REVIEW OF 2008 AND PROSPECTS FOR 2009

The central strategy in 2008 was to consolidate upon successes achieved in previous years and initiate new programmes in line with the mission of promoting evidence-based economic policies in Nigeria and Africa. Several remarkable achievements were recorded in the areas of research, policy advocacy, training and networking.

The year’s activities flagged off with an impressive Associate Fellows Retreat which was held on 12 January 2008. The Retreat had the theme - Teamwork, Leadership and Competition. The Retreat examined the trio imperatives of teamwork, leadership and competition amidst the changing constraints and opportunities in the research environment.

One distinctive landmark during the year was the formulation of the Five-Year Strategic Plan 2009-2013, tagged “Project Leading-Edge”. The Five-Year Strategic Plan 2009-2013 -Project Leading Edge, is motivated by the desire to intensify the drive to achieve the founding vision and mission of AIAE. In fact, Project Leading Edge is AIAE Vision Intensified. Project Leading Edge is a 5-year Strategic Plan embodying AIAE niche goals, policy thrusts and programmatic priorities from 2009-2013. The Plan is the outcome of participatory review and planning process that involved all the Institute’s stakeholders. During the strategic planning process, AIAE’s management and Associate Fellows critically examined the progress and achievements in the past years, analysed its scorecard against founding objectives and identified emerging challenges, opportunities and strategic priorities in the years ahead.

During the year, the Institute launched the second cycle of the flagship programme - Business Environment and Competitiveness across Nigerian States (BECANS). In addition to the successful consultations with partners and stakeholders, the revised instrument and scoring template for the BECANS have been made field-ready. Also, during the year, the Institute collaborated with the Central Bank of Nigeria, Centre for Econometric and Allied Research (CEAR) and Nigeria Institute for Social and Economic Research (NISER) in developing a macroeconomic model of the Nigerian economy. The modeling exercise is built upon institutional mechanisms that will guarantee regular update and utilization. Also, the programme aims at building a critical pool of modelers of the Nigerian economy.

AIAE achieved substantial milestones in steering the establishment of the South-East Nigeria Economic Commission (SENEC), in collaboration with stakeholders in the South-East zone of Nigeria. Consequent upon the intensification of mobilization and advocacy activities by the Interim Steering Committee – a facilitation organ constituted by the Institute – the year witnessed strategic buy-ins from the government, private sector and civil society. Today, SENECE has been adopted as the institutional framework for catalyzing sustainable regional economic growth and development. The regular policy advocacy forum of the Institute – the Enugu Forum – continued to offer legitimate avenue for informed policy debate/dialogue, economic literacy and research dissemination.
In addition to research activities, the Institute made remarkable progress in training of its staff and Associate Fellows, as well as client-based training. The Peer Learning Seminar Series continued to serve as a formidable tool for upgrading skills and competencies of Staff and Associate Fellows. The in-house training activities were complemented with AIAE-facilitated training by other institutions.

In line with our principle of increasing the efficiency and responsiveness of research, the Institute has an ongoing scheme involving the systematic accumulation of social and economic statistical data under the Databank Initiative. Over the past two years, concerted efforts have yielded a Databank which now provides the Institute’s researchers and other scholars with quick, convenient and inexpensive access to organized verified datasets across a wide variety of social, economic and related indicators. Moreover, the AIAE Databank serves as a rich statistical reference for government, academia and private sector.

Despite these achievements, the Institute faces many challenges in the years ahead. Sustaining our competitive edge requires capacity enhancement to ensure improved research, analytical and reporting skills of staff and Associate Fellows, upgraded information and communication technology, more robust networking infrastructure, longer-term financing/programming and greater institutional capabilities. These challenges and the strategic approaches and programmatic priorities for responding to them have been identified through the strategic planning process, leading to the AIAE Strategic Plan 2009-2013 – Project Leading Edge. So, the year 2009 will set the tone for the implementation of the Plan. Hence, developments in the year 2009 will have critical implications for the smooth take-off of the Plan and the realization of its objectives and targets. By the Strategic Plan, we would achieve milestones greater than whatever has been recorded in the past. To turn this ambition into reality, we will apply effective teamwork powered by strong dynamic leadership for enhanced competitiveness as a leading-edge research institution.

Prof. Eric Eboh
Executive Director
# Table of Contents

**REVIEW OF 2008 AND PROSPECTS FOR 2009** ....................................................................................... 2

1.0 **IDENTITY, MISSION AND OBJECTIVES** ......................................................................................... 6

2.0 **MAJOR IMPACTS IN RECENT YEARS** ............................................................................................ 8

  2.1 At the National Level ......................................................................................................................... 8

3.0 **GOVERNANCE AND MANAGEMENT** ......................................................................................... 10

  3.1 Board of Directors ............................................................................................................................ 10

  3.2 Management and Human Resources ............................................................................................... 10

4.0 **STRATEGIC PLANNING – PROJECT LEADING EDGE, 2009-2013.** .................................................. 11

  4.1 Motivation and Objectives ................................................................................................................. 11

  4.2 Process and Milestones ...................................................................................................................... 12

  4.3 Research Strategy ............................................................................................................................. 13

  4.4 Outline of Research Priorities from 2009-2013 .............................................................................. 13

  4.5 Capacity Building Initiatives ........................................................................................................... 14

  4.6 Research Networking ......................................................................................................................... 14

  4.7 Required Resources and Mobilisation Techniques .......................................................................... 15

  4.8 Monitoring and Tracking .................................................................................................................. 15

5.0 **RESEARCH DURING THE YEAR 2008** ..................................................................................... 16

  5.1 Business Environment and Competitiveness Across Nigerian States II (BECANS II)............ 16

  5.2 Developing Macroeconomic Model of Nigeria .............................................................................. 18

  5.3 Study of Industrial Clustering in Nigeria ...................................................................................... 20

  5.4 The Databank Initiative .................................................................................................................. 22

  5.5 Peer Learning Seminar Series ........................................................................................................ 26
6.0 NETWORKING, OUTREACH AND AFFILIATIONS ................................................................. 29
   6.1 Associate Fellows Network ......................................................................................... 29
   6.2 The South-East Nigeria Economic Commission (SENEC) Initiative ........................ 31
   6.3 Other International Networks and Affiliations ......................................................... 35
   6.4 Conferences Attended By Staff and Associate Fellows ........................................... 35

7.0 PUBLIC POLICY ADVOCACY ...................................................................................... 37
   7.1 Enugu Forum (Development Policy Forum) ............................................................... 37

8.0 PUBLICATIONS ........................................................................................................... 38
   8.1 AIAE Research Paper Series ..................................................................................... 38
   8.2 AIAE Policy Brief Series ............................................................................................ 39
   8.3 Enugu Forum Policy Paper Series ............................................................................ 40
   8.4 AIAE Newsletter Series ............................................................................................. 42

9.0 THE LIBRARY .............................................................................................................. 43

10.0 LOOKING FORWARD TO THE YEAR 2009 ............................................................. 43
1.0 IDENTIFY, MISSION AND OBJECTIVES

AIAE is a not-for-profit, independent international research organization. It is registered as Company Limited by Guarantee (Ltd Gte) in Nigeria in 2000, but started operations in 2001. The Institute is devoted to economic policy research in line with its mission to promote evidence-based decision making. Based on its research outputs, AIAE facilitates policy advocacy, conducts training and participates in knowledge-based networking. It also provides consultancy services to governments, national organisations, international development agencies and the Organized Private Sector (OPS).

The Institute has Board of Directors, comprising internationally accomplished and respected scholars and professionals. AIAE is based in Enugu, south-east Nigeria. It is headed by an Executive Director, working with a good number of research and administrative staff. Much of the research is carried out through a network of local and international experts who are affiliated to AIAE as Associate Fellows. Each expert has at least a Masters Degree in Economics, Social Sciences, Management or related disciplines.

What We Do

AIAE’s operational approaches consist of five mutually reinforcing modules:

1. Frontier economic research and policy analysis;
2. Expert consortium on topical economic questions;
3. Evidence-based stakeholder policy dialogue;
4. Networking with national/international research institutions; and
5. Capacity building services to clients. The five modules are otherwise known as the FEENC approach.

Thematic Programme Areas

These approaches are applied across the five thematic research areas. They are:

- Trade Regional Integration and Competitiveness (TRIC);
- Macroeconomic Analysis Modeling and Forecasting (MAMF);
- Public Sector Economics and Management (PSEM);
- Poverty Income Distribution and the Labour Market (PIDLAM); and
- Agriculture and Rural Development (AGRUD).
The thematic groups are the building blocks of the research programme. They constitute the research hubs for producing frontier knowledge based on teamwork, international research networking, scientific validation and quality assurance. The thematic programme areas and the cross-cutting programme approaches are illustrated in Figure 1, as follows.

![Figure 1: AIAE Thematic Programme Areas and Approaches](image-url)
2.0 MAJOR IMPACTS IN RECENT YEARS

2.1 At the National Level

Since inception, AIAE has proved itself as one of the leading economic research institutes in Nigeria and Africa. The Institute has delivered good quality outputs across its thematic research areas.

AIAE is the first Nigerian research institute to benchmark the state-level business environment, through its flagship programme – Business Environment and Competitiveness across Nigerian States (BECANS). It has provided critical analytical inputs and expert advisory into Nigeria’s National Economic Empowerment and Development Strategy (NEEDS) and the state-level counterparts - States’ Economic Empowerment and Development Strategies (SEEDS). AIAE has also spearheaded the National Working Groups Initiative (otherwise called the Better Business Initiative). The Initiative has since 2003 connected five leading Nigerian private sector and civil society organisations in research-based policy advocacy.

Specifically, the BECANS project has made significant impact as follows:

- Increased stakeholder awareness and appreciation of the crucial role of business environment in promoting investments, employment and reducing poverty;
- Deepened public-private partnership in state-level business environment research, measurement and benchmarking in Nigeria;
- Stimulated the implementation of reforms in various areas of business environment in the states;
- Improved informational resources of state-level civil society and private sector groups for evidence-based advocacy for good economic governance;
- Generated and supplied comprehensive data sets on business environment and ratings of the states, for the first time in the history of Nigeria;
- Engendered greater interest and action in research and studies on business environment at the state level;
- Revealed the latent data weaknesses and inadequacies in the various federal and state government ministries, departments and agencies;
- Catalyzed sustained evidence-based stakeholder dialogue for improving business climate at the state level;
• Produced a policy monitoring framework by which the National Planning Commission and State Governments can periodically assess and evaluate business environment across the states of the country; and
• Increased the prospects for peer review among the federating states in the country.

AIAE has an ongoing Databank which provides quick and inexpensive access to verifiable datasets on social, economic and development indicators on Nigeria, Africa and the world. As a living research resource, the Databank is constantly updated to incorporate new data and statistics.

The Institute has since 2006 been championing the process of establishing the South-Eastern Nigeria Economic Commission (SENEC) to provide effective credible institutional vehicle for the articulation of regional development strategies, mobilization of resources for the development of common infrastructure and services and coordination of policies for sustainable growth and prosperity of the south-east geopolitical zone of Nigeria.

AIAE’s research has contributed to increased supply of sound analytics to a number of policy arenas in Nigeria. Recommendations from AIAE research has influenced public policy decisions and economic reforms including the Fiscal Responsibility Bill, Fertilizer Policy and Strategy, Reform of the Land Use Act, States’ Budgets and Public Expenditure Policies and some sector policies in Nigerian States, including agriculture, manufacturing, telecommunications, microfinance, micro-, small- and medium enterprises.

2.1 At the Regional Level

At the regional level, AIAE has made remarkable impact in the West African and African regional knowledge and policy spheres through commissioned, collaborative and own-initiated studies. AIAE studies on Common External Tariffs (CETs), Economic Partnership Agreements (EPAs), regional integration and trade policies in ECOWAS and Sub Saharan Africa (SSA) have impacted significantly on appropriate regional policy responses to globalisation.
3.0 GOVERNANCE AND MANAGEMENT

3.1 Board of Directors

The Institute is governed by a Board of Directors. Professor Eric Chiedum Eboh is the Executive Director.

3.2 Management and Human Resources

**Staff:** The Institute is headed by an Executive Director. Other staff positions include the Finance Manager, Administrative Coordinator, Corporate Affairs Manager, Programme Officers, Research Associates, Research Assistants, Administrative Secretary, Administrative Assistants, Finance Assistants and the Librarian.

**Associate Fellows:** Much of the substantive research work of the Institute is carried out through a network of experts within and outside Nigeria who are affiliated to the Institute as Associate Fellows. By the end of 2007, the Institute has one hundred and eighty (180) Associate Fellows each with at least a Masters Degree in Economics, Social Sciences and related Disciplines. Thirty (30) new members were admitted during the year.
4.0 STRATEGIC PLANNING – PROJECT LEADING EDGE, 2009-2013.

One of the significant developments during the year 2008 is the preparation and review of the AIAE 5-year Strategic Plan, tagged, Project Leading Edge.

4.1 Motivation and Objectives

Looking beyond our current circumstances to see the possibilities that lie ahead and the huge potentials to realise them is the guiding philosophy behind the Strategic Planning by African Institute for Applied Economics (AIAE).

The Five-Year Strategic Plan 2009-2013, tagged, Project Leading Edge, is motivated by the desire to intensify the drive to achieve the founding vision and mission of AIAE. In fact, Project Leading Edge is AIAE Vision Intensified. Project Leading Edge is a 5-year Strategic Plan embodying AIAE niche goals, policy thrusts and programmatic priorities from 2009-2013. The Plan is the outcome of participatory review and planning process that involved all the Institute’s stakeholders. During the strategic planning process, AIAE management and Associate Fellows examined the progress and achievements in the past years, analysed the scorecard and determined the challenges, opportunities and strategic priorities in the years ahead.

Project Leading Edge builds upon significant strides for enhancing and sustaining AIAE’s leading-edge position in Nigerian and African economic research communities. The Plan articulates AIAEs priorities and targets across the five thematic research areas. It provides the framework of research and programme priorities for the next five years. The framework is the basis of focusing institutional energies and galvanising research communities in a proactive and dynamic manner. Overall, the Strategic Plan seeks to enhance the relevance and impact of AIAE research and programmes in the coming years.
4.2 Process and Milestones

AIAE commenced the process of articulating a 5-year Strategic Plan 2009-2013, codenamed Project Leading Edge, in January 2008. By the end of September 2008, the draft Strategic Plan was ready. Project Leading Edge is a 5-year strategic plan that articulates AIAE’s niche goals, strategies and programmes from 2009-2013. The Plan is a medium-term strategy aimed at intensifying the achievement of the AIAE mission by consolidating upon past successes, making self-correction and taking advantage of current and future opportunities.

The purpose is to enhance AIAE’s competitive position in the promotion of evidence-based research in Nigeria and Africa. It provides the monitoring framework for benchmarking and evaluating sustainable organisational development and operational effectiveness. Project Leading Edge serves as a paradigmatic menu of priorities for consolidating achievements and learning lessons. The Plan articulates robust strategies and programmes that will bolster AIAE’s relevance and impact in a changing research and policy environment. The Strategic Plan indeed symbolises AIAE Vision Intensified.

Project Leading Edge originated from the Concept Paper on “Repositioning AIAE for the Leading-Edge”, prepared by the Executive Director, Prof. Eric Eboh, in January 2008. Towards developing the draft document, we created four subcommittees and a general drafting committee. The subcommittees include: research and study programmes; institutional capacity strengthening; networking and collaboration; and financing and resource mobilisation. Using the template and guidelines contained in the Executive Director’s Concept Paper, the subcommittees undertook information gathering, brainstorming sessions/group discussions, strategy/programme reviews and drafting sessions. The template provided for the review of achievements, experiences and lessons since inception; analysis of key challenges and opportunities, strengths and weaknesses; and forward-looking to 2013 in terms of strategic priorities, programmes and actions. The draft reports of the various subcommittees were synthesized into a Strategy Document by the General Drafting Committee, led by the Executive Director.

The draft Strategic Plan was presented for consideration by the Board of Directors on 17 October 2008 at Abuja. The Board of Directors adopted the Strategic Plan for further reviews. Sequel to the meeting of the Board of Directors and to ensure wide consultation, an Associate Fellows Forum was convened specifically to review the Plan, on 6 November 2008 at Enugu.
4.3 Research Strategy

The tenets of the research strategy over the next five years have been articulated as follows:

- Develop economic research and related studies with Africa-regional applications, lessons and implications. The research and study programme will be articulated having in mind its usefulness for solving Africa-wide developmental problems/challenges such as regional integration and trade, macroeconomic stability and growth sustainability, poverty, infrastructure deficits and environmental degradation. Across the five thematic research areas, AIAE will address economic and developmental questions whose solutions can generate lessons and insights across countries.

- Strengthen research-based collaboration, networking and cooperation with African and pan-African research institutions. AIAE will seek and enter into lasting collaboration and networking with fellow African and pan-African research institutes and development agencies. The collaboration shall be underpinned by the need to solve Africa’s common development challenges through the production and supply of research evidence for policies.

- Deepen research on impact of subnational economic governance on macroeconomic conditions, poverty and sustainable development. Decentralization, the transfer of authority and responsibilities to sub-national jurisdictions, has been one of the central elements of the reform agenda in much of Africa. Subnational jurisdictions are an important tier of government whose development policies and economic management impact significantly on the overall economy. Despite the fact that sub-national government spending is growing and accounts for almost 70 per cent of poverty-reducing spending in some countries, there is little research on the impact of sub-national governments in growth, poverty reduction and sustainable economic development.

4.4 Outline of Research Priorities from 2009-2013

BECANS: Project Leading Edge articulates the future outlook of the Institute’s flagship programme - BECANS, which will enter a strategic next phase. During the five-year period, four cycles of the BECANS shall be completed.

MAMF: Under the MAMF group, the macroeconomic models, being developed in collaboration
with the Central Bank of Nigeria and other research institutions, will be harnessed and made operational in an ongoing manner.

**TRIC:** The TRIC group will focus on research on economic globalisation, trade policy and regional integration in the context of ECOWAS, WAMU and NEPAD.

**PSEM:** The PSEM group will focus on research on fiscal decentralisation, sustainable debt management and subnational economic measurement and analyses.

**PIDLAM:** Over the next five years, PIDLAM research will focus on growth, poverty, employment and distributional impacts of policies/programmes and the challenges of the MDGs.

**AGRUD:** The AGRUD research will focus on agricultural growth poles, agribusiness competitiveness and policy environment.

These research thrusts define the broad focal directions and benchmarks for the next five years. As benchmarks, they provide the paradigm for consolidating upon the achievements and progress of the Institute since its inception. Based on the research ambitions, the Strategic Plan charts, the organizational strategies and capacity building measures for developing research capabilities and critical infrastructure, securing long-term core funding, deepening institutional networking and establishing long-term knowledge niches.

### 4.5 Capacity Building Initiatives

The Strategic Plan describes AIAE’s capacity building programmes for Staff and Associate Fellows.

The capacity building measures include the Peer Learning Seminar Series, Sponsorship of training for staff and Associate Fellows and collaborative MSc Degree in Economics/Applied Economics. In addition, AIAE shall commence a Research Fellowship programme for Young Scholars and Visiting Senior Researchers.

AIAE will also offer training consultancies to clients in response to clients’ demand that aligns with our core capacities and competencies.

### 4.6 Research Networking
The Strategic Plan describes measures to enhance networking and collaboration with leading regional and international knowledge centres. Given its pan-African mission of providing intellectual leadership to help Africa through economic renaissance, AIAE will employ proactive networking measures as follows:

- Utilising available opportunities for collaboration and synergistic relations with comparable African economic research institutions;
- Situating itself strategically to enhance its competitiveness in research and programming within the context of growing competition for research resources in Africa and globally; and
- Identifying and harnessing strategic pan-African research and policy advocacy partnerships within the framework of existing and prospective global support for Africa’s development.

AIAE will seek to foster the Forum of Independent Policy Research Institutes in Nigeria (FIPRIN). The Forum will promote alliance between independent policy research institutes in order to improve the relevance and impact of research in policymaking. FIPRIN will catalyse links between economic research and policymaking, enhance collaboration and coalition of policy research institutes, foster capacities for policy-relevant research, galvanise critical national constituencies for policy research and develop engagement and interaction between researchers and policymakers.

4.7 Required Resources and Mobilisation Techniques

The income profile reveals the dominance of research and studies, an indication that AIAE has earned the bulk of its income from its core mandate.

The Plan describes the human resource and financing requirements of the research and related programmes. More researchers need to be mobilised through regular employment by the Institute. On the whole, the Plan will cost about US$ 17 million over the next five years. Potential sources of income as well as projected expenditures are identified and quantified. During the next five years, the prospects for improved income hinge on strategic institutional partnerships, niche programming, competitive knowledge products and demand-driven policy analytics. On annual basis, the budget rises from about US$2.9 million in 2009 to US$4.1 million in 2013.

4.8 Monitoring and Tracking
To allow for systematic monitoring, the Strategic Plan outlines the programme implementation framework, showing performance milestones, indicators and targets. The performance of the Project Leading Edge shall be assessed and reported on an annual basis. The Associate Fellows Annual Retreat shall be the primary avenue for conducting self-assessment.

5.0 RESEARCH DURING THE YEAR 2008

5.1 Business Environment and Competitiveness Across Nigerian States II (BECANS II)

Purpose and Objectives

The basic purpose of BECANS is to promote evidence-based advocacy for business environment reforms in Nigerian states. Within this setting, the project produces comprehensive and authoritative assessment of business environment across Nigerian states. One major rationale of BECANS is the yawning need for independent regular assessments and monitoring of business environment across Nigerian states. These assessments provide the evidence tool for more informed, credible and effective advocacy by private sector and civil society organizations and inform ongoing self-appraisals and peer review among State Governments. The goal is to stimulate government reforms in the policy, regulatory and institutional environment for doing business across Nigerian states.

Project Components
BECANS consists of four mutually reinforcing and complementary components. The four components include research, survey, dissemination and advocacy.

The research component involves the development of a domesticated framework of methods and indicators for assessing and benchmarking sub-national business environment and competitiveness in Nigeria. It also involves the testing and validation of the methods, benchmarks and indicators to ensure their suitability, reliability and efficacy.

The survey component involves regular annual surveys to collect and update data and statistics on business environment and competitiveness (BEC) across states, as well as empirical evaluation of the indicators of business environment and competitiveness.

The dissemination component involves the preparation of state-level business environment reports and national synthesis report on all states. The reports would then be communicated to elicit feedback and utilisation.

The advocacy component involves the establishment of mechanisms for the engagement and dialogue between public and private sector and civil society.

The principal partners in the BECANS programme are the Governments of the 36 States and FCT, Central Bank of Nigeria, National Planning Commission, National Bureau of Statistics, Manufacturer’s Association of Nigeria (MAN), Human Rights Law Services (HURILAWS), Nigerian Economic Summit Group Ltd/Gte and National Association of Small and Medium Enterprises (NASME).

**Progress on BECANS II During 2008**

During the year 2008, the Institute commenced the second cycle of the Business Environment and Competitiveness across Nigerian States (BECANS) programme. Like the first cycle, the second cycle will follow successive stages starting from the review of the research instrument, consultation and mobilisation, collection of data, analysis of data and writing of reports. The second cycle builds upon the successes and lessons of the first cycle. The participation of stakeholders, particularly, state-level private sector and civil society organizations are being strengthened to ensure strategic engagement towards more effective and sustained advocacy. Also, engagement with state governments will span the entire gamut of the second cycle beginning from the review of the data collection template, supply of relevant data and cooperation with field assessors. Like the first cycle, the second cycle of BECANS engages with the state governments through their respective Ministries of Economic Planning or Planning Commissions.

Activities for the implementation of the second cycle of the Business Environment and
Competitiveness across Nigerian States (BECANS) started on 9th September 2008 with a meeting of the Core Research Team of the Technical Working Group.

**State governments pledge cooperation on BECANS II**

BECANS II got a major boost with the endorsement of representatives of the State Governments at the joint meeting of the National Council on Development Planning (NCDP) and the Joint Planning Board (JPB), which was held at the Hydro Hotels, Minna, Niger State from 27-28 October, 2008. The meeting was attended by delegates from 28 States of the Federation and Abuja as well as other stakeholders. In all, 177 delegates attended the meeting.

At the meeting the delegates were updated on progress made on the Second Cycle of BECANS Programme. A brief on the programme was presented by Mr. Amaechi Chukwu, the BECANS Desk Officer.

The meeting noted, with satisfaction, the conclusion of the first cycle of the BECANS project and the emergence of BECANS II. It went on to urge the States to cooperate in the proposed sensitization activities for data collection purposes.

The BECANS programme has proved effective in influencing state-level reforms for better business environment. Many states have reacted to the BECANS results by making positive adjustments in administrative procedures and institutional processes that increase efficiency of service delivery in such areas as tax collection, land administration, business support and entrepreneurship development.

### 5.2 Developing Macroeconomic Model of Nigeria

The African Institute for Applied Economics is one of the three institutions that are collaborating with the Central Bank of Nigeria in developing a macroeconomic model of the Nigerian economy. The project, which commenced in April 2008 with an inception meeting chaired by the Governor of the Central Bank of Nigeria, Prof. Charles Soludo, involves two other institutions besides the Central Bank. These are the Centre for Econometric and Allied Research (CEAR) based at the University of Ibadan and the Nigeria Institute for Social and Economic Research (NISER), Ibadan.

The Central Bank of Nigeria, as a key policy institution and an end-user of macro models
instituted this programme, structured along collaborating institutions to ensure that the model that will emanate from the process will have a life of its own, sustained by the participating institutions. Consequently, the aim is not just to build a contemporary model of the Nigerian economy, but also to institutionalize a mechanism for updating and regular utilization of the models. It also aims to strengthen capacity and build a critical pool of modelers both at the Central Bank and in the participating institutions.

Three institutions, AIAE, NISER and CEAR currently have representatives working with staff of the Central Bank on the specification, estimation and simulations of the macroeconomic model. AIAE is represented by Drs. Chukwuma Agu and Moses Oduh. The programme is designed to be interactive, incorporating inputs from other modeling experts within and outside the country. A workshop was held on the 6th of August, 2008 at the Central Bank of Nigeria Headquarters Abuja, involving different experts who critiqued the initial specifications. The team is presently working to incorporate these inputs. Such interactions are expected to continue throughout the lifetime of the model building, estimation and simulation exercises.

The model, when completed, is expected to be domiciled in all the collaborating institutions. AIAE intends to continue to take the process further by continuously updating and improving on the model and using it to forecast broad macroeconomic aggregates. It shall also collaborate with institutions of like-mandates to continue the work of building critical mass of modelers through trainings, workshops and forecasting exercises.
5.3 Study of Industrial Clustering in Nigeria

During the year, AIAE participated in the study of industrial clusters, enterprise zones and free trade areas in the country. This study was done under the auspices of the Federal Ministry of Commerce and Industry, following a competitive selection of implementing institutions. AIAE carried the study in the south-south and south-east geopolitical zones of the country.

The objective of the study is to examine the potentials and constraints of industrial clusters, enterprise zones and free trade areas across the country in order to provide evidence-based insights for government’s policies on industrial development.

The study identified existing and potentials clusters based on comparative and competitive advantages in resources endowments of the areas on three levels of cluster concept (enterprise zone, industrial clusters and industrial parks).

The study objects include:

- Mapping of all the existing industrial clusters, enterprise zones, free trade zones and similar initiations;
- Identifying potentials for the development of new clusters based on resource endowments of the states and local governments;
• Identifying the most critical challenges and propose strategies for intervention to enhance productivity growth and competitiveness;

• For the potential clusters, the study objects include;
  i. Identification of resource endowments of each state and suggest the most viable ones for clustering and interrogation into activities in the regional industrial parks.
  ii. Proposal of strategies for promoting clustering and networking of firms that are producing raw materials and capital goods.
  iii. Identification of infrastructural requirements of the clusters.
  iv. Identification of the technical requirements, appropriate technologies and technical specifications of the technologies for the clusters including common facility centre.
  v. Identification of business services requirements such as information access, business development services, etc.
  vi. Recommendations on the roles for the various tiers of government, NGOs, Business Management Organisations, Development partners, etc.
  vii. Recommendations on the polices, strategies and programmes to establish within the clusters, technical, infrastructural and business support service centres to foster the growth and sustenance of the clusters.

The expected outputs from the survey include:
  a) Geopolitical zonal maps with coding and description of the nature of and types of networks and cluster existing in the country with due cognizance to the priority sectors.
  b) South east and south-south state-by-state directory of industrial clusters in the preferred sectors with data on location, year of establishment, employment, output, market, technology, linkages and memberships of business management organisations.
  c) Detailed proposals for the promotion of new clusters, at the various levels (i.e. industrial parks, industrial clusters, enterprise zones) state-by-state and by geo-political zones, based on local resource endowments in which each state/geo-political zone has comparative and competitiveness advantages.
  d) Identification of at least six (6) products in each of the priority industrial sectors for the promotion of clustering and networking based on their potentials for modernization, (if existing) employment generation and wealth creation as well as their global competitiveness.
  e) Feasible implementation strategies and indicative costs of promoting the recommended cluster either in terms of critical intervention in existing ones of the development of new clusters along with general technical specifications.
f) Suggestions on policy, regulatory and institutional framework for the promotion of clusters based on international best practices.

The above listing gives research that was carried out under the institutional auspices of AIAE. In addition, the Staff and Associate Fellows carried out other research based on their individual memberships of different international research networks or groups. Examples of such research during the year 2008 are given as follows:

- Subnational jurisdictions and Millennium Development Goals (MDGs) in Nigeria;
- Assessment of the Experiences and Challenges of MDGs-based/consistent planning in Nigeria; and
- Review of Nigeria Agricultural Policies and Investments and Implications for Current and Future Interventions.

5.4 The Databank Initiative

Origin and Purpose

AIAE established the Research Databank in 2006. The purpose of the Databank is to develop and maintain an ongoing robust, credible and up-to-date statistical database. The databank consolidates macroeconomic, microeconomic, social sector and human development indicator in a coherent and cumulative manner. Since inception, the Databank has been undergoing constant updating and enhancement to make it more useful, accessible and comprehensive. The statistical database is a critical research resource. It is intended to make research more efficient and effective at the Institute. The Databank is managed by a coordinating team. The team is charged with the function of mobilising statistical information from various sources, conducting data verification and transformation as well as updating them as and when due. Today, the Databank provides the Institute’s researchers with quick, convenient and inexpensive access to verifiable datasets on various economic and development indicators. The Databank is also a ready statistical resource for government, academia and private sector.

Methodology

The Databank Unit employs inventive methods to source and organize data into meaningful and usable datasets for research and related uses. It assembles and harmonizes existing data from government statistical agencies, international agencies and other statistical organizations. It draws data also from existing primary surveys of the Institute and other research institutes. It carries out data transformations based on data history and theoretical framework. It uses
literature based on the behavioural pattern and general acceptability of data (as proxy and indicator) and their relationship with social, political and economic variables to develop a specific indicator. The databank methodology is illustrated using the chart below.

![Databank Methodology Diagram](image)

**Figure 2: Databank Methodology**

**Sources of Data**

The sources of the data for the Databank include official Nigerian government sources such as the National Bureau of Statistics, Central Bank of Nigeria, National Planning Commission. Other sources include the international agencies such as the World Bank (WB), United Nations Development Programme (UNDP), International Monetary Fund (IMF), World Trade Organisation (WTO), Economic Community of West African States (ECOWAS) and others. Also, the Databank Unit undertakes data transformation based on data history, while adopting interpolated and extrapolated data techniques.

**Overview of Progress**

As at December 2008, the Databank has over 6,141 indicators: time series and cross sectional. The bank contains 209 sub-data generic names, 23 Sources (including AIAE transformed data and surveys). There are 13 generic names as follows: macroeconomic indicators, agriculture, health, migration, labour, governance, corruption, elasticities, energy (including the 2008 monthly energy review), trade, human development indices, human poverty indices and population. The traditional indicators constitute 30 percent of the total data while the transformed data, based on data history formed 60 percent. The remaining 10 percent are
primary data.

The Databank currently has almost all the macroeconomic indicators disaggregated into quarterly series (from 1985-2007). Also the acquisition of the 2007 version of IMF/IFS data quarry with world economic indicators is one of the banks breakthroughs. Recent developments about the Databank include the increase in the number of AIAE-transformed database such as: personal disposal income, expected income, inflation expectation, nominal effective exchange rate, interest rate differential etc.

Outline of Data Content

The databank contains statistical information broadly classified as follows:

- GDP and Sector Outputs for 233 countries across the globe reported at constant 1990 prices in national currency and US dollars, from 1970-2007.
- Nigeria: Gross output by sectors at current producer price (factor cost), value added (gross domestic product) by sectors at current market prices (purchaser's value), 1970-2007.
• Nigeria: Revenue allocation to 36 States and FCT Abuja, 1999-2007.
• Nigeria: Federal Government Budget Financing in millions of current naira.
• Nigeria: Human Development Indicators.
• Nigeria: Crop Balances, 1961-2006.
• Income Elasticities for broad Consumption group for 233 countries, 1996.
• Unconditional Income Elasticities for Food subgroup for 233 countries, 1996.
• Compensated own-price elasticity for broad consumption groups for 233 countries, 1996.
• Nigeria: MDGs Status Indicators.

The Databank Unit is working out modalities for access and use by Associate Fellows. The modalities may include the payment of user (subscription) charges in order to ensure sustainability of the Databank.

5.5 Peer Learning Seminar Series

The Peer Learning Seminars provide platform for training, learning and intellectual interaction among Associate Fellows. The Seminar offers intellectual discussion on major conceptual and methodological questions; experts are invited to deliver well-researched papers addressing specific research concepts and methodologies. The Peer Learning Seminars have helped to improve the research proficiency and analytical skills of Associate Fellows. New knowledge, skills and competencies acquired by participants have contributed to improved academic and scientific quality, proficiency and productivity.
SPSS as Monitoring & Evaluation Tool
In line with the Institute's resolve to provide regular training for its Associate fellows, a Peer learning training titled: Monitoring and Evaluation using SPSS held at 10:00 am on Wednesday, 28th of May 2008 at the Institute's conference room.

The presentation was given by Mr. Jonah Ugochukwu, Monitoring Officer for the German Leprosy and Tuberculosis relief Association. It was well attended by 28 participants including academics, Public Health Practitioners and staff of the Institute.

Data Analysis with Charts
“Data Analysis with Charts” was the topic of the last session, held on August 20, 2008 at AIAE Secretariat. The seminar was attended by about 20 fellows of the Institute. It was presented by Mr. Oliver C. Ujah, a Research Fellow and Liaison Officer, AIAE Associate Fellows. The key focus was to enhance research analysis and reporting with the aid of well-designed and appropriate suited charts.

5.6 Other Training Activities

Workshop on Investment Climate Assessment

Several members of the Institute participated in a week long training workshop on Investment Climate Assessment. The programme was conducted by facilitators from Etude Economique Conseil (EEC), Canada. The training which took place at Sheraton Hotel, Abuja from the January 28-February 1, 2008
covered various theoretical and practical aspects related to conducting Investment Climate Assessments. The themes treated varied from pre-implementation planning to actual data collection and analysis. About twenty four research staff and Associate fellows participated in the training course which was followed by one week of hands-on practice in the field collecting firm-level data.

**Workshop on Poverty Monitoring and Impact Evaluation**

The Institute conducted a one week workshop on poverty monitoring and impact evaluation for the relevant staff of National Planning Commission (NPC), from 21-25 July, 2008, in Enugu. The workshop aimed at strengthening the monitoring and evaluation capacities of participants. It involved several modules in poverty monitoring and evaluation.

**AIAE Staff Attends Training Course on International Trade**

Amaechi Chukwu, a Programme Officer with the Institute attended a training course at the Trade Policy Training Centre in Africa (TRAPCA) on International Trade and Development. The training, which held at Eastern and Southern African Management Institute (ESAMI) in Arusha Tanzania between July and August 2008, was fully funded by SIDA via TRAPCA as a part of regional effort to build trade policy capacity in Africa.
Training Workshop on Enhancing the Effectiveness of Entrepreneurship Training

The Institute conducted a two-day workshop on Enhancing the Effectiveness of Entrepreneurship Training organized for lecturers and instructors of the Central Bank of Nigeria/University of Nigeria Entrepreneurship Development Centre, Onitsha. The workshop held at the Bridgewaters Hotel, Enugu on the 4th and 5th November 2008. It had the aim of enhancing the ability and effectiveness of the lecturers and instructors in delivering critical entrepreneurship skills and competencies to the trainees at the Centre. The workshop was structured in six modules and sought to re-tool and equip the lecturers and instructors with cutting-edge ideas, best practices and methodologies that would make them more efficient and effective in imparting competencies and skills to trainees at the Centre. The modules used were essentially focused on improving the lecturers’ and instructors’ communication tools and techniques for training students. At the end of the workshop, the participants issued a communiqué in which they called for other similarly empowering workshops from their management and showed gratitude to the Institute for the quality of the organization of the workshop and the instruction offered. The two-day workshop was greatly appreciated by the participants and other stakeholders and summarized as a successful and enriching experience.

6.0 NETWORKING, OUTREACH AND AFFILIATIONS

6.1 Associate Fellows Network

The research network of the Institute connects Associate Fellows within the five thematic groups. These thematic groups are the research hubs of the Institute. They serve as research workshops for generating critical frontier and applied knowledge in line with the mission of the Institute.

The Institute’s Associate Fellows is a networking model that has proved to be a very credible and beneficial platform. The networking arrangement provides rich opportunities for intellectual self-
enhancement, academic interaction and mutual learning. The thematic groups constitute the research hubs of the Institute.

There is a mutual relationship between the Institute and its Associate Fellows. The Associate Fellows constitute the critical mass of intellectual resources from which the Institute draws for research and consultancy activities. The Institute benefits from the diversity of skills and expertise of Associate Fellows. On the other hand, the Institute provides Associate Fellows with institutional platform for networking, research programming and capacity building and career advancement. By the Institute’s research network, Associate Fellows have a credible platform for international networking with scientific institutions, research organizations and academic and professional societies.

By the end of 2008, the number of Associate Fellows increased from 180 in 2007 to 189. By implication, nine (9) new members were admitted in the year 2008.

The Associate Fellows Retreat for the year 2008 was held on 12 January 2008 in Enugu. The theme was *Teamwork, Leadership and Competition*. The total number of participants was 125.

The Retreat featured a Welcome Address by the Executive Director, Prof. Eric Eboh, titled *Accelerating our Momentum*. The keynote presentation was given by an Invited Guest - Mr. Nduka Buno of the West African Institute for Financial and Economic Management, Lagos. Speeches were also given by Governor of the Central Bank, Professor Chukwuma Soludo and the Senior Special Assistant to the Vice President on National Development, Dr. Ifediora Amobi.

The Associate Fellows Network has contributed to strengthening scientific capacity of members. Through its research networking, AIAE has impacted positively in connecting
Activity Report 2008

researchers to national and international knowledge centres. Our programmes have provided opportunities for academics, scientists and researchers to conduct problem-solving research. In addition, AIAE’s library facilities have continued to offer up-to-date literature on economics and development. Post-graduate students and users from different parts of the country have benefitted from the library resources.

6.2 The South-East Nigeria Economic Commission (SENEC) Initiative

Beginning from January 2008, the Interim Steering Committee developed work plan which guided its activities throughout the year.

On 18 January 2008 the SENEC Coordinating Group had a meeting with the Forum of Governors of South-East States at Enugu. The meeting was to acquaint the Governors of the programmes and the progress made so far in achieving the objectives of the proposed commission. Following that was a briefing with the Church groups led by the Enugu Diocesan Bishops as well as with Vice Chancellors of Universities in the South East in March 2008.

The SENEC Coordinating group also held a meeting with the representatives of the Nominees of the five governments of the South-East states at Enugu in May 2008. Following that was a meeting of the Coordinating group with organized private sector and the inauguration of the Sub-committee on strategic common projects at Enugu. The second meeting of the SENEC Coordinating group also held in Enugu with the nominees of the governments of the South East states to brief the states on the assignments of the nominees and as well as discussion on the Memorandum of Understanding (MoU) for the states and other stakeholders.

The SENEC Co-ordinating group had a meeting with the World Bank officials in Enugu in July 2008 and another follow-up meeting with the Country Director to forge a workable partnership with World Bank on the development of the South East states. The Subcommittee of South East Nigeria Development Fund (SENDEF) was also constituted at Lagos.

On 21st August 2008 the second meeting of Coordinating Group of the SENEC Interim Steering Committee with Forum of Governors of South-East States held at Enugu. Following that was a meeting of Coordinating Group of the SENEC Interim Steering Committee with Enugu Chambers of Commerce, Industry, Mines and Agriculture (ECCIMA) at Enugu as well as participation of SENEC Coordinating Group at the Conference of the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) at Aba.
On 16th November 2008 the SENEC Draft (MoU) was presented to the Forum of Governors of the South-East States at Enugu for consideration. In an effort to further strengthen the collaboration with the World Bank a joint meeting of the officials of Chambers of Commerce and Officials of South-East States with World Bank/IFC Doing Business Team held at Enugu. A workshop on SENEC initiative was organized at the Calabar/Uyo cell and held at the National Museum, Calabar. The SENEC Coordinating Group participated in the SUN Newspaper 5th Anniversary South-East Nigeria Economic Summit at Owerri between 4th to 5th December 2008.

Through the above-mentioned activities, we have recorded significant achievements, as follows:

- Increased sensitization and mobilization of all stakeholders at home and in Diaspora, which has brought about shared appreciation and legitimacy for SENEC;
- Establishment of SENEC mobilization cells under the umbrella of Ndigbo Lagos, Abuja, Kano, Jos, Port-Harcourt/Bayelsa, Calabar/Uyo;
- Adoption of the SENEC initiative by the Five Governments of the South-East States as platform for inter-governmental collaboration and public-private-community partnership towards regional development;
- Wide adoption by and support for SENEC among Ndigbo private sector and civil society organizations at home and in Diaspora;
- Support for SENEC from the World Bank and other international development agencies;
- Flow of valuable stakeholder feedback on the organization, structure and functions of SENEC and the production of the Revised Framework Document for SENEC;
- Identification of possible SENEC Strategic Common Projects for inter-governmental collaboration and public-private partnership in South-East Nigeria;
- Production of Draft Memorandum of Understanding (MoU) among the Five Governments of the South-East States;
• Significant progress in consideration of the SENEC MoU by the Five Governments of the South-East States;
• Significant progress in the preparation of broader MoU incorporating the Private Sector and Communities;
• Significant progress in the resolutions by the City Chambers of Commerce and Industry and the branches of Manufacturers Association in the South East, indicating participation in SENEC initiative;
• Significant progress in resolutions by Association of State Town Unions in the South East indicating participation in SENEC initiative; and
• Setting up of a multi disciplinary intellectual group within the University of Nigeria to coordinate feedback and discourse on the SENEC within the university community.

African Society for Ecological Economics (ASEE)

In tacit recognition of his research achievements and leadership effectiveness, the Ordinary General Meeting (OGM) of the African Society for Ecological Economics (ASEE) has elected Prof. Eric Eboh, AIAE Executive Director, into the Board of ASEE. The election took place on 10th August 2008 during the 10th Biennial Conference of the International Society for Ecological Economics entitled “ISEE 2008, Nairobi: Applying Ecological Economics for Social and Environmental Sustainability”. The conference was organised by the International Society for Ecological Economics in collaboration with the African Society for Ecological Economics (ASEE) and the United Nations Environment Programme (UNEP) from 7-11 August 2008 at the UNEP Headquarters in Nairobi, Kenya. At the conference, Prof. Eric Eboh presented a scientific paper on “Potential Impact of Resource Degradation on Nigeria's Agricultural Growth and Macroeconomic Prospects.”

Before his election into the ASEE Board, Prof. Eboh was a member of the Steering Committee of ASEE since 2004. Prof. Eboh was also a member of the Scientific Committee for the 10th Biennial Conference of the International Society for Ecological Economics.

The other members of the African Board are Dr. Kevin Urama (President), Dr. Phosiso Solanzimbabwe (1st Vice President), Prof. Claude Njogang-Cameroun (2nd Vice President), Prof. Rashid Hassan-South Africa, Ms. Mokgadi Monamati - Botswana, Dr. Mohammed Mrini - Morocco, Dr. Jane Kabubo Mariara - Kenya and Dr. Kassim Kulindwa - Tanzania.

ASEE is a pan-African network of people and institutions practicing and supporting ecological
economics activities in Africa. The network aims at fostering trans-disciplinary research and discourse among the social and natural sciences regarding nexus questions on environment, nature, poverty and sustainable development.

It embarks on research, research dissemination and sharing of experiences, as well as education and other forms of capacity building to promote the impact of science on policy and the people. ASEE will promote sustainability science and its application to development policies in Africa through the codification, augmentation and strengthening of existing body of ecological economics evidence for Africa's development.

Regional Network on Economic and Poverty Analysis

A one-day workshop was organised in Dakar, Senegal on the 6th of August with the purpose of establishing a network of institutions in West Africa that can offer to regional organizations like ECOWAS and UEMOA, high-level trainings in analysis of poverty and economic policies as well as identify and build capacity in government and private institutions, in academics.

The meeting which was initiated by the Consortium pour la Recherche Economique et Sociale (CRES) and the Poverty and Economic Policy research network (PEP/ Africa) with participants from other institutes from West Africa including ISSER, Ghana; Centre Ivoirien de Recherche Economique et Sociale (CIRES); Centre d'Etudes, de Documentation et de Recherches Economique et Sociale (CEDRES) Université de Ouagadougou, Burkina Faso; ECOWAS Commission, Abuja, Nigeria; Université de Laval, Département d'Economie Québec ; and the co-host institution Directeur Consortium pour la Recherche Economique et Sociale Directeur PEP Afrique.

The African Institute for Applied Economics, (AIAE) was represented at this meeting by Rev. Dr. H. E. Ichoku. The Dakar workshop marked the birth of a network called Network for Capacity Building in Africa (NCB/Africa) established by the five institutions represented at the workshop, with PEP Africa as the main partner.
6.3 Other International Networks and Affiliations

- **African Economic Research Consortium (AERC).** AIAE Associate Fellows are active participants in the research programme of the AERC, Nairobi, Kenya. The Institute also receives institutional support in the form of book grants from AERC. During the year, AIAE established formal institutional partnership with AERC in capacity building, institutional development and research networking.

- **Centre for Study of African Economies (CSAE), Oxford University, UK.** The Institute collaborates with the CSAE in a number of areas including training, research and dissemination.

- **African Society for Ecological Economics (ASEE).** The Institute is exploring arrangements to conduct collaborative research with member organizations of the African Society for Ecological Economics. Joint research projects are being prepared in response to international calls for proposals.

- **African Technology Policy Studies (ATPS) Network.** AIAE is entering into institutional partnership with ATPS for the purpose of deepening technology policy research in Africa.

- **Initiative for Policy Dialogue (IPD):** The Institute collaborates with the Initiative for Policy Dialogue, under the auspices of Prof. Joseph Stiglitz, Nobel Laureate and member of AIAE Board of Directors.

6.4 Conferences Attended By Staff and Associate Fellows

During the year, AIAE intensified its national and international networking and outreach programs with partner and collaborating institutions, both within and outside the country. The Institute participated in several national and international conferences. Some of these conferences are given below.

In pursuance of the networking objectives of the Institute, the Executive Director - Prof. Eric Eboh - attended many conferences, seminars and workshops, among which are:


• From 7-10 October, 2008, Celestine Nzeh, a researcher with the Institute, participated in the 10th Annual National Conference of the Nigerian Association of Agricultural Economists (NAAE), which held at the University of Abuja. During the conference, Mr. Nzeh presented a paper on: “Population Density and Agricultural Land Use in Enugu Agricultural zone”.

• Oliver Ujah, another researcher with the Institute, attended the 10th International Conference and Exhibition of the Nigerian Association of Small and Medium Enterprises (NASME), which held from 28-29 October, 2008 at the Calabar Cultural Complex, Calabar, Cross River State. The conference was themed: “Pivotal Role of Indigenous Entrepreneurs in Nigeria Vision 2020”.

• Two research staff, Dr. Chukwuma Agu and Mr. Amaechi Chukwu, recently attended the 3rd Annual Conference and International Faculty meeting of the Trade Policy Training Centre in Africa (TRAPCA), which held in Tanzania from 13-14 November, 2008. In the conference, Dr. Chukwuma Agu presented a paper entitled “China, India, Africa: Beginnings of an Infinite Debate. Commentary on the Impact of China Trade on African Growth.”
• Dr. Chukwuma Agu also attended the 2\textsuperscript{nd} International Law and Trade Conference, as well as the 3\textsuperscript{rd} Legal, Privacy and Security Issues Conference organized by the International Association of IT lawyers in Prague, Czech Republic from 3-5 September, 2008. There he presented two papers, one of which was entitled “Port Inefficiency and Participation in ECOWAS Common External Tariff: Addressing the Human Factor.”

• Rev. Fr. Dr. Hyacinth E. Ichoku, an Associate Fellow of the Institute, represented AIAE at the regional meeting of the Network on Economic and Poverty Analysis, 7\textsuperscript{th} August 2008, Dakar, Senegal.

7.0 PUBLIC POLICY ADVOCACY

7.1 Enugu Forum (Development Policy Forum)

Enugu Forum is a civic platform, created and run by the Institute, for evidence-based policy advocacy. The purpose is to debate, propose and advocate policy options based on concrete evidence and sound analysis. It brings together diverse stakeholders including government officials, private sector operators, civil society groups, independent think-tanks, academics and NGOs to exchange views and examine critical social and economic issues affecting the country. It seeks to promote stakeholder interaction and shared understanding of policy alternatives. The primary objective is to create and sustain a platform for promoting the interactions among researchers, professionals and policy makers, thereby enhancing the links between research and policy making process. Its members include non-governmental organizations (NGOs), private sector organizations (PSOs), business associations, religious (faith-based) organizations, professionals, academics and researchers, businesspeople and government technocrats. It is supervised by a Steering Committee and managed by a Coordinating Committee hosted by the Institute.

On the 29th of October, Enugu Forum held its periodic policy seminar. The policy colloquium was titled: The Challenges of Mortgage Finance in Nigeria - Questions of Access and Sustainability. It held at the Conference Hall of Sunshine Hotel, Enugu and was attended by participants from a wide variety of sectors in society, varying from the finance industry and civil society to the academia.
8.0  PUBLICATIONS

8.1  AIAE Research Paper Series

AIAE Research Paper Series presents technical research results from work done by the Institute and/or its Affiliate scientists and researchers. The purpose is to disseminate research and analyses that informs policy debate and choices. It is directed to a professional audience and readership among economists, social scientists in government, business as well as in universities, research institutes and international development agencies. Before acceptance for publication, the Papers are subjected to rigorous independent technical reviews to assure scientific quality. AIAE Research Paper Series seeks to engender high quality scientific and intellectual discourse on key development questions, and hence, enhance strategic understanding of policy and programmatic options.

During the year, AIAE published the third in the Research Paper Series. The publication is titled: Measurement and Explanation of Informal Sector of the Nigerian Economy, AIAE Research Paper 3.

Abstract
Despite the growing theoretical and empirical literature about the critical role of informal sector in Nigeria’s economic growth and poverty reduction, scanty research has been done to ascertain the relative size and trends over time. Without adequate reliable knowledge about the informal sector, economic planners and policymakers lack the basis for designing strategies and programme responses to achieve inclusive growth.

This research therefore, is aimed at measuring and explaining the size and character of the informal sector of the Nigerian economy. The study adopted both macro-economic and micro-economic analyses. Macroeconomic modelling using the multiple-indicator multiple-cause (MIMIC) model was applied to estimate the determinants and size of the informal sector in relation to the Gross Domestic Product. A survey methodology designed to obtain data on enterprise-level characteristics, production patterns, investment practices and business conditions was applied to collect data from four thousand, four hundred and fifty five (4,455) informal sector enterprises in eleven (11) states in the South-South and South-East zones of the country. The survey data were analyzed using a combination of techniques including the Ordered Multinominal Logit model and the Cobb-Douglass Production Function.
Our findings reveal that since 1970, the size of the informal economy has hovered between 44-68% of GDP. In particular, our estimates show that informal sector was about two-thirds of GDP in 2005. Declining income, high tax burden, high black market premiums, and government control of the economy are some of the most important drivers of informality in Nigeria. Whole sale, retail trade and personal services dominate the informal sector while financial intermediation is the least in terms of number of enterprises. The study reveals a low level of linkage between the informal and formal sectors of the economy. Parameter estimates of production function in the informal sector suggest that the production process is labour intensive sector and the use of obsolete equipment may hinder technological diffusion within the sector. The incremental capital output ratio (ICOR) is very high while returns to labour are very low, implying that wages in the sector are low. The micro-level determinants of informality were identified to include size of enterprise revenue, enterprises prospects of continuing in the future, family size of the owner, existence of written contract and the level of salaries of employees.

The huge size of the informal sector underscores the need for deliberate policies to deepen economic integration. Such policies would necessarily include measures that enhance enterprise access to capital and increase organisational, managerial and entrepreneurial capacities. Government has an important role of providing enabling environment characterised by efficient public service delivery, access to government institutions and transparent credible procedures for interfacing with enterprises and businesses. If the formal and informal sectors remain largely disconnected, Nigeria will be missing tremendous opportunities for broad-based employment, sustainable poverty reduction and economic prosperity.

8.2 AIAE Policy Brief Series

This Series publishes short, soft and general-interest papers. The objective is to provide rapid and easily comprehensible policy- and development-oriented discussions. Policy Briefs are targeted at a wide audience comprising policy makers, policy advisors, bureaucrats, non-governmental organizations, academic community, civil society groups and international development partners. Policy Briefs seek to identify practical development challenges and options for solving them.
Enugu Forum Policy Paper Series publishes the proceedings and outcomes of workshops, conferences, seminars or public lectures held by the Enugu Forum. The Series provides documentation of the topical presentations, debate, comments and perhaps consensus at the Forum. It is intended to disseminate the Forum’s intellectual discourse to a wider audience. The essence is to stimulate broader policy debate and promote multi-perspective dialogue on policy options. Enugu Forum Policy Papers constitute an advocacy instrument to canvass alternative development solutions and policy roadmaps, and hence promote appropriate policy responses to development questions. The Series also draws attention of government, private sector and civil society to salient dimensions of contemporary development challenges in Nigeria.


The Monograph reports the presentations, discussions and communiqué of the Enugu Forum Policy Seminar held on 29 October 2008 and focusing on Mortgage Finance in Nigeria. The Monograph covers topics including “Demand and Supply Perspectives on Mortgage Finance in Nigeria”, “Experiences and Challenges in Mortgage Finance Practice in Nigeria” and “Legal and Regulatory Bottlenecks to Mortgage Finance in Nigeria”. The monograph also reports comments and discussions on the papers delivered.

The Forum observed:

- That mortgage finance is crucially relevant for Nigeria’s quest to achieve the target of the Millennium Development Goals, in the area of access to secure decent housing.

- That Nigeria suffers acute deficit of housing for its citizens, since access to secure housing is estimated by the National Bureau of Statistics to be about 31%.
That Nigeria’s mortgage subsector is largely underdeveloped. This is evidenced by the fact that mortgage finance is equivalent to less than 0.5% of GDP, compared to 3% in Ghana, 5% in India and 20% in South Africa. As a result, only a miniscule proportion of the potential population has access to mortgage finance.

That mortgage finance is hampered by interplay of economic, cultural and institutional factors including lack of awareness of mortgage markets, widespread income poverty, limited access to long-term finance by primary and secondary mortgage institutions, ambiguous and cumbersome foreclosure regulations, lack of Credit Bureau to provide information on lenders, poor access to land and cumbersome process of perfecting land titles and alienation of land rights particularly the requirement of Governor’s Consent.

That the sub-prime mortgage meltdown in the United States which induced the global financial crisis underscores the challenges and imperative of sustainability in the demand for and supply of mortgages.

The Forum recommended:

- That government and private sector should deepen collaboration to improve the access to and sustainability of mortgage finance in Nigeria.

- That the Land Use Act should be amended with a view to reviewing sections 22 and 26 of the Land Use Act which specifies Governor’s Consent prior to transfer or alienation of interest in Land.

- That the National Assembly should use the opportunity of the proposed constitutional amendment to decouple the Land Use Act from the Constitution in order to ensure flexibility of reviews.

- That State Governors should delegate the powers of the Governors Consent to relevant authorities, as already practiced in some states.

- That the government should strengthen regulation of mortgage finance to improve transparency and credibility of mortgage financial institutions, real estate developers, mortgage borrowers and mortgage insurance firms.
• That there should be increased sensitisation and enlightenment on the National Housing Fund, the activities of the Federal Mortgage Bank of Nigeria and the overall mortgage subsector.

• On the potential implications of the global financial crisis, the Forum reiterated that the extent of exposure of the country’s financial institutions to global financial flows will determine the scale and nature of consequences for Nigeria’s financial institutions. The Forum therefore encouraged the financial regulatory authorities to keep a close eye on the global financial developments and to take proactive steps to forestall negative spill-over in Nigeria.

8.4 AIAE Newsletter Series

The AIAE Newsletter is published in electronic and printed versions on a quarterly basis. The Newsletter complements the Institute’s website in bringing information to the doorsteps of Associate Fellows and stakeholders. The Newsletter is designed to inform and enlighten our stakeholders and the general public on the programmes, activities, and developments at the Institute. It is intended to respond to the information needs of researchers, government agencies, private sector and civil society. It also features guest articles, feedback from stakeholders on Institute’s activities and programmes and functions as a medium of interaction among Associate Fellows and with the Institute.

Three editions of the Newsletter were published during the year 2008. These are:

• Vol. 3. No. 6, January 2008
• Vol. 3. No. 7, June 2008
• Vol. 3. No. 8, October 2008.
9.0 THE LIBRARY

The African Institute for Applied Economics has a library that is specially set up for their staff, researchers and post graduate students. The resources of the library are up-to-date literatures in Economics, Development policy literatures, Agriculture and journals (including e-journals). The library is also managed by a professional librarian who in addition to her academic qualification has acquired more skills and knowledge through training and workshops. The Library is open to its distinguished users from Mondays to Fridays.

Collection Development: The Library purchased forty three selected and approved books from Blackwell Library Services in Ibadan. Books, journals and CD-ROMs donations were received from staff, Central Bank of Nigeria (CBN) Abuja, National Bureau of Statistics (NBS) Abuja, United Nations Research Institute for Social Development (UNRISD) Geneva, African Economic Research Consortium (AERC) Kenya, the Levy Economics Institute USA, the World Bank and others. In addition to its resources are millions of e-journals through the internet connection and the Virtual libraries (JSTOR-www.jstor.org, OARE-www.oaresciences.org and FAO-AGORA-www.aginternetwork.org databases). However, the library’s hardcopy collections were increased by ninety one.

Library Management: The total number of library users by the end of the year is 112. In addition to conventional library services, users also enjoy referral and photocopying services.

10.0 LOOKING FORWARD TO THE YEAR 2009

The year 2009 will mark the commencement of the implementation of the Five-Year Strategic Plan – Project Leading Edge. The Strategic Plan has set out programme priorities and tools in the areas of research, networking, training, advocacy and capacity building. During the year 2009, the Institute will set up structures and mechanisms as prescribed in the Strategic Plan.
The Institute shall intensify the implementation of the second cycle of BECANS. Research priorities will be pursued along the five thematic programme areas in a manner consistent with the Strategic Plan.

AIAE will explore more strategic institutional funding to ensure sustainable long-term programming. The Peer Learning Seminar series will be strengthened to upgrade and upscale skills and competencies and as a means of reproducing expertise. Also, the Databank Initiative shall be developed into a leading shop for credible, up-to-date and robust statistical database on key national, sub-national and international economic and development indicators. The Institute will take measures to enhance its information and communication technology (ICT) resources for improved networking.