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Keynote address at the in-house seminar on the mortgage industry in Nigeria: issues, challenges and prospects

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Keynote Address

Ernest C. Ebi*

Director of Research
Director of Human Resources
The Branch Controllers
Other Executives
Distinguished Participants
Ladies and Gentlemen.

It gives me great pleasure to be here on the occasion of the 2004 Central Bank of Nigeria (CBN) Executive Policy Seminar organized by the Research Department in collaboration with the Human Resources Department. This is the twelfth in the series of the Annual Executive Policy Seminar aimed at updating the knowledge of the Executive staff of the Bank on contemporary issues. The theme of this year's seminar: Current Economic Reforms in Nigeria: The Case of Deregulation of the Downstream Petroleum Sub-Sector is not only topical but also very germane in view of the focus of policy initiatives of the present administration. The seminar therefore, provides an opportunity for participants to x-ray the current reform measures with a view to identifying possible problem areas and suggesting remedies for identified challenges. I must commend the efforts of the organizers of the seminar for ensuring that the programme continues to supplement the training needs of the Bank. Also, I wish to congratulate the entire participants for being part of this deliberation. I have every reason to believe that the various discussions at this seminar will help to broaden the understanding of participants on the issue at stake.

You will recall that prior to the introduction of the new economic reform of the government, Nigeria's economy was characterized by slow growth arising from low

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productivity and the uncompetitiveness of the private sector. Coupled with these problems were infrastructure deficiencies, weak institutions, rent seeking and inconsistent macroeconomic policies. Inappropriate development framework arising from the lack of clear development vision as well as half-hearted commitment to the Nigerian project were the major causes of the country's poor economic performance over the past decades. As part of the measures designed for resolving the lingering problems confronting the economy, the government came up with a package of reforms. The new economic reform which is christened the National Economic Empowerment and Development Strategy (NEEDS) was adopted with a view to strengthening government institutions, creating additional wealth for the nation through efficient allocation of resources and reducing poverty through the encouragement of private initiatives. The broad-based areas of the reform include: accelerated privatization/liberalization and public sector reform as well as governance and institutional reforms. I must at this juncture, therefore, commend the effort of the present administration for taking the bold initiative in ensuring that the economy is rejuvenated along the path of sustainable growth.

In many developing countries today, deregulation of the petroleum sector has become a critical component of macroeconomic liberalization. Thus, the role of government in the petroleum sector is being re-defined and markets are being deregulated. Increasingly, the private sector is participating in the competitive petroleum markets. The policy thrust of the government is to increase private sector involvement in the petroleum market and re-plough government subsidy to the sector for improved production rather than consumption, and ultimately promote efficiency in resource allocation. The deregulation option would put the private sector in the drivers' seat in the petroleum downstream sector and thus provide the economy with efficiency gains in forms of savings from procurement, distribution and domestic refining.

Over the years, Nigeria has witnessed bouts of acute petroleum products shortages due to inefficiency in the supply side of the market. This has occasioned massive product importation at huge cost, while additional costs have also been borne as a result of man-hour lost due to long queues at fuel stations. Moreover, owing to inappropriate

pricing, importation of fuel had been undertaken mainly by government through the Nigerian National Petroleum Corporation (NNPC). The inefficiency in the system and the subsidy has become very burdensome. Deregulation of the sector has therefore been variously canvassed and subsequently adopted by the government as the country's best hope for economic recovery and a necessary condition for the survival of the oil industry. With deregulation, petroleum products would be appropriately priced. It will foster healthy, orderly and competitive development of the sub sector through effective and efficient regulatory and quality control. It will also pave the way for Foreign Direct Investment (FDI) and domestic investments in the downstream sector.

Although the option could be painful, especially in the short run, it offers very bright prospects in the medium-to-long term. For instance, the availability of the product will bring about low pricing and consumer benefits in the long run. The positive effects of deregulation are wholesome and imperative to the socio-economic turnaround of the country. Without prejudice to the deliberation of the seminar, I will dare say that it is the only viable option that will bring a new lease of life to the oil sector.

An effective implementation of the deregulation policy will help in professionalizing and de-monopolizing the NNPC and enhancing the competitiveness of the corporation in the global oil market. For its successful implementation, however, government would need to provide the necessary infrastructure and pay adequate attention to pricing and investment policies. It is also essential to provide conducive atmosphere that would facilitate the building of more refineries to meet the projected level of domestic needs of the products and to export. This will help to halt the current practice of importing refined products from countries to which we sell crude oil.

Distinguished ladies and gentlemen, I have no doubt in my mind that the organizers have packaged the programme to address the salient issues raised and to enable participants derive maximum benefits from the discussions. I am pleased to note that, as in the past, the organizers have assembled here again, a crop of seasoned resource persons who are experts in their various fields to handle the various sub themes. I hope the conference shall proffer viable solutions or palliatives to cushion the unintended

short-term negative impact of deregulation on the vulnerable groups. On this note, I enjoin participants to take active part in the deliberations, and I look forward to receiving useful recommendations from the proceedings that would emanate from the seminar.

Finally, I wish to express the continued support of the Management for this programme. It is now my honor and pleasure to declare the Twelfth Annual Executive Seminar open. I wish you all successful and rewarding deliberations.