

Nigerian economy remains strong - Okonjo Iweala

The peaceful election in Nigeria, with a new government coming in, bodes well for the Nigerian economy, which is good news for those in the marketing and retail sectors... A healthy economy usually means people have more money to spend...

(Videos)



How is Nigeria faring in the face of the dwindling oil prices?

I would like to say one thing: there has been some attempt to make people feel that there is no hope; that this situation is so difficult; there is hopelessness. I said from the beginning, when oil prices began to fall by 50%, I said that this will be a tough year; but there is hope.

There is light at the end of the tunnel and the reason is because we have worked so hard as a country under this administration to lay the basics for us to exit this situation and get back on a good path. And that is what gives me hope. Why do I say that? First of all, let's come back to the fact: we now have a Nigeria that is the largest economy on the continent, which is important. We have to keep stressing it because it means we've got the sectors. We've got the base, which will enable us to carry out that diversification and be able to have a stronger economy in the long term that creates the jobs and gives our young people hope.

So, it is very important to note that. We didn't know that before. When you look at the structure of the economy and you see, the growth - all the analyses have shown that the growths from this economy have come from the non-oil sector - that agriculture has been doing well. And that also comes to the present situation, because agriculture has been doing well, we have produced more food than ever before - 21m metric tons more food. We have produced paddy, 1.1m metric tons a couple of years ago to 1.6m metric tons now. In fact, what I am saying about rice is that it is dry season farming, not to talk of paddy. And we are on our way to really reducing our dependency on food imports.

Because we've got food, prices have been kept relatively stable and reasonable. You can go round the market. We have

gone round from different places to check and the prices of foodstuff are reasonable unlike other oil producing countries. That is helping us manage the situation for the average Nigerian.

What measures are in place to strengthen Nigeria's reserves?

I know this is of concern to Nigerians, manufacturers looking for more foreign exchange, others paying their school fees and tuition abroad and even ordinary people. But I also feel that with this strong base that we have, if we just keep steady, we will be able to exit and the value of the Naira will strengthen because we have got the different sectors. And there are two ways we have to do it, and I think this is what Nigerians want. Instead of depending on oil, we have to look at the two ways to strengthen our reserves because that is the way we can strengthen the value of our currency. There are two ways: one is to reduce demand for imports and that is why I think our demand for agriculture imports is very important for us to watch that. And then reduce our demand for foreign goods.

I have always encouraged Nigerians that even strengthening the value of the Naira is not just government actions alone, it is in our hands. If we buy more of what is made here in our own country and reduce the demand of things made outside, that means we can increase our reserves and the Central Bank does not have to continue giving money to import all those goods that we don't need. The second way is for us to start exporting things other than oil. And that is where again I feel encouraged because we are laying the foundation for that. You will recall that in the '60s, we were exporting groundnuts, cocoa, cotton, rubber and many agricultural products and suddenly we didn't keep up. We have the ability to go back to those but not just exporting the raw materials and we already have people in these sectors adding value. What we need to do is to expand growing the cocoa, processing it here for our own internal demand and export it. And then we earn foreign exchange.

There is an area that is unexploited where we can earn foreign exchange which we are not. When I go around the continent, every single African woman wants Nigerian clothes. I know this may sound strange to lots of people. Those of us here, don't we import shirts, trousers, from the UK? But people are here (in Africa) demanding our own clothes. Yet, we are not able to get together as an industry - the fashion sector - to make clothes we can export.

We will be sitting here and other West African nations will come and exploit it. But there is an opening. I am happy that the Minister of Industry, Trade and Investment is organising and working with the textile industry and the fashion industry to export, because we can earn so much from that. Imagine dressing the whole of Africa and what we can earn from it.

So, those are the two ways. If we now earn foreign exchange and we conserve by using our products, we will be able to add more to our reserve, which will underpin the value of our currency.

Would you say the current economic policies are sustainable?

No matter what government there is, there will be a set of policies, institutions that will support this country. And that is what I admire about Mr. President when he talks. You know he talks about how we can put in place something that will last; whether I am here or not here is not the issue. It is about laying in place the building blocks for the Nigerian economy.

What is the impact of the government policies on the economy on the "common man?"

As I said, meeting our salary bill is very important to us and our pensions. The second thing is making sure that the health benefits we have gathered in this economy, we don't lose it. Children must be immunised. We can't let down immunisation because we know what that means. Polio vaccination: we are almost close to eradicating polio. This administration has been working towards that. We have eradicated guinea worms and we must make sure that all those medicines and vaccinations are kept. HIV and Aids, there are treatments and all that. And then, there are very important infrastructures, we focus on doing that.

The president promised to build the second Niger Bridge. That work is ongoing. Reporters have gone out there and noticed that the pilling is ongoing. The Lagos-Ibadan road is very important. The rail - completing some of the rail and make sure that they are running. These are ways the average Nigerian can feel the impact of what these governments is doing. I think it means a lot. I encountered some young Nigerians we don't know what it means to be in a train because the train had never worked in this country. And now they can ride on a train. Very soon now, this Abuja-Kaduna line will be open.

Lagos-Kano line has been operating. Even the line to Makurdi and so on. These are things that impacts and the roads system that have been upgraded constructed in this economy. Yes, there are so many more. But we are on the good path, we should applaud it. When your journey on Benin-Ore road has been made smooth and short, isn't that impacts?

When you go to some of our rural areas, and you have access to water because boreholes were dug by the MDGs programmes and they have solar lighting, that is impact.

And these are some of the things that we have started in this administration that are impacting lives. You see that through all the efforts and support of the private sectors, we have created 1.4million out of the 1.8 million jobs that we need each year. That is impacting. Yes, the 400,000 people who have not yet gotten jobs that year will feel it and you will feel it if they are your relatives, son or daughters still sitting at home. We are not saying that we have met the mark. But we have gone a long way and steadily we have made solid plans on that path. The President has said that he will do two million jobs per year because we are so close to the 1.8 million and we've got the specific sectors generating these jobs. Not just the special programmes we are doing. Sectorial investments are very critical. And that is what we are focusing on. And I have not mentioned the housing sectors impacts on the average Nigerian.

When you start something, it takes time to grow. We started these housing thing now, and yesterday we have a meeting with the CEOs of the primary mortgage institutions to do a review.

What role has government played in institutionalising the access to finance?

For small and medium sized businesses in this country which employ the most people (about 66% of the adult population) contributes 45% of our national income. We have opened up several avenues to support them not on ad hoc basis but apart from what the Central Bank has done, the President kicked off two days ago a new development bank. For the first time, when this bank start working by the end of this year SMEs will have access to finance and they can borrow for five years, seven and ten years. We have never had this before in Nigeria. They will have one and half years of grace meaning that when they borrow they won't worry about paying back for a year and half and that will give them time to organise themselves.

This new development bank is a wholesale bank, its job is to mobilise financing and liquidity for the agriculture bank, bank of industry and for the commercial and micro finance banks to now lend to SMEs.

When you look at this and the situation we are in. And you look at Agriculture and SMEs; you will see that there is hope and that we have laid the platform for this economy to emerge from the present situation.

Are there negotiations on ground to support budget deficit?

We have entered negotiations with the international financial institutions, specifically the African Development Bank and the World Bank. They have resources for us already programmed. We ask them to turn these resources into budget support for us. We are negotiating for \$2bn that will come in foreign exchange and remember that the terms for these loans from the World Bank and the African Development Bank are quite reasonable compared to what we can get outside. These are the money that are been set aside for us and we decided to draw on it and we have decided to bring in budget support to come in foreign exchange.

It will disburse in two tranches and we are advance in negotiating with them and these will bring in some needed foreign exchange that will now be available for our private sector people to have access to. It will alleviate the situation and this is something we have started working on. We have been working on it daily and night with them because we need to address the need of manufacturers and others in the population. That will help ameliorate the situation.

The tenure of the loan will be standard. We will probably have about five years grace before we have to repay for about 25 years.

Where does Nigeria's debt stand?

I can tell you as someone who was central in the negotiation of the forgiveness of our debt cancellation that we are not near

the situation we were before in terms of external debt. Our external debt is about 2% of our GDP.

Remember that when we went to negotiate, we were almost at 70% of the GDP and most of it was external. We have hardly any domestic debt at that time. We have been very careful on our debt. We are prudent in terms of the way we borrow.

We have more of domestic debts. What we are trying to do is to reduce the domestic borrowing so that we don't crowd out the private sector. We have got some foreign borrowings which is just 2% of our GDP. The domestic debt of both federal and states government is about 12% of the GDP. So together, it is about 14% of GDP. And the norm and threshold for a country like Nigeria size is about forty something of the GDP. We are well below that.

However, we also look at something called debt service to revenue; so we can't just say our debt is low compared to our GDP which is what the world measures. We must look at our ability to repay and that is one of the reason we are very prudent because debt service to revenue, we don't want it to increase too much. Two years ago, it was 19% of GDP, it has risen to 22% and we don't want it to go too much beyond that. I think if we get to something like 25%, we will be very strict and we are presently strict. We have been able, in this administration, to repay outright some of the domestic debt we owed. We paid back about N75bn and that was a very good thing instead of just rolling it over.

Countries are coming here to request our assistance in debt management. The UK government named Nigeria debt management system as one of the best in the world. Even as we speak, South Sudan and other countries that are just starting up have come us for expertise in managing debt. We are not complacent at all. We looked very carefully at the risks of what we borrow.

Non salary payment has become an issue across states in Nigeria, should we be concerned?

All of us - states and federal government - have experienced a drop in revenue. What we have done is to talk to the states on how do we collectively as a nation get through the difficult times? And what we told them is of course they are fiscally, federally independent but we can share because we have one economy. We told them how we are doing our own things and what we are doing is prioritising payment of salaries to people because their families depend on it. Prioritise that to make sure we pay salaries and pensions. When you look at some of these numbers you will find out that yes revenue has dropped and it's tough, but what most states receive from FAAC is sufficient to cover their personnel costs. So what we will say is that they should prioritise payment.

In most states, I have to be clear, what they receive is just a little bit short of their personnel costs. But many I have looked through the list now at what their salary bill is and what they receive and so they should be able to cover but they will not be able to do much after that because of the drop in revenue. So we would advise them to first pay salaries and then find a way to manage the other issues. But there are one or there are few that what they receive falls slightly below their personnel cost. And in those cases we wanted a conversation with them some of them that I have seen have internally generated revenue almost quite significant so they should be able to make up for the gap from there. I am looking at those whose IGR is low. I have not yet seen most of them that I have the numbers their personnel bill fall between what they get from FAAC so those ones should be able to cover.

And some of them are managing very well I want to say that some are not owing they've been paying their salaries steadily. So we have to commend them for that. I have looked at it and seen that it is largely a question of what is your priority. So what we've advised is that with some contractors, the state governments should negotiate with the contractors and explain the situation and schedule the payment. They are likely to be supportive because they are part of the economy.

How is the e-collect policy of government faring?

Many of the MDAs don't like the idea of the e-collect and the treasury single account. But we are getting them because it is a conversation that we will be having on this issue and we are getting them to see that they need to comply. During this time, our objective is to get as much internal revenue generated with the e-platforms that will put the money in an account at the Central Bank.

This will help us avoid leakages which is what all Nigerians want. With the treasury single account, we have a tool that helps

us to see where the balances of governments at one time from all government agencies because we are drawing resources into the Central Bank. Instead of agencies with multiple accounts everywhere which are not being used and the other hand you go borrowing, we will have an overview and it will help us to manage our balances much better.

There is not too much of a choice, everybody has to comply. We don't want to look as overbearing, so we are discussing with the agencies and the banks. We have already got all the capital accounts into the Central Bank and gradually we are getting the recurrent account. It also helps the Central Bank to manage liquidity.

What would you say about the down grade of Nigeria's economy by S&P?

I will like to say that two other agencies, Fitch and Moody have maintained us at the same rate as at now. They have not tried to change it.

What S&P did is a special evaluation of all oil producing countries based on the fact that oil prices have fallen. They decided to do it and it is because of that not because of anything else. They look at oil producing countries and I can tell you that we were the last one to be downgraded. All the other oil producing countries from Russia, to Kazakhstan to Venezuela, to Angola, they review them and downgraded them.

It is a strong mark and credit to Nigeria because if you read what S&P actually said. They commended the management of the (Nigerian) economy. They said it was proactive and ambitious, that the policies responded in the right way to the drop in oil price. They are saying that the drop in oil price is not our fault but the issue is how do we manage it? And they said we have managed it well; that we have been pro-active and ambitious. I am quoting them directly. What the issue is why they downgraded us is not because of our management which they have commended, it is because they believe that oil prices will still be soft for a while and because we are having elections.

Part - 1 State of The Nigerian Economy by Dr. Ngozi Okonjo-Iweala

Part 2 - State of The Nigerian Economy by Dr. Ngozi Okonjo-Iweala

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