



## **OFFICE OF THE VICE PRESIDENT**

### **PRESS RELEASE**

**ADDRESS BY HIS EXCELLENCY, PROF. YEMI OSINBAJO, SAN, GCON, VICE PRESIDENT, THE FEDERAL REPUBLIC OF NIGERIA, AT THE 24th NIGERIAN ECONOMIC SUMMIT, WITH THE THEME “FROM POVERTY TO PROSPERITY, MAKING GOVERNANCE AND INSTITUTIONS WORK”, HELD AT TRANSCORP HILTON, ABUJA, ON MONDAY, 22nd OCTOBER, 2018.**

### **PROTOCOLS**

I am extremely pleased to be here again at this 24th Nigerian Economic Summit. This Time I am here representing Mr. President and in the next few minutes, I will be presenting his speech.

The NES has proved to be resilient in promoting dialogue and collaboration between government and the private sector. This has led to a number of worthy initiatives and joint interventions over the years.

It is also a regular opportunity for us to review conditions and policies that impact on overall economic performance. And to collaboratively interrogate some of the important ideas and prescriptions proffered for the Nigerian economy.

This address will be devoted to an aspect of the theme of the summit, “From poverty to prosperity; Making Governance and institutions Work”. The focus is on charting the course from poverty to prosperity for the majority.

Absolute poverty is defined as the number of those who cannot afford the bare essentials; food, shelter, clothing. Sometimes, the World Bank says those who live under \$1.90. But this has become, by and large, especially

over the past three decades, perhaps the biggest economic challenge for Nigeria. What is astonishing about the poverty situation is that it has persisted even when the nation earned its highest revenues. The NBS figures published of its household poverty surveys in 2012, which is the last survey done, showing that, despite rising oil prices and growth figures, poverty increased in every study cycle. I'll just share some of the figures with you very quickly.

In 1980, it was 17.1 million Nigerians; in 1985: 34.7 million Nigerians; in 1992: 39.2 million; in 1996: 67.1 million; in 2004: 66.7 million; 2010, which is the last household survey of poverty done, (it was) 112.47 million.

The figures for the next cycle are currently being compiled by the NBS. But the truth is that despite what would appear to be rising revenues, especially oil revenues, poverty has remained more or less stagnant and in fact in the period between 2004 and 2010, doubled in absolute numbers.

"The problem of poverty and the attendant deficits in human development indices becomes more significant because our population continues to grow at about three per cent annually and we are to become the world's third most populous nation by 2050. Of this population, over 60% will be young people. And about 1.4 million entering the job market every year.

But how do we explain the paradox of high growth figures and rising poverty and unemployment figures? The first explanation is that high oil revenues do not necessarily translate to jobs. The oil industry by itself produces few jobs. The high revenues can only translate to jobs and better living standards if the revenues are invested in diversification of the economy, infrastructure, education and healthcare, and social protection for those who cannot work. The question, of course, is what happens to the revenues? How come we're unable to use these revenues in the way they ought to be used? The most important drain on our resources is grand corruption, the stealing of large sums of the public resource by public officials in collaboration with private individuals. I use the expression "grand corruption" to describe the direct looting of the treasury, not necessarily tied to any government contracts, which is, in essence, state capital. It is this heinous phenomenon that the Buhari administration has worked on to stop. What happens with grand corruption is that by diverting government revenues to private use, resources are not available to be invested in the manner that they are planned to benefit the majority of

people. No economy can survive on theft of the commonwealth by its custodians, impossible. And we must address the issue of grand corruption squarely. It's a different thing, and I distinguish between grand corruption and any kind of corruption, and we'd probably get a chance to talk about that in the plenary section on corruption. It's a different thing where government contracts are given out and there's corruption in the course of execution of government contracts. That is different from looting, it's different from what we see. It is different from taking the resources and simply diverting it. It is that type of corruption, that grand corruption that has bedeviled this country, and has led to the kinds of resource drains that have refused us the kind of momentum that we ought to have in Nigeria.

The second reason that explains the paradox of high growth figures and rising poverty and unemployment figures flows from the first, namely the poor investment in infrastructure and the creation of an enabling environment for business.

The third is the lack of commitment to diversification of the economy, which would, of course, in turn provide multiple streams of revenue. This is both a problem at the national and subnational level. We have seen already how the States total dependence on monthly FAAC allocations has led to a situation where few States can pay salaries without the FAAC. Yearly IGR in most States cannot pay their wage bills in one month. Nigeria's productive economy is the sum total of 36 States and the FCT. Where the States do not have enough private commercial activity, even agriculture, to generate sufficient IGR, job creation is stifled and poverty deepens.

The fourth reason that explains the paradox of high growth figures and rising poverty and unemployment figures is the low investment over the years in the businesses at the bottom of the pyramid, the so-called informal sector; and we heard the last speaker speak about this so-called informal sector and why we need to recognize it and invest in it.

The approach of the current government to reversing poverty and its consequences originated from the debates at the manifesto drafting stage, in which I had the privilege of participating. The two classic sides at play were those who felt that so long as we created a sufficiently enabling environment for the formal sector to thrive, we would create enough jobs and opportunities for all. There was no need for a massive welfare scheme, and no need for direct government creation of jobs. It always, according to

the argument, leads to dependency and it is unsustainable. The other argument, and the one that prevailed, was that while we supported a private sector-led economy, we had to intentionally address the creation of economic opportunities for the bottom of the pyramid, the poorest. We were also convinced that government still had to create some jobs directly, especially for the large number of people coming out of tertiary institutions and who, of course, have no immediate opportunities. So, a major premise of our economic model was the focus on empowering the jobless youth and millions in extreme poverty, by a mix of micro-credit schemes, infrastructure support for markets and small business clusters, and welfare for the most vulnerable and the direct creation of jobs on a consistent basis. In sum, our focus has been and will continue to be job creation.

We also decided that our focus would be on the following:

1. Ensuring that at least thirty percent of budget is spent on capital, especially infrastructure. To quote two leading Nigerian economists; “As growth in public capital expenditure rises, unemployment falls and the human development index improves. Therefore, infrastructure-based policies, which initially reduce unemployment, will also improve the living conditions” (T. O. AKINBOBOLA \* & M. O. O. SAIBU)
2. Diversifying the economy, especially agriculture, mining and the promotion of MSMEs;
3. Strong fiscal discipline, especially zero tolerance for grand corruption;
4. Support to States for payments of salaries and emoluments;
5. A social protection programme covering at least five million of the poorest in its first phase.

Most of these were captured in detail in our Economic Recovery and Growth Plan.

Generally speaking, we have tried to keep faith with these objectives. By putting in place stricter regime of fiscal discipline, we provided for 30% capital expenditure from 2016, despite earning over 60% less than in the previous four years. We invested so far a total of 2.7 trillion Naira in capital spend, the highest ever in the history of the country. This covers investments in rail, roads, power and in dams.

In diversifying the economy, agriculture has been a major success story, with increasing budgetary allocation to agriculture from N8.8 billion in 2015, to N46.2 billion in 2016 and N103.8 billion in this particular cycle.

Through the Anchor Borrowers' Programme, credit is given directly to smallholder farmers, and the Anchor Borrowers programme is our agricultural programme for financing small holder farms. And the CBN and 13 participating banks have so far had given credit totalling to N120.6 billion, and this has been given to 720,000 smallholder farms, who cultivating 12 commodities so far including; Rice, wheat, cotton, Soya beans, Cassava, poultry and groundnut across the 36 States and FCT.

In addition, we launched a Fertilizer programme to improve local blending capacity in collaboration with the Kingdom of Morocco. Today we have 11 Fertilizer Blending plants with a capacity of 2.1 million metric tonnes. Price has dropped from about N13,000 per 50kg and hovers anywhere from around five to seven thousand Naira per bag.

The Anchor Borrowers Programme is now digitized. With all farmlands GPRS mapped, biometric data of farmers is captured, electronic cards issued and specific inputs are required. This has enhanced traceability and enhanced productivity and yield also.

Today, but for a few drawbacks, we are confidently approaching self-sufficiency in rice production. From importing \$5 million dollars of rice every single day, official imports are now down to 2%. If you note, I said official imports are down to 2%.

We have paid attention to supporting the States through loans. Paris club refunds owed since 2005, and budget support facilities totalling 1.9 trillion Naira so far have been given to the states in one form of support or the other. The simple reason being to ensure that consumer spending in the States does not suffer even more. On assumption of office in 2015, over 20 States were owing salaries for periods ranging from three to 12 months. For most States, the regular income of civil servants is a critical part of the economy of those States.

A major plank of our administration's plan to move the needle positively on the poverty numbers is the Social Investment Programme. Our Social Investment Programme is the largest and most ambitious social investment programme in the history of our country. We provided N500 billion for it in

both the 2016 and 2017 budgets. But the total spend so far, in both cycles, is closer to N250 billion, and that's from both budgets.

The programme has four components. The N-power programme, which is our graduate employment scheme, and this is the largest post-tertiary jobs project in Africa. 500,000 graduates have been recruited as teachers, agricultural extension workers, and as public health officials, the last batch of 300,000 were recruited at the end of August. Each of these volunteers is provided with an electronic tablet, the first 200,000 have been provided, we're yet to provide the remaining 300,000. And these electronic tablets contains relevant training materials, including some with which they are trained to provide the required services on an on-going basis, so the teachers have training materials for teachers, the extension workers in farms have training materials for extension working on farms, and we've also trained several of them in various aspects of extension work. And in addition, in each of those tablets we have a wide range of training materials from which the beneficiaries can train and use for their own self development. The device empowers them to participate in the digital economy as data collectors and analysts.

And we've seen, especially the N-Power programme, that a lot of the beneficiaries of the N-Power programme have been very enterprising and they themselves have gone out to do all sorts of various things for themselves, which some of the training and the tablets which they receive have enabled them to do.

Our Government Enterprise and Empowerment Programme (GEEP) is a programme where we have given out so far over N15 billion in interest-free loans ranging from N50,000 to N350,000; and this has been disbursed to more than 300,000 market women, traders, artisans, and farmers across the country, including the FCT. Fifty-six per cent of those loans have gone to women.

The Trader Moni programme, which is different from what we called the Market Moni programme, is an important component of giving micro- credit to the bottom of the trading pyramid, smallest businesses, the one table trader, the bread or plantain seller or the *mashai* or *maisuya* and all of the very small traders. Most of them, their total inventory is not even usually up to about N5,000.



When I went to launch the scheme at the Nyanya market, there was a woman who was selling her *kpomo*, for those who do not indulge that delicacy, it is the hide of a cow. So this lady had her *kpomo* in a bucket, and it had water in it. And I asked her how much it was, she said everything there was about N3,000. So I said to her, “what is your profit? How do you make profit from it?” And she pointed to the woman who was standing right next to her. The woman who stood right next to her had her own *kpomo* in a little bowl, it was like she was saying, “I am a big player here, look at this one. So, a lot of these people are really the bottom of the pyramid, but they are hardworking, they are in that value chain making their contributions. And one of the ways that we thought we could really add some value to them, is by enabling them to buy more, improving their inventory so they can improve their own capacity to earn. Most of them, as I’ve said, are the small and last in that value chain, they sell the single sachets of soap, sugar, and spices to the largest numbers of our people. But they are forgotten and ignored in economic plans and budgets, and they are considered too unwieldy and risky for micro credit loans.

So, under the scheme we are giving microcredits to about two million of these petty traders across the country, and the scheme enables them to draw further credit if they are able to pay back within six months.

What we’ve found is that a lot of these small traders, first we are able to reach them through mobile phones. Many who do not have mobile phones share a single mobile phone that has several SIMs. But we’re also looking at how this would expand financial inclusion and, on account of this, we’ve been able to open about 349,000 new bank accounts. And we are working with between six and 10 of the banks to be able to open bank accounts for many of these individuals, so they can have more access to credit, financial training and all of what being in a formal economy would provide for them. So, we give them a stronger chance to earn more, while they also service the value chain that they are already a part of. But more importantly, we bring them into the formal sector, where they have access to government patronage.

I want to say also that aside from what the beneficiaries have gained, I’ve talked already about the new bank accounts; I think that we are also in a position to see what exactly happens and to study our informal sector a bit better. One of the problems we’ve had is with the collection of taxes, especially of a very large informal sector. But bringing in several into the

net, into the formal sector, would, of course, enable us to improve even on our very low tax-to-GDP ratio, which is now close to I think about six per cent.

As part of enabling the formal sector, we've tried to provide infrastructure for small economic clusters and markets. And this we've done through our energizing economies project, providing solar power to markets and economic clusters for small businesses and petty traders.

In Ariaria market in Aba, we've provided Solar Power for over 31,000 shops; in Sabongari market in Kano, we've provided solar power for over 13,598 shops. We are opening Sura market in Lagos on Friday, where we are providing for over 1,000 shops in the first place. We are also going to be doing Balogun market in Lagos and have done Gbagi market in Oyo. We've done in Ondo state about three markets already; Isikan market, NEPA 1 and 2, where we've done close to a thousand shops as well. In total, we've given solar power to about 81,691 and we have serviced over 300,000 MSMEs.

Small businesses, of course, are a focus of our economic plans. So, our MSME clinics, taking regulators to the MSMEs in all the states of the federation. We've gone to 20 states so far, and we've also in the process set up one-stop shops for regulatory and business approvals in several of those states. Just to quickly explain that; what we've done with the MSMEs, is that we've actually gone from states to states with our regulators. So, we have NAFDAC, SON, BOI, the Corporate Affairs Commission, and several of the other regulators and business approval agencies. We actually take them to the states where we have these interactions over a two-day period with the MSMEs in those states. The idea, of course, is to ensure those regulators better able to understand the problems and the issues that the MSMEs have. And what we've done in some states is to set up one-stop shops in those states. So, you have most of the regulatory authorities under one roof, so that small businesses don't have to travel long distances to NAFDAC, Son and all of that. And in some of the states, where we've set up one-stop shops – in Cross Rivers, Osun, and Plateau States. In some states, we've also established and equipped facilities where we have shared facilities for small businesses. So, for example, for tailors or for very small businesses like that, we actually provide a facility which is registered by the state government, has required approvals and all of that, equipped with whatever equipment there needs to be, and power, so that small



businesses in those clusters can use those facilities and paying a small fee without necessarily having to register again and do all of the various things an individual business may need to do. We've done that in Abia, Anambra, Kaduna and in Oyo states.

So, by and large, we try to focus on the MSMEs and, of the 20 states, I've been to about 18 of those states along with the regulators, and one of the things that you consistently find is that there is a huge number of individuals and groups who are doing their businesses, but who just have problems with the regulatory authorities. we're happy to say that NAFDAC has cleared, using technology, its backlog of over 5,000 applications, and part of that is because they've been to see for themselves what the MSMEs are going through and the MSMEs have confronted them with their problems.

As part of our Social Investment Programmes, our Home-Grown School Feeding programme, we provide a free balanced meal to over 9.2 million children in public primary schools every day. The programme is operational now in 26 States, and by using local produce, livestock and poultry, we support local agriculture and we provide jobs. At the moment, there are 95,440 cooks resident in the various communities in which the schools are located and they are employed in the programme. The cooks are paid directly by the Federal Government, we have their BVNs, bank accounts, and they deal with individual schools, we have cooks in the schools in every local government. The programme is designed to improve malnutrition outcomes and improve school enrolment. And of course, because it is a home-grown school feeding programme, we buy all of the produce that is used locally which also helps the farming in any of the locality where we have the school feeding programme.

Our Conditional Cash Transfer programme, under which we pay N5000 monthly to the poorest and most vulnerable households in the country, on the condition that they participate in educational, health, nutritional and some environmental activities. So far, we've covered about 300,000 households have benefited, and our target under the first phase is one million households. We are assisted in this by the World Bank that helps in enumeration; and the local communities. So, the World Bank, and our staff identify the individual who are considered the poorest by people in the communities. It's been a slow process, we had thought that we would be able to get to the one million mark by the end of the year. But our projection

show that we would only be able to do as much as 700,000 by the end of the year.

In addition to the creation of jobs, two other issues are critical to resolving the poverty problem. The first is education, and the second is healthcare. Improved educational outcomes are crucial to our overall strategy to end extreme poverty, reduce inequality and remain in the path of sustainable growth. UNESCO's Global Education Monitoring Report and the Education Commission's Learning Centre Generation Report provide say there is important evidence on the impact of education on individual's earnings, on economic growth, and in particular, they found that education actually reduces poverty, increases individual earnings, and reduces economic inequalities and promotes economic growth. By their estimates, 171 million people could be lifted out of extreme poverty if all children left school with basic reading skills. That's equivalent to a 12 per cent drop in the world total. Absolute poverty could be reduced by 30 per cent from learning improvements as outlined by the Education Commission.

Now, one of the major challenges that we have is massive population growth, that we are experiencing about three per cent yearly. But one of the outcomes of the studies that have been done on education is that by education women, girls in particular, we could actually reduce our population growth by about half. I think that is an issue which we are focused on and looking at exactly to ensure that the cultural, religious constraints and all of those kinds of constraints, are dealt with so that we can educate the largest numbers of women and also address at the same time, the population figures, which we see could become a major problem, although of course, it could be an advantage, but it could become a major problem, especially as we approach 2019.

So, we are implementing a three-fold plan to improve educational outcomes; first is achieving the educational outcomes specified in the Sustainable Development Goals, the targets for school enrolment, quality of education, adult literacy and quality of teaching by 2030.

Secondly, we are undertaking an ambitious programme to get the 9m out-of-school children back to school. It is a complex process requiring the full cooperation of state governments, religious authorities as well as the resources to build schools, equip them properly and train the required number of teachers. We held a summit recently with all of the state

governors under the umbrella of the National Economic Council to look at how to address this problem, especially that of out-of-school children, and many of the conclusions and implementable ideas that we've reached, we're already rolling out so that we can see to a drastic reduction in the number of children who are out of school. Our school feeding programme is already leading to improved enrolment and the N-Power programme also can be a source of the initial requirement for teachers.

Thirdly, our rapidly increasing population, the phenomenal achievements in technology, has changed the educational challenge before us quite radically. Given our limited resources and the current gaps in educational attainment in our country, it is clear that we must change both the substance of education that our children receive and the methods by which they are taught. We identified early stage investment in primary and secondary education as key to becoming a knowledge-driven economy. There is also general agreement about the importance of STEAM education in Nigeria - as opposed to STEM - in Nigeria; which is Science, Technology, Engineering Arts and Math, and the need for a workforce with STEAM skills to drive economic prosperity.

We've also held several meetings and the education summit where we looked in details at some of these issues, especially the introduction of a Science, Technology, Engineering, Art and Mathematics into our curriculum in primary and secondary schools. We also recognise that schooling should support the development of skills in cross-disciplinary, critical and creative thinking, problem solving digital technologies, all of which are essential in all of the 21st century occupations. Set against Nigeria's desire for a strong and functional STEAM education is the fact that decades of neglect of basic schooling infrastructure and adequate teacher training must be matched by a focused investment in large scale and innovative solutions that overleap our current conditions.

The Federal Government Programme aims to introduce in-class skills development on functional, economic, and interpersonal skills around Science, Technology, Engineering, Arts and Mathematics. A country-wide curriculum is in development with coding, digital arts, design thinking, robotics, critical thinking and other skills taken into account in interpreting traditional curriculum topics. And this content is currently being developed in partnership with the Massachusetts Institute of Technology (MIT), the

Oracle Academy, Microsoft, Cisco Academy, and IBM, all of whom have agreed and are working with us in developing this new curriculum.

For improved Health outcomes in the health sector, we are similarly exploring options for radical reform by ensuring that health gets at least an 8% share of any increases in government spending; and by ensuring that the recently operationalised Basic Health Care Provision Fund is used to substantially increase health financing. We are also moving aggressively to change the perverse relationship between primary and tertiary health care, which attract almost the same level of funding. So, between primary and tertiary health care, today we have almost the same level of funding. We think that this is wrong, and so we are looking at a 60% for primary healthcare, 20% for secondary healthcare, and 20% for tertiary healthcare in the allocation of funds.

Universal health insurance is a fundamental policy of the Federal Government, and we believe that using co-payments in order to share the cost between individuals, the private sector and government, while the poorest 40% will be exempted from making such co-payments. By this means, we hope that we can get a 45% increase in the share of the population covered by primary health care in the next four years, up from the present 12.6%. So, keeping a similar level of ambition, we should have 98% coverage in the next fifteen years. By similar means, the total government expenditure on health should increase to 7.8% in 2023 as compared to the current level of 5.3%. This year alone, the Basic Health Care Provision Fund contributed an additional N55 billion to health financing. The real issue is that we must increase the aggregate National health expenditure. In 2017, the health budget of all the 36 states was a little over N332 billion, which was about 4.9% of total budget size. This year, only Bauchi State has met the 15% target of the “Abuja Conference” target, and the Abuja Conference was where African Union countries pledged to set a target of allocating at least 15% of their annual budget to improve the health sector.

So, we expect that there should be increased funding in health care sector, and we’ve looked at this as part of our human capital development in the meetings that we’ve held with the states. And we are looking at how, working with the state governments, we can increase individual spends, healthcare spends of our states.

This year, for the first time, the Federal Government met its one per cent of the annual budget prescribed by the Health Act. That is, of course, very small in comparison to the actual needs of the healthcare sector.

Improved health outcomes, of course, will entail greater cooperation with the private sector as greater demand arising from health insurance will cause more high-quality private hospitals to be built. Already, the National Sovereign Investment Authority has invested about \$10m to build a world-class cancer treatment centre in Lagos.

I think that, by and large, in terms of policy and praxis, critical for us is a technology driven future. And in the past two years we have spent quite a bit of time and resources looking at how to prepare for that technology-driven future. We've launched one of the most aggressive drives for promoting business in the tech space. We have partnered with local and international tech companies and innovators, in the building of tech hubs, and promoting innovation. Our aim is to democratize access to support for innovation and cyber commerce and to create jobs. We have established hubs in collaboration with the World Bank and the Lagos Business School (LBS). We established the climate change innovation hub at the LBS. In Yola, we established the North East Humanitarian Hub. It is also a technology hub focusing on innovative solutions for dealing with the different humanitarian challenges

We have also, in collaboration with Civic Hub, an Abuja-based hub, promoted technology and innovation in universities with the Students innovation challenge in the six geopolitical zones, and we are building technology hubs in three universities; the UNILAG hub we hope will be ready by the end of this year. The Bank of Industry, in response to the direction set by the government, has launched a N10 billion tech fund. We believe that technology like entertainment and the arts require active support, especially in the development of policies as we engage uncharted territory in the coming years. Consequently, the President directed that we establish a technology and creativity advisory group, to work on and to formulate policies in these very dynamic spaces. So far, we have held about three meetings, we held one last week. And most of those who participate in the advisory group are players in the technology and entertainment industry.

Perhaps, as I close, the greatest challenge through the years has been governance and institutional weaknesses, systemic corruption, integrity and inefficiency in our public service, and the administration of justice system. We have taken a strong stand on corruption, especially grand corruption, but there is still a long way to go. Cleaning up systemic corruption is, as you can imagine, and as you know, is a difficult task. By its very nature, systemic corruption always fights back, using the very institutions that are to be reformed. I believe that we have to keep focused, we have to keep vigilant and be alert; and we will require all of the collaboration of the private sector and of the professions in ensuring that we are able to deliver on the governance issues that have so damaged a lot of the progress that we could have made.

I wish to commend both the NESG and the Ministry of Budget and Planning for their very hardwork and consistency through the years. I want to thank you very much again for the kind invitation to be here.

It is now my distinct pleasure to declare the 24th Nigerian Economic Summit open.

Thank you.