

TOWARDS VISION 2020

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OUTLINE

- I: Introduction:
- II: Nigeria's Lost Decades!
- III: The Journey So Far: Reforms and Outcomes (1999 – 2006)
- IV: Despite Progress, Stylized Facts and Challenges
- V: Towards 20: 2020 --- Agenda and Strategies With a Deadline
- VI: Is the Vision 2020 Doable?
- VII: Conclusions

I: INTRODUCTION:

- Thanks for Invitation
- Nigeria's Date with History: 2020
 - Largest African/black country
 - Recent progress
 - The BRICs
 - The N-11: Nigeria to be 20th by 2025 (Goldman Sachs) --- under very low assumptions; GEM
- Question: Can it be done?

I: INTRODUCTION: It is the Economy, Full Stop!

"If a Government does not deliver on the economy, it will neither be credible nor sustainable..."

"Once a country has a democratic regime, its level of economic development has a very strong effect on the probability that democracy will survive... Democracy can be expected to last an average of about 8.5 years in a country with per capita income under \$1000 per annum; 16 years in one with income between \$1000 and \$2000; 33 years between \$2000 and \$4000; and 100 years between \$4000 and \$6000... Above \$6000 democracies are impregnable and can be expected to live forever. No democratic system has fallen in a country where per capita income exceeds \$6055".
Prezeworski, et al (1996) "What Makes Democracy Endure?". *Journal of Democracy*, Vol. 7, No.1, pp. 39–59.

To have a chance of sustaining Democracy for another 33 years from 2015, GDP must be at least \$370 billion (from its current \$142 billion), if population at current growth rate will be about 184 million. This means sustaining GDP growth rate of at least 12-15 per cent per annum for next 8 years starting from 2007. This will surpass China, and break the Guinness Book of Records on World Growth History!

This is the NATIONAL CHALLENGE!

II: Our Past: Nigeria's Lost Decades?

- Recall the groundnut, palm produce, cocoa economies of the 1960s. Nigeria comparable to Indonesia in 1973
- By 1995 Indonesia's GDP was more than twice Nigeria's. Its manufactured exports was 40% and Nigeria's less than 1%.
- Malaysia borrowed palm seedlings from Nigeria, but now exports palm produce to Nigeria!
- Recall the Austerity Measures; Essential Commodities era; SAP era; Guided liberalization, and all forms of experiments with reforms
- Nigeria's Per capita income of \$2,263 in 1980 declined to \$547 in 1993; \$463 in 1999
- GDP growth rate in decade of 1990s was 2.8%; same with population growth and poverty soared to estimated 70% in 1999.
- Frequent military interventions characterised Nigeria's first four decades as a nation
- By 1999, Nigeria was literally a pariah and Failed State— with defining brand names of Corruption, 419; drug trafficking; lawlessness, and stagnation. Most Nigerians sought to flee the country, and not many people gave Nigeria a chance!

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III: THE JOURNEY SO FAR: REFORMS AND OUTCOMES (1999- 2003)

- De-militarisation and reforms of the military
- Re-building basic institutions of the state
 - Police force and law enforcement
 - ICPC and fight against corruption
 - Procurement Reforms --- 'Due Process'
 - Nurturing nascent Democratic institutions--- legislature, judiciary
- Liberalisation and Privatisation programme
 - GSM licences and telecom revolution
 - Liberalisation of downstream oil sector
- Attempts at rebuilding infrastructure--- NEPA, roads
- Re-integration of Nigeria into global community
- Nigeria as a stabilising force in Africa, especially West Africa
- Several Sectoral Reforms under the BPE and line Ministries

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REFORMS AND OUTCOMES

- Focus on Economy as foundation for new Nigeria --- NEEDS
- Macroeconomic Reforms
 - Budget and public expenditure reforms (transparency and procurement reforms, Due Process; oil price-based fiscal rule)
 - Non-accommodating monetary policy; Exchange Rate management

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REFORMS AND OUTCOMES....

Structural/Institutional Reforms

- Tax Reforms
- Ports and Customs Reforms
- Banking and Financial Sector Reforms
- Exchange Rate and Forex management
- Micro Finance Policy--- Micro Finance Banks
- Trade Policy and Tariff Reforms--- adoption of CET
- Liberalization / deregulation (eg. petroleum pricing)
- Monetization Policy
- Public service reforms
- Strengthening the National Statistical System
- Pension Reforms---- silent revolution....
- Breaking public sector monopolies--- power, telecom, infrastructure, etc (Energy Reform Act, etc)
- Urban Renewal: The Abuja Example
- ICPC; EFCC; Police force quadrupled; Judiciary reforms

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REFORMS AND OUTCOMES

- Sectoral Reforms
 - Presidential initiatives on Agriculture
 - Solid minerals
 - Education ---- ??
 - Power and energy reforms especially local content in oil sector: understanding the nature of Power crisis
- Regulatory Reforms
 - NCC; NAFDAC; SON; SEC; CBN
- Pursuit of Debt Relief and Integration of Economy into global system
 - External Agencies of Restraint, including:
 - PSI with IMF; submit to External Rating Agencies
 - WAMZ, single currency and convergence criteria
 - Nigeria part of core of NEPAD and its Peer Review mechanism

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OUTCOMES.....SO FAR?

Nigeria on the way to 'Emerging Market' status

GDP: WHAT HAS CHANGED?

Indicator	1999	2005	2006*
GDP (Nominal Naira value) (Million)	4,799,966.00	14,894,454.44	18,222,800.00
GDP (Nominal US Dollar value) (Million)	51,783.28	112,789.93	141,646.33
GDP Growth Rate	1.19	6.51	6.0
Non-oil GDP Growth Rate	4.37	8.59	8.93
OIL GDP	-7.50	0.50	-4.67

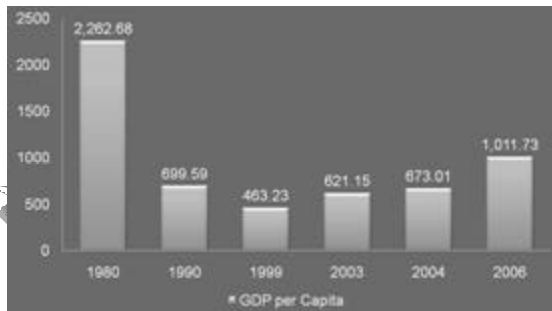
Source: National Bureau of Statistics

Note: 2006 Figure provisional

US dollar GDP value at N127.5 to 1 Dollar for all periods

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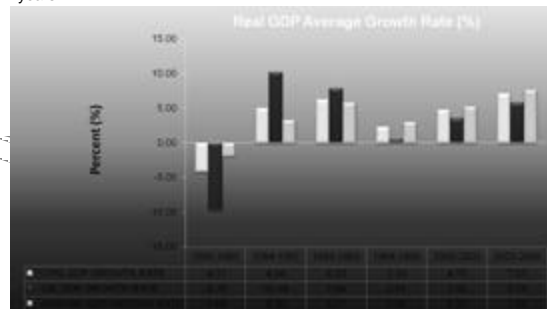
GDP Per Capita (US\$)

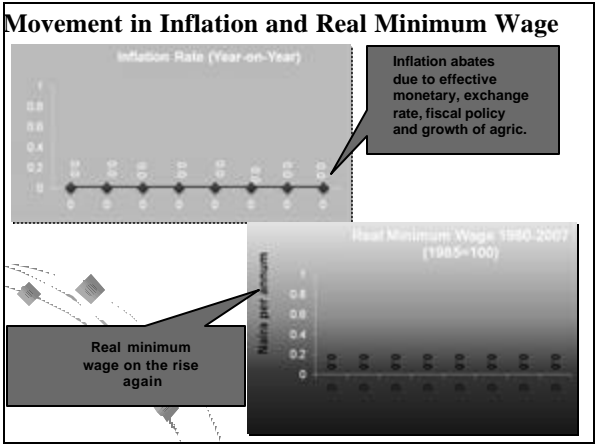
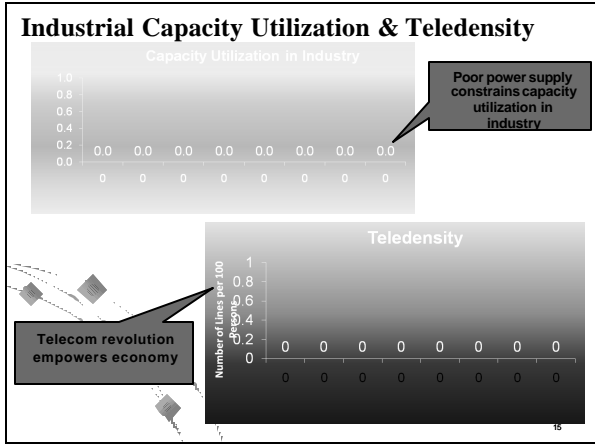
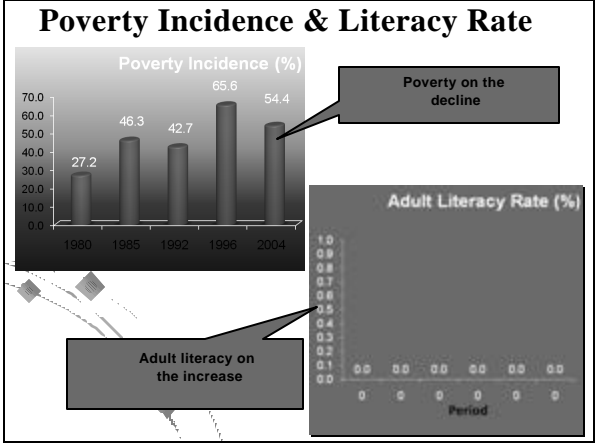
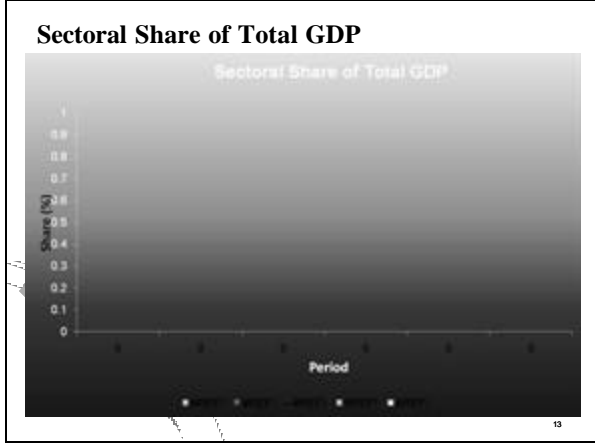


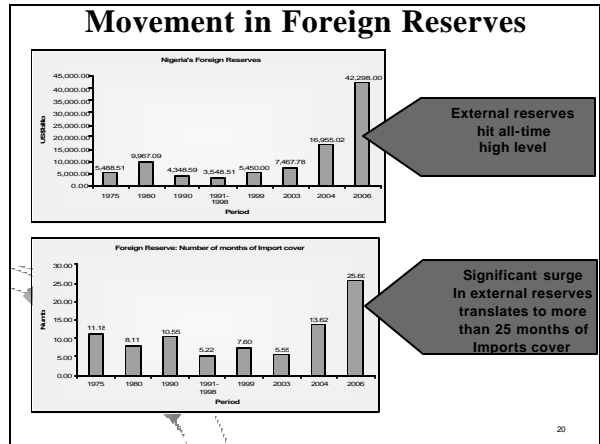
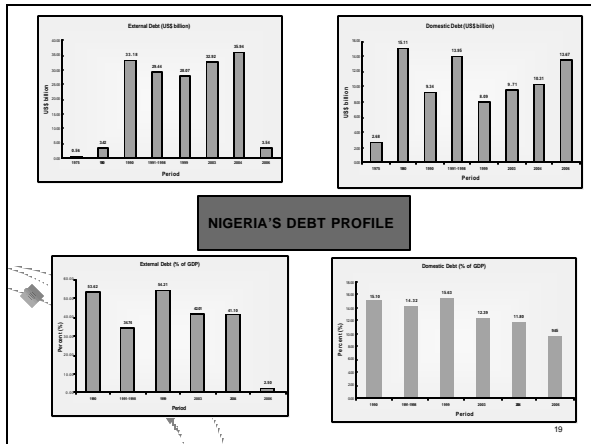
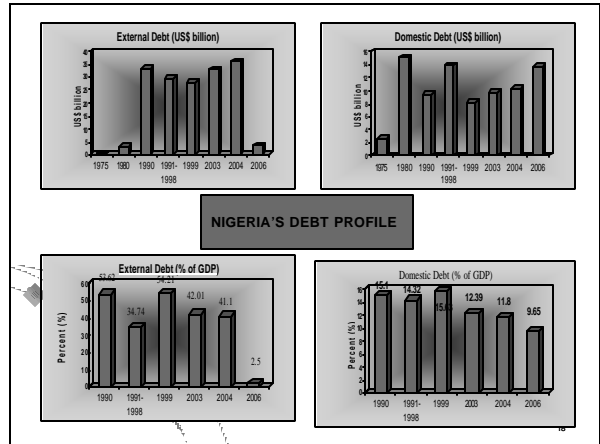
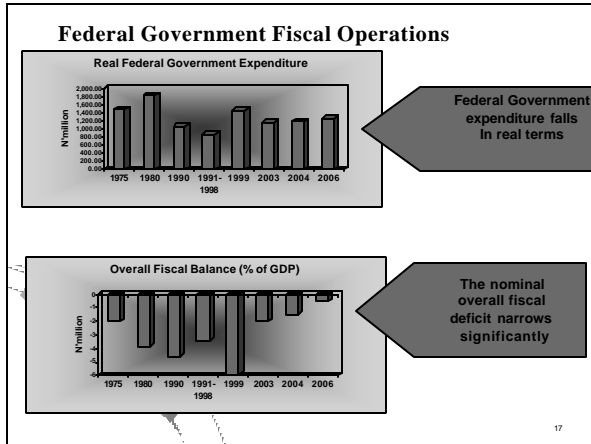
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REAL GDP Growth (%)

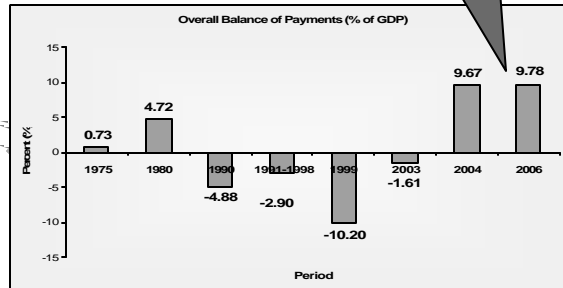
- Non-oil sector powers a new economy
- Non-oil sector growth out-performed overall growth during the reform years



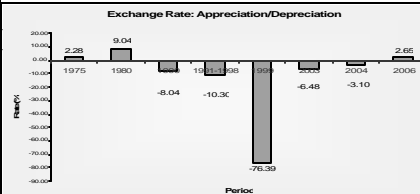
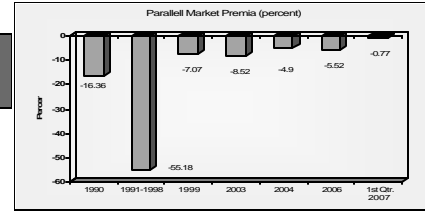




Overall BOP Position

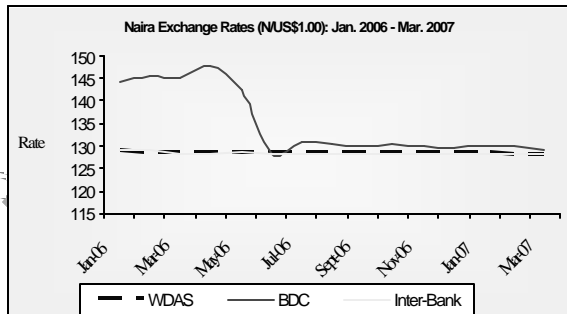


EXTERNAL SECTOR INDICATORS



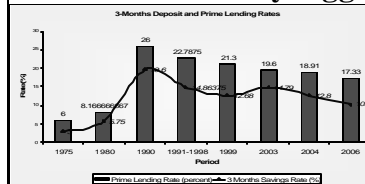
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Nigeria Has Finally Achieved Convergence In Exchange Rates After 20 Years

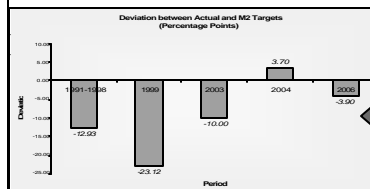


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Monetary Aggregates



Spread between deposit and lending rates narrows



Deviation from target narrows - an indication of the effectiveness of monetary policy

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OUTCOMES...SO FAR?

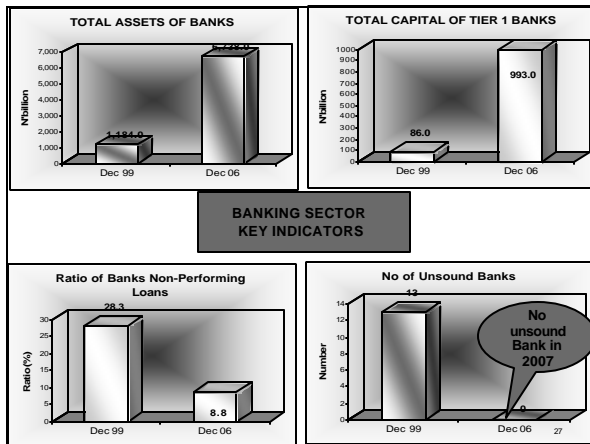
- Services sector growing faster than industry; no change yet in agric share; ICT growth consistent with new economy
- Institutions are getting better: culture of impunity lessening; EFCC; ICPC; CBN; FIRS; NAFDAC; SON; Due Process

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Emerging new Financial System...

- New banking system powering new economy
 - About 6-7 banks expected with over US\$1 billion in tier 1 (pure equity) capital by end of 2007
 - Now 12 banks with market capitalisation ranging between \$1 bn and \$5 billion. These could range between US\$2billion and US\$6 billion by end 2007
 - 16 Nigerian banks now in top 1000 in the world. There was none in 2003; and 5 out of top 10 in Africa; Nigerian Bank ranked 355th in the world---- The Banker
 - Banks are the soundest and safest they have ever been
 - Big ticket assets being created
 - AFC and An International Financial Centre
 - Vision 2020 as new Vision for the Next Economy

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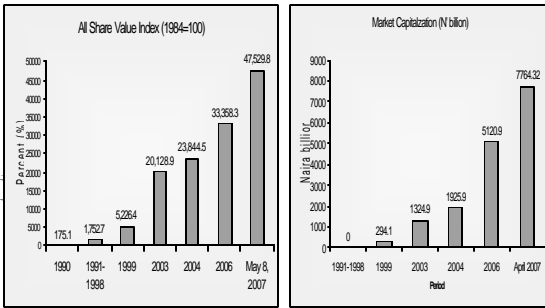


Emerging new Financial System...

- Capital Market Explosion
 - About 20 companies with market cap of US\$1 billion and above (India has about 100): About 21 in West Africa, out of which Nigeria has 20. None in 1999.
 - Stable prices (exchange rate, inflation) and stronger banking system powering NSE
 - Thousands of Nigerians are making money out of the capital market
 - NSE capitalization expected to hit US\$100 billion in 2008, ahead of Egypt and second only to JSE: now about N9 trillion (over \$70 billion)
 - Pension assets (now over N600 billion) and long-term capital growing

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Capital Market Indicators



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International Community Voting with their Wallet....

The World Is Voting for the Nigerian Economy

- Nigeria exited external debt of about US\$33 billion: frees resources for MDG; freer economic space--- less intrusion by BWIs and Creditors
- FATF de-listed Nigeria
- Fitch and S&P rated Nigeria BB- (1st Sovereign rating ever for the country)
- Fitch rated Nigerian banking system 'D'--- same group with China; Poland; India; Russia; etc.
- FDI and portfolio inflows more than doubling every year--- about US\$7 billion in 2006
- Non-oil exports grew by 24% in 2006 with China and India becoming preferred partners
- Diaspora remittances over \$4 billion per annum

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IV: Stylised Facts and Challenges Ahead

- Despite Progress, Still a Very Long Way to Go!
- Per capita income barely \$1,000; USA about \$32,000; South Africa over \$5,300. At current pop growth rate, and if GDP grows at 13% p.a, it will be in 2033 that Nigeria achieves today's per capita income of SA. At current 6% growth, it will be in 2065.
- **POVERTY**: 1 out of 2 Nigerians in poverty
 - Poverty becoming Dynastic—children of the poor likely to become poor due to widening gap in access to quality education and size of family
 - Spatial inequality ---- See Tables
- **INEQUALITY**: Nigeria one of most unequal societies
- **UNEMPLOYMENT**: Urbanization rate 5.3% as one of fastest in world, with urban youth unemployment at about 20%--- Time Bomb!

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Stylized Facts and Challenges: Poverty Levels by Zones 1980-2004

Zone	1980	1985	1992	1996	2004
South South	13.2	45.7	40.8	58.2	35.1
South East	12.9	30.4	41.0	53.5	26.7
South West	13.4	38.6	43.1	60.9	43.0
North Central	32.2	50.8	46.0	64.7	67.0
North East	35.5	54.9	54.0	70.1	72.2
North West	37.7	52.1	36.5	77.2	71.2

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Stylized Facts and Challenges: What Explains Poverty Incidence?

1. **Household Size:** In 2004, single member households had 12.6% poverty incidence; 2-4 member households 39.3%; 5-9 member households, 57.9%; 10- 20 member households, 73%; and above 20 member households, 90.7%
2. **Education:** Households headed by those without education had 68.7% poverty; primary education, 48.7%; secondary, 44.3%; post secondary, 26%.
3. **Occupation:** Dominant in agriculture and forestry, 67%
4. **Rural Areas** contributed 65% to poverty in 2004

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Stylized Facts and Challenges

- Breaking the Natural Resource/Oil Curse--- culture of 'cake-sharing'.
- Productive Structure still dominated by Primary Commodities--- with oil and gas; agriculture, solid minerals: manufacturing and services are still insignificant
- Infrastructure Gap: power and transportation
 - Nigerian manufacturers face about 40% competitive disadvantage due to poor business environment
- Security of lives and property: law and order
 - Armed gangs and criminality a major threat everywhere
- Niger- Delta Crisis: Binding constraint on the economy!
- EDUCATION crisis: Nigeria cannot compete in today's world. Our R&D investment lowest among comparator countries, even in Africa. Universities cannot offer more than 10% placement to those who demand it, but even out of this, more than 60% of graduates are unemployable.
- Desertification and Deforestation
- Water Crisis, ---- Nigeria cannot guarantee safe drinking water to more than 60% of population
- Agriculture still rain-fed: 60% of land fallow: Reinventing NALDA?

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Stylized Facts and Challenges...

- Domestic Debt burden---- growing! Unfunded pension arrears huge (over N1 trillion)
- Over 17 million housing deficit--- to cost over N3 trillion
- High population growth rate--- over 3%--- one of highest in world
- Value for money in public expenditure still very low, especially in the States (some 25- 40%)
- Social service delivery still poor--- SERVICOM needs revolution
- No effective Gas Policy---Power and Industrial Parks Hampered
- Mass Urban decay---
- Pervasive corruption
- Weak public service: underpaid, inefficient
- Weak Ports and Customs procedures--- Cotonou more competitive
- Re-building confidence in Electoral process and Democratic institutions
- Challenge of Constitutional Reforms--- to strengthen institutions of Economic and Democratic Governance

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V: TOWARDS 20: 2020 --- Agenda and Strategies With a Deadline

A clear VISION?

- Vision of a prosperous country based on hard work and productivity of the citizens and sound value system. A vision that breaks away from a natural resource and rent-dependent society to one based on intangible wealth, entrepreneurship, and competition

- Objectives of Economic Reform?---- poverty reduction; employment generation, wealth creation and value re-orientation?

Agenda and Strategies must be such that lead to:

- At least 13% annual GDP growth Rate that is broad-based. (Diversified production structure, poverty-reducing and employment generating)
- Reduction in incidence of Poverty by at least 80%
- Create at least 3.4 million new jobs per annum

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GROWTH SECTORS AND ENABLERS?.....

- GROWTH SECTORS?
 - Agriculture; Oil and Gas; Manufacturing; Tourism; Solid Minerals; and Services
 - Mortgage/Housing Revolution
 - GROWTH ENABLERS
- Five most important concerns of producers
- Security of lives and property, law and order
 - Infrastructure, including Power
 - Macroeconomic stability --- Inflation, Exchange Rate, Interest rate.
 - Finance--- availability and cost
 - Enabling laws and regulatory effectiveness and policy consistency: Predictability of Level playing field for all operators

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TOWARDS 2020

- Remember Li Kuan Yew: "Get few things right, and keep doing them right"!
Consolidate on few consensuses and Reforms
 - Democracy, Rule of Law and good governance
 - Private sector-led, competitive market economy
 - Fight against corruption and law and order
 - Macroeconomic stability--- price stability
 - Institutional reforms, including efficiency of public sector

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TOWARDS 2020.....

- COMPETITIVE BUT COORDINATED FEDERALISM, with increased devolution to States---- Getting the States to Work in coordinated manner will be a major revolution---- 36 states but ONE Economy!
- Fed. Govt to concentrate on what best to deliver on the 'Exclusive List', and providing the national 'public/common goods' e.g. security; law and order; macro stability; regulation; policy; etc.
 - A strategy of Coordination/competition for items on the 'Concurrent List', eg. Infrastructure; Agriculture; Education; Health; Tourism; water; etc
 - Use Matching Grants Framework and foster Peer Review Mechanism: Reward Innovation and Excellence in States
 - Design Robust Measurement Framework--- State-level statistics to be mainstreamed (Benchmarking; eg. BECANS, etc)

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TOWARDS 2020.....

ARTICULATE A NATIONAL PLAN; (caveat: This is Democracy!)
(Recognizing who our competitors in the global competition are):

- Some Elements of the Agenda include:
 - Infrastructure, especially POWER and Transportation
 - Security of Lives and Property- including resolution of the Niger Delta crisis; Rule of Law. Is Federal Police enough?
 - Financial System Strategy 2020 (FSS 2020) with 400 initiatives
 - The New Naira Policy--- becoming Africa's Reference currency!
 - Establish an International Financial Centre
 - Consolidate on Macroeconomic Stability- Inflation, exch rate, interest rate
 - Revolution in Consumer Credit; Mortgage; and SME Financing

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TOWARDS 2020.....

- Medium- Long- Term BUDGET Framework-- to underpin the long-term PLAN
 - New Framework for Managing a Petroleum Fund
 - Ports and Customs Reforms --- clear customs in 2 – 6 Hours
 - Tax policy consistent with production needs
 - National Strategy on Foreign Borrowing
- Electoral Reforms --- credibility and transparency
- Constitutional Amendments--- especially to create/strengthen institutions for a stronger economy
- Education and ICT revolution --- break Dynasties of Poverty
- Aggressive Fight Against Corruption: ICPC; EFCC; etc
- Deepen Public Sector Reforms: Size, efficiency, remuneration
- Strategy for Environmental Sustainability--
- Agricultural revolution: conquering nature....
- Etc, etc.

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TOWARDS 2020 Role of National Assembly?

- Without Requisite Legal Infrastructure, 2020 will not happen!
- Agenda setting through Appropriation and as Pressure Group
- Oversight function/champion for public accountability

TOWARDS 2020... Part of Legislative Agenda?

- General
 - International Financial Centre Law - *New*
 - Evidence Act - *Amendment*
 - Consumer Protection
 - Consumer Credit -- *New*
 - Creating commercial courts - *Constitutional amendment*
- Credit
 - Equipment Leasing and Hire Purchase Laws --*Amendment/New*
 - Law for establishing registries for moveable collateral assets in Nigeria - *New*
- Institutions
 - Banking and Other Financial Institutions Act (BOFIA) - *Amendment*
 - Company and Allied Matters Act (CAMA) - *Amendment*

Outstanding Legal Challenges

- Information and Communications Technology (ICT)
 - Cyber crime - *New*
 - E-transactions and e-payments - *New*
 - Privacy and data protection *New*
 - E-documentation - *New*
 - Electronic signature - *New*
 - National identity - *New*
- Investment Laws
 - Commodities trading (Derivatives – Options, Futures, Swaps etc) - *New*
 - Taxation - *Amendment*
- Insurance
 - NAICOM and Insurance Acts - *Amendment*
 - Insurance and Pension Protection Fund - *New*
- Mortgage (Real Estate)
 - Land Use Act – *Constitutional Amendment*
 - Tenancy laws - *Amendment*
 - Mortgage insurance laws - *New*

VI: IS VISION 2020 DOABLE?: OPPORTUNITIES ABOUND....

NIGERIA HAS ENOUGH GROWTH RESERVES TO UNLEASH AND SUSTAIN HIGH GROWTH

- Agriculture has huge untapped capacity: Over 60% of Nigeria's arable land not under cultivation
- Nigeria is a bed of gas (6th highest in the world). It is the world's future fuel of choice
- The Gulf Of Guinea is now a major exploration zone and Nigeria is discovering huge deepwater oil reserves.
- Oil prices to remain buoyant in medium term
- External Reserves at almost \$47 billion
- Burden of External Debt (over \$33 billion) lifted--- Freer Policy Space and not beholden to the BWIs.
- 17 million Nigerians in the Diaspora: remittances and potential supply of skills, global networks, etc
- Awakening Nigeria's dormant capital--- real estate/mortgage revolution

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Opportunities ABOUND....

- Nigeria's vast and largely youthful population has capacity to create huge demand through the emergence of a large middle class (population of 140 million)
- Improving telecommunications system and IT system for productivity
- Addressing the Business Environment will unleash capacity, by improving efficiency
- Financial System the most robust ever--- attracting US\$ billions in private capital. Currently, "all portfolio/equity investors have packed their bags and heading to Nigeria.... If you don't have a Nigerian/African Strategy, you don't have a strategy at all". Risk is that 'countries that receive up to 5% of GDP as capital inflows over a period of time experience financial crisis. We are fine-tuning strategy to be pro-active!
- Economy about to Explode.....Needs orderly explosion!

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RISKS AND PRESSURE POINTS...

- Globalisation: capital flows and trade. Small differences among countries matter greatly and could make or mar countries..... Billions of dollars could flow out in a week...(Herding Effect as witnessed in Asia and Latin America during Contagion)
- WAMZ: Macro and structural convergence in West Africa.
- Message: Policy errors are heavily punished. Most of gains can be wiped out by any wrong policy measure.
- Pressure points: Economy becoming too sophisticated for the economic managers. Shortage of highly skilled economic managers! How do you attract them?
- Dominant voice is about 'sharing the cake', the issue is about 'Baking the Cake'. Overcoming pressure for distributional rather than Productive Efficiency is a key challenge!
- Every policy creates winners and losers: Losers will not walk away without a fight!

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VII: CONCLUSIONS....

Let us start running NOW--- the clock is ticking...

- MOBILIZE THE COUNTRY AROUND A PLAN? A National, not a Federal, Plan.
- National Assembly has critical role in providing the legal infrastructure
- All Stakeholders Have Major Roles to play

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**Thank You For
Listening**

