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Opening Remarks: Seminar on Current Economic Reforms in Nigeria: the Case of Deregulating the Downstream Petroleum Subsector

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Opening Address

S. B. C. Ekpdekumo*

The Special Guest of Honour, Deputy Governor (Policy),
The Director of Research,
Branch Controller, CBN Ilorin,
Distinguished Participants,
Ladies and Gentlemen,

I feel greatly honoured to be invited to deliver this opening address at this important occasion of the 2004 Central Bank of Nigeria (CBN) Executive Policy Seminar holding in Ilorin, Kwara State. The Seminar is a yearly event aimed at affording the Executive staff of the Bank the opportunity to brainstorm and update their knowledge on contemporary policy issues. The theme of this year's seminar, "Current Economic Reforms in Nigeria: The Case of Deregulation of the Downstream Petroleum Sub-Sector" is quite topical and relevant.

The issue of deregulation of economic activities has become a well worn cliché whose use has tended to be confusing and misleading. There is therefore the urgent need of redefinition and clarification. Essentially, deregulation does not mean the absence of regulation, rather, it is a deliberate and informed process of removal or mitigation of regulations which are anachronistic and tend to foster inefficiency or competitive inequities. Succinctly put, deregulation is the rationalization of regulations. In this connection, it involves the introduction of new measures intended to enhance efficiency and stability. It is therefore pertinent to note that deregulation requires intensive prudential supervision.

Ladies and Gentlemen, as you are aware, the present Administration is fully committed to the implementation of measures that will move the economy forward. In particular,

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the Federal Government is fully committed to its cash call obligations in the upstream petroleum sub sector, while at the same time it is determined to achieve total deregulation of the downstream sub sector. However, government is not unmindful of the economic costs associated with inadequate supply of petroleum products and the attendant queues at the filling stations. Whereas government will concentrate on the provision of social services and basic infrastructure, the organized private sector will be expected to play the role of “engine of growth”. This forms the basis for government’s stance in the deregulation of the downstream sector of the oil industry.

Distinguished participants, permit me to state at this juncture that the era of deregulation of the downstream petroleum sub-sector has brought about its challenges, opportunities, and problems. A credible prognosis shows that deregulation, as a rationalization process as well as movement towards increased reliance on market-based instruments, has become a reality which has come to stay. In the light of this, the need to understand the direction, character, challenges and problems of deregulation becomes urgent both for market participants and the regulators alike. The identification of these challenges and remedies forms the major thrust of this seminar.

To achieve this objective, competent resource persons have been assembled to lead the discussions. I have no doubt that this august assembly will effectively deal with the various sub-themes assigned to them, by exploring and articulating the leading issues in the government reform programmes in general and the deregulation of the downstream petroleum sub sector in particular. It is therefore my earnest hope that the seminar would serve the best interests of the Bank, the oil industry and the country.

Distinguished Ladies and Gentlemen, I wish to challenge the participants to make good use of the opportunity provided by the Management of the Bank to brainstorm and come up with useful recommendations that will assist economic managers to formulate and implement appropriate policies that will be beneficial to the downstream sub-section of the Nigerian oil industry.

Thank you for your attention and I wish you all successful deliberations.