

**REPORT ON THE**

**NINTH  
NIGERIAN  
ECONOMIC  
SUMMIT  
2002**



# **Report on the Ninth Nigerian Economic Summit**

**16 - 18 October, 2002**

**Abuja**



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# Contents

	<b>Pages</b>
<b>Introduction</b>	1
<b>Section 1:</b>	4
Wednesday, 16th October, 2002	
<b>Special Summit Event</b>	4
Forum: Financial Sector: Rebuilding Confidence	4
Nigeria: Fiscal Policy – Some Thoughts On The Way Forward – Gary Moser	8
Opening Plenary	11
Opening Remarks by Bunmi Oni	11
Introductory Remarks by Magnus Kpakol	13
<b>Formal Opening of the Summit</b>	
Opening Address by President Olusegun Obasanjo	14
National Presentation by Ifueko Omoigui and Senator Udo Udoma	15
Deepening and Broadening Trade Between Nigeria and the United States — Joseph Grandmaison, Chairman, Board of Directors, US Export-Import Bank (EXIM)	19
Vote of Thanks	20
<b>Special Summit Dinner 1</b>	
Remarks at the Summit Dinner – His Excellency, Atiku Abubakar Vice-President, Federal Republic of Nigeria	21
Nigeria: Imperatives for Growth and Development Dinner Speech by former senator Paul Simon, Illinois University, USA	22
Vote of Thanks	23

Thursday, 17th October, 2002

**Special Summit Breakfast Event**

Breakfast Meeting: ABR/NEPAD Private Sector Forum 24

Creating an Enabling Environment for Private  
Investment in Nigeria – Omar Kabbaj,  
President African Development Bank (ADB) 28

National Assembly Presentation — Ghali Umar  
Na’Aba, Speaker, House of Representatives 30

**Special Summit Dinner II**

Welcome Remarks – Mallam Suraj B. Yakubu,  
Chief Operating Officer, NIPC 33

Presentation by Senate President – Chief Anyim Pius Anyim 34

Investment in Nigeria – Goodie Ibru 35

Vote of Thanks 36

Friday, 18th October, 2002

**Special Summit Event**

Breakfast Meeting: NIPC-BPE Investors’ Forum 38

Feedback from Work Groups 40

Summary of Summit Recommendations Presented to the  
President of the Federal Republic of Nigeria 40

Closing Address by Chief Olusegun Obasanjo GCFR,  
President, Federal Republic of Nigeria 48

Vote of Thanks – Bunmi Oni 50

**Section 2: Work Group Reports**

Group 1: Infrastructure 51

Group 2: Budget and Economic Coordination 57

Group 3: Human Capital and Quality of Life 59

Group 4: SMEs, Informal Sector and Wealth Creation 63

Group 5: Agriculture and Food Security 65

Group 6: Oil and Gas 68

Group 7: Banking and Finance 71

Group 8: Privatisation and Deregulation 76

Group 9: Competitive Industrialisation 80

Group 10: Rebuilding Institutions 83

Group 11: Investment 88

Group 12: NEPAD 90

## Comments, Questions and Answers

92

### Section 3: Summary of Summit Recommendations Presented to the President, Federal Republic of Nigeria

i.	Presentation Outline	99
ii.	Past Summits	99
iii.	NES #8	99
iv.	Growth Drivers for the Economy	99
v.	This Summit – NES #9	100
vi.	Driving the Tracks	101
vii.	Urgent Imperatives	103
viii.	NES #9 Presentation	103
ix.	Nigeria: Putting the Economy First	115
x.	Conclusion - Final Word	116

### Appendices

A.	Programme of Events for the Ninth Economic Summit- Abuja, October 16 – 18, 2002	119
B.	Speeches and Presentations	123
C.	National Presentation	130
D.	Deepening and Broadening Trade between Nigeria and the United States – Joseph Grandmaison	141
E.	Vote of Thanks – Sam Oluabunwa	146
F.	Nigeria: Fiscal Policy: Some Thoughts on the Way Forward – Dr. Gary Moser	148
G.	Special Summit Dinner I Speeches	159
H.	ABR-NEPAD Private Sector forum	164
I.	Other Plenary Session Presentations	176
J.	National Assembly Presentation	185
K.	Special Summit Dinner II Speeches	195
L.	Presentation of Recommendations to the President	206
M.	Closing Remarks by Chief Olusegun Obasanjo	221
N.	Vote of Thanks by Bunmi Oni, President, The NESG	224
O.	List of Participants	225
P.	Sponsorship	244
Q.	Summit Organisations	246

## Introduction

The Nigerian Economic Summit was held in Abuja from October 16-18, 2002. It was the ninth since the first Summit was held in 1993 and the fourth since the return of the country to democratic governance under the leadership of Chief Olusegun Obasanjo, GCFR, President of the Federal Republic of Nigeria.

That Nigeria has enormous potential for growth and development is not in doubt. With its vast oil and gas resources, expansive agricultural land, substantial solid minerals, abundant manpower as well as other natural resources, Nigeria should not be a poor country. Many ask why, despite these endowments, the country ranks so low among developing countries and has such a high proportion (over 60 %) of its populace living far below the poverty line.

On assuming office, the democratically elected leadership appeared to be aware of the challenges and expressed a keen desire to take appropriate measures to reverse the situation. Some progress has been made in the last three years to re-engineer the economy and adopt more growth oriented strategies, particularly a private sector-led-growth strategy backed by economic liberalisation and a privatisation programme designed to divorce government from businesses considered better left for the private sector to manage. The privatisation programme is also aimed at minimising, if not eliminating, a major source of drainage of public funds. Its other potential benefits include attracting greater inflow of private investment as well as improved technology.

Concerned that not enough was being done to turn the economy around speedily and in the light of signals portending a possible reversal of the gains that had recently been made, the Eighth Summit addressed the theme "Nigeria's Economic Priorities: How Do We Deliver?". Several of the recommendations of that summit stayed on the shelf while political concerns remained in the forefront of national discourse (as if the ultimate goal of good governance can be anything other than the improvement of the welfare of the citizenry).

The most encouraging signs, in the recent past, had come from the deregulation of the telecommunications sector, the improvement in power supply, and the opening of a window of opportunity to attract an increased inflow of private investment. Though more could have been achieved, the resolve with which government had pursued its privatisation programme had generally been applauded even if there were differences of opinion on some aspects of strategy and methodology.

There are, however, emerging signals of the possible derailment of the programme and possible reversal of some recent achievements including deceleration of the growth

prospects for 2002. The danger signals are related to the dwindling external reserves, expanding budget deficits, weak budgeting system and consequent delays in the release of the annual budget to guide private decision-making as well as the continuous face off between the Executive and Legislature, which potential investors had been watching with keen interest. There have also been growing concern that not enough was being done to make the hard choices that are needed to move the economy forward in the right direction and at the right pace.

The ninth summit was consequently devoted to an examination of what must be done to take advantage of the recent gains in the economy and to prevent a relapse to its previous parlous state.

The summit chose the theme "Nigeria: Putting the Economy First". The focus was on key issues that must be addressed in charting the way forward. Achievements since NES#8 were examined in detail, gaps were identified and ways to fill these gaps were proposed.

The specific objectives of NES #9 were as follows:

- Sustain public/private sector dialogue and the collaboration process in a democratic setting
- Acknowledge action taken since NES #8 matched against set targets
- Define short to medium-term economic priorities
- Generate an action agenda with clearly defined milestones and success evaluation criteria
- Determine who will do what, how, when and where
- Obtain commitment of all stakeholders to the "low hanging fruits" actions required to achieve set targets.

As initiated during the preparation for NES #8, elaborate pre-summit work was carried out in work groups to provide material and ideas that would facilitate discussion and consensus building at NES#9. At the summit, special events in the form of breakfast and dinner sessions were held. These provided opportunities for the dialogue process to be carried on outside the formal plenaries and work group sessions. Several speakers were drawn from home and abroad to share ideas and experiences at the summit.

The occasion of the summit was used to launch the Economic Blueprint of the Federal Government. This had six tracks: Oil and Gas; Agriculture; Manufacturing; Solid Minerals, Infrastructure and Tourism as major areas to be promoted as sectors from which growth would spring. The five growth drivers identified at NES #8 namely; job



creation, improvement of security, social and physical infrastructure, sector reform/privatisation and investment climate, were expected to drive the six tracks.

As in the past, the work of the summit was organised in plenary and workgroup sessions.

NES#9 was generally adjudged to be very successful and representing as it did an enviable model of public/private partnership. The summit clearly pointed to the need to accord priority to the economy on all issues (including diplomacy and interaction with other countries). Putting the economy first means that the actions of every government official must be fully justified to the people in economic terms not sentiments. The need for the relentless pursuit of credible reforms was stressed; pointing out that initial failure should not be used as a pretext for abandoning otherwise credible policies. This calls for a vision or a long-term perspective against which the appropriateness of short-term measures can be appraised.

The importance of innovation and promotion of entrepreneurship as prerequisites to accelerated economic growth and development were stressed and it was agreed that appropriate measures must be put in place to promote risk-taking and innovation. The New Partnership for Africa's Development (NEPAD) was given special focus. The general view was that the initiative was laudable but, given the failure of similar initiatives in the past, some scepticism was expressed. The issue of involvement of the private sector in the design and implementation of strategies and programmes of NEPAD was emphasised as a strategy to improve its chances of success. NEPAD must not be seen as a programme of the current African leadership, otherwise, it would fizzle out as regimes changed. The concern remained as to whether the various recommendations of the summit would be implemented or simply remain graveyard dreams. The ball is very much in the court of both the public and private sectors. They must work together.

Below are the highlights of the proceedings and conclusions of the Ninth Nigerian Economic Summit.

## **Section 1**

**Wednesday, 16th October, 2002**

### **Special Summit Event**

#### **Forum: Financial Sector – Rebuilding Confidence**

Prior to the formal opening of the summit, there was a special summit event with the theme “The Financial Sector – Rebuilding Confidence”. This interactive session brought together operators of the financial system, stakeholders and interested summit participants. It featured a number of guest panellists - Sanusi Daggash, Chairman of the House of Representatives Committee on Finance; Shamsudeen Usman, Deputy Governor of the Central Bank of Nigeria (CBN); Gary Moser, Resident Representative of the International Monetary Fund (IMF); Tayo Aderinokun, Managing Director of Guaranty Trust Bank; Peter Umoh, Executive Director of NDIC; Larry Osa-Afiana, Managing Director of Bank of Industry and Duro Kuteyi, Managing Director of Spectra. The session was facilitated by Atedo Peterside, Bode Augusto and Funke Osibodu.

The session commenced with brief remarks by Bunmi Oni, Chairman of the Nigerian Economic Summit Group. He said the Group thought it important to start off the ninth summit with the session on Financial Sector – Rebuilding Confidence because the sector is one of the drivers in the Nigerian economy; there is thus need for reasonable confidence in this sector, otherwise many of the things being done in other sectors may not produce the desired effect.

He stressed that the session was coming before the Opening Session of the Summit so that “we might come to some common understanding of what needs to be done to restore and maintain confidence in the financial sector.” He assured the audience that there was a wide array of panellists from the public and private sectors, each of whom would give a perspective that would enrich the discussions.

The next person to speak was Shamsudeen Usman, Deputy Governor, Central Bank of Nigeria. In his contribution, Usman noted that the financial sector is strategic to the survival of the economy, therefore everything should be done to instil confidence in it. He observed that, recently, the traits of distress were again gradually creeping into the banking system, a situation that could lead to the collapse of some banks if not well managed. He further noted that many banks were not operating according to the rules and that the CBN had to sanction some banks recently for unethical practices. He stressed that the unethical behaviour of many banks had, to a large extent, affected the confidence and trust which the public has on the industry.

All the panellists agreed that there was a need to rebuild confidence in the financial sector because a lot had gone wrong with the sector for a number of reasons. First, there was the collapse of the inter-bank market and the liquidation of many financial

institutions. This created fear in the banking public and confidence in the sector fell.

Second, there was a noticeable weakness of corporate governance in the financial sector with boardroom squabbles and recklessness in management.

In the discussion that ensued, a question was raised on how to reflate the economy. The reply was that appropriate drastic measures needed to be taken to deal with the fiscal side, particularly budget deficits which gave rise to excess liquidity in the system. The CBN's efforts to mop up policy induced excess liquidity had created problems. It was suggested that the fiscal responsibility bill be passed into law as a matter of urgency.

There was also a suggestion that the minimum guaranteed pay-off for depositors in failed banks ought to be raised to ₦100,000.00 from the existing level of ₦50,000. The representatives of the NDIC on the panel revealed that, with regard to the 33 banks under liquidation, about 80- 95% of the depositors had balances of ₦1- ₦50,000; this meant that at ₦50,000 guaranteed payment, a high proportion of depositors, the small to medium class of depositors on which the NDIC scheme is focused were covered.

Apart from the guaranteed payment, additional payments are made after assets are turned to liquid cash. He explained that, so far, all depositors in the five liquidated banks were paid their balances in full. He believed that there was a misconception by some on the role and coverage of the NDIC. In many cases, most depositors recovered 20-80 % of their outstanding deposits. In other words, a majority of the people were properly covered.

A representative of the CBN pointed out that, in the US, the guaranteed payment was US\$100,000 per depositor. Nigeria was proposing ₦100,000. If adopted, it would be quite comparable.

The issue of rationalization of the function of the CBN was raised. It was suggested that the CBN should transfer its function of ensuring financial stability of the system to another body while concentrating on macro-economic management. In effect, the suggestion was that the supervisory role of the CBN should be transferred to another institution. A representative of the CBN, observed that some countries, such as the US and Germany, were already thinking along these lines but its application to Nigeria must be carefully considered.

A question was raised on the financing problem of Small and Medium scale Enterprises (SMEs). A participant observed that the banks had been slow in disbursing the 10% SME funds because of the risk involved. He said that the CBN should work out guidelines for risk sharing similar to those for the Agriculture Loan Guarantee Scheme. With such guarantees the disbursement of the loan should be faster and would be at a much lower rate of interest.

Concerns were also raised about the shallow nature of the capital market and the need to deepen it. It was pointed out that the investment in telecommunications came from the private sector after the sector was liberalised and opened up for private investment. It was also pointed out that the capital market had been able to absorb the issue that had so far been raised such as Union Bank rights issue of ₦15.1 billion; Delta State issue of ₦3.5 billion bond and Nigeria Brewery loan stock of ₦7 billion. With that performance, the capital market should be able to sustain an enlarged privatization programme.

A participant observed that the Nigerian economy was in such a low position that drastic measures must be taken to lift it to a higher level. In doing this there should be agreement on what areas to support if the economy is to be lifted to a higher level. It was also emphasised that, in order to achieve confidence, we should look at the wider issue of confidence in the economy. The Government is the largest player in the economy, spending about 50% of GDP and unless the right kind of leadership is in place, it would be difficult for the rest of the system to perform well. "The Government should focus on value for money in its expenditure; it should consume a smaller proportion of resources and pursue policies that will bring inflation down, reduce interest rates and bring confidence to the economy," the panellists concluded.

It was also emphasized that, since the banks and SMEs must work together to achieve the goals of the SME funds, the banks should create the framework for dialogue between the two parties to improve on the SME Scheme. They should agree on ways to enhance loan repayments; embark on training to improve the skills for the management of SMEs. "With dialogue, mutual confidence can only improve". Another participant observed that the three tiers of government could no longer fund all the activities of government from statutory revenue, therefore, there must be a resort to the capital market and increased privatization. Profit must not be the only motive in banking. There should also be social responsibility so that the aspirations of bankers' regulatory authority and customers can be synchronized. Government must also be more transparent and open, so that tension among the populace can be reduced.

In the light of the glaring shortcomings, it was observed that, to rebuild confidence in the financial sector, there was an urgent need to build an adequate and buoyant stabilization fund for the sector and boost banking operations and meet the credit needs of the people. There was also a need to strengthen the powers of the CBN, NDIC and other regulatory bodies to enable them sanitise the system.

It was agreed that the government and the regulatory authorities should clarify policy objectives at all times and reappraise growth strategies for the financial sector through the adoption of more feasible and adaptable approaches for the restoration of confidence in the sector.

It was also recommended that the CBN should relinquish its supervisory role to other regulatory authorities like NDIC to enable it concentrate on policy issues.

In their closing remarks, facilitators observed that an essential ingredient for building confidence in the financial sector was the minimisation of the range of comments that are made in the newspapers by regulators, operators, etc. These are matters that should be discussed behind closed doors in order not to erode public confidence.

Another facilitator remarked that confidence must start from the macro-economic level. He recalled that in the last ten years

- The Federal Government had accumulated budget deficits of ₦1 trillion
- Money supply had gone up by ₦1.3 trillion
- The currency depreciated by 34 per cent
- Inflation averaged 31 per cent per year

Such developments did not portray an economy in which confidence could be developed.

It was also observed that the poor liquidity position of many banks and the slow legislative process in sanitising the industry resulted in the lack of trust and confidence in the sector. In addition, the rapid growth in the number of banks and financial houses had resulted in drastic shortage in the number of competent and experienced hands available to man the various challenging positions in the banks. The dearth of competent skills and manpower was a serious problem, which had resulted in faulty decisions by staff and the management of banks. There were also increasing cases of fraud, theft and other sharp practices as a result of the acquisition and use of ICT by banks, all creating credibility problems for the sector.

In addition, it was observed that many banks did not give accurate and correct information and facts about their operations to their customers and the supervisory authorities. In some cases, information was distorted and different records/books were kept for the same transactions. This scenario had over the years resulted in deep-rooted suspicion and loss of confidence in the banks. It was becoming increasingly difficult for the banking public to establish which bank was healthy and which was not.

It was recommended that the capital requirement for the banks should be raised to meet the needs of global competitiveness. There should also be provision for tax holidays based on the sizes of banks. The financial sector was urged to introduce modern cutting edge technology into the sector and streamline operational policies and procedures, especially on credit guidelines for SMEs to engender confidence and the full participation of all Nigerians. The NDIC was also urged to raise the premium

payable to depositors of liquidated banks to a minimum of ₦100,000 from the current ₦50,000 and to prepare and circulate accurate information periodically on the health of the financial system for stakeholders in the sector.

## **Conclusion**

In her concluding summary of the discussions, the moderator stressed that in order to rebuild and sustain confidence in the financial sector, the following consensus appeared to have emerged:

- Fiscal and monetary policy must be streamlined to reduce inflation, interest rates and stabilize the exchange rate
- The level of deficit financing must be reduced
- The legislative process should be faster in creating laws that would foster financial sector stability
- Confidence must be viewed holistically; as such, all stakeholders – government, banker, regulators, customers must work together to achieve greater transparency, accountability and trust
- All stakeholders must dialogue and agree on the long term-scope and objectives of specific sectors and work on strategies for pursuing such goals
- Lending to SMEs will foster confidence in the sector
- Policies should be consistent to engender long-term planning and decision-making
- There must be enforcement of rules of the game
- Factual information should be gathered and disseminated to all stakeholders.
- Appropriate definition of the roles/objectives of the financial sector should be clarified and professionalism and ethics must be entrenched.

Finally, she observed that unless customers, bankers, regulators, etc. agree to work together, confidence might remain elusive. Other conclusion reached and recommendation made by the participants were that the financial sector should identify and design strategies and approaches for long term funding.

## **Nigeria: Fiscal Policy – Some Thoughts On The Way Forward – Gary Moser**

In his speech at the financial sector forum, Dr. Gary G. Moser, the Senior Resident Representative of the International Monetary Fund in Nigeria observed that fiscal policy was at the heart of many of the problems in Nigeria today, but it was also one of the keys to rapidly increasing growth and standards of living. He said that key

issues in the country's fiscal policies include how to achieve a sustainable fiscal position in an oil-producing country like Nigeria over the medium term. There was also the issue of adoption of a fiscal policy rule, and a savings and stabilization fund for future generations.

Gary Moser compared the economic pattern in Indonesia and Nigeria in order to highlight the issues of sustainable economic growth and poverty reduction strategy in Nigeria.

He said that, although Nigeria and Indonesia were both heavily populated oil-exporting countries, the economic development of the two countries differed significantly, with Indonesia becoming substantially wealthier. He observed that a combination of relatively prudent fiscal, monetary and exchange rate policies, combined with market-oriented policies towards agriculture and light manufacturing explained, in part, why Indonesia fared better than Nigeria. He also said that a very high level of macro-economic volatility attendant upon the boom and bust cycle of oil receipts and a pro-cyclical fiscal stance had constrained Nigeria's economic growth for the last three decades.

He noted that fiscal stabilization policies have been quite different in Indonesia and Nigeria. Following oil booms, Indonesia pursued a loose rule of fiscal balance, while Nigeria experienced large increases in public spending and fiscal deficits. He said that fiscal deficit fluctuated around 2% of GDP until 1990 and was roughly in balance in the 1990s in Indonesia, while for Nigeria budget deficits increased dramatically from the early 1970s as expenditures rose faster than revenues, and has remained above 4% of GDP for most years since 1975.

As a response to terms of trade shocks in the 1970s and 80s, Indonesia focused on maintaining a competitive exchange rate through successive devaluations of its currency, which contrasted sharply with Nigeria's consistently overvalued exchange rate. He said that Indonesia also pursued sectoral policy reforms aimed at encouraging competitiveness of the non-oil sector, with special emphasis on agriculture and export-oriented industries; while Nigeria had large and expensive public investment projects often motivated by regional, political or rent-seeking consideration, and the introduction of restrictive trade policies to protect the domestic manufacturing sector.

Moser then drew some lessons for Nigeria's growth strategy from the experience of Indonesia. For example:

- Indonesia used a loose fiscal balance rule to stabilise expenditures and budget position; the country relied on a relatively tight fiscal policy stance, supported by appropriate monetary policies, to maintain macro-economic stability

Secondly, Indonesia used fiscal policy to support growth in agricultural and non-oil exports, including pro-trade policies and budget support for rural infrastructure development and agricultural financing.

He then identified three issues, which, he said, were critical to Nigeria's fiscal policy as well as broader growth and poverty objectives over the medium term. First is the need to put in place a medium term fiscal framework and fiscal policy rule which will allow Nigeria to save for the future, as well as insulate the budget from the volatility in oil prices in the short to medium term. Second, Nigeria must build a national consensus around a result-oriented allocation of fiscal resources centred on rapid economic growth and poverty reduction. According to Moser, Nigeria needs a medium-term economic and poverty reduction framework with specific targets for growth, inflation and external reserves as well as poverty reduction and health and education indicators. The third is that, although it is extremely difficult to achieve, rent-seeking activities must be rooted out of government at all levels and transparency held as a guiding principle for all fiscal operations. The measures, he said, should start in the oil and gas sector.

He maintained that Nigeria's current fiscal position is not sustainable despite the prevailing high price of oil. He canvassed the need for expenditure control as well as some kind of revenue buffer for lean years. He recalled that recent fiscal trends indicate that non-oil fiscal balance in Nigeria increased from 6% of GDP in 1996 to 40% of GDP in 2001, while expenditure at all tiers of government increased from under 20% of GDP in 1996 to 51% in 2001. This increase, he maintained, has more than outpaced the rise in oil prices. He then predicted that an unprecedented cash crunch might hit the country the next time oil prices fall.

Moser believed that if Nigeria is to diversify its economy away from oil, it would also be useful for it to consider a fiscal policy rule that would balance the budget at a given price of oil (say US\$20-21 per barrel), rather than adopt a rule based on non-oil balance. And in order to apply the fiscal rule at the sub-national level, he said that government should consider whether legislation at the national level would work, or whether state level legislation was also needed. Inducement, he said, could also be used for state and local governments by offering them higher levels of capital expenditures, if they implement the policy rule and contribute to the stabilization fund from their own sub-accounts. He cited examples of countries like Argentina, Brazil and Indonesia, which had adopted similar arrangements.

He also called for the establishment of an oil stabilization and savings fund and other hedging instruments. The stabilization and savings funds have been successful in countries like Canada, USA, Chile, Kuwait, Norway, Papua New Guinea, Oman, Kiribati and Venezuela.



He said that if Nigeria adopted either stabilization or a savings fund approach for future generations, then it should integrate the fund within the budget process in order to maintain a unified control of fiscal policy and to avoid problems in expenditure coordination. If a separate institutional structure for the fund is established, it should also go through the budget. Any spending from the fund should be subject to parliamentary approval, while budget formulation and reporting should focus on consolidated presentations. The treasury should execute all fund expenditures, he counselled.

The fund's assets should be placed abroad and should have a clear asset management strategy that is coordinated with other government financing operations. The rules and operations of the fund should be transparent and free from political interference. This requires regular and frequent disclosure and reporting of the principles governing the fund, its inflows and out flows, and the allocation and return on assets. The fund's activities should also be subject to independent audit and evaluation of investment performance.

## **Opening Plenary**

### **Opening Remarks by Bunmi Oni**

In his welcome remarks at the opening of the summit, Mr. Bunmi Oni, Chairman of the Nigerian Economic Summit Group (NESG), observed that the summit opened at an important moment in the country's democratic experience stressing that the theme of the summit - *Putting the Economy First*, could not have been more appropriate.

He noted that participants at the 8th summit had identified sector reforms, investment climate, job creation, security and infrastructure as the five growth drivers that would accelerate the momentum of economic development and raise the quality of life of the Nigerian people in the long run. The participants at that summit, he stressed, recognised that there were no quick fixes, but agreed on the imperative to pursue the long-term strategic choices, while reaping the benefits of the low hanging fruits.

He noted that the drivers and the specifics of the recommended action steps were very clearly articulated and that there was complete harmony with the priorities being pursued by the government.

Participants at the eighth believed that the five drivers represented the interlocking five golden rings or the virtuous circles. The government, on its part, had accorded the growth drivers some attention over the one-year period. For example, he said that with the various sector reform bills now before the National Assembly, the task of sector reform had assumed a dimension beyond the commitment to privatisation.

He also advised those still debating whether or not to privatise state-owned enterprises to consider the gains, which the country could derive from productive investment of over ₦200 billion that were spent annually in grants and tax exemptions to the state-owned enterprises.

Mr. Oni expressed delight at the inauguration of the Steering Committee on Competition and Anti-Trust Reform. The committee was expected to produce a draft Federal Competition Bill, which will be presented to the National Assembly. The bill, when passed into law, would govern the conduct of businesses as the country pushes ahead with its liberalization policy. Also, it would help to instil high standards of corporate governance and install the mechanisms to protect intellectual property. Oni also observed that the Pension Reform Committee had virtually concluded its work. He was pleased that private sector persons chaired the various committees.

He reminded the President of the need to restructure urgently the country's socio-economic fabric. He noted that the burgeoning extra-legal sector and the crime in our inner cities had their roots in the distortions in the economy. He canvassed that the reform work must aim at bringing the extra legal sector into the formal, even though it would require bold actions on the part of the government, especially in land use and property ownership reforms. Such reforms, he said, would formalize ownership rights and facilitate the resuscitation of the existing dead capital in our urban and rural communities in ways that would enable them to be transformed into productive assets.

While welcoming all participants to the summit, he opined that the present generation of Nigerians should be the ones to pay the price in hard work in the interest of future generations of Nigerians.

### ***Introductory Remarks by Dr. Magnus Kpakol, Chief Economic Adviser to the President***

In his introductory remarks at the opening ceremony, Dr. Magnus Kpakol, the Chief Economic Adviser to the President welcomed all participants. He noted that the economic summit is an annual event that brings together experts from both the public and private sectors of the economy to deliberate on ways of moving the economy forward. He observed that the 9th summit was also being attended by the country's development partners such as the World Bank and the IMF, among others.

Dr. Kpakol observed that while Nigeria had some real opportunities ahead, there were also some challenges. He noted that with the real GDP growth averaging 2.6% between 1992 and 1998, the country's economic growth rate is poor, as it is well

below the country's population growth rate of about 3%. But since the return to democratic governance in 1999, the nation has started witnessing economic recovery. In the last two years, he said real GDP had increased faster than at any time since 1991. For example, in year 2000, the economy grew by 3.83% and was expected to rise to 4.2% in 2002.

He cautioned that the country was still going through the process of political and economic reforms, which would take some time to produce outstanding results. Even then, he believed that when compared to many countries that were just starting reforms, Nigeria was doing outstandingly well.

He observed that the lives of many Nigerians were literally being transformed as a result of the changes in telecoms and many other areas. On electricity, he revealed that in 1999, about 1,500 MW of electricity was being generated but by 2001 electricity generation had reached about 4,000 MW. He also said that the Obasanjo administration had between 1999 and last year sunk over 9,000 boreholes across the country and added over 1.2 million new telephone lines as against the 400,000 telephone lines existing before 1999.

The Chief Economic Adviser said that Nigerians were witnessing a paradigm shift in the way people make money and build wealth. Suddenly, he said, Nigerians were adjusting to a new arrangement whereby the power of patronage was being dissolved and a level playing field for all was being created through the democratic process.

He asserted that while Nigeria is a well-endowed country, such resource endowment is not sufficient for economic prosperity. For prosperity to come, Nigerians must be able to manage and allocate their resources optimally in order to become competitive in a dynamic global economy.

He observed that Nigeria would only achieve economic development when Nigerians become purposeful and jointly commit to rebuilding the economy. He also emphasised that the country's economy must be diversified to generate a stronger and stable growth rate as well as to minimize the impact of changes in the crude oil industry.

To achieve this, he said the government would need to increase productivity in the non-oil sector of the economy. Towards this end, he said the government would support increased investment in infrastructure and human capital, with particular attention to rural sector development.

To help diversify the economy, the government would focus attention on the following sectors, namely:

- Agriculture and agro-allied business

On their part, he said non-governmental organisations must be prudent, and be good role models so as to attract donations and contribute to nation building.

Individuals, he emphasised, also have a role to play in the new dispensation. He said that they must sacrifice and contribute at the risk of personal discomfort in order to make change happen. They must encourage others and avoid creating a depressing and frustrating environment.

For the media, Senator Udo Udoma pointed out that while politics is important, media operators must remember the need to report the economic implications of all activities. They should build up economic teams and educate all journalists. They must improve their reporting skills and the analysis of events to bring out the economic implications of facts obtained.

On international relations, the he canvassed that commitments and aid given must be linked to the development of local industry and job creation. The country must ensure that time and money spent on foreign trips can be economically justified.

Senator Udoma highlighted some of the major achievements of the government in the last few years. For example, in the oil and gas sector, he said a lot of progress was made in deepwater exploration, marginal fields exploration and the licensing of private refineries. The LNG project also grew in size as more trains had been added to the project. He said the power sector also witnessed massive rehabilitation, Independent Power Producers (IPPs) were licensed in Lagos, Rivers and Akwa Ibom States, while the sector itself was being prepared for reform through legislation. The financial sector witnessed greater sector discipline.

The senator, however, believed that the major success so far had been in the telecommunications sector. For example, he said that within the first year of the introduction of GSM phones, over \$1 billion had been injected into the economy by the three GSM operators. More than one million subscribers had been added to the 400,000 subscribers existing prior to the GSM auction. Furthermore, more than 50,000 technical and support jobs had been created in the sector within the last year. He enumerated other benefits such as the growth in business opportunities as a result of increased access to telephones, the boom in advertising and public relations, contributions to projects and foundations and the licensing of Globacom as a second national carrier.

However, Senator Udo Udoma believed that there were outstanding issues, which must be addressed to engender further growth of the economy. Such issues include leadership focus, participation and involvement of all stakeholders, availability of reliable data, financial sector stability, executive capacity and corporate governance.

He canvassed the creation of an environment that encourages innovation. In doing

this, he said the government must understand and accept those who are different, reduce the price of mistakes or failures and encourage people to speak their minds, including people who disagree with those in authority. The youths must be given responsibility.

Senator Udo Udoma then listed the 12 groups created for the 9th summit; namely, budget and economic coordination, infrastructure, human capital, privatization and deregulation, rebuilding institutions, oil and gas, banking and finance, agriculture and food security, competitive industrialization, Small and Medium-scale Enterprises (SMEs) and NEPAD. He explained that the work group on NEPAD was created to ensure that stakeholders better understand the new initiative and the opportunities it promotes, as well as to create a platform to determine the most effective way to ensure that the new initiative works.

In addressing the task ahead, the presenter charged the work groups to identify the achievements made in the respective areas and the gaps that exist against set benchmark goals. They should also determine how to address the gaps with specific emphasis on how the economy can be put first. They should develop action plans for every stakeholder – public sector, private sector, NGOs and individuals.

### **Deepening and Broadening Trade between Nigeria and the United States - *Joseph Grandmaison, Chairman, Board of Directors, US Export-Import (EXIM) Bank***

Mr. Grandmaison of the Export-Import Bank (EXIM) of the United States began his speech by pointing to the commitment of the bank to deepening and broadening trade between Nigeria and the United States. He said that EXIM Bank had worked harder in Nigeria than in any other part of the world. The bank had conducted four seminars in the country, sent 10 delegations, signed a number of agreements and supported a wide variety of transactions between US businesses and Nigeria.

He pointed out that the historic African Growth and Opportunity Act (AGOA), which was enacted during the Clinton administration, provides liberal access to the US market, as well as technical expertise and credit to countries such as Nigeria. He was pleased with the manner in which the Nigerian government had set out to achieve the tasks of “reforming, opening up and diversifying the Nigerian economy”. He said the three-year old democratic government had performed well in the areas of privatisation and liberalisation of the economy as well as establishing regulatory bodies for the power and telecom sectors. He said that these and many other factors represent remarkable and laudable progress in adopting strategies targeted at revamping the economy. In view of the state of the economy in 1999, he said the achievements made so far had been remarkable.

Mr. Grandmaison went on to describe the effort being made by EXIM Bank to facilitate US exports to emerging markets such as Nigeria and the commitment of the Bush administration to expanding global trade. According to him, the bank supports all types of exports, ranging from agriculture to engineering hardware components and machinery. The bank provides “loan guarantees to lenders that provide foreign buyers with competitive financing to purchase American goods and services”. He specifically mentioned some transactions that were backed by the bank in the last three years. He was particularly pleased with the transaction with the Nigerian Liquefied Natural Gas, which incidentally would be the “largest private sector financing ever in Nigeria”.

He stressed the bank’s willingness to work in challenging markets to which Nigeria belongs and gave an assurance that America is capable of providing competition on quality and cost, which, according to him, “should result in better deals for Nigeria.”

### **Vote of Thanks**

The opening plenary was brought to a close with a vote of thanks moved by Sam Oluabunwa, Co-chairman of the Organising Committee for NES #9. He expressed profound gratitude to the President, Chief Olusegun Obasanjo for his commitment and patience as demonstrated by his sitting through the entire opening session and listening diligently to the presentations. He believed that Obasanjo radiated hope. His commitment to the delivery of democracy dividends to all Nigerians was also lauded. He called on all tiers of government to contribute to the attainment of the President’s desire. He hoped that the public and private sectors of the economy would continue to collaborate to achieve the goals of the economy.

Sam Oluabunwa also thanked members of the National Assembly, especially the President of the Senate and the Speaker of the House of Representatives and Senator, Udo Udoma for their active support of the summit process.

Mr. Oluabunwa thanked representatives of the Judiciary, Governors, senior public servants and captains of business for their presence and expected contribution to the success of the NES #9.

Finally, he thanked the Chairman of the NESG, Bunmi Oni, members of the Organising Committee and God Almighty.

## Special Summit Dinner 1

### Remarks at the Summit Dinner – *His Excellency, Atiku Abubakar, Vice President, Federal Republic of Nigeria*

In his speech at the pre-summit special dinner, Vice President Atiku Abubakar recalled the pledge of the Obasanjo administration at the 8th summit to improve the quality of life of Nigerians as a necessary precondition for the economic development of the country. Since then, he said the administration had remained focused and committed to ensuring that appropriate policies and programmes were put in place to boost the economy and attain meaningful economic growth and broad-based development. The task, he stressed, was enormous and required concerted efforts by all Nigerians to reshape and redirect the economy.

He informed the gathering that steps had been taken to ensure that Nigerians understand and imbibe proper ethical standards as well as the appropriate conduct for public affairs so that corruption and waste could be eliminated. He said that the challenges of redirecting Nigerians on the new path were daunting and enormous, but that the government was determined to press ahead until the desired results were achieved.

He also stressed that the task of nation building and restructuring of the economy lay in strengthening both the public and private sectors. The government, he said, must create the needed framework for wealth creation while the private sector must become the engine driving economic growth. Therefore, he said, both sectors must work together in the national interest to achieve sustainable economic development that will raise the quality of life of all Nigerians.

The Vice President recalled that in March 2002, the government terminated the Staff Monitoring Programme (SMP) of the International Monetary Fund (IMF) and threw the challenge to the private sector to develop a home-grown programme for sustainable economic development of the country. He observed that barely four months later, the NESG responded with the Economic Action Agenda 2002 initiative. He commended NESG for its patriotic effort. He informed the audience that the government had set in motion an appropriate machinery to study the document with a view to implementing it.

On this year's summit, the Vice-President remarked that he was impressed with the theme which was "Nigeria: Putting the Economy First". The theme, he said, was not only relevant and timely; it was also thought-provoking. He agreed with the summit that the economy must come first in the scheme of things at all times. He said that relevant ministries, parastatals and agencies must be actively involved in all the activities of the summit. He expressed the hope that the 9th summit would be remarkably different from the previous summits in terms of participation, quality of contribution

and recommendations. He also charged the participants to come up with specific, concrete and workable recommendations that will be capable of jump-starting the economy of the country.

## **Nigeria: Imperatives for Growth and Development**

### ***Dinner Speech by former senator, Paul Simon, Illinois University, USA***

In his dinner speech, former US Senator, Paul Simon, reviewed the current state of Nigeria's economy, where it should be and the issues that must be addressed in its quest for growth and development.

On the current position of the economy, the speaker noted that the interest rate was coming down. The clearing rate at the last primary auction of 90 day Treasury Bills was 16.4 percent per annum, while lending rates averaged 25% per annum. The country's external reserves had reduced in recent months following dwindling inflows from crude oil sales, while at the Dutch auction, supply of foreign exchange is persistently above demand, sometimes by as much as 40 per cent. He observed that inflation was still at double-digit level while public confidence in the banking sector needed improvement.

On where Nigeria should be, Senator Simon said Nigeria's inflation rate should be reduced to below 10% per annum, nominal interest rate should be marginally above inflation rate, while there should be increased inflow of foreign exchange into the economy. To achieve these, he said fiscal imbalances should be addressed while residual controls should be reviewed to facilitate inflow of foreign exchange from Nigerians and non-Nigerians.

He stressed the need for increased growth in the country's Gross Domestic Product (GDP) while improvement in infrastructural facilities, particularly in power and roads, would facilitate economic growth generally.

Going forward, Senator Simon said Nigeria would need to urgently address the following issues which impact on the growth of the country. These are: long-term funds, capital markets, insurance and linkages with Small and Medium-Scale Enterprises (SMEs). On funding, he said that Nigeria required long term funding for projects and businesses. This could only come from banks, insurance companies, pension funds and the capital market. He also noted that the Federal Government should increase its funding of public service pensions.

Senator Simon believed that the country's stock market needed expansion. The market should also be made attractive for prospective buyers of stocks. He stressed that there is need for more awareness and more transparency on stock dealings.



On insurance, he believed that the capitalisation of the available insurance companies in the country was too low. He called for a consolidation among the various insurance companies.

He emphasised the need to channel more funds to Small and Medium-scale Enterprises (SMEs) and ensure that they are more effective, thereby reducing risk to banks. There should also be strengthening of cooperation with grass root institutions to evolve better community banks that can support the growth of SMEs.

Senator Simon advocated that the CBN should focus more on policy formulation and macro-economic performance targets, particularly the developments at the foreign exchange market. He also recommended that banks' boards should include independent members and that banks should evolve a more positive perception in the community. He warned that lending by banks to the public sector crowds out the private sector; hence, the public sector should seek funding from the capital market.

## **Vote of Thanks**

Mr. Adrian Wood, Managing Director/Chief Executive of MTN (Nigeria) proposed the vote of thanks. In proposing the toast, he recalled the story of three mothers who were quite pleased with the performances of their sons — one an employee in the presidency, the other a lecturer in the faculty of medicine and the third who was gay but had become rich running a hair-dressing salon all of whom had gone through different routes to achieve their goals in life.

He lauded the initiative of the Obasanjo administration in the liberalisation /privatisation programme, especially as it relates to the telecommunications industry. He said that it had been quite rewarding for both the government and the private sector. He disclosed that MTN and its competitors had directly or indirectly offered job opportunities to thousands of Nigerians and paid substantial taxes to the Nigerian government. He stressed that it had been a success story all over, just like the three sons.

He thanked Senator Paul Simon for making the sacrifice to travel all the way from the United States to share his rich experience with participants at the summit. He urged Nigerians to imbibe the culture of travelling and reaching out to the outside world for the best ideas and practices that would foster Nigeria's growth and development.

He also expressed profound thanks to the Vice President whose speech was read on his behalf by the Minister of the Federal Capital Territory. He also thanked the co-sponsors of the dinner, members of the high table and the distinguished ladies and gentlemen who honoured the invitation to the dinner.

Thursday, 17th October, 2002

## Special Summit Breakfast Event

### Breakfast Meeting - ABR/NEPAD Private Sector Forum

This special summit event was organised as a forum to provide information on NEPAD and the opportunity it offers for African development. It featured panellists some of whom presented papers. The presentations were followed by comments, questions and answers.

The Guest Speaker, Foluso Philips, of Philips Consulting, set the tone for the session with his presentation titled, "Structure and Strategy of NEPAD". Mr. Foluso Philips began by enumerating the challenges confronting Africa in its development efforts. These challenges include corruption, persistent civil wars, poor governance, political, social and economic instability, among others. He noted that with a population in excess of 800 million people, Africa is essentially rich but not a wealthy continent. The volume of African's trade in the global market according to him was about 2 percent with an average growth rate of 2 percent throughout the 1990s. He further hinted that Africa had been the leading recipient of development aid for more than 30 years (\$10 billion in 1999) and the least recipient of capital flows in the past 15 years. Besides, over 20 percent of African countries depend on foreign aid to fund their annual budgets while only 16 African countries have a per capita GDP of over \$1000, and most are less than \$500.

He further stated that the continent has missed many opportunities. Consequently, there is an imbalance in development and wealth across the continent. However, faced with globalization and liberalisation, the question, according to Philips, is whether these represent opportunities or threats for the continent.

He observed that in response to the challenges confronting it, African governments had taken a number of initiatives since the 1980s. They include:

- The 1980 Lagos Plan of Action
- Africa's Priority Programme for Economic Recovery (APPER) (1986-1990)
- The UN Programme of Action for Africa's Economic Recovery and Development (UN-PAARED)
- The African Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) 1989)
- The ECA Structural Adjustment Programme
- The African Charter for Popular Participation for Development (1990)

- The UN New Agenda for the Development of Africa
- Formulation of the Regional Economic Groupings (ECOWAS, SADC, etc.)

He also maintained that the process of regional cooperation was further strengthened with the recent transformation of OAU to the African Union (AU). The purpose, according to him, is to accelerate the political and economic integration of the continent, while providing a platform for accountable governance, protection of human rights, peace and stability, economic growth and development. He therefore referred to NEPAD as the AU's instrument of action.

The key components of NEPAD, according to him, are: the New Global Partnership, Programme of Action, and the Implementation of the African Partnership Programme. The programme of action relies on a number of strategies.

The first strategy is sustainable development, which emphasises peace and security, democracy and good governance, economic and corporate governance, and sub-regional development. This strategy aims at promoting the education of employees on rights and expectation from government and tackles corruption. It provides periodic reviews of Africa's leadership, increased participation of ex-corporate leaders in governance with the private sector helping the government where it is weak.

Second, he noted that there are sectoral priorities, which emphasise the bridging of infrastructural gaps in energy, roads, seaports, telecommunications, transport, water and sanitation sectors. It also provides for human resource development initiatives in terms of using education as a tool of future regional superiority, partnership between learning institutions, e-learning, and reverse brain drain, among others. The sectoral priorities also include the promotion of agriculture, environment, culture, science and technology.

Philips further remarked that the third strategy of the action programme of NEPAD is the issue of mobilising resources. This, according to him, is based on promoting capital flows initiatives in terms of the creation and management of an African equity fund; sector specific venture capital funds; focus on regional and Pan-African markets by promoting "made in Africa" goods, and value chain funding strategy for integrated development.

He observed that, as a tool of regional integration, NEPAD would identify and invest in natural resources. NEPAD will also create regional value chains emphasising industries and industrial clusters rather than the creation of companies. Therefore, private and public partnerships are needed to drive NEPAD's initiatives.

He concluded by remarking that NEPAD is seeking to achieve an end to the situation in which Africa is an exporter of raw materials and an importer of manufactured goods. He urged that NEPAD should remain focused and that every organisation in Africa should utilise the opportunities offered by the programme to strengthen the economic integration of the continent.

In his contribution Ambassador Isaac Aluko-Olokun referred to the birth of the NESG. He said that the private sector in Nigeria was far behind those in other African countries. He then urged the Nigerian Organised Private Sector to gear up in its partnership with NEPAD.

Ambassador Aluko-Olokun regretted that oil and gas had been the focus of foreign investors in Africa. He noted that while Africa needed massive foreign investment, it should not be limited to the oil and gas sectors alone. There must be a renewed focus on the manufacturing sector by foreign investors interested in Africa, he said.

NEPAD, he said has three principles, namely: ownership, responsibility and partnership. African countries, he stressed, must own NEPAD and this ownership comes with responsibility. But there is no responsibility without capacity building. He believed that African countries must invest heavily in capacity building.

On partnership, he said that there must be conscious and increased partnership among African countries and, in particular, their private sectors to develop the continent. The private sector is important in the process because it is the sector that can attract the much-needed foreign investment into the continent. Africa must also reduce the fraction of its population living under the \$1 dollar-per-day income bracket by the year 2015. The antidote to poverty is wealth creation. African countries must also have sustained development of at least 7% per annum over the medium to long-term in order to achieve the goal.

NEPAD, he said, is politically driven. It is driven by the political leadership – the Heads of Governments of African countries. He believed that NEPAD would need to be given more publicity among all the stakeholders in Africa; Nigeria in particular.

In his contribution, Mr. Bisi Ogunjobi, ADB's Vice President Operations, Central and West Africa, spoke on "Promoting Investment through Public-Private Sector Partnership: The Role of the African Development Bank".

He addressed the role of Public-Private sector Partnership (PPP) in development, the nature and benefits of PPP and ADB private sector initiatives in Nigeria as well as other parts of Africa.

He stressed the important role of PPP in development because governments cannot do it alone as they lack the financial, human and material resources to do so. This has been the experience the world over. Apart from investment in the key economic sectors, PPP can be used to improve social infrastructure such as health and education. He enumerated the benefits of PPP to include:

- Increased economic growth
- Improved efficiency in service delivery
- Reduction of financing burden on government and poverty reduction
- Employment creation
- Promotion of local and foreign investment
- Contribution to government tax revenue

He stressed the role of ADB in the collaboration effort to reduce constraints that impinge on the development of PPP and support for governments in creating an enabling environment through policy measures. “ADB has developed new financial products that are responsive to market needs and provides advisory services and technical assistance in the pre-transaction phase of PPP”. He gave copious examples of ADB intervention in Africa to stimulate the growth of small and medium scale enterprises as well as investment in support of infrastructural development.

He believed that NEPAD would strengthen PPP and enhance the growth and development of Africa.

During the comments, questions and answers session, it was explained that NEPAD would transform Africa from an exporter of raw materials to a manufacturer of finished goods. In reference to the era of slave trade, participants said that Aquinos and William Wilberforce replaced slave trade with the sale of finished goods to Africa. They posited that until the idea of freedom is brought into NEPAD, there could be no true partnership between Africa and the developed countries. It is therefore important that the developed countries begin to genuinely see African countries as their equal partners.

Some participants were sceptical about the prospects of NEPAD in the light of experiences with similar programmes in the past especially the Lagos Plan of Action and the various programmes of sub-regional groups in Africa.

The participants also observed that the past eight summits and the dialogues between the public and private sectors engineered by the NESG had not been a wasted exercise especially given the suspicion with which the public sector personnel view their partners in the private sector. They believed that the summit had done a lot to bring the much desired partnership and understanding between the two groups and that flowing from this, the federal government and the private sector must try and institutionalise NEPAD so that the idea is kept alive through successive governments. However, they observed that NEPAD coordinators must be realistic in their plans so that the organization can be effective.

On agricultural products, the participants observed that, since the western countries determine the prices of both agricultural and agro-allied manufactured goods, NEPAD would not achieve anything in this sector unless the western countries cooperate with African countries.

Participants also called for massive investment in capacity building through empowerment and enablement. They observed that it was only recently that the government started looking at the private sector for empowerment and that within one year, the private sector was able to bring a radical change to the communication sector by attracting massive foreign investments into the sector. They believed that the same change could be experienced with the AGOA and NEPAD initiatives if the private sector is involved in driving the programmes.

### **Creating an Enabling Environment for Private Investment in Nigeria – *Omar Kabbaj, President African Development Bank (ADB)***

The President of the African Development Bank, Mr. Omar Kabbaj, spoke on the creation of an enabling environment for private investment in Nigeria. His address was delivered on his behalf by Bisi Ogunjobi, the creation and management Vice-President operations of the bank. In the presentation, Mr. Kabbaj addressed four main issues, namely:

- Why the creation of an enabling environment for private investment is important
- The constraints that impede such an environment from being developed in Africa
- How African countries can address such constraints in order to create an enabling environment and,
- How the ADB is assisting African countries, particularly Nigeria to meet the challenges of creating an enabling environment for private investment.

He observed that with a decline of about 20% in recent years, there has been a negative trend in the Official Development Assistance from the developed countries to Africa. African economies need growth and the private sector is the engine of growth accounting for about 70% of the continent's GDP. He said the private sector is a key element in generating output growth, job creation and having a significant development impact on societies by contributing to overall poverty reduction through SMEs.

He noted that, in recent years, because of the difficulties facing countries overburdened by debt and public sector inefficiencies, there has been a rapprochement between the public and private sectors to come together to provide basic services and infrastructure

in what is now known as Public-Private Sector Partnerships [PPPs]. He said that the sustained political and economic reforms by most African countries in recent years have also led to the significant growth of foreign direct investment flows to Africa. Data for 2001 he said, showed that FDI flows into Africa almost doubled, rising from \$9 billion in 2000 to over \$17 billion in 2001. Other developing regions recorded negative FDI flows during this period, he said.

On the constraints that impede the environment, he recognised that the establishment of a sound macroeconomic framework is a prerequisite to the rapid and sustainable growth of Africa's private sector. He emphasised that unpredictable inflation and interest rate levels, volatile and dual exchange rates were still constraints to the enabling environment in Africa. Other factors include a lack of private sector competitiveness, patent widespread inefficiencies and government-introduced distortions in the private sector. In many cases, government's economic policy measures often create distortions that are detrimental to the private sector, while many of the reforms that are put in place lack credibility. In many cases, investors and entrepreneurs fear policy reversals resulting in uncertainties and the development of a wait-and-see attitude by investors.

Added to the list of constraints is infrastructure deficiencies which, in many cases, have imposed insurmountable problems on private sector development. He said that production efficiencies and output maximization could not be achieved in the absence of reliable power, water, transportation and communication facilities. Other constraints identified by Kabbaj include political instability as well as no commitment on the part of governments towards economic reforms, a weak legal and regulatory framework characterised by uncertainty and arbitrary enforcement of the law, inadequate protection for property rights, unclear regulations for business creation and foreign capital participation and corruption. Yet other constraints include poor entrepreneurial and technical skills, lack of competitiveness and limited access to finance.

He was delighted that a number of African countries have embarked on the process of implementing economic reforms. Among such reforms are:

- Creation of incentives for efficient production
- Improvement of institutional, legal and regulatory framework
- Removal of restrictions on trade
- Liberalization of prices, interest rates and exchange rates
- Reduction of taxation on imports and exports
- Restructuring of the financial sector and privatisation of public enterprises.

He advised that the reforms must be credible, consistent and well sequenced. The

government, he also said, must promote transparency and accountability in the management of public resources and that good governance would enhance competition and foster individual initiative and economic growth. In addition, corporate governance must be promoted in the private sector, with the clear application of accounting principles and ethical business codes. Also, that African economies must be private sector led. This, he said, will ensure that investments are made on the basis of market demand, thus improving resource allocation, mobilisation of funds and stimulation of entrepreneurship. It also means a fundamental change in the way governments in Africa relate to the private sector. They would now need to move away from controlled, inward looking economies to competitive, outward looking ones in which firms court the markets for profits and not the state for special privileges.

On what the ADB is doing to assist African countries to meet the challenges of creating enabling environment for private investment, Kabbaj reeled out a list of the bank's recent financing of projects in Nigeria. Among them is a \$50 million line of credit to Citibank Nigeria, \$18 million line of credit to FSB International Bank PLC, \$30 million line of credit to UBA PLC and a \$3 million loan to the Abuja International Diagnostic Centre. He said that the bank might invest up to \$100million in the Nigeria Liquefied Natural Gas [NLNG] project. The bank has also financed many infrastructure projects in Africa. It has introduced a micro-finance facility to provide assistance to micro-finance institutions using NGOs as intermediaries to reach micro-entrepreneurs, especially women.

### **National Assembly Presentation - *Ghali Umar Na'Abu, Speaker, House of Representatives***

In presenting his paper titled: "Evolving a Legislative Programme of Action for Nigeria", Speaker Ghali Umar Na'Abu remarked that the parlous state of the economy called for a search for solutions that would salvage the economy and nurture the democratic process.

He stressed that the challenge of working out an action plan or a blueprint for the economy ought not to be the monopoly of the executive arm of government. "It ought to be a legislative prerogative as well, the more so if such a clear blueprint is not methodically emerging from the bowels of the executive", he explained.

The speaker stressed that no democracy could survive with an ailing economy. He posited that the political class must be creative and visionary, with the patriotism required to aggressively pursue economic and political development.



He lamented the poor state of infrastructure and observed that the economy could not perform well in such a situation. From the point of view of the legislature, especially the House of Representatives, the greater threat facing the Nigerian economy and the democratic process was the absence of infrastructure. Existing laws were also restrictive and putting impediments in the way of private investment. He said the House of Representatives was in the process of evolving a blueprint that would improve the enabling environment by enacting the appropriate laws that would provide the “infrastructure that would sustain a vibrant economic development.” The blueprint had to be home grown as Singapore did rather than depend on solutions copied from abroad.

The vision plan, he stated, would have a life span of 20 years and provide a clear vision for the long-term development of the economy.

Speaker Na’Aba said that the preparation of the “Vision Plan” must involve all stakeholders so that they would buy in and own the vision. He quoted Proverbs 29:18 which states that “**where there is no vision the people perish**”. At individual or family level, alumni associations, labour unions and all tiers of government, and indeed, the nation as a whole, there must be forward planning and a more effective use of resources rather than operate the system on the basis of uncoordinated adhoc actions. He said that such “adhococracy” compounds small problems that could easily have been resolved if there were an overall long-term framework.

He extolled the initiative that led to the preparation of the Vision 2010 and stressed the need for such a vision based on democratic institutions and wide consultation.

As part of putting together the long-term vision plan, he said the legislature was in the process of enacting an omnibus Minimum Infrastructure Development Bill, apart from four other bills that were being pursued after close contact with the military and other security services to develop a “Security Services Vision or Blue Print”. He disclosed that the following 18 bills constitute the legislative agenda for Nigeria, namely:

- Electricity Regulatory Bill, 2002
- National Water (Regulation) Commission
- National Health Delivery Commission
- National Board for Technical Education 2002
- Natural Medicine Practice Commission Bill 2002
- Nigeria Railways Commission Bill
- Electricity Regulatory Authority Bill, 2002

- Nigerian Railways Commission Bill, 2002
- National Universities Commission Act (Amendment) Bill, 2002
- Federal Highway Authority (Establishment) Bill, 2002
- Correction Facilities Regulatory Commission Bill, 2002
- Gas Commission Bill, 2002
- Build-Operate Transfer Model and Related Contractual Agreement Bill, 2002
- Security Services Vision
- Security Services Welfare Infrastructure Development Bill
- NEMA Law Review Effort
- Draft Legislation for a Reserve Army
- Military Empowerment Infrastructure Development Bill
- Local Materials (Sourcing) Bill, 2002
- State of the Federation Address Bill, 2002
- Indigenous Construction Firms (Protection and Encouragement) Bill, 2001
- Justice Infrastructure Development Bill

He acknowledged that the entire Nigerian system was in dire need of reform with varying degrees of urgency and therefore the legislative agenda would be appropriately prioritised. He believed that a proper infrastructure would not only be beneficial for the Nigerian economy, it would also have positive impact on other countries in ECOWAS and the AU.

Speaker Na'Abu also counselled that globalization and liberalisation, good as they are, should not translate to absence of regulation. He believed that the regulatory framework must be strengthened but without stifling private business. He was of the view that Nigeria must put in place regulations aimed at "taming the predatory appetite, by private investors". The Nigerian economy should operate as a mixed one with government providing infrastructure in collaboration with private investment. He gave some insight into what would be expected from the regulators. He lauded the success story of the Nigerian Communication Commission in the telecommunication industry and hoped that it could be replicated in other sectors.

In conclusion, Speaker Na'Abu spoke about the cost implications versus the time frame for the implementation of the blueprint. He advocated a strategy for massive marketing of the 20-year "Vision Plan", announcing that a stakeholders' forum would be convened under the legislative agenda in due course.

He called on the political class, lovers of democracy, the private sector, the unemployed, education experts, workers and members of the security services as well as other stakeholders to examine the legislative agenda to see the unity of purpose in it and the challenge to build a united and powerful Nigeria.

## **Special Summit Dinner II**

### **Welcome Remarks — *Mallam Suraj B. Yakubu, Chief Operating Officer (C.O.O.), NIPC***

At this special dinner hosted by the Nigerian Investment Promotion Commission (NIPC), Mallam Suraj B. Yakubu, the Chief Operating Officer of the NIPC, welcomed the summit participants. He commended the efforts of all the participants at the summit especially for their commitment to the promotion and sustenance of public/private sector collaboration.

He opined that the country placed high priority on investment in the economy. He also pointed out that one of the policy thrusts of the current administration is the promotion of local and foreign investments. This, he said, would enable Nigeria to take the rightful place in the comity of nations. In achieving this objective, he said there was an urgent need to raise investments in the non-oil sector to appreciable levels.

He also explained the role of the Nigeria Investment Promotion Commission as regulatory, characterised by the facilitation of investments and provision of reliable and current investment related information. He, however, said that the tasks involved were onerous. He therefore appealed to all stakeholders for cooperation and support.

He thereafter welcomed the participants to the dinner and wished them a pleasant evening.

### **Presentation by Senate President, *Chief Anyim Pius Anyim***

In his presentation delivered on his behalf by Senator Ahmed Musa, Chairman, Senate Committee on Transportation, the Senate President observed that the Nigerian economy was not doing very well, particularly in the area of management of resources as exemplified by the degree of poverty and squalor that abounds.

He noted that a country as large as Nigeria with its abundant manpower and natural resources had no business being poor. Coming so low on the basis of Human Development Indices (HDI), the need to make a serious effort to reverse the existing state and move in the direction of developed countries could not be over-emphasised.

In responding to the challenge, it would not only be necessary to retool and update the country's production equipment, upgrade communication as well as improve managerial capacity, it would also be necessary to rebuild confidence and make the environment more investor- friendly.

He drew attention to the role of investment in development, citing the examples of Japan and some European countries, emphasising the need for Nigeria to work closely with the rest of the world to build the confidence required to attract foreign investment. Such confidence was also necessary for citizens to be attracted to invest in the country instead of keeping their money under mattresses or abroad.

He alluded to the role of science and technology as well as communication and transportation in national development, stressing that it made no sense today to pursue a policy of isolationism, for it is counter-productive.

He advocated institutional reforms in areas such as: security, para-military, military, judiciary and legal institutions, and a need to find solutions to the problem of homelessness. He also stressed the need for manpower training and skill development to provide an effective workforce for the country.

Senator Anyim pointed to the need to educate the masses on the perspective and programmes of the government. He said that the challenge to rebuild the nation had become so critical that Nigerians must eschew political, ethnic and religious considerations in dealing with issues that affect the economy. He believed that the citizenry must be well educated to cope with the challenges of globalization. He quoted Thomas Jefferson who said that "we need to give every citizen the information he/she needs for the transaction of his own business, to understand his duties to his neighbours and country and to discharge with competence the functions confided in him or her by either".

Senator Anyim also pointed to the need to build entrepreneurial capacity. He supported government policies on liberalisation and deregulation as they would help to promote competition. He agreed that the role of government should be to help create the right climate for change. He stressed that "...in the long run, the key to sustained economic recovery and growth is consistent macroeconomic policy and structured reforms". It was thus imperative to put the economy first and ensure the delivery of effective economic programmes and policies.

He congratulated the NESG for its initiatives and expressed the hope that the summit would come up with implementable ideas that would be of benefit to the people.

## **Investment In Nigeria – *Goodie Ibru, Chairman, Ikeja Hotels PLC***

The Guest Speaker, Mr. Goodie Ibru, congratulated the Nigerian Economic Summit Group for yet another successful summit. He remarked that, over the years, many stakeholders have come to look forward to the summit for the insight it provides on the economy, especially as it relates to the nation's common desire for a robust economy. He also appreciated the opportunity it offers for closer interaction between business and government, and among business people themselves.

Mr. Ibru noted that, as in the past, the interface offered by the summit remains very important, more so as the country continues to yearn for a variety of new and supplementary investments to achieve its development and growth objectives.

He remarked that, although past summits had strived to articulate the problems of economic development and growth in Nigeria, the implementation of those recommendations had been slow in coming. He urged that the dialogue should continue in the hope that one day the right mix of policies and attitudes would be achieved and the economy would firmly be on the path to sustainable development and growth.

He remarked that a review of the country's investment environment reveals a mix of emotions, but he was happy that a significant improvement had been made in public power supply and fuel distribution. According to him, government remains committed to the privatisation programme, while sustained liberalisation of the telecommunications sector had boosted the nation's teledensity, eased communication and created jobs.

Mr. Ibru observed further that fresh investment capital inflows had increased with democratisation, signifying the identification of growth and investment opportunities in Nigeria. However, he regretted that in recent times, these positive developments in the environment were increasingly becoming counterbalanced by bad politics, high incidence of violent crimes, ethno-crisis, bad road networks, and inconsistent fiscal and monetary policies.

He was therefore not surprised that the real GDP growth rate for 2001 fell short of the 5% target, while capacity utilisation in the manufacturing sector only rose marginally by 0.3 percentage points, from 35.5% to 35.8%. He further remarked that the current impasse between the executive and legislature over Budget 2002 might discourage investments, if not properly handled.

He noted that vehement disagreement among politicians is a necessary feature of democracy, but there must be substance to such disagreements for them to be socially useful. Unfortunately, it appeared to him there was no substance in the present disagreement, which was impacting the financial markets. He observed that apart from the dampener arising from Central Bank's liquidity control measures, the sector

is contending with an outflow of funds as a result of investors' /depositors' preference for offshore investments.

He remarked that part of the experience in the capital market in the first half of the year was a decline in turnover and index growth rates at the Nigerian Stock Exchange, compared with the levels attained in the first half of last year. He noted the new issues segment of the market only recorded moderate activity, as investors took short-term investment position, in the wake of the budget crisis and tension over local government tenure.

He warned that the implications of these negative developments in the political arena on investments in the economy were grievous. Unfortunately, it was not a problem that could be resolved by appealing to patriotic spirit as foreign investors would not be inclined to listen to emotional appeals. The country needs foreign capital to fill the gap between domestic savings and the capital needed for development. He therefore requested that something more realistic and urgent should be done because FDI inflow has been on the decline due to macroeconomic instability, poor infrastructural facilities, high debt burden, social and political instability as well as insecurity of life and property. He concluded that the general outlook for investment in Nigeria was bleak because a lot was happening that was undermining investor confidence in the economy.

## **Vote of Thanks**

Dr Magnus Kpakol, Chief Economic Adviser to the President/Chief Executive Officer of the National Planning Commission thanked the NIPC for hosting the dinner.

He said that the theme of the conference "Putting the Economy First" was very timely. He expressed the view that "politicians are economists in training, for in the long run it is the economy that really matters". He disclosed that in the national framework for the growth and development of the Nigerian economy 2003 – 2007, just released by the government at the summit, six production tracks had been identified, namely: agriculture, agribusiness, solid minerals, manufacturing, oil and gas, and tourism.

The NES had identified the growth drivers, so if there are six tracks, then we need drivers for the tracks. That in essence meant collaboration, with the private sector providing the drivers for the tracks. "Together we can deliver the goods and services to the people," Dr Kpakol believed. He stressed that education and training are fundamental if the programme is to succeed. The road signs must be understood and respected in driving on the tracks.

Dr. Kpakol added that the Nigerian economy was undergoing transformation. The

system must be able to cope with the forces of globalisation. In this challenge, all must be prepared to wet their feet but not sink, Dr. Kpakol advised.

He expressed his delight and satisfaction at working with the Nigerian Economic Summit Group, observing that it had capable hands. He called for the broadening of the summit dialogue process to include the entire member-states of the ECOWAS sub-region with a view to drawing participation from all the countries of the sub-region.

Dr. Kpakol called for the reduction of the existing high level of uncertainty in the country. That could be achieved by diversifying the economy and reducing the dependence on oil and gas. The share of oil in GDP should be brought down to between 5 and 10 % from its current share of 26%, the Chief Economic Adviser suggested. The oil sector, he restated, is highly volatile and the volatility affects the rest of the economy.

He concluded by thanking the NIPC, the distinguished guests, the participants and the musicians for their presence and the various roles they played in making the dinner rewarding and successful.

**Friday, 18th October, 2002**

### **Special Summit Event**

#### **Breakfast Meeting – NIPC-BPE Investors’ Forum**

Mr. Bunmi Oni, Chairman of NESG and Managing Director, Cadbury PLC, presided over the breakfast session devoted to private investment issues. The panellists included Suraj Yakubu (Chief Operating Officer, NIPC), Nasir El-Rufai (Director-General, BPE), Dotun Sulaiman (Managing Director, Accenture), Bolaji Balogun (Chief Market Development Officer, Econet Wireless) and G. P. Gauthier (TSG) who made a presentation on behalf of NIPC.

In his opening remarks, Mr. Oni identified investment as a major driver of economic growth. He said that there must be mutual confidence and a conducive environment for businesses to thrive and for investment inflows to be attracted into the economy.

Mr. Suraj of NIPC agreed with this view, noting that the current climate in Nigeria was not conducive for investment. There was a need to ensure macroeconomic stability and stimulate growth of domestic output. The NIPC, according to him, was set up as a one-stop investment agency to deal with all approvals and licences required for private investment. He expressed satisfaction with NIPC’s relationship with the NESG as partners in progress, particularly with regard to accomplishing the objectives for which the NIPC was set up.

Mr. Dotun Sulaiman, identified the setting up of NIPC as a major outcome of the summit process. He said that the agency had gradually moved, over the years, from being an approving authority to facilitating the process of investment. He believed that stronger working relationship between the NIPC and the NESG would help NIPC to accomplish its objectives.

In spite of the deteriorating business environment in Nigeria, Mr. Bolaji Balogun of Econet Wireless was of the opinion that every product has a market. According to him, until the country is able to harness the intellectual capital of Nigerians in the diaspora, not much would happen in the area of investment. He said that the privatisation process in Nigeria had only emphasised sales with total disregard to the marketing aspects. It had only focused on the cash element. He believed more attention should be paid to making investment commitments.

The Director-General of the BPE, Mr. Nasir el-Rufai, spoke on the mandate of the BPE and its performance so far. He conceded that its performance in the past three years had not been very successful. Nigeria, he said, has about 130 public corporations, most of which have been very badly run. These companies provide a lot of patronage power for the government. In fact, it gives the president the power to appoint about 5,000 board members. Many of the enterprises are characterised by waste and corruption, including non-payment of taxes and non-remittance of taxes collected. So far, the BPE had managed to sell about 17 of these companies, while about 17 others were at various stages of privatisation. The privatisation process had been very transparent relying on open advertisement and the use of experts to evaluate technical and financial proposals. Often, he said, live media coverage was adopted to enable Nigerians to participate in the process.

A special presentation by NIPC titled: "USAID Nigeria Investor Roadmap: Enabling Environment Strategy", highlighted issues that inhibit investment in Nigeria as well as the way forward. These issues ranged from unnecessary/redundant procedures, lack of transparency in procedures and rent-seeking. The process of registration with the Corporate Affairs Commission, for instance, remained cumbersome, time consuming and expensive (about 19 steps are required to conclude a process). The registration of foreign investment was even more frustrating. Business permits for instance are an extra hurdle for foreigners. The process remains tied to a 'Nigerianisation policy'; the processing of applications are discretionary and centralized in Abuja; state level registration is difficult and could take up to six months.

Other issues raised included access to land, multiple departments handling various aspects of the process; unclear division of responsibility, complex procedures, with unnecessary documentation; lengthy procedure, with no processing deadlines and up to 25% facilitation fees are demanded in Lagos and Abuja.



Participants called for land access and ownership reforms, which could involve vesting powers within a planning agency or title registry that will simplify documentation and prescribing processing deadlines. They also decried the problems associated with environmental clearance, site development, employment processes and import procedures which inhibit investment. The need to urgently undertake import and dispute resolution procedure reforms, as well as solving problems that relate to tax administration were emphasised. The objective of the investor roadmap, the forum concluded, is change.

## **FEEDBACK FROM WORKGROUPS**

The 12 workgroups presented their reports to the plenary session followed by comments, questions and answers after which a final presentation was made to the President, Chief Olusegun Obasanjo, GCFR. The reports are in Section 2 of this report.

## **Summary of Summit Recommendations Presented to the President, Federal Republic of Nigeria**

The presentation of the conclusions and recommendations of the Ninth Economic Summit to the President was made by Henry Okolo and Nasir El-Rufai. Henry Okolo, who started off the presentation, divided it into three parts, namely:

- Recap of past summits, especially NES#8
- NES #9 recommendations
- Summary and conclusions

## **Past Summits**

The past summits, the presenter observed, had forged a broad agreement on the economic policies and objectives for the nation. Among them were the ones that said, for Nigeria to become Africa's leading economy, it must achieve a GDP growth rate of not less than 10% per annum. The standard of living of the citizenry must be raised and there must be partnership between the public and private sectors.

He said that the 8th Economic Summit had identified the growth drivers for the economy, the critical sectors that must be focused upon and also made recommendations that would lead to increased investment and job creation in the economy. He listed the growth drivers as sector reforms, infrastructure, security, investment climate and job creation.

## **Summary of Summit Recommendations Presented to the President of the Federal Republic of Nigeria**

The presenter informed the audience that the 9th summit focused on putting the economy first because a healthy and growing economy would yield more democracy dividends for the citizenry and provide greater social and political stability for the country. Criminal tendencies would reduce, as thousands of hitherto unemployed people would be engaged in gainful employment.

He believed that a consensus had emerged between the private and public sectors on the country's economic blueprint, pointing to such documents as President Obasanjo's Economic Direction (1999 – 2003), NES Economic Action Agenda and Framework for Economic Growth (2003 – 2007) as testimonies to the public-private sector consensus on the need for accelerated growth of the economy.

But for the much-desired growth to be realised, he said the five drivers of the economy – security, sector reforms, infrastructure, job creation and investment climate must interface well through public-private sector partnership and disciplined and well-focused leadership.

He then took a look at the tracks along which the economy must transverse, especially in the areas of agriculture, solid minerals, manufacturing, crude oil, and gas, which the new economic blueprint identified as priority sectors or tracks.

He believed that the country urgently needed sector reforms in oil and gas, the development of infrastructure, agriculture, solid minerals and manufacturing. He said that more security was needed in crude oil and gas operations; improved investment climate was needed in manufacturing, while more job creation was needed in agriculture and solid minerals.

He believed that for the desired change to happen in the country, Nigerians must stop doing those things that had hitherto limited the progress of the nation, while efforts must be intensified in certain areas where the country was currently doing well.

Explaining further, he said Nigerians must start building a national spirit. The nation's rallying point must go beyond mere football. Also, the nation must achieve budget and economic policy integration; there must be constant economic impact assessment, quarterly accountability reporting and publication of contract details.

He said that the government must also reduce the size of its workforce as about 70 per cent of government's revenue now goes for the payment of salaries, leaving only 30 per cent for capital projects. He also believed that the country must start performance measurement by setting key performance indicators for ministers. The government should appoint technocrats to key economic departments such as finance, national

planning, CBN, petroleum resources, NIPC, BPE, SEC and other regulatory bodies. It must also appoint private sector representatives to tenders boards and institutionalise corporate governance.

The Government must stop deficit budgeting and wasteful spending, unnecessary capital projects, unproductive travels, undermining due budgeting process and tax evasion. The private sector too must also stop wasteful spending.

However, he identified the following current actions of the government, which must be intensified. They include deregulation/privatisation, the anti-corruption crusade, strengthening of the Police Force, reduction in the cost of doing business (such as reduction of duties and taxes), dialogue and consultation process between the public and private sectors, introduction of environmentally friendly practices and the formulation of a proper economic framework (medium and long-term).

He then reeled out the following statistics from the IMF indicating the country's current position and the changes needed to move the economy forward in the short to medium-term:

	Status Quo			Change Scenario		
	2002	2003-6	2007	2002	2003-6	2007
Real GDP Growth	-0.9	2.8	2.6	-0.9	4.6	5.5
Non-Oil GDP Growth	5.3	2.8	2.8	5.3	5.3	6.8
Inflation (annual average)	13.4	15.6	12.6	13.4	10.	6.7
Fiscal balance (% of GDP)	-5.2	-7.6	-8.6	-6.7	-0.4	1.9
External Current A/C (% of GDP)	-9.9	-6.3	-4.8	-9.9	-7.1	-4.4
Reserves (months of imports)	4.6	3.4	3.4	4.6	4.5	5.3

*Source: IMF Staff Estimates*

He emphasised the need for the country to be salvaged urgently. Thus, some hard choices must be made and because resources are limited, those available must be deployed to the most productive activities. He said that the country could not afford to continue wasting resources. It must act fast.

He told the president that the recommendation of the 9th summit focused on implementation, action plans, time frame, monitoring, as well as priorities for the country's economy.

## **Workgroup Charges**

He said that in arriving at their various recommendations, the 12 workgroups were charged to focus on critical areas of the economy, review NES #8 recommendations and the achievements so far. They were to identify priorities, prioritise their recommended action agenda and set the appropriate time frames for their implementation.

## **Infrastructure**

He identified key elements in infrastructure as utilities (electric power, telecommunications, water) and transportation (roads, sea ports and inland waterways, railways and aviation).

The action plan needed in the power sector includes passage of the EPSR Bill (NASS 31-03-03), unbundling and privatising NEPA and implementing market reforms (FGN/NASS). In the telecom sector, the action plan includes enhancement of the legal and regulatory framework in 2003 and the completion of the NITEL privatisation in 2003.

On roads, the action plan includes urgent rehabilitation of roads at all levels (FGN/SG/LG 31-03-03) and liberalisation and privatisation of road construction.

The action plan needed in inland waterways and ports includes harmonisation and streamlining of the activities of the different agencies at the ports, implementation of incentives to make ports outside Lagos and Port Harcourt more attractive and the encouragement of private sector participation in building jetties and waterways terminals.

On railways, the action needed includes building the west-east rail line (public/private) and urban network for mass transportation in Lagos, Port Harcourt, Kano, Abuja, etc.

In aviation, the action plan needed includes the privatisation of Nigeria Airways and equipping all airports with navigational aids to international standards.

## **Budget and Economic Coordination**

The presenter said the key objectives in budget and economic coordination should be the achievement of sustainable economic growth and stability through a budget process that is coordinated, transparent/comprehensive, result-oriented, cohesive and timely.

He said the action plan needed in budget and economic coordination includes setting the broad principles for allocation of resources, insulating budgets from oil shocks, enacting a fiscal responsibility act and setting the limits for public debt/GDP ratio,

primary deficit, debt service ratio and enforcing the coordination role of the National Planning Commission (NPC).

## **Human Capital and Quality of Life**

On human capital and quality of life, it was stressed that trained and competent manpower is a country's greatest asset. The key objectives focus on a few clear and actionable priorities geared towards providing better manpower training to satisfy the needs of industry and the nation at large.

All the action plans under human capital and quality of life are to be implemented by the Federal Government, the National Assembly and the Secretary to the Government. They include substantial increase in public expenditure on education such that it accounts for at least 2% of GDP, and 20% of the federal budget targets, which are lower than the current rates of 6% and 26% set by UNESCO.

Other recommendations include an increase in the coverage and quality of primary and secondary education, streamlining the NUC and harmonizing it with university autonomy, provision of scholarships for deserving students based on excellence.

The action plan required from the private sector includes provision of endowments to tertiary institutions, support for students' industrial work experience schemes and promotion of research in collaboration with universities' acceptance of placement in industry for those on sabbatical leave.

The action plan for tertiary institutions includes implementation of strategic plans encompassing proper budgeting, implementation and control, review of curricula, focusing on areas to meet the needs of industry and public sector as well as the deployment of ICTs for teaching, research and administration.

He said that special attention should be given to ICT education by creating IT corridors, providing IT equipment; and software, internet access and training for ICT entrepreneurs and university undergraduates. Special incentive and remuneration for ICT instructors would also be pursued.

He said that technical vocational education should be given special focus. In this area, the action plan includes transformation of existing technical schools to focus on skill development for selected industrial sectors, review of curricula and the conditions of service of instructors.

## **SMEs, Informal Sector and Wealth Creation**

The action plan in this sector includes improvement of access to finance (FG), funding of Bank of Industry (BOI) and commencement of operations by BOI; implementation of SMIDA (FG/NASS – 01, 2003); the promotion of full implementation of the ECOWAS treaty on free trade (FG – ongoing) and the removal of bans and duties on qualifying goods from ECOWAS countries.

### **Agriculture**

**The workgroup on agriculture addressed key issues relating to funding, cost of inputs subsidies and the development of rural infrastructure to facilitate access to market.**

It was recommended that the objectives of the sector should be food self-sufficiency, supply of raw materials to industry and the creation of jobs. The group was of the conviction that funding is key to agricultural growth and development. There should be access to long-term funds at single digit interest rate, even if this has to be achieved through subsidised interest rate using the instrumentality of NACRDB, SME funds, the Agricultural Credit Guarantee Scheme, FDI sources, and donor agency funds. It called for the establishments of an Agricultural Development Fund to be public-private sector funded. Contributions from SME, FDI, donor agencies, tax on food imports (e.g. 2.5%) were identified as possible sources of fund.

The group also recommended substantial improvements in rural infrastructure to enhance the evacuation of products. Government was also called upon to inject public funds into the generation and procurement of seedlings for strategic crops and sell to farmers at reduced prices. Cassava, cocoa, cotton, rubber, oil palm and citrus were identified for promotion.

### **Oil & Gas**

The group recommended that Nigeria's OPEC quota as well as the sector's funding be increased. There should be a continued effort to expand the scope of alternative funding and Production Sharing Contracts (PSCs). It called on government to fully deregulate, simplify and demystify the approval process for private sector investment in downstream petroleum industries such as refineries and petrochemicals.

Action should be taken to clarify and codify the fiscal and contractual framework for gas utilisation. The FGN in collaboration with the oil companies, NNPC and the NDDC should continue to address oil community problems and increase security arrangements for oil operations. There should be incentives to encourage local investment through access to long-term funds.

At this juncture, Nasir El-Rufai the co-presenter took over the presentation.

## **Banking and Finance**

He said that the workgroup on Banking and Finance identified the need for long-term capital through the mobilisation of pension and other sources of long-term funds. Expressing concern over the depletion of the country's external reserves and the possible impact of that on exchange rate stability, the workgroup called for greater professionalism and solutions to the problem of high interest rates.

The objective of the sector should be to rebuild confidence and ensure the stability of the sector. There should be pursuit of the goals of adequacy and availability of foreign exchange, low interest rates and strengthening of corporate governance.

The group also called for greater mobilisation and access to long-term funds and proper funding and management of the sources of such funds. It said that a framework for market-determined exchange rates should be established on or before March 2003 while the country should be moved in the direction of Naira convertibility.

Government should patronise the capital market for long-term financing. The group also recommended that private sector representatives be co-opted into the Monetary Policy Committee and there should be greater collaboration between banks and insurance companies.

It said that corporate governance should be improved by appointing independent directors and that the capital base of new insurance companies should be increased to ₦500 million while those of existing companies should be increased to ₦350 million by 2003.

## **Privatisation and Deregulation**

The key objective of the programme should be to transform the economy from "a state-led" to a private sector driven one.

The workgroup addressed the following key issues:

- Inter-governmental coordination (Nigeria Airways, Coal Corporation, ASCON, etc.)
- Sector Reform Acts (Legislative Framework)
- Acceptance of Pricing Reality – some of the enterprises earmarked for privatisation are "junk" and should be assessed and disposed of as such.

The group recommended the enactment of the Power Sector Reform Bill, the Telecom Bill, the Competition and Antitrust, Solid Minerals, Petroleum Sector Reform Bill and others already on the agenda of the National Assembly.

It said that the government should ensure and, indeed, enforce inter-governmental coordination of the sector reforms and privatisation by channelling all transactions through the National Council on Privatisation (NCP). There should be a developed and realistic pricing policy to recognise the realities of the affected enterprises and the future benefit from new investments on otherwise dormant or junk enterprises.

### **Competitive Industrialisation**

The workgroup called for a national commitment to the development of an enabling environment for competitive industrialisation. This would require the abolition of the outdated import substitution policy, greater development of agriculture and the minerals sectors as sources of raw materials; substantial improvement of infrastructure and reduced cost of production, among others.

It was recommended that the share of manufacturing in GDP be increased to 20%. It said that the cost of inputs into manufacturing should be reduced to globally competitive levels and that clusters of industries in which Nigeria has a competitive advantage should be promoted.

The group also recommended the establishment of an Industry Action Committee (IAC) to develop an industrial blueprint before the end of December 2003. Factors that inhibit competitiveness should be identified with a view to proffering solutions. The government should revise and publish investment incentives as well as reduce import duties on capital equipment and raw materials to ECOWAS parity levels.

The group also said that infrastructure deficiencies i.e power, roads, rail, etc. should be addressed to enhance industrial competitiveness. Macro-economic fundamentals should be more efficiently managed to achieve lower interest rates and stable exchange rates etc.

### **Rebuilding Institutions**

The group observed that years of disruptive dictatorship had destroyed key institutions such as the civil service, professionalism in the military, political institutions, law enforcement agencies, the judiciary and the family. The society has been characterised by poor leadership, dishonesty and lack of integrity, absence of community/nationhood, pervasive materialism, discretion and corruption and disrespect for the rule of law. Key social institutions such as schools, healthcare and the extended family system had all collapsed.

In order to move forward, the group recommended that efforts must be made to



rebuild political, civil, judicial, market institutions; the civil service, the police, the military, the legislature and the judiciary, among others.

The group called for the reinvention of community and family institutions, schools, family values, community development and inter-ethnic/religious harmony. There should be increased investment in education and health services, consistent with UNESCO/WHO recommendations. There should be improved funding of the judiciary, the police and the prison services. The anti-corruption commission should be strengthened and assisted to discharge its functions. A pilot scheme of community-based partnership for security should be embarked upon in Nigeria, starting with Lagos before June 2003.

It also said that the public and private sectors should articulate and publicise a social contract on rebuilding institutions starting with NES#9 attendees.

## **Investment**

The workgroup stressed the need for macro-economic stability, improved infrastructure and the creation of an enabling environment for investment. It called for greater incentives to promote non-oil investment, and the pursuit of sector reforms and privatisation to facilitate the inflow of private investment.

The group recommended the strengthening of the Police Force to improve security, the establishment of a Technical Committee on Police reform and the encouragement of community policing. It also called for the initiation and implementation of private investment in infrastructure.

It called on the government to pursue power sector reforms by enacting the Electricity Reform Bill before 31st March, 2003. The NIPC should be better funded to undertake investment promotion activities. Lastly, it said that the government should ensure policy consistency and macroeconomic stability as part of the package to stimulate private investment.

## **New Partnership for Africa's Development – NEPAD**

The workgroup called for proper social and political engineering to douse the usual conflict between supra-national and national interest by embarking on publicity of the role and potential benefits of NEPAD. The programme should have clear identifiable private sector involvement and leadership in the design and implementation of policies and programmes. The programme must emphasise capacity building. Consequently, the group called for legislation for the project. The NESG and the NPC were urged to organise seminars and issue publications that would educate Nigerians on NEPAD. There should be a clear timetable to achieve critical milestones in all countries such as

initiated discussions on the areas to be given special attention. Focus was currently on specific crops such as cassava, rice and maize, vegetable oil, livestock and textiles. Specific action plans would be developed for areas identified as priorities in the future.

The President thanked the summit for beaming the searchlight on the New Programme for Africa's Development (NEPAD). He stressed that he had no doubt that NEPAD is good for Africa and good for Nigeria. The public and private sectors must collaborate to ensure its success. He announced that the next meeting of the implementation Committee of NEPAD would take place on November 3, 2002.

In conclusion, the President thanked the organizers and participants for a rewarding summit, which had lived up to the enviable standard of previous summits. He promised to look at the recommendations that had been presented to him and implement appropriately.

### **Vote of Thanks - *Bunmi Oni***

In his vote of thanks, Mr Bunmi Oni thanked the President for his continued commitment to the process of public/private sector dialogue and for personally coming to receive the concluding recommendations of the summit after being personally present at the opening session as well. He urged that the dialogue process must be sustained. He wished the President well.

Bunmi Oni also thanked members of the National Assembly, especially Senator Udoma Udo Udoma for his continued commitment to the summit process and for agreeing to participate in the opening presentation. He thanked the ministers and business leaders for incurring costs in time, money and business forgone in order to participate in the summit.

Mr Oni observed that there were many things that were being done well, "these must be sustained even if temporary difficulties were encountered". There were, however, some areas needing change, even if such change would be difficult to bring about. Unless that is done, the potential offered by the future might not be realised. "We must make hard choices. Nigeria, he stressed, is looking to leaders in government and business to ensure that this happens", he stressed.

Mr Bunmi then presented a hard copy of the "Summary of Summit Recommendations" to the president comprising a resume of conclusions and recommendations of the ninth summit. He was delighted that the president had expressed commitment to review the recommendations, set targets and monitor the implementation of those things that have been agreed upon.

He wished participants a safe journey to their various destinations.

## **Section 2**

### **Work Group Reports**

The break-out sessions were held in 12 groups. Each of the groups submitted its report to the plenary session. Below is a summary of the reports. They are organised as follows:

- Group 1: Infrastructure
  - Group 2: Budget and Economic Coordination
  - Group 3: Human Capital and Quality of Life
  - Group 4: SMEs, Informal Sector and Wealth Creation
  - Group 5: Agriculture and Food Security
  - Group 6: Oil and Gas
  - Group 7: Banking and Finance
  - Group 8: Privatisation and Deregulation
  - Group 9: Competitive Industrialisation
  - Group 10: Rebuilding Institutions
  - Group 11: Investment
  - Group 12: NEPAD
- Comments, Questions and Answers

#### **Group 1: Infrastructure**

##### **Introduction**

The workgroup's deliberations commenced with the chairman reminding everybody of the importance and pivotal role of infrastructure in the country's development. Particular emphasis was placed on electric power and Information & Communication Technology (ICT); electric power being the engine of infrastructure development of any economy and ICT as the main driver of the new world economy. The chairman underscored the relevance of ICT and the need for the country to channel its resources towards ICT backbone development. Comparison was made between Nigeria and India. India currently earns about 10 billion USD annually from ICT, which is comparable to Nigeria's annual oil revenue of 11 billion USD.

The speaker then proceeded to present the report of the workgroup's core group. He stated that the core group held several meetings to deliberate on the status, issues, problems and proffered preliminary recommendations on the country's infrastructure. Representatives of the private and public sectors attended the meetings. He also stated that Nigeria's infrastructure would require enormous funding to upgrade. Consequently, he solicited for active participation of both public and private sectors.

## **Scope of Infrastructure**

The group agreed that the scope of its deliberations should cover the following key elements in infrastructure:

### Utilities

- Power
- ICT/Telecommunication
- Potable water

### Transportation

- Roads
- Seaports and inland waterways
- Railway
- Aviation

It was unanimously agreed that the discussions should focus on these key elements, which would have the greatest impact on the country's population in the short and medium terms. It would also cover those elements for which the group had adequate information. Natural infrastructure was also considered in the course of discussions, to cover environmental issues and disasters that affect physical infrastructure such as land, water and air space.

## **Expectations for 2006:**

The deliverables and expectations as defined in NES #8 were restated and adopted as valid for NES #9. These expectations are as outlined below:

### ***Power***

- Increase available generation capacity to a minimum of 12,000 MW by 2006. Although FGN and NEPA's joint projection is 10,000 MW by 2005, it was agreed that 12,000 MW extrapolation for 2006 should be adopted for consistency with other deliverables.

- Ensure 24-hour constant electric power supply for at least 60% of population
- On a scale of 1-5 (where 1 is poor and 5 is excellent), move quality of service from 1 to 3.

### ***ICT/Telecom***

- Increase capacity for both mobile and fixed lines to 10million lines
- Improve access to telephone from the present 250km to 10km.
- On a scale of 1-5 (where 1 is poor and 5 is excellent), move quality of service from 1 - 3
- Invest heavily in ICT infrastructure, especially internet backbone
- Develop ICT friendly environment. Example of the India's Bangalore experience was cited. It was agreed that Nigeria should replicate such success stories.

### ***Roads***

- All-year round maintenance for existing road network
- Improve the existing road network

### ***Aviation***

- Ensure safety and security now and on a continuous basis
- Upgrade and maintain facilities, aids and services at all airports to ICAO standards now and on a continuous basis
- Make Lagos Airport the hub of business activities in West Africa. It was agreed that regardless of whether Nigeria has a national carrier or not, this objective is realisable as long as there are adequate incentives to encourage flight interchanges. It was further agreed that rather than focusing on having a national carrier, flag carriers could be licensed and used, as currently practised in other countries.

### ***Railway***

- All-year round availability for existing network
- Construct East – West and Urban (Lagos, PH, Abuja, Kano, etc) networks

### **Present Status**

The workgroup extensively reviewed recent developments in the various key elements. It was agreed that though significant investments had been made in power, minimal improvement has been achieved. Telecommunications experienced appreciable

improvement, but there is room for improving on the regulatory framework. It was also observed that roads were in deplorable state and do require urgent and serious national attention. Inland waterways and railways need to be developed to complement aviation and roads. Some of the specific achievements and status of development are as enumerated below:

### ***Power***

- Generation capacity at about 3,200 MW (installed capacity – 6,100MW)
- As at date there are 600 Local Government Areas (LGAs) hooked on the national grid, a significant improvement from 200 LGAs on inception of this government. This leaves about 100-200 LGAs additional coverage.
- AES generating capacity has increased from 60MW to 270MW
- Significant tariff hike (50-60%) by NEPA, but actual receipt increased by only 30%
- Several state governments are perfecting plans for IPPs
- NCP approved the restructuring of NEPA into 6 Gencos, 1 Transco & 11 Discos
- Privatisation plans underway, EPSR Bill approved by FEC; still with NASS.

### ***Telecom***

- 3 GSM companies have together recorded above 1 million subscriber base
- Globacom licensed as second national carrier
- Fixed Wireless Access Licenses awarded to more than 19 operators
- NITEL IPO privatisation advisers appointed for initial IPO, expected to commence in October, 2002
- ESKOM Enterprises and NEPA establish joint venture (JV) to provide national long distance transmission infrastructure in Nigeria

### ***Transportation***

- A Master Plan on Integrated Transportation Information (MITI 2020) has been prepared by the Ministry of Transportation to articulate developmental plans for the various transportation modes: road, rail, waterways, air; including the interface with agricultural development
- National Council for Integrated Transport (NCIT) is being proposed to plan and coordinate the different transport activities. This council is being proposed by the Ministry of Transport to be headed by the President and Minister of Transport as

chairman and vice chairman respectively. The suitability of the President as the chairman considering his current workload was however debated and challenged by the group members.

## **Analysis of Problems**

Focusing on power and transportation, the group identified and analysed some of the issues and problems militating against expected progress and improvement in these sectors. It was agreed that the common theme in these issues is that of lack of fund, hence it further emphasised the need for private sector participation, as public funds are inadequate to meet these needs. Such involvement would improve government's capacity to meet the needs of other priority areas such as education, health and security.

### ***Power***

- About 9 billion USD required to meet target of 12,000 MW by 2006
- Perception problem may have militated against NEPA's privatisation processes and passage of the Electricity Power Sector Reform (EPSR) Bill by NASS;
- Downstream (distribution) sector is still inefficient as it is still characterised by poor metering, corruption, theft, inefficient collection of tariffs, etc.

### ***Transportation***

- Absence of an effective central planning authority to coordinate different transport modes
- Lack of maintenance of existing road/railway/ports/inland waterways network
- Inadequate facilities at various airports

## **Action Plan**

Having reviewed the recent developments, issues and problems, the group unanimously agreed on the following action plan:

### ***Power***

- Pass the EPSR Bill immediately (NASS)
- Educate stakeholders and ensure buy-in to NEPA privatisation and electricity power reform processes (FGN)

the harmonisation of business laws, free movement of goods and persons and improvement of linkages through transportation and telecommunications. The group also recommended the creation and strengthening of regional financial institutions to support private joint ventures.

## **Conclusion**

In conclusion, Mr. Rufai pointed out that the summit stressed that putting the economy first called for commitment to policy objectives despite implementation difficulties and that implementation failure should not be regarded as policy failure. There must be a clear focus in setting priorities and having a long-term perspective or vision to guide short-term actions. The loose brick strategy should be adopted and the message must be *'implement, implement, implement!'*

The summit ended with the conviction that "we can do it, we have a duty to Nigeria and Nigerians, all that is required is conviction, commitment and process discipline; we can uplift Africa and the black race in the manner Japan has done for Asia".

## **Closing Address by Chief Olusegun Obasanjo, GCFR, President, Federal Republic of Nigeria**

In his closing address, President Obasanjo thanked the two presenters who read out the summary of conclusion and recommendation of the summit for their beautiful presentation. He also thanked the participants for the hard work done at the workgroup sessions and the thoughtful and copious summary of recommendations.

The President observed that when one talks about growth, one must talk of leadership and changes. He agreed that both are critical. He said that he was bothered that so much emphasis was placed on the growth rate of GDP, which has been the pre-occupation of the IMF, the World Bank and other international bodies. He believed that mere reference to the "GDP" aspects growth was not enough. He insisted that there are aspects of economic indicators, which do not show the realities on the ground. He illustrated this with investment in rural roads, electricity and potable water supply, which had improved the quality of life of the people of his hometown in the past three years and yet was not reflected in the GDP. He therefore stressed the need to place emphasis on social indicators and be concerned with growth and development and not just GDP figures.

On the need for belt tightening and waste-reduction, he agreed with the recommendation to belt-up but pointed out that it was much easier in his days of military rule. He noted that the issue of expenditure on political office holders and the



top echelon of the public service was a problem and that, what was going on in the public sector was also true of the private sector particularly among chief executives of companies. He agreed that ministers and permanent secretaries and heads of parastatals etc. had too many vehicles and retinue of staff. He joked that while during the military era it was easier to curb such excesses, despite the bureaucratic hurdles that were erected, it was a different matter under the democratic system. He illustrated this with the example of the stonewall he hit while serving as commissioner when he tried to reduce the staff strength in his office below five persons. He also recalled that in those days ministers had only one car attached to each of them but now a permanent secretary or minister has over five vehicles, and that in the democratic era, even urging people to adopt a less ostentatious lifestyle and cut down on recurrent expenditures could invoke the threat of impeachment.

He lamented that many do not appreciate how poor Nigeria is. He disclosed that expected government revenue for 2002 was in the order of \$9 billion. This was what the government would rely on to fund salaries, pensions, maintain defence and security, fund foreign missions, education, water supply, health services as well as meet the need for capital expenditure. Besides these, people would want to steal as much as possible. Nigeria's total revenue of \$9 billion is nothing compared with the sum of \$11 billion spent annually by the city of New York on fire services, he lamented.

He believed that the way to curb the excessive expenditure on the personal comfort of public office holders including civil servants would be to monetise all fringe benefits.

Turning to the issue of the imposition of customs tariff on all goods coming into Nigeria, the President pointed out that the duty-free goods concession was often abused. He illustrated with the example of importers who often claimed to be importing Bibles and Korans at huge foreign exchange costs while the truth was that they were simply importing other more sophisticated goods under the guise of duty-free goods. Customs officers on their side, never paid attention to such-duty free goods and, therefore, hardly examined them. It was to block the loophole for such smuggling that the government decided to impose a minimum duty of 2.5 % on all goods that should otherwise come in duty-free.

The policy, he observed, now created a problem under the ECOWAS protocol on free movement of goods. The President assured that given the position of Nigeria in ECOWAS, everything would be done to promote the growth of the organization. He said that the issue of the minimum duty would be examined as it related to Nigeria's obligation under the ECOWAS Protocol/trading arrangement.

The President who commented on the recommendation to pursue food self-sufficiency, as a national goal, said that the correct goal should be "food security", which he defined as making food available at affordable prices for all. He said that he had

- Unbundle NEPA, reform the market and, privatise NEPA's downstream sector immediately (FGN/NASS)
- Encourage private sector funding for improved generation through NEPA privatisation and IPP licensing (FGN/NASS)
- It was agreed that as electric power is being privatised, the issue of affordable rural power supply should be addressed.

### ***ICT/Telecom***

- Need for more effective, responsive and robust regulatory framework focused particularly on quality of service, tariff regulation, access to and service penetration
- Expand national infrastructure backbone for voice and data traffic through regulatory supervision

### ***Roads***

- Ensure building and maintenance of all economic roads – roads to locations of appreciable economic activity
- Carry out urgent rehabilitation and maintenance of roads at all levels (FGN/SG/LG);
- Ensure technical feasibility and transparency in execution of road management and contracts (FGN/SG/LG); and
- Liberalise/Privatise road construction and management

It was also agreed that the current structure in the defence ministry could be replicated in the transportation sector, with transportation as the umbrella ministry with separate arms for roads, railways, inland waterways and aviation. The central body to be responsible for planning and policy formulation while supporting arms focus on implementation.

### ***Ports***

- Empower the Nigerian Ports Authority (NPA) to play supervisory/regulatory role in port activities
- Harmonise and streamline activities of different agencies at the ports for efficiency
- Implement incentives to make other ports outside Lagos more attractive
- Ensure full computerisation of port activities and remove bottlenecks to realize 24 hour clearing of goods

## ***Inland Waterways***

- Encourage private sector participation in building of jetties and waterway terminals at strategic locations – Lagos Island, Apapa, Rivers, Delta, etc.
- Introduce adequate safety/regulatory measures

## ***Railways***

- Build urban network for mass transportation – Lagos, Abuja, Kano, Port Harcourt, etc.
- Encourage hauling of bulk cargoes over long distances on rails to preserve road network

## ***Aviation***

- Privatise Nigeria Airways in an open and transparent manner
- Install radar equipment and renovate other navigational aids in all airports
- Streamline activities of various agencies to ensure efficiency.

## **Group 2: Budget and Economic Coordination**

### **Introduction**

The group expatiated on the issues that need to be addressed in the budget process. Amongst these was the need for the nation to diversify its sources of revenue and also to legislate a policy that would insulate the budget from fluctuations in commodity prices. Also, the group reiterated the need for better coordination of the budget process.

### **Fundamental Objective**

The fundamental objective of the nation's budgeting and economic co-ordination process was identified as the achievement of sustainable growth through a budget process that is comprehensive, co-ordinated, transparent and result-oriented.

### **Current challenges**

The challenges at this stage of the nation's budgeting efforts are included in the following:

- How to set clear budgetary priorities focused on agreed national goals;

- How to insulate the budget etc at various tiers of government from the destabilising effect of swings in both crude oil prices and OPEC quotas;
- How to put in place a process that is open, transparent and participatory;
- How to incorporate in a coordinated and harmonious manner, the results of consultations among the three tiers of government, the public sector, the private sector as well as other stake holders and;
- How to ensure that budgets are result oriented and their performances measurable

### **Recommendations:**

Participants agreed that there was the need to set broad national level principles, targeting critical areas and based on agreed national priorities, for the allocation of resources.

In view of the haphazard nature of the current system and the resultant conflicts among different bodies and agencies, it was recommended that the national budget should be prepared in the context of the medium-term and perspective plans designed by the National Planning Commission (NPC).

In addition, the process must ensure early consultation with the legislature, judiciary and other stakeholders to ensure early consensus on issues affecting the budget.

In consideration of issues affecting the watchdog role of the National Assembly, participants unanimously agreed that its constitutional role of oversight be sustained.

It was also agreed that budgets should henceforth focus on the primary roles of government; namely: education, health and infrastructure, while providing a conducive environment for the private sector. In the light of the spate of abandoned and uncompleted projects, the workgroup agreed that emphasis should be on the completion of on going projects before new ones are embarked upon.

### **Budget Process**

#### ***Major Capital Projects***

Participants reviewed the activities of the Budget Monitoring and Price Intelligence Unit (BMPI) and concluded that the unit is desirable. It was agreed however, that BMPI should be institutionalised and its roles were identified as follows:

- certification of feasibility studies
- certification of capital projects and contractor margins

- certification of completion of work

Participants also frowned at the present practice in which the meetings of the Federal Executive Council (FEC) have been turned into contract awarding fora. Clarification came from the Senior Special Assistant to the President on Budget, Mrs. Oby Ezekwesili, to the effect that what was handled at FEC was the approval of capital project contracts that have been awarded to already selected contractors based on the budget. The group agreed that the FEC should approve projects based on NPC's recommendation.

In view of the need to maintain transparency, the group recommended that all capital projects and procurement contracts should be on open tender and the final decision process of such contracts should be made public through gazettes, handbooks and other media.

The conflict of interests and power tussle among the Ministry of Finance, BMPI, NPC, and other related bodies became obvious during the group's deliberations. To stem this problem, it was agreed that this be resolved through the enactment of definite policies to streamline operating procedures and to clearly define critical areas and nature of interface among the agencies at all levels.

### ***Insulating the Budget from Oil Price Shocks***

The group observed that crude oil prices were not the only source of revenue shortfalls. Changes in the country's quota as approved by OPEC were also identified as sources of shortfalls as well as windfalls.

It was recommended that a fiscal policy rule to define the limits of public spending even in the event of windfalls, be enacted. The group also recommended the use of forecasts, scenario analysis and the adoption of alternative plans to contain the consequences of shocks. Diversification of the economy was identified as the ultimate solution. Agriculture was seen as the sector of hope in this direction.

## **Group 3: Human Capital and Quality of Life**

### **Introduction**

The workgroup on Human Capital and Quality of Life decided to focus mainly on the critical issues of education. Matters relating to quality of life will be dealt with during other NESG sessions in future. The following people made lead presentations:

- Mr. Austin Okere – Managing Director, Computer Warehouse Group
- Mr. Umunakwe Anyanwu – Executive Secretary, National Manpower Board, Abuja

## Summary of Presentations by Speakers

In Mr. Okere's presentation, the objectives of the deliberations of the workgroup was defined as focusing on a few clear areas of actionable priorities that are geared towards the provision of better manpower training and satisfying the needs of the industry. He stressed that this would require a focus on education among the many issues that relate to human capital. In this regard, his presentation focused on the following key areas:

- Identification of the positive changes in the educational sector
- Shortcomings of the graduates of our educational institutions
- Comparative information about public spending on education
- Identification of the required inputs of the various stakeholders on education
- Challenges of ICT and technical/vocational education
- Suggestions on improving expenditure on education, tertiary, ICT and technical and vocational education.

Mr. Anyanwu identified the conceptual issues and the relationship between human capital, quality of life, growth and development. His presentation highlighted the following:

- The essence of democracy in attaining rapid economic growth and development and the need for human capital
- An outline of the efforts the country has made on human capital development since independence
- The development challenges that have been faced in Nigeria and how human capital is capable of resolving them
- The common indicators of the failures and defects of the various efforts
- The policy challenges that are being faced as a result of the failures supported by statistical information from assessments conducted by the manpower board.

He concluded his presentation by defining a new way forward in the 21<sup>st</sup> Century which is knowledge driven and which he identified as

- A focus on education for paradigm shift with an emphasis on Science, Engineering and Information, Communication Technology (ICT)

- Focus on employment as a component of human capital

He stated that it is possible to attain a higher quality of life by having a more educated, skilled, literate and wealthy nation.

## **Summary of Workgroup Discussions**

The participants identified further issues in the following areas:

- **Problems**

- Wider societal problems resulting in poor attitude of stakeholders (syndrome of corruption and waste by managers of education and materialism of academic staff)
- Absence of clear vision for the role of education in the Nigerian economy
- Absence of a holistic manpower development plan relating industrial needs to academic curriculum
- Lopsided ratio of polytechnic graduates, 88% of whom studied humanities
- Absence of effective quality standards and measurement systems for educational institutions
- Over emphasis on tertiary education at the expense of primary/ secondary education
- Absence of required skills to serve industry and other users of available personnel
- The role of the ministry of science and technology

- **Way Forward**

- *Government*
  - Shift from government pre-occupation with and spending on universities to focus on basic primary and secondary education
  - Recognition of the knowledge/ICT industry as a key growth area (foreign organisations like IITA already making huge gains) transition from resource-based to knowledge-based economy
  - Development of a tripartite committee of producers, users and planners of manpower to produce a plan for the future manpower needs in Nigeria (plan should encompass industry needs at federal, state and, local government levels)
  - Give universities autonomy and make selected ones centres of excellence based on their existing core competence and the industry needs of their localities
  - National policy on education to clearly produce skilled, employable and entrepreneurial middle manpower (technicians, artisans, craftsmen, etc)

- Downsize government at federal, state and local government levels
- Create role model technical schools for dignity of technical education
- Provide incentives and tax rebates for private sector investment contribution to education
- Education curriculum to be reviewed at all levels for adequate focus on sciences, ICT, AIDS education, etc
- Propose possibility of education – debt swap through NEPAD to international partners
- *Private Sector*
  - Contribution to updating technical and ICT infrastructure in tertiary and non-tertiary institutions
  - Partner with government to invest in IT corridors and act as IT incubators
  - Partner with government in developing framework for setting user-driven quality standards and monitoring systems for tertiary institutions
  - Provide scholarships or grants to encourage study of sciences
  - Contribute to retraining educators in line with modern day industry requirement
- *Educators*
  - Conditions of service to be reviewed and pay should be made as and when due
  - Need for continuous training and re-training of educators in modern technology and industry needs
  - Provide incentives for skilled private sector retirees to become educators
  - Tertiary educators to be involved in curriculum setting for primary and secondary schools
  - Ministry of education should downsize to a regulatory body for maintenance of quality standard
  - Re-introduce teachers skill development vacation programmes

## **Conclusion**

It was generally concluded that there is a need to increase government investment in education from its current level of 0.7% to 2% of GDP and a shift in focus of spending towards basic primary and secondary education. Universities should be given autonomy while government focuses on defining quality standards for them. Selected technical colleges should be made “centres of excellence” directed at producing middle-level manpower. Private sector should partner with government by contributing towards



updating and improving technical and other infrastructure in educational institutions. Finally, ICT and science should be core aspects of our general education curriculum.

## **Group 4: SMEs, Informal Sector And Wealth Creation**

### **Introduction**

The group re-examined the strategic need for SMEs in the industrial, economic and social transformation of the country especially in fostering enduring industrial and technological growth needed for the rapid economic growth of the country. The participants stressed the need for stronger public-private sector partnership and actionable policies that will support the growth of SMEs in the country.

### **Objectives**

In realisation of the crucial roles of SMEs, the workgroup set the following objectives:

- To evolve an institutional framework for the speedy growth of SMEs through the SMIEIS initiative and other SME-related initiatives (e.g. BOI, SMIDA)
- To stimulate the transformation of business and economic activities from the informal to the formal sector

The group noted that apart from macroeconomic instability and inconsistent government policies and programmes, which impact on the growth of SMEs, other constraints include poor infrastructural facilities, access to finance and market, poor technology as well as poor management and technical skills.

After an extensive discussion and deliberation, the group came up with some critical issues, which negatively impact on the growth of SMEs. These include, enabling environment, infrastructure and investment climate. Others are efficiency of financial markets, openness to global market, competitiveness, technical and management skill, etc. The group observed that economic activities in the informal sector enjoy the benefits of low operational cost as they are shielded from taxes and levies since they are not registered. However, they have limited access to incentives enjoyed by formal sector based businesses, such as access to finance, capacity building and exposure to technology and innovations. All of these do, to a large extent, impede the growth of SMEs.

### **Recommendations**

The group made recommendations on the three key SME initiatives - SMIEIS, SMIDA and BOI. In order to jump-start the growth of SMEs, the group recommended that government should provide a business-friendly environment for the transformation of

SMEs from the informal sector to the formal sector. It was also recommended that government should urgently implement incentives, which will make the cost of operating in the formal sector affordable.

Some specific recommendations were made on critical areas that will engender growth of SMEs in the country. These are:

- Provision of support services, such as advisory, information, consulting and technology services.
- Management and technical capacity building
- Encouragement of joint ventures, franchising, and other arrangements with foreign firms.
- Simplifying the process for securing quota for technical partners.

The workgroup stressed the need to improve infrastructure, the business environment and reduce the cost of doing business in the country. Besides, the group recommended the urgent need for greater sensitisation and awareness of the public and all stakeholders on the operations of SMIEIS and the importance of equity investment in the SMEs. Other recommendations include capacity building, equity funds management and project evaluation. It said that the organised private sector and NGOs should participate in training business operators in the Small and Medium Scale Enterprises.

The group recommended that 1% of the SME funds should be set aside for capacity building support. It also stressed the need for review of property rights, land acquisition, gender equity and improvement of information flow between banks and the organised private sector. Finally, the group recommended that sectoral allocation should not be imposed on SME until the enabling environment is significantly improved.

Regarding BOI, the group recommended the need to agree on one definition of SME by accepting the Federal Ministry of Industries' definition which defined all ventures with maximum asset base of ₦200 million (excluding land and including working capital) and staff strength of between 10 and 300 as SMEs.

The group also stressed the need to expedite the release of initial funding of ₦5 billion to BOI by December 2002. There should be full capitalisation of the organisation in fiscal year 2003. It also suggested a provision of annual appropriation for the BOI for a period of five (5) years with a review thereafter. There should be strict enforcement of corporate governance and guidelines for the funding of SMEs to check abuses and mismanagement. Besides, the performance of BOI should be assessed based on global performance parameters and not be allowed to relapse to the status of a mere ministerial department.

The operation of SMIDA was considered very crucial for the growth of SMEs. To this end the group recommended the speedy establishment of SMIDA by fiscal year 2003. The public should be enlightened about the purpose and function of the organisation.

It was also emphasised that the structure of SMIDA should be streamlined to enhance its efficiency, the organised private sector (OPS) should be brought on the board. The recruitment of competent executives was also stressed. Besides, SMIDA should work closely with NGOs, and CBOs. SMIDA should regularly monitor taxes, fees and other levies on SMEs in order to streamline and harmonise them.

Other recommendations made by the group included:

- Reduction/elimination of corporate income tax for SMEs for 3-5 years to promote growth expansion.
- Encouragement and facilitation of subcontracting/linkages of small-medium-large firms.
- The Corporate Affairs Commission should provide a template for registration for small firms at nominal fee.
- The government should vigorously promote buying of goods made in Nigeria.

## **Group 5: Agriculture and Food Security**

### **Introduction**

Against the backdrop of declining food production, real threat of food shortages and increasing importation of food items into the country, the work group examined key recommendations of NES 8 on Agriculture and Food Security with a view to identifying those recommendations that were yet to be implemented by the government.

### **Where We Are**

Among the key recommendations of NES #8 were that budgetary allocation to agriculture should be increased by 5%, interest on loans to the agricultural sector should attract single digit interest rate, the creation of an agriculture development fund, urgent revamping of Research and Development and extension services, as well as the replication of private sector success stories.

The workgroup noted that the following achievements had been made within the last year namely: commencement of the privatisation of government companies,

establishment of agricultural development and marketing companies to guarantee minimum prices for agricultural products and mop excess crop production for local consumption and for export. The National Assembly has also initiated bills to provide intervention in agriculture. Also, farmers committees on cassava, cocoa, cotton and rice, etc. have been set up to enhance production and to cater for the interest of the growers of such products. The government has also placed restriction on the importation of poultry and textiles to enhance local production, while more investment incentives were being considered for agriculture. During the period, bankers committee also agreed to set aside 10% of their pre-tax profit to fund Small and Medium scale Enterprises, while the Agricultural Cooperative and Rural Development Bank (NACRDB) was established and capitalised.

## **Gaps Identified**

However, many gaps still exist and are hindering agricultural production. Among such gaps are:

- Lack of seed capital
- High production cost
- High investment risks.

Others are threat from cheap/subsidised imports, lack of an enabling environment for farming, inconsistent trade policies, lack of unified national farmers association and poor rural infrastructure development.

## **Recommendations**

In setting the priorities for the agricultural sector in the short to medium term, the group believed that the nation should focus more on food security. This, it said, would require political will and determined leadership. It also said that cash and tree crops production should be increased and the preservation, storage and marketing of agricultural products should be improved upon. The group also believed that national concentration on food production would create more jobs especially in the rural areas and increase income earnings of farmers. It will also reduce the country's food import bill.

The workgroup believed that finance is the most critical constraint to increased agricultural production and food security. It therefore recommended the establishment of an Agricultural Development Fund (ADF). The setting up of the fund should be private sector led but that both the public and private sectors should share its ownership with the private sector holding 60% of the equity, while the public sector should own 40 per cent. The management of the ADF should be in the hands of professionals and

should be free from undue interference by the public sector. The Fund is to be run as a refinancing institution disbursing funds through cooperative societies, community banks, states agricultural finance agencies, and agricultural insurance institutions. The group proposed that the ADF should be packaged like its Indian counterpart and be used to effectively refinance agricultural loans, sectoral development and financing agricultural research and development. The ADF would lend to the agricultural sector at single digit interest rates with the appropriate moratorium. Insurance companies would cover the risks associated with lending and refinancing from activities of the fund.

The workgroup also recommended that loans granted by the fund must be insured by an agricultural insurance organization, while the National Assembly should enact legislation to criminalize the diversion of agricultural loans to other uses. It also recommended that the NESG should set up an action committee to ensure implementation of the Agricultural Development Fund in consultation with all stakeholders.

The group also recommended that rural infrastructure must be put in place to enhance agricultural development, 15% of the annual federal capital vote should be allocated to agriculture, and 10% of the agricultural vote should be allocated to rural infrastructural development. Farmers with government support should establish agricultural development and marketing companies to guarantee minimum prices to farmers, mop up excess agricultural production and stabilise prices. States should concentrate their agricultural development efforts on those areas in which they possess comparative advantage for both cash and food crops.

The following crops were identified as the crops of comparative advantage for each of the six geo-political zones in the country:

Zones	Cash crop	Food crop	Animal husbandry
North Central	Soya beans	Yam	Piggery
North East	Gum Arabic	Sorghum	Cattle
North West	Cotton	Groundnut	Goats, sheep and rams
South East	Oil palm	Cassava	Poultry
South South	Rubber	Cassava	Poultry
South West	Cocoa	Maize	Poultry

On how to raise the 60% equity of the private sector, the workgroup recommended funding from the following sources: bonds and stocks, 50% of SME funds, Finance Development Institutions and donor agencies. It was also suggested that the government

should lift the ban on the importation of such agricultural goods as palm oil and vegetable oil, but that importation of the commodities should attract 2% levy, which could be channelled to the Agricultural Development Fund.

## **Group 6: Oil & Gas**

### **Introduction**

As was the case at NES #8, the sector was categorised into three main sub-sectors, namely: Upstream Oil, Downstream Oil and Gas.

### **Progress on Key NES #8 Recommendations and Action Plan**

The group reviewed the NES #8 recommendations and identified actions so far taken as follows:

#### ***Funding the Joint Venture***

- Thanks to the new administration, cash call payments have become more regular
- Pre-2000 arrears have been reduced although not yet completely cleared
- Current funding levels for the JVs are inadequate to meet national aspirations

#### ***Monetisation of Gas Resources***

- Supply of associate gas to the NLNG has commenced, resulting in reduction in flared gas to about 51% and falling
- Further expansion of the NLNG has been approved by all stakeholders and construction of the third LNG train is in progress
- Gaslink and Shell have commercial supplies to industrial estates at Ikeja, Otta and Agbara
- However, a national gas policy and national gas grid are still outstanding

#### ***Nigerian Content***

- Following a national workshop on Nigerian Content in 2001, a committee was set up to thoroughly examine the issues involved and make recommendations
- The committee produced a report and a draft bill for the National Assembly
- The marginal field policy has been issued and bids are already being evaluated
- The draft bill on the Nigerian content is yet to be passed by the National Assembly

#### ***Peace and Security in the Niger Delta***

- NDDC has appointed a German Consultant, GTZ, to produce a development master plan for the Niger Delta. This work is in progress

- The UNDP held a summit of stakeholders in the Niger Delta
- The Federal Government set up a committee to examine the causes of unrest in the Niger Delta and to propose ways of ending same. The committee headed by Chief of Army Staff, has submitted a report to the government. However, a white paper on the report is still awaited.

### ***Downstream Petroleum***

- Government has set up the Petroleum Product Pricing and Regulatory Committee (PPPRC)
- Price of crude oil supplied to NNPC has been adjusted from \$9/bbl to \$18/bbl
- However, import parity pricing mechanism has not been implemented
- Although safety standards of fuel trucks, depots and stations are being implemented by DPR, specification and performance are still poor
- The agreed deregulation plan has not been followed
- No action has been taken on the proposed Nigerian Petroleum Council

### **Where We Want to Be**

The key recommendations of Vision 2010 are still valid and should be followed. In addition, there should be a total but gradual phase out of leaded fuel in Nigeria.

### **Key Issues and Recommendations**

#### ***Upstream***

- **OPEC Quota**

After a lengthy debate, it was agreed that OPEC membership is beneficial to Nigeria and we need to stay there and have positive influence. However, in view of Nigeria's increasing oil reserves base and production capacity, a very large population and the lowest per capita income of all OPEC members, there is an urgent need to seek for an increased share of OPEC quota. Moreover, Nigeria will soon (Bonga 2003) become the only OPEC member producing from the deep-water offshore and there could be a case for a special quota for this.

- **Funding Existing Joint Venture**

Although the new democratic administration has maintained a good record of cash-call payment, the level of funding for the industry is too low to achieve the stated national aspiration. This includes 40 billion barrels oil reserves and 4 million barrel/day production capacity by 2008 and the cessation of associated gas flaring

by 2008. It is therefore recommended as follows:

- Alternative funding schemes whereby operators carry government in providing its share of oil-field development costs, have proved quite successful at EA and Amenam/Kpono developments. Both industry and government are to expand the use of such scheme.
- Since limited revenue will accrue to government initially under the PSCs, there is need to ensure a balance between JV and PSC to sustain its revenue.

## ***Gas***

There is an urgent need for a national gas policy that will encompass:

- Market related pricing for gas
- The gas business should be market-driven
- A national gas grid that will ensure availability in all major parts of the country
- Establishment of a strong gas regulatory authority

There is also need for government to:

- Streamline and codify existing fiscal incentives for gas market development
- Since power sector is potentially the biggest gas consumer in the country, there is need to accelerate action on the power sector reform bill currently at the National Assembly
- Gas from the oil fields should be used to supply power to the host communities

## ***Nigerian Content***

There has been a major focus on Nigerian content in the past year and both government and industry have shown commitment to the national aspiration of 50% by 2010. A committee set up under the chairmanship of NAPIMS has produced a report that has been submitted to the National Assembly. Industry should ensure they make a positive input into the bill before being passed into law. A major hindrance to the development of local capacity in the oil and gas industry is the lack of long-term capital. Therefore, the following need some action:

- Set up long-term capital for financing Nigerian content (e.g. banking rule, % of PPT)
- There is immediate need for Industry and DPR to develop a database on Nigerian professionals



## ***Downstream***

Although government made some progress with the deregulation of the downstream, with the establishment of the Petroleum Pricing and Regulatory Committee, the deregulation plan was not fully implemented. In order to regain credibility, the following actions are required:

- Government should re-establish milestones to accelerate the deregulation process before the end of 2002
- Government should improve consultation with all stakeholders, particularly labour, before making decisions
- Encourage and licence private refineries.

## **Group 7: Banking And Finance**

### **Introduction**

The financial sector is a catalyst for the rapid economic growth of any country, as it acts as the intermediary between savings and investment. It mobilises savings and allocates such savings efficiently to foster development in the economy. In performing its financial intermediation role to facilitate growth, the Nigerian financial sector has been faced with various challenges. These include the distress syndrome, the dearth of long-term funds, inconsistencies between fiscal and monetary policies and shaky public confidence in the sector.

The workgroup assessed the implementation of the recommendations of previous summits and observed as follows:

- Dearth of long-term funds
  - Pension Reform Commission yet to be set up
  - Legislature still in the process of passing a bill to increase the capital base of insurance companies
- Inadequate supply of foreign exchange
  - Depleted foreign exchange reserve
  - Introduction of Dutch Auction System (DAS), which has significantly reduced the gap between the official and parallel market rates. With demand far outstripping supply, we are back to a managed market.
- Inefficient payment system
  - Nigeria Automated Clearing System (NACS) commenced trial run in September

2002. Reduction in clearing days is still expected.

- Payment system is still expensive

## **Where We Are**

The group noted that the Central Bank recently lowered the Minimum Rediscount Rate (MRR) by 200 basis points from 20.5% to 18.5% thus responding to calls for lower interest rates. The Cash Reserve Ratio (CRR) was also reduced to 9% from 12.5% to encourage banks to increase their lending to the real sector. However, average lending rates still ranged between 22% and 28%. Other realities highlighted by the group include:

- Depleted external reserves and inadequate foreign exchange supply
  - US\$7.9 billion reserve as at July 2002 compared to \$10.4 billion as at July 2001
- Double-digit inflation
  - 16.2% as at July 2002
- Single digit GDP growth rate
  - 3.9% as at December 2001
- Lack of confidence in banking sector

## **Where We Want To Be**

The speakers noted that like other sectors in the economy the financial sector is affected by macro-economic instability. The group noted that the existence of the following in the economy would enhance the performance of the sector:

- Low interest rates
  - Nominal rate to be marginally above inflation rate
- Single digit inflation rate
- Improved inflow of foreign exchange
  - From non-oil exports and FDI
- Market-determined foreign exchange rate
  - To restore investors' confidence in the economy
- Achieving double digit GDP growth by 2007

## Observations

The group observed some developments within the financial sector, which would facilitate greater collaboration among players and consequently lead to the growth of the economy. These are:

- Nigerian Insurance Security Trust Fund (NSITF) should create tradable instruments on the stock market, which would make it more visible and accessible to its contributors
- Emphasis should not only be on the capital base of insurance companies but also on their asset base, turnover and human capital development.
- Private individuals should be seen as sources of long-term funding. Therefore, efforts should be made to harness these funds, particularly those outside the formal sector
- The reactivation of the bond market is critical to the generation of long-term funds. Government should expedite action on the Nigerian Savings Certificate and develop market for debt instruments
- More efficient on-line, real-time payment system should be developed. This will free up funds set aside for back up for the existing payment systems (i.e. clearing system and valuecard transactions).

Other observations of the group include the large credit exposure of banks to governments and parastatals. The group noted that this development must be checked urgently. There is also the need for banks to be more prudent and sensitive to the environment in which they operate. The importance of collaborations between banks and insurance companies was also stressed.

## Key Issues On The Way Forward

The group noted that the dearth of long-term funds continues to be a major issue for operators, large sums of public sector pension funds, (accounting for as much as 70% of pension funds in the country) remain unpaid. The group however applauded government's keen determination to rectify the problem.

The other major issues considered critical among numerous issues raised was the structure of the financial sector. Highlights of the issues raised included:

### *Long-Term Funding*

#### *Pension Schemes*

- Properly managed and funded government schemes
- Privately managed pension schemes

### *Capital Market*

- Deepening the capital market e.g. introducing incentives in equity market

### *Insurance*

- Internal restructuring of the sector
- Intra-sectoral consolidation among peers

### *Developing Linkages*

- Linkages with 'middlemen' institutions such as thrift societies, micro finance institutions. This will:
  - Reduce the risk for BOFIs: since the grassroots institutions are more knowledgeable about their customers, it would be less risky for the formal financial institutions
  - Expand the depth of the financial system: As the banking culture becomes entrenched in the average Nigerian, the funds available to financial intermediaries increase, leakages are plugged and more capital becomes available for investment.

## **Application of Long-Term Funds**

The speaker identified some key areas in which long-term fund could be used to stimulate growth. They include the following:

- Agro-allied industry
- Real estate
- SMEs (particularly in the rural areas)
- Education
- Technology-based research

However, for the financial sector to play its role of financial intermediation and thereby facilitate growth in these areas, existing constraints to the availability of long-term funds must be removed.

- Public schemes are largely inadequately funded
- Private schemes are poorly managed
- Contributors should have a say in how their pensions are invested
- Limited scope of investment

- Unit funds, managed funds, which are used for SMEs in various sectors
- Unfavourable statutory legislation, regulations and taxes.

Solution must be found to these problems.

## Recommendations

The group recommended that there should be:

- Greater focus of CBN on monetary policy formulation
- Inclusion of private sector participation independent of CBN in the Monetary Policy Committee (MPC)
- Creation of more efficient criteria for operation of the inter-bank foreign exchange market
- Good corporate governance
- Ensuring mix of independent bank directors in line with global standards
- Greater professionalism
- To reduce bank distress, frauds, dependence of banks on foreign exchange transactions and improve loan quality
- Existence of a more efficient payment mechanism

## Action Plan

What	Action by	When
Increase statutorily required capital base for new insurance companies to ₦500m and ₦350m for existing companies	NAICOM	Before end of December 2003
Lower TB rate to single digit within a framework of macro-economic objectives	CBN	Before end of March 2003
Evolve a framework for a market-determined exchange rate	CBN	March 2003
Government should patronise capital market for long-term funding to avoid crowding-out the private sector in the money market	CBN	December 2002
Include independent private sector participation in the Monetary Policy Committee (MPC)	CBN	December 2002

Evolve more efficient criteria for operation of the inter-bank foreign exchange market	CBN	December 2002
Strengthen board of directors / management. Appoint independent board members for good corporate governance	Banks and other financial institutions	December 2002
Encourage greater collaboration between banks and insurance companies	Banks and other financial institutions	December 2002
Establish self-regulatory bankers' association and ensure compliance with the code of ethics	Banks and other financial institutions	December 2002
Banks should be more sensitive to the environment in which they operate in order to restore public confidence	Banks and other financial institutions	December 2002
Review all conflicting legislations/regulations /taxes on pension funds	FGN	December 2002
NSITF should be more accountable to its contributors on its activities and investment policies	FGN	Immediate
Government to harmonise and adopt recommendations of various committees on pension funds	FGN	Immediate
Tax incentives for SME long-term lending. Unit trusts, mutual trusts etc should be exempted from CIT	FGN	Immediate
Adequate funding of Bank of Industry (BOI) and Nigeria Agricultural Cooperative & Rural Development Bank (NACRDB)	FGN	Immediate

The group noted that it was not enough to provide economic reforms; effective monitoring for compliance and adjustments when necessary are desirable.

## **Group 8: Privatisation and Deregulation**

### **Introduction**

Dotun Sulaiman made a presentation on privatisation and deregulation. He raised the following issues to stimulate discussions:

- Political/strategy/policy to raise a consensus on why the enterprises should be privatised, what the people stand to gain from the privatisation process and how it should be done. The question on “why” bordered around whether it was for monetary gain or for the technical know-how or whether it is for better management that will result from the process. It could be further extended to whether or not the process is used as a tool to attract Foreign Direct Investments (FDI) into the country.
- On implementation of the programme, he wondered if consensus could be reached between the executive and the legislature as well as whether there could be geopolitical consensus. He also raised questions on the adequate capacity of the BPE and the competence of the advisers.
- Issues pertaining to pension liabilities, cross debts, anti-trust/anti-profiteering/ consumer protection, pre-required legislation/reforms, workers rights, who owns the proceeds and what to use it for were pointed out.

Nasir El-Rufai, made a second presentation, which covered progress reports on privatization, highlight of on-going programmes and problems being faced by the agency.

He started with progress reports and noted the achievements recorded by the agency since the last summit. They include the following:

- Attempted sale of NITEL, though unsuccessful but still raised US\$131.75m
- Privatisation of FESTAC 77 Hotels, Calabar cement and Nigerdock which were concluded
- Agreement and modalities for ₦10billion share purchase scheme had also been concluded with 24 Nigerian banks
- Payment for Nicon Hilton and Sheraton Hotels is still awaited.

He also disclosed that government has taken decisions to:

- Unbundle NEPA into 18 companies
- Fund pension liabilities of ₦500billion for state-owned enterprises. The modalities are being worked out.
- Appointment of a Technical Manager for NITEL is almost concluded.
- Offer for sale of 25% of NITEL shares to the Nigerian public will open in December 2002
- Bids for Ikoyi Hotel and Kano Central Hotel which would soon be opened
- Privatisation of NAFCON and Super Phosphate Fertilizer plants, paper mills and inland rolling mills, Delta Steel, the mint and aluminium smelter plant are in progress.

In responding to the issues raised by the first speaker, El-Rufai was of the view that it was almost impossible to have a general consensus on privatisation and deregulation,

as there will always be trade-off between the various interest groups in the society. He said BPE's approach had been to do what is right without trying to satisfy all interest groups.

On the issue of privatisation, being a federal or national policy, his opinion was that the federal government cannot legislate privatization on the states and local governments. Privatisation is a federal government programme and thus the revenues generated belong to the federal government. The states have been clamouring to be part owners of the proceeds and therefore, asking for it to be shared.

He said that BPE's approach has been to *do it fast and sell to the highest bidder*. He also said that flexibility on privatisation transaction process is not feasible as it could compromise transparency.

Furthermore, El-Rufai made it very clear that the President is resolute on privatisation and solicited for a more vocal support from the private sector. It was also noted that it is better to carry out the privatisation exercise fast and achieve some result than to pursue elusive perfection.

On labour issue, he said the BPE liaised with the different labour unions and workers and has come up with policies such as training and re-training, to provide opportunities for the people that might be adversely affected by the privatisation programme.

## **Contributions of Workgroup Discussions**

The workgroup members discussed the two presentations extensively and collectively identified some problems with the privatisation and deregulation processes, which are:

- Communication problem
- Lukewarm participation by multinationals
- Inconsistency in government policies
- The preparatory stage taking too long while the exercise is sometimes rushed
- Inadequate vocal support from the private sector
- Inadequate protection of investors
- Non-application of globally accepted ways of doing business
- Insecurity of lives and property
- Over pricing of assets of some institutions
- Attitude of law enforcement agencies

Based on the problems listed above, the participants made the following recommendations:



## Priorities Selected

- Improved communication in selling the programmes
- Acceptance that in many cases that we are selling “junk” and not “crown jewels” that are often perceived.

## Alternatives Suggested

- Adoption of liquidation route
- Management contract as transition to eventual sale to core investor
- Minority equity sales to the general public
- Management buyout
- Concessioneing

## Prioritised Action Agenda

S/N	Recommendation	When	How	By Whom
1	Improve communication	Immediate	<ul style="list-style-type: none"> <li>•Change style: adopt less combative/aggressive stance</li> <li>•Strengthen capacity and increase communication budget</li> <li>•Speak with one voice</li> <li>•Executive arm and BPE to take the legislature into confidence</li> </ul>	BPE and the Executive arm of government
2	Shift paradigm	Immediate	<ul style="list-style-type: none"> <li>•Accept current reality that “junk” cannot be sold for a “fortune”</li> <li>•Better to be fast and achieve some results than to pursue elusive perfection</li> <li>•Accept liquidation as a viable option</li> <li>•Accept the reality of need for free naira convertibility</li> <li>•Accept the reality that the Land Use Act is an impediment and must be repealed to allow for private ownership</li> </ul>	Federal Government
3	Improve legislative framework	Immediate	<ul style="list-style-type: none"> <li>•Speedily convert bills to laws</li> <li>•Align future laws and other</li> </ul>	

		legislative actions with privatization and deregulation policies	Executive & Legislatures	
4	Remove all constraints	Immediate/ Near term	<ul style="list-style-type: none"> <li>•Reform and fund public sector pension</li> <li>•Government to assume cross debts of enterprises slated for privatization</li> </ul>	Federal Government
5	Use proceeds to train and retrain workers laid off from privatized institutions	Immediate/ Near term	<ul style="list-style-type: none"> <li>•Special skill acquisition programmes</li> </ul>	Federal Government/ BPE

## Group 9: Competitive Industrialisation

### Introduction

The chairman gave an overview of the workgroup objective and format of discussion. This was followed by two presentations made to set the tone for the discussions. Members were encouraged to challenge the thought process and arguments in the presentations, towards evolving additional and perhaps more relevant suggestions and recommendations that would be more implementable.

### Ajaokuta Steel Project

The presentation made by the acting Managing Director of the Ajaokuta Steel Complex examined the role that the project would play in making industrialisation in Nigeria competitive. The paper established that various components of the steel complex were between 98% and 100% completed, with a new focus of seeking joint venture arrangements and management agreements with the private sector in nine out of the sixteen components of the project. Ultimately, the plant should be privatised, in the clear understanding that its finished products would be competitive globally.

The group took the position that there is a compelling need to evolve a long-term plan for steel sector development in Nigeria. Emphasis was placed on the strategic relevance of the sector to construction, defence, manufacturing, etc. It was agreed that the plan should be reviewed and updated regularly.

### Where We Are

The workgroup examined

- NES # 8 recommendations

- Achievements so far

The participants demanded for a consensus on what “competitive industrialisation” is, eventually narrowing on the factors of cost (both within the local and export markets), quality and diversification. The focus will naturally be on preferred sectors, rather than a blanket pursuit of competitiveness in all sectors.

The NES #8 recommendations were reviewed quickly in order to establish the achievements recorded so far. These were itemised as:

- Import duty on raw materials that are not available locally has been reduced to 5%.
- Reduction of the Minimum Rediscounting Rate (MRR) from 22% to 18.5%.
- Tariff structure on raw materials vis-à-vis finished goods now offer some protection to local industries.
- There has been significant improvement in telecommunications.

At present, the industrial sector faces realities that were succinctly captured as follows:

- No marked growth in the manufacturing sector, representing only 7% of the GDP as compared to the goal of 20% over the next 8 to 12 years.
- Inflation rate remains in the double digit, officially 16.8% in June 2002.
- Bank lending rates range between 26% - 32% per annum
- The supply of qualified and skilled manpower is inadequate.
- A basket of investment incentives proposed by NIPC are yet to be backed by law. The list of pioneer companies requires updating, while pioneer companies and investors face conflicting tariffs/tax allowance specifications from NIPC, Customs and Inland Revenue.

The issues were exhaustively discussed and the following recommendations were made as the way forward towards making industrialisation in Nigeria competitive, bearing in mind the key elements of export potential, labour intensiveness and import substitution.

The following recommendations were made, namely:

1. *Industry Action Committee*

An Industry Action Committee (IAC) should be established with the sole aim of developing an industrial blueprint for Nigeria within the next one and half years. It was recommended that the President should inaugurate the committee by the end of December 2002.

The following major tasks and deadlines of the committee were also agreed to:

- a. Identify all the factors that inhibit industrial competitiveness and proffer solutions to them. Deadline: March 2003.
- b. Identify opportunities where Nigeria may have competitive advantage, e.g. in agro-allied industry, mining, steel and other manufacturing. Deadline: March 2003.
- c. Identify and recruit specialists in these fields to carry out studies. Deadline: June 2003.
- d. Commission specific studies that will quantify the opportunities and specify the incentives required to actualise/exploit the potential.

Deadline: September 2003.

Membership of the committee was recommended as follows:

- a. The Vice-President as chairman.
- b. Chairmen of the Industry Committees of the National Assembly.
- c. Representatives of the Ministries of Industry, Finance, Commerce and Internal Affairs.
- d. Specialists in the key industries identified.
- e. Relevant government agencies, including the Nigerian Investment Promotion Commission (NIPC).
- f. Private sector members who would be selected on the basis of merit and proven track record.

## 2. *Revision of Investment Incentives*

- a. Mandate NIPC to update the existing incentives, in collaboration with the relevant private and public sector agencies. Deadline: June 2003.
- b. NIPC should circulate the Industrial Blueprint as approved by the President, to local and foreign investors. Deadline: December 2003.

## 3. *Conducive Macro-economic Environment*

- a. Single digit rate of inflation.
- b. Single digit rates of interest, especially bank lending rates.
- c. Stable and predictable exchange rate.
- d. Transparency, which requires that incentives and duty waivers should be published and accessible to all investors.

4. *Infrastructure*
  - a. Stable power supply.
  - b. Rehabilitation and maintenance of roads.
5. *Other Constraints requiring immediate Government intervention*
  - a. Local and state governments have re-introduced multiple taxes and levies.
  - b. There is a significant increase by NAFDAC of port inspection fees.
  - c. Difficulty in securing large acreages of land for industrial development.
  - d. Security of life and property.

## **Group 10: Rebuilding Institutions**

### **Introduction**

The group started its work by examining the deterioration of national institutions which has made, and will continue to make Nigeria a difficult place to live, work and do business in. The group believed that it would be unrealistic to expect a revamping, restoration and resuscitation of these institutions within a short period. It believed that the country must get its priorities right, regarding what to do and how to go about it.

It said that since January 1993, Nigeria had been defining and facilitating the implementation of an economic agenda that would create an environment conducive to good governance, responsible private sector investment and sustainable private sector driven economic growth.

Recently, the US Department of State issued a warning to Americans wishing to do business in Nigeria, citing crime and social instability. Furthermore, there is also the economic cost of recent threats (and counter threats) of impeachment of President Obasanjo.

While individuals may facilitate the process of creating a climate conducive for investment, the engine that drives the actualisation of such objectives are the institutions. If the relevant institutions are in place and functioning at optimal capacity, we will not today still be talking of creating an investment-friendly climate.

Most of the institutions responsible for creating such a climate are dilapidated, and so require urgent rebuilding. These can be grouped into three broad areas:

## ***Democratic Institution***

This institution requires urgent rebuilding. No government, organisation or individual invests in an unstable polity. The earlier confidence is restored in the stability of our polity, the better for our economy in particular, and the nation in general.

## ***Bureaucratic Institution***

The deterioration of national institutions that govern civil processes has made Nigeria a difficult place to operate in. There is an urgent need to make Nigeria a more orderly society. The virtues of honesty and integrity, sense of community and nationhood, respect for the law, and patriotism must be inculcated in both the young and the old.

## ***Security Institution***

This is one institution that agitates the minds of all Nigerians, and yet, has been neglected for a very long time. Whereas crime has gone hi-tech, all our security institutions still lag very much behind in tackling crime.

## **Achievements since NES #8**

The group looked at the achievements made since NES #8. It observed that since last year, the Nigeria Police Force has become more enabled to carry out its functions. The government has introduced AK-47 rifles into the armoury; and there has been a marked improvement in private sector funding of security organs. It believed that some regulatory agencies have been going through a process of positive change. A clear example here is the National Agency for Food and Drug Administration and Control (NAFDAC) which has shown dynamic leadership in its very important sector.

The group also noticed at all tiers of government, greater checks and balances of power between the executive and legislature. Furthermore, the judiciary has become more prominent as both independent arbiter and a fulcrum of hope for aggrieved parties.

## **Gaps Identified**

However, the group agreed that there was a need to define and work out practicable and actionable solutions to identified priorities including security, education and the criminal justice system; and accord them the requisite time, energy and money.

These issues therefore remain the country's current priorities in the area of rebuilding institutions.

## **Current Priorities and Issues**

The group saw adequate funding as vital to the rebuilding of public institutions, in view of the limited funds available for competing needs, the size of government, shrinking of the bureaucracy, reduction of the public sector workforce, monetisation of their benefits, and using the savings which accrue from these measures to develop the nation, its social services, and rebuilding the country's crumbling institutions.

### ***Security***

On security of life and property, the group called for:

- Sustained reforms in the Nigeria Police Force. The Police must also be decentralised while meritocracy is enthroned through the application of uniform standards in recruitment and promotion of officers. The police should be allocated at least 10% of the annual budget.
- Recruitment of more policemen as a matter of utmost urgency. Keep to the presidential mandate of recruiting and training 40,000 police annually in skills, attitudes and ethics.
- Expansion of police colleges from 4 to 10, upgrade and rehabilitate all police colleges towards achieving this mandate.
- Implementation of National Identity Card Project as a matter of utmost priority.
- Introduction of integrated CCTV's at strategic public places such as airports, seaports, borders and police stations.

Achievement of

- food security
- knowledge security
- strategic security

### ***Education***

On education, the group said that Nigeria must integrate moral instruction and the study of civics. The country must also include into school curricula, vocational education, to make people better empowered.

### ***Judiciary***

On the judiciary, the group recommended provision of better infrastructure for the judiciary and improvement of the remuneration of judges

## **Prisons**

On prisons, the group recommended the building of

- more prisons and the improvement of the facilities in existing prisons. It said that more emphasis should be placed on reform of inmates in prisons to ensure they can be better integrated into society after serving their sentences. It also called for the introduction of suspended sentences while there should be effective parole to decongest prisons (tied to National Identity). Also, it said that the Public Complaints Commission/Legal Aid Council should be responsible for filing cases for litigants/complainants

## **National Security Pilot Scheme**

The group recommended community-based partnership between the police and the private sector for a security pilot scheme (with full security network gadget, CCTV etc.) using Lagos Island as a test case, as a basis for doing others over time.

The objectives of the pilot security scheme is to see how it would reduce crime to the barest minimum by way of effective policing and aid economic growth by creating an environment conducive and attractive to investors (FDI).

The group recommended Lagos for the pilot scheme as this is the hub of the nation's economy. It said that the pilot security scheme should be drawn from special force detached from the Nigerian Police Force and specially trained, and strongly supported by the private sector. Its function, it said, should be crime fighting and crime prevention, while its operational code should be "Operation Zero Tolerance Level" in Lagos Island (i.e. a response system that is based on the internationally acceptable zero tolerance level). Once successful, the group said the scheme would eliminate the existing systems of operation - patrol, bank guard, escort, control, kitting, communication, roadblock, foot patrol - as means of crime prevention. Thereafter, it said that the scheme would be expanded in phases targeting the following: banking districts, monuments/parks and gardens, core residential areas, inlets and outlets, island residents, island daily visitors.

The group recommended motorised patrol, computerised documentation, kitting to the hilt of security personnel, logistics, CCTVs, computerised control rooms for traffic and crime monitoring, security personnel training and public orientation. It believed that the priority areas and sections should include

- Maintenance, communication, infrastructure, administration
- Welfare of security personnel:



- Special salary scale
- Accommodation
- Insurance

## **Command Structure**

On the command structure, the group recommended that a commander should be appointed and should report to the private sector and to the President through the Inspector General.

It believed that a clear cut operating procedure could be mapped out with a rigid command and punishment structure for members of the force.

## **NESG Social Contract on Rebuilding Institutions**

The group determined that rebuilding institutions is 80% leadership (human factor) and 20% infrastructural reforms and that having the right leadership would engender infrastructural reforms. It recommended that NESG members and all attendees of NES #9 should commit themselves to a social contract to effect a change in their circumference of influence. This, it said, can provide the spark that will light the whole country. Accordingly, the group said that NESG attendees should adopt the following social contract to reform their institutions, where they have influence:

### **Respect for Rule of Law**

- compliance with the laws of the land and trade practices (such as forex rules)
- obeying court orders
- adopting due process in all that we do
- respect for constituted authority
- paying our personal taxes as at when due

### **Family Life**

- spending more quality time with our family members to inculcate the right values in them (such as respect for elders)
- teaching our family members their civic responsibilities
- being role models at the family level

## **Recommendations**

On electricity, the workgroup recommended that pressure should be put on the National Assembly to pass the Electricity Sector Power Reform Bill latest by 31st March 2003. Also, the government should improve transmission of electricity to reduce power loss which is currently put at 50% of power generated. In addition, it said that the 20-megawatt power cap on off-grid IPPs servicing clusters of companies should be lifted.

With respect to security, the workgroup recommended that the government should establish a Technical Committee on Police Reform. The membership of the committee should include all stakeholders. There should also be emphasis on community policing; and government in collaboration with relevant bodies should work out an effective mechanism for funding the Police Force

The group also recommended activities to re-orient and educate the key opinion formers, while members of the National Assembly should be sensitised on investment-related issues.

It recommended that the NIPC should be empowered to enable it perform its functions effectively. Its status should be regularised by updating its legal framework. An appropriate mechanism should be found to ensure adequate funding and it should also be empowered to flag possible acts of corruption related to investment.

## **Group 12: NEPAD**

### **Introduction**

The New Partnership for African Development (NEPAD) is a new initiative and vision of the African leaders to chart a new course to eradicate poverty and place the continent on the path of sustainable growth and development.

### **Where We Are**

The group observed that NEPAD was not in existence at the time NES#8 was held in 2001. There were, therefore, no previous recommendations on NEPAD since it is a new programme. However, with the establishment of NEPAD, greater attention is now being focused on African economic development imperatives. There have been series of constructive dialogue and engagements with her development partners especially the G8. It noted that for the first time after a long period of time, African leaders now speak with one voice in addressing common economic issues and it is one of the positive outcomes of the commitment by the G8 for a substantial increase in ODA flows to Africa. It observed that NEPAD has created greater awareness on

the need for Public-Private Partnership (PPP) as a strategy for accelerated economic growth and development.

## **Problems Facing NEPAD**

The group identified the following problems as hindrances to the realization of NEPAD's objectives:

- Most African countries lack the necessary capacity to successfully implement the programmes of NEPAD.
- Low rate of savings as a result of low income which leads to low domestic investment
- Absence of peace and security in many African countries including Nigeria
- Absence of good governance, which breeds corruption, mismanagement of resources, lack of transparency and accountability.
- Big technological gap, which undermines Africa's ability to produce and generate wealth.
- Political instability and absence of entrenched democratic values
- Lack of commitment by political leaders to economic growth and development.

## **Where We Want To Be**

The goal of NEPAD is to reduce by half the population of severely poor Africans by the year 2015. To achieve this objective, the African economies must grow at the rate of 7% GDP per annum on a sustainable basis from now to 2015. This will require the mobilisation of enormous domestic resources from both private and public savings including long-term funds from the financial system especially the capital market.

## **Recommendations**

Having exhaustively examined the objectives and goals of NEPAD as well as the strategy for its implementation, the groups agreed with the underlining principles of NEPAD and recommended the following to enhance the realisation of its aspirations:

Sensitisation of Nigerians on NEPAD, involvement of all stakeholders (women, youth, civil society, etc) in NEPAD programmes and activities, establishment of a strong and well funded national secretariat to implement NEPAD in Nigeria, the need for a blue print and effective national programme of action for NEPAD in Nigeria, dissemination of NEPAD programmes should reach to the grassroots level in main local Nigerian languages and capacity building in all sectors of the economy to translate NEPAD ideas into development action.

Other recommendations include provision of fiscal incentives for the private sector to jointly invest in human resource development in their various sectors, bridging the yawning technology gap to facilitate the implementation of NEPAD, regular review of the implementation of NEPAD and evaluation of achieved milestones and periodic updating of noticeable gaps in the NEPAD document.

The group also recommended that the pivotal role of the private sector in the implementation of NEPAD programmes should be emphasised, the implementation of NEPAD should be stakeholder-driven, the need for a change of attitude (or paradigm shift) at all levels in the implementation of NEPAD, the mobilisation of media organisations for effective dissemination of NEPAD programmes and activities, and the adoption of effective measures to reduce wasteful expenditure and combat corruption.

### **Action Plan**

The group suggested that the action plan should include implementation of African peer review mechanism as a voluntary compliance with good governance under NEPAD, mutual peer review and accountability with development partners and dialogue with G8 at the next G8 summit in Evian, France, to review progress under NEPAD.

### **Comments, Questions and Answers**

Below are some of the questions to which answers were proffered and the comments made during the final plenary session.

**Comment:** The past eight summits and the public-private sector dialogue have not been wasted. On NEPAD, we should try and institutionalise NEPAD so that it is not jettisoned when any of the present leaders quit government. Also, we should be more realistic in setting our plans under NEPAD. For example, the proposed pan-African infrastructure such as electric power, roads, railways, etc. may fail, as they look too grandiose. The smaller national infrastructural organisations must first be made effective. Then, we can move to the regional infrastructure and perfect them.

**Comment:** NEPAD is a way of transforming Africa from exporters of raw materials and consumers of imported finished products. Unfortunately, this will be a near impossible feat because there is no freedom concept brought into the new initiative. For one thing, you can only have partnership with a free people. For NEPAD to succeed, the G8 governments and countries must deal with African countries as equal partners and not as bosses dealing with their servants. And, in Nigeria, the public sector still sees the private sector as an underdog who must be tolerated or listened to when needed. For NEPAD to succeed in Nigeria, such an attitude must change; the two sectors (public and private sectors) must trust and see themselves as equal partners.

**Comment:** If NEPAD is to promote intra-African trade, then an environment that promotes business within the continent must be created. The present situation whereby citizens of other African countries are attacked each time a country has internal problems tends to increase suspicion among different countries and makes it difficult for African countries to achieve accelerated pan-African growth. In particular, we need to tackle the attacks on Nigeria in other African countries.

**Comment:** The issue of capacity building both in the public and private sectors must be addressed by all African countries as part of the efforts to make NEPAD succeed. For example, our roadside mechanics can no longer effectively repair today's computerised cars. In effect, there can be no capacity building without empowerment. It is only of recent that the government started looking at the private sector for empowerment.

**Comment:** We must control our raw materials and add value to them by processing them prior to export. In the partnership envisaged by NEPAD, unless the west cooperates, we are wasting our time because the west controls the prices of agricultural and other goods, including that of oil too.

**Comment:** For NEPAD to succeed, the government should allow the private sector to drive the change process. We beat our chest on the radical changes in communications in Nigeria today because the private sector was allowed to drive the change. The same thing should happen to NEPAD, AGOA, etc, for change to happen.

**Comment:** Should our priority be security of life and property? My view is that our priority should be food security because food security would guarantee security of life and property.

**Comment:** I suggest that serious effort be made to start discussions on budget two years in advance. For example, namely the 2004 Budget should have been discussed and approved or about to be approved by now.

I also suggest that downstream oil and gas should be encouraged to produce our agro chemical requirements locally as it happens in other nations.

**Comment:** I suggest that there should be a group on the Nigerian environment. In the alternative, infrastructure could be split into (a) Physical (b) Natural, which deals on the three sub-estates of environment: land, air and water.

On infrastructure and others we should avoid using the word "immediate" in the recommendation but be specific about the time frame for implementation. Immediate is too general.

**Comment:** Funding is said to be the critical issue for sustenance of agriculture. To me funding is secondary; “price” of agricultural inputs is essential. Good price will motivate and enhance agriculture. Funding will follow any viable project either in agriculture or elsewhere.

Local content definition depends on each country’s needs, and successful implementation depends on enforceable legal framework with no clear policy by the government.

**Comment:** A primary issue in the oil and gas sector currently is growing the local content. Huge funds will be required in the process, so also will be synergy and collaboration with other sectors. NESG, as an appropriate central collating entity, should advise on practical achievements and/or possible managements for syndicating funding and effective co-operation between sectors.

**Comment:** If I heard the presenter right, he said we should devote 60% our budget to agriculture. I think this is unrealistic. Agriculture is already public and private in activities. Do you not agree with me that we need to do a lot in post-harvest processing? This will have a positive effect on rural farmers, real producers in the Nigerian economy.

**Comment:** How can I liaise with NEPAD and Alhaji Bamanga Tukur with regards to a company registered about a year ago – Africa Cooperation Limited – with a vision of having the largest business conglomerate in the world – airlines, shopping, hospitality (hotels) and fast food, etc.? I have the vision, the knowledge but not the finance? I have a short business plan for the organisation, in my notebook, which I can present in 10 minutes if given the opportunity, I have discussed briefly with Foluso Phillips. My phone number is 02-2318483, and my name S. F. Olatunde or the Managing Director U. I. Ventures Limited, University of Ibadan (02-8104663).

**Question:** The Nigerian Security Minting and Printing has no problem selling its products. So why privatising it?

**Answer:** It is true that the mint has no problem selling its products. So does NITEL. But unknown to Nigerians about 75 per cent of Nigeria’s currency are imported. The mint has not minted coins for many years. Why call it a mint if it cannot mint coins or if it subcontracts passport printing to foreign companies and also subcontracts 75 per cent of our currency to foreign companies? It is not worth being called a mint. It is a drainpipe to government. Since the mint prints most of our currency abroad, why don’t we get the foreign companies to buy and run the mint? There is need for Nigerians to understand that what we are selling are not jewels but junk. The gain of job creation and tax payment to government are there for ever if we sell them at reasonable prices.

**Question:** Why is NEPA not being privatised?

**Answer:** NEPA cannot be privatised now because there are some legislation processes that we must go through before this can be done. For example, by law, NEPA has the sole authority to generate and sell power in Nigeria. So we must put the appropriate legislative reforms in place before we can embark on its sale. The same thing applies to other parastatals such as Nigerian Ports Authority, etc.

**Question:** BPE often advertise for Expression of Interest. Some companies responded to such advertisement but heard nothing from BPE. Why did you ask people to apply and express their interest when you know that you will not call them?

**Answer:** During the military regime of General Abdul Salam Abubakar, some companies were registered by BPE following their response to our advertisement for expression of interest. The new government came and cancelled the registration. We decided to start afresh. Advertisements were placed in the newspapers for competent companies to express their interest. To work for BPE as a consultant, you have to express your interest and bid. The consultants must also tell us the personnel they have, to enable them discharge the assignment that we want to give to them. If you have not got a job from us (BPE), it is probably because you have not come around to bid for one. Those who understand our system say expression of interest and subsequent bidding is the method. Those who don't understand it say you must know someone in BPE before you can get a contract as a consultant. If anything, we prefer to use Nigerian consultants. They will cost us less than using expatriates.

**Question:** The imbroglio surrounding the sale of Nigeria Airways, the botched sale of NITEL and other post privatisation issues seem to have cast a veil of worry on the minds of Nigerians about the privatisation programme. How do you react to this? Also, unlike in some other countries such as Bolivia, too much emphasis is being placed on how much an enterprise is sold for in Nigeria rather than on the services it will provide after privatisation. Can't you consider other models in privatising the companies?

**Answer:** The Nigerian Airways case is an embarrassing and bad one. Our differences with the Ministry of Aviation on the issue are known to everyone. NITEL was our flagship. There was a global melt down in telecoms. So the foreign companies who came here to bid for NITEL were not the best in the world. We noticed that the responses from the top telecoms players in the world were not encouraging. They did not want to come to Nigeria. The question for the government was whether we (BPE) should continue with the privatisation of NITEL or stop it. Our belief was that the worst private sector owner is better than the best government owner. Although, we ended with very high prices, we struck a transaction that gave us the impression

## **Driving Code**

- requiring right driving code from our drivers and staff (including bank bullion vans)
- training on traffic codes (as is done by Shell and other companies)
- sponsorships and awareness creation

## **Corruption**

- just say NO! wherever it rears its ugly head
- blow the whistle wherever you find it
- teach others to say no!

## **Work Ethic**

- be a role model, others will follow
- reward merit and turn under-performance to a stepping stone

In addition, the group urged all NES #9 attendees to mentor 10 people each to further champion the social contract in their institutions. It said that subscribers to the social contract should also agree to measure and monitor our performance, and celebrate major milestones at NES #10 next year.

## **Group 11: Investment**

### **Where We Are**

The group observed that NES#8 identified a number of drivers for growth. They are: security; social and physical infrastructure; investment; privatisation and sector reforms. These would remove many of the factors that increase the cost of doing business in Nigeria.

In summary, it noted that there had been limited progress in some of these areas since NES #8. It observed that in respect of security, there had been positive government statements and some additional funding, but policemen have remained poorly paid, undertrained and poorly equipped. There has also been limited progress in sector reforms and privatisation. In particular, there has been limited progress in investment law codification and SME development. However, little or no progress has been made with improving the legal system/judiciary, and with pension reform. There has also been virtually no progress in improving social and physical infrastructure.



It also observed that a threat by the police to go on strike during the year produced limited result, which was not enough. It said that while the current leadership is inclined towards training, funding for police is just 0.33% of total expenditure and on foreign support for training there has been no progress. Issues of decentralisation for greater effectiveness were not addressed and no concrete action has been taken on a trust fund.

In respect of social and physical infrastructure, the group observed that there is no visible impact on incentives. It observed that with few exceptions, the industrial estates were largely redundant and administrative procedures remained cumbersome for domestic and foreign investors; while the approval and consent process in respect of land by the state governments were yet to be streamlined and there has been no legislative action to abrogate the land use law.

On sector reform and privatisation, it said that there has been no progress on ports privatisation, harmonisation of taxes and macro-economic policy, pensions reform and the NIPC effort to codify investment law.

### **Where We Want To Be**

Nigerian and foreign investors would like to see a Nigeria where there is safety and security of physical assets and personnel as well as a situation where agreements entered into will be adhered to.

Observing that international competitiveness is the only long-term guarantee of viability, the group said that entrepreneurs should be free to focus on running their businesses not on providing their own infrastructure and municipal services.

It also stressed the need for stable and consistent macro-economic policy. It stressed further that fiscal balance, controlled inflation, stable interest rates were far more important for a 10-year investment than for a 90-day LC.

### **Key Issues Going Forward**

Going forward, the following key issues were identified: government reform programme, security, electricity, linkages of investment in a community with those in the community, encouraging the development of SMEs, creating an avenue where investors could have access to long-term funds.

After much deliberation on what the three critical areas should be, the workgroup finally selected electricity, security, and linkages with community

that we did a good job. Although the transaction was not concluded, we thought we made a success of it. So, given the inconclusive transaction, we went ahead with the idea of getting a manager to run NITEL through a management contract. Also, 25 per cent of the shares of NITEL will be sold to the public by December 2002.

Be that as it may, we (NCP/BPE) have learnt a few lessons from the privatisation exercise so far. On whether we should be allowing those who win the bids more time to pay or not, the answer is neither here or there. Yes, it will allow the buyers more time to raise money. But NITEL buyers had about two months to raise the fund, the buyers of the hotel (NICON Hilton, Abuja and Sheraton Hotel and Towers, Abuja) had one month to raise their money and government decided to give them additional period to raise their money.

For both NITEL and NICON Hilton, the option of giving them longer time did not work. On the other hand, 90 days is enough time for a serious buyer to raise money. Another question often asked is whether we (NCP and BPE) can hand over a privatised company to a successful bidder once it makes part-payment. The danger in this option is that if we take this route and the bid winner is unable to pay the balance of the money, it may embark on asset stripping.

On whether we allow Nigerian companies with foreign technical partners to qualify as core investors. Yes, we allow it, but our experience is that Nigerians tend to bid higher, ostensibly to scare away core foreign investors. Let me also sound a note of advice here. We do recognise that raising money is not an easy task, some banks will lose a lot of money for lending money to some of the buyers of the companies being privatised. The only way to avoid losing money is for the banks to do their homework well before lending money.

**Question:** How long is an investor allowed to hold a company before disposing its shares to third parties?

**Answer:** The issue came forward during the sale of Nolchem. The core investors wanted to sell to third parties within six months. Government said "No!". I don't think a core investor should hold a company for less than five years before selling it to third parties.

**Question:** Does NES agree with BPE that the companies being sold are junk?

**Answer:** The BPE says that many Nigerians believe that they (BPE) are selling crown jewels whereas they are junk.

**Question:** Should we bundle the more successful companies with the less successful ones and put them for sale?

**Answer:** No. Already, we have problems getting investors to buy even the so-called good (or more successful) companies. Bundling the less successful ones to them will further scare away investors.

**Question:** What has the proceeds from the privatisation exercise been used for?

**Answer:** The group's recommendation is that part of the money should be used to train those being laid off by the companies being privatised. We also know that the states are asking for their own share of the money and the president is saying that the money came from the investment of the federal government in the first instance.

**Question:** The group on agriculture and food security made little reference to rural development in their presentation. Does it mean that they did not consider rural development?

**Answer:** The issue was duly addressed. One of the problems identified was lack of rural development. Overall funding was identified as the key problem facing the sector. If there is adequate funding, part of the money will be spent on rural development.

**Question:** Funding seems to be the major constraint facing infrastructural development and agricultural development and food security. Foreign Direct Investment (FDI) is needed in these sectors, but FDI cannot come in without an enabling environment. It is a vicious circle. How do we break it?

**Answer:** We must create the needed enabling environment for FDI to come in. Also, there is need for paradigm shift and attitudinal change by Nigerians.

**Question:** Over the years, the summit has identified minimum level of funding by the government for various sectors e.g. education, healthcare delivery, security of lives and property. The economic summit seems ineffective in ensuring that government complies with its recommendations. How do we get the government to take the summit's recommendations more serious?

**Answer:** It is true that slow progress has been made despite the recommendations of the summit. But it is a fundamental question, which we must all ask ourselves. The government has no blueprint on which budgets are hinged. What we have is a system whereby a president comes and sets out the government budget for the year and tries to accomplish whatever he can.

**Question:** Should we stay or leave OPEC?

**Answer:** We should remain in OPEC and make it work.

**Question:** What has been the success of NES?

**Answer:** The President during NES #9 launched his economic action agenda, which is the government's reaction to NES recommendations.

**Question:** How do you take care of devolution of responsibility to lower tiers of government e.g. primary education?

**Answer:** Revenue allocation formula should shift revenue from centre to states to match devolution of responsibility (new revenue formula or adjustment desired).

**Question:** Can we ask for a federal government tax holiday for an emergent small or medium-sized enterprise over a period of one year?

**Answer:** Yes. To stimulate business which is the greatest source of employment in the economy.

## **Section 3**

### **Summary of Summit Recommendations Presented to the President, Federal Republic of Nigeria**

At the final plenary session, a summary of the summit's recommendations was presented to the President.

#### **Presentation Outline**

- Recap of Past Summits/NES #8
- NES #9 Recommendations
- Summary and Conclusions

#### **Past Summits**

- Forged broad agreement on economic policies and objectives
  - Africa's No.1 economy
  - Accelerated growth – 10%
  - Raise standards of living
  - Private Sector –Public Sector Partnership

#### **NES #8**

NES #8 had identified the following:

- Growth drivers for the economy
- Critical sectors
- Recommendations

#### **Growth Drivers for the Economy**

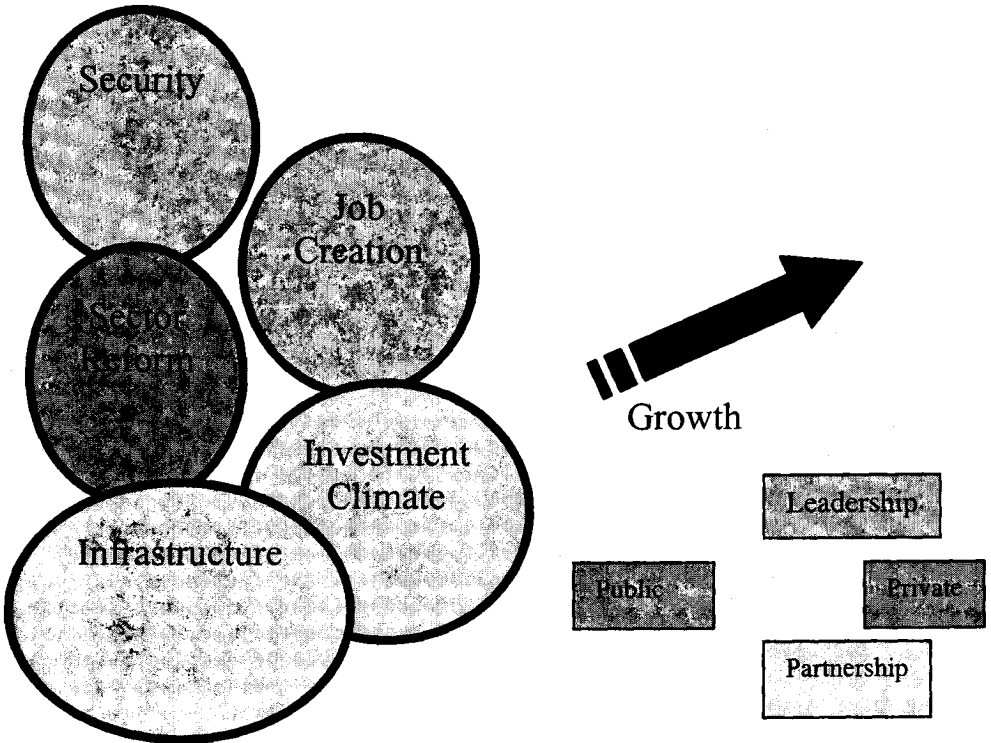
The growth drivers for the economy include the following:

- Sector Reforms
- Infrastructure
- Security
- Investment Climate
- Job Creation

# This Summit – NES #9

The focuses of NES #9 were identified as:

- Putting the Economy First
  - Democracy dividends
  - Social and political stability
  - Security
  - Private Sector growth
- We now have Public-Private Sector consensus on Nigeria economic blueprint
  - President Obasanjo’s Economic Direction 1999-2003
  - NES Economic Action Agenda
  - Framework for Economic Growth (2003-2007)



**Driving The Tracks**

	Sector reform	Infra-structure	Security	Investment Climate	Job creation
Agriculture	○	●	○	●	●
Solid minerals	○	●	○	●	●
Manufacturing	○	●	○	●	○
Crude oil	○	○	●	○	○
Gas	●	●	●	○	○

● High need

○ Medium need

○ Low need

**Change**

<b>Start</b>	<b>Stop</b>	<b>Continue</b>
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**Start**

The government should start the following actions:

- Build a Nigerian National Spirit
- Rallying point beyond football
- Budget and Economic Policy Integration
- Economic Impact Assessment
- Quarterly Accountability Reporting
- Publication of contract details
- Reduce the size of government
- 70% of revenue goes on salaries
- Commence Performance Measurement
- Key Performance Indicators for ministers

- Appoint Technocrats to key economic departments
- Finance, national planning, CBN, petroleum resources
- NIPC, BPE, SEC & other regulatory bodies
- Appoint private sector representatives to tenders boards
- Institutionalise corporate governance

## **Stop**

The government should stop the following:

- Deficit Budgeting
- Waste
- Oversized civil service
- Private sector too!
- Unnecessary capital projects
- Unproductive travel
- Undermining due budgeting process

## **Continue/Intensify**

The Private sector too should stop

- Tax evasion
- Both sectors – public and private – should continue and intensify
- Deregulation/ Privatisation
- Anti-corruption crusade
- Strengthen Police Force
- Reduce cost of business
- Duties and taxes
- Dialogue and consultation process
- Environmentally-friendly practices
- Economic framework (medium to long-term)



## Reality Check

	Status Quo			Change Scenario		
	2002	2003-6	2007	2002	2003-6	2007
Real GDP Growth	-0.9	2.8	2.6	-0.9	4.6	5.5
Non-Oil GDP Growth	5.3	2.8	2.8	5.3	5.3	6.8
Inflation (annual average)	13.4	15.6	12.6	13.4	10.	6.7
Fiscal balance (% of GDP)	-5.2	-7.6	-8.6	-6.7	-0.4	1.9
External Current A/C (% of GDP)	-9.9	-6.3	-4.8	-9.9	-7.1	-4.4
Reserves (months of imports)	4.6	3.4	3.4	4.6	4.5	5.3

Source: IMF Staff Estimates

## Urgent Imperatives

The following urgent imperatives were identified for the country:

- Salvation means that hard choices must be made
- Resources are limited – deploy to most productive activities
- We cannot afford to continue wasting resources
- We need to act fast!

## NES #9 Presentation

- Focus on implementation, action plan, timeframe and monitoring
- Priorities for Nigeria economy

## Work Groups' Charges

- 12 work groups focusing on critical areas of the economy
- Reviewed NES #8 recommendations and achievements made
- Selected priorities
- Prioritised action agenda with time frame

A summary of the recommendations of each of the 12 work groups is as follows

## Infrastructure

### Key Elements

The key elements in infrastructure are:

- Utilities

- Electric Power
- Telecommunications
- Water
- Transportation
- Roads
- Sea Ports and Inland Waterways
- Railways
- Aviation

### **Action Plan**

The action plan in infrastructure are:

- *Power*
  - Pass EPSR bill (*NASS – 31-03-03*)
  - Unbundle and privatise NEPA, implement market reform (*FGN/NASS*)
- *Telecom*
  - Enhance legal/regulatory function (*2003*)
  - Complete NITEL privatisation (*2003*)
- *Roads*
  - Urgent Rehabilitation of roads at all levels (*FGN/SG/LG 31-03-2003*)
  - Liberalise/privatise road construction
- *Inland Waterways and Ports*
  - Harmonise and streamline activities of different agencies at the Ports
  - Implement incentives to make ports outside Lagos and Port Harcourt attractive
  - Encourage private sector participation in building jetties and water way terminals
- *Railways*
  - Build west-east rail line (public/private) and urban network for mass transportation in Lagos, PH, Kano, Abuja, etc.
- *Aviation*
  - Privatise Nigeria Airways
  - Equip all airports with navigational aids to international standards

## **Budget and Economic Coordination**

### *Key Objective*

- Sustainable economic growth and stability through a budget process that is:
  - Coordinated
  - Transparent/Comprehensive
  - Result oriented
  - Cohesive
  - Timely

### **Action Plan**

The action plan in budget and economic coordination are:

- Set broad principles for allocation of resources
- Insulate the budget from oil shocks
- Enact a Fiscal Responsibility Act
- Set limits for -
  - Public debt/GDP ratio
  - Primary deficit
  - Debt service ratio
- Enforce NPC coordination role

## **Human Capital and Quality of Life**

In human capital and quality of life, it was noted that trained and competent manpower is a country's greatest resources.

### **Key Objective**

The key objectives in this sector are:

- To focus attention on a few clear and actionable priorities that are geared towards providing better manpower training and satisfying the needs of industry and the nation at large.

### **Action Plan (FGN/NASS/SG)**

The action plan in the sector are:

- Increase substantially public expenditure on education
  - At least 2% of GDP
  - At least 20% of Federal budget
    - \* versus 6% current, 26% UNESCO norm

- Increase coverage and quality of primary and secondary education
- Streamline NUC function to be in harmony with university autonomy
- Fund scholarships for deserving students based on excellence
- Face reality that contribution is required from all stakeholders (Govt., Private sector & parents)

### **Action Plan:**

#### *Private Sector*

- Provide endowments to tertiary institutions
- Support students industrial work experience scheme
- Establish research collaboration with universities and accept placement in industry during sabbatical leave

#### *Tertiary Institution*

- Implement strategic plans encompassing proper budgeting, implementation and control
- Review curricula, and select focus areas to meet the needs of industry and public sector
- Deploy ICTs for teaching, research and administration

### **Special Focus:**

#### *ICT, Education*

- Create 'IT corridors' providing IT equipment and software, internet access and training for ICT entrepreneurs and university undergraduates
- Provide special incentive/remuneration for ICT instructors

#### *Technical-Vocational Education*

- Transform existing technical schools to focus on skills needed on selected industrial sectors and review curriculum
- Review conditions of service of instructors and publicise remuneration opportunities

### **SMEs, Informal Sector and Wealth Creation**

The key issues identified under SMEs, Informal Sector and Wealth Creation include the following:

## **Key Issues**

- Funding and interest costs
- Access to markets
- Management capacity

## **Government Initiatives So Far**

Some government initiatives in the past were identified. They include:

- SMIDA (Small & Medium Industries Development Agency)
- SMIES (Small and Medium Industries Equity Investment Scheme)
- Bank of Industry

## **Action Plan**

The action plan in this sector are:

- Improve access to finance (*FG*)
- Fund BOI and Commence operations
- Implement SMIDA (*FG/NASS*) – 01,2003
- Promote full implementation of ECOWAS treaty on free trade (FG - on-going)
- Remove bans and duty on qualifying goods from ECOWAS countries
- Better management/organisation by SME

## **Agriculture**

### **Key Issues**

The key issues in agriculture and food security are:

- Funding – tenor and interest rates
- Input costs (subsidy)
- Rural infrastructure – access to market

### **Policy Objectives**

The policy objectives in agriculture and food security are:

- Food sufficiency
- Raw materials for industry
- Job creation

## **Action Plan**

The action plan in this critical sector are:

- Funding is it!
- Provide long term funding at single digit interest rate (even if this will mean some subsidy) (NACRDB, SME Funds with Banks, Agricultural Credit Guaranty Scheme)
- Establish Agricultural Development Fund
- Public – private sector funded
- Contribution from SME funds
- FDI
- Donor agencies
- Tax and food imports (e.g. 2 ½%)
- Develop rural infrastructure to support evacuation of harvest
- State money to generate seedlings for strategic crops
  - \* Sell to farmers at cost
  - \* Reimburse in full (+ interest) on performance
  - \* Cassava, cocoa, cotton, rubber, palm, citrus.

## **Oil and Gas**

### **Key Issues**

Various issues were identified in the Oil and Gas sector. Among the issues are:

- Increase share of OPEC Quota
- Funding
- Gas development
- Downstream deregulation
- Community relations
- Increased Nigerian content and local manufacturing

### **Action Plan**

The following action plan were set out with an indication of who should implement them:

- Continue and expand scope of alternative funding and PSCs (*FGN*)

- Fully deregulate, simplify, demystify approval process for private sector investment in downstream petroleum industries (refineries, petrochemicals) (FGN)
- Clarify and codify fiscal and contractual framework for gas utilisation (FGN)
- Continue to address oil community problems (oil companies, NNPC, NDDC) and increase security arrangements (FGN)
- Establish incentives to encourage local investment (long-term funding) (FGN)

## **Banking and Finance**

The key issues in the banking sector are:

### **Key Issues**

- Long-term deposit mobilisation through pension funds
- Depletion of external reserves and impact on exchange rate stability
- Professionalism
- High interest rate

### **Key Objectives**

- Rebuilding confidence
- Stability of the banking sector
- Adequacy/availability of foreign exchange
- Low interest rate regime
- Strengthen corporate governance

### **Action Plans**

As in the other sectors, the following action plan were set out and time given for their implementation.

- Enable access to long-term funds through proper funding and management of fund (*Public/Private sector – March 2003*)
- Establish framework for market-determined exchange rate (*CBN – March 2003*)
- Patronise the capital market for long-term financing (*FGN – December 2002*)
- Co-opt private sector representatives into the Monetary Policy Committee (*CBN – Dec. 2002*)

- Greater collaboration between banks and insurance companies (*Banks/Insurance coys. – Immediate*)
- Improve corporate governance by appointing independent directors (*Banks/Insurance coys –December 2002*)
- Increase capital base of new insurance companies to ₦500 million and ₦350ml for existing companies (*NAICOM/NASS – 2003*)

## **Privatisation and Deregulation**

### **Key Objectives**

The key objectives under Privatisation and Deregulation include the following:

- To transform the economy from “a state led” to private sector driven one.

### **Key Issues**

- Inter-governmental co-ordination
- Nigeria Airways, Coal Corporation, ASCON, etc.
- Sector Reform Acts (Legislative Framework)
- Acceptance of Pricing Reality – some are “Junk”

### **Action Plan**

The action plan set out in this critical sector include the following:

- Enact/pass sector reform legislation (*NASS*)
- Power Sector Reform Bill
- Telecoms Bill
- Competition and Antitrust
- Solid Minerals Bill
- Petroleum Sector Reform Bill
- Ensure and enforce inter-governmental coordination of reform and privatisation by channelling all transactions through NCP (*FG*)
- Develop realistic pricing policy to recognise the realities of enterprises and future benefit from new investors to the economy



## **Competitive Industrialisation**

### **Key Issues**

A number of key issues were identified under Competitive Industrialisation. Key among them are:

- Outdated Industry Policy based on import substitution (1988)
- Undeveloped sources of raw materials (agriculture, minerals)
- Import duties and taxes on capital equipment and raw materials too high (?)
- Infrastructural deficiencies impact competitiveness
  - Power supply is unreliable and expensive
  - Telecommunications services expensive
  - Roads maintenance need improvement
  - Rail network is totally moribund
- Interest rates are too high/exchange rates unfavourable
- Macro-economic instability exacerbates competitiveness

### **Key Objectives**

The key objectives in the sector are:

- National commitments (*FGN*)
  - Target manufacturing to contribute 20% of GDP
  - Reduce input costs of manufacturing to globally competitive levels
  - Identify and nurture clusters of competitive advantage and global competitiveness

### **Action Plans**

- Establish an Industry Action Committee (IAC) to develop industrial blueprint (*Dec. 2003*)
- Identify factors that inhibit competitiveness and proffer solutions (*March 2003*)
- Identify sectors which Nigeria may have competitive advantage (*September 2003*)
- Revise and publish investment incentives (*June 2003*)
- Reduce import duties on capital equipment and raw materials to ECOWAS parity levels (*Jan. 2003*)

- Address infrastructural deficiencies to enhance competitiveness – power, roads, railways, etc. (*On-going*)
- Manage macro-economic fundamentals (low budget deficits, etc) to achieve low interest rates, exchange rates, etc. (*Jan. 2003*)

## **Rebuilding Institutions**

### **Key Issues**

Many key issues identified under Rebuilding Institutions. Among them are:

- Years of disruptive dictatorship have destroyed key institutions:
  - Civil Service
  - Military professionalism
  - Political parties
  - Law enforcement agencies
  - Judiciary, and
  - Family
- The disruptive deterioration is attributable to:
  - Poor leadership
  - Dishonesty and lack of integrity
  - Absence of community/nationhood
  - Materialism
  - Discretion and corruption, and
  - Disrespect for rule of law
- Key social institutions have also collapsed
  - Schools
  - Healthcare
  - Extended family

### **Key Objectives**

A number of objectives were also identified. Key among them which are:

- Rebuild political, civic, judicial, and market institutions

- Civil service
- Police
- Military
- Legislature
- Judiciary
- Reinvent community and family institutions
- Schools
- Family values
- Community development
- Inter-ethnic/religious harmony

### **Action Plans**

The following action plans were also recommended:

- Increase investment in education and health sectors, etc, consistent with UNESCO/WHO recommendations (*January 2003*)
- Judiciary
- Police
- Persons
- Anti-corruption Commission (*on-going*)
- Start a pilot scheme of community-based partnership for security in Nigeria, starting with Lagos (*June 2003*)
- Articulate, publish and publicize social contract on rebuilding institutions, starting with NESG #9 attendees (*Immediate*)

### **Investment**

#### **Key Issues**

Investment is important for economic growth. The key issues identified in this sector are:

- Security
- High cost of doing business
- Macro-economic stability

## **Key Objectives**

A number of key objectives were also identified. Key among them are:

- Create enabling environment for investment
- Promote non-oil investment
- Sector reform and privatisation

## **Action Plan**

An action plan was also drawn for the sector. It includes the following:

- Strengthen the Police Force to improve security (*FGN-Immediate*)
- Establish Technical Committee on Police reform
- Encourage community policing
- Initiate/implement schemes for private investment in infrastructure (BOO, BOOT, ROT) (*FGN-2003 onwards*)
- Pursue power sector reform by enacting the Electricity Reform Bill (*National Assembly – 31-03-2003*)
- Adequate funding of the NIPC to undertake investment promotion activities (*FGN – Immediate*)
- Ensure policy consistency/macro-economic stability (*FGN-Immediate*)

## **NEPAD - New Partnership for Africa's Development**

- The Economic Programme of the AU
- Private sector role in continental economic developments
- Harnessing country competitiveness for regional development
- Some examples –
- Nigeria (markets, resources and manpower)
- South Africa (technology, investment capital)
- Libya (investment capital)

## **Key Issues**

The key issues under this new initiative are:

- Supra-nationality versus National Interest
- National legislative support
- Private sector leadership

- Capacity building
- OECD support (US, UK and France in particular)

### **Action Plan**

- Institutionalise NEPAD by passing domestic legislation adopting NEPAD (*FGN, NASS*)
- NESG & NPC to organise seminars, issues publications to educate Nigerians on NEPAD
- Establish timetable to achieve critical commonalities
  - Harmonise business laws
  - Free movement of goods and persons
  - Transportation (air, land, sea)
- Create/strengthen regional financial institution to support private sector JVs

### **Nigeria: Putting the Economy First**

The Summit participants recommended that Nigerians must always put the economy first.

### **Pre-conditions**

In putting the economy first, the following preconditions were identified.

- Commitment to policy objectives despite implementation difficulty
- Implementation failure does not mean policy failure
- Implement, implement, implement
- Adopt loose brick strategy
- Focus, priorities
- Long-term perspective/vision

The Summit recommended that Nigerians must start having national spirit, resource allocation and engage in performance management. They must also stop waste at all levels and stop the executive-legislative face-off. They must continue policy on liberalisation, transparency, etc.

Start	Stop	Continue
<ul style="list-style-type: none"> <li>•National Spirit</li> <li>•Resource Allocation</li> <li>•Performance Management</li> </ul>	<ul style="list-style-type: none"> <li>•Waste at all levels</li> <li>•Executive/Legislature Face-off</li> </ul>	<ul style="list-style-type: none"> <li>•Liberalisation</li> <li>•Transparency drive</li> <li>•Cutting cost of doing business</li> <li>•Consultation</li> </ul>

## CONCLUSION

### Final Word

Finally, the summit believed that:

- We can do it
- All that is required is conviction, commitment and process discipline
- We have a duty to Nigeria and Nigerians
- We can uplift Africa and black race in the manner Japan has done for Asia

*Nigeria: Putting the Economy First*

## **Appendices**

## *Appendix A*

### **Programme of Events at the Ninth Economic Summit – Abuja, October 16 – 18, 2002**

#### **Day I, Wednesday 16 - Special Summit Forum**

7.00am	Registration	All Participants
11.00am	Financial Sector: Rebuilding Confidence Adamu Ciroma, <i>Minister of Finance</i>	<b>Guest Panelists</b>  Sanusi Daggash, <i>Chairman, House of Rep. Committee on Finance</i> Shamsudeen Usman, <i>DG, CBN</i> Charles Ugwu, <i>President, Manufacturers Association of Nigeria</i> Gary Moser, <i>Resident Representative, IMF</i> Tayo Aderinokun, <i>MD, GTB</i> G.A.T. Oboh, <i>GMD, Union Bank Plc</i> Peter Umoh, <i>ED, NDIC</i> Larry Osa-Afiana, <i>MD, Bank of Industry</i> Duro Kuteyi, <i>MD, Spectra</i>  <b>Facilitators</b> Atedo Peterside, <i>MD, IBTC Ltd</i> Bode Augusto, <i>MD, Augusto &amp; Co.,</i> Funke Osibodu, <i>MD, Ecobank Nigeria Plc.</i>
2.00pm	Group Leaders' Meeting	All Co-chairmen, Speakers, Rapporteurs and Members of the Joint Planning Committee
2.30pm	Press Briefing	Members of the Joint Planning Committee and Representatives of Public & Private Sectors
	<b>Opening Plenary</b>	
3.00pm	Participants and Guests take their seats	All Participants & Guests
3.15pm	Arrival of His Excellency, President Olusegun Obasanjo, GCFR	



3.20pm	Welcome Address	Bunmi Oni, <i>Chairman, The NESG</i>
3.35pm	Introductory Remarks	Magnus Kpakol, <i>Chief Economic Adviser to the President</i>
3.45pm	Formal Opening of the Summit His Excellency, President Olusegun Obasanjo, GCFR	
4.00pm	National Presentation	Ifueko Omoigui/Udoma Udo Udoma
4.55pm	Guest Speaker	Joseph Grandmaison, <i>Chairman, Board of Directors, US Export-Import Bank</i>
5.25pm	Vote of Thanks	Sam Ohuabuwa, <i>Co-chairman NES#9 Joint Planning Committee</i>
5.35pm	President Departs	
7.30pm	<b>Special Summit Dinner I</b> - Welcome Remarks  - Special Guest of Honour  - Guest Speaker  - Vote of Thanks	All Participants Bunmi Oni, <i>Chairman, The NESG</i> <i>His Excellency, Vice President</i> Atiku Abubakar Senator Paul Simon, <i>Illinois University, Chicago, USA</i> Adrian Wood, <i>CEO, MTN Nigeria</i>

## **Day II, Thursday 17 Plenary Break-out Session**

7.00am	Breakfast Meeting: Invited participants ABR -NEPAD Private Sector Forum	<b>Guest Panelists</b> Bamangar Tukur, <i>Chairman/ Moderator</i> Chinyere Asika, <i>Co-Chair</i> Isaac Aluko-Olokun, <i>Speaker, Public Sector</i> Foluso Phillips, <i>Speaker, Private Sector</i> Omar Kabbaj, <i>President, ADB</i>
8.30am	Guest Speaker	
9.00am	National Assembly Presentation	Ghali Na'Aba, <i>Speaker, House of Representatives</i>

9.30am	Group Discussion Starts (9.30am -6.00pm)	All participants to proceed to designated meeting rooms for Group Discussions (Lunch will be served in the meeting rooms).
4.30pm	Press Briefing	Members of the Joint Planning Committee and Representatives of the Public & Private Sectors
7.30pm	Special Summit Dinner II	All Participants
	-Welcome Remarks	Kola Daisi, <i>Chairman, Nigerian Investment Promotion Commission (NIPC)</i>
	-Special Guest of Honour	Senator Anyim Pius Anyim, <i>Senate President, Federal Republic of Nigeria</i>
	-Guest Speaker	Goodie Ibru, <i>Chairman, Ikeja Hotels PLC</i>
	-Vote of Thanks	Magnus Kpakol, <i>Chief Economic Adviser to the President</i>

### Day III, Friday 18 Plenary Session, Conclusion

7.00am	Breakfast Meeting: NIPC -BPE Investors Forum Invited participants	
	Introductory Remarks	-Bunmi Oni/Oba Otudeko
		<b>Guest Panelists</b>
		-Bunmi Oni
		-Oba Otudeko
		-Kola Daisi
		-Nasirel-Rufai
		-SurajYakubu
		-Ahmed Tijani
		-Eyo Ekpo
		-Dotun Suleiman
		<b>Facilitators</b>
		-Julius Bala
		-Foluso Phillips
8.30am	Feedback from Workgroups	All Participants

11.30am	Arrival of His Excellency, President Olusegun Obasanjo, GCFR	
11.35am	Presentation of Recommendations	Henry Okolo / Nasir EI-Rufai of NES #9 to <i>His Excellency</i> , President Olusegun Obasanjo, GCFR
12.45pm	Closing Address His Excellency, President Olusegun Obasanjo, GCFR	
1.15pm	Post Summit Lunch All invited Guests and Participants	
2.30pm	Press Briefing	Members of the Joint Planning Committee and Representatives of the Public & Private Sectors

## ***Appendix B***

### **Speeches and Presentations**

#### **Welcome Remarks at the Opening Plenary Session**

*– Bunmi Oni, Chairman, The NESG*

#### **Protocols**

The Ninth Nigerian Economic Summit opens today at an important moment in our democratic experience, and the theme for this year could not have been more appropriate. At the closing session of the Eight Summit last year, participants identified five growth drivers that would accelerate the momentum of economic development and raise the quality of life of the Nigerian people in the long run. We recognized that there were no quick fixes, but agreed on the imperative to pursue the long-term strategic choices while reaping the benefits of the low hanging fruits. Those drivers and the specifics of the recommended action steps were very clearly articulated, and we are delighted to note that in subsequent dialogues and interactions with the government at the highest level, there has been complete harmony with the priorities being pursued. Just to recap, those core drivers were Sector Reforms, Investment Climate, Job Creation, Security and Infrastructure.

These five drivers represented, in the view of the summit participants, the inter-locking five golden rings or the virtuous circles. We have noted that these drivers have been accorded some attention over the last year. The Sector Reform task has been taken one step beyond the commitment to privatisation with the various sector reform bills now before the National Assembly. (And by the way, those who still debate whether or not to privatise state-owned commercial enterprises should consider the gains we could derive from productive investment of an excess ₦200 billion that currently goes annually into grants and tax exemptions. Our focus should be on guaranteeing the transparency of the process).

The inauguration of the Steering Committee on Competition and Anti-Trust Reform was an additional step. The major deliverable from this committee is the production of a draft Federal Competition Bill to be presented to the National Assembly soon. We expect that this legislation will govern the conduct of businesses as we press ahead with our liberalization policy. It will also help instil high standards of corporate governance and install the mechanisms to protect intellectual property. The Pension Reform Committee has virtually concluded its work, and it is commendable that private sector persons chair these committees.

Similarly, we can identify steps taken in the effort to tackle the other four drivers, but we must not allow our focus to be drawn away from generating the desired positive inertia. After all, no general prosecutes a war and allows himself to be distracted. The summit process has become the unique vehicle of partnership and the platform to sustain the momentum that has been created. I have some testimonies to share.

Mr. President, beyond these initial steps, the restructuring of our socio-economic fabric is ahead of us. The burgeoning extra-legal sector and the crime in our inner cities have their roots in the distortions in the economy. Our reform work must aim at migrating the extra-legal sector into the formal, and that will require bold actions particularly in land use and property ownership reforms. Such reforms will formalize ownership rights and facilitate the representation of the existing dead capital in our urban and rural communities in ways they can be transformed into productive assets. Achieving this will set in motion an economic revolution that will surpass our imagination. Our demographic profile and resource endowment are great strengths in our favour.

Mr. President, I believe we have exciting times ahead, but we must first roll up our sleeves. Ours must be the generation that pays the price in hard work for the future generations. Welcome then to the future, and that is why I offer you all a most hearty welcome to the commencement of the Ninth Nigerian Economic Summit.

I thank you for your attention.

## **Introductory Remarks at the Opening Plenary Session**

*- Magnus Kpakol, Chief Economic Adviser to the President*

### **Protocols**

It is my pleasure to welcome you all, to this year's Economic Summit. The theme of the summit is "Nigeria: Putting the Economy First." As you are all aware, the Nigerian Economic Summit is an annual event that brings together experts from both the public and private sectors of the economy to deliberate on ways of moving our economy forward. Today, we have representatives from our development partners like the World Bank, the IMF and others. We thank you all for your contribution.

I believe we have some real opportunities ahead of us. But we also have some challenges. However, working together, I know we can do it. And quite frankly we are already doing it. As we all know, economic growth in Nigeria was dismal throughout much of the 1990s. In fact, over the period from 1992 to 1998, real GDP grew just 2.6% on the average, well below the rate of population growth of nearly 3.0%

Recently, the President used the concept of baking the cake to illustrate the need for increasing the base of goods and services produced in this country. This concept is very appealing, and most people should be able to relate to it. As Mr. President has said, the size of our national cake has remained virtually the same over the years, even as the population of people expected to feed from it has increased significantly.

However, the return of democracy in 1999 and the election of President Obasanjo and Vice President Atiku Abubakar have begun to boost economic recovery and growth in our country. Indeed, in the last two years, real Gross Domestic Product (real GDP) has increased faster than at anytime since 1991. To be precise, in 2000 the economy grew by 3.83% and rose by 4.2% last year.

But we are still going through the process of political and economic reforms that will take some time to produce the kinds of results where every Nigerian feels fully lifted up. But compared to many countries of the world that have attempted political and economic reforms at the same time, we have done remarkably well. Indeed, compared to even those countries that are not just starting reforms we are still doing outstandingly well.

In fact, today, we see dramatic changes in telecommunications, water supply and electricity supply. The lives of many Nigerians are literally being transformed by the changes in telecom and many of these areas. In 1999, only about 1,500 MW of electricity was being generated. By the end of last year, we had reached about 4,000 MW. This is not yet enough, but it is almost 200% higher than what the President and Vice President met in 1999. This administration has sunk over 9,000 boreholes across Nigeria in just two years, and added over 1.2 million new telephone lines. Before 1999, we had only about 400,000 lines; we have added more than three times what we managed to have since independence.

But there is still a lot to be done, and that is why we are gathered here today.

Your Excellency, Mr. President and Mr. Vice President, please permit me to say that what we see in Nigeria today is basically a paradigm shift in the way people make money and build wealth in this country. Suddenly, Nigerians have to adjust to a new arrangement where the power of patronage is being dissolved and a level playing field is being erected. And we are doing this through a democratic process. Our aim is to provide a level playing field for all.

To be sure, good economic policy should always be about providing a high level of welfare for the people. And of course any policy to enlarge the size of our economy must necessarily look at resource endowments and competitive advantages that may exist. Yes, it is true that we are a well-endowed country, but we must, by now, recognise

that a solid resource endowment base is only a necessary platform, and certainly not a sufficient condition for economic prosperity. For prosperity, we must be able to manage and allocate the resources optimally in order to become competitive, especially as the global economy is becoming more dynamic.

Economic progress in Nigeria will never come, carried on the wings of inevitability. Economic development is never inevitable. It will not come at a command. It will come only when Nigerians become purposeful and are jointly committed to rebuilding our economy.

To generate a stronger and stable growth rate, the economy would have to be diversified, to minimise the impact of changes in the crude oil industry. To achieve this, government will promote increased production in the non-oil sector of the economy, by creating a level playing field for a private sector-led activity. And this government will support increased investment in infrastructure and human capital, with particular attention to rural sector development.

To help diversify our economy and reduce uncertainty, the President in his vision, has identified basically six, well to be precise, since Mr. President is here, 5½ priority tracks of production, mainly in the non-oil sector. These are as follows:

- Agriculture and Agro-business
- Solid Minerals Development
- Manufacturing
- Crude oil
- Natural gas
- Tourism

Also, job creation, productivity and higher personal income levels will be the goals of the economic diversification involving key tracks of production.

I have talked about policy. But no policy evolves in a vacuum. Every policy, to be effective must be well managed. Indeed, the reason why until recently we have had a long history of economic malaise in our country is because we lacked responsible, accountable and trustworthy leadership. Well today, we have credible leadership in this country. We have a President who is committed and devoted to Nigeria and to all the people of Nigeria. We have a leadership with vision and determination. And in the last three years you can see the president through the members of the administration to the people of this country.

A few weeks ago, President Clinton was here to visit Nigeria and our President. As they sat together I began to think of the positive similarities they share. But the one

that struck me is that, for Mr. Clinton, we were watching a President that presided over the longest economic expansion in the history of the United States, and for our President we were watching a President that is presiding over the strongest economic recovery in Nigeria, in more than a decade.

I believe that we have a president who is not only one of the best in the history of Nigeria, but also one of the most credible in the world. He is a leader in Africa, one of the founding fathers of NEPAD and the African Union.

Your Excellency, Mr. Vice President, distinguished personalities, please allow me the high honour and great privilege to introduce, and invite, to give the opening address, The President and Commander in Chief of the Armed Forces of the Federal Republic of Nigeria, Chief Olusegun Obasanjo, GCFR.

Your Excellency, Mr. President.

### **Opening Address - *His Excellency, President Olusegun Obasanjo, GCFR***

#### **Protocols**

It is my pleasure to welcome you all to the annual Nigerian Economic Summit, the fourth since the inception of this administration in 1999, and the ninth since the idea was conceptualised as an annual event, to bring together experts from both the public and private sectors of the economy for dialogue on how to develop our economy.

I am particularly impressed with the theme of this year's summit, which is '**Nigeria: Putting the Economy First**'. The theme could not have come at a better time, as it vividly reflects the current policy thrust of this administration.

Let me say that I broadly share the objectives of this summit, particularly the growth drivers that have been put forward by the organizing committee, with whom I met yesterday. I would however like to suggest that in addition to those growth drivers, we must relentlessly pursue what has now become known as the Obasanjo's five and a half tracks of economic development. They are: oil, gas, agricultural and food production, manufacturing, solid minerals and tourism.

I am pleased to note that both the private and public sectors are in agreement on the need to accelerate economic growth and development, thereby putting the national economy first. I do hope that we continue to sustain this understanding, and realize, that Nigeria of our dreams. I want to believe that at the end of our deliberations at the various workgroups, we would have identified and defined the strategies necessary



for the sustainable growth and development of our economy. In doing this, we would have also defined the various economic priorities necessary for achieving our results.

In addition, let us not lose sight of the fact that this summit is expected to fashion out clear and sector-focused strategies for achieving the targets set in the economic recovery programme that this administration is unveiling today. I trust that you will develop an action plan and a time frame for implementation, monitoring and evaluation of these strategies. This is where I expect all federal ministers, permanent secretaries and chief executives of government parastatals, to participate effectively at the discussions of the various workgroups so as to enhance the quality of the deliberations.

At an occasion like this, I cannot but mention some of the indications of progress made since we assumed leadership of this country in mid-1999. On the whole, I am pleased to report that our economy is on course; there are clear signs of results that deserve to be described as remarkable.

We see power supply as a cornerstone for adequately engaging the private sector in our efforts to rebuild this economy. In regard to this, we are determined to steadily increase electricity supply to support industrial activities in this country. Already, we have increased electricity generation by well over 160% from about 1,500 MW in 1999, to about 4,000 MW in December 2001.

But we want the participation of all Nigerians if we are to optimise our efforts at rebuilding this economy. This is why this administration is also committed to a faster pace of rural development. But to empower our people in the rural areas, we will have to ensure that they have access to some basic services and infrastructure. To this end, we are placing much attention on rural power supply, safe drinking water, and basic healthcare, to mention just some of the key areas.

This morning, you will be able to see much of what we expect to do in the period ahead in the Framework for Economic Recovery and Growth Programme that I am hereby unveiling.

As detailed in the framework, we will continue to pursue approaches that bring efficiency to economic performance. These will include good governance and steady privatisation efforts, but, above all, the participation of both the private and public sectors of the economy. Indeed, we must get all hands on deck.

Personally, I see hope in our economic prospects. There is currently strong evidence that capacity utilisation across the country is beginning to rise, whilst foreign direct investment in the economy has increased significantly. For instance, the Nigerian Investment Promotion Council, (NIPC) has in the last three years, recorded the establishment of about 170 enterprises with foreign participation. These companies

are reported to have generated about 643 million US dollars or ₦80 billion. At the same time, about 575 million US dollars of capital goods are recorded to have been imported for investment since 1999. Meanwhile, new investment opportunities are steadily developing.

We recently broke ground for a large methanol plant in Lekki, Lagos, and we are likely to see many new investments like this emerging in the coming months. In addition, we continue to receive support from our development partners in Official Development Assistance (ODA). We are thankful for the support that our partners, many of them represented here, have given, and continue to give us.

To assure the promise of prosperity, we must remain focused on our commitment to the Universal Basic Education (UBE) programme, and the provision of basic healthcare, especially our fight to contain HIV/AIDS, malaria, and other communicable diseases.

Let me mention here, a recent international report that describes HIV/AIDS as a threat to global security. This report which mentions Nigeria's vulnerability, raises alarm on the devastating effects that HIV has for the age group that is the most productive segment of the society, with such dangerous consequences as damage to economic and political institutions. We in Nigeria, have no choice but to regard the scourge of HIV/AIDS as a threat to our national security, as well as a strategic issue. Our commitment to combating AIDS, thus transcends mere provision of basic health, and becomes a battle for the survival of our nation.

Distinguished participants, in spite of the remarkable progress, there is still a lot to be done, I will be the first to admit that I want to see more dividends of democracy across our land, from Badagry to Nguru and from Bomadi to Kaura-Namoda. I want to put a smile on the face of every Nigerian. We have to care and be courteous to one another. I am therefore enjoining you both operators in the public and private sectors, to rededicate yourselves to efforts at accelerating the country's economy to levels of higher pre-eminence. This is why we must work hard to continue our leadership in Africa and the world through NEPAD, and other activities. Together, making strides, we will succeed.

Ladies and gentlemen, I am pleased to see so many enthusiastic faces here this afternoon, as I now formally declare open the Ninth Nigerian Economic Summit 2002. I wish you all fruitful and successful deliberations. I definitely, look forward to the best from this year's summit.

I thank you.

## Appendix C

### National Presentation – *Ifueko Omoigui and Udoma Udo Udoma*

#### Presentation Outline

- Objectives of the Summit
- The Journey So Far
- The Summit Scorecard
- The World in 2012
- Why and How to put the Economy First
- Workgroup Challenge

#### Objective of the Summit

- Sustain public/private sector dialogue and collaboration process
- Define short to medium term economic priorities within longer term objectives
- Generate an action agenda
- Obtain commitment of all stakeholders to the low hanging fruits actions required to deliver on defined priorities.

#### The Journey so far (1)

1.	1993	Charting an appropriate strategy: Putting in place reforms needed to restructure the economy. Our objectives are to lay down a blue print for sustainable development and to foster major private investment”
2.	1995	The 1996 Budget issues; and reforms required to improve investment climate and foster medium term economic development “Nigeria Plc – the search for a vision”
3.	1996	Unlocking Nigeria’s Economic Potential: Envisioning for the year 2010 “We must continue to open up our economy and continue to create a conducive investment atmosphere for investment to flow into the country
4.	1997	Implement of Vision 2010; the 1998 Budget Issues
5.	1998	Keeping Faith with the Vision: the Challenge of Implementing Vision 2010 “Do not be discouraged. Do not lose faith in your country, or yourself, or your continent!”
6.	1999	Rebuilding the Nigerian Economy and enhancing productivity “Nigerians have to persevere, persevere and persevere!”

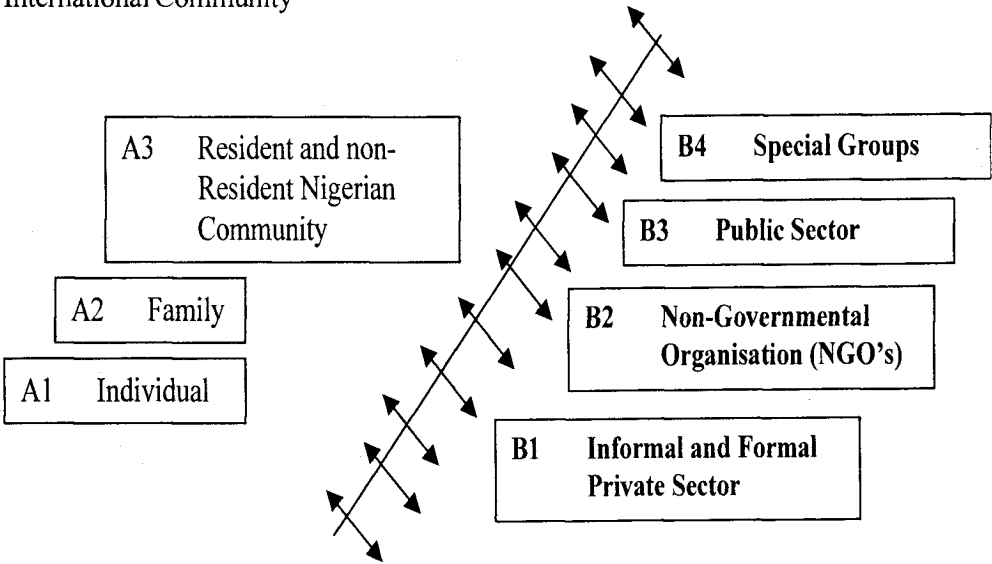
7.	2000	Breakthrough Economic Growth: An Action Plan "Just Do It"
8.	2001	Nigeria's Economic Priorities: How Do We Deliver "Nigeria must set the standards, lead the field, order the world.."
9.	2002	Nigeria: Putting the Economy First "No One Man Can, But We All Can, Work Together For The Good Of Our Nation"

**Recurring Theme**

We are all stakeholders committed to Economic Growth

**Stakeholders in the Nigerian Economy**

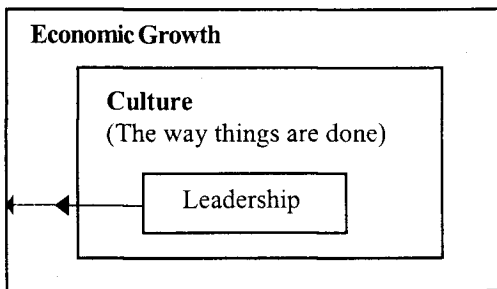
International Community



**Special Groups**

- Traditional Rulers
- Military
- Police
- Women
- Youth Organisations
- Political Parties
- Trade Unions
- Religious Institutions
- Media

## Economic Growth!!



## Leadership

- Focus and Drive to Succeed
- Technical and Managerial Competence
- Personal Discipline
- Empathic Listener
- Visible, Measurable Results
- Have the confidence of the led

## Culture

Respect for Due Process and Rule of Law

Discipline and Order

Having a higher ideal that drives belief

Free Expression; Continuous

Improvement and Innovation

## Economic Growth Targets

Factor	2010
GDP/capita rank in Africa	1
GDP growth rate	10%
Proven Oil Reserves	40bn bbls
Production Capacity	4bn/day
% of Direct FDI to developing countries	10%
Human Development Index	0.8

## Economic Growth Targets

Factor	2010
Growth Domestic Savings /GDP	> 30%
Population Growth Rate	< 2% p.a.
Inflation Rate	< 5%

Job Creation	50 million jobs?
Major Foreign Exchange Earners	Oil & Gas, Agric and Tourism
Industrial Clusters	100

## Our Goal

- Become Africa's leading economy by 2010.

### Africa's Leading Economy?

Average	Nigeria		South Africa		Egypt		G7 Average	
	1991(\$)	2000(\$)	1991(\$)	2000(\$)	1991(\$)	2000(\$)	1991(\$)	2000(\$)
GDP	27.3bn	41.1bn	120.2bn	128bn	37bn	99.3bn	2,169bn	3.003bn
GDP Per Capita	276	364	3,345	2,954	690	1,523	18,917	26,070
Population	98.89m	113.9m	35.93m	43.3m	53.62m	65.2m	109m	99.69m

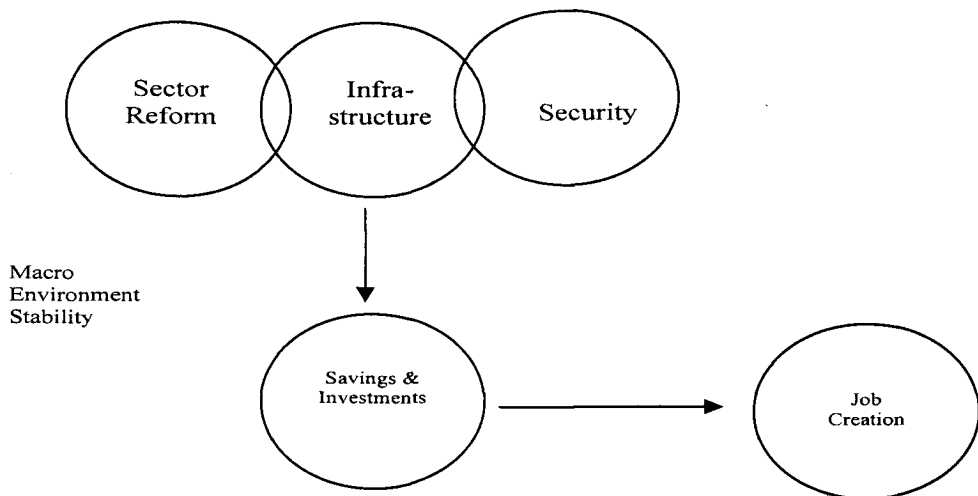
### Africa's Leading Economy?

Average Annual Growth rate	1981-91	1991-2001	2000	2001	2001-05
GDP – Nigeria	3.3	2.9	3.8	3.9	3.4
South Africa	1.2	2.4	3.4	2.2	2.9
Egypt	5	4.7	5.1	3.4	4.5

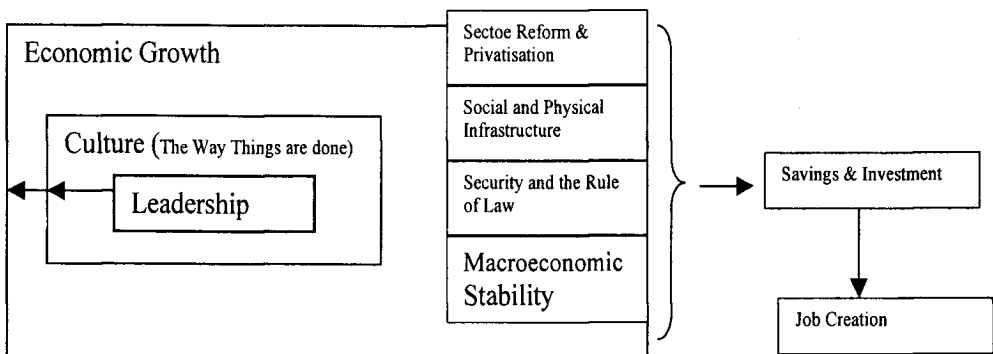
### Africa's Leading Economy?

Average Annual Growth rate	1981-91	1991-2001	2000	2001	2001-05
GDP – Nigeria	0.3	-0.3	1.3	1.5	1.2
South Africa	-1.2	0.5	1.7	1.2	2.1
Egypt	2.4	2.7	3.1	1.6	3.1

## Growth Drivers



## Economic Change Framework



## Summit Scorecard (Roles)

Stakeholder	Gains	Outstanding
Public Sector	<ul style="list-style-type: none"> <li>•Private sector as engine of growth</li> <li>•Some level of activity in direction desired</li> </ul>	<ul style="list-style-type: none"> <li>•Achieved results at pace desired</li> <li>•Communication of activities (let action speak)</li> </ul>
Private Sector	<ul style="list-style-type: none"> <li>•Enhanced partnership with public sector</li> </ul>	<ul style="list-style-type: none"> <li>•Measurable results around specific areas</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>•Participation and involvement</li> </ul>	<ul style="list-style-type: none"> <li>•Clarify and communicate responsibilities</li> </ul>
Individual	<ul style="list-style-type: none"> <li>•Networking in NES</li> </ul>	<ul style="list-style-type: none"> <li>•Clarify and communicate responsibilities</li> </ul>

## Summit Scorecard (Ladders)

Stakeholder	Gains	Outstanding
Leadership	•Awareness of the role of leadership	•Clearly articulated actions of meeting the leadership challenge in all sectors
Culture	•Awareness of the kind of culture required	•Leadership to drive the required culture in deeds
		•Clearly articulated actions for entrenching the desired culture in day to day life
Economic Growth	•Some improvements made	•Pursue desired growth targets in a more focused and cohesive manner

## The World in 2012

- Future scenarios by Shell planning team suggest that whatever the scenario, oil will be cheaper in 2012.
- Nigeria in 2012? What scenarios? What implications for Nigeria
  - Move at a much faster pace; diversify non-oil revenue sources – Federal, State and LG levels
  - Need to think through Africa in 2012? What scenario? What implications for Africa?
  - How can we build the human capacity that is ultimately the true competitive edge.

## Excerpts from the President’s Speech on October 1 2002

“The future that I speak of belongs, not to us, perhaps not even to our own children, but to our children’s children, and to the generations that will come after them. It is because of them that we must seek to husband the present with diligence and determination. It is because of them that we must continue to see ourselves more as the agents of change, than as the primary beneficiaries of it.”

## This Summit

Why put the Economy First?

What does putting the Economy First mean?



### **What it means for the Public Sector**

- Every action of every government official must be fully justified to the people in all economic terms (no sentiments)
- Begin to look at hard numbers and quantify activities in communicating to the people - avoid broad, vague statements
- Make sure that the financial systems and data provided are credible for effective decision making
- Economic education should be a core and compulsory part of the curriculum of all levels — from primary level to all other levels
  - World economy
  - Fundamental of Nigerian economy
  - Accounting, etc.
- Treat people well – pay on time, meet retirement benefits, etc.

### **What it means for the Private Sector**

- Make sacrifices in the short term for long term economic growth
  - Social responsibility
  - Scholarships
  - Contribution to road networks etc.
- See any contribution in a positive sense and not berate government for taking on some of these responsibilities
- Challenge selves on how to make a contribution over and above immediate business concerns
- Treat people well – pay on time, meet retirement benefits, etc.,

### **Why Private Sector**

- If the economy grows
  - Profit grows
  - Environment safer
  - Share of growth likely to increase (at least for the competitive)
- Makes the management of people easier – managing people in a growth economy much easier than managing people in a poverty challenged environment.

### **What it means for NGOs**

- Be prudent in managing finances
- Be good role models so as to encourage others to donate to NGOs
- Contribute to nation-building

## **What it means for Individuals**

- Contribute even at the risk of personal discomfort and sacrifice
- Play your own part ... Do what you can
- Work at the self, family, community and organisational level to make change happen
- Encourage others... Avoid creating a depressing and frustrating environment
- Have a half glass full vs. half empty mindset

## **What it means for the Media**

- Whilst politics is important there is a need to report the economic implications of all activities -whatever the subject matter
- Develop economic teams and improve economic education of all journalists
- Improve reporting and analysis of events towards indicating the economic implications of facts obtained
- Treat people well - pay on time, etc

## **What it means for International Relations**

- Link commitments and aids given to the development of the local industry
- Ensure that time spent in interactional relationships can be economically justified, every step of the way

## **Before Introducing the Workgroups...**

### **Achievements**

- Oil and gas –LNG, deep water, marginal fields, private refineries
- Power – rehabilitation of infrastructure, independent power producers (Lagos, Rivers, Akwa Ibom); Power Sector Reform
- Increased budget allocation to water, roads, and power
- Improved financial sector discipline
- Telecommunications

### *Telecommunications*

- Over \$1bn invested in the economy since the GSM auction in Jan 2001
- Over 50,000 technical and support services jobs created
- Increase in subscriber base by an additional 1m lines (at 2000 – 450,000 lines)
- Growth in business opportunity
  - Advertising and public relations contracts
  - Contribution to projects/foundation

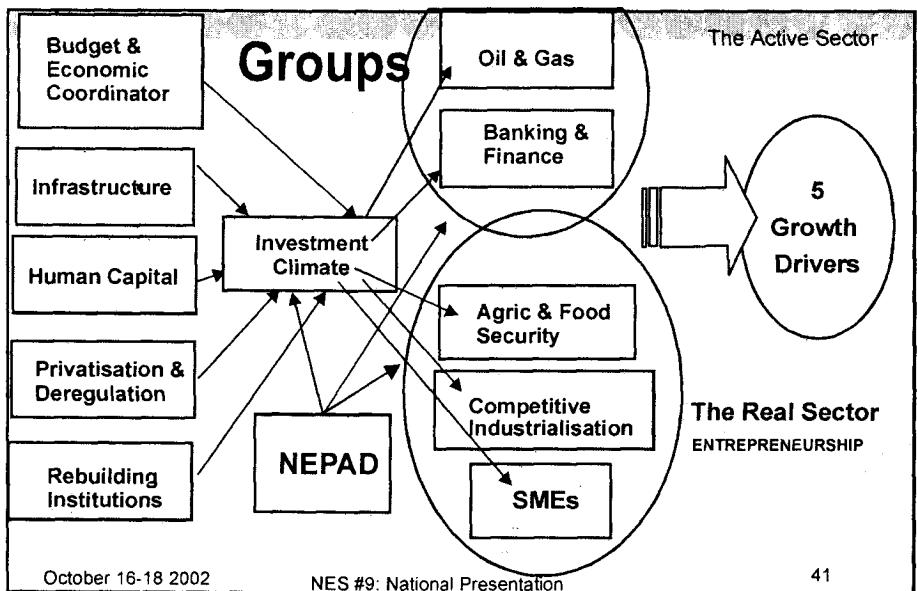
- 2nd National Carrier licensed – Globacom (plans to launch 1m lines, 32 cities, 100,000 fixed wireless lines loops, 3 international gateways, etc. in 2002/2003).

### Outstanding Issues

- Leadership focus
- Participation and involvement of all
- Reliable Data
- Budget Discipline
- Financial Sector Stability and Capacity
- Corporate Governance

### The Need for Innovation

- “The Economist” study – innovation the missing link
- Create an environment that encourages innovation
  - Understand and accept those who are different
  - Reduce the price of failure/mistakes
  - Encourage people to speak their minds including disagreeing with those in authority
  - Give youth responsibility



## New Work Group-NEPAD

- NEPAD - New Economic Partnership for Africa's Development
- NEPAD was born from New African initiative, which was endorsed at the July 2001 OAU summit. It is seen as Africa's Marshall Plan
- Ensure that stakeholders understand what NEPAD is all about and the opportunities arising
- Create a platform to determine the most effective roles to play in making NEPAD happen

## The Task Ahead

- Identify
- Achievements
- Gaps against set benchmarks and goals
- Determine how to address gaps with specific emphasis on how the economy can be put first in every action
- Develop action plans for every stakeholder
  - Public Sector; Private Sector
  - NGOs; Individuals

## Areas to Address

- What have we achieved?
- What is the value added of work done. How far reaching have these been?
- How much further do we need to go?
- Have we optimised funds spent ?
- Have these had direct economic benefits on the average Nigerian?
- What have been the roles of the Private Sector, NGO's, Individuals in further enhancing value added?

	Sector Related Growth rate (% p.a.)	Investment Growth Rate (% p.a.)
Petroleum and Gas	7	24
Manufacturing	22	40
Agriculture	6	18
Transport/ Communication	15	25
Mining	9	26

Building/Construction	25	22
Education/health	14	30
Utilities	13	28

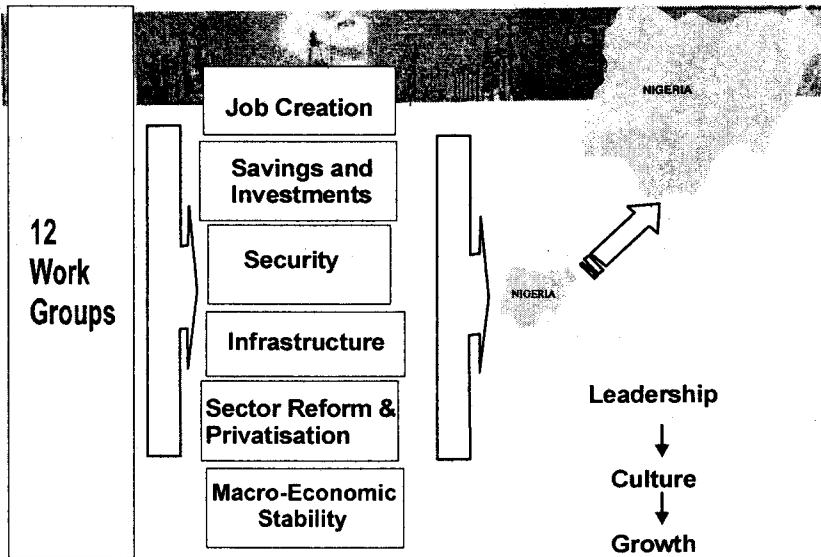
*Source: Linkage to Plans Group Report, Vision 2010*

### Action Plans

- What to do
- When to do it
- What to do to it
- How to do it
- Milestones

### The Mandate

- Develop actions to put the economy first in all we do
- Translate talk into action at a faster pace
- Make the business of Nigeria to be business



## ***Appendix D***

### **Deepening and Broadening Trade between Nigeria and the United States — *Joseph Grandmaison, Director, Export-Import Bank of the United States***

#### **Protocols**

On behalf of the Export-Import Bank of the United States and the U.S government, I want to thank the Nigerian government for inviting me to address such a large and distinguished audience.

It is a pleasure to be here to talk about our common commitment to deepening and broadening trade between Nigeria and the United States.

In the three years since an EXIM Bank Chairman first came to Nigeria, I am pleased to say that there is probably no market in the world that EXIM Bank has worked harder in than Nigeria.

During this time, we have conducted four training seminars in this country, sent 10 delegations here, signed a number of agreements with your country, and supported a wide variety of transactions between the U.S businesses and Nigeria.

Our activity at EXIM Bank is part and parcel of a larger U.S government commitment to Nigeria and Sub-Saharan Africa.

As most of you know, two years ago, former President Clinton signed the historic Africa Growth and Opportunity Act, which provides the most liberal access to the U.S. market for virtually every product, as well as technical expertise and credit, to countries such as Nigeria that continue to open their economies and build free markets.

In fact, as President Clinton's appointee as Director of the U.S Trade and Development Agency, I accompanied the President on his visit to Nigeria just over two years ago.

I was back in your country this past March, and was heartened to see the progress that President Obasanjo's government has begun to make in reforming, opening, and diversifying the Nigerian economy.

After 15 years of crippling mismanagement by the generals who ruled Nigeria, the now three-year-old democratic government has been privatising state-run companies, liberalising the power and telecommunications sectors and establishing regulatory bodies for these sectors, tightening monetary policy to bring down inflation, reforming the budgeting process, reducing corruption, repairing and upgrading oil refineries, introducing universal basic education, and launching a poverty reduction programme. All of this represents remarkable and laudable progress.

However, given the challenges facing Nigeria in 1999 and today, it was and it is unrealistic to have expected that the economy will turn around in short order.

Yet, many of the signs are promising. This is as it should be, given Nigeria's importance in sub-Saharan Africa. With 125 million people, it is far and away Africa's most populous state.

In time, with the right combination of good policies and investments – in its people, in infrastructure, in capital goods – Nigeria can enjoy the kind of economic growth and rising living standards that its people deserve.

One very important component of that development trajectory is expanding trade. The remarkable increase in international trade during the last half of the 20th century – from \$6.3 trillion in 2000 – brought stunning advances in living standards to the countries that participated in this commerce.

A recent World Bank study concluded that countries such as China that have “globalised” since 1980, opening their economies to trade and investment, have experienced much more rapid economic growth than other countries.

The globalisers' economic growth accelerated to 5% per year by the 1990s, while developing countries that remained largely cut off from trade and investment saw their economic growth actually decelerated from 3% to barely 1%.

President Bush is firmly committed to expanding global trade. That is why the administration backs the new round of global trade talks proposed at Doha last year, and why we are supporting targeted efforts to expand trade in sub-Saharan Africa in general and Nigeria in particular.

The Export-Import Bank of the United States is a key player on the U.S government's trade team. Other members of that team include the U.S Department of Commerce, the Trade and Development Agency, and the Overseas Private Investment Corporation. TDA helps to identify major development projects that offer significant export potential and funds U.S private-sector involvement in project planning. OPIC's political risk insurance and loans help U.S business interest in emerging markets.

Our on-the-ground partner in Lagos for Nigeria is the Foreign Commercial Service team headed by Miguel Pardo de Zela.

EXIM Bank is the official export credit agency of the United States, and our mission is to help facilitate U.S. exports when private financing is unavailable, especially to emerging markets such as Nigeria.

Although we support only a small share of the total U.S exports, we play a significant role in financing sales to emerging markets that may be perceived as risky.

EXIM Bank supports all types of exports – from machinery and agricultural products to consumer goods, aircraft, medical equipment, the components of large infrastructure projects, and even engineering and other services. We do this with a variety of financing products.

We make loan guarantees to lenders that provide foreign buyers with competitive financing to purchase U.S. goods and services. We offer export credit insurance to protect U.S exporters and banks against the political and commercial risks of a foreign buyer defaulting on payment, thereby allowing the buyer to make purchases with credit terms that help them grow their own business.

During the last few years, we have backed a wide variety of Nigerian transactions. In fact, since reopening in Nigeria in October 1999, we have supported 48 transactions worth more than \$220 million. Progress, but far below what we should be doing!

These exports have ranged from solar-powered billboards and equipment purchased by Afromedia Nigeria Limited and printing equipment bought by Dalewares Limited to cement bagging equipment and a metal frame warehouse bought by Madewell Products Limited of Delta State and construction equipment for the Kampe River Irrigation Project.

Just this summer, a Kano company was able to buy used and reconditioned earth-moving equipment and Yamo Nigeria Limited of Lagos was able to buy base oil from US exporters using Ex-1m Bank insurance.

First City Monument Bank, United Bank of Africa and Trans-International Bank, are among the Nigerian banks that have helped to facilitate some of these and other EXIM bank transactions in Nigeria.

In addition, EXIM Bank offers project financing to help finance U.S. exports to large infrastructure projects in developing countries.

In limited recourse project finance, repayment is based on revenues from the project rather than on a guarantee of the debt by the host country government. Project finance helps developing countries meet their infrastructure needs while limiting their government debt.

We are particularly excited about a transaction with Nigeria LNG Limited that our board has just approved, which will be our largest private sector financing ever in Nigeria.



This \$135 million loan guarantee will support the export of gas compressor turbines and other goods and services as part of the \$1.9 billion expansion of Nigeria LNG's gas-liquefaction plant on Bonny Island. The project also will have environmental benefits by converting gas that is currently being flared, into liquid natural gas that can be exported.

EXIM Bank also has a number of targeted activities that are especially relevant for Nigeria.

We have a special sub-Saharan Advisory Committee that advises us on ways to increase U.S. trade with Africa. We have a pilot programme that supports short-term financing of private or public sector purchases of consumer goods, spare parts, raw materials, and certain bulk agricultural products from 23 African countries, including Nigeria. And, for medical equipment and services, we finance a foreign buyer's local costs for up to 15% of the contract price.

As I have suggested, EXIM Bank likes to work in challenging markets. Nigeria is both a promising and a challenging market for U.S. exporters. Last year, the United States sold approximately \$1 billion in exports to Nigeria, up from \$722 million in 2000 and \$628 million the year before.

While the U.S. is the largest importer from Nigeria, we are only the third largest exporter to your country, and account for about 9% of the market. The United Kingdom and Germany currently have a slightly larger share of the Nigerian market, and France has a slightly smaller share - so this is a very competitive setting.

Oil and gas equipment already make up a significant portion of what the United States sells to Nigeria, and we see this market growing steadily in the next few years, thanks to increased offshore oil exploration activity.

With licenses being issued to new Nigerian-owned oil companies to refine and produce, the market for equipment is likely to expand even faster.

Computers and information technology are also a rapidly expanding sector, and the U.S. already provides about 80 percent of Nigeria's hardware and software imports.

The liberalization of your telecommunications sector has fuelled a strong demand for telecom equipment, accessories and services. Although European firms currently dominate this sector, imports of US equipment are expected to double within just 12 to 24 months. My hope is that within the next month, we will be announcing EXIM Bank's involvement with ECONET Nigeria, on their exciting network expansion project.

Nigeria's vast health care needs also represent a significant market for U.S. firms.

even though European companies currently dominate this market. The import market for medical equipment - particularly refurbished and used equipment - is estimated at half a billion dollars a year and rising. In this sector, EXIM Bank is also looking at some very exciting projects in Nigeria.

While the U.S. is commercially well positioned in Nigeria, it faces stiff competition. The European Union as a block accounts for three to four times as much in sales to Nigeria as the United States. Yet, there is not a sector that I can think of where U.S. businesses do not provide leading-edge products and services at highly competitive prices. A host of U.S. firms exist in all of the key economic sectors where Nigeria is either growing rapidly or poised to grow.

Even if U.S. companies don't always win the contracts for these and other products and services, U.S. firms can provide competition on quality and cost, which should result in better deals for you, the Nigeria buyer.

And I bet, when you compare quality and cost, you will find that U.S. companies can match or better what anyone else is offering. And if financing is a consideration -as it's likely to be - that's where EXIM Bank can provide invaluable assistance.

As I've said, we see Nigeria as an extremely important and promising market, and one in which we know that U.S. exporters can be extremely competitive. If financing is a hurdle, EXIM Bank is a good place to turn to.

At EXIM Bank, we want to do more business in Nigeria to help your country grow and meet its needs. I told you that we have made Nigeria a priority during the last few years; we intend to keep it a priority in the years ahead.

Thank you again for this opportunity to talk with you.

## *Appendix E*

### **Vote of Thanks - Sam Oluwabunwa**

As the co-chairman of the Organising Committee, it is my pleasure to move this vote of thanks to all the wonderful people who have played some role to bring this event about. I will start, of course, from Mr. President, our President. Who says that this guy cannot listen? who says that he does not have patience?

I have watched him this afternoon sit through all the presentations, even the last speaker, who did a good job promoting EXIM Bank. For all you have done, I say thank you.

Today you have given us more hope. You see hope, we too see hope. Indeed going through your speech, which we will digest and pass to all the workgroups, I just want to recall a few areas. You said you wanted the participation of all Nigerians if we are to optimise one effort at rebuilding our economy. The President says this will include good governance and steady privatisation effort.

I know there are representatives of the Senate President here and the Speaker of the House of Representatives. I know this is one summit in which the legislature is fully involved from Senator Udo Udoma to the Speaker of the House of Representatives to the President of the Senate and other distinguished senators. Let me thank all of them now.

I believe there is a representative of the Judiciary if the Chief Justice is not here himself. I want to thank them. This is one arm of government that is always treated like the spare tyre. Indeed, when your tyre punctures on the road, then you appreciate the importance of the spare tyre. I believe that in our democracy, this particular section of government will continue to play a decisive role in fashioning our democratic norms.

I'll like to thank governors here today. We are impressed that they could come. I know a lot is happening but for us to get the economy right, we must do well at the federal, do well at the states, and do well as the local government. If there is any break, the people will not get the democracy dividend, which the President desires.

Let me thank our Honourable Ministers. I found an array of them here today. I have never seen so many of them in any one event before. I want to thank them and the President for making it possible for them to be here. Today, they are home with us.

I want to thank the Special Advisers, especially the Chief Economic Adviser to the President, who has been the anchorman between the NESG and Government. I want to say publicly that we have a good guy in the CEA.

Let me thank all ambassadors here present from the United States, the United Kingdom, other European countries, Asia and Africa. As stated by our presenters today, they are stakeholders in our economy. They have shown that they are sincere in trying to help us.

I want to thank other government officials – permanent secretaries, director-generals of extra ministerial agencies that are here. I can see a good number of them.

I'll like to thank our speakers who have spoken today especially Mr. Grandmaison and the others who have set the pace for today's event.

I will not leave out our sponsors without whom we could not have paid for this venue. I'll like to give special mention to Accenture who decorated the stage. I'll like to acknowledge that innovative presentation.

I believe we all clapped for Mr. President. Now I want Mr. President to clap for us. Here seated are ladies and gentlemen who have spent their money to buy tickets to fly to Abuja, pay their own hotel expenses, pay for their meals, not to talk of the loss incurred in terms of productive time in their organisations. They have come here to make themselves available to Mr. President to use in articulating economic ideas and action plan to move the country forward. I think this is a patriotic zeal. Let us clap for ourselves.

I will not forget to mention members of the mass media. I was glad when Senator Udoma stressed that they must not be left hungry. A word is enough for the wise.

I will not forget the hotel staff. I thank them for their service.

Permit me, Mr. President, to thank members of the Joint Planning Committee (please stand up to be recognised). These men have worked day and night to make sure that we have a good show today.

Let me also thank the leadership of the NESG who have worked to give us the sense of direction, especially Bunmi Oni, the President of the NESG. Mr. Oni please rise and take a bow.

Finally, I think we all deserve to be applauded for coming.

This is just the beginning. The real work will start tomorrow morning. Tonight, we will have a beautiful dinner and we are going to have a distinguished speaker, Paul Simon, who is here with his beautiful wife.

While we wait for that speech, I want all of you to thank Almighty God who has made all of these things possible despite all odds.

Let us put our hands together for God almighty.

## Appendix F

### Nigeria: Fiscal Policy: Some Thoughts on the Way Forward

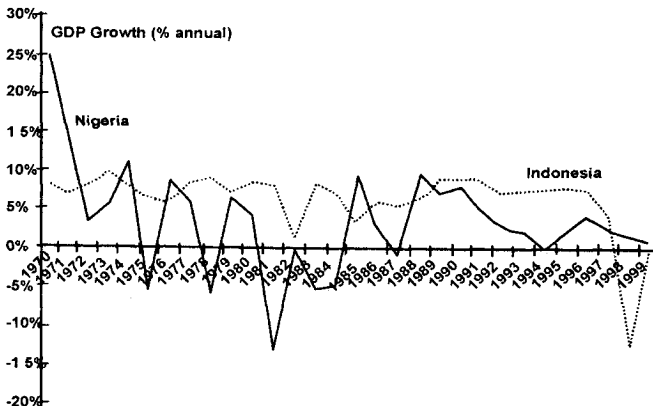
- Gary Moser, Senior Resident Representative, International Monetary Fund, Abuja<sup>1</sup>

#### Protocols

Thank you, I would like to express my appreciation to the NESG and the organizing committee for their kind invitation to make a presentation on “Fiscal Policy and the Way Forward”. I believe, as I’m sure many of you do, that fiscal policy is at the heart of many of the problems in Nigeria today but is also one of the keys to rapidly increasing growth and standards of living. I’d like to use this opportunity to put a few issues and ideas on the table for discussion. I would also like to focus a bit on the nitty gritty of how to achieve a sustainable fiscal position in an oil producing country like Nigeria over the medium term, including the adoption of a fiscal policy rule and a savings and stabilization fund for future generations.

Before I begin to talk about specific fiscal strategies I would first like to step back a bit and discuss a much broader question – namely, what it will take for Nigeria to substantially increase economic growth and standards of living over the medium term. This is critically important because policy makers need to have a clear and comprehensive growth and poverty strategy before deciding how best to structure fiscal policy.

To discuss a sustainable economic growth and poverty reduction strategy for Nigeria, I’d like to first look at the lessons learned from Indonesia, a country with similar



<sup>1</sup>These remarks represent the views of the author and do not necessarily represent the views of the International Monetary Fund.

attributes which has had a very different outcome over the past 30 years. Indonesia, like Nigeria, has a large population, sizeable natural resource endowments, relies on oil and gas exports, has relatively independent provinces and a history of military control and corruption.

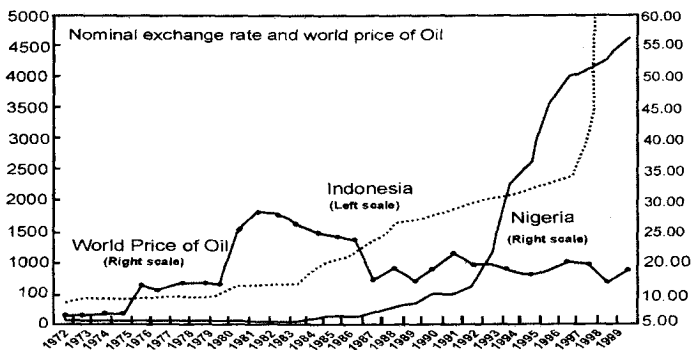
### A Comparison of Economic Growth in Indonesia and Nigeria

What is particularly interesting in this comparison is that although Nigeria and Indonesia are both heavily populated oil exporting countries, the economic development of the two countries has diverged significantly, with Indonesia becoming substantially wealthier.

While real GDP stagnated at about US\$250 per capita; in Nigeria between 1960 and 1999, GDP per capita in Indonesia increased almost fourfold during the same period (from US\$249 to US\$962). In terms of living standards, life expectancy in Indonesia, which had been only 5 years longer than in Nigeria in 1970, grew to 18 years longer by 1999. And, other indicators of human development, as reported in the table below, tell a similar story.

Why are these outcomes so much better in Indonesia?<sup>2</sup> Well, a number of researchers have studied this issue in detail in recent years and have found that a combination of relatively prudent fiscal, monetary and exchange rate policies, combined with market-oriented policies towards agriculture and light manufacturing, explain in large part why Indonesia fared better than Nigeria in spite of the severe financial and economic crisis experienced by Indonesia in 1998, and clear evidence of corruption and mismanagement. At the same time, it is quite apparent that the very high level of macro-economic volatility in Nigeria, largely brought about by the boom and bust cycle of oil receipts and a pro-cyclical fiscal stance, have constrained Nigeria's economic growth for the last three decades.

Fiscal stabilization policies have also been quite different in Indonesia and Nigeria. Following the oil booms, Indonesia pursued a loose rule of fiscal balance, while Nigeria

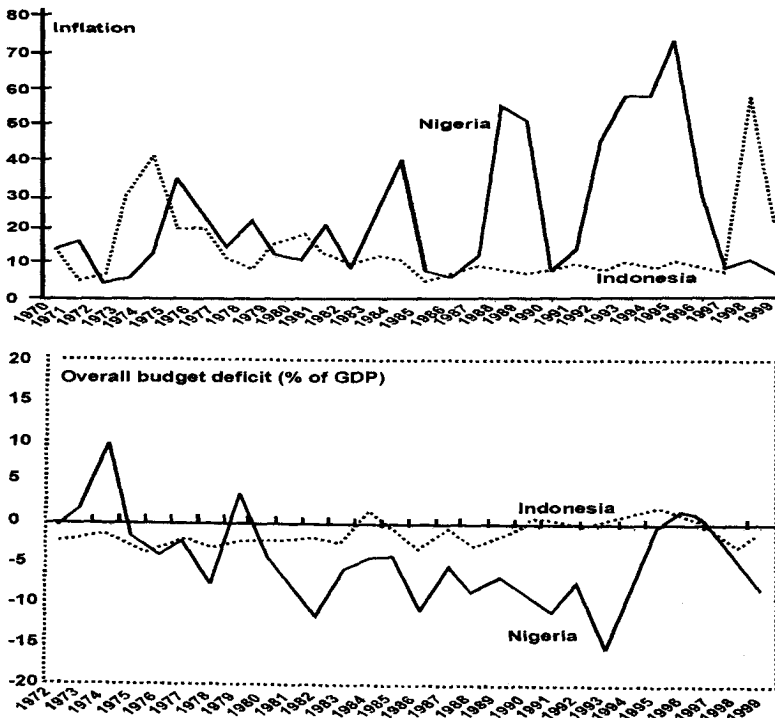


<sup>2</sup>See for example "The Political Economy of Poverty, Equity, and Growth; Nigeria and Indonesia," by David Bevan, Paul Collier and Jan Willem Gunning, published by Oxford University Press.

experienced large increases in public spending and fiscal deficits. In Indonesia, the overall fiscal deficit fluctuated around 2 percent of GDP until 1990, and was roughly in balance during the 1990s. In comparison, Nigeria's budget deficit increased dramatically from the early 1970s as expenditures rose faster than revenues. The Federal Government deficit in Nigeria has remained above 4 percent of GDP for most years since 1975, and substantially higher in a number of years.

As a response to terms of trade shocks in the 1970s and 1980s, Indonesia focused on maintaining a competitive exchange rate through successive devaluations of its fixed exchange rate, which contrasts sharply with Nigeria's consistently overvalued exchange rate.

The tight fiscal stance eased the conduct of Indonesia's monetary policy, as inflation remained within the single-digit range for most of the 1980s and the 1990s, in spite of two peaks in 1974 (40.6 percent) and 1980 (18 percent) following the oil booms. During the 1970s and 1980s, Indonesia maintained a convertible fixed exchange rate, adjusted with successive devaluations (1978, 1983, 1986, and, more frequently, throughout the 1990s) and reinforced by a progressive accumulation of foreign reserves. In Nigeria, the exchange rate was not adjusted in response to the terms of trade shocks and high domestic inflation, leading to a sharp appreciation of the real exchange rate. Only after depleting its foreign reserves was the country forced into devaluation (1986).



Indonesia also pursued sectoral policies aimed at encouraging competitiveness of the non-oil sector, with special emphasis on agriculture and export-oriented industries; while the Nigerian experience was substantially different, with large and expensive public investment projects often motivated by regional, political or rent-seeking priorities and the introduction of restrictive trade policies to protect the domestic manufacturing sector. Consequently, the share of non-oil exports from Nigeria declined to 2 per cent of total exports, from 52 per cent in 1970. Food imports account today for a larger proportion of total merchandise imports in Nigeria than in 1970 (27 percent, up from 8 percent in 1970).

Selected indicators	Nigeria					Indonesia				
	1960	1970	1980	1990	1999	1960	1970	1980	1990	1999
<b>Economic development</b>										
GDP per capita (constant 1995 US\$)	224	264	314	258	250	249	298	504	778	962
GDP per capita, PPP 1/	n.a.	405	607	767	853	n.a.	468	871	1,960	2,857
<b>Social Indicators</b>										
Infant mortality (per '000s)	188.6	139.4	99.4	86.4	83.3	137.8	118.0	90.0	60.0	41.9
Life expectancy at birth	39.7	42.9	45.8	49.1	47.5	41.5	47.9	54.8	61.7	65.7
Illiteracy rate (p.c. of adults)	n.a.	79.9	67.1	51.4	37.4	n.a.	43.7	30.7	20.3	13.7
<b>Oil and non-oil sectors</b>										
Oil revenue (p.c. total) 2/	n.a.	26.3	81.1	72.6	76.3	n.a.	20.3	68.2	42.0	29.4
Non-oil exports (p.c. total)	n.a.	52.3	16.3	3.7	2.1	68.3	16.4	74.6	80.0	86.9
Food imports (p.c. merchandise imports) 3/	9.3	8.3	15.1	16.1	27.0	17.9	15.4	12.7	5.1	8.8

Source: *World Development Indicators, World Bank, 2002; WEO, IMF 2002.*

There are clear lessons for Nigeria's growth strategy from the experience in Indonesia, and there are also specific fiscal policies lessons that supported Indonesia's rapid growth including: 1) Indonesia used a loose fiscal balance rule to stabilize expenditures and the budget position, 2) the country relied on a relatively tight fiscal policy stance, supported by appropriate monetary policies, to maintain macro-economic stability, and 3) Indonesia used fiscal policy to support growth in agricultural and non-oil exports, including through pro-trade policies and budget support for rural infrastructure and agricultural financing.



Based on these lessons, and a broader set of literature on best practices in fiscal policy in oil-producing countries, I would like to focus on three issues that I believe are critical to fiscal policy as well as broader growth and poverty objectives over the medium term:

First, there is a critical need to implement a medium-term fiscal framework and a fiscal policy rule which will allow Nigeria to save for the future, as well as insulate the budget from the volatility in oil prices in the near-to-medium term. Ideally, this fiscal policy rule should be focused on the non-oil fiscal balance to insulate the fiscal stance from the volatility of oil prices.

Second, Nigeria must build a national consensus around a results-oriented allocation of fiscal resources, centred on rapid economic growth and poverty reduction. This is necessary to provide public pressure and checks and balances on the government at all levels to produce results. However, this will require a very different approach than today, where the focus of shareholders is on getting a piece of the pie (or oil revenue) at any cost. More specifically, Nigeria needs to develop a comprehensive medium-term economic and poverty reduction framework with measurable objectives and intermediate targets that the public can hold the government and legislature accountable for a 3-to-5-year framework for example that has specifies targets for growth, inflation and external reserves as well as for poverty reduction and health and education indicators. And at a sector level, it will be important to commit expenditure to specific and measurable operational targets to meet these objectives. One important way to begin to build such a national consensus around specific objectives is for the government to develop a national poverty reduction strategy that is fully participatory and results-oriented, with measurable objectives and targets. The government has made commendable efforts to date to complete its interim poverty reduction strategy paper. I hope this interim strategy will be completed in the months ahead, with wide participation by civil society, and will be used as the basis for developing a full poverty strategy in 2003.

Third, while extremely difficult to achieve, rent-seeking activities must be rooted out of government at all levels and transparency held as the guiding principle for all fiscal operations. While some progress has been made with the work of the nascent Anti-Corruption Commission and commendable efforts are underway to improve the quality of capital expenditure through the "due process" procedures, more is needed, including a wide ranging civil service reform to limit the avenues for rent-seeking as well as beefed up efforts to prosecute corruption. With regard to transparency, more needs to be achieved, particularly given Nigeria's image around the world. Because, whether it is reality or perception, the latest Transparency International report continues to show Nigeria as one of the most corrupt countries in the world. To begin to make a dent on Nigeria's reputation, it may be useful to start in the oil and gas sector by

publishing summaries of the annual audited financial reports and accounts of the national oil company and its subsidiaries, as well as those of the private oil companies working and incorporated in Nigeria. These efforts to improve transparency in the oil sector have been successful in other countries, including Angola recently, and have worked to begin to improve the public's confidence in the oil companies and the government's accounts at the central bank. Then, through the published audited accounts of the federal government, the public can see how the oil revenue is utilized by the government.

### **The Need for a Fiscal Policy Rule in Nigeria<sup>3</sup>**

Given the short amount of time I have today I would like to focus my remarks on how to implement a fiscal policy rule in Nigeria and considerations regarding the establishment of a well-functioning savings and stabilization fund.

What exactly is a fiscal policy rule? It's a commitment that the government makes to a certain minimum fiscal surplus (or maximum deficit). This rule can be made formal through legislation, like that of the budget deficit rule in European Union member countries, or informal, like what occurred in Indonesia. A fiscal policy rule in Nigeria would provide a much needed guidepost for sustainable consumption of oil resources, taking into account intergenerational equity concerns and would at the same time work to stabilize expenditure programmes at levels consistent with long run targets – where now there is considerable oil revenue uncertainty. In layman's terms, the government would commit to save some portion of oil revenue for future generations. In addition, the government would save more when oil prices are high and use those extra savings to maintain the current level of expenditure when oil prices are low.

Why is a fiscal policy rule necessary in Nigeria? Because there continues to be an exceptionally strong deficit and pro-cyclical fiscal policy bias in Nigeria, driven by oil price developments. This approach now continues to undermine macro-economic stability and may threaten solvency – not just the liquidity position – of the country. Moreover, large swings in expenditure during boom and bust cycles are difficult to manage and, as we have seen in Nigeria, can reduce the quality and efficiency of expenditure. International experience suggests that oil-exporting countries have succeeded in breaking this cycle by introducing a meaningful policy rule to decouple expenditure policy from the short-run impact of oil price developments. Given the

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<sup>3</sup>This section draws heavily and in some cases directly from the recent papers, including: 1) the IMF staff paper by Steven Barnett and Rolando Ossowski titled *Operational Aspects of Fiscal Policy in Oil-Producing Countries*, prepared for the IMF Conference on Fiscal Policy Formulation and Implementation in Oil-Producing Countries, June 5-6, 2002, and 2) the speech by Jack Boorman, Advisor, IMF to the Committee on National Planning and Economic Development, Workshop on Macroeconomic Management, Abuja, April 10-11, 2002.

wide swings in oil revenue year to year, a number of oil exporting countries have adopted some form of a fiscal rule, some based on non-oil fiscal balances and some based on the introduction of a stabilization and/or savings fund.

This is not a theoretical issue in Nigeria. It's real. As we have seen this year, Nigeria's fiscal position even with current high oil prices is not sustainable. Nigeria cannot currently afford to pay its external debt service obligations or increase nominal wages to cover inflation, is accumulating arrears on some current expenditures, and is having to periodically freeze capital expenditures due to lack of revenue. Any time there is a hiccup in the system or if oil prices or output falls, there is cash flow problem. Consequently, there is an urgent need for expenditure controls as well as some kind of revenue buffer for lean years.

The simple reason for this fiscal crunch is too much spending. Looking at recent fiscal trends we see that the non-oil fiscal balance in Nigeria increased from 6 per cent of GDP in 1996 to 40 per cent of GDP in 2001, while expenditure of the government at all tiers increased from under 20 per cent of GDP in 1996 to 51 per cent in 2001. This very large increase in expenditure has more than outpaced the rise in oil prices (from an average of US\$20 per barrel in 1996 to US\$24 per barrel in 2002). When oil prices fall again, as they surely will, Nigeria is likely to face a cash crunch that it has not experienced since the early 1980s. This is underscored in the attached chart, which shows that the expenditure of the federal government is higher today as a share of GDP than it was during the height of the oil boom in the 1970s.

Given the very low share of the non-oil economy in Nigeria, adopting a fiscal rule based on the non-oil balance may not be operationally suitable at this time. Hence, until Nigeria diversifies its economy away from oil, it may be useful to consider a fiscal policy rule that would balance the budget at a given price of oil (say US\$20-21 dollars per barrel). This rule would provide for saving of the windfall gains when the actual price exceeds this given price, and conversely, the budget would run a deficit when the actual price falls below this given level. The application of such a rule would greatly reduce the volatility of fiscal policy, help enhance the efficiency of expenditures, and foster a more conducive environment for private sector activity.

A key issue is how to apply this fiscal rule at the sub-national level as well. This is important, given the now sizeable role the sub-national levels of government play in fiscal policy. In 2001, state and local government expenditure was about 19 ½ percent of GDP compared with federal government expenditure of 30 per cent. Without the cooperation of the state and local governments it will be much harder for the federal government to maintain macro-economic stability. Here, the government may want to consider whether legislation at the national level would work to bring in the other tiers of government or whether state-level legislation is also needed. One option

might be for the federal government to provide some stabilization fund, perhaps by offering higher levels of capital expenditures to states (it is called revenue sharing in the US) that commit to implement the policy rule and contribute to the stabilization fund (with their own sub account). There may also be a number of less obvious ways to encourage state and local governments into such a policy rule without changing the constitution.

This involvement of the states is not, of course, an issue unique to Nigeria. Nor is Nigeria the only country to have problems with such revenue sharing arrangements with local governments. Argentina, in the very recent period, found it impossible to rein in spending by the Provinces at a time when its other objectives, including maintaining the convertibility of its currency, the peso, required fiscal restraint at all levels of the government. A similar story could be told of Brazil before it took major steps to reorganise the fiscal relationship between the central government and the states. Indonesia is even now wrestling with the same issue as it tries to implement a new fiscal decentralization programme that puts expenditure responsibilities in many areas under the control of local governments.

Country experience also suggests that the implementation of a successful fiscal policy rule is likely to be dependent on achieving a sufficient degree of transparency in the rule and that credibility can be influenced by the nature of the policy rule itself (whether it is formal or informal, legislatively binding, and what sanctions and enforcement rules are applicable, etc.) More than anything else, the critical issue is whether sufficient political support and commitment can be generated to support the chosen fiscal policy benchmark. Related to this is the challenge of how to convince an electorate, expecting to quickly benefit from the “democracy dividend”, that there are reasons to save some oil resources now while focusing on strengthening the quality and targeting of existing expenditure programme. While difficult, these problems have been overcome in other oil-exporting developing countries.

### **Establishment of an Oil Stabilization and Savings Fund and other Hedging Instruments<sup>4</sup>**

The IMF has recently completed a detailed study of stabilization funds and savings funds in a number of its natural resource exporting member countries. The provinces and countries reviewed included Alberta (Canada), Alaska (USA), Chile, Kuwait, Kiribati, Norway, Oman, Papua New Guinea and Venezuela. More recently, the Republic of Kazakhstan has also established a national oil fund. On a positive note, the econometric evidence suggests that in some countries with these funds, expenditure

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<sup>4</sup>This section draws heavily and in some cases directly from IMF Occasional Paper # 205, titled *Stabilization and Savings for Non-renewable Resources: Experience and Fiscal Policy Implications* (2001), by Jeffery Davis, et. al

tended to be less correlated with changes in non-resource export earnings than in similar countries without funds. However, this may just suggest that countries with more prudent expenditures policies tend to establish natural resource funds. The study also found that the existence of a stabilization/savings fund alone did not have an identifiable impact on government spending.

Experience with these non-renewable natural resource funds shows that they generally subscribe a share of total revenue or a share of resource revenue above an agreed budget price or reference price. And, there are also generally clear rules as to how and when resources can be withdrawn from the fund and what they can be used for. Some oil producing countries, like Kuwait and Oman have more than one fund with separate objectives for intergenerational savings and stabilization.

As Nigeria considers establishing a stabilization or savings fund for future generations, there are a number of best practices that should be considered:

- The fund should be coherently integrated within the budget process to maintain a unified control of fiscal policy and to avoid problems in expenditure coordination. A virtual where there is no separate institutional structure for the management of the fund and all revenues and expenditures are on budget, could help to preserve the political economy advantages of the fund without loss of fiscal control.
- If a separate institutional structure for the fund is established, it would be preferable for transfers to the fund to go through the budget. In any event, any spending from the fund should be subject to parliamentary approval, budget formulation and reporting should focus on consolidated presentation, and the treasury should execute all fund expenditures.
- The fund should have a clear asset management strategy that is coordinated with other government financing operations. A strong case may exist for placing the fund's assets abroad, since investment in domestic non-governmental financial assets would transmit resource volatility to the economy. Specific operational guidelines should govern the allocation of the fund's resources.
- The rules and operations of the fund should be transparent and free from political interference. This requires regular and frequent disclosure and reporting of the principles governing the fund, its inflows and outflows, and the allocation and return on assets. The fund's activities should be subject to independent audit and evaluation of investment performance.

These arrangements could usefully be articulated in a legislative fiscal responsibility package to the national assembly.

Finally, let me briefly review two examples of how stabilization and savings funds have worked well in practice in Chile and Kuwait.

In Chile, the copper stabilization fund (CSF) was established in 1985 following a sustained increase in the international price of copper. The CSF's rules are based on a reference copper price set annually by the government, which in fact follows the 10-year moving average of international copper prices. The CSF receives 50 per cent of government revenue received above a certain reference price and 100 per cent of revenue above a higher reference price. The rules of withdrawal are symmetric. The fund seems to have worked well over the years, though copper revenues are now only about 10 per cent of total government revenues and copper prices have been less volatile than oil. An IMF staff study, suggested that the existence of the stabilization fund may have helped the government to resist expenditure pressures during the upswings in copper prices in the late 1980s and early 1990s.

The Kuwait Reserve Fund for Future Generations (RFFG) was established in 1976 with the objective to save for future generations. The accumulation rule for the fund requires the government to deposit 10 per cent of total annual government revenue irrespective of oil and budgetary developments. There are no precise rules for withdrawals from the fund except that any withdrawal requires the approval of the national assembly. The fund was utilized after the Gulf War to help finance the massive reconstruction costs. An IMF staff analysis found the fund to have been prudently and conservatively managed.

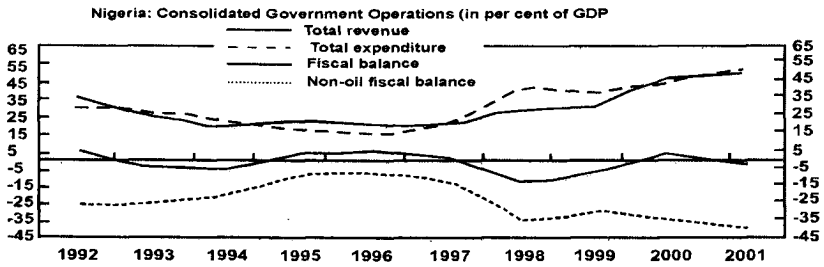
One additional option to take the risk and volatility out of oil revenue is to use contingent financial instruments like futures, options and swaps, which transfer the risk at a price to international financial markets. Hedging, allows future prices of oil to be locked in and allows the budget to be more realistic. In practice, large oil producing countries have not relied much on these instruments, partially because there are limitations in the degree to which oil revenue can be hedged in the future. James Daniel discusses this issue in detail in his IMF staff working paper (01/185), titled *Hedging Government Oil Price Risk*.

In conclusion, I would suggest that rapid growth requires strong support from fiscal policy. And, in an oil-exporting country like Nigeria, which has lacked fiscal discipline in the past, it is important to agree on a medium-term macro-economic and fiscal framework and to commit to a fiscal policy rule to support such objectives. The fiscal policy rule would pre-commit the government to a specific budget deficit path over the medium-term, and commit the government to save excess oil proceeds above US\$20-21 per barrel. Observance of such a fiscal policy rule will allow the country to move away from the volatility of oil prices and the inefficient boom and bust expenditure cycles it has experienced over the past 30 years.

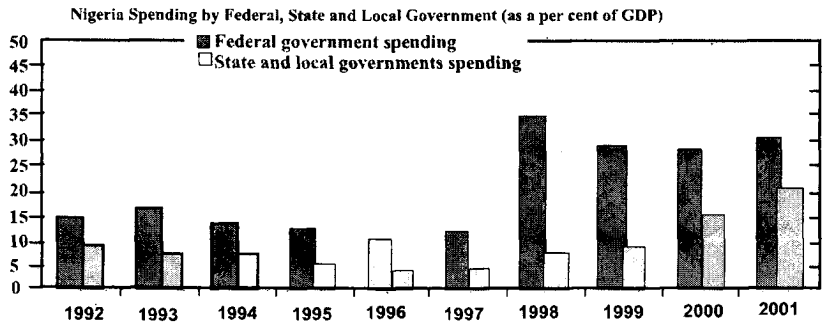
Savings generated from achieving this balance can then be set aside for future generations as well as for stabilization purposes. The establishment of an oil savings and/or stabilization fund should take into account best practices and should be fully transparent and accounted for in the consolidated budget of the government.

Thank you for your consideration.

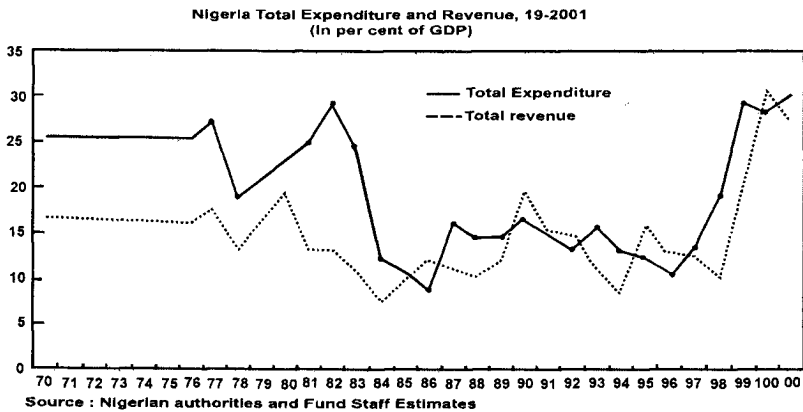
**The non-oil fiscal balance has become a serious threat to macro stability**



**Spending by all tiers of government has increased two and a half times since 1996**



**Federal Government expenditure has increased above the oil boom levels of the 1970s (as a share of GDP)**



## *Appendix G*

### **Special Summit Dinner I Speeches**

**Address by His Excellency, Atiku Abubakar, Vice-President of the Federal Republic of Nigeria**

#### **Protocols**

It is my great pleasure to address this august gathering at this special dinner marking the 9th Nigerian Economic Summit. You will recall that on this occasion last year, President Obasanjo and I had both reiterated to you the pledge of our administration to improve the quality of lives of our people as a necessary precondition for the economic development of our dear country. Since then, this administration has remained focused and committed to ensuring that appropriate policies and programmes are put in place to boost the economy and attain meaningful economic growth and broad-based development. I must say, the task is enormous and it requires concerted efforts by all of us, to reshape and redirect the economy.

We have always stressed that the situation requires a reorientation for all, to understand and imbibe proper ethical standards and appropriate conduct of public affairs, through the elimination of corruption and waste. I am pleased that necessary steps have been taken in this regard. We appreciate that the challenges are daunting and enormous but we are determined to press ahead until we achieve the desired results.

Undoubtedly, the task of nation-building and restructuring of the economy lies in strengthening the public-private sector. Government must create the needed framework for wealth creation while the private sector must become the engine driving economic growth. This means that both sectors must work together in the national interest to achieve a sustainable economic development that will raise the quality of life of all citizens.

You will recall that in March this year, government terminated the Staff Monitoring Programme (SMP) of the IMF and threw the challenge to the private sector to develop a home-grown programme for sustainable economic development of the country. Barely four months later had the Nigerian Economic Summit Group, which has rightly assumed the role of a private sector think-tank, responded with the Economic Action Agenda 2002 Initiative. We commended the group for its patriotic effort and the government has since set in motion an appropriate machinery to study the document with a view to implementing it.

Distinguished ladies and gentlemen, I am particularly impressed with this year's theme: "Nigeria: Putting the Economy First". The theme is not only relevant and timely, it is



also thought-provoking. I am completely in agreement with you that the economy must come first in the scheme of things at all times. I had earlier indicated interest in the workgroup discussions and I want to reassure you that, barring any changes in my schedules, I will be an active participant. Relevant ministries, parastatals and agencies must be actively involved in all the activities of the summit. We hope this year's summit will be remarkably different from the previous years' in terms of participation, quality of contribution and recommendations. We expect that you will come up with specific, concrete and workable recommendations that will jump-start the economy of our dear country.

I thank you very much for listening and wish you fruitful and successful deliberations during the summit.

## **Nigeria: The Imperatives for Growth and Development –**

*US Senator Paul Simon, Illinois University, Chicago, USA*

### **Where We Are**

- Interest rates have come down. The clearing rate at the last primary auction of 90-day treasuries was 16.4% p.a.
- Average lending rates is around 25% p.a
- Reserves all at reduced levels
- Supply of foreign exchange is above demand at the Dutch auction, sometimes by up to 40%
- Inflation at double-digit level
- GDP growth – single digit.
- Public confidence in the banking sector needs improvement.

### **Where We Want To Be**

- Inflation to be reduced to below 10% p.a
- Nominal interest rate would be marginally above inflation rate.
- Increased inflow of foreign exchange
- Fiscal imbalances need to be addressed
- Residual controls need to be reviewed to facilitate inflow from Nigerians and non-Nigerians.

## **GDP Growth**

- Improved infrastructure will facilitate growth – particularly power and roads.

## **Key issues going forward**

- Long-term funding sources:
  - banks
  - insurance companies
  - pension funds
  - capital market
- The federal government should increase funding of public services pension funds.

## **Capital markets**

- Increased demand and increased liquidity needed in the stock market
- Incentive to buyers, more awareness and more transparency in stock brokerage.

## **Insurance**

- Capital funds all too low, there is a need for consolidation.

## **Linkages**

- Getting funds to SMEs more effectively and reducing risk to banks. Cooperation with grass root institutions to evolve better community banks, etc.

## **Structure of the financial sector**

- CBN to focus more on policy formulation and macro-economic performance targets.
- CBN to participate in the forex market at wholesale and only.
- Boards of banks should include independent members
- Banks should evolve a more positive perception in the community.
- Lending by banks to the public sector crowds out private sector demand should be discouraged. The public sector should seek funding from the capital markets.

## **Vote of Thanks by *Adrian Wood, Managing Director/CEO, MTN***

### **Protocols**

It's on my shoulders to propose the vote of thanks tonight, dare I say my broad yellow shoulders. Before doing so I thought that I should tell you a story that recognises that almost all of us here tonight will give thanks to their mother because motherhood is very hard to criticise. This reminds me of the story of the three Nigerian mothers who had tea together last month at the Sheraton Hotel which is not too far from here.

These were three mothers who each had sons that were in their twenties. And the first mother explained that she was very thankful to her son because he was a good boy; he studied hard and now working in the Presidency. He was the junior assistant to the Deputy National Adviser in the Presidency and she was very proud of his achievement at such a young age.

The second mother was also very thankful to the Almighty and to her own son because he had studied hard at a medical school and was now at the University of Abuja, in fact, he was a lecturer at the University of Abuja Medical Faculty. She was very proud of him and very thankful that he had turned out quite well.

And the third mother said well you know, we were very worried for a long time about our son but he finally came out of the closet and told us that he was gay. We loved him, so we are thankful that he is not into drugs and he is not an area boy. He's really turned out well, as a matter of fact his nail studio and hair dressing saloon was doing very well. He's bought himself a little house just at Maitama and with the two young fellows that live with him, one nice fellow who worked in the Presidency and the second is a lecturer in the Faculty of Medicine we are happy.

So everybody has his own thing to be thankful for. Just to unify let me say that we at MTN are very proud to sponsor - be a major sponsor of the National Economic Summit and this dinner tonight. We would say that we have 650,000 real reasons to be thankful to Nigeria for being able to do this. Some people say that MTN GSM license is really a license to print money. But that is not true; as only one man, one person here tonight that can print his own money and that is the governor of the Central Bank of Nigeria who is here with us.

It is not just a one way street I can disclose to you that our organisation has almost 1000 employees and have between them paid income taxes of ₦700,000.00 in pay as you earn (PAYE) deductions since August 2001. And notwithstanding the fact that MTN got reduction in the rate of duty for bringing GSM equipment down to 5% since the project started MTN has paid the Federal Government of Nigeria in excess of ₦1.9billion in import duty and *ad valorem* taxes so I do think that we are contributing to the economy.

We are employing directly and indirectly in excess of 10,000 people and that similar number is true for our competitor so we can see the economic effect of what Mr. President's initiative to privatise telecommunications and bring in modern technology has accomplished.

I would like to say special vote of thanks, as is my duty to Professor Senator Paul Simons, our distinguished guest here tonight. It reminds those of us who have committed their working lives to Nigeria that we from time to time, need to get an objective view, informed view, the outside view of visitors to our country. That is an important thing that such a distinguished, experienced and senior political figure such as Senator Simon can bring to us.

And of course ourselves here need to travel abroad. I believe it is from Ondo State that there is a saying that "if you don't travel, you'll marry your sister".

And you know in our company, I am always on the move, and some even now call me Ajala because I am always hopping in and out. We need to expose ourselves to the best practices worldwide in our efforts to develop Nigeria.

Let me say that it has been a pleasant night and I want to thank all of you here who have contributed to the success of the dinner – the sponsors, NESG, members of the high table and you all distinguished guests.

I thank you.

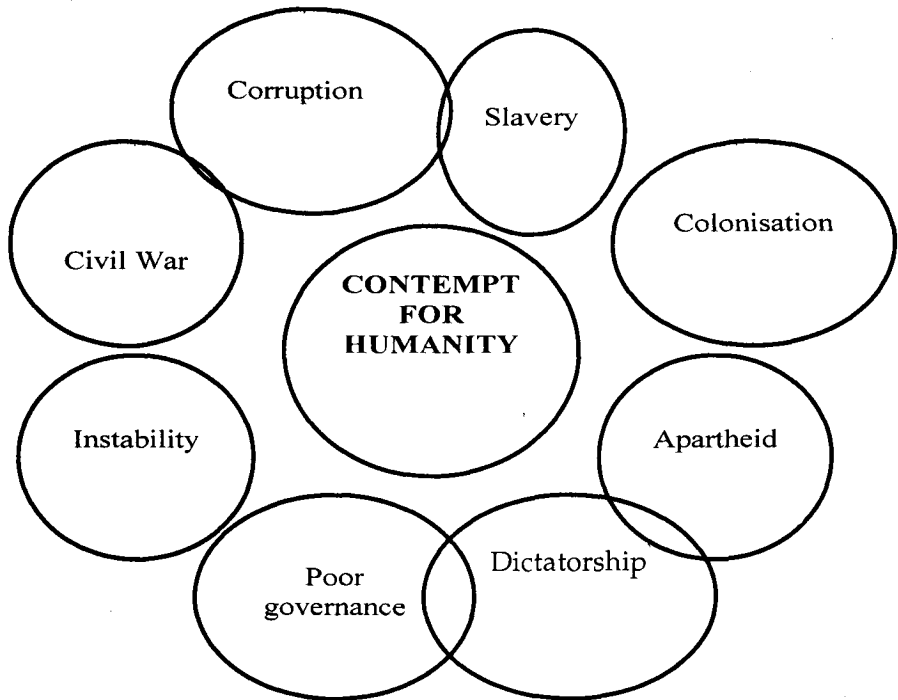
## *Appendix H*

### **Special Summit Event**

### **ABR – NEPAD Private Sector Forum**

### **NEPAD - A Business Solution to a Political Strategy by Foluso Phillips**

### **The African Challenge**



### **Africa is a rich but not a wealthy continent**

- Africa has a population in excess of 800 million people
- Africa contributes only 1% of global gross domestic product
- Africa participates in a mere 2% of international trade
- Africa's average growth rate in the 1990's was 2%
- At 5% average growth rate per annum, Africa will be poorer than it currently is
- Africa will have to grow consistently at 7% per annum up to 2015 to just halve the number of its severely poor

- Africa has the biggest flight of capital and skills in the world
- Less than 10 African countries have a GDP of over \$10b
- Africa's importance to the world economy has been falling since 1945 (7%). Currently 2% of world's exports
- Africa is the leading recipient of development aid for more than 30 years (\$10bn in 1999)
- Least recipient of capital flows in past 15 years
- 50% of FDI goes into petroleum and mining

### **Africa's Solution**

- Africa imports about \$150b and exports \$120b
- SA, Egypt, Algeria & Nigeria account for over 50% of trade volumes in Africa
- Over 20% of African countries depend on foreign aid to fund their annual budgets
- Less than 10 African countries have a GDP of over \$10b
- Only 16 African countries have a per capita GDP of over \$1000 and most are less than \$500
- Over 20% of African countries depend on foreign aid to fund their annual budgets

### **Africa – to date has failed itself**

- Since 1970, there have been more than 30 wars in Africa
- 40 out of the 53 countries were in conflict at one time or another
- There are about 8 million refugees in Africa
- Current debt burden is crippling for most countries
- Africa has been caught in a cycle of decreasing quality of life
- There is an imbalance in development and wealth across the continent
- There have been many missed opportunities
- Globalisation and liberalisation – opportunities or threats?
- The new economies have changed the paradigm.

### **Africa's Responses!**

- 1980 Lagos Plan of Action
- 1986-1990 Africa's Priority Programme for Economic Recovery (APPER) of the OAU and UN

- United Nation's Programme of Action for Africa's Economic Recovery and Development (UN-PAAERD)
- The African Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) 1989
- ECA Structural Adjustment Programme
  - African Charter for Popular Participation for Development (1990)
  - The UN New Agenda for the Development of Africa
  - Regional economic blocks (ECOWAS, SADC, etc)

### **Africa Union**

- Born out of OAU's vision of unity and peace on the continent
- The need to build partnerships between government and civil society
- Draw in women, youth and private sector
- Build regional economic communities to address skewed development
- Link islands of economic activity with existing areas of economic activity
- Accountable governance, protection of human rights, peace and stability, economic growth and development
- Accelerate political and economic integration of the continent
- Peer review and accountability

### **NEPAD - New Partnership for Africa's Development**

#### **The African Union's Instrument of Action**

- NEPAD is a plan conceived and developed by African leaders, committing themselves to the people of Africa and to the rest of the world, so as to place the continent on the path of sustainable growth and development.
- NEPAD is a framework for a new partnership within Africa and with the rest of the world

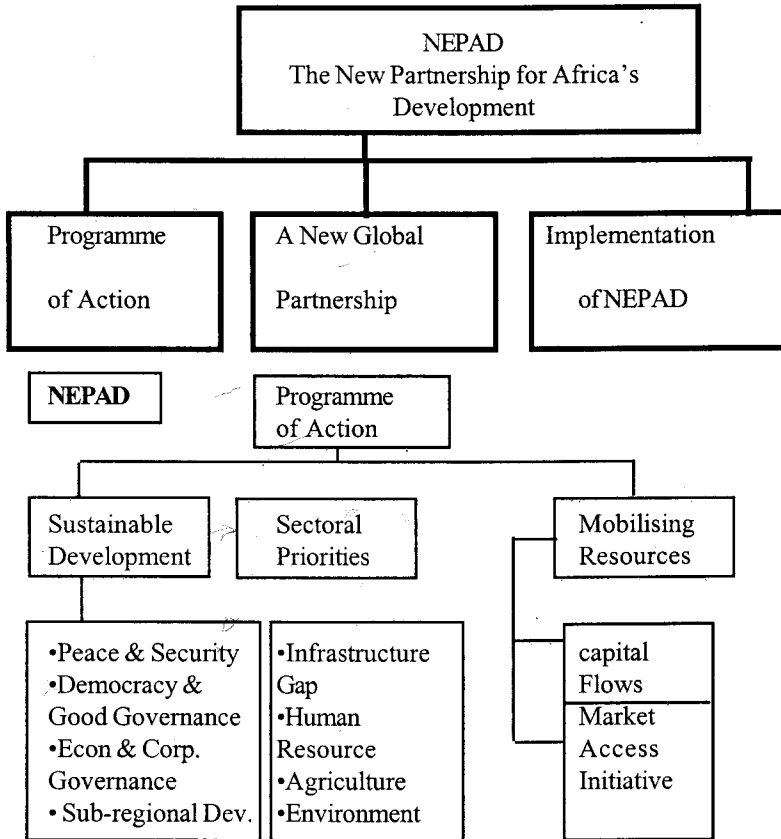
#### **What is NEPAD?**

- A vision and programme of action for the redevelopment of the African continent
- A plan that has been conceived and developed by African leaders
- A comprehensive integrated development plan that addresses key social, economic

and political priorities

- A commitment to place Africa on a path of sustainable growth
- A commitment to accelerate the integration of the African continent into the global economy
- A framework for a new partnership with the rest of the world on Africa’s terms

**The Structure and Strategy of NEPAD**



**Private Public Partnerships to Drive NEPAD’S Initiatives**

- What opportunities exist for the Private Sector & Entrepreneur in NEPAD’s Programme of Action?



## **Regional Integration**

- Identify and invest in regional competencies driven by natural resources and its beneficiation
- Create regional value chains
  - Cotton gins in Uganda, weave in South Africa, sew in Mauritius, export to the world
  - Set up industrial clusters and not companies
  - Move industries into countries and not companies.

## **Bridging the Infrastructure Gap**

- **Energy**
  - Africa Energy Fund
  - One African Electricity Grid
  - 31 joint venture partners in 31 countries
  - Gas from Nigerian oil fields for thermal power
- **Roads**
  - Transcontinental highways in each country linked at the borders
  - Private toll gates to finance road construction and maintenance
- **Seaports**
  - Joint venture in port construction and port management
- **Telecommunications**
  - Wiring up the rest of Africa
  - Applying 'leapfrog' technology
  - Satellite links and ownership
  - Wireless communication for Africa
  - Joint venture opportunities
  - Training and 'production' of ICT proficient engineers, programmers and software developers

## **Democracy and Good Governance Initiatives**

- Educating employees on rights and expectations from government
- Corruption – takes two to tango!

- Support and encourage ‘peer review’ of Africa’s leadership
- Increase participation of ex corporate leaders in governance
- Benchmark government systems with private sector
- Help Government, where it is weak

- **Transport**

- More air alliances – pax & cargo
- Investment in local airlines within countries
- Bus, coach transport companies
- Railway systems for high traffic routes
- Strategy for the decongestion of cities

- **Water & Sanitation**

- Consulting for utilities
- Construction of water works
- Construction of bore holes
- Integrated water distribution systems
- Waste disposal companies and equipment

## **Human Resource Development Initiative**

- Education will become the basis of regional superiority in the future
- Partnerships between learning institutions
- Private and corporate owned educational institutions – grow your own
- e-Learning as a leapfrog strategy and opportunity
- ‘Adopt a school’ Programmes
- Inter and intra regional training
- Africa’s ‘Peace Corp’
- Reverse Brain drain?
- Private hospitals and insurance schemes to fund initiatives

## **Culture**

- Television production
- Entertainment
- Supporting the arts
- ‘Commercialising’ culture
- Tourism and hospitality
- Publications
- Exhibitions and shows

## **Capital Flow Initiatives**

- Africa Equity Funds
- Creation and management
- Sector Specific Venture Capital Funds
- Focus on Regional and Pan-African markets
- Buy ‘Made in Africa’
- Value chain funding strategy for integrated development
- NEPAD seeks to achieve an end to the situation in which Africa is an exporter of raw materials and an importer of manufactured goods
- NEPAD will come unto its own, the day it becomes part of every organisation’s mission statement in Africa
- Until that sentiment is felt, we will continue to struggle as we have done in the past

Thank you.

## **Promoting Investment through Public-Private Partnership: The Role of the African Development Bank by Bisi Ogunjobi, Vice President, Operations, Central & West Africa, ADB**

### **Agenda**

- The role of Public-Private Partnership (PPP) in Development
- Nature of PPP

- Benefits of PPP
- Examples of PPP in Africa
- The Role of the ADB in support in RMC's
- ADB private sector activities in Nigeria

### **Role of PPP in Development**

- Inadequate state investment
- Redefinition of the role of the state in productive activities
- Competing claims on public sector resources coupled with budget constraints
- Inefficiencies inherent in the provisions of services by state enterprises
- For improvements to economic and physical infrastructure: telecoms, electricity, water and other services
- PPP is used to improve social infrastructure such as health and education

### **Nature of PPP**

- Contracts between private sector entities and government
- Private sponsor to deliver service and assume associated risks

### **Types of Public-Private Partnership Contracts**

Type of contract	Duration	What the Contractor usually receives	Nature of contractor performance	Examples
Service Contract	Short-term (1-3 years)	Service fees	A definitive and technical services	Bill collection; Facility repairs and maintenance
Management Contract	Medium term (3-8 years)	Service fee + performance-based incentive	Manage the operation of a government service	Regional water supply management
Lease	Long term (8-15 years)	All revenues, fees and charges from consumers to service providers who pay rents to govt.	Manage, operate and maintain facilities to specified standards and outputs	Existing water or power facilities
Build-Operate-Transfer BOT	Long term (15-25 years)	The govt. pays the service provider on a unit basis	Construct and operate facilities on a unit basis	Building, construction and maintenance of regional schools, prisons or hospitals
Concession	Long term (15-30 years)	All revenues accrued to service provider who pays concession fees to govt and assumes existing debt	Manage, operate, maintain and invest in public service infrastructure	New airport or seaport facilities, toll road or bridge

## **Benefits of PPP**

- Increased economic growth
- Improved efficiency in service delivery
- Reduction of financing burden on government and poverty reduction
- Employment creation
- Promotion of local and foreign investment
- Enhancement of losses and leakages
- Contribution to government tax revenue

## **Downside**

- Complex and long negotiations
- Possible high tariffs
- Resistance by interest groups
- Weak government institutional capacity

## **PPP Around the World: 1998**

Latin America and Caribbean	US\$237 billion
East Asia and Pacific	US\$147 billion
South Asia	US\$38 billion
Africa	US \$4.1 billion

Infrastructure investment requirement in Africa estimated at US\$18 billion per year.

## **Examples of PPP in Africa**

- Telecoms Sector: Cellular Mobile Phones – South Africa, Tanzania, Mauritius, Cameroun, Morocco
- Power Sector: Egypt, Uganda, Tanzania, Zimbabwe, Kenya, Guinea, Tunisia, Morocco
- Transport: South Africa, Toll Road, Johannesburg, Maputo, Algeria, Kenya
- Ports and Airports: Cote d'Ivoire, Zambia, Mauritania, Mali, Senegal
- Water Sector: South Africa, Guinea, Egypt, Cote d'Ivoire

## Public-Private Partnership In Water Awarded In 2000

Location	Operator	Description
Cameroon	Suez Lyonnaise des Eaux	20-year concession for water supply
Casablanca Morocco	Suez Lyonnaise des Eaux	30-year concession for water supply
Chad	Viviendi	Phased privatisation
Nelspruit, South Africa	Bi-water	30-year concession for water and sanitation
Dolphin Coast, South Africa	Saur International	30-year concession for water and sanitation
Kwazulu-Natal, South Africa	Viviendi	Partnership with development Partners

### Constraints to Growth of PPP

- Unfavourable investor perception of country risk
- Deficient macroeconomic framework skills
- Infrastructure deficiencies
- Unstable political condition and corruption
- Weak legal and regulatory framework

### Role of ADB in Support of PPP

- Work to remove or reduce constraints that impinge on the development of PPP
- Support to government to create enabling environment through policy reform measures

### Private Sector Window

- Develop new financial products that are responsive to market needs
- Provide advisory services and technical assistance in the pre-transaction phase of PPP

### Infrastructure Project

- Co-financing of projects by the private and public sector windows

## ADB Private Sector Portfolio of PPP Projects

Country	Activity	Duration	Client
Cote d'Ivoire	Cellular Network	7 years	Loteny Telecom
South Africa	Private Equity Infrastructure	15 years	Infrastructure Fund
Cote d'Ivoire	Power Plant	12 years	Azito
Cote d'Ivoire	Toll Bridge	12 years	Socoprim
All of Africa	Infrastructure Fund	10 years	AIG-African Investment Fund
South Africa	Financing of infrastructure	11 years	INCA
Cameroun	Cellular Network	5 years	MTNC
Uganda	Hydro Power Plant	16 years	Bujagali Hydro Power Project

### Area of Focus

#### Active Portfolio Evolution

- Total cumulative commitment to private sector operations US\$ 700 million (20% of ADB approval)
- 2001 approval US\$ 240 million
- Total approval to Nigeria US\$ 126 million
- Study underway to restructure Private Sector Department

#### Active Portfolio Evolution

##### *Portfolio Diversification*

The portfolio distribution is such skewed towards MICs Nigeria

##### ADB Private Sector Operations in Nigeria

- Spintex Nigeria Ltd                      US\$ 5 million
- Consolidated Oil Ltd                      US\$ 10 million
- UBA    US\$ 30 million
- Abuja Int. Diagnostic Centre              US\$ 3 million
- FSB International Plc                      US\$ 18 million
- Citibank Nigeria Plc                      US\$ 50 million
- NLNG (under appraisal)                  US\$ 100 million

## **The Way Forward**

- Remain engaged in macro-economic reforms
- Raise domestic food production and labour productivity
- Use oil and gas more rationally to diversify economic activity
- Lower population growth, improve rural health and education and reduce absolute poverty
- Provide the enabling environment for transparent public and private decision making
- Seek increased foreign aid and investment including significant debt relief
- Maintain political stability and reinforce ethnic and religious harmony



## ***Appendix I***

### **Other Plenary Session Presentations**

#### **Creating an Enabling Environment for Private Investment in Nigeria by Omar Kabbaj, President, ADB**

##### **Protocols**

##### **Introduction**

I would like to thank the Nigerian Economic Summit Group Ltd./Gte (the NESG) for inviting the bank once again to such a distinguished gathering and providing me with the opportunity to share with you some thoughts on the importance of creating an enabling environment for private investment in our continent, and in particular in Nigeria. I look forward to our discussions, as all of you have a leading role to play in achieving such a significant goal.

I would like to briefly address today four main questions:

- Why is creating an enabling environment for private investment so important?
- What are the constraints in place today that impede such an environment from being developed in Africa?
- How must African countries address these constraints in order to create an enabling environment? and, finally
- What is the ADB doing to assist African countries, and especially Nigeria, to meet the challenges of creating an enabling environment for private investment?

##### **The Importance of Creating an Enabling Environment for Private Investment**

There are, in fact, three main reasons involved in answering the first of our questions.

Official Development Assistance has shown a negative trend in recent years, with a decline in almost 20%. The resources that were once being pumped into African economies through ODA need now be substituted by private investment flows.

Our economies need private investment in order to grow. The private sector is in fact the central engine for growth in Africa, currently accounting for around 70% of GDP. Through Small and Medium Sized Enterprises (SMEs) the private sector is a key element in generating output growth and job creation, having a significant development impact on societies by contributing to overall poverty reduction.

Additionally, given both the great infrastructure deficiencies evident in our continent

and the difficult state of public budget deficits in countries overburdened by debt and public sector inefficiencies, recent developments lead the private and public sectors to come together to provide basic services and infrastructure; what is known as Public-Private Partnerships, or PPPs.

For development really to take off in the continent, recent estimates show that our economies must grow at a rate of at least 7-8% per annum for any substantial reduction in poverty. Studies show that in order to achieve this growth objective, there has to be a significant increase in investment to about 15-20 per cent of GDP annually over a sustained medium to long-term period. The public sector, however, is not in a position to ensure the required increase in investment. Resources, therefore, can come only from the local and foreign private sector. To attract such private resource flows, there is a need for a conducive environment.

Due, in part, to the sustained economic and political reforms engaged by most African governments, we have observed during the past period a positive, even if modest, evolution of FDI flows to Africa. Recent Foreign Direct Investment (FDI) data for 2001 show that flows into Africa almost doubled, rising from \$9 billion in 2000 to over \$17 billion in 2001. Trends in other developing regions have been negative, with a 24% decrease in Asia and an 11% decrease in Latin America.

These are only modest, albeit positive advances, and reflect the sustained efforts of most governments on the continent to create a more business-friendly environment after the FDI-hostile environment of the 1970s. However, more still needs to be done in this direction, as the constraints are great and we are far from achieving the enabling environment we are here to discuss.

### **The Constraints that Impede an Enabling Environment**

It is widely recognised that the establishment of a sound macroeconomic framework is a prerequisite to the rapid and sustainable growth of Africa's private sector. Excessive or unpredictable inflation and interest rate levels, and volatile or even dual exchange rates are analysed by the key stakeholders. In Africa, high perceived risks in this regard adversely affect both inflows and outflows of capital.

Lack of private sector competitiveness, patent widespread inefficiencies and government-introduced distortions in the private sector also discourage private investment. Government's economic policy often creates distortions that are detrimental to the private sector. Reforms and policies that have been put in place have more often than not lacked credibility. When investors and entrepreneurs fear policy reversals their natural response in the face of uncertainty is to "wait and see", with the adverse effects that we have all witnessed on economic growth and poverty reduction. This has unfortunately often been the case here in Nigeria over the past couple of decades.

Additionally, there is a long list of other economic factors that impose serious constraints on the development of the private sector. These include reduced market size and average disposable income in relatively closed economies; narrow economic diversification; limited access to new technologies; lack of a clear R&D policy; underdevelopment of the financial sector and irregular access to finance by sector and firm size; absence of economies of scale, excessive production costs, poor quality of products and services; etc.

Infrastructure deficiencies impose an insurmountable constraint on private sector development. Production efficiencies and output maximization cannot be achieved in the absence of reliable power, water, transportation and communication facilities, placing yet another obstacle for the private sector.

Furthermore, a country's political scenario is of paramount importance in the task at hand. Political instability as well as poor commitment by the government towards economic reforms often pose a severe constraint to attract private investment. Excessive bureaucracy more often than not leads to "cronyism" and corruption. However, corruption in many of our countries is not only an affair of the public sector; it permeates also the private sector.

A weak legal and regulatory framework characterised by uncertainty and the arbitrary enforcement of the law is an impediment to private investment. In a number of countries, the development of a robust private sector is curtailed because property rights are not well protected; regulations for business creation and foreign capital participation are unclear and inflexible; private contracts are enforced only through bribes and corruption; regulations on royalties, dividend repatriation, and licenses required are numerous and ambiguous, if they exist at all; the financial sector is poorly regulated; and litigation processes and the entire judiciary system are frequently cumbersome, inefficient and unfortunately unfair.

At the corporate level, deficiencies are also patent. The poor management, entrepreneurial and technical skills available severely handicap our private sector. Lack of competitiveness and firm level efficiency are placed in the spotlight due to the challenges brought forth by the globalisation of production and technology. Firms in most African countries often lack basic business development services such as market research and reliable data collection, which are now "luxury goods" in most of our countries.

Limited access to finance is a fundamental aspect to consider. Malfunctioning in the financial sector in Africa is both demand and supply driven. From the supply side, financial intermediaries serving the SME community lack the required expertise in business appraisal and monitoring risk analysis. SMEs are categorised as risky clients

by the formal sector because they lack collateral, leading to the famous “credit gap” facing such an important part of the private sector. From the demand side, SMEs face technical deficiencies in order to prepare viable business plans. Due to poor accounting *know how* they often cannot adequately estimate their capital requirements or the most favourable borrowing conditions.

Last but not least, African countries’ social fundamentals, such as poor education levels, limited access to health services, large disparities in income distribution and disproportionate poverty levels inevitably add negative points to any investor’s analysis on whether to invest in Africa.

In the case of Nigeria, and despite the reforms undertaken in recent years to improve the investment climate, the supply response, particularly from the private sector, has been very low and weak. The private investment rate estimated at 12.5 percent of GDP in 2001 is still low compared to other developing countries. Most of the general constraints we have cited earlier continue to impede the growth of private sector activity in Nigeria. In particular, public investments in directly productive activities continue to crowd-out private initiative. For example, in the oil sector, many of the oil companies operating in the country have planned to increase their output but have been thwarted by the ongoing problem of being tied to joint ventures with the state-owned Nigeria National Petroleum Corporation (NNPC) which is not ready to fund expansion programmes, due partially to arrears on its existing commitments. It must be noted, however, that the government is taking steps to liberalise the telecommunications and power sectors.

Furthermore, the investment climate is still considered by many international and local investors as difficult and unpredictable. Nigeria’s ratings are still low. In the 1997 Institutional Investor Survey, Nigeria’s rating was 15.3, with a rank of 116 out of 135 countries. Detailed indices show that, while doing relatively well in some areas – government leadership and risk of external conflict – Nigeria achieves lower scores in some of those categories – especially corruption – that have a direct influence on growth and private investment. According to recent risk ratings by the Economist Intelligence Unit, Nigeria ranks last out of 60 countries worldwide, especially due to its relative political uncertainty in the run-up to elections, but also affected by a recent increase in its liquidity risk, as well as economic policy and structure risks that reflect long-term constraints on Nigeria’s development, such as its heavy dependence on oil<sup>5</sup>. In a purely African context, however, its rating would be moderate.

Concerning governance issues, the government has taken a number of steps to increase accountability and fiscal transparency with regard to fraud, taxation and access to

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<sup>5</sup> Last updated September, 2002.

foreign exchange at the official rate. Transparency continues to be impeded, however, by lack of consistency of key economic statements and generally poor policy co-ordination. Corruption is in fact the greatest deterrent to foreign investment, and Nigeria is currently considered as the second most corrupt country in the world to do business in. According to Transparency International's Corruption Perception Index 2000, Nigeria scores only 1.2 out of 10, with the worst rating out of 22 African countries. In addition, corporate governance issues that continue to negatively affect private investment are yet to be addressed.

### **What African Countries Need to Do to Create an Enabling Environment**

I think it is clear from the above that the fundamentals of a dynamic economy that will support investment and output growth, and by extension help reduce poverty, include a stable economy, a competitive internal market linked to the global economy and major investments in people and infrastructure. Fortunately, a large number of African countries have embarked on the process of implementing economic reforms to establish some of the basic conditions. These reforms have included:

- creation of incentives for efficient production;
- improvement of institutional, legal and regulatory framework;
- removal of restrictions on trade;
- liberalisation of prices, interest rates and exchange rates;
- reduction of taxation on imports and exports;
- restructuring of the financial sector, and
- privatisation of public enterprises.

These reforms need to be credible, consistent and well-sequenced. Furthermore, by promoting transparency and accountability in the management of public resources, good governance enhances competition and fosters individual initiative and economic growth.

In addition, good corporate governance must also be promoted in the private sector, with the clear application of accounting principles and ethical business codes. With the increasing efforts to privatise and to use the private sector as a fulcrum for economic development, the need for greater accountability and transparency in the way private enterprises are governed becomes even more imperative.

It is also important that African economies become private sector-lead. This will ensure that investments are made on the basis of market demand, improving therefore resource allocation, mobilising investment funds, and stimulating entrepreneurship. It implies a fundamental change in the role of governments and the way they relate to

the private sector, moving away from controlled, inward-looking economies to competitive, outward-looking ones in which firms court the markets for profits and not the state for special privileges.

The private sector in Africa, and more specifically its SMEs, requires certain Business Development Services (BDS) that are not readily available at present. Support should be focused on honing local entrepreneurs' technical and managerial skills, in order to increase their competitiveness. These BDS should ideally be privately supplied. However, in these initial stages, they should benefit from government or multilateral funding and/or support.

Structural constraints in Africa's financial sectors that were pointed out earlier should also be addressed. Capacity deficiencies can be reduced by coordinating financial institutions in order to share knowledge, centralise information and coordinate their initiatives. Additionally, in order to fill the "credit gap" it is important to promote policies that forge links between the formal and informal financial sectors, facilitating deposit mobilization and credit allocations.

It is important also to promote the development of regional markets. Domestic markets of most African countries are not only too small to attract significant investment flows, they are also too closed off to generate substantive economies of scale in diversification efforts.

On many of the actions outlined above, positive steps have been taken recently on a continental level by the NEPAD initiative. Its focus on good governance and political stability will certainly yield increased development of the continent and facilitate the inflow of additional resources to Africa. A key and unique element in NEPAD is the setting up of the *peer review process* that binds African leaders to promote, individually and collectively, the fundamental principles of good political and economic governance.

In Nigeria's case, the key challenge facing the main stakeholders – government, firms, institutions and leading organisations such as the NESG – is to jointly promote the improvement of the investment climate through continued prudence in financial management, determined progress in structural reforms and privatisation, and a strengthened approach to governance and corruption problems. This will, therefore, aid to restore confidence within the domestic and international business community and improve their risk perception of Nigeria.

A durable improvement of the investment climate requires a lengthy period of political stability, supported by consistent market-based reforms. The main areas to be pursued include further liberalization of the exchange rate, enhanced budgetary transparency, and a continued campaign against corruption and the acceleration of privatisation.

The NESG and other leading organisations should encourage the government to accelerate the privatisation of key public utilities whose weaknesses are restraining private investment.

In the financial sector, many banks remain distressed and urgent efforts are needed to consolidate the position of the non-bank financial institutions. The failure of the banking system to perform its role of financial intermediation has been one of the major constraints to the growth of private investment in Nigeria.

### **The Role of the ADB**

The bank recognises the pivotal role that private investment has in Africa's development and assumes, together with its development partners, governments, the business community, and all key stakeholders, the challenges at hand. The bank's role is to facilitate the flow of external and domestic resources, promote investment, and provide technical assistance and policy advice to Regional Member Countries (RMCs), acting as catalyst and focal point for collaborative efforts. In doing so, the bank utilises a variety of instruments.

Through policy-based loans, the bank encourages RMCs to adopt macroeconomic policies aimed at creating the enabling environment for private sector development.

Since 1990, the bank channels its efforts in support of the private economy through its private sector window, as a catalyst for private resource mobilization for both local and foreign capital. Our involvement in the private sector is in no way meant to crowd out private finance, but rather to complement it.

We provide direct assistance to financial and non-financial institutions in the form of equity participation, loans, guarantees and syndicated loans. Assistance aimed at SMEs is channelled through lines of credit to local financial institutions.

In recent years there has been a large increase in our private sector operations, with cumulative approvals to date reaching USD 850 million for 64 projects in 22 countries and 3 regional projects. The sector distribution of this assistance is dominated by projects in the financial sector, accounting for about 60% of cumulative approvals. Other important sectors include infrastructure, manufacturing, tourism, and oil and mining.

In particular, the bank's most recent private sector projects in NIGERIA have been:

- A Line of Credit (LOC) to Citibank Nigeria, for USD 50 million, which has been approved this year.
- An USD 18 million LOC to the International Bank FSB Plc. was approved last year in order to finance private sector electricity, manufacturing, oil services, tourism and maritime transport projects.

- Furthermore, in the year 2000, a USD 30 million LOC was also extended to United Bank of Africa (UBA).
- Finally, in 1996 the bank also approved a USD 3 million loan for the Abuja International Diagnostic Centre, a USD 10 million project co-financed together with the IFC.<sup>6</sup>

Additionally, the bank is likely to invest up to USD 100 million in an NLNG (Nigeria Liquefied Natural Gas) project, which is currently under preparation. We are indeed confident that all these projects have significant spill over effects in the Nigerian private sector.

Furthermore, the bank has traditionally financed public infrastructure projects in the continent, while the current focus of the bank's private sector window is to increase our support to private investment in infrastructure through the promotion of public-private partnerships. In this regard, we will continue to assist African governments in building on the capacity to initiate, plan and implement private infrastructure projects.

The bank has made considerable efforts to expand financial instruments to cover co-financing, guarantees, quasi-equity and underwriting. Recognizing the importance of the informal sector in finance in most African economies, the bank has introduced a micro-finance facility to provide assistance to micro-finance institutions using NGOs as intermediaries to reach micro-entrepreneurs, especially women.

With the same overarching objective of promoting private sector development, the bank also carries out non-lending activities in order to continue working towards the creation of the enabling environment for private investment in the continent. In this regard we can include technical assistance and advisory services, sector studies, promotion of public-private partnerships and franchising development.

Together with other multilateral development institutions, the bank has also been active in the area of institution building in support of the private sector. For instance, as a joint initiative between the bank, UNDP, IFC and other donors, the African Project Development Facility (APDF) provides project advisory assistance to African entrepreneurs in establishing SMEs, such as preparation of feasibility studies and market identification, completing about 50 projects per year. Additionally, the African Management Services Company (AMSCO) offers management services to African

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<sup>6</sup>Additionally, in 1992 the Bank approved a UA 3.987 million loan to Spintex Nigeria Limited to finance the expansion of their polyester yarn plant to meet additional demand for their products. Spintex prepaid its last instalment with the Bank in 1998 and the loan is fully repaid. In 1993, the Board approved a loan of UA 7.973 million to Consolidated Oil Limited, an indigenous oil and gas exploration company for the purposes of exploration and production of crude oil. Last instalment was paid in April 2001 and the loan is fully repaid.



companies with the potential for long-term economic viability but without experienced management. It is currently working for more than 120 client companies.

Other initiatives include sponsoring the establishment of the African Business Roundtable (ABR) and the African Export-Import Bank (AFREXIMBANK). We have also continued to provide assistance to selected African research and capacity building institutions such as the African Capacity Building Foundation (ACBF) and the Joint Africa Institute (JAI).

Our long-term objective includes developing a market for business development services in Africa. Therefore, we aim our institutional support at developing the capacity of local service providers and facilitating the development of markets in order to avoid crowding out the private sector in the business development services. All these initiatives, in fact, aim to build human and institutional capacity to boost productivity and growth. These, I am sure you will all agree, are key requirements if we are to create together an enabling environment for private investment in Africa.

## **Conclusion**

Please allow me to conclude by reiterating once again that the creation of an enabling environment for private investment in Africa, and more specifically in Nigeria, is of paramount importance for private sector development, for growth and for overall poverty reduction. Efforts in this regard, however, are not only the responsibility of African governments, but of all the key stakeholders of our continent. The African business community, regional, national and local institutions, dynamic organisations such as NESG... all have a key role to play in proposing and promoting the changes and reforms that need to be put in place, and in increasing public awareness of fundamental problems and constraints.

The ADB is committed to continue working with all the stakeholders, providing financial resources, acting as a catalyst for private investment from abroad, and assuring through our non-lending activities that institutional and capacity building efforts are sustained.

Thank you for your attention.

## ***Appendix J***

### **National Assembly Presentation**

#### **Infrastructure Development Bill By Honourable Ghali Umar Na’Aba, Speaker, House of Representatives**

##### **Protocols**

I feel privileged and humbled to be called upon to present a paper to such an important national forum like the Nigerian Economic Summit Group. I believe, quite sincerely, that it is an honour to be so invited by this most important gathering.

I must start by thanking the organizers of this important summit. It is important because at a time our national economy is going through near economic paralysis among other socio-political malaise requiring intensive care, Nigerians should rise to the occasion and proffer solutions that will salvage the economy and, therefore, our democracy.

I believe that uppermost in the minds of organizers of this 9th Summit of the Nigerian Economic Summit Group was what economic initiatives the National Legislative Arm was armed with in enhancing the economic and, therefore, political fortunes of our emerging democracy and our nation.

The organizers would be right to work this in their minds because the challenge of working out an action plan or blueprint for the economy ought not be the monopoly of the executive arm alone. It ought to be a legislative prerogative as well – the more so if such clear blueprint is not methodically emerging from the bowels of the executive.

##### **Economy and Democratic Survival**

No democracy can survive with an ailing economy. No matter how immune-efficient a democracy is, if it is in the throes of an unreformed, non-performing, unexpanding economy, its health will be in question. Democracy, therefore, survives on the capacity of the political class to bring forth reforms to the economy that encourage the electorate to continue to support such politicians in their political parties. This involves creativity, vision and patriotism; the absence or presence of these in our present situation will define the thrust, movement and potential of our democracy and nation.

##### **Infrastructure and the Economy**

From our legislative point of view in the House of Representatives, one of the greatest threats to our economy, to our democracy, is the threat posed by the absence and/or poverty of infrastructure – and government’s continued pretence to resolve it alone. When local and foreign investors want to invest here, the absence or poverty of

infrastructure prohibits. When they want to invest in resolution of the infrastructure problem to erect the “enabling environment” for further investments, the laws restrain them from investing in water, railways, electricity, roads and prisons sub-sectors, while existing laws are inadequate in gas, university/technical education and traditional medicine. From the foregoing, the challenge of developing these critical sectors of the economy is better resolved through a legislative approach.

But let me turn to the main plank of my contribution to your summit, or rather our summit, which is

### **Evolving a Legislative Programme of Action**

Hardly any statement underscores the aptness of a vision plan, call it blueprint or agenda, than the biblical verse: *Where there is no vision, the people perish – Proverbs 29:18.*

Be it at the family unit, in a company, at professional leadership level; be it at the alumni association, in labour unions, at the sub-national level, in the military, schools, farmers’ unions, state or local governments, where there is no vision plan or blueprint that the leadership uses to give itself broad pursuits, actions are adhoc and there is no unity of purpose. Small problems, easily resolvable become entirely magnified complicated, and recurrent.

If the Abacha government worked so hard to construct a vision plan – Vision 2010 – it wanted to develop a blueprint in which all Nigerians were agreed. Having secured their appetites via such a vision, and committed himself to resolving items on that vision menu, he would then have proceeded to stay on up to 2010. If Nigerians agreed on Vision 2010 and Abacha was executing it to the letter and you stood in his way, he would either discipline or mobilize you and Nigerians would “understand”. This way, he could have secured some form of mandate of the people to stay on endlessly. If in muscular military times there is resort to visioning, in democratic era, it is unthinkable to operate without it.

If on the other hand today, in our democratic set up, the PDP is in firm control with a president and a majority in the legislature and they hardly agree on how to secure our democracy, and the polity, then it is because a blueprint was not used to secure power. Or that, when in power, none has been constructed to pave a less quarrelsome relationship.

In the absence of a clear vision, there has been an “*executive adhococracy*”.

There has been no unifying vision to build unity or controllable disunity between the Executive-Legislature, between the party (PDP) and its government at the centre and periphery.

Ladies and gentlemen, I believe that this is the crux of the massive endless disagreements that have bedevilled our country and continue to shake our democracy. Our challenge since realizing this lack in early 2000 when we unveiled the contract with Nigeria has been to develop a vision plan, tailored towards arresting the decay or absence of infrastructure in all parts of our country.

## **The Vision Plan**

This vision plan – call it contract with Nigeria or people’s charter – is basically focused on infrastructure. Be it in absence or decay, in geography, in the states, North or South, East or West, we are united in poverty of infrastructure. When Nigerians talk of marginalisation, be it in Jigawa, Bayelsa or Abia, Benue or Oyo, or Taraba, they are talking largely about infrastructure poverty, and to a lesser extent about presence in Federal Government service. The House of Representatives, understanding that the basis of Nigeria’s future sustainable economic growth and development is in the provision of effective and efficient infrastructure, has constructed this plan to ensure that the private sector is truly accorded the primè place as the engine of growth.

The following bills based on the omnibus Minimum Infrastructure Development Bill are in place. However, we have another set of bills – four in all – which we hope, based on increased contact with our security services, take care of our military or Security Services Vision or Blueprint. Altogether, therefore, we have in place 18 bills that make our legislative agenda for Nigeria. These are:

- **Electricity Regulatory Authority Bill, 2002**

This bill seeks to establish Electricity Regulatory Authority, to repeal the Electricity Act and the National Electric Power Authority Decree, to provide for a far-reaching liberalization of the electricity industry. The bill also seeks to encourage private sector participation in the electricity industry, to provide for the licensing and regulation of activities involved in the provision of electricity.

- **National Water (Regulation) Commission**

This bill seeks to establish National Water (Regulation) Commission charged with, among other things, the responsibility of water regulation in the country. The bill further seeks to make provision for private sector participation in the supply of water for the country.

- **National Health Delivery Commission Bill, 2002:**

This Bill seeks to establish a National Health Delivery Commission so as to encourage private sector participation in the ownership and control of institutions in the health sector.

- **National Board for Technical Education Act (Amendment) Bill, 2002**

This bill seeks to amend the National Board for Technical Education Act Cap 237, Laws of the Federation of Nigeria, 1990 so as to encourage private investors to invest and participate in supply of infrastructure in technical education particularly, polytechnics.

- **Natural Medicine Practice Commission Bill, 2002**

This bill seeks to provide a framework for the establishment of a regulatory body for the natural medicine practice throughout Nigeria.

- **Nigerian Railways Commission Bill, 2002**

This bill seeks to establish Nigerian Railway Commission charged with among other things, the responsibility of railway regulation in the country. The bill also seeks to encourage private sector participation in the rail transport sector.

- **National Universities Commission Act (Amendment) Bill, 2002**

This bill seeks to amend the National Universities Commission Act Cap 283, Laws of the Federation of Nigeria, 1990 so as to empower private investors to participate in infrastructure supply in the University Educational System – and to grant it more independence to pursue its regulatory functions.

- **Federal Highway Authority (Establishment) Bill, 2002**

This bill seeks to establish the Federal Highways Authority by vesting it with the power to supervise federal highways throughout Nigeria, in respect of its construction and maintenance. It further seeks to introduce commercial incentives by encouraging private sector participation in the industry.

- **Correction Facilities Regulatory Commission Bill, 2002**

This bill seeks to provide a framework law for the establishment of a regulatory body for the prisons and other reformatory centres throughout Nigeria. It equally seeks to introduce commercial incentives by encouraging private sector participation to contribute to maintaining and protecting a just, peaceful and safe society.

- **Gas Commission Bill, 2002**

This bill seeks to establish Gas Commission charged with the responsibility of licensing and regulation of gas marketing and supply.

- **Build-Operate Transfer Model and Related Contractual Agreement Bill, 2002**

Critically too, we have in place a flagship – Build Operate and Transfer (BOT) law, which should regulate investments in all areas of our now more liberalized economy in

all the infrastructure laws we have enumerated above. This BOT law will be critical for investors or investments outside the regular contractual frameworks, e.g. in the provision of prisons, water, polytechnics, roads, and railway infrastructure.

Essentially, the bill seeks to provide a framework law to regulate investments and services, relating to infrastructure on the Build-Operate and Transfer model and related contractual agreements in Nigeria.

The commission here will interface with the commissions in the particular investment area. For example, where an investor decides to invest via the BOT option in water, railway or in university infrastructure, such an investor will relate with the BOT regulatory commission simultaneously as with the commission in water, railway or NUC.

### **Security Services Vision**

Ladies and gentlemen, the four draft bills representing our security services or military vision contemplate increased military/civilian contact and interaction. They are also based on an ambitious resolution of the welfare infrastructure of our security services, which is, incredibly, in the worst state imaginable.

The following four bills are in place as part of the legislative agenda in this sector.

- Security Services Welfare Infrastructure Development Bill to pursue the resolution of welfare infrastructure for all the security services from army, navy, air force, customs and SSS to the prisons. Here, we are working on internationally acknowledged welfare benchmarks for our security services. We are making provision here, like we are in the important correction facilities infrastructure area, for a five-year reviewable period and a regulatory commission. Equally, we are making provision for increased private sector investment in the provision of this infrastructure and for a resolution of the challenge by the security services themselves.
- Also in place is a NEMA Law Review Effort. The idea here is to incorporate our security services – especially the military in relief operations – whenever there is disaster or catastrophe. We believe our military are the most organised and deployable in such circumstances.
- Equally in place is draft legislation for a Reserve Army. The Reserve Army will not compound the challenge of our existing army – indeed it should help it in the increasing responsibilities we have contemplated for our security services in the Vision Plan.

- The fourth draft law in the Military Vision plan is the Military Empowerment Infrastructure Development Bill. Here, we are dreaming not just increased military-civilian contact but increased deployment of the huge reservoir of military capacity and potential in resolving the infrastructure and other related challenges. We are dreaming deployment of the military potential in all the infrastructure areas we are liberalizing. We are hoping, simultaneously, that military-civilian contact here will bring about increased mutual understanding and resolve image and other myriad problems. Invariably and deliberately, this law will also relate with the reviewed NEMA law and the Reserve Army and Security Services Infrastructure Development Bill (Military Secondary Role Bill).

### **Other Reform Laws**

We also have draft laws that aim at helping democratic accountability, the process of justice and our indigenous contractor class.

- **Local Materials (Sourcing) Bill, 2002**

This bill seeks to make it mandatory for the sourcing of local materials by contractors for the execution of public funded construction contracts.

- **State of the Federation Address Bill, 2002**

This Bill seeks to make it mandatory for the President and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria to present the state of federation address to the Joint Session of National Assembly on the 29th May of every year.

- **Indigenous Construction Firms (Protection and Encouragement) Bill, 2001**

This bill seeks to make it mandatory for the government and its agencies to award construction contracts of up to ₦5 billion only to local construction firms operating in Nigeria. The bill also seeks to protect and encourage local contractors in the field of construction.

- Finally, we have in place the **Justice Infrastructure Development Bill**.

The bill is a visionary legislative reaction to the increased judicial activity that will inevitably arise from increased liberalisation in the infrastructure area as the rule of law takes root in the system to support democracy. It is equally our own dream for a resolution of the poor state of judicial infrastructure nationwide that has led either to a physical strain on our judges and judicial personnel, to absence of

justice, denied justice, low-level belief in the rule of law or delayed justice. We are in this law dreaming up a certain amount of infrastructure, reviewable over certain years, per court, per geographical/political area nationwide.

## **Hope of the Laws**

Ladies and gentlemen, the scope, range and thrust of our legislative agenda acknowledges the fact that the whole system is in dire need of reform – for some areas gradual, others dramatic, while others revolutionary. Indeed, the reform process is long overdue in all the infrastructure areas. Equally, we need to reform the very basis of our military and the basis of civil-military interaction. We are, therefore, in one fell swoop, addressing democratic issues, fiscal federalism, civil-military relations, public sector versus private roles in the polity and in the economy.

We are confronting the nagging issues of fiscal homage in infrastructure that does not stem infrastructure decay. We are hoping that increased private sector engagement, via this reform process, will resolve this critical area of our enabling environment. Because we have incorporated the vital element of federal character for all the regulatory outfits in all the infrastructure areas, for example, rail line to reach every state capital, we are addressing the issue of marginalisation. This unitary philosophy has been replicated in gas pipeline, prisons, roads, and hospital infrastructure.

Since the whole country is united via infrastructure poverty, our reform effort in resolving it is global too. Other benefits should include the take-off of our iron and steel industry (via increased demand for steel in the railway system envisaged) employment generation, agro-allied industrialization, capacity utilization, shrinkage of public-civil service vis-à-vis private sector expansion, increased investment in education, health and agriculture (social area) arising from reduced public investment in the areas where the private sector is now parking. Indeed our vision plan has something positive for everybody over time.

We hope that it should smooth the operation of our federal system, removing those cholesterols that stultified its flow and relieving it of high blood pressure or hypertension. And for anything else, it will tell Nigerians what their democracy is pursuing – its dreams - and thus give the people hope as the items are executed.

## **Foreign Policy Vision of the Plan**

The beauty of our legislative agenda is that it has no quarrel with the NEPAD initiative, which is presently subsisting in most of Africa. We are hoping that it should be able to dovetail into NEPAD in creating the environment for sustainable development and democratic growth and stemming the tide of our nationals crossing the deserts of life into Europe for a solace that never comes but drains our brains.



It is clear to us too that other African countries will be able to photocopy our infrastructure initiative for their nations if we make success of it. Equally, the presence of or possession of a legislative agenda will enrich the quality and integrity of our presence and leadership role in the ECOWAS Parliament, the Conference of Speakers of West African Parliaments, the African parliamentary Union and the Commonwealth Parliamentary Union, amongst others. Furthermore, the execution of the agenda will present us with an opportunity to lay out the infrastructure that will be the physical skeleton on which the African Union will be built eventually. The extension of our new rail lines may infect other nations – Niger, Chad, etc to follow suit and help the union, impacting on demand for our steel. Our gas vision plan aimed not just at poverty alleviation, but desert encroachment, should also be a source of attraction to Niger, Chad and other nations caught in the throes of desert encroachment.

Beyond all these, it is the presence of a liberal investment climate, with an operational judicial system that will give sharp signal to investors (local and foreign). It is our belief that investors will not come to Nigeria on account of how frequent we knock on their doors. The increased investments that have been witnessed since 1999 in the telecoms area arise from the presence of a pseudo-regulator in the NCC. With the regulatory capacities we envisage in the other areas – water, gas, railways, roads, prisons, we should see more investment effervescence. The implication of these should help Nigeria, not just to be a commercial, industrial and democratic pivot to the emerging African Union, but also play out a more salutary leadership role in Africa, the developing world and globally.

### **Caution on Deregulation and Regulators**

Ladies and gentlemen, at this juncture, permit me to sound a note of warning. Our experience with deregulation here in Nigeria, and at a distance, in other countries, should challenge us to learn from these experiences and legislate accordingly. We should not, on account of the failure or timidity of regulatory outfits, buckle at the knees and throw out deregulation or the reform movement altogether. We should put in place regulators that have financial independence and integrity but who will equally ensure a taming of the predatory appetites by private investors. This is possible.

Equally, we must take cognisance of the social security factor and the constitutional role of the government, which must recognize the economy as a mixed one. Government in the first place is supposed to supply infrastructure. However, it has proven here to be scandalously unable to do so. The increased presence of private sector investors, as we contemplate, should not be synonymous with public fiscal abdication. Where it is clear that the poor public cannot pay the tariff regime that will keep the salvaging presence of the private sector sustainable, then government must come in to help out (with subsidy) for the poor that keeps the operator in place. This, we have taken care of appropriately in social areas like water, rural electricity, gas and education.

Furthermore, we have set out a clause in all the regulatory commissions that makes it mandatory for them to submit a quarterly report to the National Assembly. This auditory clause, we hope, should keep regulatory outfits on their toes, in the public glare, and forestall the insidious incidences of cover-up that led to corporate failures elsewhere.

The experiences of the NCC or NUC on the other hand, where it operates as operator and is yet under the purview of ministerial control, which minister has other operators – NITEL and public universities – has shown that they need more independence – or should not operate from the bowels of ministers. The GSM tariff regime today would have been a lot lower if the NCC had been left alone to bargain out GSM licensing fees for new investors. Government meddling in licensing fees is largely responsible for the overly high rates we are paying today and the muted success of increased investments in the sector. This should be a lesson for us all as we enthrone regulators in the other areas.

### **Cost Implication versus Time Frame**

How much will it cost this partnership between the public and private sector (foreign and local) and the military to put this minimum infrastructure we are contemplating in place? It should take at least 20 years, especially for the critical railway infrastructure. This late-coming railway in itself is good because the rail infrastructure will come on the back of the predictable presence of power and telecom. And the cost of putting all these in place is in billions of dollars, which we hope, will come from local and foreign investors or infrastructure development funds that will be invited by our passage of the laws.

### **Marketing the Vision**

The public is increasingly getting impatient with the output of democracy – the democracy dividend, just like they are getting tired of the political class. So much money is budgeted – trillions – yet the dividends are not in supply. They do not know where democracy and the political class is taking them. The democracy is not anchored on a vision plan sold to them during the electioneering period and government has emphasized *ad hoc* in the absence of a vision plan. The presence of a vision or legislative agenda should, therefore, challenge our marketing skills so that we can deliberately and methodically tell our people where democracy is taking them, how long it will take (and) the steps and benefits – immediate and long term.

We are, therefore, sending out the message of the vision plan via jingles in nine languages, including pidgin, so that the public will be soaked with the message and deliberate on it in the electioneering period we are moving into. The people need to know what we are doing and need to know that we care and are altruistic. We also hope that the tenets of the vision plan and its marketing should elevate the language of

politics – presidential, gubernatorial, etc – away from cheap, lazy sub-national and other crass sensibilities.

There is, therefore, sufficient justification for massive marketing. Added to the above is a **Stakeholders' Forum** that we should be hosting on this legislative agenda. The objective here is to put the agenda further into the public domain while specifically exciting and soliciting stakeholders' collaboration, especially the private sector and the military top brass, two critical sectors we have already collaborated with. Given the political season, when effort and energy by the political class will be directed at securing their second terms, we believe the stakeholders' forum should process the agenda and hue out a strategic consensus. I urge, especially the private sector to work out further inputs during this forum.

## **Conclusion**

Very distinguished ladies and gentlemen, I, therefore, call on the political class, lovers of democracy, lovers of Nigeria, our private sector, the unemployed, education experts, labour leaders, retired military men, security and military top brass, officers and men, political aspirants at the presidential, gubernatorial, senatorial levels, etc to take a look at this legislative agenda; to see and seek unity of purpose in it; to see stability in it and to see a united and powerful Nigeria in it. More than anything or any group, however, I call on us lawmakers to deliberate on this agenda and use it to make a better life for our teeming poor people.

I believe that where there is no vision, the people perish, including the leaders! Equally, I believe that the magnitude of problems assailing our democracy, our nation, our polity and our federalism offers and conveys a big or larger opportunity and privilege for the political class to project leadership. They can use the magnitude of problems to weave a united vision and chart a way forward – or fail to do so, continue to quarrel, miss the opportunity and perish in the process. We should exploit this myriad of problems, and make a name of it for us all – and for posterity. And live forever in history.

Long live the Federal Republic of Nigeria.

Long live the legislature.

I thank you for your time.

## ***Appendix K***

### **Special Summit Dinner II Speeches**

- i. Welcome Remark by Suraj Yakubu, NIPC
- ii. Address by Senate President, Chief Anyim Pius Anyim
- iii. Investment in Nigeria by Goodie Ibru, Chairman, Ikeja Hotels Plc
- iv. Vote of Thanks by Dr. Magnus Kpakol, Chief Economic Adviser to the President

### **Welcome Remarks By Chief Operating Officer, Nigerian Investment Promotion Commission (NIPC), Mallam Suraj B. Yakubu at the Dinner Hosted By The NIPC**

#### **Protocols**

On behalf of the Executive Chairman, management and staff of the Nigerian Investment Promotion Commission, I wish to welcome you all to this dinner in honour of the delegates to the Ninth Nigerian Economic Summit. I must commend the efforts of the delegates to the Ninth NES in trying to sustain public/private sector dialogue and collaboration process in a democratic setting.

Investment occupies a critical place in our nation's priorities today. As you are already aware, one of the key policy thrusts of the present administration is to promote investment by both domestic and foreign investors. His Excellency, President Olusegun Obasanjo has consistently emphasised on this in virtually all the fora he attended both at home and abroad, since the inception of this administration. This is quite understandable as the challenge of linking a virile economy that would enable Nigeria take its right place in the comity of nations will come to naught without injection of massive investment into the economy.

Distinguished ladies and gentlemen, the prospects for social and economic development in Nigeria in the next 10-15 years as indicated by the targets and features of the sectoral situations in the economy are bright, but will not come automatically. There are a lot of challenges ahead, primary among which is our ability to raise the non-oil private sector investment levels appreciably, as was recently proposed, to at least \$1.0 billion per year immediately, exceeding \$10.0 billion per year by 2010. These investment levels, if attained, will enable the economy to generate the desired levels of employment and wealth for the people.

While domestic investment resources will be required in this regard, Foreign Direct Investment (FDI) will be an absolute necessity considering the fact that domestic capital formation is still at its infancy and is relatively slow. Herein lies the quest for investment promotion structures for which the Nigerian Investment Promotion Commission was established. The present administration has irrevocably convinced itself of the necessity of a strong investment promotion agency, which can effectively showcase the country's investment potentials without being encumbered by bureaucracy or red-tapism.

The Nigerian Investment Promotion Commission at inception was set up to coordinate, encourage, monitor and promote investment in the country. The implementation of this mandate at the beginning was more of regulation than that of facilitation. As a result, much was not achieved. The present Governing Council has realized this and embarked on massive re-inventing of the commission. Today, the Commission rather than being a regulatory body is characterized as a facilitator, helper, solution provider, and a reliable source of up-to-date investment related information. The mode of operation of the new NIPC is to identify constraints confronting old and new investors, bearing in mind the fact that existing investors are the foremost ambassadors of a country with a friendly investment.

Although the NIPC coordinates investment promotion activities at the Federal level, it cannot carry out the onerous task of facilitating the inflow of foreign investment into the country effectively without the cooperation and collaboration of major stakeholders in the investment promotion process here gathered at this summit. In this regard, I am soliciting for your maximum cooperation and support. Without such cooperation and support, our efforts and that of the present administration, with respect to the attraction of foreign investment, may come to naught.

Your Excellency, ladies and gentlemen, occasions like this are not suitable for long speeches. I believe it suffices to reassure you of our determination to proactively position and promote Nigeria as a preferred investment destination. Once again, I, on behalf of the Nigerian Investment Promotion Commission welcome you all to the 9th Nigerian Economic Summit.

You are welcome.

Thank you for your kind attention.

**An Address Presented By His Excellency Senator (Dr.) Anyim Pius Anyim (GCON), President of the Senate, Federal Republic of Nigeria**

### **Protocols**

I am delighted to be with you as the Special Guest of Honour on the occasion of the

Second Special Summit Dinner being hosted by the Nigerian Investment Promotion Commission (NIPC).

This year's summit, the ninth in the series organized by the Nigerian Economic Summit Group challenges all of us to put the economy first. That we have not done very well, particularly with the management of our resources, is exemplified by the degree of poverty and squalor that have taken over our land. A country as large as ours with manifest human and natural resource endowments should have no business with poverty. We should not attract a low rating in the world as judged by the major indices, such as, life expectancy, housing conditions, size of wages, etc. Available estimates indicate that the pit we have found ourselves in is fairly deep. Hence, the need for serious efforts to be made to get us out of it and start the journey towards the standards of leading industrialized nations.

To be able to do this justifiably will not only require us to retool and update our production equipment, upgrade our communications (as we have already started), improve our managerial capacity and retrain the work force; it will also demand us to rebuild confidence. In fact, if we want to make any headway, other countries should be in a position to trust us. And this is the real challenge that the Nigerian Investment Promotion Commission (NIPC) must come face-to-face with. How can we make Nigeria investor friendly?

World experience shows that one of the conditions for restructuring industry and boosting the economy is foreign investments. The experience of Japan and some of the European countries are there for everyone to see. Having received sizeable investments, they did not lose their independence, rather, they have gone ahead to become advanced states. Besides, on the world market today, they have suddenly become strong competitors vis-à-vis their former sponsors.

But for Nigeria to receive expected investments, it is necessary to pursue a policy of close, long-term stable cooperation with the rest of the world in all spheres – economic, political, humanitarian and military. For, without the full confidence of potential investors in Nigeria, we will get neither required economic credit nor adequate technological cooperation.

There is also the issue of building confidence in the actions of the government and its institutions. Their reliability and credibility could provide tens of billions of Naira worth of investments from the citizens of Nigeria themselves who keep their money under mattresses, or have deposits in foreign banks.

Of no less importance is the issue of science and technology. The possession of latest technologies, in the contemporary world is indispensable for high productivity and production and thus for a high standard of living. And the only effective way to obtain

these technologies is not to discover everything ourselves, but to assimilate and adapt from the experience of other countries wherever possible. In fact, the advance of civilization over the past 50 -100 years in communications and transport, economic and cultural cooperation, etc, makes the opposition to other countries and the policy of isolationism in any form senseless and impossible. And, as the world and our history shows, this yields practically nothing good.

The critical measures to be taken should be in the area of institutional reforms. This is in the range of updating the legal system, combating corruption and crime, improving the administrative organs, reform of the military and finding solutions to problems related to the homeless, expanding the accumulated experience of personnel training abroad, etc. It would also be good to find ways to raise the initiative of the broad masses — their enthusiasm. Having formulated the policy of the country's economic revival (our national idea), we also have to convince our people of its correctness and feasibility.

Need I say that the situation in Nigeria has rather become critical? And it is we, and nobody else, that have to make the decisive contributions to ensure the redirection and rebuilding of the economy to ensure a better life for our children and grandchildren. This will require that we rise above political, ethnic, religious and clannish considerations. There is no doubt that Nigeria has the potential to become an economic giant in Africa and eventually in the rest of the world by virtue of its size, population, human talent, rich resource endowment and economic capacity. But, first we must strive to empower our citizens with the necessary education, which will enable them to cope with global challenges. This includes grating them knowledge and skills in a never-ending process of renewal. In fact, the more the knowledge and the skills, the more creative and productive the society will be. And like Thomas Jefferson noted, we need to give every citizen the information he/she needs for the transaction of his own business, to understand his duties to his neighbours and country and to discharge with competence the functions confided in him/her by either.

Also, we must begin to create an entrepreneurial culture as well as the ability to manage better. Given that competition for ideas, talent, and market share has become increasingly a global exercise; the bar for testing the quality of entrepreneurs and managers is ever higher. At the heart of entrepreneurialism is the willingness to take risks, to test the unknown and to weather adversity. As a matter of fact, it is not, indeed, the skills of the work-force or management or the capital they have to use that matters, but how these are used in ever more productive combinations, which is the central driver of economic growth and raising living standards. How we are responding to this global challenge is what will in the long run, determine our status in the comity of nations.

But more importantly, we must create an enabling environment to ensure that business thrives. There seems to be a global consensus, for instance, that for any country to remain internationally competitive, raise productivity and lower consumer prices, liberalisation and deregulation is very desirable. In fact, the role of government should be to help create the climate for change, while business should be the engine of that change. In the long run, the key to sustained economic recovery and growth is consistent macroeconomic policy and structural reform.

But to be able to do all of these will require that we should put the economy first. And that is why I congratulate the NESG on the appropriateness of the theme of this year's summit, "*Nigeria: Putting the Economy First*". There could not have been a better theme, particularly now that our general elections are by the corner. I fully subscribe to the view that success at the next elections must be hinged on economic programmes and policies. Our politicians must convince Nigerians on their commitment to the economic development of our nation. We owe our people a responsibility to ensure that they live a good life and are able to provide for themselves the basic necessities of life. To pretend otherwise would be folly.

I wish you all a memorable evening and may God help us in this summit to come up with implementable ideas that would develop our people and our nation.

God bless Nigeria.

## **Investment in Nigeria – Speech by Goodie Ibru, Chairman, Ikeja Hotels Plc Protocols**

First, I must congratulate the Nigerian Economic Summit group for another successful summit. Over the years, many of us have come to look forward to this summit for the insight it provides on the economy, especially as it relates to our common desire for a robust economy and the opportunity it offers for closer interaction between business and government, among business people.

As in the past, this interface remains ever so important. Our country continues to need a variety of new and supplementary investments in order to achieve the desired economic development and growth objectives.

Even though, past summits have strived to articulate the problems of economic development and growth in Nigeria, the implementation of recommendations has been slow in coming. Therefore, the dialogue just has to continue in the hope that one day, the right mix of policies and attitudes would be achieved and the economy will formally be put on the path to sustainable development and growth.



Speaking about investment in Nigeria, as the organisers of this event have asked me to do tonight, a review of our investment environments elicits a mix of emotions in the things that are revealed. Mercifully, significant improvement has been seen in public power supply and fuel distribution. Government remains committed to the privatisation programme, while sustained liberalisation of the telecommunications sector has boosted the nation's teledensity and eased communication. The development in the telecommunications sector in particular has in addition created job openings.

Fresh investment capital inflows have increased with democratisation, signifying the identification of growth and investment opportunities in Nigeria. However, in recent times, these positive developments in the environment are increasingly counterbalanced by bad politics, high incidence of violent crimes, ethno-religious crisis, bad road networks, and inconsistent fiscal and monetary policies.

Not surprising, real GDP growth for 2001 fell short of the 5% target, while capacity utilisation in the manufacturing sector rose marginally by 0.3 percentage point from 35% to 35.8%.

Today, it is left to the imagination how the impasse between the executive and legislature over Budget 2002 encouraged current and future investments in the economy. The same could be said of the threat the impeachment hanging over the President.

A vehement disagreement among the politicians is a necessary feature of democracy. However, there must be substance to such disagreements for them to be socially useful. Unfortunately, it does not seem there is substance in the present disagreement.

The Economists of 11th August 2002 (page 6) gave a perspective on the problem under the heading: "Nigeria Inadequacies": The dispute centres on the budget. The President proposed a highly inflationary one, full of waste. Parliament passed another... budget that was even worse. Mr Obasanjo ignored it, unconstitutionally".

In essence, there is not much substance, if any, in the current dispute which, unfortunately, is threatening investors' confidence. Already, this is being felt in the financial markets. Apart from the dampener arising from Central Bank's liquidity control measures, the sector is contending with an outflow of funds as a result of investors'/depositors' preference for offshore investments. Analysts also believe that uncertainty over the outcome of 2003 elections is not helping the situation.

Part of the experience in the capital market in the first half of this year is a decline in turnover and index growth rates at the Nigerian Stock Exchange, compared with the levels attained in the first half of last year. The New Issues segment of the market recorded moderate activity, as investors took short-term investment position, in the wake of the budget crisis and tension over local government tenure.

We should be alarmed by the implication of these negative developments in the political arena for investments in the economy. Unfortunately, it is not entirely a problem that could be resolved by appealing to our patriotic spirit. Foreign investors may not be inclined to listen to such emotional appeal; and the country needs foreign capital to fill the gap between domestic savings and the capital needed for development. So, something more realistic and urgent is called for.

Significantly, CBN reported this year that Foreign Direct Investment (FDI) in Nigeria averaged US\$1,184 million per year in the period 1997 – 2001, pointing out that on an annual basis, it dropped from US\$1,539.4 million in 1997 to US\$1,051.3 million in 1998, declining to US\$1,004.9 million in 1999. Even though the performance improved in 2000 as net inflows rose by 13.5% to US\$1,140.7 million, the tempo could not be sustained in 2001.

The low level of FDI in Nigeria can be attributed to a number of factors among which are macroeconomic instability, and poor infrastructural facilities. “The high debt burden also influences adversely foreign investors’ perception of the health of the economy. Similarly, the incessant social and political instability, and insecurity of life and property”, the CBN report said.

Certain conclusions could be drawn from the foregoing. The general outlook for investment in Nigeria is discouraging. A lot is happening that is undermining investors’ confidence in the economy. But, given that the problems are known, the ready solution is the courage and grace of mind to address the problems in their various manifestations.

Also, it may be necessary, in the light of our experience, to subject our politicians to the type of political education that will enable a large number of them draw an appropriate relationship between their actions and the economic development and growth of the country.

## **Vote of Thanks by Magnus Kpakol, Chief Economic Adviser to the President**

*(Transcribed from Audio Tape)*

### **Protocols**

Tonight, I am being called upon to give a vote of thanks. Nobody calls on an economist to give vote of thanks. You know, I have spoken on various platforms, in various situations but never asked to give the vote of thanks, but I just wanted to see how it feels for an economist to give the vote of thanks. Normally, what we do is analyse, criticize; we examine, then advise. Even when we are not asked to advise, we advise anyway.

But tonight somebody asked me: "Yesterday you were with your wife. How come you are not here tonight with your wife when you are going to speak?" And I said: "I was actually under instruction and that actually when she is not here tonight, I can do whatever I wanted".

But remember that there was a cartoon that I saw in a newspaper wherein there was a village chief who believed that every man was afraid of his wife (i.e. their individual wives) and so he had the people together at the square. There he demanded that every man who is not afraid of his wife should stand over here. People waited for a while. Then he said "Every man who is afraid of his wife, stand on the right hand and every man who is not afraid of his wife, stand on the left side." All the people stood on the right hand, except one guy who stood on the left hand side. The chief was very worried about it because his theory was supposed to be intractable. So he asked the man "You mean to tell me that you are not afraid of your wife?" The man replied that "My wife asked me to stand on this side.

So actually, I was asked to be well behaved and I will try to be that way. But tonight, let me thank the NIPC for organizing this thing. But you know when I got here, I looked at this thing – NPC, NIPC. You know I am the CEO of NPC. I asked myself: "How come I could never host a dinner like this and I talked to one of my colleagues who said "You are NPC, they are NIPC; you don't have "I" in your own. That's the reason. They have investment, you don't".

Tonight I am very thankful to NIPC for organizing this dinner. Also, I am particularly happy because since we are in government together they would not charge me for hosting the dinner. If it was from the private sector I would be just a little bit worried because there might just be a fee or some sort of a charge for it, but I am very confident that there will not be a charge for this one. If there is a charge, then they can just write it on a piece of paper and put it my account somewhere and I will not worry about it. But we have been talking about putting the economy first and that is really very timely. As you know, we have just put up a framework for our economic programme and we are also attempting in government to put the economy first. In fact, often times I argue with my politician friends. They try to tell me that politics is more important than the economy and I say "o.k." Well, let us try to see this. I believe that actually, politicians are economists; only they don't know that they are economists in training. You see, over time, they really get to understand that fundamentally, everything comes down to the economy.

In the framework of the programme that we have just put in place, we identified 5½ or six production tracks. These are agriculture, agro business, solid minerals development, manufacturing, oil and gas and, of course, tourism. But I am also really excited because of the encouragement and support that we are getting from the private

sector and the NESG has come out with their own 5 to 6 drivers for the economy. I remember telling the President recently that what it means is that there is real collaboration between the public and the private sectors. If you have tracks, you need drivers to drive on the tracks. So, if from the public sector we have 6 tracks but then we need drivers from the private sector to drive on the tracks, to deliver the goods and services to the people. So, you see, that is what collaboration between the public and the private sectors are really all about – the public sector providing the tracks, the private sector providing the drivers and, I think together we can deliver the goods and services to the people. But we all have to really understand what education and training means in this effort. They are very fundamental if we are to be successful. There is this joke of a person who had drunk from a can that was labelled poison. You know there is this thing called lye, that's sodium hydroxide. There are some chemists here, I hope that is correct but it is a type of poison and anyway this bottle was labelled poison and the person drank from it and went to the doctor. So, they brought him to the emergency room, they treated him, when he awoke, somewhat, the doctor said to him: "I heard you drank from a bottle that was labelled poison". He said, "yes doctor, I saw it was labelled poison." The doctor said, "but then why did you drink from it?" He said, "but underneath the poison it said lie, so I did not believe it." But, the fact of the matter here is that we have to really understand the issues, we have to be sure that we are reading carefully the road signs as we drive on these tracks, so that we can actually and truly deliver the goods to the people of the country.

We are today in a global economy. There are a lot of people who are afraid of globalization. People in the public sector tend to be more afraid of globalization than those in the private sector. People in the private sector are not afraid of globalization because they see it as an opportunity to leverage on the world's economy and I think that there is nothing to fear about globalization at all. What it means is that we have to be prepared to compete in a global environment. If you are not prepared you would fail but if you are prepared, you would be successful and I believe that we must be prepared to handle the circumstances that are prevailing in the world's environment today. Because of these changes, we are having some difficulties. Yesterday, I talked about some of the issues. In particular, I talked about how some countries have literally abandoned their own currencies because they were no longer able to maintain them. There are some countries where inflation rate is extremely high. There are some countries where their currency is completely overvalued. All of these are happening because of the forces of globalization. But that does not mean that globalization is bad. What it means is that such countries are still in training. They need to learn how to deal with the forces of globalization. We in Nigeria also have to learn and understand that we are in a position where sometimes we have to struggle to allow our feet to be wet but not to allow ourselves to sink.

But, in any case, I think that this has been being a splendid summit so far. Yesterday, we went through the opening ceremony, which I thought was just fantastic. I think working with NESG has been very rewarding to me. We couldn't have had more capable people than we have in NESG.

Going forward, I believe that next year we should broaden the scope of this summit so that, at least, we can get participation from the rest of West Africa. We should be able to get participants from Ghana and from some of the other African countries because in the spirit of NEPAD, if we are to be the anchor that we believe what we are. We are by far the largest economy in West Africa and, I think that as we go forward we should explore the possibility of broadening the scope of the Nigerian Economic Summit so that we would have a session on the global economy or, at least, on the West African economy and seek to have participation from outside of Nigeria. But to do that and to do the kinds of things that will establish and concretise our position or our pre-eminence in West Africa, we have to struggle, we have to really endeavour to reduce the level of uncertainty in our country and it is up to us to do that. Nobody will do it for us. We have to pull ourselves up by our own bootstraps. The reason why we've had problems in the past is just because the level of uncertainty hastened to be high and we have to bring it down.

I realise now that we are upon a very exciting period especially for politicians. But, even so, I think it is in the best interest of all of us to bring the level of uncertainty down. As far as the economy is concerned, we are looking for ways to make sure that we bring the level of uncertainty down. I believe the best way of doing this is to diversify the economy, to make sure that we no longer rely too exclusively on crude oil as our mainstay for the economy. I think that when we do that, when we can diversify onto the six tracks that we talked about, which we have identified, which the president actually has identified, that we would get to a point, where oil, crude oil, as a share of our GDP is much lower than the 26% or 27% that it is now. I would like to see that it comes down well under 10% and, perhaps, closer to 5% in the years ahead. When we are able to do that, I think that we would be able to reduce the level of uncertainty in the economy.

Talking about economic indicators, you will find that much of the volatility you see in Nigeria, be it with inflation, with GDP, with the politics, no matter what it is, it is all attributable to volatility in oil sector, whether with production level or with price level, there is a very strong correlation with all the volatility and the gyrations that we see in the economy and in the politics of Nigeria.

Anyway, tonight I just want to thank you for coming, and especially the NIPC for providing the dinner, which has, allowed us to stay as long as we had. The musicians, I want us to really thank them for their performance tonight. But there is one question

I wanted to ask them but they have gone. Why is it that guitarists always look one way when they are playing their guitars? I always wanted to ask them what they were looking for? They are always looking one-way and smiling. But they have gone now.

So, distinguished ladies and gentlemen, thank you all very much for coming and have a good night.

Thank you.

## ***Appendix L***

### **Presentation of Recommendations to the President by Henry Okolo and Nasir El-Rufai**

#### **Presentation Outline**

- Recap of Past Summits/NES #8
- NES #9 Recommendations
- Summary and Conclusions

#### **Past Summits**

- Forged broad agreement on economic policies and objectives
  - Africa's No.1 economy
  - Accelerated growth – 10%
  - Raise standards of living
  - Private Sector – Public Sector Partnership

#### **NES #8**

- Growth drivers for the economy
- Critical sectors
- Recommendations

#### **Growth Drivers for the Economy**

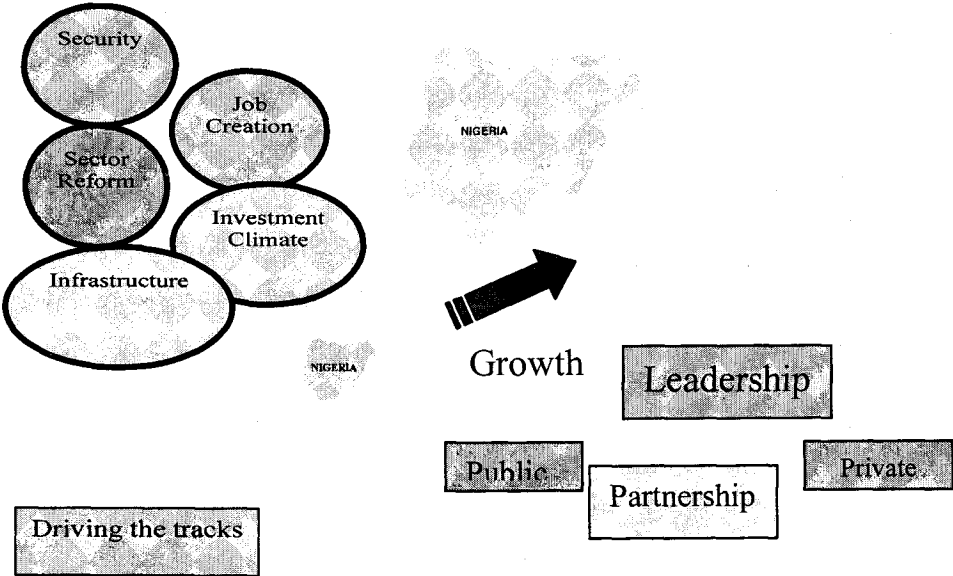
- Sector reforms
- Infrastructure
- Security
- Investment climate
- Job creation

#### **This Summit – NES #9**

- Putting the Economy First
  - Democracy dividends
  - Social and political stability
  - Security
  - Private Sector growth

- We now have Public-Private Sector consensus on Nigeria economic blueprint
  - President Obasanjo's Econ. Direction 1999-2003
  - NES Economic Action Agenda
  - Framework for Economic Growth (2003-2007)

**Growth!**



	Sector reform	Infra-structure	Security	Investment Climate	Job creation
Agriculture	●	●	●	●	●
Solid minerals	●	●	●	●	●
Manufacturing	●	●	●	●	●
Crude oil	●	●	●	●	●
Gas	●	●	●	●	●

● High need
● Medium need
● Low need

Start
Stop
Continue



## **Start**

- Build a Nigerian national spirit
  - Rallying point beyond football
- Budget and Economic Policy Integration
- Economic Impact Assessment
- Quarterly Accountability reporting
  - Publication of contract details
- Reduce the size of government
  - 70% of revenue goes on salaries
- Commence performance measurement
  - Key performance indicators for ministers
- Appoint technocrats to key economic departments
  - Finance, national planning, CBN, petroleum resources
  - NIPC, BPE, SEC & other regulatory bodies
- Appoint private sector representatives to Tenders Boards
- Institutionalise corporate governance

## **Stop**

- Deficit budgeting
- Waste
  - Oversized civil service
  - Private sector too!!
- Unnecessary capital projects
- Unproductive travel
- Undermining due budgeting process
- Tax evasion

## **Continue/Intensify**

- Deregulation/ Privatisation
- Anti-corruption crusade
- Strengthen Police Force
- Reduce cost of business
  - Duties and taxes
- Dialogue and consultation process
- Environmentally friendly practices
- Economic framework (medium to long term)

## Reality Check

	Status Quo			Change Scenario		
	2002	2003-6	2007	2002	2003-6	2007
Real GDP Growth	-0.9	2.8	2.6	-0.9	4.6	5.5
Non-Oil GDP Growth	5.3	2.8	2.8	5.3	5.3	6.8
Inflation (annual average)	13.4	15.6	12.6	13.4	10.	6.7
Fiscal balance (% of GDP)	-5.2	-7.6	-8.6	-6.7	-0.4	1.9
External Current A/C (% of GDP)	-9.9	-6.3	-4.8	-9.9	-7.1	-4.4
Reserves (months of imports)	4.6	3.4	3.4	4.6	4.5	5.3

Source: IMF Staff Estimates

## Urgent Imperatives

- Salvation means hard choices must be made
- Resources are limited – deploy to most productive activities
- We cannot afford to continue wasting resources
- We need to act fast!

## NES #9 Presentation

- Focus on implementation, action plan, timeframe and monitoring
- Priorities for Nigeria economy

## Work Groups' Charges

- 12 work groups focusing on critical areas of the economy
- Reviewed NES #8 recommendations and achievements made
- Selected priorities
- Prioritised action agenda with time frame

## Infrastructure

### Key Elements

- Utilities
  - Electric power
  - Telecommunications
  - Water
- Transportation
  - Roads

- Sea Ports and Inland Waterways
- Railways
- Aviation

### **Action Plan**

- Power
  - Pass EPSR bill (*NASS – 31-03-03*)
  - Unbundle and privatise NEPA, implement market reform (*FGN/NASS*)
- Telecom
  - Enhance legal/regulatory function (2003)
  - Complete NITEL privatisation (2003)
- Roads
  - Urgent Rehabilitation of roads at all levels (FGN/SG/LG 31-03-2003)
  - Liberalise/privatise road construction
- Inland Waterways and Ports
  - Harmonise and streamline activities of different agencies at the ports
  - Implement incentives to make ports outside Lagos and Port Harcourt attractive
  - Encourage private sector participation in building jetties and waterway terminals
- Railways
  - Build west-east rail line (public/private) and urban network for mass transportation in Lagos, PH, Kano, Abuja, etc.
- Aviation
  - Privatise Nigeria Airways
  - Equip all airports with navigational aids to international standards

### **Budget and Economic Coordination**

#### Key Objective

- Sustainable economic growth and stability through a budget process that is:
  - Coordinated
  - Transparent/comprehensive

- Result oriented
- Cohesive
- Timely

### **Action Plan**

- Set broad principles for allocation of resources
- Insulate the budget from oil shocks
- Enact a Fiscal Responsibility Act
- Set limits for:
  - Public debt/GDP ratio
  - Primary deficit
  - Debt service ratio
- Enforce NPC coordination role

### **Human Capital and Quality of Life**

Trained and competent manpower is a country's greatest resource

### **Key Objective**

- To focus attention on a few clear and actionable priorities that are geared towards providing better manpower training and satisfying the needs of industry and the nation at large

### **Action Plan (FGN/NASS/SG)**

- Increase substantially public expenditure on education
  - At least 2% of GDP
  - At least 20% of Federal Budget
    - \* versus 6% current, 26% UNESCO norm
- Increase coverage and quality of primary and secondary education
- Streamline NUC function to be in harmony with university autonomy
- Fund scholarships for deserving students based on excellence
- Face reality that contribution is required from all stakeholders (Govt, Private sector & parents)

### **Action Plan – Private Sector**

- Provide endowments to tertiary institutions
- Support students industrial work experience scheme

- Establish research collaboration with universities and accept placement in industry during sabbatical leave

### **Action Plan – Tertiary Institution**

- Implement strategic plans encompassing proper budgeting, implementation and control
- Review curricula, and select focus areas to meet the needs of industry and public sector
- Deploy ICTs for teaching, research and administration

### **Special Focus – ICT, Education**

- Create “IT corridors” providing IT equipment and software, internet access and training for ICT entrepreneurs and university undergraduates
- Provide special incentive/remuneration for ICT instructors

### **Special Focus – Technical -Vocational Education**

- Transform existing technical schools to focus on skills needed on selected industrial sectors and review curriculum
- Review conditions of service of instructors and publicise remuneration opportunities

### **SMEs, Informal Sector and Wealth Creation**

#### **Key Issues**

- Funding and interest costs
- Access to markets
- Management capacity

#### **Government Initiatives So Far**

- SMIDA (Small & Medium Industries Development Agency)
- SMIES (Small and Medium Industries Equity Investment Scheme)
- Bank of Industry

#### **Action Plan**

- Improve access to finance (*FG*)
- Fund BOI and commence operations
- Implement SMIDA (*FG/NASS*) – 01, 2003

- Promote full implementation of ECOWAS treaty on free trade (FG - on-going)
- Remove bans and duty on qualifying goods from ECOWAS countries
- Better management/organisation by SME

## **Agriculture**

### **Key Issues**

- Funding – tenor and interest rates
- Input costs (subsidy)
- Rural infrastructure – access to market

### **Policy Objectives**

- Food sufficiency
- Raw materials for industry
- Job creation

### **Action Plan**

- Funding is it!
- Provide long term funding at single digit interest rate (even if this will mean some subsidy) (NACRDB, SME Funds with Banks, Agricultural Credit Guaranty Scheme)
- Establish Agricultural Development Fund
- Public – private sector funded
- Contribution from SME funds
- FDI
- Donor agencies
- Tax and food imports (e.g. 2 ½%)
- Develop rural infrastructure to support evacuation of harvest
- State money to generate seedlings for strategic crops
  - \* Sell to farmers at cost
  - \* Reimburse in full (+ interest) on performance
  - \* Cassava, cocoa, cotton, rubber, palm, citrus.

## **Oil and Gas**

### **Key Issues**

- Increase share of OPEC Quota
- Funding
- Gas development
- Downstream deregulation
- Community relations
- Increased Nigerian content and local manufacturing

### **Action Plan**

- Continue and expand scope of alternative funding and PSCs (*FGN*)
- Fully deregulate, simplify, demystify approval process for private sector investment in downstream petroleum industries (refineries, petrochemicals) (*FGN*)
- Clarify and codify fiscal and contractual framework for gas utilisation (*FGN*)
- Continue to address oil community problems (oil companies, NNPC, NDDC) and increase security arrangements (*FGN*)
- Establish incentives to encourage local investment (long term funding) (*FGN*)

## **Banking and Finance**

### **Key Issues**

- Long-term deposit mobilisation through pension funds
- Depletion of external reserves and impact on exchange rate stability
- Professionalism
- High interest rate

### **Key Objectives**

- Rebuilding confidence
- Stability of the banking sector
- Adequacy/availability of foreign exchange
- Low interest rate regime
- Strengthen corporate governance

## **Action Plans**

- Enable access to long term funds through proper funding and management of fund (*Public/Private sector – March 2003*)
- Establish framework for market determined exchange rate (*CBN – March 2003*)
- Patronise the capital market for long term financing (*FGN – December 2002*)
- Co-opt private sector representatives into the Monetary Policy Committee (*CBN – Dec. 2002*)
- Greater collaboration between banks and insurance companies (*Banks/Insurance coys. – Immediate*)
- Improve corporate governance by appointing independent directors (*Banks/Insurance coys – December 2002*) • Increase capital base of new insurance companies to ₦500 million and ₦350ml for existing companies (*NAICOM/NASS – 2003*)

## **Privatisation and Deregulation**

### **Key Objectives**

- To transform the economy from ‘a state led’ to private sector driven one.

### **Key Issues**

- Inter-governmental co-ordination
  - Nigeria Airways, Coal Corporation, ASCON, etc.
- Sector Reform Acts (Legislative Framework)
- Acceptance of Pricing Reality – some are “Junks”

### **Action Plan**

- Enact/pass sector reform legislation (*NASS*)
  - Power Sector Reform Bill
  - Telecomms Bill
  - Competition and Antitrust
  - Solid Minerals Bill
  - Petroleum Sector Reform Bill, etc.
- Ensure and enforce intergovernmental coordination of reform and privatisation by channelling all transactions through NCP (*FG*)
- Develop realistic pricing policy to recognise the realities of enterprises and future benefit from new investors to the economy



## Competitive Industrialisation

### Key Issues

- Outdated industry policy based on import substitution (1988)
- Undeveloped sources of raw materials (agriculture, minerals)
- Import duties and taxes on capital equipment and raw materials too high (?)
- Infrastructural deficiencies impact competitiveness
  - Power supply is unreliable and expensive
  - Telecommunications services expensive
  - Roads maintenance need improvement
  - Rail network is totally moribund
- Interest rates are too high/exchange rates unfavourable
- Macroeconomic instability exacerbates competitiveness

### Key Objectives

- National commitments (*FGN*)
  - Target manufacturing to contribute 20% of GDP
  - Reduce input costs of manufacturing to globally competitive levels
  - Identify and nurture clusters of competitive advantage and global competitiveness

### Action Plans

- Establish an Industry Action Committee (IAC) to develop industrial blueprint (*Dec. 2003*)
- Identify factors that inhibit competitiveness and proffer solutions (*March 2003*)
- Identify sectors in which Nigeria may have competitive advantage (*September 2003*)
- Revise and publish investment incentives (*June 2003*)
- Reduce import duties on capital equipment and raw materials to ECOWAS parity levels (*Jan. 2003*)
- Address infrastructural deficiencies to enhance competitiveness – power, roads, railways, etc. (*On-going*)
- Manage macroeconomic fundamentals (low budget deficits, etc.) to achieve low interest rates, exchange rates, etc. (*Jan. 2003*)

## **Rebuilding Institutions**

### **Key Issues**

- Years of disruptive dictatorship have destroyed key institutions:
  - Civil Service
  - Military professionalism
  - Political parties
  - Law enforcement agencies
  - Judiciary, and
  - Family
- The disruptive deterioration is attributable to:
  - Poor leadership
  - Dishonesty and lack of integrity
  - Absence of community/nationhood
  - Materialism
  - Discretion and corruption, and
  - Disrespect for rule of law
- Key social institutions have also collapsed
  - Schools
  - Healthcare
  - Extended family

### **Key Objectives**

- Rebuild political, civic, judicial and market institutions
  - Civil service
  - Police
  - Military
  - Legislature
  - Judiciary
- Reinvent community and family institutions
  - Schools
  - Family values
  - Community development
  - Inter-ethnic/religious harmony

## **Action Plans**

- Increase investment in education and health sectors, etc., consistent with UNESCO/WHO recommendations (*Jan. 2003*)
- Judiciary
- Police
- Persons
- Anti-corruption Commission (*on-going*)
- Start a pilot scheme of community based partnership for security in Nigeria, starting with Lagos (*June 2003*)
- Articulate, publish and publicize social contract on rebuilding institutions, starting with NESG #9 attendees (*Immediate*)

## **Investment**

### **Key Issues**

- Security
- High cost of doing business
- Macro-economic stability

### **Key Objectives**

- Create enabling environment for investment
- Promote non-oil investment
- Sector reform and privatisation

### **Action Plan**

- Strengthen the Police Force to improve security (*FGN – Immediate*)
- Establish Technical Committee on Police Reform
- Encourage community policing
- Initiate/implement schemes for private investment in infrastructure (BOO, BOOT, ROT) (*FGN – 2003 onwards*)
- Pursue power sector reform by enacting the Electricity Reform Bill (*National Assembly – 31-03-2003*)
- Adequate funding of the NIPC to undertake investment promotion activities (*FGN – Immediate*)
- Ensure policy consistency/macro-economic stability (*FGN – Immediate*)

## **NEPAD - New Partnership for Africa's Development**

- The Economic Programme of the AU
- Private sector role in continental economic developments
- Harnessing country competitiveness for regional development
- Some examples:
  - Nigeria (markets, resources and manpower)
  - South Africa (technology, investment capital)
  - Libya (investment capital)

## **Key Issues**

- Supra-nationality vs. national interest
- National legislative support
- Private sector leadership
- Capacity building
- OECD support (US, UK and France in particular)

## **Action Plan**

- Institutionalise NEPAD by passing domestic legislation adopting NEPAD (*FGN, NASS*)
- NESG & NPC to organise seminars, issues publications to educate Nigerians on NEPAD
- Establish timetable to achieve critical commonalities
  - Harmonise business laws
  - Free movement of goods and persons
  - Transportation (air, land, sea)
- Create/strengthen regional financial institution to support private sector JVs

## **Nigeria: Putting the Economy First**

### **Pre-conditions**

- Commitment to policy objectives despite implementation difficulty
- Implementation failure does not mean policy failure
- Implement! Implement!! Implement!!!
- Adopt loose brick strategy
- Focus, priorities
- Long term perspective/vision

Start	Stop	Continue
<ul style="list-style-type: none"> <li>• National Spirit</li> <li>• Resource Allocation</li> <li>• Performance Management</li> </ul>	<ul style="list-style-type: none"> <li>• Waste at all levels</li> <li>• Executive/Legislature Face off</li> </ul>	<ul style="list-style-type: none"> <li>• Liberalisation</li> <li>• Transparency drive</li> <li>• Cutting cost of doing business</li> <li>• Consultation</li> </ul>

### **Final Word**

- We can do it!
- All that is required is conviction, commitment and process discipline
- We have a duty to Nigeria and Nigerians
- We can uplift Africa and black race in the manner Japan has done for Asia

***Nigeria: Putting the Economy First***

## *Appendix M*

### **Closing Remarks by Chief Olusegun Obasanjo, President, Federal Republic of Nigeria**

#### **Protocols**

I have listened to two beautiful presentations that summarise the summit recommendations and I want to thank the presenters and all of you who have worked hard in the various workgroups to bring out these recommendations.

By and large, I agree with everything, but let me add one or two things.

One thing that bothers me a little is this — when we talk about growth, should we not also add development? I am always worried about that because all we hear about today is that we will grow by 3% GDP or we will grow by minus 2% GDP. You have quoted IMF and the World Bank, I respect them but I do not always believe them.

There are aspects of these economic indicators that do not show the reality on the ground. I was one of those who cleared the road for the first vehicle to my village. In the last three and half years, that road has been tarred and the people now enjoy pipe-borne water, thanks to the efforts of the Ogun State Government. Also, there is now rural electricity in my village, thanks to the Minister of Power and Steel. These developments are not reflected in the GDP figures presented by the World Bank and IMF. Whatever you say, the indigenes of my village can claim to have enjoyed some dividends of democracy.

I believe that when we talk of growth, social indicators should be included. The kind of social indicators that I have mentioned may not be easily quantified in *economic indicator* terms. We must relate these terms to what is happening in our country to match real growth and development. That is why I say that when you talk of growth, development must also be emphasised.

You talked about waste, and you said that the Obasanjo you knew was a *belt-tightener*. In the days of my first rule, there was no threat of impeachment. Today, when you ask people to tighten the budget belt, you know what will happen. I remember in 1978, I gave a belt-tightening budget and a cartoon was published in which a man tightened his belt to the point of cutting himself in two. I do agree with you that there is need to adopt a policy of belt-tightening.

Let me give you an example. I was a federal commissioner and that was the equivalent of a minister in the days of my military regime. I had just one official car. On one

occasion, the car went for maintenance and I had to borrow a car from a friend, Mr. Funsho Awomolo, who was in charge of those selling Citroen cars at NITECO. I took the car to Abeokuta and on the way back, the car was involved in an accident. It was a total ruin, but because the owner was a kind friend, he did not ask me to pay for it. If he had asked me to pay for it, I would not have been able to.

When this administration assumed power in 1999, we tried to reduce the retinue of cars for ministers, as my colleagues here can testify. In spite of all our efforts, I still believe the number of cars that the ministers have today running errands for them is too high. And if the ministers have too many cars, imagine the government officials that hold positions higher than ministers. The same thing is going on in the private sector.

As a federal commissioner, I had a stenographer, a tea girl, and a messenger – in all about five people crowded into the small entrance to my office. I had to call my permanent secretary of then, Mr. George Ige, who is now late. I asked him to reduce the number of staff and he asked me to put it into writing. I did so and when the file was returned to me, it had about twenty-five additional pages moving from A.S. to S.A.S, P.A.S, Secretary, Permanent Secretary and what have you. The bottom line was that it was an establishment matter and it would be difficult to have the establishment reviewed. So I was advised to have the establishment as it was. In frustration, I closed the file. The point is, if it was happening then, it is probably more intense at this time, and the fact remains unchanged that we must reduce waste.

I agree that we are not a rich country. If we are lucky, the total revenue this year for the country will be about \$9 billion. That is not up to what the city of New York spends on fire service, which is \$11 billion. Don't forget that on that \$9 billion, we will maintain an army, an air force, a navy, one hundred foreign missions abroad and then of course, the National Assembly, the ministers and their retinue, the permanent secretaries and their retinue and chief executive officers of the parastatals and their retinue. Besides these will be requests for roads, water and electricity and people still would like to embezzle. We must reduce waste.

We mean well with the concessions granted for *minimum duty*, especially concerning goods that were not dutiable including Bibles that were imported from China. I know some importers took advantage of this, created a loophole and supposedly ordered for \$20 million dollar worth of Qur'ans from Taiwan. It was the customs that decided these goods should just be passed, as they were not dutiable, so we mandated a minimum duty of two and a half percent so that no goods will get passed without being inspected. However, the applicability of that with regards to the ECOWAS will have to be looked at, as in the final analysis, Nigeria is the greatest beneficiary of an integrated ECOWAS market.

Coming to food, you said that in agriculture our aim is *food sufficiency*, but I say it is *food security*. The difference is that food-sufficiency speaks of availability, that is, we must produce, but food security means that food is not only available, it is also affordable.

You also mentioned special crop areas. One at a time we take an issue and tackle it. We have done this for cassava, rice, vegetable oil and textiles; tomorrow we will be looking at livestock. These are areas for which we draw up action plans.

Thank you for beaming the searchlight on NEPAD, I don't know if NEPAD will lend itself to legislation here or not, but I do not doubt that NEPAD is good for Africa and for Nigeria.

For those interested in knowing more about NEPAD, there will be a meeting of the Implementation Committee on the 3rd of November with representatives of the twenty member countries in attendance in Abuja.

Once again, I thank the organizers of this summit. This summit has been as rewarding as the previous ones. I look forward to receiving the report. We will review it, follow up on it and implement the worthy recommendations.

Thank you very much.



## *Appendix N*

### **Vote of Thanks by Bunmi Oni, President, The NESG**

*(Transcribed from Audio Tape)*

#### **Protocols**

Mr. President, we want to thank you very much for your continued commitment to the process of dialogue. I believe we all agree that this is a process that must be sustained.

We thank you very much for taking your time, not just to be with us at the opening ceremony, but coming here today to receive the concluding recommendations.

I will also like to thank the distinguished members of the national assembly who have taken the time to be with us; I'll like to thank especially Senator Udoma who joined in the opening presentations.

We also note that executive governors of some states have been with us at various stages – ministers, business leaders – I will like to thank you very much for the time you have given to make this the modest success that it has been.

This is the ninth in the series of these dialogue sessions; we look forward to the strengthening of the process.

The thrust of the presentation today, I believe, is that there are very many things that we are doing, and we are doing well, those ones we must sustain because they are in the right direction, even if we come against some temporary difficulties. But there are some areas where we must change. Change can be difficult and that is why the presenters did remind us that if we are to realise the future that we want, we would have to make some hard choices and that we are the generation that must bring change. Indeed, Nigerians look up to us, leaders of government, leaders of business, to ensure that this happens.

Mr. President, distinguished ladies and gentlemen, I'll like to thank you very much. It is my pleasure to present to Mr. President a hard copy of the presentation that has been made today. We are delighted that you have also reiterated your commitment to ensure that you will review this process and set targets and receive and monitor the implementation of those things that have been agreed.

Thank you very much sir.

## *Appendix O*

### **List of Participants**

#### **Infrastructure**

Joseph Tegbe  
KPMG Professional Ser.

Briskilla Sapke  
Fed. Min. of Power & Steel,  
Abuja

Obi Iwuagwu  
NESG

Augustine Okon  
Aerial & Satellite

Kola Ayeye  
National Bank of Nig. Ltd

Charles Anudu  
The Candel Coy. Ltd.

Sam I. Agbogun  
NEPA Hq

Lucky Maduegba  
Visions Investments Ltd.

Ogugua Chioke  
ECONET Wireless Nig. Ltd.

John Odogwu  
Ass. Discount House Ltd.

Praveen Verma  
High Commission of India

Shakiru Anjorin  
Min. of Power & Steel

Awolomo Adedayo  
Awolomo & Co.

Temitope Ariyo  
AIT

Anthony Akpan  
NCAT

Jibril Aku  
CitiBank, Nigeria

M.O. Abraham  
Seg. Mahasen Ltd.

John A. Odeyemi  
LCCI

Funmi Egbuche  
Msjona Nig. Ltd.

Oluyemisi B. Olushola  
Eco Air Ltd

Zubaida M. Rasheed  
NITEL Hq.

Temitope Y. Adeniji-Adele (Mrs.)  
Fed. Min. of Water Resources

Clement Iloba  
Julius Berger Nig. Plc

Amaechi Ikechukwu  
The Anchor

Olukoju Ayodeji (Prof.)  
Dept. of History, University of Lagos

Danladi Boro  
Zenith Intl. Bank. Ltd.

Emmanuel Uffot  
The Source

Ferdinand Agu  
NMA

Ojo Maduekwe  
Min. of Transport

Tony Onwu  
Liberty Bank Plc.

Tokunbo Fagbemi  
Springfountain

S.U.N.  
Oriala Edge N.G.O.  
Environment

Usoro Paul  
Paul Uzow & Co.

Jim Ovia  
Zenith Int'l Bank  
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Lagos

Magnus Kpakol  
Presidency

Emmanuel Udotong  
Isatong Limited,  
Lagos

Uche Igwe  
Community Level  
Environmental Action Network

Okon Augustine  
Aerial & Satellite Ltd.  
Lagos

## ***Appendix P***

### **Sponsorship**

We received contributions from the following companies towards the successful organisation of the Summit:

- Accenture
- Cadbury Nigeria Plc
- Chartered Bank Nigeria Plc
- Chevron Nigeria Limited
- Citibank Nigeria
- Coca-Cola Nigeria Plc
- Dangote Nigeria Limited
- Diamond Bank Limited
- Direct On PC Ltd.
- Digiprint
- ECONET Wireless
- First Bank of Nigeria Plc
- IRS Airlines
- Kakawa Discount House Limited
- KPMG Professional Services
- Honeywell Group Limited
- MBC International Bank Limited
- MTN Nigeria
- Nigerian Bottling Company Plc
- Nigerian Investment Promotion Comm.
- ReStral Consulting Ltd.
- Stanbic Merchant Bank Limited
- Seven-Up Plc
- Shell Petroleum Devt. Company
- WEMA Bank Plc
- Wonder Foods Nigeria Plc
- Zenith International Bank Limited

In addition, other organisations provided facilities, materials, equipment, seconded staff and also offered preferential discount rates for services rendered. These organisations include:

- Accenture
- Arewa Suites
- Agura Hotels Limited
- ADC Airlines
- NICON Hilton Hotel
- Office of the Chief Econ. Adviser to the President
- Printserve Limited
- Parkview

- Bolingo Hotel Limited
- Chanchangi Airlines Limited
- Crystal Palace Hotel Limited
- Citibank Nigeria
- Diamond Bank Limited
- Direct on PC Limited
- IRS Airlines
- Rockview Hotel Limited
- Seven-Up Plc
- Sheraton Hotel & Towers Limited
- Strategic Research & Investment Limited
- Xerox H. S. Nigeria
- ReStral Consulting

We acknowledge their support and hereby express our gratitude to all of them for their contribution towards the success of NES #9.

## *Appendix Q*

### **Summit Organisations**

Sam Oluabunwa	-	Neimeth International Pharmacet
Asue Ighodalo	-	Banwo & Ighodalo
Dayo Olawuyi	-	Dunlop Nigeria Plc
Funke Osibodu	-	ECOBANK Nigeria Plc
Moses Akpobasah	-	ICL
Udeme Ufot	-	SO&U
Foluso Phillips	-	Phillips Consulting
Atedo Peterside (Vice Chairman, NESG)	-	IBTC Ltd
Mohammed Hayatu-Deen (Vice Chairman, NESG)	-	FSB International Bank Ltd
Faysal El-Khalil (Vice Chairman, NESG)	-	Seven-Up Plc
Bola Olayinka	-	Honeywell Oil & Gas
Chika Mbonu	-	Citizen Banks International
Paul Usoro	-	Paul Usoro & Co.
Wole Obayomi	-	KPMG Professional Services
Emeka Izeze	-	Guardian Newspapers Ltd.
Omobola Johnson	-	Accenture
Ola Sobande	-	Shell Petroleum Devt. Co.
Anya O. Anya	-	The NESG
Chris 'E Onyemenam	-	The NESG
Felix Ogbera	-	The NESG
Obi Iwuagwu	-	The NESG
Maria Eka	-	President, Coop. & Thrift Soc. (NASSI)
Mrs. Helen I. Jemeringbe	-	NECA
Mr. Fred Udechukwu	-	NASME

## **Public Sector**

'Boye Ilori	-	NPC, Director
Lekan Balogun	-	Chairman, Senate Comm on National Planning
Hamilton Isu	-	Special Adviser to Vice President (Econ, Matters)
I. O. Adegun	-	NPC
Maina Waziri	-	Senior SA to the President (Employers & OPS)
Julius Bala	-	Nigerian Investment Promotions Commission
M. O. Olowu	-	NPC
D. T. Adeosun	-	NPC
M. B. Aliyu	-	Special Assistant to the Chief Economic Adviser
George Kobani	-	Personal Assistant to the Chief Economic Adviser
Kehinde Laniyan	-	SA to Senate Chairman Committee on Nat Planning
D. C. Ugonna	-	Office of the Special Adviser (Eco.) to the V. P.
M S. Obaba	-	Office of the SA to the VP (Econ. Council Matters)
S. O. Alade	-	Central Bank of Nigeria
R. A. Olaitan	-	Federal Ministry of Finance
M. P. Manpric	-	Nigerian Investment Promotions Commission
Christian Nwikina	-	Office of the Chief Economic Adviser
Mallam Garba Abari	-	Office of SA to the President (Employers & OPS)
Tokunbo Adesola	-	SA to the Vice President (Economic Affairs)
Mohammed Zailani	-	Chairman, House Committee on Nat. Planning



## **Public Sector**

- 'Boye Ilori - NPC, Director
- Lekan Balogun - Chairman, Senate Comm on National Planning
- Hamilton Isu - Special Adviser to Vice President (Econ, Matters)
- I. O. Adegun - NPC
- Maina Waziri - Senior SA to the President (Employers & OPS)
- Julius Bala - Nigerian Investment Promotions Commission
- M. O. Olowu - NPC
- D. T. Adeosun - NPC
- M. B. Aliyu - Special Assistant to the Chief Economic Adviser
- George Kobani - Personal Assistant to the Chief Economic Adviser
- Kehinde Laniyan - SA to Senate Chairman Committee on Nat Planning
- D. C. Ugonna - Office of the Special Adviser (Eco.) to the V. P.
- M S. Obaba - Office of the SA to the VP (Econ. Council Matters)
- S. O. Alade - Central Bank of Nigeria
- R. A. Olaitan - Federal Ministry of Finance
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- Christian Nwikina - Office of the Chief Economic Adviser
- Mallam Garba Abari - Office of SA to the President (Employers & OPS)
- Tokunbo Adesola - SA to the Vice President (Economic Affairs)
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*The Report on the Ninth Nigerian Economic Summit* with the theme: "Nigeria: Putting the Economy First" is a pragmatic and succinct enunciation of the preconditions that must be fulfilled to sustain Nigeria's current democratic transition.

The Ninth Summit seeks to refocus attention on economic imperatives that must not be ignored as the nation prepares for general elections to usher in a new four-year term for the incoming administration. The Summit places renewed emphasis on the five growth drivers for accelerated economic growth established at the Summit in 2001.

It acknowledges the outcome of NES #9 and chronicles the journey so far as it highlights achievements and failures in setting and reaching specific and measurable goals and targets. NES #9 demands that urgent and immediate action be taken to create appropriate economic foundations for sustainable growth and development.



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