



## ***Vision for Sustained Prosperity in Nigeria.***

Speech By

Dr Ngozi Okonjo-Iweala

Coordinating Minister for the Economy

&

Honourable Minister of Finance

Federal Republic of Nigeria

at

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### **1. Protocol Observed**

2. Distinguished ladies and gentlemen, I bring you greetings from Nigeria and particularly from our President, Dr. Goodluck Ebele Jonathan, who was quite delighted when I informed him of my invitation by the Atlantic Council to speak on Nigeria. As I understand, this is the first of a series of talks on “New Africa”, in partnership with Thomson-Reuters. It is therefore an honour for me to be the first speaker in these series so I’m standing before you today with a deep spirit of appreciation to Thomson-Reuters and the Atlantic Council led by Frederick Kempe, and the Director of the Africa Center, Dr. Peter Pham for taking the initiative, and for the vision, vigour and passion that is obviously evident in their work on Africa.

## **Africa Rising**

3. I've been invited here today to speak on the *Vision for Sustained Prosperity* in this great country of mine called Nigeria but in keeping to the theme of the series I want to start off by saying that an exciting transformation is taking place on the continent of Africa. In the decades of the 1980s and the 90s, we saw an Africa that was heavily indebted with an average debt-to-gdp ratio of 75 percent; an Africa plagued with slow economic growth of about 2 percent annually, hyperinflation – with inflation rates as high as 48 percent on occasion, and rampant poverty; an Africa troubled by civil wars and political strife, and an Africa in desperate need of donor aid and assistance.
4. Fast-forward two decades and the story is remarkably different. We see now, an Africa whose economy is growing faster than most economies in the World with better than 5 percent annual growth in GDP. We see an Africa with low debt, averaging about 32 percent of GDP (which is certainly much lower than those of developed countries including the US and several in Europe), low inflation – at single digit on average, and a middle class that has nearly tripled in size – from about 126 million people (or 27 percent of total population) in 1980 to nearly 350 million people (or 34 percent of population) by 2010, according to the African development Bank.
5. We see an Africa that is obviously enjoying a peace dividend and better governance with democracy now entrenched in most countries. We see an Africa that is now being courted by foreign investors with FDI increasing from \$9 billion in 2000 to about \$50 billion by 2012. You will agree with me, that Africa has come a long way but it has gone from a being lost cause to an almost hot prospect. Now you may think this sounds strange when all everyone is talking about is the Ebola crisis and flashpoints of insurgency like the Boko Haram in Nigeria and El Shabab in Kenya. You might also think it sounds strange with conflict in CAR and South Sudan.

6. Yes, these are certainly challenges. Ebola could be devastating if not decisively dealt with as a global challenge. The IMF estimates 1.5 to 3.5 percent off growth rates of Liberia, Guinea, and Sierra Leone. Nigeria and Senegal are relatively unscathed. But if not stopped, Ebola will travel as we have seen and could cause considerable harm. But Ebola is not a problem that is permanent, it is a problem that can be managed so don't expect it to reverse Africa's growth trajectory. Boko Haram and El-Shabab are real problems but again the push back is beginning. But what is interesting is that the existence of these problems has not managed to turn back the tide of a better performing Africa.

### **Nigeria in Africa Rising**

7. Now, Nigeria is a classic example of this Africa Rising phenomenon, and perhaps one of its most successful stories. The return to democratic rule at the turn of the millennium brought with it better macroeconomic management and a series of reforms that unleashed economic growth, with GDP growing at an average 7 percent per annum over the last decade driven by the strong growth in the non-oil sector, particularly telecommunications, manufacturing, construction, wholesale and retail, to name a few.

8. The recent GDP rebasing exercise revealed that Nigeria is now the largest economy in Africa and the 26<sup>th</sup> largest in the world, with a GDP of \$510 billion, and perhaps the most diverse economy on the continent. Only 15 percent of GDP is from resources (mainly oil and gas) while the services sector accounts for 51 percent of the GDP, agriculture – 22 percent, telecoms – 8.7 percent, manufacturing – 6.7 percent, and our film industry (known as Nollywood) also contributing 1.2 percent. Nigeria is also Africa's largest population with about 170 million people – or nearly 20 percent of the continent's population, and also its largest market. A recent report by the McKinsey Global Institute reveals that there are almost 40 million Nigerians in the consuming class households – which are households with incomes exceeding \$7500 per year.

9. So distinguished ladies and gentlemen, Nigeria is certainly an economic powerhouse and deserves to be a member of clubs of its peers like the G-20. But more often than not, Nigeria is underrated with its sore points magnified beyond belief particularly in the Western media. My country receives little or no praise even when things are done right, but is left battling with the prejudice of a country where nothing works.
10. Take as an example the recent fight to contain the deadly Ebola virus. The efforts of Nigerian medical personnel that prevented the early spread of this deadly disease to the United States are rarely acknowledged. The individual, now known as the index case, who brought the disease into Nigeria from his own country Liberia was actually on his way to the US when he took ill and was quarantined in an hospital in Lagos after he was found to have been infected by the deadly virus. Sadly, members of the medical team that looked after him also died. They are the true heroes of this global war against Ebola.
11. A total of 19 confirmed cases were found in Nigeria – most of them primary contacts of this index case. Seven of these people died, while 12 recovered, thanks to the work of our medical personnel. Hundreds of people were quarantined for periods of time in an effort to curb the spread. For about a month now, no new cases of the Ebola virus have been found – which for a country of Nigeria's size, is truly remarkable and I believe this is due to the measures put in place by our government. Had the Nigerian government been slow to act or ineffective to tackle the spread of the virus, the reality would be much worse. Nigeria has also supported other West African countries who are struggling to contain the disease with a US\$3.5 million grant. Yet, until the past week, Nigeria did not received much credit for these efforts.

### **Nigeria's Bright Future and Challenges.**

12. So there is real contradiction here which needs to be redressed. Whereas the echoes of optimism in an Africa rising reverberates across the globe, the narrative on Nigeria – a key driver of the continent's transformation – is often

filled with tales of pessimism. Yet the country's future is very bright and its key economic indicators are sound. This year, we are expecting the economy to grow by 6.5 percent, even though the IMF expects us to grow by about 7 percent – which is one of the fastest rates in the World. And our fiscal deficit is low, expected at 1.03 percent of GDP in 2014, inflation is in single digits, reserves are relatively strong at almost \$40 billion including \$4 billion in savings in our Excess Crude Account and \$1.55 billion in our Sovereign Wealth Fund. Our Pension Fund has \$27 billion in savings. Our stock market has been one of the better performing on the continent, even though profit taking by investors has slowed the market down this year. The study by the McKinsey Global Institute shows that Nigeria has the potential to expand its economy by 7.1 percent per annum through 2030, raising GDP to more than US\$1.6 trillion, thus bringing the country to a top-20 economy with the potential to lift 70 million of its people out of poverty.

13. But as Dr. Peter Pham wrote in the Fall 2014 issue of *The Ambassadors Review*, “Though the story of Africa is increasingly one of economic dynamism, there are very real security, humanitarian, and developmental challenges which remain to be confronted”. So a number of challenges need to be addressed for this vision of prosperity to come to pass in Nigeria. Today I'd like to mention a few of these challenges and also to say a few words about what our government is doing to overcome these challenges.

14. First, like in most of Africa, Nigeria faces a large infrastructure deficit. The inadequate infrastructure is holding back economic growth by at least 2 percent per annum, according to a recent World Bank study, and we need about US\$ 14.2 billion per year to bridge the infrastructure gap, with about \$10.5 billion needed for federal infrastructure alone but current spending is only \$5.9 billion. Absence of adequate infrastructure in Nigeria, particularly poor electricity supply adds a massive 16 percent to business costs in Nigeria compared to 2 percent in South Africa, 5 percent in China and 10 percent in India. For a country of our size, we are underinvested in transportation infrastructure, particularly roads and

rail and we currently face a housing deficit of about 17 million units. Without a doubt, the dearth of infrastructure is further exacerbated by the lack of access to long-term finance, which makes investment in long-term projects almost impossible.

15. Second, in spite of recent progress in economic diversification, Nigeria remains highly dependent on oil. Some 70 percent of government revenues come from taxes on the oil and gas sector, and oil and gas make up more than 90 percent of exports, providing the critical source of foreign exchange to support Nigeria's consumption of imports. So our economy is still highly susceptible to price shocks in the global oil market.

16. Third, like many emerging and developed countries in the World, inequality we face the challenge of economic inclusion and high youth unemployment. The pattern of growth in our economy is highly unequal. In other words, growth is fast but inequality has increased. Latest World Bank data available shows that our Gini Coefficient – a measure of inequality in income distribution among individuals – has worsened over the last decade. In Nigeria, the coefficient rose from 42.9 in 2004, to 48.8 – where 100 implies perfect inequality by 2010. For comparison, China is 42, OECD – 31, South Africa – 63, and Brazil – 55. Such disparity in equality fuels social tensions and violence in the society.

17. Closely linked to this economic exclusion is the jobless growth trend that we have observed in recent years. Whilst jobs are being created in Nigeria, they are not being created fast enough to absorb the 1.8 million new entrants into our labour force each year, leaving several of our youth unemployed. We have to deal with this challenge quickly and effectively in view of our Youth Bulge - Nigeria has one of the youngest populations in the World with median age at 17.8 years, and about 70 percent of the population under 35. By 2050, we will have the 3<sup>rd</sup> largest population in the World, and the 5<sup>th</sup> youngest.

18. In addition, our Human Development Indicators though improving are still not very good. Our maternal and infant mortality rates are high, and we have large

numbers of children out of school. The absence of social safety nets leaves the unemployed highly vulnerable to poverty. In many countries in Africa, the information required to better target the poor and the unemployed is not available. We lack sound identification data and biometrics that can support safety nets. We lack effective tax systems that can help redistribute income in favour of those at the bottom end.

19. Fourth, corruption continues to be a challenge, and happens to be one of the most talked about problems of the country. But what is not often said is that corruption in Nigeria is neither peculiar to Nigerians only nor is it limited to public officials diverting government resources. There is an element that arises as a result of Transfer Pricing and International Tax Evasion, which occurs mainly through exports over-invoicing, and the illegal circumvention of capital controls and taxes by global companies. In fact, it is the single biggest form of illicit money flows from Africa, representing between 60 and 65 percent of total flows, according to the Washington-based think tank Global Financial Integrity (GFI). So the private sector is also culpable.
20. There is also the corrupt theft of our oil by an international mafia comprising Nigerians and foreigners which is creating significant revenue shortfalls for the government. We are losing up to 100,000 barrels of oil per day to theft from onshore and swamp operations alone. This amounts to several billions of dollars, if you do the math.
21. Fifth is the security challenge we presently face, particularly the Boko Haram insurgency, which reached a crescendo when over 200 schools girls of the government secondary school in Chibok, were abducted from their dormitories last April. This terrorist sect's key objective is to destroy formal or western education in Nigeria. This year alone, we know that Boko Haram has murdered over 170 teachers in Borno State, and an estimated 300 educational facilities have been destroyed in the three most affected states of Borno, Adamawa, and Yobe, including 80 primary schools in Borno State alone. Over a thousand Nigerians have lost their lives to these insurgents this year. Ladies and

gentlemen we have not forgotten our Chibok girls and the government continues to search for avenues to bring our girls back alive.

22. It is again important to point out that the terror being waged is not only a Nigerian problem. Nigeria is bearing the burden of an international terrorist problem associated with various worldwide extremist groups and we know that the terrorists are operating in surrounding countries; we know they have links across our borders with international terrorist organisations. The military are making recent gains and pushing the terrorists back.
23. Lastly, there is absence of appropriate institutions that will translate economic policies into practical solutions which can yield concrete results. Today, both developed and developing countries face many similar challenges. All countries want to create jobs for their citizens, they face challenges in dealing with terrorists and militant groups, and they want to combat tax evasion and corruption. However, whether we look at national security or fighting corruption, one of the key differences between outcomes in developed and developing countries is the strength and quality of their domestic institutions. President Obama emphasized this point in his lecture to the Ghanaian parliament, by stating that "*In the 21<sup>st</sup> century, capable, reliable and transparent institutions are the key to success*" And that: "*Africa doesn't need strongmen, it needs strong institutions*". The absence of good regulatory bodies and frameworks leads to a great deal of distortion in the economy. We have no competition law, so monopolies and oligopolies have developed in a number of sectors with anti-competitive behaviour.

### **The Way Forward.**

24. But distinguished ladies and gentlemen, you have heard the discourse of the significant number of problems we face. I have dwelt on it for some time so that critics of our optimism will not say we are Pollyannaish and refuse to recognize

our problems. A number of steps are currently being taken to tackle these challenges in line with President Goodluck Jonathan's Transformation Agenda.

25. First on security, our military men and women are confronting an unprecedented challenge with courage and bravery. The President recently increased the number of troops that are in the North East from 15,000 to 20,000. Regional cooperation on security has gotten better following a decision by neighbouring countries Chad, Cameroon, Benin, and Niger, to each contribute a battalion of soldiers, to fight Boko Haram alongside Nigeria. President Goodluck Jonathan has accepted offers from the international community for more surveillance, aircraft cover, and equipment that enhances our ability to locate, fight and root out insurgents. These efforts are beginning to make a difference and the tide is now turning. Not too long ago, the leader of the Boko Haram cell thought to have masterminded the kidnap of the Chibok girls was arrested.

26. But we are not relying on the military alone to tackle our security issues. We are prepared to do whatever is necessary today, tomorrow and in the future to secure the country. Given linkages between insurgency and high youth unemployment, we are trying various schemes to assist the youth in the region where possible. Using monies from our Subsidy Reinvestment Program (SURE-P), we are implementing a Community Services Scheme that engages the youth in public works (we have so far recruited 11,500 youth into this program, 4000 in Borno, 3500 in Adamawa, and 4000 in Yobe State). We are also supporting young entrepreneurs with grants of up to \$70,000 and training to setup enterprises. Over the longer term, the government will vigorously pursue economic empowerment in the region through a Presidential Initiative for the North East (PINE) which is currently being developed.

27. In similar spirit, we are working with state governments, traditional and religious leaders within the most affected regions of the country, to encourage dialogue with the Boko Haram Sect. The President set up a Dialogue Committee that is

working behind the scenes, in addition to a Fact-finding Committee on the Chibok girls.

28. Now, I also want to tell you that the President has asked me, as the Finance Minister and Coordinating Minister for the Economy, to work with the international community led by the UN Special Envoy for Global Education Gordon Brown former PM of UK, on a Safe Schools Initiative. The initiative is designed as a nationwide intervention program aimed at making the school environment safe for our children and their teachers and will prioritize schools in the North eastern states of Borno, Adamawa, and Yobe, where a lot of damage has already been done by Boko Haram.

29. To this effect, the Nigerian government has set aside \$10 million, and funding of another \$10 million or more will come from the private sector-led Victim's Support Fund launched by our President. The African Development Bank is supporting the initiative with a US\$1 million grant and DFID has committed 1 million pounds in technical assistance. The Norwegian government has already disbursed US\$1.5 million to UNICEF in support of the initiative, and the German government is processing a grant of 2 million euros for the initiative.

30. While we do not aim to turn our schools into fortresses, the Safe Schools Initiative will to deploy physical measures that will either upgrade existing security systems in schools or put in place new systems where they currently do not exist, and we are already piloting this intervention in 30 schools across the North East.

31. Another approach under the initiative is the transfer of school children from insecure locations in parts of the region to schools in other parts of the country that are safer. After receiving parental consent, we are preparing to send about 2,400 school children to their preferred Federal Unity Schools elsewhere in the country on full scholarship to continue their education. We will also provide counselling on an on-going basis to these schoolchildren, particularly the girls and also provide CCTs to their parents to encourage them.

32. Now on infrastructure, the government developed a 30-year Nigerian Integrated Infrastructure MasterPlan for accelerating infrastructure development in the country. The MasterPlan is aimed at raising our stock of infrastructure from the current 35-40 percent of GDP to 70 percent by 2043.
33. In the power sector, we embarked on one of the largest privatization programs to ever take place in Africa, and put in place supporting institutions such as the Nigeria Bulk Electricity Trader (NBET) and the Nigeria Electricity Regulatory Commission (NERC) to encourage more private investments in the sector. Just over a year ago, we completed the formal privatization of our 4 power generation companies and 10 power distribution companies, which have yielded over \$2billion in revenues. We are also in the process of privatizing 11 National Integrated Power Plant (NIPP) assets.
34. We have liberalized the sector by putting in place cost-reflective tariffs to ensure that private investments are recouped. The Federal Government recently raised a \$1bn Eurobond for the capitalization of the NBET, upgrades of power transmission, and the construction of gas infrastructure to power generation plants. All of these demonstrate the Government's commitment to using all its instruments to ensure that this long-standing problem of inadequate electricity supply is resolved. Already we see a lot of new private investment in the sector. For example, the 450MW Azura-Edo IPP has signed a PPA with US\$1 billion backing from 14 high quality investors including: Standard Chartered, IFC, First Rand Bank, Siemens Bank. An additional 10 power stations that will add 5,091MW to the grid are under construction.
35. In the roads sector, the government launched the construction of the second Niger bridge which links the West and East of the country. When completed, this bridge will facilitate the enormous trading and business opportunities between two of the economic regions of the country. This is in addition to massive construction and improvements of our road network, with more than 32 Road Rehabilitation and Construction Projects completed and several more are

ongoing. These efforts have reduced travel times between origins and destinations of most arterial routes. For example, the journey from Benin to Lagos which took upwards of 9 hours in 2011, now takes between 3 to 4 hours.

36. Our rail lines, which had been moribund for nearly two decades are being refurbished. The western line of 1,124 km from Lagos to Kano is completed and functional, while the Eastern line from Port Harcourt to Maiduguri is nearing completion. Over 25 locomotives have been procured from General Electric to service these lines, and we have already seen a large increase in the number of rail passengers and cargo.

37. We are also improving our aviation infrastructure. We embarked on the remodeling of the terminal infrastructure in all 22 airports, and five new international airport terminals in Lagos, Kano Abuja, Enugu, and Port-Harcourt are under construction. To finance all of these, we are putting together a framework that will allow us tap our pension resources, which currently stands at about \$27 billion for infrastructure investment.

38. Third, economic diversification is an important objective of the Jonathan Administration's Transformation Agenda and so to this end, a lot of effort is being made to unleash the non-oil sector.

- There is a revolution taking place in our Agriculture sector. We have redesigned the supply mechanisms of Agriculture inputs like fertilizers and seeds through an e-Wallet system that ensures about 70 percent of farmers have access to subsidized inputs, against 11 percent under the old system. We are also taking a value chain approach to food production, starting with Rice and Cassava. We've started the production of dry season rice and in 2013, rice production increased by dry season paddy of 1.22 million MT, adding to the 1.74 million MT wet season paddy. We have expanded production of High Quality Cassava to substitute imported wheat flour (up to 20% substitution) in the baking industry, and now we

see a lot of private investment in High-Value Cassava processing from Cargill (for Starch) and Unilever (for Sorbitol).

- In manufacturing, we launched the National Industrial Revolution Plan (NIRP) with focus on the entire value chain of sub-sectors: Agro-processing (e.g. rice milling, sugar processing), Petrochemicals, Automobile, Textiles, and Cement. Nigeria is now a net exporter of cement and expanded cement output capacity from 2 million metric tonnes in 2002 to 28.5 million metric tonnes in 2013. We are also promoting foreign investments in manufacturing and we see Indorama's \$1.2 billion fertilizer plant at Onne, Procter & Gamble's \$250 million consumer goods plant in Ogun State, and SAB Miller's \$100 million brewery at Onitsha.
- In the housing sector, we launched another revolution, the Nigerian Mortgage Refinance Company (NMRC) in January 2014 to facilitate and guarantee mortgage liquidity to qualified financial institutions in a bid to close the housing gap. Through supporting mass housing programs, we hope the NMRC will provide up to 200,000 affordable mortgages within the next 5 years. Already, when we advertised for 10,000 mortgages, we received over 66,000 applications. We expect to create hundreds of thousands of jobs – good jobs for plumbers, carpenters, welders, architects, surveyors and designers in the housing sector. America and the UK long understood the value of the housing sector as a social good. We are only catching up now – reforming our land use and land titling systems, putting foreclosure laws in place to make it possible.

39. We are also making strong efforts to diversify our revenue base primarily through the mobilization of non-oil revenues. Tax revenue to GDP ratio is about 22% for middle-income African countries, and is estimated at about 20% or higher for emerging economies. Nigeria's tax revenue to GDP ratio of 12% low in comparison. So we engaged McKinsey & Co to work with our tax collection

agency, the FIRS to plug all tax leakages and increase tax revenues by at least 75 billion Naira (circa US\$ 500 m).

40. Ladies and Gentlemen, knowledge and Information Technology are the wave of the future for the young. Nigeria is not left out of this telecom and technology revolution. From 450,000 landline phones in 2000, we now have 125 million mobile lines making delivery of government services to rural people in agriculture and health (e-Wallet and SOML) a possibility. Financial inclusion through mobile money is also fast becoming a reality. Communication of messages e.g. Ebola becomes a possibility. 33% of our youth are on the internet. E-Commerce is a reality, and over 500 km of fibre optic cables for broadband internet built, and about 50 government services are now being delivered by internet.

41. Friends, Ladies and Gentlemen, one of the most important set of reforms we are implementing are those designed to build institutions. We are plugging gaps in our regulatory framework through an anti-trust or competition Bill, a Harbours bill to regulate our maritime activities, a Roads Bill to create a Road Fund for maintenance of roads, and a PIB. We are building an NMRC for housing, a Development Bank of Nigeria for long term finance. Our financial management systems are being transformed and put on electronic platforms. We have the GIFMIS, IPPIS and TSA. These are designed to support a more transparent financial management and treasury system and reduce cash and paper transactions. We succeeded in weeding out about 53,000 ghost workers and pensioners from the government's payroll through the IPPIS system which through biometrics, enabled us to verify government personnel and this has saved about \$800 million.

42. We are also putting in place a National ID System-biometric and with a design to foster financial inclusion through a partnership with MasterCard. When these reforms are completed, we shall have at Federal level a modern set of institutions which we can then persuade those States that are not yet up to speed to adopt.

43. Ladies and gentlemen, one of the most important ways to fight corruption is to build institutions. I am firmly convinced that when appropriate institutions are in place coupled with proper sanctions and rule of law, this will go a long way in the fight against corruption.
44. To complement these reforms, we are working on our education and health systems – encouraging private healthcare to curb medical tourism and working towards universal health insurance to safeguard the poor. We are also building social safety nets focused around CCTs to catch those at the bottom end of the ladder and equalize opportunities.
45. Ladies and gentlemen, let me conclude by saying that Nigeria has embarked on an irreversible path—there might be one step forward and half a step back but the trend is clear because Nigerian citizens and civil society are no longer prepared to settle for less. The issue with Nigerian reforms is not whether but when and how fast?
46. Thank you for Ladies and gentlemen for listening.