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Keynote Address

Godwin I. Emefiele (CON)[*]

Deputy Governors,
Departmental Directors,
Branch Controllers,
Eminent Resource Persons,
Executive Staff of the CBN,
Distinguished Ladies and Gentlemen

Introduction

It is a great pleasure for me to present the Keynote Address at this year's Central Bank of Nigeria Executive Seminar. I commend the organisers for sustaining this thought-provoking forum meant to enhance the capacity of Executives of the Bank and also, create opportunity for interaction between them and other stakeholders on contemporary economic issues affecting the country. Let me also seize this opportunity to appreciate the Executives and staff of the Bank for their unflinching loyalty to and support for Management, especially in these trying times. Your diligence, commitment and high level of professionalism have contributed immensely towards the delivery of the Bank's mandate.

Distinguished Ladies and gentlemen, the theme of this year's seminar, **Financing Government Programmes in Economic Downturn - The Role of Central Bank of Nigeria**, is quite appropriate given the enormity of challenges confronting the Nigerian economy. As we all know, Nigeria has over the years depended largely on crude oil exports for its foreign exchange earnings and financing of government activities. The recent developments in the international oil market has shown that this pattern is no longer sustainable as financing of government programmes has become increasingly difficult with the attendant implications for macroeconomic stability and economic growth. The decline in the price of oil has not only resulted in lower foreign exchange earnings for the country, but also in the decline in accretion to external reserves and pressure on the foreign exchange market. Furthermore, the development has constrained government's ability to deliver on its mandate.

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Role of Government in Economic Development

Ladies and gentlemen, permit me at this point to say that governments are generally saddled with the responsibility of ensuring sustenance of the trajectory of growth and development for their economies. In this regard, a government would usually harness domestic and external resources to finance projects and ventures that may otherwise not be possible or profitable for the private sector to undertake. Thus, the challenge for governments is how to channel state resources into projects and programmes that make the greatest contribution towards the realisation of long-term growth and development objectives. Such projects include roads, railways, transportation, hospital, schools, power, etc. which are components of critical economic and social infrastructure.

For a developing economy like Nigeria, particularly at a time such as this, one can observe the urgency with which the rejuvenation of the economy, requires policy formulation focus on and sometimes direct participation in the provision of critical infrastructure. This is borne out of the vision to be among the first twenty developed economies by the year 2020. Obviously, such a task requires a great sense of urgency from those saddled with the affairs of government, and requires them to do it in the most efficient and effective way.

Nigerian Economy and the State of Critical Infrastructure

The availability of efficient and functional infrastructure is a sine-qua-non for rapid economic growth. In this respect, the provision of adequate electricity, efficient transportation infrastructure (road, rail, water and air) etc., is fundamental for progress. In fact, economic history is replete with instances of government strategic interventions in critical infrastructure as precursor to the economic and industrial take-off of today's advanced economies. This in fact, is at the centre of the growth miracle of the Asian-Tigers (Hong Kong, Taiwan, Singapore and South Korea) which resulted in their phenomenal transformation. It is also a recurring narrative in the history of the rapid economic progress being witnessed by China, India and Malaysia, among others.

Distinguished participants, same cannot be said with respect to Nigeria's infrastructure, which has suffered years of neglect, particularly in the face of dearth of financial resources for new investments. This is not to say, however, that one is oblivious of the many concerted efforts of past governments to fix the infrastructure quagmire. As observed by a World Bank report (2013), Nigeria would require over ₦2.0 trillion investment in infrastructure on annual basis for the next six (6) years to address the infrastructural gaps within the economy. That is, indeed, a tall order given the dwindling financial resources of government.

Financing Government Programmes in Nigeria

Distinguished ladies and gentlemen, the budget is the instrument through which the government executes its various projects and programmes within a specified time frame for the ultimate goal of improving the overall well-being of the citisens. To finance the budget in advanced economies such as the United States (USA), United Kingdom (UK), Japan etc., the respective government relies on taxes as the primary source, while borrowing from the financial market, both at home and abroad, serves to bridge any shortfalls. In emerging market economies like China and many of the east-Asian economies, the traditional method of budget financing is further complemented by specialised development justifications such as Bank of Agriculture, Bank of Communication, Bank of Industries and Manufacturing, as well as, Export-Import Bank. Developing countries such as Nigeria are, however, constrained by low tax revenue, weak domestic financial market and reliance on volatile sources of revenue such as proceeds from exports/sales of crude oil and other primary commodities. In Nigeria, specifically government programmes are usually financed from annual budgetary provisions with most of the funds coming from domestic sources. However, given the need to augment the limited domestic resources and ensure rapid transformation of the economy, the government often times, resorts to external borrowing.

CBN's financing of Government Programmes

Ladies and gentlemen, it is no longer news that the CBN has, over the years, been directly or indirectly involved in the financing of growth-enhancing programmes and projects of the Federal Government. The involvement is incidental to the Bank's core mandates and part of its development and corporate social responsibilities, to accelerate growth and development of the Nigerian economy. There are various schemes and programmes either implemented directly, in conjunction with the Federal Government or through specialised financial institutions.

In this regard, the Bank's intervention initiatives encompass real sector programmes, particularly, agriculture, small and medium enterprises, infrastructure and youth empowerment. Notable among them are: the Commercial Agriculture Credit Scheme; Real Sector Support Facility (RSSF); SME Credit Guarantee Scheme (SMECGS); SME Re-structuring and Refinancing Fund (SMERRF); Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL); Power and Airline Intervention Fund (PAIF); Nigeria Electricity Market Stabilisation Fund (NEMSF); Anchor Borrowers'

Programme (ABP); Nigeria Textile Intervention Fund; Non-oil Export Stimulation Facility; Youth Innovative Entrepreneurship Development Programme (YIEDP); and Export Credit Rediscounting and Refinancing Facility. These initiatives have continued to impact positively on employment, food security, and power generation, transmission and distribution. All these are in addition to CBN's Ways and Means Advances to the Federal Government.

In spite of the Bank's initiatives and other activities of the government, the economy seems to be heading into recession. Reversing this trend would require huge fiscal stimulus by the government. The question is where will the resources come from in view of the government's precarious financial condition? It is against this backdrop that this gathering is expected to come up with innovative ways of financing government programmes in this period of economic downturn, and, the role the CBN should play taking due cognisance of the existing legal and institutional framework under which it operates.

Distinguished participants, I am aware of the assemblage of eminent resource persons to lead discussions at this seminar. It is my sincere hope that at the end, there would be clear cut policy direction and financing blueprint to guide government programmes for the overall improvement of the economy.

On this note, I declare the Seminar open and wish you very rewarding and fruitful deliberations. Thank you for your attention.