

The Seminar was attended by the Coordinating Minister for the Economy and Honorable Minister of Finance, Dr. Ngozi Okonjo-Iweala, the Honorable Minister of National Planning, Dr. Shamsuddeen Usman, the Honorable Minister of Agriculture Dr. Akinwunmi Adesina, and the Honorable Minister of Industry, Trade and Investment, Dr. Olusegun Aganga. In attendance were also the Deputy Governor of the Central Bank of Kenya, Mr. Haron Sirima, as well as a number of ranking Federal and State Government officials, private sector, academics and civil society representatives. The African Development Bank was represented by the Chief Economist and Vice President, Prof. Mthuli Ncube, and other staff from Headquarters and the Country Office.

The purpose of this High Level Policy Dialogue Seminar was to engage the Nigerian Government, the private sector, and other stakeholders in an open discussion of what the country needs to generate sustainable and inclusive growth and ensure structural transformation. It was acknowledged that Nigeria has put in place the policy and institutional framework to ensure steady progress but that more was needed. In particular, discussions focused on the issue of infrastructure development and what policies and strategies are required to ensure effective planning, implementation and financing. Furthermore, it looked at the ways in which the Bank could help, including as policy advisor.

This note provides a summary of the discussions, including the policy conclusions, in lieu of the broader summary of the policy discussion and conclusions of the Seminar, which will come later.

In her opening remarks, the Coordinating Minister for the Economy and Honorable Minister of Finance noted that while Nigeria faces difficult challenges that must be recognized and tackled through structural transformation of the economy, it was important to also focus on the positive developments that have taken place since the recent democratic dispensation. This is not meant to negate the challenges before the country, but that it was important to get a sense of where the country was coming from, and if possible to turn the challenges into opportunities. She pointed to achievements in macroeconomic stability, which has raised the country’s credit rating. The successful issuance by the Government of a US$ 1 billion bond in the euro market, which was largely oversubscribed, is good testament of this enhanced confidence in the country’s economic management by markets and investors across the globe.

On the structural front, the Minister noted efforts to resolve the power problem through a comprehensive power sector reform; establishment of development finance institutions to strengthen financial intermediation; the Agriculture Transformation Agenda, which focuses on the value chain approach which seeks to address all the challenges faced by farmers, from the
farm level to the market; initiatives targeted at youth employment including putting in place the appropriate incentives such as YouWin have been launched.

The Honorable Minister of Finance also identified a number of challenges, including the need to address infrastructure deficit as a strategic step towards enhancing the performance and competitiveness of Nigerian economy in the rapidly changing global market. She emphasized that eliminating the infrastructure deficit must remain a priority for the next several decades if African economies and Nigeria are to achieve structural transformation.

On his part, the Honorable Minister of National Planning noted that Nigeria would require up to US $2.9 trillion in the next 30 years to bridge its huge infrastructure gap. He also noted that although the resources required for Nigeria’s structural transformation are huge, it will be possible to harness them through public and private efforts. The Minister explained that a National Integrated Infrastructure Master Plan was formulated to address the inadequacies already identified and integrate existing infrastructure plans and projects of the Federal Government into one. The Government has embarked on a major outreach to all stakeholders to ensure as broad participation as possible in this process.

The Honorable Minister of Agriculture emphasized that the sector has a huge multiplier effect on job creation all over the country. The Government has therefore made it the centerpiece of the economy. He underlined the key principles underpinning the Agricultural Transformation Agenda, namely that Agriculture is not simply a development activity, but a business and should be used to create wealth. He also noted that the Government should not be running agriculture. What was important was to put in place a government-enabled private sector transformation of agriculture. In pursuit of this goal, the Government introduced a series of reforms: fertilizer reform, seed supply reform, improved access to finance, insurance for agriculture to mitigate price, weather and pest risks that are pervasive in the sector, land reform, marketing, import substitution strategies, and rural infrastructure development.

In his remarks, the Honorable Minister of Industry, Trade and Investment noted that Nigeria is now transforming from a country that exports raw materials to one that produces finished products for domestic consumption and export. To give a further boost to this trend, the Government has developed the Nigerian Industrial Revolution Plan. This is based on sectors where Nigeria has comparative and competitive advantage, areas where the country could become number one in Africa and top ten in the world. He cited, as an example the huge success in cement production with a notable backward integration policy. Thus while in 2002, Nigeria only produced 2 million metric tons of cement, today it has installed capacity for 28.6 million metric tons. For the first time ever cement was exported in the first quarter of 2013, saving more than N230 million in foreign exchange. Numerous jobs have been created in the process and more than US$ 6 billion in investments.

The Deputy Governor of the Central Bank of Kenya commented on the experience of his country in issuing infrastructure bonds and developing the domestic securities market. He noted that apart from having a vision to guide the development agenda of the country, it was important to identify the key infrastructure sectors for prioritization. In the case of Kenya, after identifying Energy, ICT, and Transport, as key sectors, the government proceeded further to identifying flagship project within those sectors, i.e., projects with high economic and social impacts. As for
financing options, the choice was made to raise resources internally, rather than as in the past when there was heavy reliance on donor financing. However, the successful mobilization of domestic resources presupposes the development of the domestic debt market, including benchmarking strategies. The main players in Kenya included the National Treasury that prioritizes the projects, the Central Bank of Kenya as the issuer of the debt, and the market leaders forum that brings together the private sector players (commercial banks, the pension funds, insurance funds) to discuss the nature and efficacy of the instruments to be issued. The Government of Kenya has been able to issue infrastructure bonds worth about $1.5 billion to finance long-term debt instruments (12 years in terms of maturity), and traded in the Nairobi Securities Exchange.

Representatives of the private sector emphasized the role of sound policy and business environment in addressing the issue of access to finance that has constrained the development of SMEs. They noted that there was no lack of resources in the financial system to finance bankable projects, including in the Agricultural sector where banks have been working on innovative risk mitigation instruments. Representatives from the state governments pointed to the need to account for local voices in the formulation and implementation of development strategies.

On its part the AfDB presented the findings of the study it commissioned on “Nigeria Infrastructure Action Plan: Closing the Infrastructure Gap and Accelerating Economic transformation” on which Russell Cheetham was the lead consultant. The AfDB estimates that full implementation of the proposed program during 2010-2020 will cost about US$350 billion at 2010 prices. An important finding is that the Infrastructure Action Plan could be largely self-financed, given the country’s abundant resources. Hypothetically, an initial investment of US$50 billion by the Sovereign Wealth Fund during 2011-2020 could be used to leverage a five-fold increase in funding to some US$200-250 billion of the required funding for the program. It was emphasized that donor contributions to infrastructure development will remain relatively small. Therefore, donors could consider deploying their limited contribution (about 2 percent of the overall cost) to capacity building.

On the implementation of the program, the following sets of recommendation were made from the study:

- The program will require very early efforts to build a range of capacities within the economy. There will be need for a greatly expanded program for skills development in the labor force, and especially for skilled and semi-skilled labor (electricians, welders, plumbers, heavy equipment operators, air safety and security personnel).

- The build-up in training programs will need to be accompanied by accreditation programs that will produce graduates with internationally recognized skills that private investors will be comfortable in hiring trainees from these programs. Experiences from Asia indicate that the absence of such worker certification might escalate the insurance of the domestic infrastructure projects and reduce their domestic employment creation potential.

- The capacities of the Standards Organization of Nigeria will need to be strengthened, along with increased attention to the certification of Nigerian companies. The AfDB report also underlines that the extension of export credits from different countries to
Nigeria during the next decades will increase, with implications for the proliferation of different technologies and standards.

- Procurement policies for various parts of the program will need to address issues related to the choice of standards for civil works and supply of goods and materials, and the extent to which the technical specifications for local materials comply with contract requirements.

- A major increase in maintenance spending will be needed to ensure that the modernized infrastructure network remains in good condition.

**Next Steps**

The Honorable Ministers and all participants very much appreciated the discussions emanating from the High Level Policy Dialogue and requested that the next stage should evolve towards specific and quantifiable steps on the road ahead and on the role of the AfDB in helping to resolve some of the challenges highlighted at the meeting. In this context:

- The Bank will provide Economic Policy briefs and Notes on Specific topics at the request of the Ministry of Finance and the Office of the Chief Economic Adviser (OCEAP) to the President.

- The Bank will work with the NPC in integrating the findings of the Infrastructure Action Study into the National Integrated Infrastructure Master Plan being prepared by the Government; the Bank will contribute through the Country Assistance Framework and also as a member of the Steering Committee on the implementation of Infrastructure Master Plan.

- The AfDB in coordination with the World Bank, will support the Government in the establishment of development finance institutions to address the issue of access to long-term credit in the economy.

- The Bank will provide technical assistance to the Debt Management Office to strengthen its capacity for the development and provision of credit rating services to subnational governments.

- The Bank will support OCEAP in the development of a web-based geo-coded inventory of critical assets in each of the geo-political zones of the country as a basis for formulating a sector based development policy strategy.