

# **Financing Imo State Towards Greatness**

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*The views expressed here are mine, and do not necessarily reflect those of the Board and  
Management of the Central Bank of Nigeria.*

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## **O: PROTOCOL**

### **I: Introduction**

I am delighted to be invited to deliver this lecture to mark the one year anniversary of the dynamic Governor of Imo State, Ochinanwata Ikedi Ohakim. I want to thank His Excellency, Governor Ohakim and his government for the honour. I was given the freehand to choose a topic for the lecture, but a friend of mine, Chief Chris Asoluka, strongly prodded me to focus on ‘finance and development of the state’. He hinted that ‘financing for development’ was a critical issue in Imo State. I was intrigued by this apparent paradox of scarcity in the midst of plenty. Nigeria is experiencing unprecedented boom in oil prices and the State government budget in 2008 of about N90 billion is almost twice the total budget for the period 1999- 2003 which was about N48 billion, and nearly the size of the state’s total budget between 2004- 2007 which was about N111 billion. In a few years’ time, the budget would be even much bigger. So, what is the problem? Upon a deeper reflection, I became convinced that there is no better time than now to focus intensely on effective financing for national development.

I have therefore chosen to focus on “*Financing Imo State Towards Greatness*”. Imo State is potentially a great and prosperous state. Currently, it is far from its potential. In what ways can appropriate and effective financing help it on the path to greatness? This is the focus of this lecture.

Before I proceed further, an apology is appropriate here. I have been travelling extensively and only returned to Nigeria yesterday. I had promised to prepare a few talking points and simply speak to them rather than a fully written up lecture. What you get here is an incoherent jotting that I did in the last couple of hours and I apologise for the disappointment. The second disappointment you might have is that you will soon observe that I am not a specialist on Imo State economy. I will

spend more time in the future to study the state. If you are terribly disappointed, you should take solace that my friend and mentor, Professor George Obiozor, had earlier given the quintessential anniversary lecture as the main menu: mine is only the dessert!

What I intend to do here is simply to provoke debate rather than to proffer solutions. I believe that the solutions will come as the Governor and his government, including the legislature, brainstorm further on aspects of the issues we raise here.

The rest of the paper is organized as follows: Section II presents some stylized facts about Imo State economy (A SWOT Analysis) and summarizes the development challenges. In Section III, we ask whether finance is the problem. Section IV dwells on the other side of the coin--- institutions to ensure value-for-money and sustainability; In Section V, I share some thoughts on the alternative sources of financing development open to Imo State, and try to provoke debate about whether and how the state might borrow from the money and capital markets, while Section V concludes the paper.

## **II: Stylized Facts: A SWOT Analysis**

- **Geography**---- Imo State has a landmass of 5,100 sq.km; bounded by Anambra, Delta/Niger river; Rivers and Abia states. It has natural rivers especially Imo, Urashi, Njaba, etc; excellent weather and location, sandwiched by Onitsha, Aba, and Port Harcourt--- three large cities bursting to the seams and looking for opportunities to expand and relax. The state has 27 local governments--- about the highest number of LGAs in the South East.
- **Natural Resources:** Imo state is blessed with abundant natural resources including crude oil, lead, zinc, white clay, fine sand, limestone, natural gas, etc.

- **Demographics---** The population of Imo State is estimated at 4.05 million by 2007, with about half of this as children under 18 years. If you adjust for the Diaspora population (that is, all those living outside of Imo state), the citizens of Imo might be in the order of 6-7 million. If Imo State were a country, it would probably rank number 32 or 38 out of 54 African countries in terms of population. Our estimate is that probably 2-3 million Imo citizens live outside of Imo State as Diaspora and making remittances to the home residents.
- **Education:** Imo state had the highest adult literacy in Nigeria during the 1990s (75%). Most of the tertiary institutions are located around the state capital—Owerri, and include: Imo State University, Owerri; Federal University of Technology, Owerri; Alvan Ikoku College of Education, Owerri; Michael Okpara College of Agriculture, Umuagwo; The Polytechnic, Nekede. The concentration has implications for tourism and educational quality.
- **Economy:** Agriculture is the major occupation of the rural population. Commerce, industry, and services constitute much of the economic activity of the urban dwellers. The people of Imo state are very entrepreneurial and largely dominate the informal pharmaceutical drug market in Nigeria. The Diaspora population makes remittances to the home residents. Remittances plus income generated within the state help to raise per capita consumption and standard of living thus making Imo state one of the least poor states in Nigeria. For example, poverty incidence has declined from 56.2% in 1996 to 27% in 2004. The number of commercial bank branches in the state and the size of bank deposits reflect the size of economic activities within the state. As at March 2008, there were 69 branches of commercial banks out of 4,606 in Nigeria, while it accounts for barely 1 percent of total deposits. Out of 721 microfinance banks in Nigeria, Imo state had 41 as at March 2008, reflecting the strength of communities and capacity for self-help.

Aside from the natural resource endowments, Imo state has immense potential for tourism. For example, the top ten attractions include: Oguta Wonder Lake Resort and conference centre, Oguta; The Natural Springs located at Onicha, Ezinihitte Mbaise; Nekede Zoological garden and forestry reserve; The rolling hills at Okigwe; Monkey colonies at Lagwa, Aboh Mbaise, and Omuma and Aji, Oru East LGA; Ezeama mystic spring at Isu Njaba; Ngwu springs at Nkwerre near Oriukwu, Dikenafai, Ideato South LGA; Njaba springs; Abadaba Lake; and the blue lake at Oguta.

The state also has potential for agro-based and agro-allied industries; chemical and petrochemical industries; non-metallic mineral based industries; engineering/metallic industries; etc.

Like most states in the South East, Imo state shares in the paradox of many rich people in a poor state. This is because the businesses of the rich/elite are outside the state. Indeed, most of the rich Imo citizens are mere visitors in their state. Much of the skilled workforce are in diaspora (living outside Imo state). Imo state is a net exporter of skilled workforce to the rest of the country and world. In turn, the state benefits from remittances. There is often a clash of the civilizations between the homeland and the Diaspora. Most of the politically and economically active elite visit the state during elections and return to Lagos, Abuja, or abroad thereafter. Furthermore, like in most parts of Nigeria, Imo state has its share of big men without any source of livelihood except from state rents. These men and women render no specific services to the people except that they 'support' the government in power, and in turn, expect to be 'serviced' out of the state treasury. These disconnects have implications for a strategy to build a sustainably viable state economy.

How competitive is the Imo State economy? The African Institute for Applied Economics (AIAE) Enugu, undertook a national (state by state)

survey of competitiveness indicators in 2006. The performance of Imo state on most indicators is not particularly satisfactory, and I believe the Government should pay great attention to the rankings/scores and use them as a baseline against which to judge future performances (see table 1).

On state finances, it is evident that the state has never had it so good. First, its huge external debt has been wiped off. Second, Nigeria is experiencing an unprecedented oil price boom with a ballooning of states' share of the Federation Account allocation. Currently, the Internally Generated Revenue of the State (IGR) is barely three percent of the total revenue. This is good and bad news at the same time. The good news is that the state has huge resources to spend. The bad news is that the state is financially unviable and if care is not taken, the dependency on 'grants' from the Federation Account will, like aid dependence or citizens on welfare programme in many OECD countries, create complacency, destroy institutions for industrial competitiveness and create an 'entitlement mentality'.

Not many societies have been able to manage natural resource booms and prevented such from becoming a curse. Creating a competitive economy under a regime of 'easy money' or rents is a difficult challenge. Usually the link between business and government is a mutually beneficial one. Government needs businesses to create jobs and pay taxes. In return, Government uses the tax revenue to create a competitive environment to attract and retain businesses. However, where government does not depend on businesses for its tax revenue but on rents from an enclave sector such as oil and gas, there is often little incentive to cultivate and lobby businesses to locate to their states. More often than not, the institutions for accountability are weak, and performance indicators focus on the peripherals. This is the challenge of the current situation in Nigeria. It is a challenge which must be overcome if Imo is to realize its greatness.

In summary, it is evident that Imo state has enormous potential to be great. This is however counterbalanced by the enormity of development challenges which need to be overcome to build a competitive state economy. The rankings/scores on the BECANS competitiveness index summarize the challenge before Imo State. To build the required infrastructure and utility, institutions (especially legal and regulatory), provide security of lives and property, ensure business support and investment promotion, create wealth and reduce poverty, build human capital, etc require huge financial resources. I am sure by now you must be thinking about the size of resources required to deliver on these. Let me challenge your thinking by asking whether finance is really the problem.

### **III: Is Finance the Problem?: Linking Finance to a Plan**

Of course, no person or society ever has enough resources to spend. This is the fundamental economic problem--- unlimited wants in the midst of scarce resources. Seen from this prism, there must be resource constraints. However, permit me to suggest that we don't know if there are resource constraints until we ask: finance to do what? Again, many would think this question is trite. Everyone knows there is huge need for electricity, roads, water, good education, health, etc and so asking what to do with money might sound silly. Actually, the issue is much deeper than that. You can spend on these programmes in a haphazard, ad-hoc manner or in a planned and systematic manner. A friend of mine who was a Governor of a state during the 2003- 2007 period once beat his chest while announcing to me that he had constructed 150 new classroom blocks for primary schools in his state. I asked him how many pupils were accommodated by those blocks relative to the number of pupils that needed such buildings. I asked what the target was--- whether he wanted to provide accommodation to 100%, 80% or 10% or 1% of the pupils that needed such. He just retorted that no governor in the state had provided such accommodation within their tenure. His



response, while important, was beside the point. Of course, I dared not ask him how much those classroom blocks cost relative to other states or private sector-owned similar buildings. As the saying goes, if you don't know where you are going, any road will get you there.

The point of emphasis here is the absolute need for a Plan. Without a comprehensive, internally consistent plan, it is difficult to know the destination or evaluate performance. It is like someone driving around town without defined destination. Of course, at the end of the day, he must have covered many kilometres, with so much effort but it is still difficult to evaluate what he has achieved.

*Need for a Medium- Term Plan and Expenditure Framework (4-8 Year Plan within a long-term Strategic masterplan of say 25 years)*

- Nothing important ever happened, unless someone thought of it, dreamt it and willed it. Planning and organization help provide a roadmap and commitment to the implementation of the plan without loss of focus. Every employee must know the direction and must share in the vision of the leader, expressed through an explicit Plan.
- A Strategic Plan, with Sector-Wide Approaches (SWAPs) based upon State's comparative and potential competitive advantages--- its geography, demography, history, resource endowments, and human capital. Such a plan is designed to exploit the strategic location and endowments of the State for tourism, agriculture, and industry and exploit its location vis-a-vis Onitsha, Aba, and Port Harcourt. Is there a long-term State Strategic MasterPlan to ensure that over the medium-term, the state becomes *a financially viable unit*--- less dependent upon the Federation Account? Is there a Plan for the state to break away from the *oil feeding bottle*? The cases of Dubai and Nevada State in the USA point to what creative ideas can do. What is the Imo Vision?
- But you can only effectively plan with facts. Statistics is critical. If you can't measure it, you can't control or change it. The state must encourage the development of robust statistical system--- even if the

system throws up unpleasant data. The leader needs to know the whole truth. For example, a good plan based on sound statistics must answer key questions: How much resources are needed to deliver on your Plan? What is the size of your state GDP, poverty level, unemployment rate, school enrolment and graduation rates, and where do you want to take the state at the end of your tenure? How many kilometres of roads are in disrepair and how many do you plan to build? What is the current electricity supply? How many industries are in your state and how many do you intend to attract? How many new jobs do you expect the private sector to create within the next three years in your state and how do you plan to encourage this?, etc, etc. It is only a rigorous plan with a clear costing that will reveal the financing needs/gaps, and thus plan on how to fill the gap. Avoid ad-hoc development financing!!!

- A credible plan needs to recognize that the current ‘manna from heaven’, that is, rents from oil would not last forever. In fact, the plan should declare a state of emergency --- to transform the economy of the state from a rentier one (dependent upon oil and gas rents) to a production and service based economy, and one which is relatively financially viable and sustainable. This opportunity won’t come again--- rents are surging, but are transient. We have an opportunity to be the Indonesia of the 1970s and 1980s when we struck the first and second oil booms or repeat our woeful history of those days. The challenge is how we treat the ‘windfall’--- as a permanent shock or a temporary aberration which must be maximized to ensure long-term sustainability. No society can survive in the long-term based upon rents from natural resources.
- A fundamental challenge of the plan is how to use the current rents to build permanent capacity for the future. One possibility is for the state to insist on covering its recurrent expenditure from its internally generated revenue (IGR) while devoting all of the grants from the Federation Account to building infrastructure, education, and health. In other words, use all the rents to build physical and human capital infrastructure. Alternatively, there could be a phased approach where the first three years are devoted to creating the environment and institutions as well as rationalizing government operations in such a

manner that efficiency prevails, cost is minimized, and government consumption is less dependent upon FAAC allocation. It should be a plan that can attract talents and businesses back to Imo state. Attracting talents and businesses into Imo state as well as millions of visitors (whether for tourism or business) per annum should constitute the intermediate targets of the plan. Creating millions of effective tax payers in the state should constitute a key target of the plan.

- While planning for an economically efficient system, the government must be conscious of the political economy of the desired change. There is the fundamental challenge of managing ‘transition’ from a rentier system to a production based economic system. Currently, government is the biggest business in Imo state, and the only source of ‘meal tickets’ for a large number of idle big men, who have capacity to rock the political boat if not properly managed. How do you manage this special class until you enlarge the size of the cake in the private sector such that they can gradually be rehabilitated within a production-oriented system?
- Imo state will continue to depend on remittances from its Diaspora--- that is, Imo citizens living outside of Imo state, whether at Onitsha, Aba, Port Harcourt, Lagos, Kano, New York, Japan, Duala, etc. Educated workforce is Imo state’s most important export commodity, and part of the reason for the low poverty index is the huge remittances from these Diaspora. People resident in Imo usually consume more than their current disposable income because of ‘grants’ from relatives ‘abroad’. Imo State must now aspire to export more of the ‘educated’ rather than non-educated population. In today’s globalizing world, there is little space for the uneducated, low skilled workers. When these are outcompeted elsewhere, they return to Imo state and constitute miscreants and drag on the society. Education must therefore continue to be a key priority.
- With a Plan should be a Medium-Term Expenditure Framework (MTEF) which ties the deliverables and timelines with specific expenditure outlays. Such a plan would have therefore been

effectively costed. This is how we can estimate how much resources are required and then strategize about the sources of financing. It must not be a government driven plan. Imo citizens are entrepreneurial and resourceful. A carefully designed plan that promotes public-private partnerships as well as incentivizes the private sector to dominate the economic space will be the winning strategy. Government should be the enabler and facilitator of development, while promoting and celebrating private entrepreneurship as the driver. The major responsibility of government is to create a competitive economic environment--- security of lives and property, basic infrastructure—power, roads, water; institutions for effective public service delivery; human capital; etc.

- Once a plan is in place, then mobilize resources (people and investment) around the Plan. Minimize ‘short-termism’ or ‘government by proposals’---- sometimes populist but never lasts! This is a key challenge. Politicians typically have a four year cycle, with regime survival as the primary consideration. Getting them to focus on the long-term is often difficult.
- No abandoned projects (avoid sunk costs): Do an audit of abandoned capital projects and you see the point. In most states and even at the Federal Government level, there are many uncompleted capital projects, with billions of Naira as sunk costs. This is what happens where short-termism rules and projects are not rooted within a plan framework.

#### **IV: Institutions Matter: Ensuring Value for Money, Service Delivery, and Performance Measurement**

Estimating the cost of a development plan can be problematic. It depends largely on the efficiency/quality of spending. The value for money audit in most states of Nigeria in 1999 revealed that for every one Naira spent, value was received for only 25- 40 kobo in most states. Effectively therefore, simply doubling the efficiency of spending in most states is equivalent to doubling their total spending. In essence, an inefficient development plan that is estimated to cost, say, N250 billion could, in

fact, cost no more than N150 billion when efficiently executed. I strongly recommend value-for-money audits and creating strong institutions to ensure efficient service delivery, procurement, and performance evaluation.

Furthermore, alternative compositions of public spending produce fundamentally different outcomes in terms of building a competitive economy. A spending that is dominated by consumption is different from one dominated by efficient investment outlays. I understand that a state governor in the last administration insisted that the capital expenditure in the state constituted at least 75 percent in any year, thereby pegging current expenditure at no more than 25 percent. Have we subjected our public financial outlays to sensitivity and sustainability analysis? For example, what if the price of oil drops to, say, \$15 tomorrow due to unforeseen shocks: can the state still pay salaries and keep the government running? Is there a lesson here?

The key point of this section is that having financial resources is not enough. Institutions and skills matter greatly. This is a fundamental lesson of global development experience. The way and manner resources are deployed have fundamental implications for the quantum of resources required. Having the requisite skills and competencies to design and manage several aspects of the plan are decisive for the absorptive capacity and efficiency of resource use.

To ensure that each one Naira spent buys at least 80 Kobo of service, some of the required reforms might include:

- Enactment of the **Public Procurement Act**, and then setting up effective **Procurement Commission and strict adherence to Due Process** in public procurement. When properly done, it can save the State Billions of Naira by weeding off fat from contracts and preventing some unnecessary/wasteful procurement. A major function of this Commission should be to produce periodic performance evaluation of all capital projects and show that the state is having value for money. For example, in most states currently their one year budget is bigger than the four year budget for the period 1999- 2003, or bigger than two year budget for the period

2004-2007. A simple question I often raise with some of my friends is whether, after adjusting for inflation, their spending in one year produces more output than their predecessor did in the first four years. This kind of exercise is critical to ensure value for money.

- Enactment of **Fiscal Responsibility Act** that by law specifies the ratio of capital to current expenditures, and also mandates a multi-year expenditure framework. Processes of financial accounting and transparency are also specified by law, and thus minimize arbitrary behaviour. This can improve the **productivity** of public expenditure, by enforcing discipline.
- **Benchmarking**---- mainstream healthy competitive spirit to governance at all levels. If you judge yourself by your own standards alone, you may never realize how far from others you have become. In addition to setting targets/standards based upon the state's development needs, there is absolute need to benchmark to other (leading) states or even countries. All ministries and agencies should not only set targets relative to their past, but also indicate which state/country has the best model they are trying to beat. For the Ministry of Works, how much does it cost to construct a standard one kilometre of road with standard drainage in Imo state relative to neighbouring states--- with same topography and soil quality, and what is the average lifespan of such a road? How much does it cost the government to keep a pupil in primary/secondary school relative to other states and what is the average performance of the students? Internationally, what do you want the state to look like---- a Dubai, a Qatar, Singapore, Malaysia, etc? Benchmarking forces competition, helps deliver value for money, and keeps the leaders' eyes on the ball. Furthermore, the African Institute for Applied Economics, Enugu, must continue to produce the benchmarking studies periodically. This helps the states to evaluate not only how far they have performed relative to their past but also in comparison to other states.
- **External agencies of restraint:** However well-meaning a leader might be, power unrestrained is often power misused. Institute regular accountability and transparency evaluation meetings with all

stakeholders: the Parliament, international development agencies as a club, the citizens' parliament on live television/town hall/phone-in programmes. When such accountability fora are structured to be regular, government and its agencies are under pressure to deliver the goods at competitive prices. The truth is that the regular agencies of restraint-- the parliament, the civil society organizations, and the press--- are still evolving, and need to be complemented with other institutions. I believe at least two states in Nigeria have been rated by an international rating agency, Fitch. When will Imo state be rated?

In addition to the above institutional reforms to 'tie the hands' of the government and compel it to efficient and competitive behaviour, there are other reforms that could help plug the leakages from the system, eliminate waste, and strengthen institutions for efficient spending. Some of them are indeed 'low-hanging-fruits' to be immediately implemented as 'quick-wins'. Some of them include:

- Payroll audit of the public service, especially at the Local Governments: you will be surprised at the number of ghost workers you have, including ghost pensioners.
- Privatize all (inefficient) public enterprises--- leave all private goods; concentrate on pure public and quasi-public goods
- Where viable/bankable infrastructure projects exist, consider concessioning, or other forms of PPP (BOT; BOOT; BTO- Build, Transfer, and Operate; BOO-Build, Own and Operate; ROT- Rehabilitate, Operate and Transfer; ROO- Rehabilitate, Own and Operate; etc.)
- Rationalize public institutions----- you will be surprised how many dead institutions are guzzling public resources. Over the years, many agencies, Commissions, and parastatals have been created for all manner of issues. List them and examine their respect functions and budget. You will be shocked at the duplications, and even obsolescence of many of them. Some are relevant for the times we no longer live in.

- Employ skilled professionals to man strategic institutions and probably pay them more: you will save money over time and greatly improve performance.
- Strengthen Accountability and Transparency of Local Governments and allow them to work---- consistent with the State Plan.

## **V: Alternative Sources of Financing Development**

So far in this lecture, I have tried to create the impression that quantum of resources is not the major problem. I have tried to show that a more important concern is clarity about what to do with the money in an efficient and effective manner. This is a point that is not often well understood or appreciated, and that is why I have spent a greater time on it. I have also noted that all Governments in Nigeria are currently having unprecedented boom in their revenue (with oil prices now at over \$120 per barrel), and a major challenge is ensuring that they have the absorptive capacity to efficiently deploy them for the long-term development of the states and nation.

Once effective institutions to enlarge the absorptive capacity and ensure value for money are in place, there could for certain states, depending on their plans, be a resource constraint. For example, the entire Imo State budget for 2008 of about N90 billion simply comes down to between N13,000 to N22,000 per capita, depending on the population figure used. Not a lot of money after all, one might say! Imo State ranks 36<sup>th</sup> and 32<sup>nd</sup> positions out of 36 states respectively on availability of energy and social infrastructure. These alone could cost quite a lot.

For the Federal Government and all states and local governments, the traditional sources of revenue in the years ahead include:

- Rising oil prices and increasing revenue from the Federation Account
- Lower rate of saving “excess crude” under the ‘Agreed Arrangement’ between the Federal and State governments means



rising revenue profile for all Government each year as long as the boom lasts

- Increasing revenue from gas
- Falling interest rates and hence falling cost of public debt servicing frees up greater resources for the Treasury
- Rising revenue from value added tax as the economy continues to grow
- Tax reforms thereby raising more non-oil revenue
- Targeted ‘domestic’ borrowing through bonds and other instruments for bankable projects that are aligned to the budgets.
- Harness options of private equity capital
- Enlarge the domain of private sector financing through PPP or concessioning, privatization, etc.

In the near future, the above sources will dominate the state’s revenue. Let me address briefly the issues of internally generated revenue (IGR) and debt as alternative sources of financing.

#### *Internally Generated Revenue:*

As already stated, Imo State’s IGR is less than 4 percent of total revenue. I don’t know if this can pay 2 -3 months’ salary of government workers. This is certainly unsustainable. As the government enlarges the domain of the private sector through the Imo Plan, and creates millions of tax paying businesses and individuals, this might change. Imo State, like most other states in Nigeria, must aspire to become financially viable entities. Institutionally, the Government should:

- Improve institutional capacity for revenue---- build or strengthen Revenue Boards
- Create or promote the culture of tax paying: eg. For a start, let local taxes work for the localities---- ‘earmarking funds’ programme.

### *Borrowing (Domestic and External)*

This is a tricky subject. More often I am asked by state governors whether and how they should borrow from the money and capital markets. I always have a simple response: ‘It depends’. It depends on what you are borrowing for, and whether the institutional mechanisms are in place to make the funds productive and ensure that it is actually additional to existing funds rather than substitute for the existing inefficiencies. Three key words in bold letters are important here. This is because funds are fungible and more often people resort to borrowing as an easy, convenient way to avoid the politically difficult task of rationalizing government, eliminating waste, and enthroning efficiency. The global evidence shows that this is one reason external debt and aid have not led to meaningful transformation of the economies that depend on them. Nigeria has had a classic history of how not to use debt, and it should provide ample lessons. As a first principle, I am often reluctant to recommend debt as a source of financing where the conditions as prescribed in Sections III and IV of this lecture are not in place.

I must however note that our Governments at all levels will continue to face the pressures by lending agencies which are eager to offload credit to them. It is the paradox of credit for countries: when your finances are down and you need credit, most lenders are reluctant. However, when your finances are high and you have little need to borrow, that is when lenders inundate you with loan offerings. Perhaps, this is the classic Biblical case of those who have; more shall be given to them, but those who do not have..... . Resisting the temptation to borrow when lenders are falling over themselves to offer credit requires a lot of discipline.

In my view, in addition to implementing several of the suggestions in Sections III and IV of this paper, I would also suggest additional principles to consider in a bid to ensure value for money. I raise these issues to provoke debate. The State Debt Management Office and Ministry of Finance should undertake sustainability analysis of state finances, and develop a framework for borrowing. In particular, the following issues may be considered:

- Should borrowing be designed in such a way that the debt is not tied to current and future budget? That is, to limit borrowing only for bankable projects thereby making the loans self-liquidating. When there are no irrevocable standing payments order (ISPO) against loans procured by the state government, even banks and other creditors will be forced to enforce stricter risk analysis and due diligence in their credit administration.
- *Size of the debt?* Should we prescribe the maximum debt service as percentage of IGR? This is a key sustainability indicator, such that even if Federation Account allocation drops to near zero, the state will still be able to service its debt from its IGR.
- *Time frame for any debt obligation?* Are the institutions of restraint developed enough to allow for intergenerational borrowing or should each Government liquidate its debt? Can we afford a repeat of the experience of the 1979-83?
- *Capital market only?* Should state government be limited to borrow only from the capital markets by issuing bonds, subject of course to sustainability constraints? Borrowing from the capital market subjects the State to market discipline---- credit worthiness, fulfil reporting requirements at all times, fiscal transparency, accountability and information disclosure.
- External borrowing ---- subject to the Federal Government approval, should be discouraged, except where the lender undertakes to bear the full risk. External debt accumulation, akin to the late 1970s and early 1980s, should be avoided at all cost.
- Strengthen State Debt Management Office. Restructure existing debt to ensure easier repayment/servicing.

## **VI: Conclusion**

Let me now conclude. I have tried to provoke you by severally suggesting that while the quantum of finance is necessary, it is not sufficient. You need a medium to long-term plan that links money to clear and measurable deliverables. You also need something else--- the institutions and skills to ensure value for money and create a financially viable and sustainable state. You need an Imo Plan that attracts businesses and talents to the state, with job opportunities for millions as well as creating millions of capable tax paying residents. That is when Imo State can attain true greatness.

Government alone cannot do the job. Government's job is to make the state attractive. Here, I wish to commend the Governor's New Face of Imo initiatives. These initiatives are inspiring confidence and hope in a great many people. Keep pushing the throttle in that regard. Ultimately, it is private capital that will develop Imo State. The private sector is the driver of development and the only sustainable source of future tax revenues and employment generation. There is huge foreign private capital looking for profitable outlets. There are abundant Imo Diaspora funds waiting to be incentivised to return. Only locations attractive enough to both people and capital will experience the surge in investment. The challenge for government is to provide the enabling environment--- including security of lives and property. Government needs a scheme to reward/celebrate private sector champions. In turn, we as a people, need to celebrate/appreciate our leaders when they are doing well. I have been visiting Owerri before now, and I can truly confirm that Imo is getting cleaner and greener, and the New Face of Imo is indeed showing!

Thank you and may God continue to bless Imo State.