

Interview by Vanguard Newspapers at the IMF/World Bank Group Meetings in Bali Indonesia

Why Nigerians are yet to feel impact of economic growth
— *Udoma*

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On the sidelines of the just concluded World Bank/ International Monetary Fund Meetings in Indonesia, the Minister of National Planning, Sen. Udoma Udoma, took time to speak exclusively to Financial Vanguard team at the Meetings on some gains of Nigeria's participation at the Meetings as well as on some topical issues in the Nigerian economy as at today. Below are the excerpts.

WHAT are the highlights from the meeting between the Nigerian delegation and other participants?

Basically since this is a forum where all Ministers of Finance, Governors of Central Banks and investors from all over the world meet, it is a good opportunity for us to meet with investors and analysts to speak to them about Nigeria and give them the good news about developments in Nigeria. As you know, we went into a recession in 2016. We developed policies to get us out of recession. Those policies were encapsulated in a single document called the Economic Recovery and Growth Plan (ERGP).

That plan involves investing in both oil and non-oil. We did both. Part of that plan was that we will engage with the communities in the Niger Delta to get a more favourable environment for oil production and then non-oil: agriculture, solid minerals, manufacturing and son on – to fire on all the different cylinders.

Since the plan was launched and we started implementing it, we have gotten out of recession and we are beginning to grow. In 2017, our growth was 0.8 percent. By half year, this year we were on 1.5 percent. We are hoping that by the end of the year, we will be growing at 2.1 percent. That is our target for this year. For next year, we are hoping that we will be growing at three percent.

I was invited to be a discussant when the IMF unveiled the Regional Economic Outlook. I was the sole discussant. You know that Nigeria has a very big impact on what happens in sub-Saharan Africa because we are the largest economy in the region. What happens in Nigeria, South Africa and Angola affects what happens in other countries of sub-Saharan Africa because these are the largest economies of the region. That was one of the reasons why I was invited to discuss Nigeria concerning the various issues that were raised by the IMF report. The IMF projection is that Nigeria will grow by 1.9 percent this year, which, coming from 0.8 percent last year, is good progress. Our projection is 2.1 percent. The difference is not great. With our projection, it is clear that the economy is making good progress. So the economy is moving in the right direction.

However, one of the things the IMF said is that for sub-Saharan Africa, as a whole, is likely to grow by 3.1 percent and when you think of some of these factors, we really, should be growing at a rate much more than that. We feel the same way. For Nigeria, we should be growing at much more. Our target ultimately is 7 percent by the end of the plan period.

We believe that if we can achieve 4 to 5 percent, Nigerians will begin to feel the impact of the growth. I know many people have been saying that they are not feeling the impact of the growth. It is because when the population is growing at 2 to 3 percent, until the GDP is growing at a much higher rate than that, you will not feel the impact. But the direction of growth is very positive and we are encouraged by the direction of movement.

We also shared with them some other indices. Our exchange rate is stable, our foreign reserves are growing. It grew from, as low as \$26 billion in 2016 to now somewhere around \$44 billion. There were also issues about the vulnerabilities, the issues of debt. But when you look at the situation of our debt, it is not bad at all. Our debt/GDP is about 19 per cent. The average for sub-Saharan Africa is about 57 per cent. So ours is quite moderate. Our debt is sustainable. We are concerned about our revenues. So we have been trying to raise our revenues.

So far, the numbers from the FIRS shows that our tax collection: both oil and non-oil is about 30 to 35 percent higher than it was, last year. That is good, although we would like to do much better than that. We spoke to investors to continue to see Nigeria as a good place to do business.

What are prospects of the investment flow into the country from the investors' forum you had?

Basically what we have done in these meetings is to give information to people and let them know what is going in Nigeria. However, the IMF/World Bank Meetings are not where you come for investors to sign-off pieces of paper about their investments. We have other organs of government for that. We have invited those who have shown interest to Nigeria. When they come, they will meet with the NIPC (Nigeria Investment Promotion Commission) and others that have such direct responsibilities.

Flowing from the World Bank Economic Outlook which emphasized investment in human capital, as a member of the cabinet, what should Nigerians be expecting, going forward?

There are three main objectives of the Economic Recovery and Growth Plan (ERGP). The first has to do with restoring growth. The second is investing in our people and the third is building a competitive economy. In the ERGP, we believe in the development of our human capital. It is very important. We have quadrupled our budget allocations to both education and health since 2015. We have the Social Investment Programme in which we have the School Feeding, N-Power, Trader Moni and Conditional Cash Transfer.

So there are a lot of things we are doing in terms of human development. We are also working with the National Assembly. The National Health Act provides that, I think, one per cent of the Consolidated Revenue Fund be set aside for health. We have started implementing that.

In the total picture of the World Bank they are saying they want to move emphasis from physical infrastructure as a priority to human capital. They said that much, that our region waits for aids before investing in human capital. Do you agree with this position?

No. I think we need both physical infrastructure and human capital development. We need infrastructure because if you don't have the roads, the rails and power, how will the human capital's living standards be enhanced. I agree that we need to invest in human development but I also believe that we need to invest in infrastructure. We are actually investing a lot in human capital development. We need to invest more in both human capital development and infrastructure. But our resources are limited by the amount of revenues we collect. We want to increase our tax revenue but we don't want to increase the rate because we don't want to impose additional burden on our people. So what we want is to increase the

number of people paying tax. We want to increase our tax net. As the economy expands, as we generate more revenues, as we grow, we will earn more revenues and will increase investment in these areas.

The World Bank has said that Africa depends too much on grant to invest in its human capital. What is your reaction to this?

I think that really does not apply to Nigeria. Nigeria does not wait for grant before we invest in our people. Most of the resources used to develop Nigeria is generated by Nigerians. Not grants or gifts. Much of the resources we utilize are locally generated or some loans that we take and of course we pay back.

Director of Africa Department of the World Bank, Mr. Abebe Selassie, was talking about the challenges of the availability of funds to finance developmental projects in Africa. You said that Nigeria's debt/GDP ratio is 19 percent, probably giving more headroom for more borrowing but there is what we call debt service ratio/ revenue which is weak. Even in terms of debt/GDP, Nigeria probably has reached its limit.

No I won't say we have reached our limit. But what I would say is that we need to increase our revenues. Our tax/GDP is very low. I think it is about 7 percent for most countries, it is over 20 per cent, some 30 percent. So you can see that there is still room to generate more revenue. I think our target is to generate more revenues so that we can service the debts and invest more in human capacity development. We can use the revenues to provide infrastructure. We can give our people a better quality of life. Over time we are going to rely less on borrowing as we generate more revenue.

The cost of servicing the nation's debt, even at this 19 per cent to the GDP is high.

Let me explain this, most of what we borrow is used for infrastructure which enhances our capacity to generate more revenues we will be able to manage those debts. No nation can invest up to the level that it wants its infrastructure without a certain level of borrowing. Every country borrows. The key thing is to ensure that your borrowing is sustainable, it is manageable, it is easy to service and we are doing that. Over time, we will be relying more on generating revenues for our expenditure than on debt.

How do you mobilize the other tiers of government in the overall planning of governance?

We do it in many ways. First of all, the ERGP was developed after a certain level of consultations with the states. Every month, the National Economic Council meets - which we are the secretariat. The Vice President chairs it and all the governors are there. All economic issues are discussed there so that we have a common position. We do that every month. We have also organized a retreat for the governors on the economy, identifying certain areas of focus. We also have a number of committees of the NEC which meet on a regular basis, looking at for instance in agriculture, looking at particular crops, tax forces and all that. There are a lot of interactions and relationships with the states to ensure that we work together.

Would you say that the level of cooperation from the states is satisfactory?

Let's put it this way, we interact with the states on almost all issues. We get their feedbacks and give them our positions. We are reasonably satisfied.

We have had issues with the utilization of funds at the state level. For instance, when the president released the Paris Club debt refunds, he directed that payment of salaries should be a priority. It was largely ignored by many governors.

You know we run a federation. The states have their own autonomy. What we do is to collaborate with them as closely as possible. But I think it will be difficult, given the constitutional limitations, for the federal government to start running the states or telling the governors how to run their states. But we use various methods to encourage them to do what is appropriate. For instance, if there is any special grant, we asked them to sign the sustainability agreement and all that. We use it to monitor the states. But ultimately the states have autonomy.

What is the level of the performance of the 2017 budget?

It varies from ministry to ministry. Overall, the 2017 budget implementation was about 86 per cent. Capital releases was at N1.44 trillion the highest ever, while recurrent was almost 100 percent. All debt service obligations were fully met.

Climate change is a key theme in this year's World Bank and IMF Annual meetings. What do we expect from the present administration in this area?

We have signed up to global instruments on climate change. We are signatories. The Federal Ministry of Environment is particularly focused on it in various areas: looking at renewable energy, how to use renewable power as much as possible. We also have some bonds, Green Bonds, which target environmental issues. So there is a lot of attention on the environment and Climate change in general. We are committed to it. Everybody in government is committed to ensuring that we reduce the impact of climate change on our people. We started off with an economic plan. The economic plan is working. Things are improving. We have just got out of recession. Sometimes people act as if we have been out of recession since about three or four years ago. It was only last year and growth was only 0.8 percent. This year growth is already 1.5 percent by midyear. We are expecting that it will even be higher at the end of the year. So the plan is working and things are moving in the right direction. But we have a lot more work to do. We are not where we want to be. There is a lot more that we have to do. That is the message that Nigerians should see that the signs are encouraging and so they should have faith.

Read more at: <https://www.vanguardngr.com/2018/10/why-nigerians-are-yet-to-feel-impact-of-economic-growth-udoma/>