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GEGAFRICA
RESPONSIVE AND EQUITABLE ECONOMIC GOVERNANCE FOR AFRICA AND THE GLOBAL ECONOMY

SPEAKING NOTES

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THE C-10, THE G-20, TAPERING, CURRENCIES AND CONTINUED AFRICAN GROWTH

1.0 COMMITTEE OF TEN (C-10)

- **The Committee** of Ten African Ministers of Finance and Central Bank Governors (C -10) was created in November 2008 to assess the potential impact of the then looming global financial and economic crises on Africa.
- **Members** are: Algeria, Botswana, Cameroon, Egypt, Kenya, Nigeria, South Africa, Tanzania, the Central Bank of West African States (CBWAS), and the Central Bank of Central African States (CBWAS).
- **Objectives of C-10** were:
  - Monitoring the impact of the global financial and economic crises on Africa and discuss options for policy responses;
  - Advocating enhanced African participation in the governance of international financial institutions (IFIs);
  - identifying strategic economic priorities for Africa and developing clear strategies for Africa's engagement with the G-20.
- The C-10 has met severally since then in furtherance of these objectives as seen from the Communiqué its 8th Meeting dated 10 April 2014 wherein inter alia, it reviewed recent global economic developments' impact on Africa, the G20 Work Plan and Africa's Common Position on the post 2015 Development Agenda.

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UKaid from the British people

- Communiqué dated 10 April 2014 stated that "given the pertinent risk in the global economy and its impact on countries,...the role of the C-10 remain pertinent. its objectives and areas of advocacy **will evolve with changing global issues** affecting African Countries, including those which are discussed at G20" thus its role will be re-evaluated periodically (Additional seat for Africa at G20 and another chair at the IMF Board, etc. See Communiqué for full details of comments, discussions and prescriptions).
- The Committee is strategic, and if properly utilized, will set agenda for Africa's intercourse with G20 (cf with SA national interest?) Furthermore, its activities needs more publicity.

2.0 WHETHER CURRENT ECONOMIC GROWTH IN AFRICA CAN BE MAINTAINED IN VIEW OF THE WEAK, SLUGGISH GLOBAL ECONOMY TRANSITIONS IN ORDER TO ENGENDER SUSTAINABLE ECONOMIC GROWTH?

Today, the African continent is being hailed as the rising continent. Inflation is being contained in most of our economies; our debt levels have declined and foreign investors are all looking for opportunities on the continent today. In the past decade, the African continent has grown at about 5 percent per annum, faster than any other region of the world except for East Asia.

However, in 2013, growth in Africa fell to 3.7% from 6.8% in 2012 due to tightening global financing, unfavourable commodity pricing, political and social unrest, etc. That year, sub-Saharan Africa grew by 4.7% (when SA is excluded, it grew by 6.5%). C-10 expects Africa's growth to rebound in 2014 to 4.8% and 5.7% in 2015 based on expected robust domestic demand, resilient FDI inflows and favourable commodity prices (* Are these expectorations reasonable, realistic and achievable?)

3.0 NIGERIA AND ITS GROWTH TRAJECTORY

3.1 The Sweet Stories

a) Nigeria has been one of the strongest economic performers in Africa, and in the world overall. Our economy has grown steadily at an average of about **7** percent in the past decade.
b) Today, following Nigeria's recent GDP re-basing, it is a fact that Nigeria is now Africa's largest economy with Africa's largest GDP of about $510 billion (and also the 26th largest economy in the world). (An opportunity and a challenge?)
c) According to UN Conference on Trade and Development (UNCTAD) Nigeria is the #1 destination for investments in Africa.
d) And Nigeria's has recently been classified as one of the MINT economies (i.e. Mexico, Indonesia, Nigeria and Turkey) which will be among the economic giants of the future.

3.2 Economic History

a) For Nigeria, the 1980s was a difficult decade. Oil prices had just collapsed, and our economy slipped into a recession. Our average GDP growth in the 1980s was negative, at -1.42 percent, while our population continued to grow at about 2.6 percent.
b) Corruption, military rule, looting, destruction of public institutions, etc.
c) Although we had enjoyed high oil prices in the 1970s, we had forgotten to save, and so we entered the 1980s without any fiscal buffers. It was at this time that Nigeria became heavily indebted, and had to re-schedule debt payments.
d) As the 1980s went on, our standard of living fell as GDP per capita dropped from $871 in 1980 to $260 in 1989. For the first time in our modern history, our nation was classified as a low income country.
e) The 1990s also came along and did not help us much. The economic instability remained, with periods of hyperinflation. In 1995, inflation went as high at 73 percent!
f) Mono-economy: no diversification of economy due to dependence on oil revenues which now accounted for over 90 percent of exports.
g) Our debt burden worsened, and occasionally we had to suspend our debt servicing.
h) Economic growth was very slow, with GDP growth of about 2.5 percent. Population growth was also at 2.5 percent so we were basically at a standstill.
i) The quality of our infrastructure deteriorated, and our institutions were poorly managed.
j) By the end of the 1990s, our human development indicators were comparable to that of other least developed countries in the world. Overall, the 1980s and 1990s were lost decades for our economy. These two lost decades explain much of the pain and deprivation. If an economy is contracting, and there is no investment in infrastructure for 20 years...

3.3 Nigeria's Recent Reforms and Achievements

a) From 1999, the start of democratic rule various macroeconomic reforms and structural reforms were put in place to manage our economy better.
b) Nigeria obtained debt relief which lifted a $30 billion debt burden, and provided us with fiscal space to invest in capital projects(?) across the our country.
c) Implemented important reforms such as telecoms liberalization, banking sector consolidation and privatization of government enterprises, pension administration reforms, oil and gas sector reforms (including local content), due process, public

procurement, etc. (Refer to the book "*Reforming the Unreformable*" by Okojo Iweala, Nigeria's Minister of Finance (published by MIT Press) for the technical details of these.

3.4 Nigeria's Economy Today

Today, it is said that the government has continued to build on the aforementioned economic reforms viz:

a) **Macroeconomic performance:**

- **Inflation** has remained in single digits at 7.9 percent (as at April 2014)
- **Exchange rate** has remained relatively stable within the target band of N155-160 to the US Dollar (except in the last week of November wherein the official rate was review to N168 to the USD).
- **fiscal deficit** is low at about 1.85 percent of GDP, and our debt-to-GDP ratio is now also low at 11 percent.
- **Nigeria's sovereign credit** ratings have been re-affirmed at BB-,
- last year, Nigeria's **$1 billion Eurobond** was four times oversubscribed!

This stable macroeconomic environment has provided the stable platform for the economic growth which has been observed in the country in recent years as stability is one of the main concerns of private sector investors when investing in a country to enable them to plan for their businesses and minimise risk.

b) Transportation Infrastructure:

- **Roads:** modest progress was made in the construction of various projects across the country?
- **Railways:** the Western line linking Lagos and Kano is now functional; and work is progressing on the Abuja-Kaduna Standard Gauge line (72% completed); the Itakpe-Ajaokuta-Warri Line (to be completed by end-2014) and the Eastern line linking Port Harcourt to Maiduguri (2 of 3 sections to be completed by Q3 2014);.
- **Inland waterways**: Dredged about 72 km of the lower River Niger from Baro in Niger State to Warri in Delta State; and have also completed construction of the Onitsha inland port. As a result, we have increased cargo volume on the inland waterways from 2.9 million metric tons in 2011 to over 5 million metric tons in 2013.

- **Aviation:** Completed the upgrade of 11 airport terminals and work on the remaining 11 terminals are in progress. Last year, Enugu Airport became operational as an international airport with a new terminal under construction. Work has also commenced on the construction of three new terminals at the international airports in Lagos, Kano and Abuja.

c) **Water resources**: In 2013, completed construction of 9 dams thereby increasing the volume of the nation's water reservoir by 422MCM. Overall, total irrigable area increased by over 31,000Ha and increased production of over 400,000Mt of various irrigated food crops. Completed the Kashimbila Multipurpose Dam Project in Taraba State, which will provide irrigated land and hydropower and also, provide pre-emptive protection against floods and noxious gases of Lake Nyos (in Cameroon) should it burst its banks (as the UN Environment Program (UNEP) has warned).

d) **Power:** Nigeria has embarked on one of the most comprehensive and transparent power privatization and liberalization programs worldwide – with the privatization of all its power generation and distribution companies(while retaining transmission) in the bid to improve power supply to citizens. It is hope that the power sector will improve after a 1-2 year transition period.

e) **Services Sector**: Nigeria's GDP re-basing results showed, that the services industries comprise about 51% of our GDP, and employs many Nigerians. The government has therefore, been investing in services sectors such as ICT, the Creative Industries and MSME development.

f) **Creative Industries**: Last year, launched the Project Advancing Creativity and Technology (PACT) in Nollywood, which is a N3 billion grant programme for Nollywood to support capacity building and film production in the industry.

g) **Housing and construction**: Government launched the **Nigeria Mortgage Refinancing Company (NMRC)** which will provide a secondary market for mortgages.

h) **Industry, Trade and Investments**: Last year, we also launched the National Industrial Revolution Plan (NIRP) which has a strategic plan for Nigeria's industrialization.

i) **FDI:** Nigeria attracted over $7 billion in FDI and was named the #1 destination for investments in Africa by UNCTAD for the second year running.

j) **Common External Tariff (CET):** Government negotiated a strong Common External Tariff (CET) agreement with our ECOWAS partners which would enable Nigeria to protect our strategic industries where necessary.

k) **Backward integration policies:** Nigeria is now a net exporter of cement and expanded cement output capacity from 2 million metric tonnes in 2002 to over 30 million metric tonnes in 2013 (with more plants still under construction).

l) others are in the Oil and gas sectors; agriculture; health (ebola see front page of this week's "the Economist"); education (where Government has committed N200 billion for the upgrade and reconstruction of infrastructure for our tertiary institutions).

4.0 CHALLENGING THINGS/EVENTS THAT WILL SHAPE NIGERIA'S ECONOMIC OUTLOOK IN 2015

- corruption
- How to translate growth into development
- General Elections
- US Shale gas
- The challenge of US Oil exports dry up
- falling oil price/dwindling revenues
- Insurgency (boko haram) and lack of US support
- US Federal Reserve Bank's decision to end quantitative easing
- Pressure on Nigeria's FX....devaluation of same
- character of the central executive of the apex bank and the agenda set for him
- Utility theft , tax evasion and revenue losses
- Presidential Elections in **Nigeria** (February), **Guinea** (June), **Togo** (July), **Cote d'Ivoire** (October) and **Burkina Faso** (November)

  (*Nigeria is very systemically strategic: Is it too big to fail? No! Too strategic if it fails? Yes!

5.0 CONCLUSION

Just as growth in major economies of the G20 would have positive impact on the fortunes of other economies, so would the collapse any major African economy such as Nigeria and South Africa result in negative consequences for the concerned region and the continent as a whole.

The year 2015 and beyond will be very challenging for Nigeria. The country must think beyond the usual microeconomic levers in order to survive the challenges of 2015. Its growth outlook shows that the economy hangs on a precipice.