

KEYNOTE ADDRESS

By

Mallam Ismaila Usman*

The Chairman,
The Director of Research,
The Zonal and Branch Controllers,
Distinguished Paper Presenters and Panelists,
Invited Guests,
Distinguished Ladies and Gentlemen,

It gives me great pleasure to deliver this Keynote Address on the occasion of the fourth in-house CBN executive policy seminar organized by the Research Department in collaboration with the personnel Department.

2. I understand that this series of seminar programme which started in 1993, has not only helped in meeting some of the training needs of the staff, but has also served as a forum for closer interaction outside the workplace among the participants with specific regard to availing them the opportunity for exchange of ideas that would update and enhance their policy formulation capacity. There is no doubt that recent developments in the Bank in particular and the economy in general support the continued relevance of this Seminar.

Obviously, the Seminar should enable this calibre of participants in meeting the enormous challenges posed by the demands of an ailing economy and the bank's dwindling resources. It is in this spirit that I want to commend the organizers of this Seminar for their steadfastness in ensuring that the programme continues to supplement the training needs of the Bank.

3. The theme for this year's Seminar, "Creating An Enabling Environment for Economic Development in Nigeria", cannot be more relevant than now when our economy seems to defy time-tested and potent prescriptions. Time and again and at different fora of this nature, it has been the consensus among discussants that Nigeria does not lack good and effective ideas, but rather lacks the implementation capacity and the conducive environment to make them work. It is obvious that when there is a breakdown in the assumed constant factors in an economy, expected economic

* Mallam I. Usman is a Deputy Governor, Central Bank of Nigeria (CBN).

performance becomes unachievable. These factors include political as well as social aspects which seriously impact on the economic decision making process, policy implementation and attainable targets.

4. Nigeria's macroeconomic environment has been characterized by policy inconsistency engendered by an unstable polity and other abnormalities in the social set-up, lack of adequate infrastructure and poor maintenance culture for public works and utilities. Also, while the economy harbours an unstable modern sector, there is a large unmotivated informal sector, both of which make the domestic investment environment unattractive, thus exacerbating the negative signals to foreign investors. This is why, in spite of the Structural Adjustment Programme (SAP), the economy is still dominated by the petroleum sector while most other key sectors of the economy are performing below expectation.

5. The indicators are palpable and are not far-fetched. For instance, the financial segment for mobilizing domestic investment resources for growth is highly distressed as evidenced by the current reforms being applied by the authorities to sanitize the sector. The neglect of the informal sectors has continued to restrict the output potential of the economy while the industrial sector of the economy is still far removed from the rest of the economy. Thus, the country's industrial capabilities have persistently dwindled especially as the problems inherent in the core industrial projects embarked upon for the country's industrial take-off, have defied effective solutions. Consequently, many private manufacturing concerns are shutting down and most of the few surviving ones are producing at about a quarter of their installed capacities. The country's major foreign exchange earner, the petroleum sector, has not been particularly active either in meeting the country's high expectations because of unstable world prices and lately structural constraints.

6. It is very clear from the foregoing examples, therefore, that the task of restoring stability and viability to the Nigerian economy would require a great deal of concerted efforts on the part of all concerned. A re-ordering of the country's priorities and a restructuring of the social system in order to create the right environment for investment opportunities and for rapid economic development are pertinent in this regard.

7. Towards this end, Government has, in the last three years, introduced far-reaching economic policies aimed at restoring stability and growth. Specifically, in 1995, a major reversal of economic policy from controls to some form of deregulation with in-built checks was adopted. To give bite to the new Economic policy stance, the Exchange Control Act, 1962 and the Nigerian Enterprises Promotion Decree, 1989, were

abrogated and replaced by new and more liberal laws embedded in the Nigerian Investment Promotion Decree 1995 and the Foreign Exchange Monitoring and Miscellaneous Decree, 1995. Also, in 1995, a market-led foreign exchange market, the autonomous Foreign Exchange market (AFEM) was introduced. In addition, other trade and exchange incentives such as export processing factories, raw materials processing arrangements, manufacture-in-bond programmes and various tax incentives were either introduced or retained in order to create the conducive environment for economic recovery and growth. The 1996 budget also introduced major reforms in the Nigerian Customs Service and at our ports to instill accountability and transparency within the fiscal system. It should be noted that with the exception of few amendments, the policy thrust for 1995 were largely retained in the 1996 Budget. Furthermore, the Failed Banks Decree was recently promulgated to address the distress in the financial sector and sanitize the activities of operators in the system, and to give the sector the enabling environment to effectively play its role of resource mobilization.

8. In support of these laudable policy measures of the Government, therefore, result-oriented mobilization efforts of players especially those in the financial markets and the real sector of the economy will be needed for appropriate allocation and management of the country's abundant resources. In addition, the concerted efforts of both regulators and operators in the economy are needed to give effect to the desired enabling environment for the achievement of socio-economic development in Nigeria.

9. In the light of the foregoing, therefore, the objectives of this seminar would only be achieved if a detailed review of development in the key sectors of the economy could be carried out with a view to identifying the factors underlying the economy's weak responses to various policy initiatives and making recommendations for improved economic performance. I would like to implore participants to take active part in all the deliberations and be down to earth in their contributions to solutions concerning all the issues mentioned so far. While you are engaged in this exercise, I would like to assure you all of Management's continued support for this programme which has blazed a new trail in the bank's efforts at in-house capacity building.

Ladies and Gentlemen, I wish you all fruitful deliberations and I thank you for your kind attention.