The Informal Sector and Employment Generation in Nigeria

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I Introduction

One of the major strands of the millennium development goals (MDGs) for global eradication of poverty is employment generation, which is also in tandem with one of the issues in Nigeria's current economic development programme, the National Economic Empowerment and Development Strategy, otherwise known as NEEDS. As part of the programme's title indicates, economic empowerment is a major focus of NEEDS, and apart from education, the second most important form of empowerment that a state could bestow on its citizens is to guarantee gainful employment. The issue of employment generation in the context of current efforts at alleviating poverty, internationally and domestically, cannot, therefore, be overemphasized

But it is not enough to identify employment generation as a policy thrust to empower the people, and in the process tackle poverty headlong, it is equally important to address the how and where of employment and how much of it needs to be adequately generated to satisfy the yearnings of the unemployed masses. This is where the private sector, as the prime mover of the global economy becomes more relevant than the public sector, and why the informal sub-sector, in the context of developing countries, comes to the forefront in the whole arrangement.

Prior to the industrial revolution, agriculture and informal business arrangements dominated the global economy, and unemployment was not a subject of major concern since mechanized farming was not in vogue, and industrialization was still at its infancy. However, the nature and status

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of labour employment have changed completely since the advent of the industrial renaissance and the increasing trend in urbanisation, with the attendant changes in economic structure, system of production, and entrepreneurship.

For a start, the picture that is clearly painted in the current global economic setting is that, ceteris paribus, the level of unemployment moves at variance with the level of economic development. In other words, the less developed an economy is, the more unemployment problem it faces, since the level of industrialization, to a large extent, also determines the level of economic development. Interestingly, by the same token, empirical evidence has revealed that the less industrialized an economy is, the more its activities revolve around the public sector and also the more informal is the private sector, for very obvious reasons.

Consequently, to the extent that developing economies are driven by the public sector and the informal sub-sector of the private sector, to the same extent will the onus of employment generation lie on these segments of the economy, but moreso on the latter. This is so, because, there is a limit to the employment opportunities that the public sector can offer to the mass unemployed. What this translates to, therefore, is that the unemployed that are left out of the formal private sector would need to adjust themselves to the popular axiom, “Everyman unto himself, and God for us all”; in other words, let everyone fend for himself; a picture that the informal business sector appears to be painting.

Efforts at employment generation in Nigeria are by no means recent, as policies have been enunciated in the past in this direction, especially with regard to self-employment. This is in recognition of the social and cultural makeup of the people, including the limited capacity of the public sector to satisfy the employment demands of the population of educated and highly skilled Nigerian labour. The pertinent question then becomes: how adequately has the incontrovertible role of the informal sub-sector been spelt out for employment generation in the NEEDS programme.

What this paper attempts to do is to bring the issues of employment generation in the NEEDS programme and the informal sector into sharper focus. The objective of the paper, therefore, is to assess how far the NEEDS programme has positioned the informal sector of the Nigerian economy, which constitutes the larger segment of the economy in playing the catalytic role of poverty eradication in Nigeria, and to explore the possibility of repositioning the sector to benefit more from the target employment under the programme. It will also highlight the appropriate constructs that will be needed to bridge the identified gap between laudable intentions as contained in the programme and similar policy thrusts, and their implementation. In this regard, the rest of the paper is in six sections. Section 1 contains the literature review, and uses available official data to establish whether or not the informal sector is a peculiarity of under-development. Section 2 highlights the historical dimensions and characteristics of Nigeria's informal sector, while Section 3 reviews the prospects for employment generation in the informal sector under the NEEDS programme. In Section 4, the paper appraises the performance of the NEEDS programme within the context of employment generation and poverty reduction policies in Nigeria in the first two years of the programme, i.e. 2004 and 2005. Section 5 considers the legal, regulatory and policy frameworks that should be in place to address the employment challenges in the informal sector that emanating from the analyses in Section 4. Section 6 concludes the paper.

II Literature review

Theory of Employment

At the macro level, employment refers to the application of the factors of production to efforts that will generate income for the welfare of the citizens. Indeed, it is in that process that employment of labour at the sub-macro (micro) levels by the diverse economic agents is engendered. Consequently, any change in the quantum, mix, and nature of combining these factors of production at the macroeconomic level, *ceteris paribus,* also translates to changes in the same direction in the combination and condition of employment of labour at the micro level.

In John Keynes' *The General Theory of Employment, Interest and Money,* the great Economist postulates that the national income depends on the volume of employment, i.e. on the quantity of effort currently devoted to production, and there is a unique correlation between the two. In addition, a state of full employment is achieved by an economy when all its resources have been appropriated to the fullest and economic activities are in a stable condition, so that a shift in the dependent variables results in unstable conditions and/or reduced level of real income. However, evidence indicates that full or even approximately full employment is of rare and short-lived occurrence. Until then, additional increases in and different combinations of the factors of production are possible efforts to attain a full employment condition. In other words, there will always be an inducement to push the rate of new investment to the point which forces the supply-price of each type of capital-asset to a figure which, taken in conjunction with its prospective yield, brings the marginal efficiency of capital in general to approximate equality with the rate of interest, and changes in the rate of consumption will move in the same direction (though smaller in amount) as changes in the rate of income.

In the same vein, if we assume (as a first approximation) that the employment multiplier is equal to the investment multiplier, we can, by applying the multiplier to the increment or (decrement) in the rate of investment, infer the increment of employment, as long as the value of output will rise when employment increases even if the wage-unit and prices are unchanged.

In formulating the general theory of employment, some existing or available factors are taken as given, but this does not mean that these factors are assumed to be constant; but merely that, the effects and consequences of changes in them are not taken into consideration or into account, for now. They influence the independent variables, but do not completely determine them. The independent variables, in the first instance, are the propensity to consume, the schedule of the marginal efficiency of capital and the rate of interest. The dependent variables are the volume of employment and the national income (or national dividend) measured in wage-units. This can be shown in the form of simple equation as:

$Y = C + I + G$, *where Y is national income; the dependent variable and the independent variables C= consumption; I=investment outlay and G= government expenditure.*

This equation indicates to us the quantity of employment that will be devoted to production corresponding to any given level of effective demand measured in terms of wage-units. Consequently, they furnish us with the supply function of labour (or effort); so that they tell us inter-alia at what point the employment function for labour as a whole will cease to be elastic.

The Informal Sector – The term “informal sector” was first used in 1971 by the British anthropologist Keith Hart in a study on Ghana, and was subsequently taken up by the International Labour Organisation, (ILO) in later study on Kenya. The name was adopted particularly in relation to development and employment policies, but its meaning and scope still remain controversial. It has also been referred to in many early studies as “under the table” to conform to an English idiom, or the “traditional sector” in relation to the traditional forms of work and production. The acronym, “black market”, is often used for some specific subsets of the informal economy in which contraband or illegal underground trading takes place. In the 1990s many scholars started to use the term “informal economy” to refer to a broader concept that includes enterprises, as well as employment in developing, transition and advanced economies.

However, the sector is difficult to observe, study and measure, as it is temporal in nature. Indeed, the nature, the degree of enforcement and frequency of change in regulations could make the difference between the formality and informality of some types of enterprises. For instance, in one of the most influential books on the informal sector, Hernando de Soto in *El Otro Sendero* (1986), published as *The Other Path* in English, argue that excessive regulation in the Peruvian (and other Latin American) economies forced a large part of the economy into informality and, thus, prevented economic development. In addition, the characteristics of the informal sector are not universal as there are many different “informal sectors” showing different levels of productivity, labour employment, remuneration and organization. Its heterogeneity and complexity has also made it difficult to reach an international consensus on its definition. For instance, the distinction between legal and illegal aspects of the sector such as prostitution, drug trafficking, the sale of stolen goods, contraband and the production and sale of pirated goods is not so clear, or easy to differentiate. Nonetheless, the ILO defines the urban informal sector as " a range of economic units in the urban areas, which are mainly operated by individuals either alone or in partnership with members of the same household (family self-employment) and which employ one or more employees on a continuous basis in addition to the unpaid family worker and/or casual employee".

Typically, these units operate on a small scale (micro business), with a low level of organization skill and little or no division between labour and capital. They are engaged in the production and distribution of goods and services with the main objective of generating employment and a basic income to the persons concerned. In addition, for statistical purposes, it is regarded as a group of production units which form a part, within the System of National Accounts (SNA), of the household sector as unincorporated enterprises owned by individuals. In this respect, household enterprises are not regarded as separate legal entities, and no complete set of accounts are available which could permit a clear distinction between the production activities of the enterprise and the other activities of their owners.

The organizational structure of the informal sector allows it to escape the rigidity of formal economic models, and it is capable of a very flexible response to changes in the market through indigenous changes in its overall pattern of economic activity. While for the most parts, the activities of the informal sector units are legal, they rarely comply with official and administrative requirements, as they are largely unregistered and evade paying relevant taxes. Nonetheless, their activities are often tolerated in recognition of the helplessness of government to improve their economic condition otherwise, as well as the inadequacy of the laws. Indeed, they have become a means for many countries to address the nagging problems of population growth, rural-urban migrations, economic crises, poverty and indebtedness. Other common features of the sector include, labour-intensive technologies, high levels of competition, low quality of the goods and services produced, limited capital and limited capacity for accumulation. The main source of capital is from self-financing due to restricted access to assets, credits and other services.

Is the Informal Sector a Peculiarity of Underdevelopment?

The definitions of the informal sector and the methodologies employed to measure it vary from region to region and country to country, because of variations in their nature and composition, making a comparative analysis difficult. In tracing the history of the sector, Wikipedia (2002), stated that "Archaeological and anthropological evidence strongly suggests that people of all societies regularly adjust their activity within economic systems in an attempt to evade regulations. Therefore, if informal economic activity is that which goes unregulated in an otherwise regulated system then informal economies are as old as their formal counterparts". The inference that could be readily drawn from this statement is simply that the informal sector is everywhere all over the globe, but its extensiveness may differ with levels of economic development. Turnham *et al*, (1990) shared this view in a study, when he submitted that the lower the level of development of a country, the larger its informal sector. In a seminal collection of articles on "The Informal Economy Studies in Advanced and Less Developed Countries", the existence of an informal economy in all countries was emphasized by including case studies ranging from New York City and Madrid to Uruguay and Colombia. Indeed, with the industrial revolution and subsequent change in the modes of production in the advanced developing countries, many workers were forced out of their formal sector work into informal employment.

The informal sector is estimated to employ close to between 30 and 80 per cent of the labour force in many developing countries by the late 1990s. In Asia, the sector absorbs between 40 and 50 per cent of the urban labour force, although significant variation can be found between the newly industrializing countries in the region (with less than 10 per cent) and countries where the sector's employment share is about 65 per cent. The sector also makes up 48, 65 and 72 per cent of non-agricultural employment in North Africa, Latin America and sub-Saharan Africa, respectively, while the estimates for developed countries are around 15 per cent. In Latin America, the informal sector employment grew at an annual rate of 4.7 per cent compared to the 1.1 annual per cent growth of formal sector employment between 1990 and 1994.

Africa provides the most detailed example of the informal sector with an estimate of about 61 per cent of the urban labour force engaged in different forms of activities in the sector, and it was estimated that the sector will create 93 per cent of all additional jobs in the continent. In addition, the informal sector becomes larger if it is considered that the vast majority of employment in the rural setting is in agriculture and other agrarian production, which are mainly manual and labour-intensive. The largest proportion of the informal work force in Africa (70 per cent) is self-employed, or underemployed, while wage employment predominates in developed countries.

From all indications, it would appear that the informal sector is here to stay, at least for quite a long while. This is because the informalisation of a significant proportion of the workforce in countries with different levels of development, give strong reasons to believe that a large and growing proportion of workers will be engaged in the informal sector for many more years to come.

In many developing countries facing structural adjustment programmes, micro-enterprises in the urban informal sector make a significant contribution in generating employment and often constitute the main source of income for disadvantaged groups. The development of the informal sector is not a temporary phenomenon, which would disappear in the foreseeable future but on the contrary it is likely to continue to expand as is shown by its steady growth in almost all developing countries with the exception of the newly industrializing countries from East Asia. The sector will, therefore, continue to serve a complementary role in the economic development process, as well as an avenue for serving the basic needs of the people, if not in improving their standard of living. Furthermore, the diminished relevance of national boundaries in the globalization arrangement has further pushed the structure of the informal sector. This include the search for cheap labour and for cost-efficient methods such as outsourcing and subcontracting to increase productivity and competitiveness in the developed countries.

Prospects of Employment Generation in the Informal Sector

The informal sector involves mainly unorganized workers engaged in precarious processes and labour arrangements in business, which in many cases are largely unregulated and unregistered, falling outside of state regulations and control. In addition, many formal wage-earners are also engaged in informal businesses as additional source of income to complement their stagnant, and sometimes, declining purchasing power, which maintain most of them under the poverty line.

The magnitude and growth of the sector are difficult to establish, as most of their activities are unrecorded in official statistics and, thus, the measurement of informal production and labour force is difficult. For instance, because of cultural factors and the nature of economic activities in developing economies, domestic labour, such as child care and cooking, is not included when performed in the natural course of daily living. Such activities could as well be performed for others in exchange for wages, or goods and services with economic value, which is the norm in more advanced economies. Nonetheless, it is incontrovertible that the sector constitutes an employment refuge for vast majority of workers who fall out from the formal sector, especially in times of economic depression, or rationalization in the public service. It provides a “safety net” for poor households’ income. It is the realm of employment for the majority of urban dwellers in developing countries who apply their energies in semi-skilled jobs. Employment opportunities are also created through apprenticeship in skills and knowledge in jobs that require little educational background, thus, placing the informal sector at the centre of economic development.

While formal firms optimize their operations when they substitute capital for labour and strive to grow large enough to capture economies of scale, the informal sector entrepreneurs optimize when they substitute labour for capital and also strive to grow large enough to capture economies of scale. For that reason, the ILO has recognized the sector as a potential solution to unemployment problem in developing countries if the negative conditions of undercapitalization, lack of skills and small size can be reversed. While it cannot be argued that unemployment has become a sore economic point in most developing countries, the measurement of its magnitude leaves us with some doubts. This is so in the light of some underemployments, especially of some educated employees in the informal sector who consider themselves unemployed still, in view of their current menial jobs, which they regard at best as provisional and transitory, and at worst as shameless. To this extent, part of the informal sector measurement includes the area of "disguised unemployment", or a "reserve army of labour" that is either directly or indirectly tied to the formal sector through outsourcing or distribution channels, having none of the benefits or safeguards of formal employment.

III Historical Dimensions and Characteristics of Nigeria's Informal Sector

The informal sector in Nigeria, like in many African countries, has its roots in historical perspective, as much as it has in cultural dimensions. Prior to its colonization in 1896, there were splinters of intra-regional trade arrangements between the citizens of the traditional empires that existed at the time. Agricultural products, handicrafts, and other traditional products were some of the items of trade that were exchanged, at first through trade by barter, and later with the use of cowries, beads, cows and other forms of medium of exchange that were acceptable within the locality. Naturally, the traders, whether the small-scale direct sellers, or the middle-men that facilitated the intra-empire trade were mostly sole proprietors, or at best, small-scale partnerships with little capital, low entrepreneurial skills and lack of appropriate accounts being kept.

Unfortunately, even with the coming of the colonial powers and the advent of education, there has not been much change, for obvious reasons. The colonial authorities were businessmen who were more concerned about how they could maximize their benefits from the spoils of colonization than on improving the lots of the people. Prior to independence, the structure of the economy was largely agrarian, while the manufacturing sector was deliberately underdeveloped to open doors for imports from Britain. However, this heritage has been maintained even after independence, because subsequent economic policies have failed to address this anomaly adequately, owing partly to the problem of vicious cycle of poverty. Low levels of savings and the attendant dearth of investment funds have stifled domestic investment, discouraged medium-scale enterprise and the expansion of small businesses.

The dominance of government in economic activities that are best managed by private enterprise did not support the drive for private sector-led economic activities, which should enhance domestic investment. As a result of long spate of political instability, inconsistent economic policies of government, and unconducive business environment, inflow of foreign investment over the last four decades has come in trickles, well below the level that is appropriate for an economy with a large and vibrant market and substantial economic potentials. In addition, the retrenchment of formal sector workers that followed as a consequence of the adoption of the Structural Adjustment Programme, SAP in 1986, and the increasing difficulty of prospective workers, especially graduates, to get jobs in the formal sector are additional factors that have made the informal sector to thrive in Nigeria in the last two decades

Consequently, the informal sector in Nigeria remains largely unquantifiable in terms of size, structure and character, so that its contribution to the national income and employment generation has continued to be mere guess work by economic analysts. Many studies have been conducted in an attempt to capture a vivid picture of this important segment of the national economy, which has the characteristics of a moving target. For instance, previous studies appeared to have given the sector more than its share of importance, as against a recent tripartite study, which revealed that, indeed, the contribution of the sector (excluding agriculture) to Nigeria's GDP in 1998 was only 7.2 per cent, and when agricultural production is included, the figure was 37.8 per cent (CBN/FOS/NISER, 2001). Nonetheless, in terms of employment, agriculture alone, comprising crops, livestock, forestry and fishery, employs nearly 67 per cent of the labour force, and about 90 per cent of the rural population.

However, in view of the unpredictable nature and vast size of this sector, coupled with the constraints of data, it would be ill-advised to hold on to any figures as being sacrosanct, as further studies may reveal many yet unknown and/or unquantified sub-sectors. For instance, even for the sake of argument, it would be appropriate to ask how the data on employment and the national accounts statistics would be able to adequately capture and evaluate the operations of some underground activities, even if they are somewhat illegal in nature, or the do-it-yourself repairs on home appliances, the services of the housewife or housemaid, and the engagement of the rural farmer in other skills, etc. This is a pertinent issue raised by Charmes (1990) when he avers that the importance of the informal sector activities particularly in an agrarian economy cannot be over-emphasized, and that the poorer the country, the greater the underestimation of the level of its national product, and by extension the estimation of the level of employment in the sector.

Overall, the informal sector in Nigeria is highly labour intensive and, as expected, is dominated by small-size enterprises which are mostly sole proprietorships that employ less than 20 people, paying little to nothing in labour wages. Surplus labour, is therefore, good grounds for the growth of the informal sector, where labour intensive system of production is needed, as against capital equipments in the formal setup. In terms of gender distribution of labour, there is no definite outcome on gender dominance in any of the sub-sectors of the Nigerian informal sector, but culturally there are areas regarded as taboo or in effeminate for a woman to engage in, such as, taxi-cab driving, commercial motorcycle operation, etc.

A great proportion of the raw materials or inputs of the Nigerian informal sector are locally-sourced, but a low proportion of the profits are ploughed back to expand the business. There are also no incentives to encourage public participation in medium-size enterprises in the sector, thus making the business remain unsuccessful. Prospects of forward and backward linkages, however, exist within the sector, as well as between some of the enterprises in the sector and those of the formal sector. Occupational hazards are taken for granted, and are not given serious consideration by operators in the sector or the regulators in the relevant areas of informal operations. For instance, some ad hoc surveys carried out by the ILO on Nigeria, among four other developing countries, indicate that labour hazards are prevalent in the informal sector, and these vary with occupation. Excessive heat, poor housekeeping, inadequate work space and working tools, lack of protective equipment, exposure to hazardous chemicals and dusts, which results in low productivity and income, due to poor health, and long hours of work, characterize the informal sector in Nigeria.

In the light of the economic and financial crises that Nigeria encountered over the years, the informal sector is expected to continue to provide the needed impetus for employment generation especially in the rural sector of the economy. In other words, the sector is expected to serve as a viable mechanics for the creation of jobs for the rural populace through additional incomes.

IV Prospects for Employment Generation in the Informal Sector under the National Economic Empowerment and Development Strategy (NEEDS)

The National Economic Empowerment and Development Strategy (NEEDS) is Nigeria's home grown medium-term economic development plan, which is an alternative to the traditional Poverty Reduction Strategy Paper, otherwise known as PRSP; one of IMF's requirements for supporting economic development programmes in developing countries. Nigeria's attempt at formulating a home-grown development programme is not new, as examples abound of countries that have ignored the policy advice of the Bretton Woods Institutions, yet attained appreciable economic success through conscious and committed implementation of their own economic policy strategies. For instance, the East Asian countries, especially Korea, Taiwan and Singapore made great economic development strides, not because they listened to the Washington consensus to downsize and liberalize, but because they adopted their own domestic economic programmes.

The Main Thrusts of the NEEDS Programme

NEEDS proposes a contract between the Nigerian people and the government in the form of a social charter, or bargain. The programme empowers the people by tackling social exclusion head on, paying particular attention to generating jobs to improve incomes. It attempts to lay a solid foundation for diversifying the economy away from oil and solid minerals in order to increase economic stability and generate jobs. Since manufacturing is stagnant, there are few jobs for the growing urban population, and urban unemployment is currently estimated at 10.6 per cent. The focus of NEEDS is, therefore, economic empowerment, and creating about 7 million new jobs by 2007. The programme is expected to make it easy for private enterprises to thrive, by training people in skills relevant to their chosen business, and by promoting integrated rural development in collaboration with the states.

Its objectives are predicated on sustainable poverty reduction, employment generation, wealth creation and value reorientation, by mobilizing Nigeria's abundant resources, and ensuring that the strategies and impacts of the programme have positive bearings on the nation as a whole through the involvement of all stakeholders in its implementation. Consequently, the states and local government have also adopted their own version of NEEDS, called SEEDS and LEEDS, respectively, as their medium-term development road map.

The NEEDS aims at overcoming the identified deep and pervasive obstacles to progress, to make the economy the strongest in Africa, and one that will hold its own among the comity of nations. It will change the way government does its business, and evolve smaller, stronger, better skilled and more efficient government that will deliver more efficient services. To this end, government will privatise, deregulate and liberalise publicly-owned industries to promote competition and expand industries, as well as generate employment, create wealth and receive value for money. In the process, the number of government jobs will decline, but the cost of running government will decline drastically and release resources to create an enhanced social and economic environment that will support enterprises.

To reduce the level of poverty in Nigeria, which, up to the late 1990s, stood at 70% of the population, NEEDS intends giving special attention to agriculture and industry, by offering farmers improved irrigation, machinery and crop varieties to boost agricultural productivity, as well as supporting small and medium-term enterprises to create jobs for an estimated 15 per cent of the labour force that may be underemployed or unemployed. The programme concentrates poverty reduction efforts in the rural areas where poor people are more likely to live, be less educated and have larger families than the rest of the population. They also lack basic services such as clean water, education and health care, more than the urban poor, as well as such assets as tools, credit and supportive network of friends and family to finance business initiatives. NEEDS proposes developing the industrial sector by relying more on local resources and less on imports – guided by a local research and development strategy that seeks to promote science and technology-based small and medium-size enterprises; enterprises will focus on food processing, industrial chemicals, information and communication technologies, biotechnology, electronics and space technology as well as energy, oil and gas. Processing of Nigeria's crude product will create more jobs, and, particularly, for the informal sector because of forward linkage effects.

In executing these laudable programmes, the private sector will be allowed to thrive and drive the process. Within this context, it is recognized that the informal sector will play an important role, especially in the area of employment generation and supply of numerous goods and services. However, in view of the education and skills gap in the sub-sector, courses that build vocational and entrepreneurial skills will be provided, and training and exposure to information and communication technology will be improved at all levels. Growth of private provision of education and training will also be encouraged.

In addition, various private internal and external financial sources have been identified, as additional support to government's fiscal operations. For instance, it is estimated that interest on the repatriated capital of Nigerians will fetch about three times the current inflow of FDI, while the proceeds of annual debt repayment saved from debt cancellation will be available to provide public infrastructure. The investment environment will be improved to encourage foreign entrepreneurs wishing to invest in Nigeria to avoid facing the many constraints of doing business such as lack of transparency, corruption and bureaucracy. Import and export procedures and the many laws and regulations which stifle private enterprise will be simplified.

Assessment of the Prospects for Job Creation in the Informal Sector under the Programme

There have been attempts in the past to bring the issue of unemployment to the front burners of Nigeria's economic policy formulation, but all of these good intentions have failed because of lack of appropriate implementation strategies. There was the National Directorate of Employment Scheme in 1989, which aimed at empowering the poor through skills development and training in business management for unemployed youths and graduates of higher institutions who wished to be self-employed. Under the current administration, another attempt was made along this line in 2001 through the introduction of the National Poverty Eradication Programme (NAPEP). The implementation of the NEEDS programme would, therefore, have to take a cue from the pitfalls in the execution of the earlier initiatives in order to succeed and achieve its laudable objectives of employment generation to address deep-seated poverty in Nigeria.

It is pertinent to understand from the onset that poverty eradication, which is the major strand of the NEEDS programme, can be best tackled only if the very poor are appropriately targeted. So, the pertinent question will then be, where are the very poor mostly located, in what vocation are they mostly engaged, and how can their needs be adequately catered for in the programme? Of course, the right answers are that, the very poor are mostly resident in the rural areas, their vocation is largely in the informal sector, and support should come to aid their economic activities or in the skills that they are best suited or trained, which are agriculture, crafts and semi-manufactures. Nonetheless, this is not to suggest that the urban poor are not as important, but the fact needs to be emphasized that there are differences in concentration of poverty and in the respective needs of the different segments. For instance, in terms of proportion, the number of the rural informal sector is higher, and the main areas of rural occupation are agricultural production and handicrafts, while semi-manufactures and manufactures dominate the urban informal sector. These facts should dictate the direction of policy with respect to each area of the informal sector, as well as the area of concentration of policy measures when there is application of overlapping policy instruments.

In these regards, the NEEDS programme has provided adequate and well focused strategies. First, by recognizing that private sector driven economic development strategy is the vogue globally and the accepted and well-tested policy, which makes it easy to recognize that the private sector is a major driver of the process. But beyond that, the strategy recognized that it would be ill-advised to adopt the capital-intensive production methodology or system of the western world to suit an economy with poor technology, but abundant versatile labour. It is also an established fact that large and mega companies create few jobs, but small ones assure more jobs. Although economies of scale of production will be lost in the process, nonetheless, if the programme is to solve Nigeria's acute poverty, then there is no running away from this policy. What is more, since the vast majority of the informal operators are in the rural areas, and they are engaged mostly in agriculture, a large chunk of the targeted 7 million jobs to be generated can best be assured from that source. Agriculture remains Nigeria's largest source of national wealth, after oil, but it remains, and may indeed remain the major contributor to the national income and labour employment for some time to come. This is why the informal sector becomes very vital in the current scheme of government programmes and national policy, and by inference, in the overall success of the NEEDS programme.

A wide range of products exists in the informal sub-sectors of the manufacturing, agriculture and service industries scattered in various nooks and crannies of Nigeria. There are substantial employment generation prospects also in the backward and forward linkages with the enterprises in the formal sector, especially foreign direct investments. The promotion of tourism and entertainment should also support employment in Nigeria, two areas in which the country's potentials are great. In the same vein, it is hoped that if the repatriation of the estimated $2.3 billion annual interest earned on flight capital by Nigerians is realized, a potent source for financing domestic investment and creating additional employment, especially in the informal sector will be generated. In addition, successful transition of a great number of the informal businesses into the formal sector through the adoption of appropriate incentives and progressive policies will not only increase revenue for government, but it will also support other efforts at employment generation and improvement in infrastructure for an enhanced business environment.

It is worthy of note that finance is at the very root of the development of the informal sector. In recognition of this area of dire need in the most vulnerable sector, current policy thrusts under the NEEDS strategy have rejunevated and repackaged two previous vital financial support schemes in place to enhance investment and employment. These are the Agricultural Credit Guarantee Scheme (ACGS) and the Small and Medium Enterprises Investment Initiative (SMEII). They are targeted at closing the investment financing gaps in agriculture and industry for small scale enterprises which are largely in the informal sector. Money lent under the two schemes is at below market rates, and at more relaxed terms for repayment to encourage enterprises in these sub-sectors. There is no doubt that with increased funding, expanded operations and adequate financial skills, the benefits of the schemes should translate into increased employment generation

However, it is not enough to look at the supply side of the equation if the demand side of the programme is inadequately addressed. In other words, if local industries that produce domestic good substitutes for imports in consumer items such as clothes, shoes, preserved food and drinks, furniture, toiletries, beverages, soaps and vehicle spare parts lack substantial and encouraging patronage, of what essence is increase in production? What are the prospects for sustained employment generation in these sub-sectors where informal enterprises abound? In a similar vein, a sustained employment generation in the agricultural sector is best assured in an environment where surplus harvests can be preserved and converted into semi-manufactures, or exported. The current drive in cassava production because of guaranteed demand from China is a good case in point. Nonetheless, another employment prospect is available in Nigeria's participation and leadership role in regional economic arrangements where trade is very critical to Nigeria. The country's large population creates employment opportunities for its citizens when regional investors take advantage of the country's large market just as much as the size of the economy serves as a good ground for Nigerian entrepreneurs to take advantage of economies of scale to produce more cheaply for the rest of the region.

The point being emphasized here is that the proposed transformation of the social value system of the Nigerian consumer needs to be accelerated and implemented effectively for the informal private sub-sector to play its role in Nigeria's economic development process. Another note of caution that needs to be sounded is the risk of some businesses going underground and thereby creating some unemployment if reasonable care is not adopted in the attempt to regularize and formalize operations of the informal sector.

A welcome initiative of the NEEDS programme that portends substantial opportunities for employment generation in the informal sector, is the divesture of waste management to the private sector. Similarly, the policy of public-private partnership investment in social and economic infrastructure will support employment of both skilled and unskilled labour in large numbers. In particular, execution of public works could be done by direct labour, or in conjunction with private contractors in order to create employment opportunities.

V An Appraisal of Employment Generation under the NEEDS Programme

The antecedents to the NEEDS programme indicated that poverty was as high as 70 per cent up until the late 1990s, and as recent as 2003 Nigeria still faced a threat of not meeting the Millennium Development Goals (MDGs) of halving the incidence of poverty by 2015. Nonetheless, it is worthy to note that the rate of unemployment had declined from 18.0 per cent in 1999 to 10.8 per cent in 2003, because an estimated 3.5 million jobs were created during the period. Real wages also went up significantly, reversing the downward spiral in real income of workers that began since the 1980s. However, the unemployment rate in nominal terms translated to the stark reality that as many as 6.4 million active people were still looking for jobs. The need to reverse this trend was one of the major planks of the NEEDS programme. Unlike Nigeria's previous development plans, the failures of which had become the norm and was widely accepted as the problem of ineffective implementation, the NEEDS was said to be poised to take on a different character as the document acknowledged that the acid test of the programme's success was in its implementation.

It is, therefore, on this premise that the success of the programme in delivering on its promised new jobs will be assessed. In particular, the focus in this paper will be on how the informal sector has faired in the light of the employment generation strategies in the NEEDS plan. The modality considered appropriate in this regard, is to assess the impact of the direct as well as the indirect strategies so far adopted towards achieving the set employment targets. The strategies, as spelt out in the NEEDS document include the following:

- The NEEDS programme was to become the basis for government's annual budgetary allocations in playing the role of enabler, facilitator and regulator of the economy. There would also be a coordinated approach between the three tiers of government through the implementation of both SEEDS and NEEDS, both of which was expected to create at least 7 million new jobs over the first period of implementation.

- The programme's strategy is anchored on the private sector as the engine of growth – for wealth creation, employment generation and poverty reduction. The private sector is the executor, the direct investor and manager of businesses. The key element of this strategy is to shrink the domain of the public sector and buoy up the private sector.

- At the micro level, the programme would adopt explicit sectoral strategies for agriculture, industry/small and medium enterprises (SMEs), which are critical for employment generation and, therefore, would receive special attention under NEEDS. The priority to agriculture (especially to improve the productivity of peasant farmers) is a key element of poverty reduction strategy since over 50 per cent of the poor are in agriculture. Industry, especially the SMEEIS is expected to provide a boost to agriculture, particularly to the urban labour force.

In these contexts, the impact of the strategies on employment generation, with interest focused on the informal sector, will be considered under the following headings:

(i) How annual budgetary programmes and the coordinated efforts of the three levels of Government has been able to create the targeted jobs.

The relevant issues to consider here include:

- to what extent has the Government been able to play its catalytic role of job creation through its budget allocations?

- the impact of the empowerment strategies on education and health to build capacity in the relevant areas; and

- the coordination capabilities of the different levels of government to build on the efforts of one another..

(ii) What successes have been recorded in the employment generation opportunities for the informal sector through the implementation of the micro sector policies on agriculture and small and medium enterprises (SMEs)?

(iii) To what extent has the private sector been able to play its assigned role of wealth creation and employment generation within the provisions of the NEEDS?

The Impact of Annual Fiscal Programmes of Government Capital outlay on Agriculture, Education and Health

Government spending on social and economic services since the implementation of the NEEDS programme from 2004 revealed the extent of its commitment to addressing major economic and social issues. This is especially so in the areas of agriculture, education and health, the sub-sectors that would need to be emphasized in order to deliver on the goals of capacity building and poverty reduction. For instance, the capital outlay on agriculture before the implementation of the NEEDS was as low as x8.5 billion (or 0.08 per cent of GDP) in 2003, but it increased substantially in 2004 and maintained that trend up to 2006, at N38.6 billion (0.33% of GDP), x60.3 billion (0.41% of GDP) and x89.5 billion (0.49% of GDP), respectively. The same encouraging picture is seen in the combined outlays for education and health, which increased consistently from x21.1 billion (0.21% of GDP) in 2003 to x64.8 billion (0.36% of GDP) in 2006 (Table 1). Indeed, the performance of the states and local governments in these areas surpassed that of the central government in terms of volume. Their capital outlays on the two sub-sectors, which complemented those of the federal government, were x96.4 billion in 2003 and doubled to x192.0 billion in 2006.

It is expected that such substantial and growing outlays on agriculture, a largely informal sector activity, should create both rural and informal sector-based urban jobs for the hitherto unemployed work force. In addition, because of the enormous forward linkages in the sub-sector the bulk of the employment generated would be domiciled largely in the informal sector, as well. In a similar vein, the large and increasing expenditure on education and health is a positive development towards a new trend by the Government. It supported the Government in delivering on playing its role of an enabler for capacity building initiatives that were geared towards creating an employable workforce for the Nigerian labour market in the near term. It is no gainsaying that it might take some time yet for the recent capital outlays on education and health to impact on the desired quality and availability of the labour force for the development challenges ahead, because the transmission process is of medium to long-term horizon.

Appraisal of Official Policies towards Developing Informal Sector Activities that Support Employment Generation

The Agricultural Credit Support Scheme (ACSS)

The Agricultural Credit Support Scheme (ACSS) was the joint initiative of the Federal Government and the Central Bank to provide credit facilities to farmers at single digit interest rate. The programme, was originally established in 1978 and initially tagged, Agricultural Credit Guarantee Scheme Fund (ACGSF).

In the twenty-eight years of the programme, some x14.9 billion was lent to about 497,000 borrowers, indicating an average of x552 million per year, and x30,000 per borrower. However, in the first three years (2004-2006) since the NEEDS became operational, about x9.39 billion were lent to 135,303 people, averaging x3.13 billion per annum, and x70,000 per borrower (Table 2). In other words, in only three years of the NEEDS programme, over 63 per cent of the total loans for the twenty-eight year period was lent to about 27 per cent of the total number of borrowers. In terms of repayment of the loans, the success rate showed that 70 per cent of the borrowers repaid 58 per cent of the loans, the same rates for the period, 2004-2006. The bulk of the loans was lent to individuals and cooperative societies, and largely to those who produced grains and tuber roots as well as poultry farmers (Table 3).

Other welcome and effective complementary official policy and institutional support for agricultural production and employment generation in the sector have included fiscal incentives of import waivers and favourable tariff policy. There were also Presidential Initiatives on Rice and Cassava Production and Export, Committees on Cocoa Development Programme and Cotton Development. Evidences that indicate these policy initiatives were effective included the index of agricultural production and the estimated output of major agricultural products as shown in Tables 4 and 5. The figures indicate appreciable increase of between 16 and 20 per cent over the three years, spanning 2004-2006. With these increases, and given that productivity did not increase at the same pace, it would be expected that some significant opportunities for employment at the informal segment of the sector were created. In addition, the backward and forward linkages to other sectors of the economy, especially in the service and manufacturing sectors, were other great potentials for generating increased employment in the sub-sector.

The Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

This is a voluntary scheme initiated by the Bankers Committee in 1999, in response to the Government's concerns for the promotion of small and medium enterprises to serve as vehicles for rapid industrialization, poverty alleviation and employment generation. Under the scheme, ten per cent of the profit after tax of deposit money banks is to be invested in small and medium enterprises.

The total amount set aside by Deposit Money Banks under the scheme totaled x38.23 billion as at end-2006, but sadly, only x17.84 billion has been utilized. Nonetheless, the sectoral allocation and geographical spread of the amount invested appeared to appropriately reflect the area of most needs in order to achieve the objective of the scheme. For instance, x6.74 billion (40 percent), x3.51 billion (21 per cent), x2.65 billion (16 per cent), x1.09 billion (6 per cent) were allocated to manufacturing, tourism, services, and agro-allied sectors, respectively (Table 6). Furthermore, the bulk of the investments were located in prime industrial locations of the country, such as Lagos State, Ogun, Rivers, Cross River, and Abia States, in the proportions of 56.5, 8.1, 3.23, 2.0 and 3.23 per cent, respectively (Table 7). However, the number of executed projects in each sector did not particularly reflect the value of investments, possibly because of industry differences in the capital outlay for projects. For instance, there were 118 manufacturing projects costing x6.74 billion or an average of x551 million as against 11 projects and 52 projects with averages of x318.4 million and x50.9 million for tourism and services sectors, respectively (Table 6).

Like the agricultural credit scheme, the focus of the SMEEIS was largely on the informal sector, while employment generation was part of its major deliverables. The amount set aside under the scheme has been under-utilized for the same reasons of lack of appropriate articulation and packaging of project proposals, inadequate provision of collateral by the potential beneficiaries under the scheme, some of the issues addressed earlier in this paper. This is a scheme with a great potential for elevating the status of the manufacturing sector in Nigeria, in addition to its employment generating capacities especially in the context of its forward linkage effect. On the balance, some employment generation activities have been created under the informal sector based scheme, although much more could have been achieved if more investment opportunities had been created with the massively unutilized funds set aside by the deposit money banks.

Microfinance Initiatives

Government has also continued to encourage other complementary policies towards financing micro enterprises, and in the process support the enhancement of employment. They include the conversion of community banks to microfinance banks, the process of which is still ongoing, and the registration of finance companies, now numbering 112, and bureaux-de-change institutions that stood at 322 as at the end of 2006 (see CBN 2006 Annual Report, pages 45 and 46).

Impact of the private sector in creating wealth and generating employment under NEEDS

The major areas of activity of the informal private sector in Nigeria include agriculture, wholesale and distributive trade and communication. The three sub-sectors also stand out as the main drivers of employment in the private sector in the last four years. Their contributions to GDP in 2003 totaled 64. 3 per cent, but had increased to 81.3 percent by 2006 (Table 8), with the attendant increase in employment as indicated in Table 9 on the Index of Employment by Economic Activity . In particular, the index of employment for the communication sub-sector rose phenomenally from just 162.8 in 2000 to 1809.66 by 2003, and rose further to 2684.1 in 2006 (Table 9). Similarly, in the agricultural sub-sector, an increase in employment of the magnitude of 40.0 per cent was recorded, owing to the various policy initiatives of government at the three levels, complemented by significant capital outlays to develop the sub-sector. In addition, foreign investment of about $21.7 billion had been ploughed into the communication sub-sector between 2004 and 2006 (CBN 2006 Annual Report, page 86).

These are good indications that the private sector is beginning to assert itself in the mainstream of the Nigerian economy, more so, because Government, in an attempt to support the development of the economy, has disengaged in those areas for which the private sector is best suited by fast-tracking the privatization and commercialization programmes in the last few years,. The contribution of the private sector to total working population increased appreciably during the period, 2004-2006. This is reflected in the number of new employment generated in the building and construction, communication, transportation and distributive trade sub-sectors (Table 10).

Other Supporting Indicators

Overall, it is an incontrovertible fact that employment has increased appreciably in Nigeria over the last four years. Total working population increased from 46.8 million to 48.6 million, translating to an additional employment of 1.8 million generated during the three year period. The unemployment rate also fell, but more in the urban area than in the rural area. However, what may not be so discernible or easily ascertainable with a high level of confidence is the proportion of the additional employment generated that is accounted for by the informal sector. But what is incontrovertible is that in the light of the significant proportion of the informal sector in Nigeria's economic activities as well as the fact that the activities of most sub-sectors that generated increased employment are predominantly informal sector based, the sector can be said to have benefited largely from the employment generation targets under the NEEDS programme. The basis for assessing the impact of the informal sector can be further buttressed by the output index of the sub-sectors and their contributions to the GDP. For instance, agricultural output increased from 40.98 per cent of GDP in 2003 to 47.02 per cent. The same trend has been recorded in wholesale and retail trade, one of the major areas of economic activity for the informal sector, with contribution to the GDP increasing from 12.5 per cent to 16.7 per cent.

VI Proposed Legal, Regulatory and Policy Frameworks to Support the Contribution of the Informal Sector to Nigeria's Economic Development

In a study by Tuchman (1978), he avers that a subordinate relationship that has some political economy undertone exists between the formal and informal sector in the sense that the developed countries' policy advocacy to foster growth of the informal sector activities in developing countries is intended to make the latter subordinated to the former in the global economic equation. The sense in his argument is that since the formal sector in developing countries is largely dominated by multi-national direct investment enterprises, which unfairly exploit the domestic economy, a policy that continues to support the informal, small-size domestic enterprises is not well intentioned. He, therefore, calls for caution in the policy direction towards encouraging the informal sector, but rather advocated an enhancement of policy stance in the direction of full integration of the sector into aggregate economic activities. In contrast, a study by Riesman Associates Ltd. (1989) concludes that informal sector manufacturing appears to have the most promising potential for contribution to the economy's total output of goods and services based on average value-added for enterprises. In addition, the views of contemporary development literature are that advancement involves industrialization in which a decreasing proportion of the informal sector and, especially agriculture, should hold sway, and in the process, that an increasing proportion of the labor force would be engaged in fast growing sectors, such as services and telecommunications.

While Tuchman's submission and that of contemporary development economists may be instructive, there is a need to strike a balance in the argument for or against the growth of the informal sector and, agriculture in particular, in developing countries. In Nigeria, for example, an incontrovertible fact is that the informal sector plays a crucial role in ensuring the resilience of the economy and would be expected to continue to play a significant role, especially in view of its potential linkages with activities in the other sectors of the economy. In addition, the production system in the formal manufacturing sub-sector, for instance, largely depends on machinery equipments, which is attended by loss of labour, while the reverse is the case for the informal segment. Even in the formal service industry, activities depend largely on foreign skills and imports, and where there is inadequate foreign exchange to procure them, the economy will be left with no choice than to depend on local substitutes. The fact is that the methods or techniques of production and service delivery are best delivered using the labour-intensive system, which is Nigeria's area of comparative advantage (because there is no more technology to steal, but locally suitable ones need to be invented). This lends credence to the admission that the informal sector will continue to be relevant and attain a high proportion of the Nigerian economy.

This position is embellished by two important reasons that are peculiar to Nigeria under the current economic programme. First, is the state of the technological advancement of an economy, which dictates the extent of its industrial development, and in turn determines its ability to absorb the labour force that will be released from the informal sector and, particularly agriculture. Incidentally, technologically advanced economies, or potential ones, are often used as points of reference in the arguments of the development economists, but Nigeria, is by no means near that status. The second reason that informs the admission of the continued importance of agriculture in the Nigerian economy has to do with the life span of the current economic programme under NEEDS. In relation to Nigeria's industrialization programme, NEEDS becomes a relatively short-term programme, if viewed against the realities on ground on the country's ability to actualize the industrialization dream. Meanwhile, until the industrialization dream is attained, it can only be safe to work with the present economic realities and admit what is feasible, rather than indulge in an exercise that is tantamount to "hatching the country's eggs before they are laid". Nonetheless, it is a valid argument that avenues are open to the informal sector in the service and telecommunications sectors, and that labour could move from agriculture to other less technology demanding and non-manufacturing areas, especially where these are areas of economic activity that are domestically entrenched, are still evolving, and have great potentials for growth.

In the meantime, some important and far-reaching official policy initiatives need to be taken to ensure that the sector is properly regulated, monitored and supported in the course of playing its assigned role. These policy initiatives will, among others, include the following:

- Official support to the informal sector in whatever form should be sustained and viewed as part of a long-term strategy aimed at increasing employment opportunities in the sector in view of the job-creating and job-sustaining role of the sector.

- Given the importance of the informal sector, macroeconomic stability is essential for its development, especially in the area of keeping the inflation rate low. Inflation has destroyed many domestic informal and formal businesses as they cannot compete with imports, which are cheaper. Inflation has also contributed to the low and uncompetitive wages for labour in the sector.

- Provision of adequate and efficient infrastructural facilities, which has been the major constraint to Nigeria's economic development, should, therefore, receive priority attention of the sector, especially its rural segment, where employment of labour in the sector is mostly located.

- Generous incentives could be introduced to employ workers and fully remunerate entrepreneurs by granting land use rights and facilitating private sector development in the area of social and environmental responsibility.

- Informal micro-enterprises should be encouraged to form partnerships and enlarged to take advantage of the capital market, for funds mobilization, and absorption of more labour.

- There is need to further encourage sub-contracting culture in Nigeria and small enterprises should complement medium and large ones in this endeavour. This will not only support enhancing employment in the informal sector, but also encourage its transition into the formal economy through simple registration processes. To this end, indigenous small and medium-scale enterprises should be empowered by imposing minimum quotas for local content in tendering and procurement processes.

- As a further step towards encouraging the formalization of the informal sector, the Nigerian authorities will need to implement the comprehensive tax reform bill to eliminate multiple taxation and remove barriers to the growth of a vibrant private sector. In addition, disclosure and documentation requirements should be simplified

- In order to raise the productivity of informal sector workers it is necessary to strengthen the conditions and principles, which regulate labour relation, working conditions and employment opportunities.

- The low level of capitalization and technology, productivity and irregular employment relationship, which is a product of fear of expansion and lack of proper education and enlightenment, need to be addressed frontally.

- Inadequate safety and health standards and environmental hazards are evident in the sector, because of lack of awareness and/or technical capacity to implement the standards. This is a challenge that has caused large human and material losses, and would need to be faced with an integrated approach by building on local institutional support of trade guilds and business associations, including official public enlightenment campaigns. It will also be helpful to develop measures that will effectively enable micro-enterprises increase their income and services to assist them in protecting their health and improving their working conditions.

VII Conclusion

This paper has tried to analyze the informal sector in all its ramifications, and has come up with the conclusion that the sector like a hydra-headed animal is difficult to describe, but it is indispensable all the same. Its presence is felt everywhere and, as a result, its existence defies any level of economic development, although there is evidence that it is more pervasive in developing economies because of its resilience in addressing the employment needs of the unskilled poor and mass underemployed graduates. Nigeria's informal sector, which is similar in all respects to those in most developing economies, has its political economy background as much as it has in social and cultural dimensions. In terms of employment generation, the dominance of agriculture in economic activities and the abundance of human resource in developing countries present a good argument for labour-intensive production technology. The current home-grown programme under the NEEDS strategy should be Nigeria's antidote to poverty alleviation in meeting the millennium development goals, if its provisions, especially with regard to inclusiveness of the masses, are adequately implemented. Available economic and social data used in this paper to assess the level of success of the NEEDS in meeting its employment creation target indicated that, in the first three years of the programme some significant strides have been made, especially in the informal sector through both official and private sector initiatives. Nonetheless, a lot more is still needed to exploit the abundant employment capabilities of the informal sub-sectors in the light of its overbearing influence on economic activities in Nigeria. Concerted efforts need to be made, therefore, by official and private sector led initiatives to sustain current success as well as introduce appropriate incentives and regulations to monitor the sector in a bid to expand its diverse components and encourage the operators in the sector to transit to the formal segment for a more meaningful contribution to employment and economic development in the near term.

Table 1
Government Capital Expenditure (x million)

	2001	2002	2003	2004	2005	2006
Federal						
Social & Community Services	**39,988.00**	**21,823.00**	**21,111.20**	**27,260.70**	**53,776.60**	**64,857.20**
Education	19,860.00	9,215.00	14,680.20	9,053.10	31,940.80	32,705.50
Health	20,128.00	12,608.00	6,431.00	18,207.60	21,835.80	32,151.70
Economic Services	**135,675.00**	**129,776.60**	**42,105.10**	**88,594.80**	**171,653.90**	**173,048.30**
Agriculture & Natural Resources	57,879.00	32,364.40	8,510.90	38,669.80	60,310.70	89,544.90
Transport & Communication		17,083.20	6,639.60	6,973.80	15,587.90	8,178.60
Housing	56,356.00	44,479.20	9,495.50	2,280.00	6,698.00	2,831.50
Roads & Construction	21,440.00	35,849.80	17,459.10	40,671.20	89,057.30	72,493.30
Social & Community Services	**23,161.90**	**24,841.00**	**33,354.80**	**57,053.10**	**71,118.40**	**80,587.30**
Education	15,790.00	16,090.60	17,839.20	35,882.00	44,728.00	50,766.30
Health	7,371.90	8,750.40	15,515.60	21,171.10	26,390.40	29,821.00
Economic Services	**38,404.10**	**54,073.80**	**72,241.00**	**140,196.30**	**174,758.70**	**198,366.30**
Agriculture & Natural Resources	5,988.90	6,682.10	9,581.90	20,875.40	26,021.80	29,925.10
Transport	32,415.20	37,254.30	39,081.10	69,202.80	86,263.30	97,477.50
Housing	-	10,137.40	8,645.80	20,557.90	25,626.00	28,957.40
Roads & Construction	-	-	14,932.20	29,560.20	36,847.60	42,006.30
Local Governments						
Social & Community Services	**9,946.25**	**10,289.62**	**62,941.50**	**67,725.00**	**87,407.20**	**111,428.60**
Economic Services	**25,001.62**	**21,455.19**	**51,994.60**	**56,592.40**	**73,039.30**	**101,335.50**
National Total						
Social & Community Services	**73,096.15**	**56,953.62**	**117,407.50**	**152,038.80**	**212,302.20**	**256,873.10**
Economic Services	**199,080.72**	**205,305.59**	**166,340.70**	**285,383.50**	**419,451.90**	**472,750.10**

Source: CBN Annual Report & Statement of Accounts, 2005 & 2006

Table 2
Cumulative Number and Value of Loans Generated & Repaid

A. Loans Generated	1978 - 2006	2003	2004	2005	2006
Number	497,692	24,303	35,035	46,238	54,032
Value (N'000)	14,912,657	1,164,460	2,083,745	3,046,739	4,263,060
Avg. Loan Per Borrower	29.96	47.91	59.48	65.89	78.90
B. Loans Repaid					
Number	343,248	21,652	26,208	32,549	32,595
Value (N'000)	8,633,749.99	910,181.20	1,171,754.20	1,861,097.10	2,234,667.55
Avg. Repayment Per Borrower	25.15	42.04	44.71	57.18	68.56
C. Proportion of (B) to (A)					
% of Loan Value repaid as % of Loan Generated	57.90	78.16	56.23	61.08	52.42
Number of Borrowers who repaid as % of number of Borrowers	68.97	89.09	74.81	70.39	60.33

Table 3

Cumulative Total Loans Guaranteed: Analyzed By Purpose (x'000)

Purpose	1978 - 2006	% of Total	2003	% of Total	2004	% of Total	2005	% of Total	2006	% of Total
Livestock										
Poultry	1,175,743.80	7.88	95,162.80	8.17	172,134.00	8.26	220,830.50	7.25	303,451.00	7.12
Others	264,640.10	1.77	11,800.00	1.01	19,525.00	0.94	29,847.30	0.98	64,700.00	1.52
Fisheries	294,850.10	1.98	13,150.00	1.13	18,240.00	0.88	77,490.00	2.54	114,400.00	2.68
Food Crops										
Grains	8,386,500.69	56.24	661,558.10	56.81	1,248,992.70	59.94	1,680,927.20	55.17	2,273,521.39	53.33
Tuber/Roots	4,080,778.29	27.36	352,453.50	30.27	557,487.00	26.75	934,253.50	30.66	1,362,532.29	31.96
Others	67,330.60	0.45	-	-	-	-	-	-	67,330.60	1.58
Cash Crops	283,126.50	1.90	9,890.00	0.85	18,185.00	0.87	50,545.00	1.66	67,795.00	1.59
Others	359,686.90	2.41	20,446.00	1.76	49,181.00	2.36	52,845.00	1.73	9,330.00	0.22
Total	14,912,656.98		1,164,460.40		2,083,744.70		3,046,738.50		4,263,060.28	

Source: CBN Website (Development Finance Department)

Table 4
Index of Agricultural Production by Type of Activity (1990=100)

Sub-Sector	2001	2002	2003	2004	2005	2006
Crops	143.4	149.3	159.8	169.9	181.5	195.3
(a) Staples	157.5	164.1	175.9	186.9	199.5	215
(b) Other Crops	69.9	72.8	76.5	82.2	88.6	93.3
Livestock	199.5	208.9	225.5	238.0	250.0	265.0
Fishing	157	158.1	160.5	172.1	182.1	190.7
Forestry	120.4	121.3	123.1	125.7	132.6	134.8
Aggregate	148.9	154.9	165.4	175.5	186.9	200.1

Source: CBN Annual Report & Statement of Accounts, 2005 & 2006

Table 5
Estimated Output of Major Agricultural Commodities ('000 Tonnes)

Item	Area Planted (Million Ha)			Production ('000 Tonnes)					
	2003	2004	2005	2001	2002	2003	2004	2005	2006
Crop Production	114,702.70	43,561.60	90,075.00	95,841.10	99,813.60	106,854.40	113,591.80	121,146.30	130,574.10
Other Crops	16,735.80	7,312.60	7,661.40	7,572.30	7,886.20	8,286.10	8,896.50	9,588.40	10,103.50
Livestock Products	2,316.40	2,427.50	N/A	2,601.00	2,724.40	2,940.40	3,102.90	3,260.30	3,455.50
Fishing	524.70	548.30	N/A	494.60	498.10	505.60	542.00	573.70	600.60
Forestry ('000 cu meters)	129,551.30	132,205.40	-	126,667.00	127,623.00	129,552.40	132,275.30	139,486.60	141,812.80

Source: CBN Annual Report & Statement of Accounts, 2004, 2005 & 2006

Table 6
Sectoral Distribution of SMEEIS Investments

Sector	No. of Projects	Amount (N)	% Number	% Amount
Real				
Agro-allied	29	1,091,021,994.39	11.69	6.40
Manufacturing	118	6,740,577,814.05	47.58	39.56
Construction	10	1,111,288,000.00	4.03	6.52
Others	3	59,440,000.00	1.21	0.35
Service-Related Sector				
Information	21	1,749,763,999.04	8.47	10.27
Services	52	2,647,434,547.63	20.97	15.54
Tourism & Leisure	11	3,505,484,000.00	4.44	20.57
Others	4	133,935,000.00	1.61	0.79
Total	248	17,038,945,355.11	100	100

Source: CBN Website
Figures are as at 31st December, 2006

Table 7
Geographical Distribution of SMEEIS Investments

State	No. of Projects	Amount (N)	% Number	% Amount
Abia	8	523,400,000.00	3.23	3.07
Cross River	5	3,092,455,906.55	2.02	18.15
Lagos	140	7,813,783,393.90	56.45	45.86
Ogun	20	1,499,223,853.94	8.06	8.80
Rivers	8	997,964,181.11	3.23	5.86
Others	67	3,112,118,019.61	27.02	18.26
Total	248	17,038,945,355	100	100

Source: CBN Website (Development Finance Dept.)
Figures are as at 31st December, 2006

Table 8
Contribution of Informal Sector Activities to Gross Domestic Product (at 1990 Constant Basic Prices)
x billion

Activity Sector	2001	2002	2003	2004	2005	2006*	Average	Q1-Q3 2007
Agriculture	182.66	190.37	203.01	216.21	231.46	248.05	211.96	178.27
Wholesale & Retail Trade	55.11	58.66	62.06	68.08	77.28	87.90	68.18	62.97
Services of which								
Telecom & Post	59.17	72.46	72.75	79.18	85.48	93.03	77.01	7.81

Table 8 cont'd

Activity Sector	Share in Total (%)						
	2001	2002	2003	2004	2005	2006	Avg (2001-2006)
Agriculture	**42.3**	**42.14**	**41.01**	**40.98**	**43.87**	**47.02**	**42.89**
Wholesale & Retail Trade	**12.76**	**12.99**	**12.54**	**12.9**	**14.65**	**16.66**	**13.75**
Services of which							
Telecom & Post	**13.7**	**16.04**	**14.7**	**15.01**	**16.2**	**17.63**	**15.55**

**Provisional*
Source: CBN Annual Report & Statement of Accounts, 2005 & 2006

Table 9
Index of Employment by Economic Activity (1999 = 100)

Economic Activity	2000	2001	2002	2003	2004	2005
Agriculture	104.4	105.4	106.2	115.5	143.1	161.7
Manufacturing & Processing	95.7	99.4	96.5	101.4	103.7	99.8
Building & Construction	106.0	164.0	141.1	137.2	148.6	158.0
Hotels, Restaurant & Tourism	94.9	106.5	103.6	101.4	100.2	96.9
Transport	102.3	115.8	124.7	131.4	122.3	156.0
Communication	162.8	1112.6	1142.5	1809.7	1867.2	2684.1
Education Services	107.7	151.3	223.7	247.9	266.0	313.4
Mining & Quarrying	33.4	33.4	35.5	56.9	60.0	63.9
Utilities	97.4	97.8	99.6	101.9	103.7	100.0
Banking	60.5	85.9	88.1	86.5	89.6	105.7
Distributive Trade	99.3	110.9	120.8	125.2	130.3	134.1
Private Professional Services	119.9	108.4	110.6	124.9	136.1	144.8
Real Estate & Business Services	103.7	114.1	124.0	125.6	125.3	137.8
Health	98.6	104.1	113.1	113.5	116.3	107.9
Finance	116.8	116.9	119.2	105.2	111.4	217.4
Total	96.7	111.5	109.8	116.0	119.0	123.6

Source: National Bureau of Statistics Annual Statistics

Table 10
Employment Generated by Economic Activity (2000 - 2005)

Description	2000 Generated Employment	2001 Generated Employment	2002 Generated Employment	2003 Generated Employment	2004 Generated Employment	2005 Generated Employment	Cumulative Generated Employment
Agricultural	3,387	776	552	7,132	21,127	14,249	47,223
Manufacturing & Production	-81,650	69,946	-55,870	94,817	43,494	-74,612	-3,875
Building and Construction	17,322	168,558	-66,521	-11,135	32,933	27,293	168,450
Hotels, Restaurant & Tour	-27,404	62,375	-15,823	-11,925	-6,077	-17,658	-16,512
Transport	3,485	21,002	13,693	10,393	-14,125	52,212	86,660
Communications	10,933	165,341	5,214	116,142	10,008	142,213	449,851
Education Services	630	3,587	5,958	1,991	1,493	3,894	17,553
Mining & Quarrying	-37,400	0	1,197	12,005	1,758	2,169	-20,271
Utilities	-386	55	276	331	276	-552	0
Banking	-11,151	7,163	622	-443	859	4,571	1,621
Distributive Trade	-1,076	16,977	1,416	6,455	7,400	5,563	36,735
Private Professional Services	1,402	-809	158	1,007	790	612	3,160
Real Estate & Business Services	2,806	7,742	7,430	1,221	-208	9,353	28,344
Health	-4,264	16,751	27,715	1,218	8,426	-25,685	24,161
Finance	4,056	25	558	-3,397	1,496	25,553	28,291
Employment Generated	-119,310	539,489	-73,425	225,812	109,650	169,175	851,391

Source: National Bureau of Statistics

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