



OPENING REMARKS

By

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At

The 57th Nigerian Economic Society Annual Conference

At

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A. Introduction

I am delighted to address you on this occasion of the 57th annual Conference of the Nigerian Economic Society (NES) holding here at the Nicon Luxury Hotel in Abuja. This is an impressive gathering of Nigerian intelligentsia in all specialized fields of economics and economic policy and planning. I appreciate the invitation and am very pleased to be in your midst.

2. I am informed that the Nigerian Economic Society which was founded in 1957, is one of the oldest and best established professional associations in the country. I also understand that it serves as a platform for Nigerian Economists and allied Social Scientists and has been providing intellectual leadership to all stakeholders in Nigeria for the purpose of eliciting understanding and managing economic, social and political change. I must commend the Society for the high quality of your research and policy reports that you have been publishing in the Nigerian Journal of Economic and Social Studies (NJESS). I understand that you have been producing this Journal continuously since 1959. I congratulate you for this consistency.

3. Several prominent members of NES have made significant contributions in addressing the socioeconomic challenges facing the country at different points of our nationhood. The nation must remember with gratitude the contributions of such members of NES like Dr. Pius Okigbo, Prof. Adebayo Adedeji, Prof Dotun Philips, Chief

Philip Asiodu, Alhaji Abubakar Alhaji Prof. Sam Aluko, Prof Oyetunji Aboyade, Prof. (Mrs.) Christie Okojie, to mention but a few. All these prominent Nigerian economists, and many other members of NES, have made significant marks in the economics profession and policy making at home and abroad, and have also demonstrated their intellectual prowess to make significant input on issues of national development, while engaging policymakers to evolve a common strategy and policy framework for addressing issues constraining development in the country. We salute you all, the members of the NES, and would like to acknowledge and appreciate your efforts as you contribute to promoting a sound and sustainable economic policymaking environment for Nigeria through your research and policy advocacy.

B. Theme of 2016 NES Annual Conference

4. The theme chosen for the 57th NES Annual meeting which is **“Developmental State and Diversification of the Nigerian Economy”** is very apt: This speaks to the real issues that require attention in Nigeria at the moment.

C. State of the Economy

5. As you know at the time we came into Government the performance of the economy was characterized by declining revenues and GDP growth, rising inflation, weakening balance of payment,

declining foreign reserves, rising public debt, weak capital market and rising unemployment. But we were not discouraged by this trend because we knew the principal cause. Our complete dependence on one commodity - crude oil production.

6. Distinguished Ladies and Gentlemen, as you all aware, for the last thirty years, or more, we have been running an economy that is overly dependent on one commodity - crude oil. A commodity whose price we do not control, but which unfortunately, historically has been providing 80% of our revenues, and even more worryingly, over 90% of our foreign exchange earnings. As the price and production level of crude oil goes, so does the Nigerian economy. Starting from 2014 when the price of crude oil was more than US\$110 per barrel, it dropped to less than \$30 per barrel in the Q1 2016, and currently is still below \$50. To make matters worse we have been experiencing major production disruptions caused by rising militant activity in the Niger Delta. In recent months no fewer than 4 strategic pipeline terminals have been blown up. Consequently, we have been unable to achieve our 2016 Budget production target of 2.2 million barrels a day. Indeed, at some point last month we were barely able to produce 1.1mbd. However, I am happy to report that production has been trending up recently and as of last week we were up to production levels of 1.75mbd. Still a far cry from our target of 2.2mbpd.

7. Crude oil revenues are down and this has impacted on our ability to fund the 2016 Budget, particularly the capital expenditure component of the Budget. It has also reduced our foreign reserves. From \$37.3 billion in Q2 2014, our foreign reserves have reduced to \$26.51 billion by end of Q2 2016, and further down to \$24.74 billion by 22nd September, 2016.

8. Investors into Nigeria naturally look at the level of these reserves for the funding of their returns from their Nigerian investments and so the level of private capital flows into Nigeria started dropping as well, therefore compounding our foreign exchange problem. Foreign capital inflows have declined from \$9.7 billion by the end of Q2, 2014 to \$1.046 billion as at the end of Q2 2016.

D. The Strategic Implementation Plan (SIP)

9. It is clear, Distinguished Ladies and Gentlemen, that we have a revenue concentration, as well as a foreign currency concentration problem. The solution is Diversify! Diversify! Diversify!

10. Right from when this Administration came into office, this has been our mantra. The 2016 Budget was structured to begin the process of achieving this diversification. We took the bold decision to reflate the economy by pursuing an expansionary fiscal policy, with a capital budget increased to 30% of the Budget, up from less than 15% in 2015, and borrowing both domestically and internationally to fund

the fiscal deficit. As the Budget was being passed into law we published a document, 'the Strategic Implementation Plan (SIP) for the 2016 Budget of Change', which outlines the priority actions the Government intends to pursue to change the trajectory of our economy in a fundamental way, and move it onto the path of sustainable development and inclusive growth.

11. The Strategic Implementation Plan is anchored on four policy fundamentals i.e. (1) Investing in Critical Infrastructure (2) Embracing and Encouraging the Private Sector (3) Continuously Advocating for Greater Social Inclusion and (4) Improving Security and Tackling Corruption. The execution and monitoring of these fundamental objectives are prioritized in six thematic areas, namely (a) Policy, Security and Governance (b) Diversification of the Economy, (c) Power, Rail and Roads (d) Oil and Gas Reforms (e) Ease of Doing Business and (f) Social Investment.

12. In implementing the above plan, a total of 34 key actions were selected for immediate implementation. Amongst the key actions selected for immediate implementation is the adoption of an action plan to ensure we achieve self-sufficiency in rice by 2018 and wheat by 2019, and to become a net exporter of a number of other agricultural products over the medium term. Already our reforms in Agriculture have started yielding fruit as we have noticed a small

growth in that sector. Also we committed to adopt a roadmap to stimulate investment into the solid minerals sector which has been done. And again we have noticed a small growth in that sector too. The President has set up a Presidential Council on Ease of Doing Business to achieve the target set by the SIP of moving Nigeria at least twenty places up the World Bank Ease of Doing Business Index to attract more domestic and foreign investment.

13. In the SIP we committed to the implementation of public financial management reforms to cut costs. This we have already started doing and have created an Efficiency Unit in the Ministry of Finance which has already identified and eliminated over 45,000 unjustified entries from the payroll with a savings of over N6 billion Naira a month. We have also introduced a market related exchange rate regime, and liberalised the downstream petroleum sector by freeing up the price of PMS. The liberalization of PMS helped us to ascertain the real demand for PMS in the country, as opposed to the artificial demand created by abuses of the subsidy regime. PMS was liberalized on the 12th of May 2016. Immediately this was announced consumption dropped by 30%. This reduction has resulted in a saving of US\$4 million a day in PMS import bills.

14. Indeed, but for the major crude oil production disruptions we have been experiencing this year we might have already started

seeing the economy beginning to pick up a little as our reflationary capital spending would have started to kick in. Instead, we are in a recession with insufficient revenue to fully fund the 2016 Capital Budget.

E. Getting out of the Recession

15. We are taking a number of immediate measures to raise revenues to strategically spend our way out of the recession. Firstly, we are taking measures to address the disruptions in the Niger Delta so as to restore our production. Secondly, we are fast tracking our efforts to raise the foreign currency loans we had projected in the 2016 Budget, from the ADB, the World Bank, the Chinese Exim Bank, as well as the Euro Bond issue. We are happy to note that the President of the ADB has already announced that we should be expecting, amongst other facilities, a budget support facility of US\$ 1 billion next month from the ADB. Thirdly, the Economic Management Team has been working to put together a stimulus package to be raised from concessioning, advance payment for licence renewals, use of recovered funds, some asset sales etc. This is still being worked upon and is yet to be finalized, or submitted to FEC for consideration. To achieve this speedily we are working to fast-track procedures through Presidential directives and legislation. As an example of the kind of funds we can generate from concessioning, we have a major company that has

made a proposal to spend US\$2 billion on the revamping of the existing railway line from Lagos to Kano and from Port Harcourt to Maiduguri.

16. Distinguished Ladies and Gentlemen, I want to emphasize that notwithstanding the current economic challenges we face, we are not discouraged at all. This is a crisis we must not waste. We should see this crisis as an opportunity for us, as a country, to make those major structural changes needed to change this economy for good. We should use this crisis to implement the reforms needed to unlock the economic potentials of the non-oil and high-employment sectors, so as to achieve a sustainable inclusive growth that will ensure that the majority of Nigerians become more productive. We must use this crisis to introduce measures that will truly diversify the Nigerian economy by ensuring that the non-oil sector generates enough foreign currency earnings to drive the economy even without any crude oil earnings. Government must use this crisis as an opportunity to promote broader macroeconomic and structural reform so as to mitigate supply-side constraints and diversify the productive and revenue base of the economy. Our plans to achieve these are contained in our Strategic Implementation Plan which will be expanded into a more comprehensive medium and long term plan, as a successor plan to the Nigeria's Vision 20:2020 Plan.

F. Working Together in Partnership with all Stakeholders

17. But we know that we cannot do all this alone. We have been working with the State Governments, through the National Economic Council, which meets every month to encourage them to align their policies with ours. We also organized a retreat with them to share ideas, information and knowledge. We have also been reaching out to the private sector, to academia, to professional bodies, to civil society and other stakeholders.

18. One of the programmes that we are working with the private sector to develop is the launching of our “**Made in Nigeria**” campaign. Our intent is to encourage more production and consumption of **Made in Nigeria** goods and services. We believe that with more patronage, Nigerian producers will be encouraged to improve the quality of their products. We should encourage the branding of Nigerian products by self-regulatory industry bodies such as wine makers have in France. ‘Made in Nigeria’ should become a badge of quality. As the quality of our goods and services improve, both local and international demand for them will increase.

19. High local demand will give Nigerian producers the platform to explore the export market. There is no doubt that one of the fastest routes to grow our economy and to create jobs for our teeming population is by pursuing export-led growth. This strategy also holds

high promise for adding to our foreign reserves and further stabilizing the Naira. We are convinced that this is capable of delivering desired results and potentials for exports to increase foreign exchange earnings and shore up foreign reserves. To this end, the theme we have jointly agreed for the upcoming Nigerian Economic Summit (NES #22) which is being organized by the private sector/the Nigerian Economic Summit Group (NESG) in close collaboration with Government, will be **“Made in Nigeria”**.

20. Distinguished Ladies and Gentlemen. Our message is a simple one. We have in Nigeria some of the brightest and most hard working people in the world. We do not need oil to prosper. What natural resources we have we should use well. However, our talent is in our human capacity. As Government, we will help to provide the enabling environment. We will restructure our spending and tilt it towards infrastructure. We will also direct spending to those areas that the private sector will not find profitable to invest in, such as social services, security and looking after the poor and vulnerable.

G. Concluding Remarks

21. Working together this Government believes we can change the Nigerian economy for good. In short, changing Nigeria for good is a task that we are determined to do, and we believe we will succeed in achieving.

22. Distinguished Ladies and Gentlemen, it is in that connection that I look forward to receiving the recommendations arising from this conference as to how we can deepen and broaden the reforms that this Government has embarked upon aimed at restructuring the Nigerian economy by truly diversifying it so that we change Nigeria for good.

23. It is now my honour and privilege to formally declare this Conference open.

24. I thank you for your attention.