



MINISTRY OF NIGER DELTA AFFAIRS



A Report on
**Economic Opportunities
in the Niger Delta**



2011

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Glossary

Crowding In: Process by which interventions bring other players and functions into the market system. Crowding In can result in enhanced breadth (more transactions in the core of the market), depth (supporting functions), or reach (new areas or markets).

Facilitator: An agent, external to a market system, who seeks to bring about change within the market system.

Intervention: A defined package of temporary activities through which Facilitators seek to effect change.

M4P: The making markets work for the poor, or market development approach.

Market: A set of arrangements by which buyers and sellers are in contact to exchange goods or services.

Market system: The multi-player, multi-function arrangement comprising three main sets of functions (core, rules and supporting) undertaken by different players, and through which exchange takes place.

Sustainability (the market development definition): The market capability to ensure that relevant, differentiated goods and services continue to be offered and consumed by the poor beyond the period of an intervention.

Systemic change: Change in the underlying causes of a market system performance - typically in the rules and supporting functions - that can bring about more effective, sustainable and inclusive functioning of the market.

List of Acronyms

DCED	Donor Committee for Enterprise Development
DFID	United Kingdom Department for International Development
FCT	Federal Capital Territory
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (Germany)
GON	Government of Nigeria
MDA	Ministry, Department or Agency (of Government)
MSE	Micro and small enterprise
NBS	National Bureau of Statistics
NNF	New Nigeria Foundation
PIND	Foundation for Partnership Initiatives in the Niger Delta
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Executive Summary

The Niger Delta region is largely underdeveloped and suffers from high levels of poverty, inequality, and rising unemployment. A period of conflict, violence and instability have hampered development efforts and made equitable growth and poverty reduction extremely difficult. However, a recent amnesty, negotiated by the Federal Government with rebel groups, has provided a period of relative peace and stability. Government, international donors and NGOs have renewed interest in making the most of this opportunity and in building the systems which will create strong incentives not to return to conflict.

In close collaboration with its key partners, PIND has started a process of identifying key economic opportunities in the Delta Region. It has adopted a market development approach to improve incomes and employment by facilitating better functioning and more equitable markets. PIND's focus on sustainability means identifying and then addressing the underlying causes of weak market performance and the exclusion of the poor, by facilitating changes in market systems as a means to improve the incomes of the poor.

The first step was to better understand the economy, the key sectors and the position of the poor and marginal groups, in the region. To this end, PIND commissioned additional research, undertaken by NNF, to supplement the scant and often unreliable data available, as well as to build on some of PIND's earlier studies. This was then used as a basis for selecting priority sectors to engage with, and investigate further. The selection process focused on a two day workshop facilitated by DAI and involving all key partner organisations. Participants debated the sectors, ranked them according to three agreed criteria, and ultimately reached consensus as to the three priority sectors for PIND to focus on.

The agreed next steps are:

- To develop robust value chains for the selected sectors which map out specific market systems, outline how they function, constraints to growth (and the underlying causes of these constraints), the position of the poor and marginalized in these systems, and how the market currently fails to serve their needs.
- This analysis will enable the project to identify specific systemic constraints (which are the underlying causes of underperformance) and opportunities and obstacles for achieving change.
- This will lead to the development of interventions which target these core constraint lies.

Introduction

Since the 1960s, oil from the Niger Delta region has generated an estimated \$600 billion¹. Despite this, the vast majority of the region's population is poor, and the region's human development index remains low. In 2006, UNDP reported that the region suffered '...from administrative neglect, crumbling social infrastructure and services, high unemployment, social deprivation, abject poverty, filth and squalor and endemic conflict.' A disaggregation of the HDI score suggests that local

¹ G. Wurthmann, "Ways of Using the African Oil Boom for Sustainable Development", African Development Bank, Economic Research Working Paper Series, No. 84, March 2006, quoted in Amnesty International 2009, Nigeria: Petroleum, Pollution and Poverty in the Niger Delta.

government areas without oil facilities appear to fare better than those with oil facilities, despite the efforts of oil companies to enhance the wellbeing of the communities where they operate.²

On a more positive note, winds of change have passed through the Delta region since the above UNDP report was written. A recent amnesty, negotiated by the Federal Government with rebel groups, has provided a period of relative peace and stability. Government funds are providing financial incentives for ex rebels to remain peaceful, and a window of opportunity now exists to establish economic and social systems, which are sufficiently attractive to maintain and strengthen the current fragile peace.

Purpose of the Economic Opportunities Report

This report presents the PIND Foundation's approach to economic development in the Niger Delta and how this fits within the overall PIND strategic framework. As such, it represents the cumulative contributions of its many partners, particularly USAID, DFID, GIZ, the New Nigeria Foundation, DAI and the Springfield Centre, all of whom contributed significantly to the analysis, strategic thinking and decision making reflected in this report. Section IV outlines the process PIND has followed to identify the optimum approach and interventions for building sustainable equitable economic growth in the region. It includes a summary of the key economic opportunities identified from its analysis for the region, which has formed a basis for its initial selection of targeted sectors. In addition, the report describes the market development approach that has been adopted by PIND, the process that has been followed to date, and the next steps.

The Foundation for Partnership Initiatives in the Niger Delta (PIND)

PIND is a nonprofit foundation, established by Chevron to provide support for socio-economic development in the Niger Delta region. The Foundation designs, funds and builds broad stakeholder support for programs and activities that empower communities in the Niger Delta to achieve a peaceful and enabling environment for equitable economic growth. It will join Chevron's donations with those of other donors, both public and private, forming partnerships that will not only support these programs and activities, but will generate expanding networks of organizations in the Niger Delta committed to increasing income and employment.

PIND's vision and strategic framework has been developed in collaboration with its partners, particularly USAID and DFID, which are both keen to maximise the opportunity presented by improved peace and stability in the Niger Delta, to stimulate equitable economic development. Both DFID and USAID are focused on interventions which can provide sustainable incomes and employment to the poor and marginalised groups in the Delta.

PIND's vision statement is *to achieve a legacy of sustainable peace and development among the communities in the Niger Delta*. Central to PIND's strategic framework is the understanding that a) research, b) economic growth, c) peace building and d) capacity building are mutually supporting components of a strategy to create an enabling environment for broad based and equitable economic growth in the Delta region.

² UNDP Nigeria, 2006, Niger Delta Human Development Report.

PIND's Market Development Approach

PIND's arrival in the Delta region coincides with a growing recognition of the minimal success, and sustainability, of development efforts by Government, international donors and projects. This has led to some in depth reflection by PIND as to how it can facilitate a reverse of this trend, and specifically start to identify and support interventions, which have a *sustainable* impact on a *significant number of poor* people.

With strategic guidance from DAI and The Springfield Centre, PIND has adopted a market development approach, often termed the making markets work for the poor approach (M4P).

The Making Markets Work for the Poor Approach (M4P)

At its heart, a market development approach focuses on achieving *sustainable* improvements in incomes for significant numbers of the poor, through a focus on systemic change. It is an approach which has been adopted by many DFID and other donor funded private sector development programmes in South Asia, Africa and most significantly, in Nigeria³. Much has been written about market development approaches, but for the purposes of this report, Box 1 summarises its key characteristics.

The market development approach fits with PIND's vision of a sustainable approach to alleviating poverty through improved incomes and job creation. It is also appropriate for Nigeria where there is a growing base of experience and expertise in applying market development approaches in practice.

Supply driven efforts in palm oil production and cassava enterprise development which fully funded the start up of businesses have resulted in a myriad of failed business enterprises in the Niger Delta. Poor design of business models, weak management, and incomplete analysis of the systemic problems in the sectors led to weak buy-in to the initiatives by the private sector actors who would need to take ownership of them to lead to market driven expansion and sustainability.

Box 1: Market development approach (M4P) - M4P is a development approach, which focuses on strengthening market systems so that they function more effectively, sustainably and beneficially for poor people. Central to the M4P approach is:

- Sound initial analysis of markets systems to identify underlying causes of the market weaknesses which prevent them effectively serving the poor
- Interventions which aim to address these underlying causes, rather than the symptoms
- A focus on sustainability, which means striving for both systemic change and developing a clear vision of the future beyond a particular intervention or project.
- Achieving scale by facilitating 'crowding in' of other market players
- A facilitation role for programmes and Governments
- A fully integrated monitoring and evaluation system – which helps test assumptions and inform the ongoing implementation process; and lastly
- A willingness to innovate and take risks

³ The PrOpCom, ENABLE, GEMS 1 and 2, and EFINA projects in Nigeria have all largely adopted an M4P approach.

PIND's Economic Development Strategy is driven by four key philosophical stages in the identification, design, implementation and evaluation of its program components:

1. Operating from a rigorous analytical base. PIND builds its approach and intervention strategy on as robust as possible an understanding of the markets it wants to develop. This requires a process which starts with a broad awareness of these markets, and leads to a sharper understanding of specific systemic constraints to be addressed by the interventions. Working within the overall M4P framework, PIND applies a value chain approach (see box 2) to identify the systemic relations and constraints. This process seeks to distinguish the symptoms of underperformance from their root causes. Broadly, this process can be divided into two levels:

- **Level 1:** To understand the profile of the poor and their wider context including economic opportunities and key drivers of change.
- **Level 2:** To map out the specific market system and the position of the poor, i.e. how the market is currently failing to serve the poor/MSMEs with value chain mapping. This will then be used to identify specific systemic constraints – the underlying causes of underperformance and opportunities and obstacles for achieving change.

Box 2: Value chain analysis and program design

Value chain analysis conceptualizes enterprises, not as discrete enterprises, but as part of a system of linked production and exchange activities, feeding into specific markets. The analysis plots the flow of goods and services up and down a chain, and possibly even between different chains, and focuses on four primary aspects: understanding the various end markets in a sector and the value that is being placed on the different products, understanding where value addition occurs in the chain, understanding the power dynamics of relationships between actors in a chain; and understanding the nature of power dynamics across the chain. This analysis identifies the dynamics and changes within different channels supplying the end markets and the main forces which are driving those changes. This analysis leads to the identification of the main opportunities for growth and the potential for the poor to participate in those opportunities. This analysis leads to the strategy to systemically drive the “upgrading” of technical capabilities and market linkages that enable firms to improve their competitiveness and move into higher value activities within the growth channels.

Accurate and detailed information about the people, economy and industries in the Delta region is scarce. PIND has commissioned extensive research – both qualitative and quantitative - to supplement what is publicly available, and to develop a deeper understanding of the economic opportunities and constraints in the region. This has been used to inform and guide its approach, especially at Level 1. There are still information gaps which PIND will address through commission specific analysis as well as through implementation process where carefully monitored pilot interventions will test data and assumptions and refine its understanding of the region and the key drivers of change.

2. Identifying and addressing underlying causes of weak market performance and exclusion of the poor to design activities. Building from the underlying systemic research, PIND develops a causal model and results chain that works from the desired socio-economic impact, to the firm and enterprise level changes needed to achieve that final impact, and then the underlying systemic issues that are preventing that firm level change. This causal model then serves as the foundation for the design of an implementation program to facilitate change in market systems as a means to sustainably improve incomes of poor people in the region. This is a clear departure from traditional development approaches which have largely failed to achieve sustainable improvements in livelihoods of poor people in the Delta regions.

3. PIND adopts a more ‘hands off’ and facilitative approach than is normally associated with traditional development projects (see Box 3). This means working much more intensively through and with project partners and avoiding direct interventionist practices. PIND will also work extremely closely with other facilitators.

Box 3: A facilitative approach

PIND’s ‘light touch’ or facilitative approach aims to develop partner capacity to deliver. It works to build local ownership of interventions and to ensure maximum sustainability. In addition it will help involve other players and functions in the market system and will help the project identify and support potential drivers of change within targeted market systems.

However, a facilitative approach is not always easy to put into practice – it is often simpler and quicker for a project to just do things, rather than encourage and facilitate others to do them. In addition, partners who may have become accustomed to the more interventionist approaches of other development projects may initially resist PIND’s light touch approach. Ultimately, experience from other projects in Nigeria and elsewhere indicates that this approach will pay off in terms of achieving sustainable outcomes.

4. Apply a fully integrated M&E system to measure impact and inform implementation. PIND is establishing its M&E system now and plans to use it as a cornerstone of its approach. PIND will use the causal model and results chains used in the design of the interventions as the foundation to measure systemic change and impact; in this way it will use its M&E system to provide a good route for crash testing approaches, assumptions and pilot interventions, and ultimately to measure outcomes. Lastly, PIND is aiming to conform to the Donor Committee for Enterprise Development (DCED) Standard for results measurement.

Context for Development in the Delta Region

PIND has invested heavily in developing a deeper understanding of the nature of the economic environment in the Niger Delta, through commissioning a series of studies designed to look at agriculture, youth and employment opportunities, MSME, and gender issues, which are enumerated below.

- Center for Development and Population Activities (CEDPA) carried out literature review and interviews and focus group meetings in eight states to identify key gender issues in the Niger Delta and provide recommendations for developing a gender inclusive strategy.
- International Youth Foundation (IYF) developed a quantitative and qualitative baseline on the demographic profile of youth, their key aspirations and issues of concern to youth, and the opportunities and challenges facing youth in the Niger Delta. This report also provided some recommendations on areas of concentration for future programming including leadership and life skills, entrepreneurship and employability, and education.
- NOI Polls Limited, a leading Nigerian polling business, surveyed 500 randomly selected phone-owning Nigerians living in the nine states of the Niger Delta, interviewing them on employment characteristics and perspectives.
- NIPRODEV carried out a targeted assessment in the Warri area to identify MSME markets, provide a contextually rich understanding of the Warri-area business environment and culture, and to highlight the growth opportunities and constraints of MSMEs, as expressed by business owners through focus group discussions and key informant interviews.
- Raphia RED conducted preliminary research into agricultural market system opportunities with the highest potential for employment generation of youth in the Delta State. The study prioritized sectors with the greatest growth potential to create jobs constraints in Delta State, as well as to prioritize recommendations for addressing market systems constraints.
- Finally, New Nigeria Foundation led the major portion of this economic opportunities assessment, collecting in depth data on the macro-economic structure in each of six states, their data on economic sectors. The study took a close look at the drivers of growth across the six states, focusing on clusters, state spending, and natural resources to identify the leading opportunities for pro-poor investments.

Overview

The Niger Delta region of Nigeria covers a total land area of about 75,000 square kilometres, 9 oil producing States and 185 Local Government areas. With an estimated population of 31 million, the region accounts for approximately 24% of the total population of Nigeria. The population is heterogeneous, with over 40 ethnic groups. The most populous ethnic groups are Ijaw, Urhobo, Igbo, Isoko, Itsekin, Ika, and Ukwvani.

As the source of Nigeria's oil wealth, the Niger Delta region contributes about 80% of the country's revenue, and 74% of export earnings⁴. The region contains the world's third largest wetland, with an extensive freshwater swamp forest and rich biological diversity. Over half of the area is criss-crossed with creeks and dotted with small islands, while the remainder is a lowland rainforest zone. This topography encourages people to gather in small communities – of the estimated 13, 329 settlements in the region, 94% have populations of less than 5,000⁵.

⁴ UNDP Nigeria, 2006, Niger Delta Human Development Report.

⁵ UNDP Nigeria, 2006, Niger Delta Human Development Report.

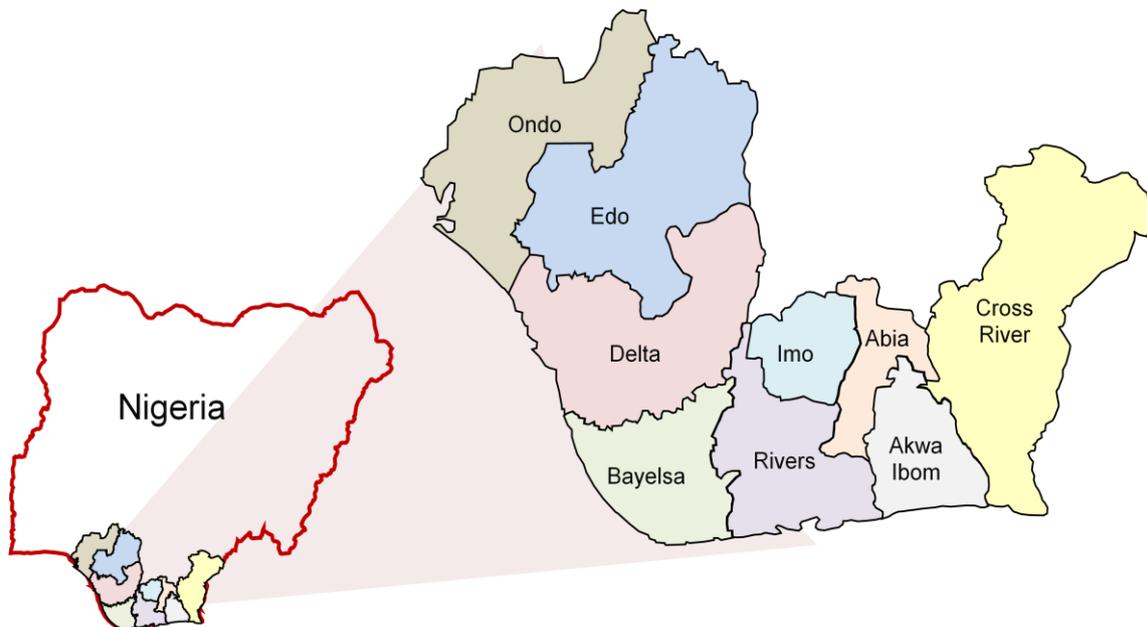


Figure 1: Map of Niger Delta within Nigeria

Poverty

In spite of the Niger Delta's contribution to national economic wealth, the region is largely under developed with poor infrastructure and social services. An estimated 70% of the region's population live below the poverty line (measured by a combination of disposable income, access to health care, access to safe water, educational attainment, access to shelter and access to gainful employment)⁶. The majority of the poor live in rural areas and are dependant to some degree on subsistence agriculture.

Poverty levels in the Delta region have declined in recent years (from 78% living on less than a 1\$ per day in 2004 to 45% living on less than 1\$ per day in 2007)⁷. By this measure (income) poverty in the region is slightly below the national average, however stark inequalities impact perceptions of poverty and have led to tensions within communities.

"The critical issue in the Niger Delta is..... the intense feeling among the people in the region that they ought to do far better. This is based on the considerable level of resources in their midst, and the brazen display and celebration of ill gotten wealth.....This to a large extent explains why there is so much frustration and indignation in the region." Niger Delta Human Development Report, UNDP 2006.

Marginalised Groups: Women and Youth

Women are underrepresented in politics, Government, and economic and educational institutions. At the community level women are excluded from decision making, and have a weaker voice in most community affairs. They have less access to land and other factors of production. Women in the region tend to be employed informally and experience relatively high levels of under employment (NOI). Key sectors involving female labour vary by State but are predominantly farming (e.g. cassava and plantain) and often at a subsistence level; agricultural processing (e.g. cassava); fish processing

⁶UNDP Nigeria, 2006, Niger Delta Human Development Report., quoted in NOI Polls, Niger Delta Employment Report for PIND, May 2011.

⁷ UNDP Human Development report, 2008-9

(especially smoking); fashion/design/tailoring; and a very significant amount of (largely informal) trading⁸.

CEDPA reports that in the Niger Delta, the marginalization of women is reinforced in the social mores and will take significant behavior change to modify. These mores have been entrenched due to the conflict and are bolstered by religious and traditional leaders who are resistant to change and dispense stern sanctions to those who deviate.

Over 62% of the region's population are 30 years or younger and growing youth unemployment is emerging as a key policy priority for the Federal and State Governments. They are the champions of demand for development and change in the region and tend to struggle for dividends from the region's oil wealth. Female youth tend to be involved in the same sectors as mentioned above and also work in the hospitality sector. Young men in the region are employed in a wide variety of industries, including the main agricultural and fishing sectors, although these are increasingly perceived as low status. With the recent amnesty, ex rebels are now entering the labour market, generally with low skill levels⁹.

One of the important findings from the Raphia Red and IYF studies was that youth are more interested in salaried employment than in earning a living from farming. The expectations created by the oil industry's high salaries to the lucky few make other forms of employment less interesting. The IYF report highlights an "entitlement mentality" for many young people who think that they are an oppressed group entitled to compensation from government and the oil companies. Items preventing positive youth development in the Niger Delta revolve around low quality and irrelevant education, limited opportunities for livelihood creation, corruption and militancy. Because of the conflict, education and low skill levels, the need for life skills, such as teamwork, communication, and conflict management, was seen as particularly important.

The Economy

The Delta region's economy is dominated by the oil industry, although it accounts nationally for only 0.15% of employment¹⁰. The region contributes 80% of the country's revenue and 74% of export earnings¹¹. GDP for the 9 states was N9,097,157.31 million in 2007¹² (approximately US72,458.44mn¹³). Rivers, Akwa Ibom, Bayelsa, and Delta States are the predominant producers of oil and therefore the main contributors to Nigeria's GDP. Other key sectors in the Delta region include agriculture, wholesale and retail, manufacturing, fish, transportation, and construction.

Employment

Employment data in Nigeria as a whole tends to be unreliable, and this is equally true for the Niger Delta where accurate and current data is scarce. For this reason, PIND commissioned a survey to supplement national statistics and to improve its understanding of employment trends in the region. In summary (and with some caveats relating to accuracy), there is a rising trend of unemployment across the country with a national unemployment rate of 19.7% in 2009 (which had increased from 14.9% in 2008)¹⁴. Unemployment in the Delta region varies considerably between States, with levels of unemployment as low as 12.2% reported in Edo State and as high as 38.4% reported in Bayelsa State. Bayelsa, Akwa Ibom, Rivers and Imo States record the highest levels of unemployment, and rates that are above the national average.

⁸ Source: key informant interviews conducted by NNF in the Niger Delta in 2011

⁹ Source: key informant interviews conducted by NNF in the Niger Delta in 2011

¹⁰ World Bank report on Growth and Employment in Nigeria, Volume 1. 2009

¹¹ The Niger Delta Human Development Report, UNDP Nigeria 2006

¹² Nigeria Human Development Report 2008-9, UNDP, quoted in Report of Analyses of the Niger Delta's Economic Opportunities, New Nigeria Foundation, 2011.

¹³ Using an average 2007 exchange rate of N125.55:US\$1, as reported on Oanda.com

¹⁴ National Bureau of Statistics, 2009. The Labour Force Survey, quoted in Report of Analyses of the Niger Delta's Economic Opportunities, New Nigeria Foundation, 2011

Agriculture is the largest employer of labour – over 50% in Ondo, Cross River and Edo States¹⁵. Inevitably this kind of employment is likely to be largely seasonal, casual and informal. An important caveat to this data for rural employment is that the prevalence of farm labour and people supported by family or community may in fact in reality be unemployed, although they are counted as employed – these are often referred to as ‘the disguised unemployed’.

The informal sector in Nigeria as a whole, and the Niger Delta specifically, absorbs a huge proportion of the labour force (between 70-85% in the Niger Delta¹⁶). Table 1 below lists the sectors which employ the largest proportion of informal labour in the region. Unsurprisingly, agriculture and wholesale and retail (or trading) absorb a significant proportion of informal labour – these are traditionally the sectors which unemployed low skilled labour turn to in times of need and tend to form the DNA of struggling economies

High levels of unemployment, especially amongst the youth, has led to tensions among different communities, and contributed to instability - many parts of the region are still considered unsafe with widespread crime and vandalism, despite the recent peace agreement.

Table 1: Sectors in the Niger Delta with the Largest Proportions of Informal Employment (%)

Sectors	Abia	Akwa-Ibom	Bayelsa	Cross River	Delta	Edo	Imo	Ondo	Rivers
Agriculture, Forestry, and Farming	19	29	34	53	38	18	30	26	36
Manufacturing	15	6	6	2	5	7	5	6	4
Construction	3	4	3	1	3	3	5	1	4
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	26	31	22	26	17	39	30	42	18
Transportation and Storage	4	5	2	3	5	8	7	4	4
Accommodation and Food Services Activities	2	6	9	2	3	4	2	2	7
Public Administration and Defence, Compulsory Social Security	1	1	3	1	9	1	1	3	2
Education	3	4	8	4	4	4	3	3	4

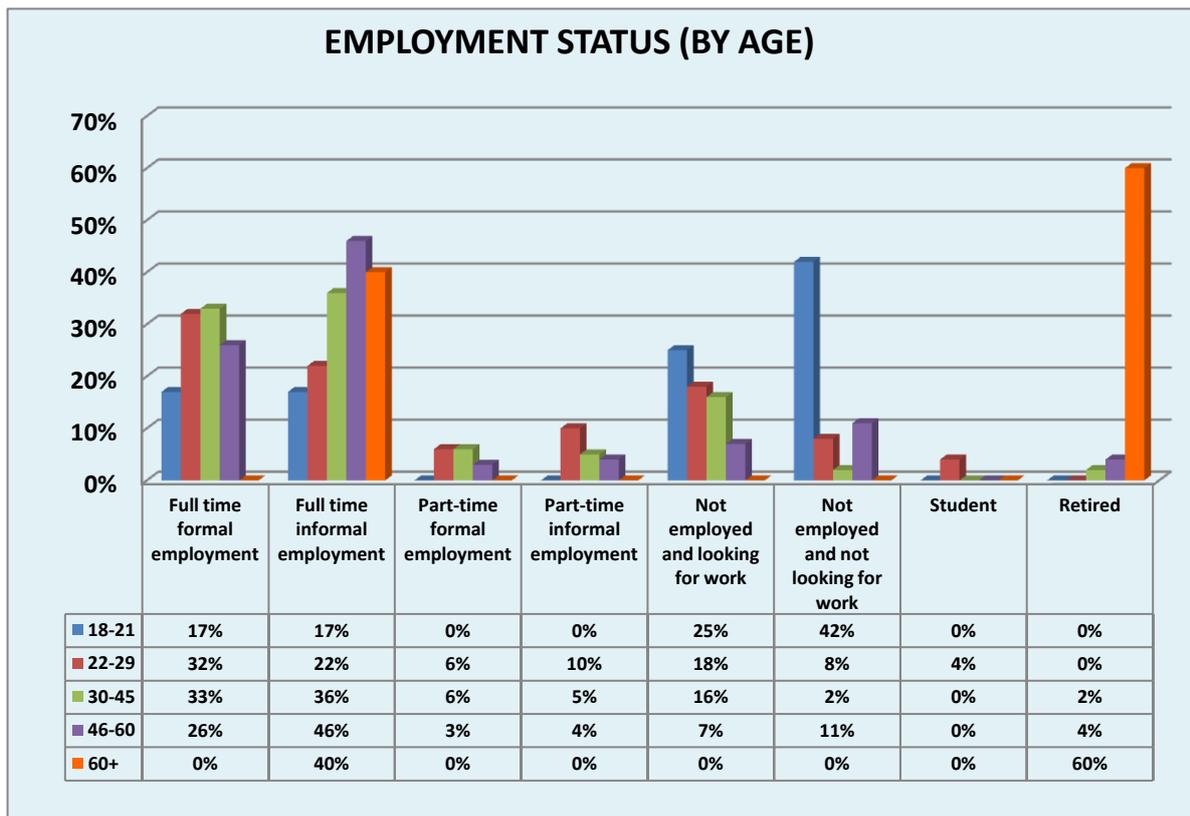
In order to gather more information of a dynamic nature, PIND also contracted a survey from NOI polling to dig deeper into employment status, by age, and to determine where employers felt that the greatest growth opportunities for work would be available.

¹⁵ Source.....

¹⁶ The Niger Delta Human Development Report, UNDP Nigeria 2006 quoted in Report of Analyses of the Niger Delta's Economic Opportunities, New Nigeria Foundation, 2011 This is supported by the Niger Delta Master plan which suggests that about 80% of all employed persons in the Niger Delta are engaged in the private sector and that the majority of these are involved in the informal sector.

Figure 2 provides an interesting overview of how employment status varies by age, from which some implications can be inferred. Only 34 percent of youth between the ages of 18 and 21 are employed, but the vast majority of those who are not employed are not looking for work. As we move up in age, we note that young people between the ages of 22 to 29 are more likely to be formally employed than informally employed, while as they get older, the tendency is towards more people in informal employment. For most people over the age of 22, people are either employed or looking for work, with very few individuals not looking for work. Since one of the important findings from the study on youth and employment in agriculture in Delta State was that youth are more interested in salaried employment than in earning a living from agriculture, which brings implied quality characteristics to their job search.

Figure 2: Respondents' employment status (by age)¹⁷



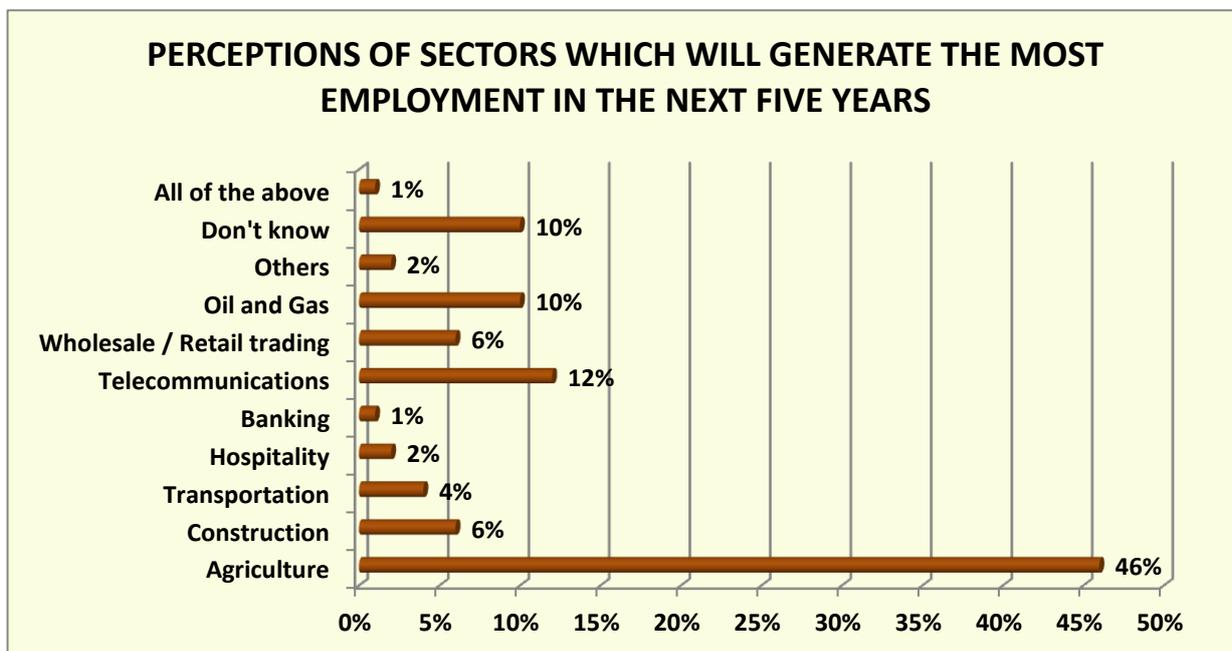
The random sample of respondents to the survey were predominantly in the wholesale/retail, agriculture and construction sectors, with women leading men in the first sector, and men edging out women in the other two. Within agriculture, areas where respondents were involved included fisheries, cassava, and oil palm (in order of importance).

In terms of dynamics, the survey underscores the importance of agriculture in the region, as findings show that a significant proportion of the population of the Niger Delta is still dependent on the sector for their livelihoods. Generally, almost half of the people living in the Niger Delta (the largest proportion in this survey) believe that agriculture will be the main driver of employment in the next five years. More specifically within agriculture, respondents believe that within the next five years, more people will be employed in the production of crops, with fishing and live stock production also creating a substantial portion of jobs for the Niger Delta's work force. Therefore, it is evident from the results of the survey, that any activities targeted at achieving sustainable development in the Niger Delta

¹⁷ NOI Polls, 2011.

must place particular emphasis on the improvement of agricultural outcomes and related process in the region.

Figure 3: Perceptions of sectors that will provide the most employment in the future¹⁸



Key Constraints to Business Growth

The business environment in much of Nigeria constrains investment and business growth.¹⁹ The 2010 Doing Business in Nigeria sub national report assessed the ease of doing business, in priority areas²⁰, in 36 States in Nigeria and the FCT. The overall rankings for States in the Delta region are listed in Table 2. These rankings hide significant variations in performance on each issue and Table 2 also includes specific points of interest for each of the Delta States.

¹⁸ NOI Polls, 2011

¹⁹ World Bank, Doing Business 2010: Reforming through Difficult Times. Nigeria ranked 125 out of 183 economies but it should be noted that Nigeria's overall assessment in this survey was represented by Lagos, which in turn ranked 25 out of the 36 States in the 2010 Doing Business Sub national Assessment (using 2008 data for Lagos).

²⁰ The areas assessed are: Starting a business; registering a property; dealing with construction permits; enforcing contracts.

Table 2: Doing Business in the Delta Region

State	Overall Ranking	Key Points of Interest
Akwa Ibom	20	- Ranks best in the Delta region for starting a business (8 procedures, 34 days), and registering a property 912 procedures, 55 days and 15.6% of property value)
Edo	21	- Ranks as 6 th easiest State in the country to enforce a contract (314 days and 28.7% of claim)
Ondo	24	
Rivers	27	- The most difficult place in the country to register a property (13 procedures, 201 days and 23.2% of the property value)
Bayelsa	28	- The most difficult place in the country to start a business (11 procedures and 47 days compared with FCT where it takes 6 procedures and 22 days)
Delta	29	
Cross River*	33	- The most difficult place in the country to enforce a contract (835 days and 52.8% of claim value)
Imo	36	- The most difficult place in the region (and ranked 32 out of 37 in the country) to deal with construction permits.
Abia*	32	

* Uses 2008 data

A further recent assessment undertaken at the State level is The Investment Climate Assessment (ICA), which uses firm level perceptions of the business environment to identify priority issues²¹. Constraints and perceptions of their importance vary across the States where different Government policies and practices prevail, however there were significant commonalities. With the exception of Akwa Ibom, firms in all of the States ranked electricity problems as the number one constraint they face in running their businesses. Access to (and cost of) finance were considered important constraints, along with transportation. This is reasonably consistent with findings for the country as a whole, although the perceived difficulty in getting business licenses and permits in Rivers and Ondo State was not reflected nationally (and supports findings of the Doing Business Survey).

²¹ Nigeria 2011 An Assessment of the Investment Climate in 26 States. World Bank.

There are limitations with these two surveys, in particular that they don't address the variations between sectors. However, PIND research in the Delta region generally confirmed the findings of these two assessments and they help to form a basis for more in depth sectoral assessments. Additional issues identified by PIND research in the Delta region included conflict and instability as a barrier to investment and growth. In addition, cultural attitudes towards various sectors also had an impact – for instance there was a perception that young people, especially young men, believe agriculture and to some degree fishing as low status and unattractive sources of employment.

Political Economy

Political economy issues in the Delta region are complex. PIND is conscious of the need to build a sound (and regularly updated) understanding of both the drivers and preventers of change in the region, and very specifically within the market systems it intervenes in.

There are three levels of political economy that PIND will aim to be cognizant of:

- a) At a macro level, affecting the region and its economies as a whole.
- b) At the sector level; and
- c) At the market system level.

Understanding the incentives of all key players and how these can act to both enable and block systemic change is crucial. The background studies have highlighted a number of the negative factors affecting development opportunities, including:

- Though the potential for agriculture in the Niger Delta is very high, the lack of an enabling environment for agriculture, including poor infrastructure and cooperative extension services, limited access to financing and high transaction costs, and weak vocational training in agribusiness severely limit the opportunities.
- Corruption and nepotism – many of the resources nominally available for economic growth and investment do not actually make into actual expenditures for infrastructure or the implementation of programs; these are skewed to the favour of politicians through extensive nepotism. For small businesses, extortion fees paid to police and military at numerous checkpoints and “area boys.”
- Militancy and security remain critical blockage points to investment and efficient economic activity. Many youth have a feeling of “*oppression*” and disenfranchisement, leading to criminal activities as a way to gain respect and earn income (IYF).

On the more positive side, the NIPRODEV study highlights the fact that there is a fairly organized institutional environment through the chambers of commerce with individual sector associations that can serve as points of entry and leverage for implementing M4P activities. The associations are not strong and are in need of capacity building, but they already exist.

These elements will continue to be driving considerations in the design and implementation of all economic growth activities as they lay a strong behavioural foundation that needs to be overcome.

Factors that Support Development Intervention

Two key factors suggest that the time is right for strategic development interventions in the Delta region:

1. The Recent Peace Process: The UNDP suggested in 2006 that ‘...without peace there will be no human development in the Niger Delta.’²² In the last years a fragile peace has been achieved in the region. Since the introduction of the amnesty programme for ex militants, and the establishment of the Ministry of Niger Delta Affairs, the level of security has increased. The incidence of kidnapping and

²² The Niger Delta Human Development Report, UNDP Nigeria 2006

violent crime has reduced and more and more militants have surrendered their arms. This presents a very real window of opportunity for the development of alternative sustainable livelihoods for the poor and marginalized in the region – to make a return to militancy and violence a less attractive option.

2. Partners: Federal and State Governments have shown increasing levels of interest in engaging in constructive development efforts, now that the region is more stable and peaceful. There has also been increasing interest from international donors, such as USAID and DFID, with funds and experience in economic development. Collaboration opportunities with several possible partners are being explored by PIND, and several have been closely involved in the process so far.

Opportunities for Economic Development in the Delta Region

PIND undertook an assessment of the key sectors in the region and their potential for increasing employment and incomes for the poor.

Before the discovery of crude oil, agriculture, fishery and forestry were the dominant sectors in the region and even today they still contribute to the national economy. These sectors employ the bulk of people in the Delta region, followed by wholesale and retail trade. The main (non oil) sectors in the Delta region are: key agricultural crops such as Cassava, Oil Palm, Yam, and Cocoa; poultry; fishing and aquaculture; wholesale and retail, manufacturing, transportation, building and construction. In addition to the economic sectors, health and education are two very important sectors which could offer business potential, as well as increasing overall social welfare.

Priority opportunities also vary by State, so NNF identified the following main sectors for growth opportunities with respect to pro-poor opportunities in the six states they studied, to further identify the overlaps:

Delta State	Bayelsa	Rivers	Akwa Ibom	Edo	Ondo
Agriculture	Agriculture	Hospitality	Agriculture	Agriculture	Agriculture
Fashion Design/Boutiques	Hospitality	Agriculture	Fashion Design	Transport	Manufacturing/ Food processing
Transportation		Timber	GSM Business	Building and Construction	Trading
		Fashion Design/Tailoring			

Agriculture was the common theme across all states, confirming the importance of a strong focus from PIND in that area.

PIND Sector Selection Process

With support from DAI and NNF, PIND implemented a structured process for identifying the key sectors in which it should intervene. The selection process built on the knowledge and understanding of the economic and social structures in the region derived from its primary and secondary research. It involved key PIND partners and funders²³ in a two day workshop in May 2011 during which analysis of the region was presented, the above criteria were identified and agreed, and market sectors were discussed and eventually prioritized according to these criteria. It is important to note that at this stage in the process, there were significant gaps in the information available. During the workshop, participants engaged in detailed discussions and lively debates regarding the relative merits of each sector. It used three overall criteria (see Box 4), which support PIND's overall strategic framework and vision, to prioritise and rank the different sectors.

²³ The workshop was attended by representatives from MNDA, PIND, USAID, DFID, GIZ, the World Bank, and NNF.

Box 4: Criteria used to select targeted sectors:

1. **Growth:** sectors which show sound potential to grow substantially and sustainably. Where information was available, this covered issues such as competitiveness; market size and proportion of unmet demand; current and potential export markets; potential for growth through improved efficiencies and productivity; the presence of untapped natural resources and cultural attractiveness.
2. **Poverty impact:** only sectors that showed current and potential to include large numbers of the poor were selected; and opportunities to include marginalised groups (such as poor women and youth) were actively identified where possible. The potential for positive and negative environmental impact was also considered.
3. **Feasibility:** sectors with opportunities for facilitating systemic change in market systems. Where information was available, this covered issues such as: potential for systemic change to address key constraints in the market system; presence of committed partners; minimum desire/willingness to change in political and bureaucratic environment; the presence of a stable and secure environment; presence of a dynamic civil society; culture and traditions and openness to change; the potential for change within a reasonable time frame; and a history of change and adaptation. In addition, the existence or a history of more interventionist development programmes was considered.

Primary Sectors for Analysis

Eleven sectors were highlighted by the NNF preparatory work for deeper analysis in the sector selection process. Of these five were selected for more detailed analysis in value chain studies, for which eventually three analyses were completed. The final list of three sectors selected during the workshop, and currently being subjected to in depth value analysis, is as follows:

Cassava

Growth potential: Cassava is a major staple crop in the region and is used in a variety of food products. Cassava is cultivated in all States of the Niger Delta, but principally in Cross River, Ondo, Imo, Akwa Ibom and Rivers States. The Niger Delta produces an estimated 35% of the total national cassava output; this has been rising due primarily to an increase in the area planted, rather than an increase in productivity. Average productivity in the region, at 13.2 metric tonnes per hectare, is above the national average of 12.67 metric tons per hectare, but well below the estimated national potential of 28.4 metric tons per hectare²⁴. Cassava processing also takes place in the region. The processing uses predominantly traditional methods and is considered relatively inefficient. The major growth opportunities for cassava are centered on the industrial products, rather than the traditional food products. Significant opportunities exist for increasing commercial cassava sales through import substitution for wheat (High Quality Cassava Flour), imported Starch, Sucrose and Dextrose and substitution barley into the beer industry.

Potential Poverty Impact: There are 70-120,000 commercially oriented cassava farmers in the region, of whom 95% are small holder farmers. Hundreds of thousands of other subsistence producers can become commercially oriented given the right environment. Both the farming and the processing provide employment for women.

Feasibility: PIND believes that there is a network of farmers and service providers with tried and tested access routes to market. This needs further clarification. The key constraints identified by a PIND commissioned survey²⁵ include ones that are likely to be addressed through changes in the market system. They include:

- **For Farmers:** limited access to finance; limited access to land for expansion; limited access to inputs (e.g. improved cassava varieties (cuttings and seedlings) expensive fertiliser); limited access to machinery especially tractors); poor extension services; traditional low

²⁴ OER Africa (www.oerafrica.org) as quoted in The Niger Delta Human Development Report, UNDP Nigeria 2006

²⁵ Feedback during focus group discussions and individual meeting New Nigeria Foundation in 2011 and reported in Analyses of the Niger Delta's Economic Opportunities, 2011.

technology farming methods; poor roads for transporting produce; gluts in the market; timely linkages to high potential industrial markets.

- **For Processors:** high costs of transportation; low levels of mechanisation (and dependency on obsolete equipment); weak logistics to ensure timely delivery of product to the factories, farmers reluctance to separate cassava varieties; absence of guaranteed markets for industrial utilization of cassava.

In summary the cassava sector was rated as having high growth potential, reasonable poverty impact potential and the involvement of women was encouraging. In addition, as a widespread and well established sector in the region, opportunities for addressing key constraints seem good.

Oil Palm

Growth Potential: Oil palm is the main vegetable oil consumed in the country. The Niger Delta region produces more than half the country's total output of palm oil, yet Nigeria is importing significant quantities of vegetable oil. Production in the Delta region and the country as a whole has declined, and Nigeria has gone from producing 43% of the world's total palm oil in the 1960s to less than 10% in 2008, and from being the world's leading exporter to a net importer. Productivity is as low as 5-6 tonnes per hectare, compared to estimated potential leads of 15-20 tonnes per hectare²⁶ which are achieved in competing countries from Asia. Akwa Ibom, Imo and Ondo States are the largest producers of oil palm in the Delta region, although the entire region's States are involved. Palm oil production and processing is a major source of employment and income in the region, with millions of individuals participating in the harvesting and farming of palm kernels.

Potential Poverty Impact: Harvesting, farming and processing involve poor labourers and provides livelihoods for vulnerable, if not poor, farmers. Both the farming and the processing provide employment for women and youth.

Feasibility: Oil palm is one of the oldest sectors in the region. State Governments and other development projects are involved in attempts to revive this sector. Several reasons account for the recent decline in output including over aged plantations, limited access to quality improved varieties, poor plantation maintenance, and limited use of modern inputs.²⁷

Key constraints identified by a PIND commissioned survey²⁸ are: poor management of estates, low yielding varieties, low levels of mechanization, inefficient mills, weak contract growing models, and scarcity of water.

In summary the oil palm sector was rated as having high growth potential, reasonable poverty impact potential and there is also considerable involvement of women and youth in the sector. In addition, as a widespread and well established sector, opportunities for addressing key constraints seemed good.

Fisheries and Aquaculture

Growth Potential: Given the topology of the region, with its network of creeks and exposure to the coast, it is not surprising that significant numbers of Niger Delta people rely on the rivers and the sea for their livelihood and food. There are almost 670,000 fishermen and fish farmers in the region. Rivers, Delta, Bayelsa and Akwa Ibom are the dominant fish producing States.

The Delta region fishing industry can be divided into 'captured' or wild fish, dominated by 'artisanal' fishermen, and aquaculture or fish farming. While national consumption is 1.5 million tons from capture (600,000 tons), aquaculture (150,000 tons) and imports (750,000 tons), national demand for fish is estimated at 2 million tonnes, so there is significant potential for growth. The captured fish

²⁶ Abia State Palm Oil Value Chain Development project, Nigeria Third Quarterly Report, January 2010. As cited in Analyses of the Niger Delta's Economic Opportunities, 2011.

²⁷ MSME Project: palm oil value chainget proper ref

²⁸ Feedback during focus group discussions and individual meeting New Nigeria Foundation in 2011 and reported in Analyses of the Niger Delta's Economic Opportunities, 2011.

segment sector in the Delta has stagnated and has limited opportunity to grow partly because of over exploitation of seas and rivers, pollution, and a reduction in the number of artisanal fishermen. Conversely, aquaculture has experienced very strong growth (output has expanded from 16,119 metric tons in 1995 to 85,087 metric tons in 2007 and further increased to 152,796 metric tons in 2009), and has significant potential for further expansion. In addition, in the Delta region, imported frozen fish is considered to be of lower quality than artisanal (first preference) and farmed fish, which can capture higher prices.

Many aspects of the sector's value chain are currently expanding, including hatcheries (hatchery farm establishment is increasing by about 50% in the Delta), fingerling production and fish processing (especially smoking which adds value to the fish).

Potential Poverty Impact: Fish farmers are not generally poor, but they provide employment to poor labourers. Women are predominantly involved in fish trading and fish smoking (currently 50% of fish are smoked).

Feasibility: Fish is a well established sector in the region. Key constraints to the aquaculture include: the high cost of imported feed (which accounts for about 60% of production costs); the poor availability of quality fingerlings; poor extension services; weak farmer organization, and the absence of regulation and standardization in fish production.

In summary the aquaculture sector was rated as having high growth potential, reasonable poverty impact potential and the involvement of women and youth was encouraging. In addition, as a widespread and well established sector, opportunities for addressing key constraints seem good. The captured fish sector did not appear to have good growth prospects and was not selected.

Secondary Sectors

Many other sectors were reviewed during the selection workshop, of which eight were considered to have good growth and poverty impact potential, though less than the three that were selected. Building Materials and Clothing and Textiles, made the initial short list of five sectors to be studied, but soon after the workshop they were dropped because, on closer examination, there was concern about the immediate evidence of opportunities to improve these market systems and the complexity of the market systems to analyze effectively with the available resources.

Cocoa

Nigeria ranks fourth among cocoa producers in the world, and the Niger Delta region produces 53% of the country's output. It is an important crop – earning non oil foreign exchange. Cross river, Ondo and Edo States are the leading producers in the Niger Delta region, producing about 97% of the regions cocoa. The major processing for cocoa is located in Western Nigeria, around Lagos, so the major value addition takes place outside of the region.

The key constraints faced by cocoa farmers are related to over aged trees (except in Cross River where a Government campaign supported distribution of free seedlings to farmers), as well as the common constraints around input supply and access to finance. The aging trees constraint is tied into the incentives for re-investing in production, linked to the distance of the farmers from the processing and disconnects in the market channels.

Issues with respect to selection: While the Niger Delta is a major producer, 90% of the cocoa is produced in the west of Ondo state and in Cross River, providing very limited geographic coverage and opportunity for impact.

Yam

Nigeria is the leading producer of yam internationally, its 35 million tons accounting for 70% of total world production on 2.8 million ha. With production in 2009/10 of 6.8m metric tons, the Niger Delta region produced approximately 20% of the country's total yam output²⁹. River, Ondo, Delta, Rivers and Imo. Even with this level of production, Nigeria still has a shortage of yams given market demand.

Key constraints faced by yam farmers include: limited access to improved varieties of yam setts; difficulty of producing and disseminating improved varieties; access to appropriate inputs to address common diseases; poor storage and processing facilities – leading to losses. Despite the considerable volumes, it is produced on small sized plots with little commercial production.

Issues with respect to selection: this is primarily a domestic food crop with few alternatives for industrial processing. There has been very little investment programs to stimulate growth, so there is a weak supporting environment and low political patronage. Despite its overall importance, it has a lower production base than cassava and reaches fewer people.

Poultry

Poultry production has been growing in Nigeria since 2007/8, with commercial production reaching just under 90mn chickens in 2009/10. An estimated 14% of national production is from the Niger Delta region, with Imo State leading regional production³⁰. A key reason for the growth in production is a ban on imported chicken, introduced in 2008. In addition, demand for poultry products is believed to be on the rise.

Poultry farmers in the Delta region are predominantly individual small holdings of 5 – 15 chickens, with local chickens accounting for 95% of all production³¹. Major constraints facing the industry include: limited access to finance for expansion; high cost of inputs including medicine and feeds; poor access to day old chicks; poor transportation; and the absence of processing plants.

Issues with respect to selection: Commercial production of poultry in Nigeria is dominated by large industries and the Niger Delta is not competitive unless one of the major producers invests in the Delta. Smallholder production of chicken is infrequently being done as a commercial endeavour, and the distribution networks to distribute day old chicks to growers are very weak.

Wholesale and Retail

This is an important sector nationally and regionally – an NBS study estimated almost 46% of the region's working population is involved in wholesale and retail in some way, and it provides 28% of total working population in the informal sector in 2009³². A large proportion of women rely on incomes from informal trading. Wholesale and retail is one of targeted GEMS³³ sectors.

Key constraints in wholesale and retail are primarily of a policy and regulatory nature, looking at tax law, trade regulations, and marketing regulations.

Issues with respect to selection: the sector is extremely diffuse and difficult to analyze for coherent programming. As a way of getting an initial look into the sector, the fashion/textile sector was selected for initial analysis by PIND, given the extensive role cloth trade within the value chain.

²⁹ NNF 2011

³⁰ Sources?

³¹ JI Kperegbeji, et al, African Journal of General Agriculture, Vol 5, no.1 March 31, 2009

³² NBS National manpower Stock and Employment Generation Survey 2010.

³³ GEMS: Growth and Employment in the States programme is funded by DFID and the World Bank.

Manufacturing

The manufacturing sector accounts for an estimated 3.4% of the total non oil GDP of the Niger Delta Region (2007)³⁴. Major large scale industries include breweries, petro chemical companies and paint manufacturers; medium and small scale companies (MSEs) include manufacturers of bottled and sachet water, soap, paints, cosmetics, air fresheners, non alcoholic wine, insecticides, disinfectants, bleach etc.

There has been an increase in the number of MSEs in the manufacturing sector, partly because of increased availability of raw materials from petro chemical companies, and also increasing and consistent demand from residents in urban areas.

Key constraints faced by manufacturers include poor electricity supply, and the related high costs of generator supplied power.

Issues with respect to selection: manufacturing is a very diverse sector without a clear value chain to reside within. Rather it is one of the functions in each of the value chains, and should be looked at in conjunction with those sectors.

Transportation

The transportation system in the Niger Delta is made up of water, road, sea and air transportation. All of the nine states, except Bayelsa and Abia, have facilities for air transportation. Road transportation is the most important form of transportation outside the riverine areas of the region. Many of the State governments are making heavy investments in road rehabilitation, dualisation (mostly in the state capitals) and expansion. Private investment in road transportation is increasing as there are many operators running interstate and intra-regional transportation.

Within major cities and towns commercial motor cycles (also known as Okada) are a common form of transportation and major source of employment for male youths of the region. Opportunities exist for more investment in mass passenger transportation and haulage. There is increasing demand and patronage of commercial transport for intra, interstate and inter-regional movement of people.

Major constraints facing the transport industry include the poor state of major interstate and rural roads (which also affects many other sectors); the high cost of spare parts combined with an influx of inferior spare parts; the poor quality of some road rehabilitations; high taxation levels, insecurity and the high risk of accidents.

Issues with respect to selection: as a service sector, transportation is very challenging to map out and develop a clean business level analysis. However, one of the disaggregated segments (such as water transport), could be a viable market system to analyse in subsequent research.

Building and Construction

The construction industry in Niger Delta is believed to be growing with heavy investment from Federal, State and Local Government, the Niger Delta Development Commission, multinational companies, and the oil companies. N158bn worth of contracts awarded by the Federal Government in 2010 (compared to less than N142 bn in 2008/9), are driving the sector, but many of the contracts are awarded to firms from outside the region.

The region was unable to meet the demand for artisanal and professional services that this boom in construction created and some skilled labour was sourced from other parts of Nigeria and for certain skills, e.g. masons and tilers, outside Nigeria. Employment in the construction industry is hard to

³⁴ Cited in NNF Report of Analyses of the Niger Delta's Economic Opportunities 2011, computed from UNDP Nigeria Human Development Report, 2008-9

quantify and is predominantly casual. An NBS study estimated 3,324,324 persons were employed informally in the industry in 2009³⁵.

Issues with respect to selection: the construction industry is vast and complex with multiple internal market systems. The building materials value chain was selected as a proxy for the rest of the industry to learn more about the structure of the industry, but after a brief initial analysis, the teams were not able to see the immediate potential for upgrading plans.

Clothing and Textiles

Fashion and textiles are considered to be profitable businesses in most of the States and offer opportunities to young men and women. It is a growing sector, employing an increasing number of people - In Rivers State for example, a majority of adult women are believed to be involved in this sector, an increase from 20% in 2006. The fashion/garment industry is centered in Abia State in the Niger Delta, which used to be the third largest cluster of garment manufacturing in Nigeria.

Key constraints have been focused on the competitiveness of the garment value chain as a whole vis-à-vis imports. As of 2005, only 10% of Nigeria's garment factories were still operating. There is no major textile industry in the Niger Delta, so nearly all cloth is imported into the region, tying constraints into the regulatory framework for retail/wholesale distribution network and the related transport issues.

Issues with respect to selection: this was initially selected as one of the five value chains for analysis because of the high participation by women and the role for wholesale and retail distribution. However, the value chain is quite disaggregated and the initial overview did not find easy areas for intervention.

³⁵ National Bureau of Statistics as quoted in the NNF Report of Analyses of the Niger Delta's Economic Opportunities 2011

Conclusion and Recommendations

PIND'S economic development approach is consistent with its strategic framework. It follows a clear market development approach focusing on sustainable outcomes at scale.

The selection of priority sectors was underpinned by analysis of the Delta region's economy and driven by clear and practical criteria, which emphasized PIND's focus on reducing poverty through sustainable and equitable economic growth.

The next stage for PIND, moving to level 2, is to develop value chain assessments for each of the above sectors. These are underway, and will map out in a great deal more detail the specific market systems within the sector, the position of the poor within these systems, and how the market is failing to serve the poor and MSMEs.

The agreed next steps are:

- To develop robust value chains for the selected sectors – which map out specific market systems, identify the major growth opportunities, outline how they function, the constraints to growth (and the underlying causes of these constraints), the position of the poor and marginalized in these systems, and how the market currently fails to serve their needs.
- This analysis will enable the project to identify the major growth opportunities, the specific systemic constraints (which are the underlying causes of underperformance) and obstacles for achieving change, and a vision for the growth of the sector if those obstacles can be removed.
- This will lead to the development of an upgrading strategy with interventions that target these core constraints and a causal model for pro-poor growth of the value chain. This may result in interventions that target interconnected markets – for instance agricultural input markets, equipment markets, or service provider markets, if this is where the core constraint lies. Given that two of the value chains are focused on production agriculture, it is expected that there will be synergies from common interconnected markets.



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