

# CENTRAL BANK OF NIGERIA



## BEYOND POLITICAL RHETORIC: INVESTING IN YOUTH AS AN ECONOMIC STRATEGY

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# **BEYOND POLITICAL RHETORIC: INVESTING IN YOUTH AS AN ECONOMIC STRATEGY**

## **1. Introduction**

As part of conventional political propaganda, governments tend to have youth development as an important economic strategy in their manifestos. However, it is abundantly clear that this has not manifested into reality in many cases – one may even suggest it has become regular political rhetoric. Generally, economic development strategies differ among countries and tend to be centered on the dominant resource endowment of the particular country. Traditional development models emphasized the effective combination of physical factors of production including land, labour and capital as important catalysts of economic growth. However, the recent surge in growth in most emerging markets indicate that growth could be primarily driven by innovation or factor efficiency – through research or improved productivity; which is principally facilitated by human capital development. Human capital has come to take centre stage as a principal driver of economic growth and development. There are numerous examples of innovation driven growth in many advanced economies including other emerging economies like India, China, Brazil and South Korea. African economies on the other hand, have generally enhanced economic growth through factor intensity rather than through factor efficiency, technology and innovation. Development strategies in Africa have centered on the major natural resource endowment of the particular country – mostly depleting export primary commodities or raw materials. The shortcomings of this approach are clear. The resource base is finite, value added is insignificant, and commodity prices are in the most part highly volatile and exogenous, such that the continent is a price taker. The implication of this has been a slower and less efficient pace of growth with widening income inequality and increasing impoverishment of the larger population. The critical question one may ask is

how African economies can engage their resources more efficiently for faster and inclusive growth – taking advantage of its abundant cheap labour force and large market? Addressing this critical question holds the firmest initiatives for unlocking Africa's growth potential and investing in human capital development, particularly the youth.

The youth constitute a significant proportion of the entire labour force; however skills acquisition is important for the effective utilization of the youth for economic growth and development. African economies have evidently underperformed in terms of investing in youth to support economic development. The existence of public institutions that support the cause of youth development is therefore mere political rhetoric. The aim of this paper is to draw attention to the need to act above political rhetoric and consciously invest in youth as a strategy for economic development. The paper is organized into six sections. Following this introduction, Section two identifies the various forms of investment in youth and their benefits. Section three briefly touches on the Nigerian experience in investment in youth, while the contribution of the Central Bank of Nigeria is discussed in section four. Section five covers challenges facing youth empowerment in Nigeria while the last section looks at the way forward and concludes the paper.

## **2. Forms and Benefits of Investment in Youth**

Investing in youth involves strategies aimed at building both their skills and capacities, and providing them with opportunities that enables them to effectively engage in society. Such investment provides an opportunity to achieve economic and social goals, as it implies the regeneration of human and social capital. Investing in youth should start early and remain continuous since human capital needs permanent upgrading over time.

Education is a major priority in the development of the youth. Early education is the first issue which requires investment if the best development chances are to be given to all children to seize future opportunities. This is because studies have shown that the level of education attained by individuals determine their level of exposure to poverty and the extent to which they contribute to economic growth. Education transforms an individual's values, beliefs and behavior and generally enhances his attitude, thus making him more productive. The personal development of youth, along with the development of the immediate local community and the country at large, is linked with the quality of education that is availed. It is the single most important factor contributing to the ability of young people to live a productive and responsible life.

Investing in youth also involves informal education, which is considered a positive, efficient and attractive complement to formal education. This includes technical and vocational education with renewed emphasis on life-long learning schemes.

Another form of investing in youth is in their health. Sound health not only improves productivity but also increases the supply of labour in the market. A healthier labour force is also expected to be more flexible and adaptable to changes e.g. changes in job tasks, in the organization of labour etc. Therefore, the healthier the youth population,, the more productive the workforce. Productivity could increase directly due to enhanced physical and mental activity, which could be reinforced by the efficient use of technology, machinery or equipment.

Sports is another form of investment in youth. Sport helps to sustain the health of the people, provides a useful avenue to channel the physical energies of youth and creates an atmosphere for relaxation. If the discretionary time of youth is devoted to positive skill-building activities such as participation in sports, then the

potential for involvement in socially unacceptable behavior is decreased. In addition, sports has also been known to contribute to development through various means which include: development of leadership skills and qualities, development of a life of independence and confidence, development of a sense of achievement and positive self-image.

### **3. The Nigerian Experience**

The recognition of the importance of investment in youth has led the various tiers of government in Nigeria to channel resources for the development of this segment of the society. Government efforts in this regard have also been complemented by private efforts and initiatives. Analysis of school enrolment, which is indicative of the primary level of investment in the development of youth, showed that there has been an expansion in the number of educational institutions and enrolment. For instance, in 2006, there were 56 universities consisting of 27 federal, 20 states and 10 private universities. By 2010, the total number has increased to 94, comprised of 28 federal universities, 32 state universities and 34 private universities (Digest of Education Statistics, Federal Ministry of Education, 2011). The number of federal universities further increased in 2011 following the decision to establish nine (9) additional universities. Similarly, data showed that the number of colleges of education increased from 64 in 2000 to 72 in 2005; by 2006 the number of colleges of education rose to 90, and was 92 by 2010. The number of monotechnics also increased from 30 in 2000 to 42 in 2003 and was 32 in 2010, while the number of polytechnics was 45 in 2010 down from 57 in 2005.

In line with the rapid expansion of the number of tertiary institutions, available information showed that enrolment into Nigerian universities increased from 358,758 in 2001 to peak at 1,096,059 in 2007 but declined to 605,068 in 2010. Enrolment into polytechnics and monotechnics followed a similar pattern.

Enrolment into polytechnics increased from 188,216 in 2000 to 311,581 in 2005, before declining to 229,862 in 2010. In the same vein, enrolment into monotechnics increased from 11,227 in 2000 peaked at 25,225 in 2006 and thereafter declined to 17,153 in 2010.

Available information revealed the inadequacy of existing institutions to cope with the demand for education by Nigerian youth. For example, data from the Joint Admissions and Matriculation Board (JAMB) showed that of the 1,046,940 applications into Nigerian Universities in 2003/2004, only 107,860 (amounting to 10.3%) were successful. In 2004/2005, out of 838,051, only 122,496 (14.6%) were admitted. In 2005/2006, 2006/2007 and 2007/2008, only 8.4%, 12.9% and 4.6% respectively of total applicants were successful. Experience worldwide has shown that no nation has achieved technological and socio-political advancement where less than 15% of its qualified young citizens have access to tertiary education. The US has achieved over 80% access while in Europe the average is 35%. In emerging economies like South Africa and Brazil, the percentage of access to tertiary education is 18% and 25% respectively (Ruhl, 2011).

Primary school enrolment is also relatively low in Nigeria. For instance, UNDP estimates show that in 2007, 62% of children of primary school age were enrolled in Nigeria compared to 97% in Finland, 72% in Ghana, 99% in Korea Republic, 97% in Sweden, 97% in UK and 96% in the US in the same year. Secondary school enrolment estimates were 26% in Nigeria, 48% in Ghana, 96% in Finland, 95% in Korea Republic, 99% in Sweden, 92% in UK and 91% in the US.

Expenditure on education is similarly relatively low in Nigeria. A comparative analysis of the expenditure on education in 15 countries (including Nigeria) at various levels of development between 2006 and 2009 revealed that countries such as Sweden, Botswana, Ghana, Moldova, France, South Africa and

Canada spent on average between 5.1 to 9.3 per cent of their GDP on education. In addition, other countries such as Mexico, Italy, Malaysia, Korea Republic and Egypt spent between 3.8 to 4.8 per cent, while Nigeria spent only 2.1 per cent.

Largely reflecting the type of educational curriculum, youth entrepreneurship is weak in Nigeria. Skills training and vocational content in school curricula are shallow such that graduates are ill-equipped for employment. For instance, owing to lack of depth of skills in the Nigerian construction sector, skilled construction workers are usually imported from neighboring countries. It is common knowledge among employers that most graduates possess sub level skills and this partially reflects the apparent separation of school curricula from the practical requirements of the labour market. Youth unemployment data confirm this trend. A recent survey conducted by the National Bureau of Statistics in 2011 showed that overall unemployment rate increased from 21.4 per cent in 2010 to 23.9 per cent in 2011. Further analysis showed that the unemployment rate in rural and urban areas was 25.6 and 17.1 per cent respectively. Persons less than 14 years constituted 39.6 per cent while those between 15 and 64 years constituted 56.3 per cent.

It must be quickly added that the news is not all bleak. This is because a UNDP report in 2009 revealed that 72% of Nigerians between 15-24 years are literate, that is, can read, write and comprehend simple short sentences. Overall, youth literacy improved from 64.1 per cent to 80 per cent between 2000 and 2008. It is worth noting that in order to address some of the identified problems associated with youth empowerment; the government has over the years established various schemes.

#### **4. The Central Bank of Nigeria's Youth Development Initiatives**

The Central Bank of Nigeria (CBN), recognizing the gap in youth entrepreneurship, and also in support of the government's initiatives to grow the critical mass of youth entrepreneurs to take advantage of the opportunities in the economy, has established Entrepreneurship Development Centres (EDCs) in three geopolitical zones (North West, South East, South West). For the remaining three zones (South South, North East, the EDCs are to be established in the course of 2012. The CBN-supported EDCs aim at developing the entrepreneurship spirit in Nigerians and providing insight into the tools, techniques and framework for managing business enterprise, including production, marketing, personnel and finance. They also develop skills of would-be-entrepreneurs to successfully start, expand, diversify and manage business enterprises, as well as link them with financial institutions for accessing start-up capital, especially from the microfinance banks; and to generate employment opportunities for Nigerians in pursuance of the provision of the National Economic Empowerment and Development Strategy (NEEDS) and more recently, Vision 20:2020.

Prior to this initiative, the Bank had launched the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, which is expected to improve financial services to micro, small and medium entrepreneurs. The EDCs are to equip the youth to run businesses successfully, thereby ensuring the success, profitability and sustainability of the financial institutions that provide services to them. As at December 2011, a total of 101,847 youth had been trained by the three pilot EDCs and a total of 4,373 jobs were created.

As part of its developmental function, the CBN also introduced between 2006 and 2008 the NYSC sensitization, Venture Prize Competition and NYSC Entrepreneurship Training Programmes. The main thrust of the programmes are



to sensitize and create awareness in the Nigerian youths, awaken their entrepreneurship expertise, and orientate serving youth corps members towards seeking alternative employment options, in particular, self-employment. The corps members are exposed to the rudiments of writing good investment feasibility reports, which is expected to enhance their chances of accessing financial services from banks. Corp members are trained to develop and nurture their pet projects into big business outfits that can eventually contribute to the development of the nation's economy.

Furthermore, in line with Nigeria's goal to become one of the top twenty economies of the world by the year 2020, the CBN has initiated a strategy known as the Financial System Strategy 2020 (FSS 2020) to implement a financial system that would transform Nigeria into an international financial centre and provide the safest and the fastest growing financial system among emerging economies. The acute shortage of the quality and quantity of manpower has however, been certified as a major constraint in trying to realize the goals and objectives of FSS 2020. Consequently, the CBN in recognition of its developmental role and in exercise of its oversight function over the financial services industry undertook to intervene in the postgraduate programmes of some selected Federal universities. The idea is to assist the universities to evolve as centres of excellence to kick-start the training of required personnel to manage the reforms in the financial sector. This indeed is forward looking and is what is expected of all stakeholders.

## **5. Challenges Facing Youth Empowerment in Nigeria**

Nigeria like most developing nations of the world is faced with a myriad of developmental challenges, which include poverty, unemployment, conflict and

disease. These situations pose great challenges to the very existence of individuals in most developing nations. Available information by the National Universities Commission (NUC) (2004) highlights the massive unemployment of Nigerian university graduates in the country. This problem is said to be traceable to the disequilibrium between labour market requirements and lack of essential employable skills by graduates (Diejomaoh and Orimolade, 1991; Dabalén, Oni and Adekola, 2000). This obvious critical skill gap inhibits the development of youth and the nation as a whole. The skill gap is associated with a falling standard of education in Nigeria. This claim is supported by a 2002 United Nations report, which reported the falling standard of education in Nigeria caused by "acute shortage of qualified teachers in the primary school level." It also reported that about 23 per cent of the over 400,000 teachers employed in the nation's primary schools do not possess the minimum required educational qualification.

There is also inadequate funding as only about 7% of total government budgetary allocation went to education in the period 2004-2009, compared to 16% in Togo, 18% in Cameroon, 17% in Benin Republic and 23% in Cote d' Ivore.

Other challenges include low spirit of competition; poor entrepreneurial culture; socio-political constraints; non-inclusion of entrepreneurship programmes in the school curricula; poor societal attitude to Technical and Vocational Education; inadequate facilities and equipment for teaching and learning; insensitivity of government to enterprise creation and expansion strategy; and poor planning and implementation strategy (Oviawe, 2010).

A paper presented at the Fifth African Development Forum (2006) identified other challenges to include the following:

- Lack of a policy framework with specific benchmarks that reflect challenges of youth;
- Weak design and implementation of youth capacity building activities;
- Absence of youth participation in policy design;
- Corruption, resulting in diversion of resources meant for youth programmes by stakeholders for personal use;
- Political instability which has affected continuity of youth policies shifting government attention from youth to other sectors;
- Lack of monitoring and evaluation machinery in place to ensure implementation of youth policies;
- Neglect of rural areas which accounts for over 60% of the population;
- Poor youth policies which are usually targeted at single sector issues mainly focusing on education cum vocational training and employment generation neglecting other important areas like health, sports etc;
- Absence of reform machinery for policies that have not worked and lack of engagement of relevant stakeholders including parents, teachers and local entrepreneurs.

## **6. Conclusion and the Way Forward**

For human capital formation, early investments are crucial. This applies to cognitive skills, social skills, health and culture. Human capital is even transferable to future generations. This view does not rule out later investments providing people with a second chance. But the returns of such investments are less favorable. A consistent body of research suggests that high quality early

childhood education can provide long-lasting benefits to children. These results indicate the need to consider early childhood as a prime target of intervention.

First, the starting conditions for successful investment must be there. This requires favoring children's well-being and development and avoiding child poverty or unfavorable socioeconomic surroundings which are cumulative. A second prerequisite for successful investment is good health, of particular importance in the light of new or growing challenges.

Once education has been completed successfully, entry into the labor market should be the right moment to reap the benefits of initial investments in youth. For this reason, the job market should be ready for young arrivals as they themselves should equally be ready for the job market. Otherwise, the investment in education would not be very efficient. This means that human capital must be rebuilt or improved in employment and between employment to prevent damageable loss in human capital.

Human capital formation is not simply a set of disjointed investments over time. Each step is an input into the next. This clearly justifies early intervention. Beyond this mechanism of learning to learn, one must bear in mind that the 'return' on the investments in early education depends on the general context. Furthermore, poverty and social exclusion of parents seriously limits the opportunities open to their children and access to opportunities in later life, thus compromising the future well-being of society as a whole. As for women's employment, we know now that it is an essential lever for fighting poverty, which should also be to the benefit of the development of children as well as youth.

In terms of developing youth entrepreneurship, there is a need to ensure that schools deliberately provide sector specific skills necessary for the development of human capital, use professionals and entrepreneurs as instructors and

mentors; teach entrepreneurship and creativity at an early age; organize for curricular integration of education, entrepreneurship and community development; plan program to transform Nigerians.

Finally, in order to reposition youth to reduce unemployment, there is a need to transform them into confident, aggressive and purposeful individuals. The ideal profile for emerging professionals with respect to entrepreneurial education would include strong scientific, technical and research skills. The individuals who opt for non-degree training in skill acquisition with entrepreneurial background are also not left out. All must have a high level of creativity and innovation and the ability to think about the future and relate these ideas to his/her business. The “dream-youth” should have strong skills in business planning, finance and accounting, as well as the ability to create new and innovative marketing plans that utilize modern communication technology. Desired attitudes for would-be entrepreneurs include a respect for democratic principles and the legal processes of the nation and the highest level of integrity and ethics. Youth therefore need to learn that life is a partnership in which the individual strives to fulfill himself/herself with the active support of others (Etuk, 2000). With the spirit of collaborating, inter-existence and the desire for collective survival of all, there will be a steady development, mutual support and networking.

The health of the youth deserves special attention. In addition to the various health programmes by government, the prevalence of HIV and AIDS needs to be addressed to safeguard the army of youth for economic development. Currently HIV prevalence among the general population in Nigeria is 3.6%. About 3.1 million people are living with HIV in Nigeria. About 300,000 new infections occur annually with people aged 15 – 24 contributing 60% of the infections. HIV is the leading cause of death and disease among women of reproductive age (15 – 49 years). In Nigeria prevalence among young women

aged 15 – 24 years is estimated to be three times higher than among men of the same age. Efforts must be intensified towards mitigating the spread of HIV/AIDS amongst them. There is also a need to intensify the fight towards improved gender responsive and equitable HIV preventive services for women and youth.

In conclusion, since the youth population is the heart of any economy, it must be restated that investing in youth should not just be seen as enabling them to grow, rather it should be approached with a comprehensive set of policies and programmes coordinated in the form of an economic strategy. While investing in education is a priority in youth development, other areas such as health and sports also need to be accorded special attention. Youth entrepreneurship is also an important area that would bridge the skill gap among the youth and so requires reinvigorated zeal among all the stakeholders.

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