

# 2023 NIGERIA GOVERNORS' FORUM

## SPEECH: THE TASK OF NATION-BUILDING

15 MAY 2023, 10:00-TBC, PRESIDENTIAL BANQUET HALL, STATE HOUSE, ABUJA

### **The Task Of Nation Building**

H.E. President Buhari, ably represent by Chief of Staff, my brother Professor Ibrahim Gambari. Congratulations on your recent award of an honorary degree from the University of Johannesburg. Thank you, Mr President, and thank you Chief of Staff for your service to the nation.

Right Honourable Governors

Excellencies, ladies and gentlemen,

1. Let me start by congratulating new and returning Governors, especially my new Governors of Abia and Delta state. It is a great privilege to be addressing you here today.
2. I thank H.E. Governor Tambuwal, Chairman of the Nigeria Governors' Forum, and the Governors Forum for honouring me with this invitation.
3. You have asked me to address you on the task of nation-building.
4. Every nation is a work in progress. The task of nation-building is a continuous one. So even if we have made mistakes, there is always a chance to change course. The fatal mistake in nation-building is refusing to learn lessons, and failing to course-correct where needed.
5. In our country, given its size, diversity, and economic development challenges, the scale of the task of nation-building is particularly large.
6. As you take office or return to your governorships, our 222 million compatriots will be counting on you to rise to the

occasion. The states are closest to the people: what you do – or don't do – directly impacts people across the country.

7. Excellencies, Nigerians are not building our nation in a vacuum. When shaping policies and strategies, we need to do so in the context of what is happening in the world.
8. We need to wake up and smell the coffee. The world is changing fast, in good ways and bad.
9. The bad ways are more obvious these days.
10. The COVID-19 pandemic has dealt enormous setbacks to the global economy. These have been compounded by inflation, leading to high food and energy prices, rapid monetary tightening, and the impacts of the war in Ukraine.
11. Climate change is an existential threat impacting the world and our country Nigeria has not been spared, with more frequent and devastating floods in the south and east, and droughts and desertification in the north.
12. Growth is slowing down around the world. The IMF estimates that global GDP will expand by 2.8% this year, compared to 3.4% last year, and the 3.0% projected for 2024.
13. The WTO's forecasts for trade are similarly subdued. Our economists estimate that the volume of global goods trade will grow by 1.7% in 2023 - nearly a full percentage point lower than the average for the past decade – before gathering some speed to reach 3.2% growth in 2024. There are worrying signs of regional divergence, with Africa's export volumes projected to shrink by 1.4% this year, compared to 3.3% growth for North America.
14. For Nigeria, the IMF projects 3.2% GDP growth this year and 3.0% next year – slightly better than global growth but underperforming the projected growth rates for sub-

Saharan Africa as a whole, which are at 3.6% and 4.2% respectively.

15. The current GDP growth rates are higher than the very low 1.2% average annual growth rate registered between 2015 and 2019, the five years before the pandemic, but well below the 6.4% average for the preceding five-year period, from 2010 to 2014.
16. In most developing countries, and across much of Africa, per capita incomes remain well below pre-pandemic trends.
17. Last year, the IMF reported that 60% of low-income countries were already in debt distress or at high risk of it – and we all remember what that means for investments in health, education, and infrastructure.
18. Years of growth and development progress have been undone.
19. The World Bank estimates that the pandemic and the war in Ukraine have pushed as many as 90 million more people into extreme poverty – most of them in South Asia and sub-Saharan Africa.
20. In this gloomy and uncertain global context, Nigeria has to work much harder to avoid falling even further behind.
21. The World Food Programme projects that almost 350 million people worldwide may be food insecure in 2023, almost double the number in 2020.
22. If taking the wider global context into account is one prerequisite for successful nation-building, another prerequisite is trust, and a sense of common purpose.
23. Dear Governors, I remain convinced that a better future is within our collective grasp. But to move ahead and seize

it we will need political and business leaders at the state and national levels to form a compact in pursuit of pro-growth and pro-development policies. We ought to be seeking to double our growth rate and sustain that higher growth until we attain upper middle-income status. We can also aim to double Nigeria's share of world trade from 0.33% to 0.66% within a decade. To build such a compact, we need trust.

24. Nation building is impossible in the absence of trust – perhaps especially so in Nigeria.
25. Even before independence, the generation of leaders that led us to freedom identified how important trust would be to our nation's success.
26. In his first speech as prime minister in 1957, Sir Abubakar Tafawa Balewa said, and I quote "The peoples of Nigeria must be united to enable this country to play a full part in shaping the destiny of mankind... It is the duty of all of us to work for unity and encourage members of all our communities to live together in peace and harmony. The way to do this is to create understanding, mutual respect and trust."
27. Honourable governors, let us be candid: trust in Nigeria has always been fragile but following the election, a lot of trust has been broken.
28. Nigeria is a country with no social contract, meaning that Nigerian political leaders have never been able to agree with each other to stick to a common set of principles, values, and policies that consistently deliver for their citizens regardless of ethnic group or political persuasion.
29. Excellencies, you have a lot of healing to do – within your states, and between them. Through your words, deeds, and policies, you need to demonstrate to Nigerians that they are equally loved. That they can settle and do business in any part of the country without fear. I love

Nigeria deeply and I want to feel welcome in any part of this country.

30. Just as different states need to rebuild perceptions among people across Nigeria, we collectively need to rebuild the Nigerian brand in the wider regional and international economy.
31. Narratives about countries matter for capital allocation decisions – especially for emerging markets and developing economies. When we have presented a positive story in the past, backed by a credible reform trajectory, foreign investment has followed. When we have shown that we are cognizant that we account for around 70% of the West African sub-region's GDP, and 23% of sub-Saharan Africa's GDP, and we have run our country and economy responsibly to benefit not just us, but the region and sub region, we have garnered respect. We must continue to recognize that Nigeria has an outsize role to play at home and abroad and we must manage our country better not just for ourselves but also for the rest of Africa.
32. So let us turn now to the economic situation within Nigeria and the task ahead, which is certainly no rosier than the global picture I described earlier.
33. Growth and macroeconomic stability have faltered, and population growth is outpacing poverty reduction.
34. The World Bank estimates that with the COVID-19 pandemic having pushed 5 million more of our fellow citizens into poverty, the number of Nigerians below the national poverty line reached 95 million last year, 43% of our population, which has considerably worsened from 40% in 2018/19, and an estimated 37% in 2015.
35. Food insecurity is also on the rise. A government-led, UN-supported analysis earlier this year warned that the number of Nigerians at risk of facing hunger could rise from 17 million to nearly 25 million in the lean season between

June and August. It is really hurtful when I hear Nigeria listed internationally as one of those countries where people may need food assistance. As a country with fertile arable land we have no business being in that category.

36. We have challenges on the fiscal, debt, and monetary policy fronts.
37. Nigeria's gross debt level has climbed from N19.3 trillion in 2015 to \$N91.6 trillion in 2023. The debt-to-GDP ratio has almost doubled from 20% to 39% over that time period.
38. While the debt-to-GDP ratio may not look so alarming, as revenues decline, the burden of debt servicing has increased dramatically. The debt service to revenue ratio is certainly alarming, at 83.2% in 2021 and 96.3% in 2022, according to the World Bank. This means that at the federal level, after servicing our debt there is little room to pay for recurrent expenditures, let alone investment. The fiscal deficit of 5.3% of GDP is higher than our agreed fiscal rule of 3% of GDP: this has to be carefully monitored and brought down. Dealing with the fiscal deficit will of course be infinitely more difficult with an oil subsidy bill of N3.36 trillion for the first half of 2023 (or N6.72 trillion if it is not removed). The deficit is made worse by revenue losses from oil theft. The difficulties around this issue underscore the importance of political consensus – whether you are in government or in the opposition – on policies critical for nation-building.
39. On the revenue side, states have a substantial responsibility. Too few states are raising internally generated revenue of any significance.
40. According to analysis of data from the National Bureau of Statistics and State Audited Financial Statements by the civic-tech group BudgIT, 33 states relied on federal transfers for the majority of their revenue. For 13 of these

states, monthly FAAC allocations accounted for over 70% of revenue.

41. Aggregated IGR from the 36 states did rise from N1.2 trillion in 2020 to N1.61 trillion in 2021 – but this pales in comparison to FAAC allocations to states of N2.23 trillion in 2020, N2.42 trillion in 2021 (and N3.16 trillion in 2022).
42. While I commend those states that have made additional efforts, Governors need to do much more. States must figure out ways to increase IGR. This goes hand in hand with using your 48% share of federal allocations more transparently, efficiently and effectively. You must share with your state citizens how much FAAC allocation you receive each month, how much IGR you collect, and how you spend it. We used to publish this information routinely during my time as finance minister under Presidents Obasanjo and Jonathan. We must resume this practice so your citizens can hold you accountable.
43. Excellencies, please watch your debt profiles, and keep careful control of expenditures, even as you invest in infrastructure, education, and basic health systems. Please endeavour to pay teachers, health workers, and others their salaries, and retirees their pensions.
44. As I said in my book *Fighting Corruption is Dangerous*, several Nigerian states have economies bigger than entire African countries. The FAAC allocation received by some states is bigger than the budgets of several African countries – and if those countries can grow at 4 or 5 or 6%, your states can do better!
45. In terms of capital inflows, foreign direct investment inflows have been weak, but remittances from the diaspora have thankfully remained robust.
46. In 2021, FDI inflows were worth \$3.3 billion, according to the World Bank – much better than in 2018, when they

dipped below \$1 billion, but still less than half the level from a decade before.

47. Excellencies, some states that used to attract foreign direct investment did not receive a cent last year. Whilst private domestic investment is extremely important and we must work hard to attract this, FDI is also much needed and is a good bellwether of external perceptions of the economic and political progress of our country. Let me say this, if you govern well, are open and transparent, manage your state well, you will attract private investment and multilateral support will come your way.
48. As for remittances, the World Bank recorded \$19.5 billion in inflows in 2021, and estimates that they rose to \$20.9 billion in 2022 – equivalent to 4.2% of GDP. This strong performance is in keeping with trends elsewhere in the world: in tough times migrants, thank God, are digging deeper to help their loved ones at home. This is an area state governments should take a careful look at. Diaspora remittances are helpful to shore up household consumption but they can also be incentivized to support states with critical investment.
49. Turning to monetary policy issues, multiple exchange rates, the dollar shortage, and monetary financing of the government have contributed to instability. Inflation last year, at 18.8%, was at a 21-year high, leading to the need for monetary authorities to take action by raising interest rates.
50. I must be clear that external factors in the global environment are partly to blame, but we need to recognise that our own domestic management of the economy needs to improve. We need better understanding and coordination of monetary and fiscal policy.
51. We must also look at trade costs. Nigeria, and Africa more generally, have some of the world's highest trade costs. WTO economists estimate that Nigerian exports to



other countries in Africa face trade costs equivalent to a 460% tariff, while exports to the rest world face the equivalent of a 210% tariff. On average, Nigerian firms are dealing with trade costs one-and-a-half times higher than their competitors in high-income countries. We cannot effectively compete and trade regionally or globally whilst our businesses face such high costs.

52. Looking to the years ahead, the ongoing global move away from fossil fuels will represent an earthquake – and a substantial re-orientation – for the Nigerian economy. While we need to argue strongly for a sufficient transition period to net zero emissions, and I am glad to see we committed to 2060 in the Paris Agreement instead of 2050, giving us an extra decade, we need to start preparing now for a time when our oil and gas may no longer serve us as the main sources of revenue. States with a heavy dependence on FAAC allocations will be particularly hit. It is important to start now to diversify revenue sources.
53. The Nigerian economy is diversified with robust agriculture, manufacturing and services (including the creative arts) sectors. But our revenue base is undiversified, with over 90% of revenues concentrated on oil and gas. The IMF estimates that general government revenue in Nigeria, at 7.3% of GDP in 2021, was less than half the ECOWAS average. Non-oil revenue has stagnated at around 4-5% of GDP over the past decade.
54. This has to change! We need to start taxing the non-oil sectors better by broadening our non-oil tax base. Governor Tambuwal referred to this. So much of our economy is informal. If at the state and federal level leaders can provide better support and services to informal sector enterprises, especially MSMEs, they can be registered as proper businesses, assisted to grow and then become the basis for broader and deeper taxation. States need to think carefully of how to first support these enterprises to grow and eventually how to gently ease them into the tax net.

Other types of revenue sources exist including property and land taxes and some states are already implementing these. But I need to remind you that taxation goes hand in hand with better service provision. You cannot tax people who see no benefits arising from such taxes.

55. While the wholesale recalibration of our economy and diversification of revenue sources will not be easy, it contains opportunities for us to build a better future, especially for young Nigerians.
56. One set of opportunities comes from the world's changing demographics. Advanced economies are ageing fast, as are people in some emerging markets, such as China, leading to labour shortages and productivity problems.
57. With our young population – roughly half of Nigerians are under the age of 18 – Nigeria, and Africa more generally, have a chance to attract investment in labour-intensive production processes. An additional factor in our favour is that many businesses are already looking to diversify their production networks to better manage climate, economic, and geopolitical risks. The question for you Governors and for Nigeria is: How is the country gearing up to attract businesses that want to diversify their supply chains following the shock experienced by the world during the pandemic of overconcentration of supply chains in sectors like pharmaceuticals, semi-conductors etc.? How are Governors planning to make their states business friendly to attract investment? Africa, Nigeria included imports 99% of its vaccines and 90% of its pharmaceuticals. We are the largest market within the AfCFTA. We have a unique opportunity to attract the pharmaceutical supply chain, among others, to locate in Nigeria to serve us and the rest of Africa. While we sit inactive, South Africa, Rwanda, Senegal and Ghana are grabbing this opportunity. They are getting investments and will produce and sell to us if your Excellencies do not act!

58. Another set of opportunities comes from the fact that the world economy is becoming increasingly digital.
59. Digitally-delivered services trade is driving growth and global trade. Between 2005 and 2022, global trade in these services – everything from streaming games to consulting services to finance, insurance and tourism services provided by internet – grew by an annual average of 8.1%, compared to 5.6% for goods. The total value of digitally-delivered services exports rose to \$3.8 trillion in 2022. In 2012, services delivered over computer networks accounted for about 8% of total global trade in goods and services. A decade later, that share had risen to 12%.
60. Our digitally savvy young people are launching tech startups and taking advantage of rising internet penetration at home and abroad.
61. Nigeria's exports of digitally-delivered services are growing fast – growing by 23% on average per year since 2005, compared to 8% for the continent as a whole. On the less bright side, it started from an extremely low base: even after all that growth, Nigeria's exports of such services were worth \$1.2 billion in 2022 – only seventh in Africa, accounting for 3.7% of the continent's exports of digitally-delivered services. So we have plenty of room to grow.
62. By riding these two transformations – demographic and digital – and taking full advantage of the multilateral trading system and regional economic integration, Nigeria can become a platform for producing goods and services to meet demand at home, across Africa, and in the rest of the world.
63. Doing so would be transformative in terms of job creation as well as productivity growth. Success is only possible if we get the skills base right – and if we build the hard and soft infrastructure needed to seize the new opportunities.

64. Yet succeed we must. Nigerians do not have the luxury of not progressing.
65. Our greatest asset is the entrepreneurial dynamism of our women and young people, which is second to none on the continent. Just look at Hilda Baci whom the nation has been cheering on in her desire to enter the Guinness Book of World Records through a Cook-A-Thon.
66. Other Africans always tell me "You Nigerians are amazing entrepreneurs." Even at the worst of times, this energy and inventiveness has kept us from falling to rock bottom – though perhaps that spared us the subsequent soul-searching and rebuilding that we have seen in some of our neighbours.
67. Our economy offers many bright spots of globally recognized excellence – above all our music, film, and fashion industries.
68. Artists like Burna Boy, Davido, P-Square, and Wizkid command a global following. I was in the Caribbean earlier this year and was delighted to hear people in Saint Lucia listening to Nigerian music.
69. Nollywood is one of the world's fastest-growing creative industries, according to an Afreximbank report – worth \$6.4 billion in 2021 and growing at 10% per year.
70. It is true that piracy has weighed on music and film revenues – Afreximbank estimated that for every 100 legitimate copies of a Nigerian film supposed to sell for \$6, 90% end up pirated for less than \$1. But streaming offers new and growing possibilities for reach, affordability, and revenue generation. There is a lot of potential for cultural tourism that explores our contemporary arts, literature and entertainment scene alongside our rich and diverse history. Please remember that if California were a country it would

be the 5<sup>th</sup> largest economy in the world, and it is largely built on services and entertainment.

71. I always say that the future of trade is services, it is green, and digital, and we have the tools and the skills to capture new markets on the continent and elsewhere.
72. Beyond music and Nollywood, there is scope for financial services, telecom services, and insurance services. Our banks like Access Bank, Guaranty Trust, Eco Bank, Zenith Bank, First Bank and United Bank for Africa must be commended on their successes operating in other parts of Africa and the world. They have the ability to grow further, regionally and globally, whilst fostering greater financial inclusion at home.
73. Fintech is fast developing as well as other types of tech. I already mentioned our fantastic tech entrepreneurs. Nigeria continues to lead the continent in venture capital inflows. 22% of the \$5.2 billion dollar volume of VC deals on the continent last year went to start-ups headquartered in Nigeria, according to the African Private Equity & Venture Capital Association, an industry body.
74. Moove Africa, which helps would-be Uber drivers finance vehicle purchases, is already operating in Ghana, South Africa, Kenya, the UAE, India, and the UK. It attracted \$100-million plus in financing last year, as did the payments company Interswitch. Smaller companies like digital bank Umba, human resources platform SamlessHR, and real estate fintech YALO Technologies also attracted venture capital investments.
75. Okra, which is financing off grid electricity access, made it onto the World Economic Forum's 2022 Technology Pioneers list, following in the footsteps of companies like Airbnb, Google, and Spotify. And that leads me to mention the tremendous opportunities in green tech and renewable energies. As we cut carbon emissions from fossil fuels, opportunities are there to ramp up green tech investments.

76. The world could be at the dawn of a new wave of services trade. Using new remote work and AI tools, it is increasingly easy for businesses sitting in Abuja, Ibadan or Port Harcourt to provide intermediate services like accounting or insurance claims processing to offices around the world. With our large numbers of educated people fluent in English – together with a deep network of connections to the diaspora – we are well positioned to seize these opportunities. But such businesses, like our tech startups, will struggle to thrive if we keep losing so many of our most skilled young people to emigration. Let me share some numbers. Over 15,000 Nigerians emigrated to Canada in 2021, joining 19,000 who had moved there in the previous two years. Estimates for 2022 are 20,000. That is over 50,000 skilled Nigerians in the space of 4 years. In the first half of 2022 alone, the UK granted skilled worker visas to nearly 16,000 Nigerians. Thousands of Nigerian-trained medical doctors work in the USA. The most popular phrase in Nigeria now is "I am going to japa." I am not telling people not to go, but what I am saying is how many of these japas can we afford? If you japa we want you to "kakpa". Excellencies you must make your states and all Nigeria a hospitable, encouraging place where young people want to stay and thrive, not leave. Much as we appreciate remittances sent home by these migrants, Nigeria will not develop and prosper if its youthful, tech-savvy population leaves. Without them, our demographic dividend disappears.
77. Turning to the fashion space, people across the continent want to dress like us. Nigerian fashion is taking Africa and the world by storm. Our leather industry is moving up the value chain: we used to send tanned leather to Milan, now we are developing shoes, bags, and carpets ourselves of good quality, fit for consumption at home and abroad.
78. I have mentioned all the exciting new sectors but we must not forget our bedrock agri-food sector. The federal

government said last year that over half of our 79 million hectares of arable land was being underutilized. Production and productivity are held back by an unsupportive land tenure system, low irrigation coverage, land degradation, and limited access to inputs and financing.

79. Boosting agricultural production and value addition would help, not only to put a dent in the country's food trade deficit and import bill – which was at N2.29 trillion in 2021 – but would also create jobs and eventually boost regional exports.
80. The Dangote Group plant in Lekki, and the Indorama plant in Port Harcourt, are proof that we can make some of the fertilizer our farmers need to ramp up production and value addition in the agriculture sector. It also sends two other important signals: one, that we in Nigeria can add value to our natural resources, and two, that as we move towards our 2060 target net zero carbon emissions, we can use those resources to boost industrial production. As I said earlier we can use gas as a potential transition fuel to ensure that electrification no longer constrains growth, even as we move to scale up renewables.
81. Excellencies, Ladies and Gentlemen, Honourable Governors, you can see from this lecture that we are not wanting for opportunities. We know we have challenges but there are no challenges we cannot overcome. That is why you were elected leaders. So let me end on an optimistic note. Nigeria has what it takes in people, resources and leaders. Our young people are waiting for you to choose wisely who you work with. They are waiting for you to govern effectively and transparently, with respect for people. They are waiting for you to rebuild and grow the economy, to deliver results, and to lead with love and trust first not fear.
82. Our founding President Nnamdi Azikiwe said, and I quote, "There is plenty of room at the top because very few people care to travel beyond the average route... [and]"

most of us seem satisfied to remain within the confines of mediocrity." Excellencies, the task of nation building requires you to break the confines of mediocrity. Travel new roads. Aim for the top! Deliver for our young people!

83. Thank you.

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