a-glance/en/?scrybrkr=47aa3443>

19 SMEDAN & NBS (2021). *Nigerian MSME Survey Report*, retrieved from: https://smedan.gov.ng/wp-content/uploads/2022/03/2021-MSME-Survey-Report_1.pdf

20 World Bank (2023). *Agricultural land (percent of land area) – Nigeria*. World Development Indicators. Washington, D.C.: The World Bank.

21 Oyim, A., Osayi, K. K., Okaforocha, C. M., & Nwokoye, E. S. (2023). Constraints to Agricultural Productivity in South East Nigeria: Evidence from Small-Scale Farmers in Abakaliki Metropolis. *International Journal of Research and Innovation in Social Science*, VII(X), 1586–1600.

22 FAO (2024). *FAO warns of worsening food insecurity in Nigeria as devastating floods continue*, retrieved from: [1] NBS (2024). *Nigeria General Household Survey-Panel (Wave 5) 2023/2024: Tracking Nigerian Households to Understand Their Resilience Over Time*, retrieved from: <https://www.nigerianstat.gov.ng/pdfuploads/pdf>

23 FAO (2021). *Nigeria at a glance*. Retrieved from: <https://www.fao.org/nigeria/fao-in-nigeria/nigeria-at-a-glance/en/?scrybrkr=47aa3443>

24 SMEDAN & NBS (2021). *Nigerian MSME Survey Report*, retrieved from: https://smedan.gov.ng/wp-content/uploads/2022/03/2021-MSME-Survey-Report_1.pdf

25 World Bank (2023). *Agricultural land (percent of land area) – Nigeria*. World Development Indicators. Washington, D.C.: The World Bank.

2.3 Opportunities facing the Agriculture Sector

a) Rising domestic demand: Nigeria's rapid urbanisation and population growth are driving an unprecedented surge in demand for food products, including rice, poultry, eggs, fish, dairy substitutes, horticultural produce, cassava derivatives, and packaged foods. This expanding consumer base presents a compelling case for prioritising agriculture as a core pillar of the country's import-substitution strategy.

b) Regional trade in processed farm produce: Nigeria's strategic location—bordering both coastal and Sahelian markets—offers vast opportunities to expand intra-African trade. The country has the potential to become a key supplier of processed foods, animal feed, cassava starch and syrup, cocoa products, cashew, sesame, ginger, and hibiscus. Leveraging this potential would not only diversify Nigeria's export portfolio but also strengthen non-oil export earnings. In 2024, the agricultural sector accounted for 41.6 percent of total non-oil exports, according to NBS data.

c) Value addition and by-products: Significant prospects lie in scaling up agro-processing to capture higher margins and create jobs. Priority opportunities include cassava (starch, high-quality cassava flour, ethanol), oilseeds (soybean, groundnut, sesame), rice milling, poultry and aquaculture feed, dairy reconstitution, and horticulture packaging. These segments remain underexploited but could drive industrial linkages and rural transformation if systematically developed¹⁷.

d) Catalytic role of digital technology: Emerging digital solutions offer transformative potential for the sector. Tools such as blockchain-enabled traceability systems, climate-smart advisories, pay-as-you-go irrigation services, and solar-powered cold storage facilities can curb input fraud, reduce post-harvest losses, and enhance productivity. Such innovations not only boost yields but also strengthen resilience and competitiveness in Nigeria's agricultural value chains¹⁸.

Sector Outlook

The agricultural sector remains central to Nigeria's economic transformation agenda, given its immense potential to drive food security, reduce poverty, diversify revenue streams, and promote industrialisation through value addition. However, persistent inefficiencies undermine this potential. For instance, an estimated 40 percent of farm output is lost to post-harvest waste, primarily due to inadequate storage facilities, poor logistics, and weak market linkages. If these losses had been curtailed, their moderating effect on food supply could have helped ease food inflation, which averaged 22.6 percent in the first seven months of 2025, according to the NBS data. Encouragingly, new initiatives are emerging to address these structural weaknesses. The African Development Bank (AfDB) recently announced plans to mobilise US\$2.2 billion for the establishment of Special Agro-Industrial Processing Zones across 28 states, a move expected to strengthen value-chain integration, boost productivity, and create employment opportunities¹⁹.

Complementing this, the Federal Government's recent export ban on raw shea nuts is designed to redirect investments towards domestic shea butter processing, with revenue prospects projected at US\$300 million in the short term and as high as US\$3 billion by 2027.²⁰ Yet, significant gaps persist. Fish, which constitutes the most consumed source of animal protein in Nigeria, is still underproduced domestically, with local output meeting less than 40 percent of national demand. This creates both a food security concern and a substantial investment opportunity. Despite these challenges, industry stakeholders have signalled cautious optimism for the fourth quarter of 2025, although confidence remains weaker compared to other sectors²¹. This underscores the urgency for proactive and well-coordinated interventions to tackle persistent bottlenecks, unlock value-chain opportunities, and fully harness agriculture's role as a driver of inclusive and sustainable growth.

¹⁷ World Bank (2020). Nigeria: Food Smart Country Diagnostic. Washington, DC: World Bank. Retrieved from: <https://hdl.handle.net/10986/34522>

¹⁸ NITDA (2024). Digital supply chains to transform small-scale farming in Nigeria. Retrieved from: <https://nitda.gov.ng/digital-supply-chains-to-transform-small-scale-farming-in-nigeria-dg-nitda/8308/>

¹⁹ See <https://www.reuters.com/world/africa/african-development-bank-seeks-22-billion-support-nigerias-agriculture-2025-04-08/>

²⁰ See <https://statehouse.gov.ng/news/president-tinubu-orders-immediate-ban-of-raw-shea-nut-export/>

²¹ NESG-Stanbic IBTC (2025). Mixed Signals: Strong Sectoral Growth Versus Structural Hurdles. Business Confidence Monitor. Retrieved from: <https://www.nesgroup.org/research/publication/nesc-stanbic-ibtc-business-confidence-monitor-for-august-2025>

Cross-sector Insights

This section highlights the cross-cutting factors affecting the different agricultural activities, with a focus on the most critical enablers (see Table 1). Finance, infrastructure, energy, and policy stability are universal enablers and are essential for many subsectors. Cold-chain investment is the most significant cross-cutting need for perishables (fruits, vegetables, fish, dairy). Land tenure is critical for industrial crops, oil palm, and livestock ranching. Conflict and insecurity uniquely constrain cereals (Middle Belt) and livestock (North West/North Central). Cash crops (cocoa, cotton, rubber) are strong forex earners but underexploited due to low processing capacity. Additionally, technology plays a crucial role in improving productivity in root and tuber crops, horticulture, and fisheries

Table 1: Top Enabling Factors for Agricultural Activities in Nigeria

Subsector/Activity	Top 3 Enablers	Rationale
Cereals & Grains (maize, rice, sorghum, millet)	- Energy - Infrastructure & Logistics - Security	High energy for milling/processing; rural roads critical for bulk movement; insecurity in major grain belts limits cultivation.
Roots & Tubers (cassava, yam, potato)	- Infrastructure & Logistics - Cold Chain/Storage - Technology	Perishability drives high post-harvest losses; warehousing and cold storage are vital; improved varieties and processing technologies boost productivity.
Oilseeds & Legumes (soybean, sesame, groundnut, palm oil)	- Land Tenure - Finance - Policy & Trade Stability	Plantation crops need secure land tenure; export crops require stable policy under AfCFTA; finance is essential for oil mills and mechanisation.
Horticulture (vegetables, fruits, spices)	- Cold Chain/Storage - Technology - Finance	High perishability makes cold storage a priority; greenhouse/irrigation adoption depends on access to credit; improved seeds and pest management enhance yields.
Livestock & Poultry (beef, dairy, poultry, goats, sheep)	- Security - Finance - Energy	Insecurity disrupts pastoral systems; finance is required for ranching, feed mills, hatcheries; energy is needed for dairy chilling, poultry processing.
Fisheries & Aquaculture	- Energy - Cold Chain/Storage - Technology	Energy powers aeration and pumping; cold chain is vital for fresh/frozen fish; improved hatcheries, feed technology and pond systems drive productivity.
Industrial Crops (cocoa, cotton, rubber, sugarcane)	- Land Tenure - Policy & Trade Stability - Finance	Long-gestation crops require secure land rights; export crops rely on stable global trade integration; and finance supports the rehabilitation and processing of plantation industries.

Conclusion and Policy Recommendations

Nigeria's agriculture can move from a subsistence-heavy, volatility-prone system to a resilient, market-connected, and climate-smart growth engine. The peril of low agricultural productivity manifests in a self-reinforcing cycle where insecurity reduces agricultural productivity, while food insecurity and economic hardship potentially contribute to greater social instability.

Breaking this cycle requires comprehensive interventions, and the key actionable steps to take include:

a) Tackling Insecurity: Security challenges must be systematically addressed to create safe conditions for agricultural activities, particularly in the most affected regions. Additionally, there is a need for integrated programmes that combine livelihood support, dispute-resolution mechanisms, and targeted security in hotspots to restore access to farmland.

b) Synergy between the government and the private sector: Strategic public-private investments in rural infrastructure, especially road networks and cold storage systems, would significantly reduce these losses and improve market access.

c) Improving access to credit and insurance: Expand agricultural credit guarantee schemes and establish microfinance institutions tailored to the unique needs of rural farmers. Additionally, there is a need to promote agricultural insurance to protect farmers against losses resulting from climate change or pests.

d) Providing low-cost farm inputs and reviving agricultural extension services: Subsidise farm equipment and incentivise agro-tech companies to provide pay-as-you-go models for mechanised services. Agricultural extension services should be revamped to train rural farmers on modern techniques and global best practices.

e) Reforming the land tenure system: Implement and enforce a unified land reform policy that guarantees land titles and promotes equitable access, especially for marginalised groups.

f) Policy Consistency and Implementation: Strengthen agricultural policies and ensure proper implementation and continuity across political administrations.

g) Technology-Driven Solutions: Mobile-based platforms for market information, weather updates, and e-wallet subsidy programmes (like the Growth Enhancement Scheme) should be expanded.

h) Social Protection towards Poor and Most Vulnerable Farmers: Conditional cash transfers and input subsidy programmes should be well-targeted at the proper beneficiaries to ensure that interventions translate into improved agricultural productivity.

i) Invest in small-scale irrigation & water harvesting. Prioritise affordable, solar-powered pumps, micro-irrigation and watershed investments to move away from rain-fed risk.

j) Stimulate agro-processing with industrial parks & demand-pull. Use agro-industrial parks with shared utilities (power, labs, customs facilitation) and expand public procurement for local processed foods (schools, hospitals) to create dependable demand.



SECTION B: **MANUFACTURING**

Nigeria's economic trajectory over the past decades has been primarily shaped by the dominance of the services sector, particularly telecommunications, trade, and financial services. While agriculture once played a central role in sustaining livelihoods and foreign exchange earnings, its contribution to gross domestic product (GDP) has steadily declined in relative importance, reflecting structural weaknesses, productivity constraints, and a gradual shift of labour away from farming. In this context, the manufacturing sector — which historically serves as the backbone of industrialisation and inclusive development in successful emerging economies — has not assumed its expected role as a driver of broad-based economic transformation.

Instead, Nigeria faces a process of de-industrialisation, evidenced by the manufacturing sector's limited capacity to generate jobs, stimulate value addition, and integrate effectively with other sectors of the economy. This weak industrial base leaves the country vulnerable to significant risks. Nigeria is heavily reliant on imported industrial inputs and finished goods, which not only widens external imbalances but also constrains the development of domestic value chains. As a result, the economy has been unable to harness the inclusive benefits of industrialisation fully — the synergy between sustainable growth and social inclusion.

The scale of the challenge is reflected in the sector's trade performance. Nigeria's manufacturing trade deficit deteriorated from ₦9.4 trillion in 2021 to ₦24.5 trillion in 2024²². This widening gap highlights missed opportunities to capitalise on forward and backward linkages between manufacturing, agriculture, mining, energy, and services. Such linkages are crucial for strengthening supply chains, enhancing local content, and enhancing productivity across the broader economy.

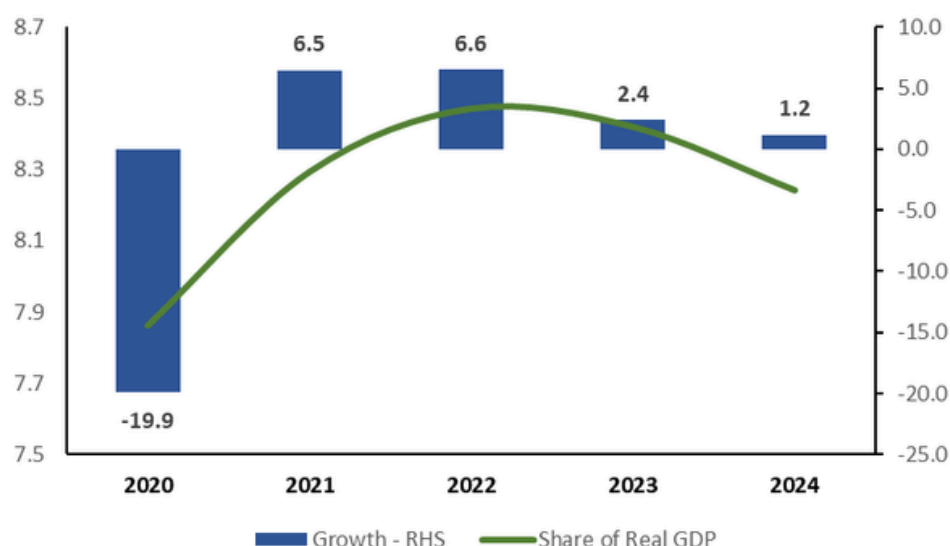
Persistent challenges have compounded the sector's underperformance. High production costs, inadequate infrastructure, limited access to foreign exchange, depressed consumer demand, and restrictions on profit repatriation have discouraged new investment. These constraints have also triggered the exit of several multinational firms and the closure of many domestic manufacturers. Yet, the outlook is not without promise. The obstacles facing the sector are surmountable if addressed through targeted, consistent, and well-coordinated policies. Nigeria must take decisive steps to reverse the twin crises of de-industrialisation and import dependence.

Against this backdrop, this report provides a diagnostic overview of Nigeria's manufacturing sector. It highlights the major constraints impeding growth, identifies opportunities for structural transformation, and underscores the cross-cutting enablers, such as infrastructure, financing, skills, and market access, that must be optimised. The aim is to inform actionable policies that can reposition the sector as a cornerstone of sustainable economic growth, job creation, and global competitiveness.

Overview & Structure of the Manufacturing Sector

The Manufacturing sector experienced a strong post-pandemic recovery, which, however, was curtailed by persistent structural bottlenecks. After contracting sharply by 19.9 percent at the height of the COVID-19 pandemic in 2020, the Manufacturing sector expanded significantly, reaching a peak of 6.6 percent in 2022. However, following the dual reforms of fuel subsidy removal and exchange rate unification introduced in mid-2023, industry players faced unprecedentedly high production costs, exacerbating pre-existing challenges, including power outages, infrastructure deficits, high borrowing costs, and multiple taxation, among others. This confluence of factors contributed to the muted performance of the Manufacturing sector, which grew by an average of 1.8 percent in 2023-2024. Even though the market size of the sector surged by 72.7 percent from ₦18.7 trillion in 2019 to ₦32.3 trillion in 2024, this growth only reflected rising price pressures, with production struggling to keep up momentum.

²² NBS (2025). Foreign Trade Statistics Report Q4 2024. National Bureau of Statistics. Retrieved from: <https://microdata.nigerianstat.gov.ng/index.php/catalog/84>

Figure 3: Performance of the Manufacturing Sector (percent)

Data: National Bureau of Statistics (NBS); Chart: NESG Research

Historically, the performance of the Manufacturing sector is primarily driven by the three heavy-weight sub-sectors – Food, Beverages & Tobacco, Textile, Apparel & Footwear, and Cement – which accounted for 72.7 percent of the Manufacturing output between 2021 and 2024 (see Table 2). Out of these activities, only the Textile sub-sector posted a growth of more than 5 percent over the review period. Meanwhile, evidence has revealed promising sub-sectors, including Motor Vehicle & Assembly, Electrical & Electronics, and Chemical & Pharmaceutical Products, which expanded by over 5 percent and collectively contributed 5.9 percent to Manufacturing output between 2021 and 2024. This is even though the pharmaceutical industry witnessed the exit of multinationals, including GlaxoSmithKline (GSK) and Sanofi-Aventis, in 2023. However, the high growth posted by these activity sectors reflects their resilience and potential to boost manufacturing output if they could receive the required financial, policy, and regulatory support in the country.

Table 2: Performance of Manufacturing Sub-Sectors – Growth and Share (%)

Activity	Growth	Share of Manufacturing GDP
Motor vehicles & assembly	20.2	0.8
Electrical & Electronics	13.1	0.1
Chemical & Pharmaceutical Products	6.6	5.0
Textile, Apparel & Footwear	6.0	25.4
Wood & Wood Products	5.0	4.0
Food, Beverage & Tobacco	4.4	34.0
Pulp, Paper & Paper Products	3.9	1.8
Cement	3.8	13.3
Basic metal, Iron & Steel	2.4	2.8
Non-Metallic Products	2.1	5.0
Other Manufacturing	1.4	4.3
Plastic & Rubber products	-2.7	3.4
Oil Refining	-31.7	0.1

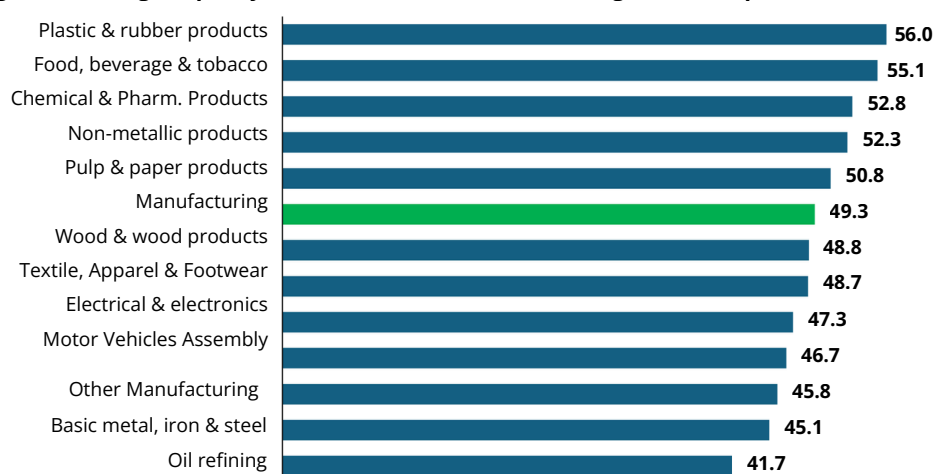
Challenges Confronting the Manufacturing Sector

a) Unreliable and costly energy supply: Frequent outages and high-cost private generation (diesel, gas) significantly raise production costs and reduce competitiveness. Several manufacturers and academic institutions in Nigeria have abandoned the national power grid, opting to generate their own electricity due to high costs, rising fuel prices, persistent grid failures, and frequent power fluctuations. In reaction, the federal government has recently released a National Integrated Electricity Policy (NIEP) to ensure the return of over 60 percent of manufacturing firms, which had exited the national grid²⁴.

b) Foreign-exchange volatility and import dependence for inputs: Waves of Naira devaluation and foreign exchange (FX) scarcity since 2023–24 dramatically increased the cost of imported raw materials, machinery and spare parts. Some multinationals curtailed or closed local production; others switched to importing finished goods. This exposure to FX shocks has amplified inflationary pressures and disrupted production planning.

c) Low capacity utilisation and weak domestic demand: Manufacturing capacity utilisation averaged less than 50 percent between 2021 and 2024. Only five sub-sectors recorded an average capacity utilisation rate of over 50 percent (see Figure 4). This reflects both supply bottlenecks and weak consumer purchasing power due to high inflation, which reduces economies of scale and deters investment. The low capacity utilisation is also reflected in low labour absorption, as Micro, Small, and Medium-sized Enterprises (MSMEs) operating in the country's Manufacturing sector accounted for 9.5 percent in 2020²⁵.

Figure 4: Average Capacity Utilisation across Manufacturing Activities (percent)



Data: Central Bank of Nigeria (CBN); Chart: NESG Research

a) Transport, logistics and trade facilitation gaps: Poor road networks, port congestion, and inefficient multimodal linkages raise cost and lead times for inputs and finished goods — adding to manufacturers' costs and making exports less competitive. Logistics shortfalls also raise post-harvest and input losses for agro-processors. Port operations are concentrated in Lagos, with the Apapa seaport facilitating over 80 percent of Nigeria's exports and over 50 percent of its imports annually.

b) High cost and limited access to finance: Commercial interest rates are high, and many manufacturers — especially SMEs — lack collateral or long-term financing for capital investment. According to CBN data, the credit allocation to the sector fell from 16.8 percent in 2021 to 14.4 percent in 2024, reflecting the high-interest-rate environment. Deposit money banks and investors are risk-averse, as many Nigerian MSMEs that operate within the sector are not investment-ready. Only 28 percent of Manufacturing MSMEs have business plans, with 4.6 percent and 6.7 percent exposed to insurance and e-commerce, respectively, in 2020²⁶.

²³ See <https://thetstreetjournal.org/dangote-nnpcl-mtn-247-firms-abandon-national-grid-to-generate-their-own-electricity/>

²⁴ See <https://www.thisdaylive.com/2025/02/28/fg-over-60-of-nigerian-companies-have-exited-national-power-grid/>

²⁵ SMEDAN & NBS (2021). Nigerian MSME Survey Report, retrieved from: https://smedan.gov.ng/wp-content/uploads/2022/03/2021-MSME-Survey-Report_1.pdf

²⁶ Ibid.

c) Skills gaps, technology and productivity shortfalls: Many firms report shortages of skilled technicians, engineers and managers, while investment in automation and Research and Development (R&D) remains low. That constrains productivity improvements and the shift to higher-value manufactured goods. The skills gap in the Manufacturing sector was estimated at 64 percent in 2020²⁷.

d) Trade policy frictions, smuggling and competition from imports: Weak enforcement at borders, tariff inconsistencies and smuggling undercut domestic producers. At the same time, some manufacturers rely on imported intermediate goods — creating a policy paradox where protection may be warranted, but inputs remain imported and expensive. Coupled with limited support for local content and value chain development.

e) Policy inconsistency, regulatory uncertainty, and bureaucratic barriers: Frequent policy shifts, weak policy coordination, and slow regulatory processes create an uncertain investment environment. Inconsistent policies and poor implementation have been identified as major hindrances to Nigeria's industrialisation drive because they make investment planning difficult for manufacturers in the country, according to the Lagos Chamber of Commerce and Industry²⁸.

Opportunities facing the Manufacturing Sector

a) Large Domestic Market and Emerging Regional Demand: Nigeria's large and growing population offers a substantial consumer base. Moreover, Nigeria's strategic location within ECOWAS and the African Continental Free Trade Area (AfCFTA) agreement opens access to broader markets, presenting enormous opportunities for import substitution and export growth in Nigeria's manufacturing space.

b) Potential for Renewable Energy Integration: Renewable energy, particularly solar, offers an opportunity to mitigate frequent power outages and prevent grid collapse. Local production and assembly of solar components are expanding, supported by policy incentives and investment, although currently import dependence remains high. Efforts by companies such as Auxano Solar and Forgo Battery Company highlight growing local capacity and employment generation in renewable energy manufacturing²⁹.

c) Government-Led Industrial Support and Policy Initiatives: Targeted government support, in the form of industrial policies, sector master plans, and incentives such as pioneer status, has historically attracted investment to areas like food processing, cement, and pharmaceuticals. Amplified commitments to infrastructure development, security enhancement, and policy stability are critical to unlocking the sector's growth and job creation potential.

d) Circular Economy and Recycling Initiatives: Recycling and circular economy practices have significant growth potential, enabling local manufacturers to reduce raw material costs and environmental impacts. The lead-acid battery manufacturing and recycling activities by Union Autoparts Mfg. Co. Ltd exemplify this opportunity, showing how local value addition and waste management can strengthen industrial sustainability and employment (REAN, 2021). Similarly, other key Nigerian manufacturers have recorded milestones in this regard (see Box 1).

²⁷Ibid.

²⁸ See <https://www.vanguardngr.com/2024/10/policy-inconsistencies-bane-of-nigerias-industrial-drive-icci/>

²⁹ Renewable Energy Association of Nigeria (REAN). (2021). Perception Survey of Local Manufacturers in the Nigerian Renewable Energy Sector. Retrieved from: <https://rean.org.ng/perception-survey-of-local-manufacturers-in-the-nigerian-renewable-energy-sector/>

Box 1: Experiences of Major Companies with Circular Economy Practices

Dangote Group: Dangote Cement runs DangCircular, a programme supporting agro-waste use as an alternative fuel. Between 2021 and 2023, it reduced diesel use by 59.5 percent and gasoline use by 20 percent, resulting in a 7.5 percent decrease in emissions. It also sponsors student innovation challenges and community recycling programmes (NM Partners, 2022).

Lafarge Africa: Lafarge's Geocycle programme processes over 80,000 tonnes of waste annually, including plastics, tyres, and agro-waste. In 2020, 71,029 tonnes were reused, creating 3,000 jobs. It has received awards for its leadership in recycling (Lafarge, 2022).

Guinness Nigeria: Guinness partnered with Wecyclers in 2018 to strengthen recycling under its 4R strategy. It supports low-cost waste collection and creative recycling initiatives, such as PET bottle art. It also invests in water recovery systems and works with FBRA to boost Nigeria's recycling ecosystem (EnviroNews Nigeria, 2018).

Coca-Cola Nigeria: Coca-Cola launched a Packaging Collection Hub in Lagos with a capacity of 13,000 MT annually. It has committed to 35–40 percent recycled packaging by 2035 and has partnered with the University of Lagos on a Green Eco Hub. By 2023, 73 percent of its electricity came from renewables. Its programs, in partnership with USAID, recovered 49,000 MT of plastic and created 10,000 green jobs (Coca-Cola, 2025)

Sector Outlook

Agro-allied industries and light manufacturing hold considerable promise in jump-starting Nigeria's industrialisation drive, considering their import-substitution potential, investment opportunities, and export prospects. However, without addressing the structural constraints facing the Manufacturing sector, Nigeria risks losing the sector's full potential in accelerating growth, driving economic transformation, stimulating job creation, and deepening social inclusion.

The NESG-Stanbic IBTC Report for September 2025 revealed that manufacturers expressed short-term optimism about the turnaround of the economic conditions in 2025Q4³⁰. However, this positive sentiment is being threatened by the recent national grid collapse, which suggests that many manufacturing MSMEs with limited capacity to generate self-electricity would continue to rely on costly petrol and diesel-powered generators to keep afloat. The resulting high production and operational costs would reduce productivity and narrow the profit margins of industry players, negatively impacting the sector's performance for the remainder of 2025.

Cross-sector Insights

Many cross-cutting factors influence the performance of manufacturing sub-sectors, but with varying degrees of criticality (see Table 2). For instance, access to finance is important for all the manufacturing sub-sectors.

³⁰ NESG-Stanbic IBTC (2025). Mixed Signals: Strong Sectoral Growth Versus Structural Hurdles. Business Confidence Monitor. Retrieved from: <https://www.nesgroup.org/research/publication/nesc-stanbic-ibtc-business-confidence-monitor-for-august-2025>

Energy dependency is universal, as energy accounts for 30–40 percent of manufacturing production costs, according to the Manufacturers' Association of Nigeria (MAN)³¹. Infrastructure is critical for the productivity and cost-effectiveness of almost all the sub-sectors.

FX exposure is highest in pharmaceuticals, plastics, and automotive, due to heavy reliance on imported raw materials and intermediate inputs. Industrial clusters & parks are transformative for light industries (food, apparel, pharmaceuticals, plastics, electronics, automotive) but less critical for cement (a location-driven industry). Standards & quality assurance matter most in pharmaceuticals and food, where consumer health is directly at stake, while in cement and textiles, they are competitiveness issues. Market access enablers matter across the board, but especially for textiles (exports), pharmaceuticals (regional health markets), and automotive (regional vehicle trade).

Table 2: Criticality of Cross-Cutting Enablers by Subsector

Enabler → / Subsector ↓	Food & Beverages	Textiles	Chemical & Pharm	Cement & Non-Metallics	Plastics & Rubber	Electrical & Electronics	Automotive
Reliable & Affordable Energy	High	High	High	High	Medium	High	High
Infrastructure & Logistics	High	Medium	High	High	High	Medium	High
Access to Finance	High	High	High	High	High	High	High
FX & Trade Policy Stability	High	Medium	High	Medium	High	High	High
Skills & Workforce Productivity	Medium	High	High	Medium	Medium	High	High
Industrial Clusters & Parks	High	High	High	Medium	High	High	High
Standards & Regulatory Certainty	High	Medium	High	Medium	Medium	High	Medium
Innovation, R&D & Digitalisation	Medium	Medium	High	Medium	Medium	High	Medium
Market Access & Demand Support	High	High	High	High	High	Medium	High

³¹ See <https://www.vanguardngr.com/2024/09/manufacturers-charged-to-adopt-sustainable-energy-to-cut-operating-costs/>

Conclusion and Policy Recommendations

Nigeria's manufacturing sector is at a crossroads: a painful short-term adjustment (currency and subsidy reforms) revealed and amplified long-standing structural constraints. While some firms are innovating and adapting, the sector needs coordinated policy action across macroeconomic stability, infrastructure (especially power), finance, logistics and skills to regain sustainable growth and competitiveness. Suppose reforms reduce policy uncertainty while targeted investments close structural gaps, manufacturing can regain its role as an engine of jobs and economic diversification. The key policy priorities include:

a) Stabilise FX access for essential manufacturing inputs: Implement targeted FX windows or priority FX allocations for critical manufacturing inputs while improving transparency of allocations to reduce distortions. Predictable, transparent FX rules and credible inflation control will reduce uncertainty and lower FX risk premiums.

b) Tackle power and industrial gas supply as a top priority. Invest in reliable grid connections for industrial clusters, incentivise private investments in captive/mini-grids and industrial gas pipelines, and reduce the cost of self-generation through cleaner alternatives. Governments can target industrial parks with guaranteed infrastructure packages.

c) Fast-track trade facilitation at ports: Clear demurrage/backlog bottlenecks, digital documentation and one-stop border processes to reduce lead times. Modernise ports, digitise customs, reduce documentation, and upgrade roads connecting industrial hubs to ports and border crossings.

d) De-risk manufacturing finance: Promote credit lines with guarantees, limited collateral requirements, and longer tenors. In this case, development finance institutions play a key role in ensuring that manufacturers access affordable funds.

e) Skills & productivity drive: Scale up technical and vocational education aligned with industry needs. Invest in technical/vocational training, certification labs, and incentives for adoption of productivity-enhancing technology, and promote industrial standards that enable export market access.

f) Local input development and import substitution strategy: Support agro-processing, chemicals and intermediate goods capacity through targeted industrial policy. Back local assemblers (e.g., capacity expansion, standards labs, working-capital lines) to reduce import dependence—local assembly currently meets a small share of demand.

g) Strengthen rule-making & regulatory stability: Establish a predictable regulatory environment for tariffs, taxes and compliance rules. Commit to formal consultation with manufacturers, and create a feedback mechanism to allow for swift policy adjustments.



SECTION C: INFORMATION AND COMMUNICATION TECHNOLOGY

The Information and Communication Technology (ICT) sector has emerged as a cornerstone of Nigeria's economic transformation, evolving from a peripheral enabler of services into one of the fastest-growing drivers of national output, innovation, and productivity. The ICT sector is uniquely positioned by its demographic advantage and market size, with high mobile penetration and internet penetration, creating a massive consumer base for digital services. This youthful, tech-savvy population fuels demand across fintech, e-commerce, digital payments, e-health, e-education, and digital entertainment. Notably, Nigeria is home to Africa's leading tech startups—such as Flutterwave, Andela, and Paystack—that have attracted billions of dollars in venture capital, positioning the country as the continent's largest hub for digital entrepreneurship.

Despite its rapid growth, Nigeria's ICT sector faces hurdles that limit its impact. Broadband penetration remains below the 70 percent National Broadband Plan target, with rural areas still underserved. High operating costs, foreign exchange (FX) volatility, and overlapping taxes erode margins and discourage investment. Policy inconsistency, weak data protection, cybersecurity risks, and a growing digital skills gap further constrain progress. Meanwhile, startups face high capital costs, foreign exchange restrictions, and weak intellectual property protections, all of which limit their innovation and competitiveness. Nonetheless, the opportunities remain vast and catalytic. The rollout of 5G networks, digital financial inclusion programs, and initiatives to develop Digital Public Infrastructure (DPI) present opportunities to integrate millions more Nigerians into the digital economy.

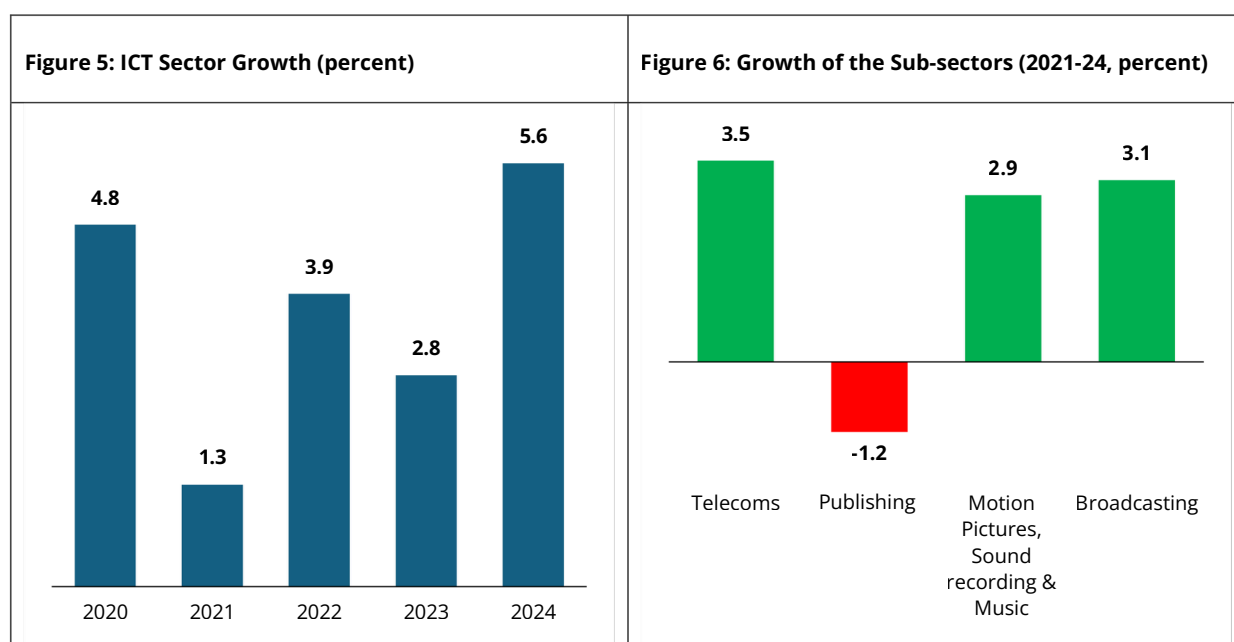
Regional and continental initiatives, such as the African Continental Free Trade Area (AfCFTA), also create new prospects for Nigeria to export digital services across borders. In addition, the Nigerian Startup Act 2022 and digital economy blueprints provide a framework for enhancing innovation ecosystems; however, their success will depend on the implementation's coherence. The African Development Bank's support for broadband expansion, alongside private sector-led investments in data centres, cloud computing, and subsea cables, further underscores ICT's potential as a driver of inclusive growth.

Against this backdrop, this diagnostic report provides an in-depth assessment of Nigeria's ICT sector, examining its growth trajectory, opportunities, and constraints. It highlights the sector's structural role in Nigeria's economic transformation while unpacking the crosscutting challenges—policy inconsistency, infrastructure deficits, digital literacy, and cybersecurity—that must be addressed to unlock its full potential. The report also identifies the policy levers and investment pathways required to ensure that ICT not only drives GDP growth but also promotes job creation, digital inclusion, and enhanced global competitiveness.

Sector Snapshot

Overview & Structure of the ICT Sector

Nigeria's ICT sector emerged as one of the key beneficiaries of the COVID-19 pandemic, though its post-pandemic growth trajectory has remained volatile. The sector grew by 5.6 percent in 2024 (see Figure 5), making it one of the few sectors with positive growth alongside Agriculture, Financial & Insurance, and Health. Lockdown restrictions accelerated digital adoption, with businesses shifting to remote work and virtual engagement, which in turn boosted ICT demand. Between 2021 and 2023, mobile and internet users grew by 14.9 percent and 15.4 percent, respectively.



Data: National Bureau of Statistics; Chart: NESG Research

The telecoms subsector has been the primary growth driver, accounting for 82.2 per cent of ICT GDP and recording an average growth rate of 3.5 per cent between 2021 and 2024 (see Figure 6). The telecoms industry is dominated by a few telecom providers, with MTN Nigeria remaining the market leader. Stiff competition exists between Globacom and Airtel Nigeria. Broadcasting also played a notable role, with an average growth of 3.1 percent and accounting for an average of 10.8 percent of ICT GDP, reflecting gains from improved broadband penetration. However, the 70 percent national target remains unmet and will require substantial investment. By contrast, the publishing subsector was more volatile, contracting on average but experiencing sharp cyclical expansions linked to political activities. For instance, in 2023, it grew by 21.6 percent, outperforming telecoms and broadcasting.

Challenges Confronting the ICT Sector

a) Limited Connectivity and Uneven Access: Nigeria's broadband penetration stood between 44-46 percent by mid-2025, falling short of the 70 percent target set in the National Broadband Plan³². While mobile broadband coverage has expanded, rural areas remain underserved and depend mainly on less reliable connections. Fixed broadband penetration is extremely low, with only about 120,000 subscriptions nationwide, highlighting the country's heavy reliance on mobile networks. Affordability is another major barrier. Many low-income households cannot afford smartphones or monthly data subscriptions. As a result, millions remain excluded from the digital economy, thereby widening the divide between urban and rural areas. Without targeted interventions, this digital gap risks slowing inclusive growth.

b) High Operating Costs: Operators in Nigeria report some of the highest operating costs in Sub-Saharan Africa, largely due to macroeconomic instability and energy constraints. Heavy reliance on diesel generators to power base stations drives up expenses, particularly in rural areas where access to reliable electricity is scarce. The volatility of fuel prices further adds to financial pressure on operators. These costs are often passed on to consumers through higher tariffs, making digital services less affordable for ordinary Nigerians. High operating costs also discourage operators from expanding into low-income or remote areas where profit margins are thinner. Over time, this undermines network expansion and slows progress toward universal connectivity.

³² Nigerian Communications Commission (NCC). (2025). Industry Statistics. Abuja: Nigerian Communications Commission. Retrieved from: <https://www.ncc.gov.ng>

c) Foreign Exchange Volatility: Nigeria's ICT sector depends heavily on imported equipment and software, which exposes it to fluctuations in the foreign exchange market. Persistent naira depreciation and limited access to U.S. dollars make it costly for firms to procure necessary inputs. This not only inflates operational expenses but also disrupts long-term planning for infrastructure investment. Investors are less likely to commit resources when currency volatility erodes the value of returns. As a result, projects such as broadband expansion and network modernisation are delayed or downsized. The lack of stable foreign exchange access remains one of the most pressing constraints to ICT development.

d) Regulatory Uncertainty: Frequent changes in government policy create an unpredictable environment for ICT businesses. Bans on ride-hailing services, and the temporary suspension of social media platforms have signalled regulatory inconsistency. Such unpredictability makes it difficult for startups and investors to plan or scale operations with confidence. While reforms like the Nigeria Startup Act 2022 have attempted to reduce uncertainty, their impact has been uneven across sectors. Many entrepreneurs still express concern over uneven enforcement and policy reversals.

e) Complex Taxation and Investment Barriers: Nigeria's ICT sector is weighed down by multiple and overlapping taxes imposed by federal, state, and local authorities. These fragmented levies create significant compliance burdens, diverting resources away from innovation and expansion. The situation is further complicated by costly rights-of-way for laying fibre-optic cables, which vary across states. Such barriers deter new investors and limit private capital flows into broadband infrastructure. The Intelligent Revenue Authority (IRA) Readiness Report emphasises the need to streamline digital taxation and enhance transparency³³. Unless addressed, complex taxation could hinder the ICT sector's potential

f) Cybersecurity and Data Protection Risks: As Nigeria's digital economy expands, so do risks related to cybercrime, online fraud, and identity theft. Businesses and individuals face growing exposure due to the weak enforcement of existing laws such as the Data Protection Act. Limited cybersecurity infrastructure also means that many companies are ill-equipped to protect sensitive data. This lack of trust in digital platforms discourages broader adoption of online services, including e-commerce and digital banking. The rising number of fraud cases undermines confidence among both consumers and investors. Strengthening cybersecurity is therefore critical to sustaining the sector's growth.

g) Skills and Human Capital Gaps: Nigeria's young population is one of its greatest assets, yet the country faces a shortage of workers with advanced ICT skills. Areas such as artificial intelligence, cloud computing, and cybersecurity remain particularly underdeveloped. Universities and training institutions struggle to provide industry-ready graduates, leaving firms to spend heavily on training. In many cases, businesses resort to hiring expatriates at high cost to fill skills gaps. This situation not only limits the sector's competitiveness but also slows innovation. Without targeted investment in human capital, Nigeria risks falling behind in the global digital economy.

Opportunities Facing the ICT Sector

a) Rising Demand and Private Investment: Nigeria is regarded as Africa's largest ICT market, with about 82 percent of the continent's telecoms subscribers and 29 percent of internet usage³⁵. In the same vein, data consumption in Nigeria reached record levels in 2024–2025, demonstrating resilient demand for digital services despite macroeconomic pressures. The World Bank identifies broadband and digital infrastructure as priority sectors to attract private capital for inclusive growth^{36,37,38}. This strong demand base positions Nigeria as one of Africa's most attractive ICT investment destinations. The existence of innovative financing, including Venture Capital and Venture Debt, offers an opportunity for tech startups to access funds outside of the traditional banking system, as ICT industry players can only access about 3 percent of banking credits.

³³ See <https://www.trade.gov/country-commercial-guides/nigeria-information-and-communications-technology>

³⁴ World Bank (2019). Nigeria Digital Economy Diagnostic Report. Washington, DC: World Bank. Retrieved from: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/387871574812599817/nigeria-digital-economy-diagnostic-report>

³⁵ World Bank (2020). Crowding in the Private Sector: Nigeria's Path to Faster Job Creation and Structural Transformation. Washington, DC: World Bank. Retrieved from: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/245891586873531136/crowding-in-the-private-sector-nigerias-path-to-faster-job-creation-and-structural-transformation>

³⁶ World Bank (2025). Country Private Sector Diagnostic: Nigeria. Washington, DC: World Bank Group. Retrieved from: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099430106132511591>

b) Network Sharing and Efficiency Gains: Operators are beginning to adopt network-sharing frameworks, which can reduce capital and operating expenditures, accelerate rural coverage, and improve service quality. These collaborative approaches also create opportunities for innovative business models, such as tower sharing and co-investments in fibre networks, which can help overcome Nigeria's high infrastructure costs. Over time, such partnerships can make broadband more affordable for both consumers and businesses.

c) Cloud Services and Data Infrastructure: Nigeria's cloud services market is still nascent, with few enterprise-grade deployments. This creates significant opportunities for partnerships, equipment sales, and technical services, particularly as businesses seek to modernise their information technology systems. Global tech firms can tap into this market by offering scalable cloud solutions and training programs, while also partnering with local players to expand digital storage and computing capacity.

d) Fibre-Optic Expansion: Nigeria's submarine cable systems have combined design capacities running into hundreds of terabits per second, with further expansions underway. This creates enormous opportunities in fibre expansion for last-mile connectivity and wholesale internet services. However, terrestrial fibre may not achieve universal reach, opening room for investments in alternative technologies such as satellite internet and television white space (TVWS). These solutions can complement fibre networks by extending access to remote and underserved areas³⁹.

e) Startup Act and Policy Reforms: The Nigerian Startup Act, signed into law in 2022, provides a supportive regulatory framework for startups, aiming to attract foreign capital and reduce policy risks. The Act addresses past regulatory uncertainties, such as abrupt restrictions on cryptocurrency and ride-hailing services, by fostering dialogue between government and innovators. This fosters an environment that enables entrepreneurship, allowing startups to scale their products and access global markets.

f) Smart Cities and Public-Private Partnerships: Similarly, Lagos State's Smart City project, along with its 2022 partnership with Microsoft, demonstrates the growing role of ICT in urban governance. By leveraging Azure cloud and AI-driven technologies, Lagos is building solutions in healthcare, education, and energy management. Such collaborations showcase the potential for digital public-private partnerships to transform service delivery and urban infrastructure, while also opening new markets for technology providers in Nigeria's largest city.

g) Digital Public Infrastructure and Revenue Systems: The DPI Readiness framework offers a pathway to harmonise digital ID, payments, and registries across states, enabling interoperability and reducing transaction costs⁴⁰. Similarly, the Intelligent Revenue Authority (IRA) readiness initiatives provide opportunities to simplify compliance for ICT firms while broadening the tax base through digital platforms⁴¹. Together, these reforms strengthen the digital ecosystem by creating predictable standards that encourage private sector participation and innovation.

h) Fintech and Sectoral Spillovers: Nigeria's fintech ecosystem continues to thrive, underpinning financial inclusion and digital payments. Case studies on digital finance in agri-food value chains reveal how digitised payments can reduce transaction costs, improve traceability, and enhance access to credit for farmers and traders, thereby stimulating productivity in one of Nigeria's most employment-intensive sectors⁴². Beyond agriculture, fintech is driving new solutions in health, education, and e-commerce, further embedding digital finance into the economy.

³⁹ GSMA (2024). The State of Mobile Internet Connectivity 2024. GSMA, London. Retrieved from: <https://www.gsma.com/wp-content/uploads/2024/06/The-State-of-Mobile-Internet-Connectivity-2024.pdf>

⁴⁰ Nigeria Governors' Forum (NGF) (2025a). The Intelligent Revenue Authority (IRA) Readiness Report. Abuja: Nigeria Governors' Forum Secretariat.

⁴¹ Nigeria Governors' Forum (NGF) (2025b). The Digital Public Infrastructure (DPI) Readiness Report. Abuja: Nigeria Governors' Forum Secretariat.

⁴² Russel, Y. (2025). Digital finance and agri-food value chains: Case studies from Nigeria. Washington, DC: International Food Policy Research Institute (IFPRI).

Sector Outlook

Nigeria's ICT sector remains one of the country's fastest-growing industries, with fintech, cloud/data centres, and startups leading growth due to their regional and global scalability. Broadband/5G and cybersecurity are key enablers, while hardware assembly and green ICT offer emerging potential with the right policies (**see Table 3**). In 2024, fintech and digital banks attracted US\$1.4 billion in venture capital across Africa⁴³. Domestically, ICT drives digital payments, which accounted for 78 percent of transaction value in 2024, up from 60 percent in 2021. The sector is also advancing e-government, though Nigeria's global ranking remains weak. The UN E-Government Development Index shows Nigeria's score rising from 0.38 in 2018 to 0.48 in 2024, but its ranking slipped slightly from 143rd to 144th. Infrastructure has improved, yet human capital remains a significant bottleneck, with Nigeria ranking 163rd in 2024⁴⁴.

Table 3: ICT Opportunities in Nigeria in 2025 and beyond

Fintech & Digital Finance	Key Opportunities	Growth Outlook
Fintech & Digital Finance	Mobile payments, cross-border remittances, SME lending, agent networks	Very High
Broadband & 5G	Rural connectivity, 5G-enabled services (IoT, gaming, health-tech)	High
Data Centres & Cloud	Tier III/IV data centres, edge computing, SME cloud services	Very High
E-Government & Digital ID	Digitisation of tax, health, education, and social protection systems	High
Startups & Digital Hubs	AI, agritech, health-tech, mobility/logistics, edtech	Very High
Cybersecurity	Managed services, compliance, and insurance	High
Hardware & Device Assembly	Local assembly of smartphones, PCs, and IoT devices	Medium
Emerging Tech (AI, blockchain, IoT, Green ICT)	Emerging Tech (AI, blockchain, IoT, Green ICT) AI in agriculture/health/finance; blockchain for land & payments; IoT smart grids	High
Digital Media & Entertainment	Streaming platforms, gaming, and local content production	High

Cross-sector Insights

Nigeria's ICT growth depends on a set of cross-cutting enablers (**see Table 4**). Reliable power and broadband are foundational, sustaining data centres, connectivity, and digital services. Skills and human capital are critical for scaling solutions in emerging fields such as Artificial Intelligence (AI), cybersecurity, and hardware. Access to finance and venture capital fuels startup growth and non-fintech innovation, while predictable policies and governance strengthen investor confidence. Building cybersecurity and digital trust is essential to encourage adoption across sectors. Expanding local manufacturing helps reduce FX risks, while regional integration under the African Continental Free Trade Area (AfCFTA) opens markets for ICT exports, boosting competitiveness.

⁴³ AVCA (2025). African Private Capital Activity Report 2024. African Private Capital & Venture Capital Association. Retrieved from <https://www.avca.africa/data-intelligence/research-publications/2024-african-private-capital-activity-report/>

⁴⁴ United Nations Department of Economic and Social Affairs (UNDESA). (2025). UN E-Government Knowledgebase: Country Data. New York: UNDESA. Retrieved from: <https://publicadministration.un.org/egovkb/en-us/Data-Center>

Table 4: Key Enablers of the ICT subsectors/activities

Enabler	Why it matter	Activity/Sub-sector
Power & Energy	Keeps data centres, telecoms, and startups operational	Data Centres, Broadband, Hardware, Emerging Tech
Broadband & Connectivity	Foundation for all digital services	Fintech, Cloud, Startups, E-Gov, Media, IoT
Skills & Human Capital	Industry-ready workforce for scaling ICT solutions	Cybersecurity, AI, Hardware, Startups, Fintech
Finance & Venture Capital Access	Fuels innovation, scaling, and non-fintech diversification	Startups, Hardware, Emerging Tech, Cloud
Policy & Governance	Predictable frameworks attract FDI and trust	Fintech, Cloud, E-Gov, Startups, Cybersecurity
Cybersecurity & Digital Trust	Protects digital adoption and builds user confidence	Fintech, Cloud, E-Gov, Media, Startups
Local Manufacturing	Reduces import dependence & FX risk	Hardware Assembly, IoT Devices
Regional Integration	Market expansion & export of ICT services	Fintech, Startups, Cloud, Cybersecurity

Conclusion and Policy Recommendations

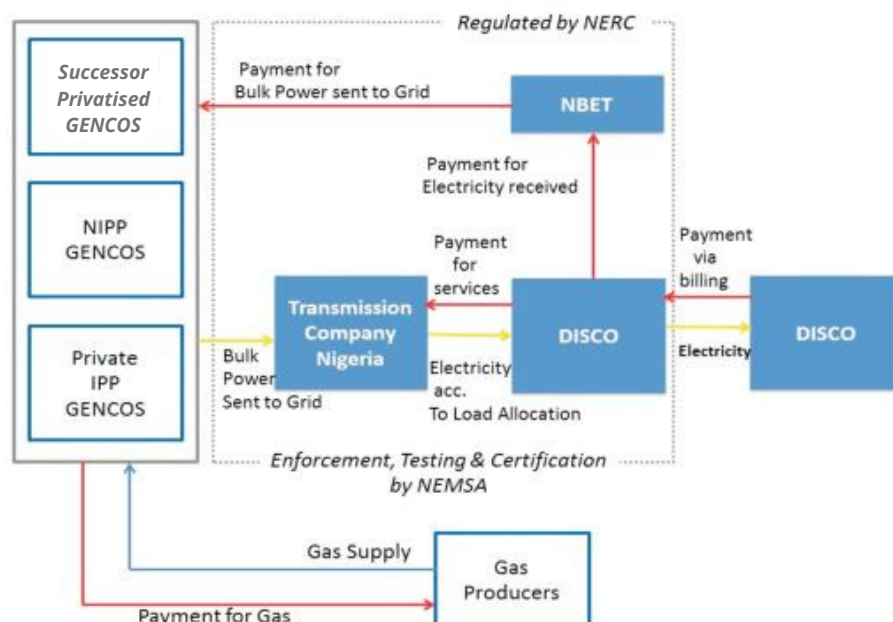
Nigeria's ICT sector still offers one of the highest payoff opportunities for growth, inclusion, and productivity — but unlocking that payoff requires tackling both immediate shocks (funding, tariffs, and cyber threats) and deep structural constraints (broadband access, power, regulatory fragmentation, and talent). The key policy priorities include:

- Expand broadband penetration by accelerating the National Broadband Plan and incentivising private sector investment in last-mile connectivity.
- Establish public-private partnerships (PPPs) to extend digital infrastructure to rural and underserved communities.
- Provide targeted subsidies and tax incentives to reduce the cost of ICT deployment and encourage local participation.
- Adopt regulatory sandboxes to enable fintech and emerging technologies, such as AI, blockchain, and digital currencies, to develop under supervision.
- Harmonise ICT regulations across key institutions to eliminate overlaps and policy inconsistencies.
- Strengthen cybersecurity and data protection laws to improve trust in digital platforms and online services.
- Integrate digital literacy and coding into school curricula at all levels to build foundational ICT skills.
- Partner with technology companies to deliver training, certification, and apprenticeship programmes for young people.
- Introduce gender-focused digital inclusion initiatives to increase women's participation in ICT careers and entrepreneurship.
- Establish a Digital Innovation Fund to provide seed and growth financing for startups and SMEs in the ICT sector.

**SECTION D:
ENERGY**

Nigeria's electricity sector is both vital and persistently underperforming. Despite an installed generation capacity of over 13,800 MW, actual supply averages just 4,200 MW due to gas shortages, grid fragility, and liquidity shortfalls. The result is chronic supply gaps, low per capita consumption, and heavy reliance on subsidies, undermining industrial competitiveness and household welfare.

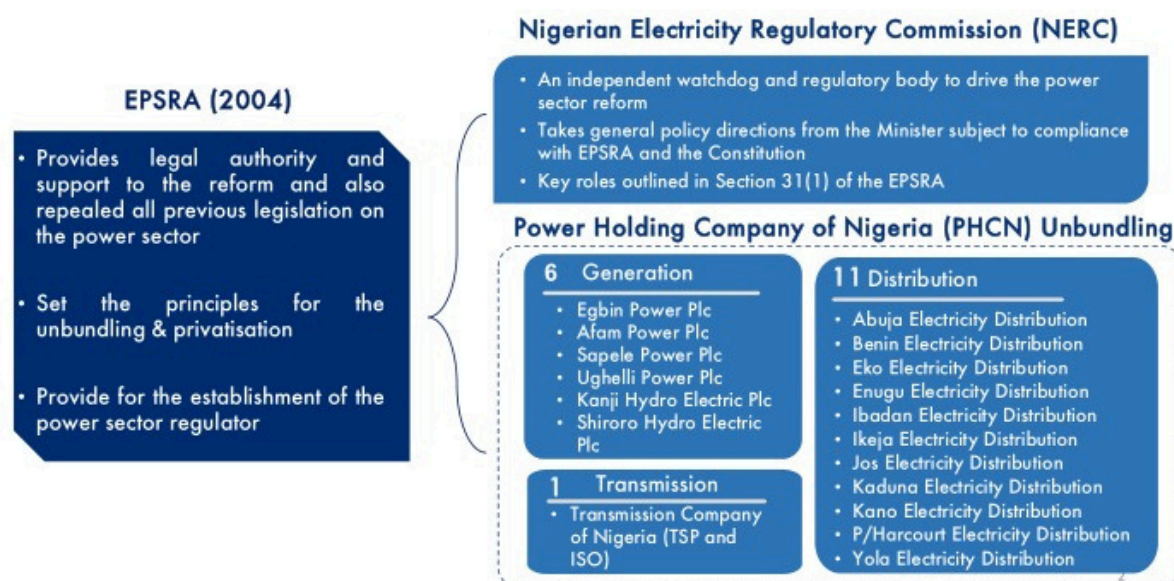
Figure 7: Nigeria's Electricity Market Value Chain



Source: Federal Ministry of Power

Reforms have been extensive. Beginning in 1999 with the Power Sector Reform Implementation Committee, Nigeria adopted the Electric Power Policy (2002), launched the National Integrated Power Project (2004), and passed the Electric Power Sector Reform Act (2005). This Act unbundled the national utility into GenCos, the Transmission Company of Nigeria, and DisCos, while establishing the Nigeria Electricity Regulatory Commission (NERC), Nigerian Bulk Electricity Trading Plc (NBET), and the Rural Electrification Agency (REA) to drive liberalisation and private participation. Privatisation of generation and distribution followed in 2013, complemented by later initiatives such as the Service-Based Tariff (2020), the National Mass Metering Programme (2020), and regulatory reforms through 2022.

Figure 8: Reforms in Electric Power Sector Reform Act (2004)



Source: NERC

The most significant modernisation came with the Electricity Act of 2023, which repealed the EPSR Act and introduced decentralisation, empowering states, companies, and individuals to generate and distribute electricity. It mandates a national policy framework, promotes renewable energy with incentives, and strengthens NERC's regulatory mandate. Together, these reforms have raised access rates from 27 percent in 1990 to over 60 percent by 2022, but performance remains weak: the sector still contributes less than 1 percent to GDP, losses exceed 40 percent, and fewer than half of customers are metered.

The paradox is clear: Nigeria has built a modern reform architecture but still struggles with poor access, reliability, and affordability. Turning reforms into results means closing the metering gap, stabilising gas-to-power, modernising the grid, and expanding renewables for a truly investment-ready power market.

Figure 9: Nigeria's Energy Sector Trilemma



This report provides recommendations to help policymakers strike a balance in the Energy Trilemma, ensuring Nigeria's electricity sector is secure, affordable, and sustainable while enabling a just energy transition. The World Energy Council framework shows that focusing too much on one priority can create trade-offs with others, but smart policies can turn them into synergies.

- **Security** refers to meeting current and future electricity demand reliably, with the resilience to withstand shocks and system disruptions.
- **Affordability** involves universal access to reliable and reasonably priced power for households and industries, while supporting job creation and ensuring public acceptance of reforms.
- **Sustainability** emphasises decarbonisation, shifting from fossil-based generation to renewables while improving efficiency across generation, transmission, and distribution.

For Nigeria, progress in one dimension must reinforce rather than undermine the others. Achieving this balance will determine the sector's ability to power inclusive growth and competitiveness.⁴⁵

Box 2:**Deep Evidence Box: Nigeria's Electricity Sector Performance in 2024**

The year 2024 revealed both the persistent structural challenges and emerging opportunities in Nigeria's electricity sector. Evidence drawn from official performance data highlights the systemic gaps across the value chain: generation, transmission, distribution, and market liquidity.

Generation Gap: Nigeria had an installed capacity of 13,899 MW, but only 5,346 MW was available, and an average of 4,211 MW was actually generated daily. This reflects a 61percent underutilization of national capacity, ~30 percent, meaning seven out of every ten MW installed is stranded due to gas supply constraints, equipment downtime, and operational inefficiencies. This persistent supply gap explains chronic load shedding and limits industrial competitiveness. Nigeria's per capita electricity consumption (140 kWh/year) remains one of the lowest in Africa, far behind South Africa (3,500 kWh) and Egypt (2,000 kWh).

Transmission Reliability: The national grid recorded twelve collapses in 2024, down from seven in 2023. Although the Transmission Company of Nigeria (TCN) has a wheeling capacity of about 8,100 MW, much of this remains underutilised due to distribution bottlenecks. Transmission is therefore not the primary constraint; the real challenges lie within the distribution segment and the sector's liquidity issues. This suggests that reform efforts should focus more on downstream operations.

Distribution Constraints: Distribution companies (DisCos) reported Aggregate Technical, Commercial and Collection (ATC&C) losses of 41percent. Of the ₦1.2 trillion billed to customers, only ₦900 billion was collected, leaving a ₦300 billion revenue shortfall. Metering coverage improved marginally to 47percent, with 5.7 million customers metered out of 12.1 million. This means nearly half of the electricity value chain is lost. The persistent metering gap continues to fuel estimated billing disputes and undermine consumer confidence. Without decisive action to reduce losses and achieve universal metering, sector liquidity will remain fragile.

Liquidity Crisis: Discos remitted only 72percent of their market invoices. By end-2024, the market recorded ₦1.3 trillion in receivables owed to Gencos and gas suppliers, partially offset by ₦600 billion in federal subsidies. The sector is trapped in a liquidity cycle: Discos cannot collect enough revenue, Gencos cannot pay gas suppliers, and the government fills the gap with subsidies. This model is fiscally unsustainable.

Tariff Reforms: Service-reflective tariff adjustments reduced the subsidy burden by ~35percent. Band A customers (20+ hours/day) experienced tariff hikes of nearly 78percent, while Bands C–E remain subsidised.

Off-Grid Expansion: 352 mini-grid permits were issued in 2024 with ~60 MW installed. Solar home systems penetration reached 1.8 million households, marking the fastest-growing sub-segment.

·Consumer Dissatisfaction: NERC recorded 1.2 million consumer complaints, with billing and metering issues dominating. Resolution rate improved to 68percent, but grievances remain high.

System Collapse: The Nigerian Electricity Supply Industry (NESI) also recorded twelve (12) incidents of system collapses in 2024.

Source: NERC, 2024⁴⁶

⁴⁶ Nordic Energy Research & Ramboll Management Consulting. The Nordic Energy Trilemma. Nordic Council of Ministers / Nordic Energy Research, 2023. <https://pub.norden.org/nordicenergyresearch2023-02>

Overview of Nigeria's Electricity Sector

The Nigerian electricity sector continues to represent both a critical enabler of growth and one of the country's most persistent structural bottlenecks. In output terms, the sector's contribution to GDP rose from ₦991 billion in 2019 to ₦3.0 trillion in 2024, reflecting nominal expansion but still accounting for less than one percent of national output. Installed generation capacity now exceeds 13.8 gigawatts, yet available capacity averaged just under 4.9 GW, with actual generation at 4.2 GW in 2024. This means that more than 60 percent of installed capacity remains stranded due to systemic weaknesses ranging from unreliable gas supply to transmission congestion and distribution inefficiencies. Grid fragility compounds the problem: the system collapsed twelve (12) times in 2024 alone, eight partial and four total, underscoring the urgent need for transmission backbone investment and better coordination between operators.

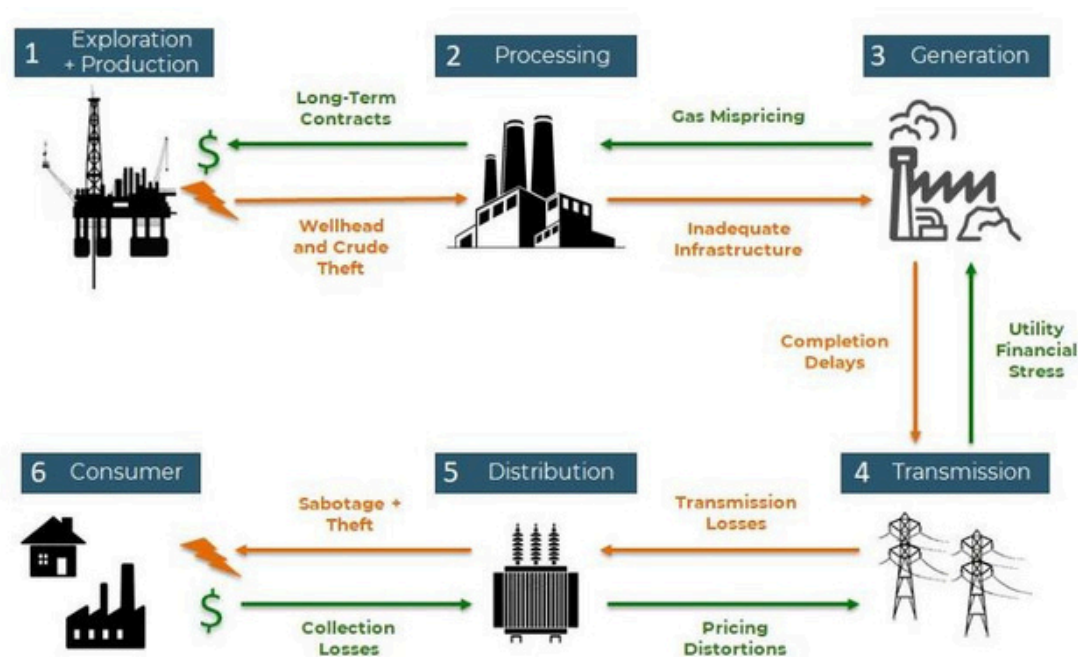
Table 5: System Collapses in Nigeria, 2019–2024

Year	Partial Collapses	Total Collapses	Total Incidents
2019	1	10	11
2020	0	4	4
2021	2	2	4
2022	2	4	6
2023	0	3	3
2024	5	8	12

Source: **NERC Annual Report 2024**

Despite these shortcomings, certain policy and market drivers offer glimmers of progress. Gas remains the backbone of generation, accounting for nearly 80 percent of installed capacity, but its reliability is undermined by pipeline vandalism, arrears to suppliers, and pricing misalignments. On the policy front, the Electricity Act of 2023 marked a structural turning point by devolving electricity regulation to states. This has enabled subnational governments such as Lagos, Edo, and Kaduna to begin designing their own embedded generation and distribution frameworks, opening new spaces for localised investment and innovation. At the same time, the off-grid segment, especially solar home systems and mini-grids, has emerged as the fastest-growing frontier. Backed by World Bank and AFDB programs, as well as private developers, distributed energy solutions are already serving millions of households and SMEs that cannot rely on the grid.

⁴⁶ Nigerian Electricity Regulatory Commission (NERC). 2024 Annual Report. Abuja: NERC, July 2025. ⁴⁷ Nordic Energy Research & Ramboll Management Consulting. The Nordic Energy Trilemma. Nordic Council of Ministers / Nordic Energy Research, 2023. <https://pub.norden.org/nordicenergyresearch2023-02>

Figure 10: Nigeria's Electricity Market Value Chain

Source: Energy for Growth Hub

The sector, however, is still weighed down by entrenched risks. Liquidity remains the central challenge, with Aggregate Technical, Commercial, and Collection (ATC&C) losses above 40 percent and less than half of registered customers metered. These inefficiencies generate arrears to generation companies and gas suppliers estimated at over ₦4 trillion, creating a cycle of underinvestment and stranded capacity. Tariff reforms introduced in 2024 provided some relief by approving cost-reflective rates for Band A customers who enjoy 20 hours of supply daily, but tariffs for Bands B to E remain frozen at subsidised levels, leaving the government to bear the fiscal burden. Political sensitivity over tariff adjustments continues to delay a full transition to market-based pricing.

For businesses, opportunities are nonetheless emerging across several fronts. Distributed solar and mini-grid solutions represent one of the most dynamic growth areas, particularly in rural and peri-urban communities where grid extension is slow and unreliable. In the urban and industrial context, investment prospects exist in smart metering technologies, feeder-level monitoring systems, and energy management services, all of which are critical to reducing losses and improving Disco liquidity. State-level reforms under the Electricity Act open the door for medium-scale embedded generation projects, especially in states seeking to industrialise through captive power and localised grids. In addition, Nigeria's Net Zero 2060 commitments create new pathways for renewable energy and green construction integration, attracting concessional climate finance that can de-risk projects in solar, hydropower, and energy efficiency.

Looking ahead, the electricity sector is expected to remain constrained in the near term, with generation averaging less than one-third of installed capacity and liquidity risks persisting. Yet, opportunities for structural turnaround are real. Effective subsidy reform, accelerated metering, and targeted investment in off-grid and transmission corridors could lay the foundation for more stable growth by 2030. In the long run, diversification of Nigeria's energy mix toward renewables and digitisation of the grid will be essential to transform electricity from a chronic bottleneck into a driver of industrial competitiveness and inclusive development.

Cross-Sector Insights

The electricity sector's performance reverberates far beyond its direct contribution to GDP, shaping productivity, competitiveness, and welfare across all of Nigeria's strategic sectors. Its deficiencies have become a binding constraint on manufacturing, trade, ICT, and construction, while reform gains could unlock broad-based multipliers across the economy.

In the Manufacturing sector, an unreliable power supply is one of the most significant cost drivers. Firms spend heavily on self-generation through diesel and petrol generators, often at costs up to four times higher than grid electricity. This erodes competitiveness in regional markets, raises consumer prices, and limits Nigeria's ability to integrate into AfCFTA value chains. Even agro-processing firms, which should be Nigeria's comparative advantage, suffer high energy costs that undermine profitability and export potential. Improvements in electricity supply, whether through gas reliability, renewable integration, or embedded generation, would directly reduce manufacturing costs and expand output.

For trade and logistics, the implications are equally stark. Cold-chain facilities, warehousing, and inland depots cannot function efficiently without reliable power. The absence of stable electricity raises post-harvest losses in agricultural trade, reduces the viability of export-oriented storage, and drives higher costs across wholesale and retail supply chains. Conversely, investments in distributed power solutions, solar cold rooms, hybrid warehouses, and renewable-powered logistics hubs would multiply gains for both domestic trade and export competitiveness.

The construction and real estate sectors also intersect deeply with electricity. Urban housing estates, industrial parks, and commercial complexes require reliable power to attract investment and ensure livability. Developers often resort to captive power plants or embedded mini-grids, which inflate upfront costs but also signal a market opportunity. As electricity reforms devolve to states, construction-linked projects could integrate embedded generation as standard infrastructure, making housing and industrial estates more attractive to investors and residents alike.

ICT and digital services stand out as another sector heavily constrained by electricity. Data centres, mobile towers, and fintech platforms require 24/7 reliable power to function. Frequent outages increase downtime risks, limit rural connectivity, and inflate operating costs. With Nigeria aspiring to be a digital economy hub, unreliable electricity poses a fundamental contradiction. Conversely, digitisation also offers solutions for electricity itself. Smart grids, prepaid metering, and mobile-enabled payment systems can help reduce losses, improve liquidity, and strengthen consumer trust.

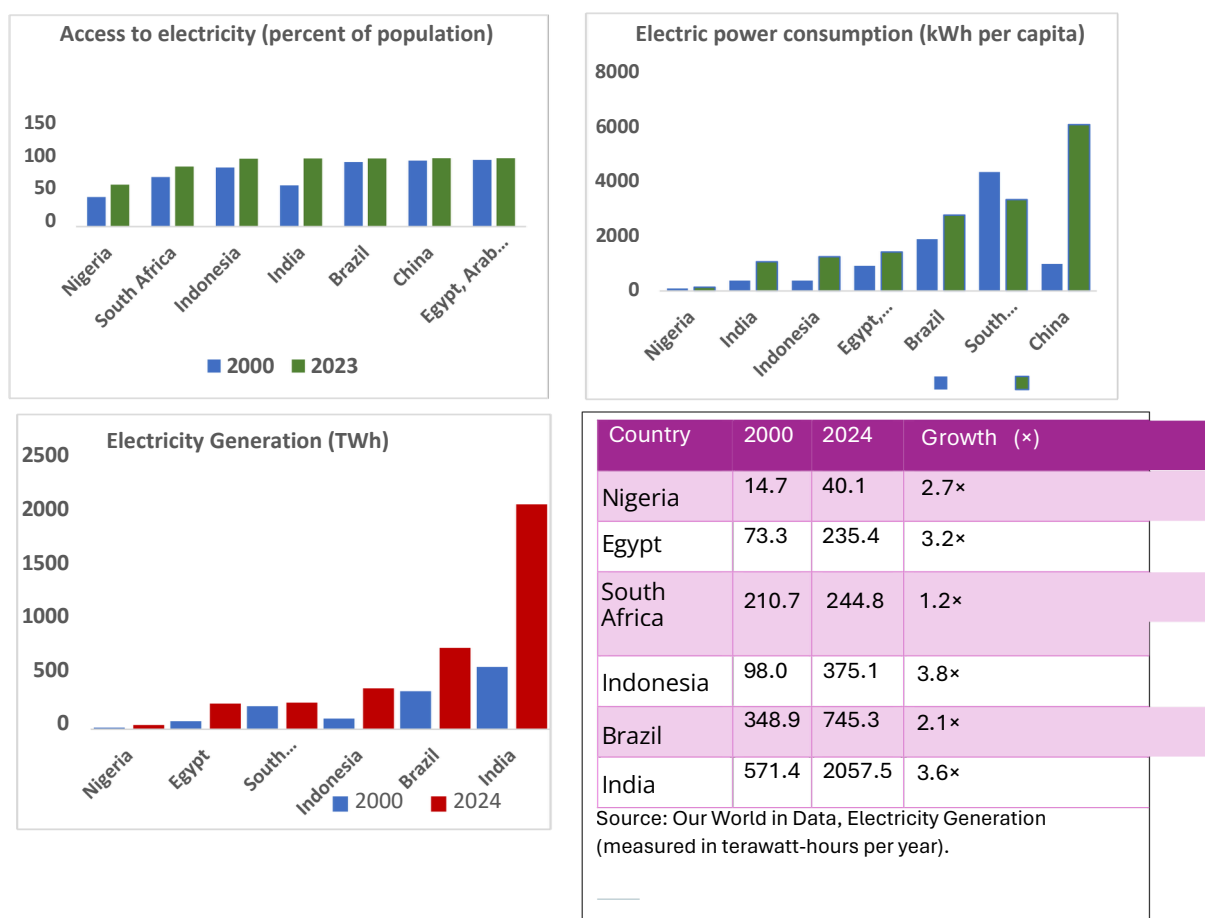
Finally, at the macro level, electricity remains the connective tissue for Nigeria's industrialisation drive. Without resolving power shortages, the government's ambitions under the National Development Plan (2021–2025) and Agenda 2050, which range from industrial corridors to export diversification, will face severe headwinds. Conversely, reforms that expand access, stabilise tariffs, and unlock renewables will not only reduce costs but also attract long-term capital into productive sectors. Experiences from peer economies such as Egypt and India illustrate that reliable power provision can catalyse manufacturing competitiveness, trade logistics efficiency, and digital expansion in less than a decade if reforms are sequenced effectively.

In sum, electricity is not just a sectoral issue it is the decisive cross-sector enabler. Progress in resolving its inefficiencies would ripple across agriculture, trade, manufacturing, ICT, and construction, amplifying productivity and fostering inclusive growth. Conversely, continued underperformance risks entrenching Nigeria's position as a high-cost, low-competitiveness economy despite its demographic and geographic advantages.

Multiplier Potential

Electricity reform carries transformative spillovers across the economy. Closing the metering gap would strengthen the liquidity of distribution companies (DisCos), creating a virtuous cycle of reinvestment in grid infrastructure. A more stable and reliable supply would sharply reduce firms' reliance on costly self-generation, cutting operating expenses for trade, construction, and manufacturing. This, in turn, would improve Nigeria's competitiveness under AfCFTA by lowering production costs and expanding export potential. At the household level, a steady grid supply would help moderate inflationary pressures, particularly by stabilising retail and food prices, while also supporting digital services and small businesses that rely on affordable power. In effect, electricity reform is not only a sectoral priority but also an economy-wide multiplier for growth, competitiveness, and welfare.

Figure 11: Comparative Lessons from Global Electricity Markets



Below, we provide short case studies of peer countries, outlining their reform trajectories and the relevance for Nigeria.

	INDIA	INDONESIA
Experience	Major unbundling reforms since 2003; strong rural electrification push (Saubhagya scheme); aggressive renewable energy expansion (175 GW target, now ~170 GW achieved). Persistent distribution losses (~20percent) but improved access rates (near universal).	State utility PLN dominates; rapid electrification via government-backed programs; renewable energy expansion slower than peers. Tariff subsidies are high, but the electrification rate has exceeded 99percent.
Relevance for Nigeria	India shows how political will plus targeted rural programmes can achieve near-universal access quickly. Nigeria can draw lessons on scaling solar and mini-grids while avoiding India's struggle with financially weak distribution companies.	Illustrates the trade-off between universal access vs. subsidy burden. Nigeria can learn from Indonesia's success in last-mile electrification but must avoid over-reliance on subsidies.
	EGYPT	BRAZIL
Experience	Achieved surplus generation capacity (>58 GW installed); major reforms in gas-to-power and renewables (Benban Solar Park, 1.6 GW). Tariffs gradually moved towards cost-reflective levels, with subsidies reduced.	Highly diversified mix (hydro, wind, solar, biomass). Liberalized market allows private participation. Smart subsidy targeting through social tariffs. Strong off-grid solutions in the Amazon regions.
Relevance for Nigeria	Egypt demonstrates the benefits of large-scale gas investment and renewables diversification. Nigeria, with abundant gas reserves, could replicate Egypt's success by ensuring a consistent gas supply to power plants.	Brazil offers lessons on renewable diversification and regionalized off-grid solutions. Nigeria could adapt Brazil's targeted subsidies to protect the poor while ensuring financial sustainability.
	SOUTH AFRICA	CHINA
Experience	Eskom-dominated utility struggling with ageing coal plants, frequent load-shedding, and financial debt. Reforms now push for Independent Power Producers (IPPs) and renewable expansion.	Installed capacity >2,800 GW; world leader in renewables and grid modernization. State-led investment with strong financing capacity; massive R&D in grid technology and storage.
Relevance for Nigeria	South Africa is a cautionary tale of over-dependence on a single utility, and delayed reforms deepen crises. Nigeria must accelerate IPP participation, decentralisation, and renewable expansion to avoid a similar trap.	China showcases how scale, planning, and investment discipline can transform a power sector. While Nigeria cannot replicate China's fiscal capacity, it can leverage Chinese financing, technology, and PPPs for renewable and transmission expansion.

Together, these experiences suggest that Nigeria's electricity sector challenges are not insurmountable. Rapid gains in access (India, Indonesia), reliable gas-to-power and renewables integration (Egypt, Brazil), and large-scale grid modernisation (China) all point to feasible policy and investment pathways. At the same time, South Africa's struggles underscore the risks of delayed reform and overdependence on state utilities, an outcome Nigeria must work to avoid

Conclusion and Key Business Takeaways

Nigeria's electricity sector remains both the economy's most binding constraint and one of its most significant opportunities. Two decades after reform, the sector still delivers less than one-third of installed capacity, with chronic liquidity shortfalls, unreliable transmission, and high technical and commercial losses undermining performance. Yet, reforms such as the Electricity Act of 2023, tariff rationalisation, and growing state-level participation mark a turning point. If sustained, these changes can unlock investment, improve access, and shift electricity from a drag on growth to a driver of industrialisation and welfare.

For businesses and investors, three priorities stand out. First, electricity reform is opening new frontiers for private participation, particularly in off-grid and mini-grid markets, which already serve millions and are poised for rapid expansion. These decentralised solutions provide a practical entry point for investors seeking high-impact opportunities, especially in rural and peri-urban areas. Second, the push toward metering, loss reduction, and liquidity stabilisation offers scope for technology providers, smart grid firms, and financial intermediaries to deliver solutions that improve revenue collection and system efficiency. Third, gas-to-power remains central: opportunities exist in pipeline rehabilitation, supply contract enforcement, and gas infrastructure that can unlock stranded generation capacity.

For policymakers, the imperative is to stabilise the sector's finances while ensuring affordability for households and SMEs. Prioritising universal metering, subsidy rationalisation, and targeted investments in transmission corridors will be critical. For businesses, aligning with reform priorities, whether through embedded generation at the state level, renewable energy expansion, or loss-reduction technologies, offers a pathway to sustainable growth. Ultimately, electricity is not just another sector; it is the foundation for Nigeria's competitiveness under AfCFTA, the enabler of manufacturing productivity, and the key to unlocking inclusive economic transformation.

A low-angle photograph of a construction site under a clear blue sky. A large yellow crane is positioned at the top, lifting a heavy, rectangular concrete slab. The slab is suspended by several thick cables. Below the crane, the concrete structure of a building is visible, featuring multiple levels with exposed rebar and wooden formwork. Safety netting is installed on the lower levels of the structure. The overall scene depicts a major construction project in progress.

SECTION E: CONSTRUCTION

The construction sector is a central driver of physical capital formation in Nigeria, linking infrastructure, housing provision, industrial growth, and job creation. Its importance lies not only in its GDP contribution but also in its role as a multiplier across the economy, influencing productivity, competitiveness, and living standards.

Between 2019 and 2024, the construction sector's nominal GDP expanded from ₦10.6 trillion to ₦16.3 trillion, showing resilience despite economic shocks. Its contribution to GDP hovered between 3.6 percent and 5.2 percent, underscoring steady relevance even as other service-driven sectors grew faster. Real growth trends reveal a cyclical story: sharp contractions in 2020 (-22.6 percent) and 2021 (-15.7 percent) due to COVID-19 disruptions and fiscal tightening, followed by a recovery averaging 4–12 percent annually since 2022.

Employment-wise, construction directly accounts for about 3.5 percent of total jobs, with significant gender and nationality dimensions observed in past data. Broader multipliers through housing, manufacturing inputs (cement, steel, glass), and services mean the sector's employment footprint is much wider. However, Nigeria's infrastructure stock remains critically low at 30 percent of GDP, far below the World Bank's 70 percent benchmark, leaving massive deficits in transport corridors, housing, and urban services.

At the continental level, Nigeria's performance also lags its peers. The Africa Infrastructure Development Index scored Nigeria at 23.3 in 2020, placing it behind countries such as South Africa, Egypt, and Morocco⁴⁷. Similarly, the Africa Transformation Index (2022) put Nigeria at 34.5, again trailing Egypt (47.2), Morocco (60.2), and South Africa (60.4).⁴⁸ This underlines Nigeria's slow pace in aligning infrastructure and construction with broader transformation goals.

Overview of Nigeria's Construction Sector

The construction sector remains a key enabler of Nigeria's physical and economic transformation, linking infrastructure development, housing provision, and industrial competitiveness. Between 2019 and 2024, the sector's nominal GDP grew from ₦10.6 trillion to ₦16.3 trillion, accounting for an average of 4 percent of national output.

Despite this expansion, performance has been uneven. Severe contractions in 2020 (-22.6 percent) and 2021 (-15.7 percent) reflected the impact of COVID-19 disruptions and fiscal tightening, followed by a rebound in 2022 and steady growth of 4–12 percent in subsequent years. Employment directly linked to construction accounts for around 3.5 percent of the national workforce, though the sector's indirect employment footprint through supply chains in cement, steel, glass, and related services is much larger.

⁴⁷ <https://infrastructureafrica.opendataforafrica.org/pbuerhd/africa-infrastructure-development-index-aidi-2024>

⁴⁸ <https://acetforafrica.org/ati/scorecard/>

Figure 12: Nigeria's Construction Sector

Source: NESG Research

The growth of capital expenditure as a share of the total budget is a key signal of Nigeria's intent to close its infrastructure gap. Federal capital spending rose from ₦2.09 trillion in 2019 to ₦9.99 trillion in 2023, a 378 percent increase in nominal terms, though smaller in USD due to devaluation. Spending has consistently prioritised roads, water, and housing, directly stimulating construction demand and supply chains.

The 2025 budget allocates ₦23.44 trillion (43percent of ₦54.99 trillion total spending) to capital projects, the largest in Nigeria's history. If effectively executed, this could trigger a structural upturn in construction, housing, and infrastructure delivery, with spillover gains for jobs and industrial inputs such as cement and steel. The sector's performance has been supported by a strong domestic cement industry, which has drastically reduced import dependence and positioned Nigeria as an exporter to West Africa. Yet, cement prices remain elevated due to structural input costs, logistics bottlenecks, and concentrated market dynamics. On the real estate side, Nigeria faces an urgent housing challenge, with an estimated deficit of 28 million units. Meeting this demand would require building at least 700,000 houses annually, far beyond current delivery levels. The financing gap, estimated at \$46.7 billion, continues to constrain private developers and buyers alike.

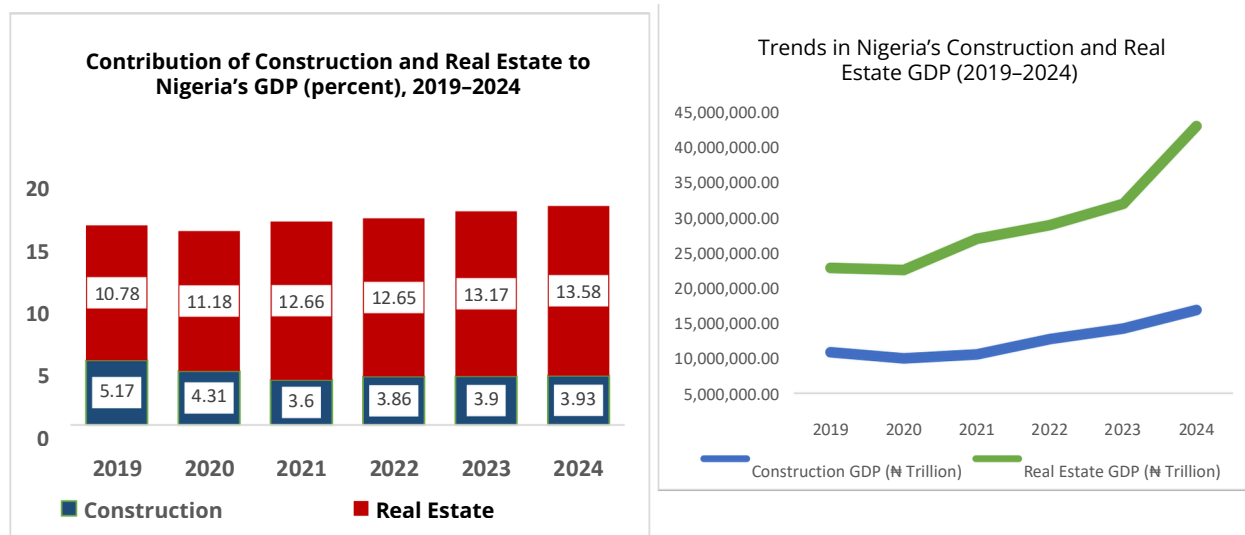
Subsectors

Residential construction: This segment includes the construction of new homes and apartments, as well as the renovation and repair of existing ones.	Non-residential construction: The construction of commercial buildings (offices, retail), industrial buildings (factories, warehouses, data centers) and public buildings (schools, hospitals etc.).
Infrastructure construction: Construction of large-scale public projects such as highways, bridges, railways, airports and utilities.	Construction materials: Products, inputs and materials related to construction.
Construction services: Services related to construction, such as architectural and engineering services, project management etc.	

Linking the Construction and Real Estate Sectors

Construction and real estate jointly shape Nigeria's housing, infrastructure, and urban landscape, contributing a combined 17.5percent of GDP in 2024 among the largest non-oil sector shares. The construction sector grew from ₦10.6 trillion in 2019 to ₦16.3 trillion in 2024, maintaining ~4percent of GDP. After sharp contractions in 2020–21, growth recovered to 4–12percent annually. It employs about 3.5percent of Nigeria's workforce, mostly in project-based and informal roles.

Figure 13: Nigeria's Construction Sector Performance



Source: NBS

The real estate sector, larger and less volatile, nearly doubled from ₦22.0 trillion in 2019 to ₦41.3 trillion in 2024, raising its GDP share from 10.8percent to 13.6percent. Yet, employment is minimal (0.3percent of jobs) due to its capital-intensive structure.

Key Dynamics:

- **Demand Pull:** Rising urbanisation fuels real estate growth, which directly drives construction demand.
- **Supply Constraints:** High cement, steel, and logistics costs inflate housing prices despite strong local cement capacity.
- **Financing Gap:** Construction depends on budgets and private developers, while real estate is constrained by mortgages (<1percent of GDP) and a 28 million-unit housing deficit.
- **Employment Contrast:** Construction generates short-term, labour-intensive jobs, while real estate creates asset value with fewer direct jobs.

Strategic Implication: Closing Nigeria's housing and infrastructure gaps requires integrated policies. Combining construction capacity with real estate financing innovations through affordable housing PPPs, urban renewal, and industrial estates would multiply employment, expand housing access, and unlock private capital.

Sectoral Flashpoints

a) Financing costs and interest rates: Monetary policy will remain a decisive factor for the sector. High interest rates continue to suppress mortgage uptake and private real estate investment. Any easing by the Central Bank of Nigeria could unlock demand for residential housing and infrastructure financing, while further tightening would prolong current affordability and financing constraints.

b) Public policy & infrastructure programs: The execution of the National Integrated Infrastructure Master Plan (NIIMP) and allocations from annual federal budgets will shape sector momentum. State-level

housing schemes, federal PPP frameworks, and funding from institutions such as InfraCredit and the Sovereign Wealth Fund will determine the pipeline of road, housing, and industrial estate projects.

c) Workforce: Construction remains labour-intensive, employing 3.5 percent of Nigeria's workforce, but shortages of skilled artisans, engineers, and project managers often delay delivery and raise costs. The effectiveness of vocational training programmes and youth employment schemes will be critical in closing skill gaps as demand for housing and infrastructure scales up.

d) Sustainability and climate policies: Global and domestic pressures for green construction are growing. The sector is energy-intensive, with cement and steel production contributing significantly to emissions. Adoption of alternative fuels, renewable-powered estates, and energy-efficient building codes will increasingly shape competitiveness, particularly as Nigeria seeks concessional climate finance and aligns with its Net Zero 2060 commitments.

Key Drivers

Several factors underpin growth in the sector. First, Nigeria's rapid urbanisation and demographic expansion, with an annual population growth rate of over 2.5 percent, are driving sustained demand for housing, transport networks, and industrial estates. Second, government commitments to infrastructure investment, including the National Integrated Infrastructure Master Plan (NIIMP), have created a framework for scaling up public and private projects. Third, the domestic cement industry, led by Dangote, BUA, and Lafarge, has developed sufficient capacity to meet local demand and expand into regional markets, anchoring construction activities across the country.

Challenges and Risks

Despite these drivers, the sector remains constrained by systemic challenges. Infrastructure financing is chronically inadequate: Nigeria invests less than 5 percent of GDP in public capital expenditure, well below the \$100 billion annual requirement estimated by the World Bank (2020) to close the infrastructure gap. Weak project preparation, procurement delays, and execution shortfalls further limit the impact of available funds. Dependence on imported steel exposes the sector to exchange rate volatility, while high energy costs weigh on both production and logistics. Cement affordability also remains a barrier for low- and middle-income housing demand. Finally, the sector's cyclical dependence on government budgets makes it vulnerable to oil price shocks and fiscal tightening.

Opportunities for Businesses

Despite these headwinds, the construction sector offers wide-ranging opportunities. Affordable housing represents one of the largest unmet needs, creating space for public-private partnerships supported by mortgage-backed securities, land titling reforms, and targeted subsidies. Industrial parks and logistics corridors also present prospects for investors, particularly when linked to AfCFTA-enabled regional trade. Infrastructure-linked financing instruments, such as those pioneered by InfraCredit, demonstrate how pension and insurance funds can be mobilised into long-term projects. In addition, "green construction" through renewable-powered estates, energy-efficient building materials, and climate finance offers a frontier for forward-looking investors.

Nigeria's construction sector is highly resource- and energy-intensive, with cement and steel driving emissions. Shifting to green construction through energy-efficient designs, renewable-powered estates, and alternative fuels in cement can cut costs, attract climate finance, and align with global sustainability standards. Opportunities lie in solar housing, eco-friendly materials, and climate-resilient infrastructure, alongside new jobs in green trades. With a large housing and infrastructure deficit, Nigeria can "build green from the start", ensuring growth supports both economic resilience and environmental sustainability.

Despite these constraints, opportunities are significant. Rising urbanisation sustains demand for housing, power, retail, and logistics; AfCFTA integration opens new markets for non-oil exports; and digital adoption accelerates efficiency in retail, construction management, and financial services. The interplay between sectors suggests that reforms in one area, such as logistics modernisation or customs digitalisation, would deliver broad-based spillovers, lowering trade costs, boosting construction margins, and easing access to imported energy inputs. In sum, Nigeria's economic transformation will depend not on isolated sectoral reforms but on integrated action mobilising long-term capital, improving infrastructure, and stabilising the regulatory environment. These cross-cutting measures can unlock productivity across the board, positioning Nigeria as both a regional trade hub and a competitive investment destination.

Conclusion and Key Business Takeaways

Nigeria's strategic sectors, especially Construction among others, collectively highlight both the resilience and structural vulnerabilities of the economy. Together, they reveal an economy with large consumer demand, abundant natural resources, and significant investment potential, yet constrained by infrastructure deficits, financing gaps, and policy inconsistency. The balance between risks and opportunities underscores the need for targeted reforms and business agility.

Key Takeaways for Policymakers and Businesses:

- 1. Infrastructure and Logistics Reform is Foundational.** Congested ports, weak road and rail connectivity, and unreliable electricity increase costs across sectors. Modernising trade logistics (via a National Single Window, inland depots, and rail-linked industrial corridors) would lower costs for traders, developers, and manufacturers simultaneously.
- 2. Financing Innovation is Critical.** With mortgages under 1 percent of GDP and infrastructure spending at only 3–5 percent of GDP, Nigeria cannot close its \$3 trillion infrastructure and housing deficit without crowding in private capital. Instruments such as InfraCredit guarantees, blended finance, and affordable housing PPPs can unlock long-term domestic funds (pensions, insurance) for construction, real estate, and energy projects.
- 3. Policy Stability Attracts Investment.** Frequent reversals on tariffs, forex allocation, and regulatory approvals create uncertainty. Nigeria's peers India and Egypt demonstrate that stable, predictable frameworks, digitalised approvals, and streamlined customs processes can accelerate sectoral growth and global competitiveness.
- 4. Urbanisation and AfCFTA are Demand Catalysts.** Nigeria's population, projected to exceed 400 million by 2050, guarantees sustained demand for housing, retail, energy, and logistics. AfCFTA integration provides new export opportunities for agro-processing, manufacturing, and services, but only if Nigeria reduces trade costs and aligns product standards.
- 5. Green and Digital Pathways Offer New Growth Poles.** Climate finance, renewable-powered industrial estates, and green construction methods can de-risk projects and attract concessional funds. At the same time, digital platforms in retail, payments, and construction management will drive productivity and open new consumer markets.

Overall Outlook:

Nigeria faces a decade of high demand pressure and structural reform needs. For businesses, the opportunities lie in housing, logistics, and regional trade integration, while the risks remain centred on policy unpredictability, FX volatility, and infrastructure gaps. Strategic investors who align with government priorities (housing, infrastructure, non-oil exports) and deploy adaptive models to navigate Nigeria's volatility will be best positioned to capture long-term growth.



SECTION F: TRADE

Trade remains one of Nigeria's largest and most influential economic sectors, contributing nearly 18 percent of GDP and employing over 23 million people (27.5 percent of the workforce).⁵⁰ Between 2019 and 2024, the sector's nominal GDP almost doubled from ₦35.6 trillion to ₦68 trillion, underscoring its resilience as a driver of output and employment.⁵¹ Yet, its structure highlights Nigeria's vulnerabilities: crude oil still accounts for over 90 percent of export earnings, while imports are dominated by refined petroleum products, machinery, vehicles, and food staples. This leaves the sector highly exposed to commodity price cycles, exchange rate volatility, and weak domestic production capacity.

At the domestic level, trade is dualistic. On one hand, it provides livelihoods for millions, particularly women and youth in the informal sector; on the other, it remains fragmented, low in productivity, and poorly integrated into modern retail systems. Inflation averaging above 25 percent in 2023 has eroded purchasing power, suppressing real trade growth. On the external side, Nigeria posted a cumulative ₦26.2 trillion trade surplus (2020–Q1 2025), but this is largely oil-driven, with non-oil exports such as cocoa, cashew, and fertilisers contributing less than 10 percent of trade value.

Comparisons with peers reveal persistent structural gaps. Nigeria ranks 131st in the World Bank's Ease of Doing Business index, behind India (63), Indonesia (73), and South Africa (84). Container throughput grew only modestly to 1.57m TEUs (2000–2022), while India expanded to 19.7m and Egypt to 7.8m TEUs. Logistics performance remains weak, with Nigeria's LPI score at 2.6 in 2023, trailing South Africa (3.7), India (3.4), and Egypt (3.1). Congested ports, poor hinterland connectivity, and FX volatility continue to drive high costs, limiting competitiveness.^{52 53}

Despite these headwinds, opportunities remain significant. The African Continental Free Trade Area (AfCFTA) provides a platform to expand non-oil exports, regional value chains, and logistics services. Nigeria's vast consumer base also creates opportunities in e-commerce, retail modernisation, and agro-processing, especially if backed by reforms in customs, digitalisation, and financing. Recent policy initiatives, including the National Trade Facilitation Roadmap and port modernisation projects (Lekki Deep Sea Port, inland container depots), could be transformative if implementation is sustained.

Looking ahead, the sector's prospects will be defined by three dynamics: the resilience of domestic demand, the urgency of structural reforms in logistics and customs, and Nigeria's ability to leverage AfCFTA for regional integration. With coordinated reforms, Nigeria can reposition itself as a trade and logistics hub for West Africa; without them, it risks remaining a large but import-dependent consumer market.

Overview of Nigeria's Trade Sector

Trade, spanning wholesale and retail, is one of Nigeria's most critical sectors. Between 2019 and 2024, nominal GDP nearly doubled from ₦35.6 trillion to ₦68.0 trillion, with the sector consistently contributing 17–18 percent of GDP. Real growth has been modest, about 2 percent annually since 2021, due to inflationary pressures, FX depreciation, and subdued household demand.

Employment-wise, trade is the single largest labour absorber outside agriculture, engaging over 23 million Nigerians in 2023, or 27.5 percent of the workforce. The sector is highly dualistic: modern retail chains and e-commerce platforms are expanding in cities, while the vast majority of transactions occur in fragmented, informal markets with limited access to credit or digital tools.

⁵⁰ National Bureau of Statistics. 2024. Labour Force Statistics Report. Available via <https://www.nigerianstat.gov.ng/>

⁵¹ www.nigerianstat.gov.ng

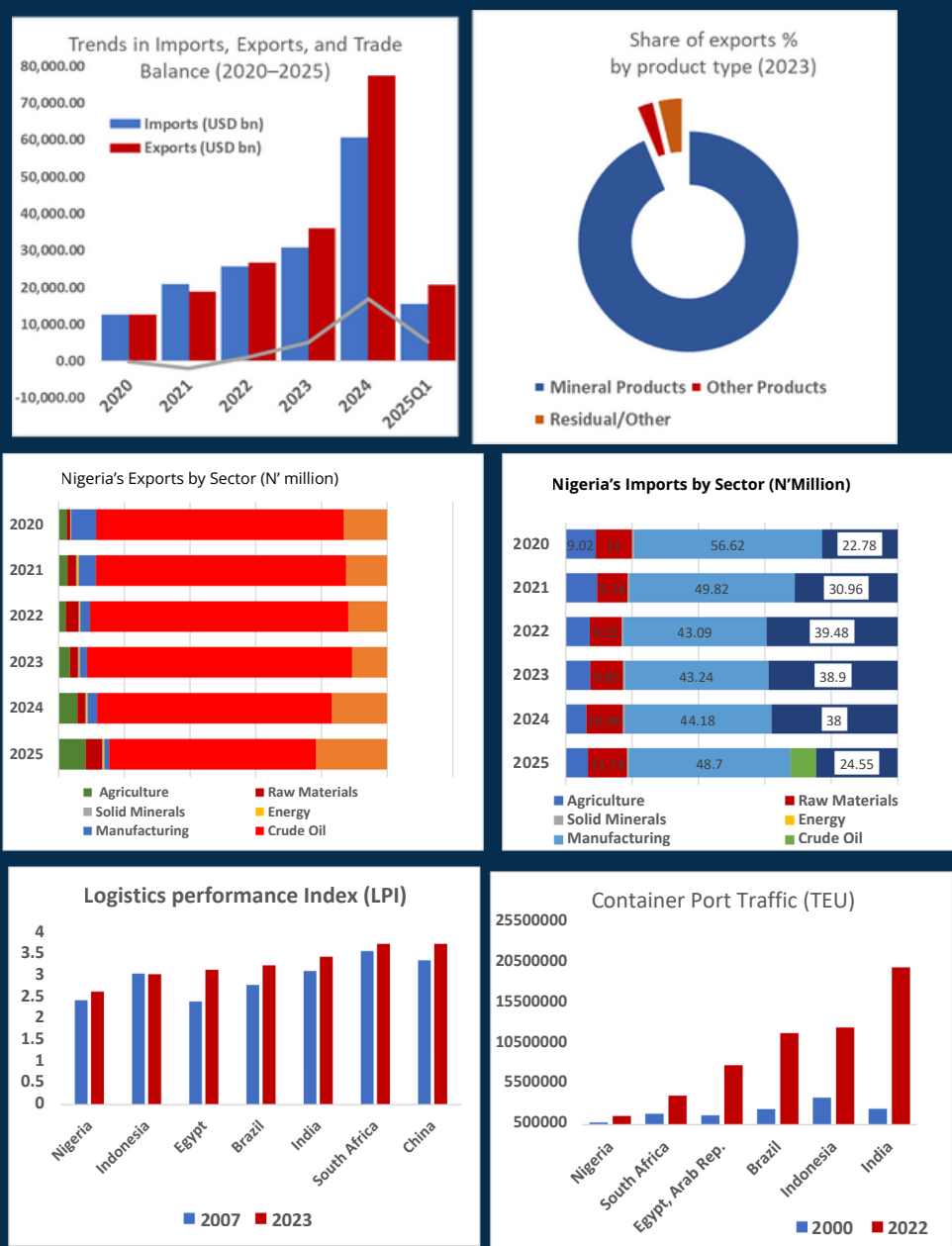
⁵² [Container port traffic \(TEU: 20 foot equivalent units\) | Data](#)

⁵³ [Home | Logistics Performance Index \(LPI\)](#)

On the external side, trade flows remain skewed. Between 2020 and Q1 2025, Nigeria's cumulative exports reached ₦192.2 trillion, imports ₦166.0 trillion, yielding a surplus of ₦26.2 trillion. Yet, crude oil (80.6percent) and gas (10.5percent) still dominate exports, with non-oil goods under 5percent. Imports are broad-based, led by refined petroleum, vehicles, machinery, wheat, and pharmaceuticals, reflecting dependence on foreign production.

Nigeria also underperforms its peers in logistics and competitiveness. Container traffic doubled from 766,000 TEUs in 2000 to 1.57 million Twenty-foot Equivalent Units (TEUs) in 2022, but India grew eightfold, Egypt nearly fivefold, and Brazil/Indonesia now exceed 11 million TEUs each. LPI scores remain weak (2.6 in 2023), compared with South Africa (3.7), India (3.4), and Egypt (3.1). These inefficiencies inflate trade costs, slow delivery, and undermine Nigeria's role as a regional hub.

Figure 15: Nigeria's Trade Sector Statistics



- a) **Increasing trade inclusivity** by offering SMEs financing support and enhancing their e-commerce participation. SMEs are the backbone of the Nigerian economy and are crucial to the market's strategy to enhance productivity and promote trade inclusivity. The government plans to increase SME contribution to the market's GDP from 49 per cent in 2022 to 70 per cent by 2025.
- b) **Growing Nigeria's natural gas global market share** via the implementation of onshore and offshore gas pipeline projects. Nigeria plans to export more natural gas to Europe, as the region looks to diversify its energy imports. Nigeria plans to build two new gas pipelines – onshore via Niger and Algeria, spanning 4,000 km across the Sahara Desert with an estimated cost of USD13 billion, and offshore via the West African coast, stretching 5,660 km with an estimated cost of USD20–25 billion. These new gas pipelines will enable Nigeria to export natural gas to far-reaching destinations and strengthen its position as a natural gas exporter.
- c) **AfCFTA Integration:** With access to a 1.3 billion-person market, AfCFTA offers Nigeria the chance to anchor West African value chains in agro-processing, pharmaceuticals, and light manufacturing.
- d) **Consumer Market Growth:** Rapid urbanisation and a growing middle class sustain strong demand for goods and services.
- e) **Domestic Reforms:** Initiatives like the National Trade Facilitation Roadmap and port digitalisation can reduce clearance times and costs.
- f) **Strong Retail Base:** Nigeria's youth-driven consumer market is fertile ground for e-commerce, fintech-driven payments, and retail modernisation.

Challenges/Risks

- **FX Volatility:** Persistent currency instability inflates import costs and erodes consumer demand.
- **Logistics Bottlenecks:** Congested ports, high road haulage costs, and weak cold-chain systems undermine competitiveness.
- **Policy Inconsistency:** Frequent trade bans, tariffs, and forex restrictions discourage long-term investment.
- **Import Dependence:** Heavy reliance on refined petroleum, vehicles, and machinery deepens vulnerability to global shocks.
- **Informality:** 60 percent of trade activity occurs in the informal sector, limiting tax revenues and formal finance access.

Opportunities for Businesses

Nigeria's trade sector presents significant opportunities despite persistent macroeconomic headwinds. Rising inflation and FX volatility will continue to weigh on real growth in the short term, but underlying demand pressures, port modernisation, and AfCFTA integration provide medium- to long-term avenues for transformation.

a)Export Diversification: Agro-processing (cocoa, sesame, cashew, horticulture) and light manufacturing (textiles, pharmaceuticals) can anchor non-oil export growth, especially under AfCFTA's rules-of-origin framework. Targeted investment in certification systems and processing plants will expand market access.

b)Logistics and Infrastructure: Inland container depots, cold storage facilities, and last-mile delivery systems are critical for reducing trade costs. Port modernisation (Lekki Deep Sea Port) and transport corridor upgrades will determine competitiveness.

a)Digital Trade & Retail Modernisation: Expanding e-commerce, mobile payments, and inventory finance platforms offers new pathways to formalise MSMEs and scale retail productivity. Urban demand supports investment in supermarkets, malls, and wholesale distribution platforms.

b)Policy & Trade Facilitation Reforms: Predictable trade policy, forex stability, and customs modernisation remain decisive. Implementing a National Single Window (NSW) could cut clearance times by 30–50percent, reduce costs by up to 15percent of cargo value, and significantly boost competitiveness. Ghana's UNIPASS system and reforms in Singapore and South Korea demonstrate feasible gains.

In the short term, nominal trade expansion will continue despite inflationary pressures. In the medium term, AfCFTA and trade facilitation reforms could reposition Nigeria as a regional hub. Over the long term, shifting away from oil-dominated exports toward diversified, value-added trade is essential for sustainable growth.

Cross-Sector Insights

Trade inefficiencies are not isolated; they cascade across Nigeria's strategic sectors, amplifying costs, slowing growth, and weakening competitiveness. Four critical intersections stand out:

1. Trade and Manufacturing

Manufacturers rely heavily on imported machinery, intermediate goods, and raw materials. Delays at ports where the average dwell time exceeds 20 days versus less than 7 days in South Africa raise costs and disrupt production schedules. For instance, high logistics costs add 20–30 percent to the landed price of imported machinery and spare parts. Streamlined customs processes and inland depots would directly enhance manufacturing competitiveness, particularly for agro-processing, textiles, and pharmaceuticals.

2. Trade and Construction/Real Estate

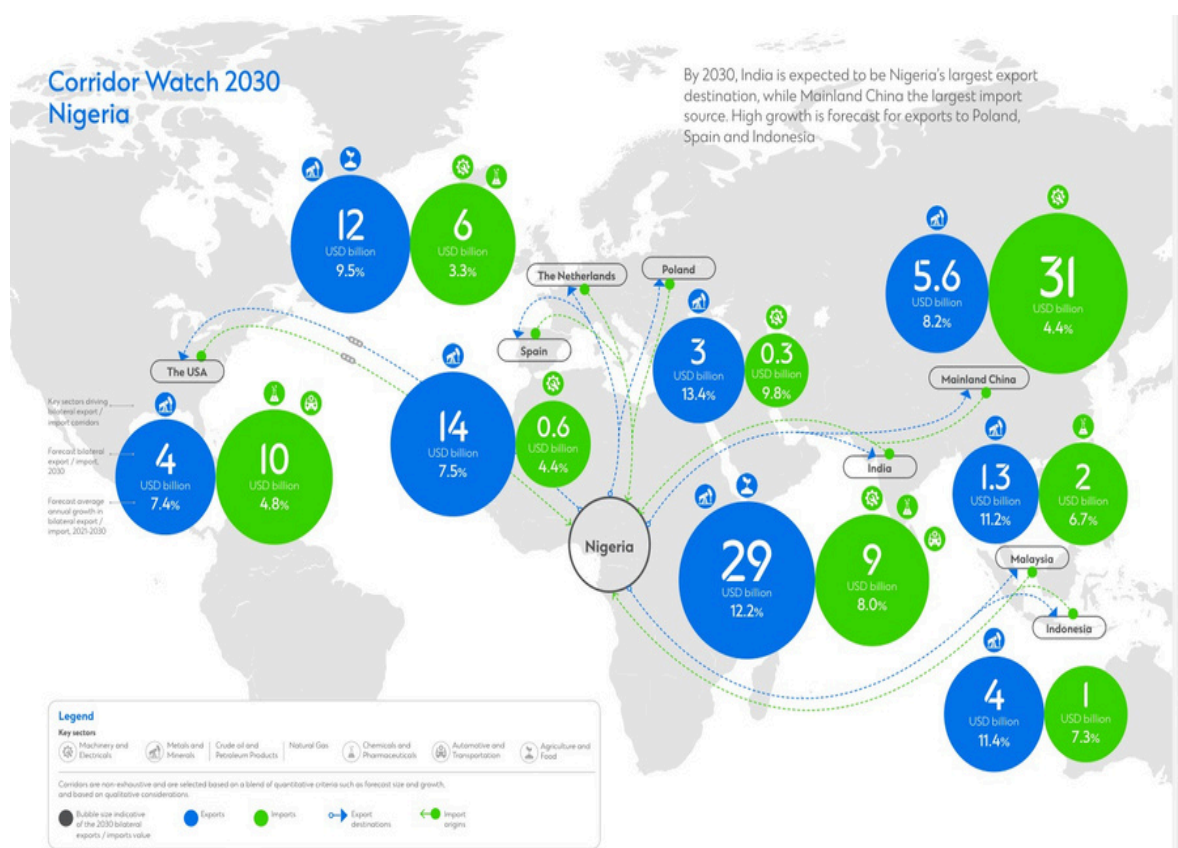
The construction sector depends on imported steel, heavy machinery, and specialised equipment. Inefficient trade logistics raise project costs and prolong delivery timelines. For example, congestion at Apapa and Tin Can increases the price of imported steel reinforcement bars (rebar) and machinery, feeding into Nigeria's already high housing costs. Improved logistics and lower trade costs would make housing more affordable, accelerate infrastructure projects, and unlock wider construction–real estate multiplier effects.

3. Trade and ICT/Digital Economy

ICT growth is constrained by delays and high costs of importing telecoms equipment, smartphones, and data infrastructure. Nigeria's poor logistics performance slows broadband expansion and digital inclusion, limiting opportunities in e-commerce, fintech, and digital services. Customs digitalisation and faster clearance processes could accelerate ICT infrastructure roll-out, indirectly boosting productivity in trade and other sectors.

4. Trade and Manufacturing

Nigeria imports turbines, transformers, solar panels, and critical spare parts for power generation and distribution. Port inefficiencies and FX volatility inflate costs and delay installations, worsening the electricity supply gap. Trade reforms, especially improved port logistics, would directly lower costs for renewable and conventional power projects, making electricity more reliable and boosting competitiveness across industries.

Figure 16: Nigeria's Trade Connections with Global Economy

Source: Stander Chartered Bank ⁵⁴

Economy-wide Multipliers

Reforms in customs and logistics such as full deployment of a National Single Window, inland container depots, and rail-linked industrial corridors—would deliver economy-wide dividends. Lower trade costs would reduce consumer prices, enhance manufacturing competitiveness, accelerate construction timelines, improve ICT rollout, and cut energy project costs. In this way, trade reform is not sectoral, but foundational to unlocking Nigeria's wider growth potential.

Conclusion and Key Business Takeaways

Nigeria's trade sector remains both a key growth driver and a source of structural vulnerability. It contributes nearly one-fifth of GDP and employs over a quarter of the workforce, yet its competitiveness is constrained by heavy dependence on crude oil exports, inefficient logistics systems, and persistent policy uncertainty. Comparative evidence indicates that Nigeria trails peers such as India, Egypt, and South Africa in port efficiency, logistics performance, and overall business climate. These weaknesses continue to limit its potential to emerge as a leading regional trade hub, despite the advantage of a large domestic market.

The pathway forward requires bold, coordinated reforms. Trade is not just a sector; it is an enabler of construction, manufacturing, ICT, and electricity. Port congestion raises building costs, FX volatility hampers manufacturers, slow customs clearance delays telecom rollout, and import bottlenecks inflate energy project timelines. Addressing these bottlenecks could unlock broad-based growth multipliers across the economy.

⁵⁴ SC Future-of-trade_2023.pdf

Key Business Takeaways

1. Infrastructure and Logistics Reform is Foundational

- Reducing port dwell times (currently 20+ days vs. <7 in South Africa) and modernising trade corridors would lower costs for traders, manufacturers, and construction firms simultaneously.
- Businesses should monitor the rollout of Lekki Deep Sea Port, inland container depots, and rail-linked industrial corridors as game changers for supply chains.

2. Financing Innovation Will Unlock Scale

- With mortgages below 1 percent of GDP and infrastructure spending at just 3–5 percent of GDP, Nigeria cannot close its \$3 trillion infrastructure and housing gap without private capital.
- Opportunities lie in trade finance platforms, export credit, and blended finance instruments that support agro-processing, logistics, and MSME exporters.

3. Policy Stability and Regulatory Predictability are Non-Negotiable

- Frequent policy reversals on tariffs, bans, and forex allocation erode investor confidence.
- Businesses should engage with government reform platforms (e.g., PEBEC, Trade Facilitation Roadmap) to anticipate and shape reforms while planning for volatility.

4. AfCFTA and Regional Integration Are New Growth Frontiers

- Nigeria's location and consumer base offer unmatched scale in West Africa.
- Firms in agro-processing, pharmaceuticals, and logistics should align operations with AfCFTA rules of origin and regional standards, positioning for first-mover advantage as continental trade deepens.

5. Digital and Green Pathways Are Emerging Growth Poles

- E-commerce, digital payments, and trade digitalisation will redefine retail and cross-border trade, offering new entry points for MSMEs.
- Green logistics and energy-efficient warehousing are increasingly attractive to global investors seeking climate-aligned projects.

Overall Outlook

Nigeria faces a decisive decade. Without sustained reforms, it risks deepening its position as an import-dependent consumer market. However, with coordinated investments in logistics infrastructure, access to finance, and policy stability, the country can reposition itself as West Africa's trade anchor — a dynamic hub for regional integration and value-added exports. For businesses, the winners will be those that combine agility with long-term strategic positioning in logistics, agro-processing, and regional value chains

**SECTION FOUR:
CROSS-CUTTING
ENABLERS
AND CONSTRAINTS**

Nigeria's ambition to diversify its economy and achieve inclusive, high-growth development hinges on the strategic enhancement of its key sectors: agriculture, manufacturing, ICT, electricity, construction, and trade, as identified in the preceding section. Despite sector-specific strategies, structural constraints remain entrenched across all industries. Thus, Nigeria must prioritise enabling conditions that cut across sectors to catalyse inclusive, job-rich, and competitive economic growth.

The four cross-cutting enablers—infrastructure, skills development, policy environment and market development, act as critical levers to unlock more than 5 percent annual growth across these sectors. Success with these enablers is pivotal to attracting investment, boosting productivity, and improving national competitiveness in regional and global markets.

1. INFRASTRUCTURE

Infrastructure is the backbone of any productive economy. It enables the flow of goods, services, energy, people, and information, forming the foundation for enterprise performance and sectoral development. Inadequate infrastructure has been a significant constraint on Nigeria's economic potential, raising production costs and limiting competitiveness. Thus, strategic investments and enhanced infrastructure, particularly in energy, transport, digital connectivity, and logistics, are needed to unlock efficiency and attract private sector participation.

Sector	Key Infrastructure Priorities
Agriculture	- Invest in irrigation and water harvesting technologies to promote year-round farming. - Expand rural access roads and feeder networks to facilitate the movement of produce from farms to markets. - Scale cold chain and warehouse infrastructure to reduce post-harvest losses.
Manufacturing	- Develop well-serviced industrial parks and special economic zones with reliable power, water, and waste disposal systems. - Strengthen transport networks (road, rail, and ports) for improved access to raw materials and export markets.
ICT	- Increase broadband coverage through fibre optic cable rollout and rural network towers. - Support energy infrastructure for data centres and digital hubs to reduce downtime and cost.
Electricity	- Modernise transmission infrastructure and extend the national grid to underpowered industrial zones. - Promote mini-grids and off-grid systems to support SMEs and rural communities.
Construction	- Improve public infrastructure, such as roads, drainage, and utility systems that support urban development and construction sites. - Establish bulk depots and logistics hubs for efficient building material distribution.
Trade	- Modernise seaports, inland container depots, and border infrastructure to facilitate regional trade. - Upgrade warehousing and storage systems for improved inventory and logistics management.

2. SKILLS DEVELOPMENT

A skilled and adaptable workforce is the engine of sectoral productivity. In Nigeria, persistent skills mismatches and low workforce capabilities undermine firm-level performance across all major industries. To drive inclusive economic transformation, there is an urgent need to align training, and reskilling efforts with sectoral demand. This includes promoting vocational and technical education, informal sector certification, digital skills training, and on-the-job learning systems.

Sector	Skills Development Needs
Agriculture	- Strengthen agricultural extension services to provide farmers with modern agronomic techniques and market knowledge. - Introduce climate-smart agriculture training, mechanisation handling, and agribusiness management.
Manufacturing	- Expand Technical and Vocational Education and Training (TVET) targeting skills like machining, fabrication, and automation. - Support enterprise-based training through structured apprenticeships and industry-academia partnerships.
ICT	- Scale up digital skills programs in coding, cybersecurity, and digital marketing for youth and professionals. - Enhance innovation capacity through start-up incubation, entrepreneurship mentoring, and industry certifications.
Electricity	- Build capacity in power generation, transmission, and renewable energy technologies. - Introduce green skills training such as solar PV installation, battery maintenance, and energy auditing.
Construction	- Provide training on modern construction methods, health and safety practices, and project management. - Certify informal artisans through skills recognition and upskilling programmes.
Trade	- Develop MSME capabilities in export documentation, digital trade, packaging, and logistics. - Train market operators and traders in basic bookkeeping, inventory, and financial management.

3. POLICY ENVIRONMENT

The right policy environment is essential to attract investment, stimulate entrepreneurship, and foster sustainable growth. Nigeria's fragmented regulatory landscape, inconsistent policy execution, and weak market systems have constrained sectoral progress. A coordinated approach that promotes policy coherence, institutional reform, investment incentives, and competitive markets will be instrumental in enabling the private sector to thrive and scale.

Sector	Policy & Market Development Recommendations
Agriculture	Digitise land records and simplify acquisition to enhance the security of tenure.
Manufacturing	Align tax, trade, energy, and infrastructure policies to enhance manufacturing competitiveness.
ICT	- Roll out tax incentives and regulatory support under Nigeria's Startup Act. - Finalise and enforce national digital and data privacy frameworks to boost investor confidence.
Electricity	- Introduce cost-reflective tariffs with targeted subsidies for vulnerable users. - Streamline licensing and encourage Independent Power Producers in renewable and hybrid energy supply.
Construction	- Use blended finance and PPP models to support large-scale housing delivery. - Update and enforce building codes and city master plans to reduce haphazard development. - Operationalise construction bonds and pooled financing models to mobilise long-term capital.
Trade	Operationalise AfCFTA, digitise customs, and provide trade finance for MSMEs.

4. MARKET DEVELOPMENT

Strengthening domestic value chains and ensuring fair market access will further enhance local economic resilience. Market dysfunction, ranging from regulatory bottlenecks to trade inefficiencies, deters investment and limits sectoral productivity. Effective market development strategies tailored to sectoral realities are essential for boosting domestic demand, encouraging productive investment, and driving sustainable growth. Without functioning and accessible markets, sector-specific interventions in skills and infrastructure will yield limited outcomes.

Sector	Policy & Market Development Recommendations
Agriculture	- Strengthen agricultural value chains through backward (input) and forward (processing, marketing) integration. - Expand structured trading platforms (e.g., Nigeria Commodity Exchange) to provide fair pricing and reduce post-harvest losses. - Establish agribusiness clusters and rural agro-processing hubs to stimulate local value addition.

Sector	Policy & Market Development Recommendations
Manufacturing	• Enforce local content requirements and link large industrial firms with domestic SME suppliers. • Support industrial off-take schemes to stabilise demand and enable scale economies for local manufacturers. • Create national procurement policies that prioritise local manufacturers in government and large-scale projects.
ICT	• Implement a digital economy policy framework to support trust, cybersecurity, and digital transactions. • Promote public procurement of local ICT solutions to stimulate the domestic tech market. • Support digital marketplaces and platforms that link tech innovators to customers, clients, and funding sources. • Incentivise data infrastructure investment to support cloud services, payment gateways, and Software as a Service (SaaS) offerings
Electricity	• Develop renewable energy markets through feed-in tariffs, net metering, and carbon credit trading. • Encourage energy-as-a-service platforms to enable micro-utilities and decentralised solutions to reach underserved markets.
Construction	• Promote local sourcing frameworks for construction inputs (e.g., cement, steel, roofing materials). • Stimulate demand through mass housing and infrastructure programmes with clear procurement pipelines for local contractors
Trade	• Support trade facilitation infrastructure, including regional warehousing, dry ports, and logistics hubs. • Enhance market intelligence services for exporters to identify demand, pricing, and compliance requirements in target markets

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The NESG is an independent, non-partisan, non-sectarian organisation committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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