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; 15 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?" International Organization 50(3), pp. 387–446."

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?

- 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 gain 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!


- De-militarisation and reforms of the military.
- Re-building basic institutions of the state.
- 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.

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.

REFORMS AND OUTCOMES....

Structural/Institutional Reforms

- Tax Reforms.
- Ports and Customs Reforms.
- Banking and Financial Sector Reforms.
- Exchange Rate and Forex management.
- 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.
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

OUTCOMES......SO FAR?
Nigeria on the way to ‘Emerging Market’ status

GDP: WHAT HAS CHANGED?

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1999</th>
<th>2005</th>
<th>2006*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (nominal Naira value $M)</td>
<td>4,795,966.00</td>
<td>14,894,654.44</td>
<td>18,222,800.00</td>
</tr>
<tr>
<td>GDP (nominal US Dollar value $M)</td>
<td>51,783.28</td>
<td>112,789.93</td>
<td>141,646.33</td>
</tr>
<tr>
<td>GDP Growth Rate</td>
<td>1.19</td>
<td>6.51</td>
<td>6.0</td>
</tr>
<tr>
<td>Non-oil GDP Growth Rate</td>
<td>4.37</td>
<td>8.59</td>
<td>8.93</td>
</tr>
<tr>
<td>OIL GDP</td>
<td>-7.50</td>
<td>0.50</td>
<td>-4.67</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics
Note: 2006 figure provisional
US dollar GDP valued at N127.5 to 1 Dollar for all periods

GDP Per Capita (US$)

REAL GDP Growth (%)

- Non-oil sector powers a new economy
- Non-oil sector growth outperformed overall growth during the reform years
Sectoral Share of Total GDP

Poverty Incidence & Literacy Rate
- Poverty on the decline
- Adult literacy on the increase

Industrial Capacity Utilization & Teledensity
- Poor power supply constrains capacity utilization in industry
- Telecom revolution empowers economy

Movement in Inflation and Real Minimum Wage
- Inflation abates due to effective monetary, exchange rate, fiscal policy and growth of agric.
- Real minimum wage on the rise again
Federal Government Fiscal Operations

- Federal Government expenditure falls in real terms.
- The nominal overall fiscal deficit narrows significantly.

Overall Fiscal Balance (% of GDP)

Real Federal Government Expenditure

Movement in Foreign Reserves

- External reserves hit all-time high level.
- Significant surge in external reserves translates to more than 25 months of imports cover.
Overall BOP Position

Overall Balance of Payments (% of GDP)

Period

Percent (%)


-10.00 9.78 9.67 -4.88 -10.20 -2.90 -1.61 0.73 4.72

Overall BOP position swings to a surplus

External Sector Indicators

Exchange Rate: Appreciation/Depreciation

Rate (%)


-10.30 -6.48 -3.10 -8.04 2.65 9.04 2.28

Nigeria Has Finally Achieved Convergence In Exchange Rates After 20 Years


Rate

Jan-06 Mar-06 May-06 Jul-06 Sept-06 Nov-06 Jan-07 Mar-07

WDAS BDC Inter-Bank

Monetary Aggregates

Spread between deposit and lending rates narrows

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

Monetary Aggregates

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

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

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$2 billion 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

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
Capital Market Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>All Share Value Index (1984=100)</th>
<th>Market Capitalisation (N' billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27.6</td>
<td>880</td>
</tr>
<tr>
<td>1982</td>
<td>175.1</td>
<td>1,752.7</td>
</tr>
<tr>
<td>1990</td>
<td>30,315.1</td>
<td>5,226.4</td>
</tr>
<tr>
<td>2001</td>
<td>47,529.8</td>
<td>20,128.9</td>
</tr>
<tr>
<td>2003</td>
<td>23,844.5</td>
<td>23,844.5</td>
</tr>
<tr>
<td>2006</td>
<td>33,358.3</td>
<td>33,358.3</td>
</tr>
<tr>
<td>2007</td>
<td>47,529.8</td>
<td>47,529.8</td>
</tr>
</tbody>
</table>

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

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 25%—Time Bomb!

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

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>South South</td>
<td>13.2</td>
<td>45.7</td>
<td>40.8</td>
<td>58.2</td>
<td>35.1</td>
</tr>
<tr>
<td>South East</td>
<td>12.9</td>
<td>30.4</td>
<td>41.0</td>
<td>53.5</td>
<td>26.7</td>
</tr>
<tr>
<td>South West</td>
<td>13.4</td>
<td>38.6</td>
<td>43.1</td>
<td>60.9</td>
<td>43.0</td>
</tr>
<tr>
<td>North Central</td>
<td>32.2</td>
<td>50.8</td>
<td>46.0</td>
<td>64.7</td>
<td>67.0</td>
</tr>
<tr>
<td>North East</td>
<td>35.5</td>
<td>54.9</td>
<td>54.0</td>
<td>70.1</td>
<td>72.2</td>
</tr>
<tr>
<td>North West</td>
<td>37.7</td>
<td>52.1</td>
<td>36.5</td>
<td>77.2</td>
<td>71.2</td>
</tr>
</tbody>
</table>
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, 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

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?

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
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

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

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)

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
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.

Without Requisite Legal Infrastructure, 2020 will not happen!

Agenda setting through Appropriation and as Pressure Group

Oversight function/champion for public accountability

TOWARDS 2020......

Role of National Assembly?

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 (# 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 $32 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

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 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!

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!

VII: CONCLUSIONS....

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

- National Assembly has critical role in providing the legal infrastructure
- All Stakeholders Have Major Roles to play
Thank You For Listening