



Weekly Economic Insight- July 15, 2011

Economic Outlook through the Prism of the New Executive Committee

The last set of the members of the new executive committee of the Federal Government of Nigeria was finally sworn into office this week but with the exclusion of Mrs. Okonjo-Iweala who is expected to resume in mid-August as she finalises her exit from the World Bank. All the ministerial office holders are now finally appointed and a review of the personality of the individuals appointed to the strategic ministries that are central to the dynamics of the economic fundamental of the nation indicates that the new administration is adopting a mixture of continuity and revitalized ideas to run the economy.

Without downplaying the socio-economic and political importance of the other ministries, especially education, health and land & housing, the five ministries that are central to the dynamics of fiscal dispensation in Nigeria include; the Ministry of Finance, the Ministry of Petroleum Resources, the Ministry of Agriculture and Natural Resources, the Ministry of Power and the Ministry of Works.

As the power house of Nigeria's financial management, the Ministry of Finance oversees the nation's non-oil fee and tax based revenue sources. In addition, the Ministry is responsible for the management of the nation's fiscal regime which includes debt management. The return of Dr. (Mrs.) Okonjo-Iweala as the Finance Minister is considered as one of the strategies of the current government to revitalize the economy. As a change agent, based on her earlier record in the same position in 2003-2007, she represents fiscal discipline in the administration.

The Ministry of Petroleum Resources manages the country's oil revenue (the major sources of the country's revenue) which accounts for 97% of the Federal Government revenue. The re-appointment of Mrs. Diezani Alison-Madueke as the Minister of Petroleum Resources indicates continuity stance of the administration. Continuity in this Ministry is very important considering the on-going historic reforms in the sector. The Petroleum Industry Bill (PIB) currently before the legislature is set to revolutionize the industry as well as improve the nation's revenue from oil. The current progress on the deregulation of the downstream oil sector and/or full privatization of the country's oil refining subsector as panacea to the huge leakage of government revenue through petroleum subsidies requires sustenance.

Agriculture and natural resources, the largest contributor to Nigeria's gross domestic product (GDP) obviously requires a revolution. Annual value added in the agricultural sector accounts for 42% of the gross domestic product. It is estimated that the sector employs over 70% of Nigerian workers in addition to supporting the highest number of households compared to any other sectors across the country. It is also the main driver of non-oil growth of the national economy. These achievements have been principally through natural developments rather than any guided intervention by the government despite the sizable annual budgetary

allocation to the sector. The appointment of a veteran agriculturist as the Agriculture Minister suggests a revitalization strategy in the right direction. With over 20 years of experience in African agriculture, development policy and rural development, Dr. Akinwumi Adesina is expected to be a transformation agent. He would be able to ride on his experience at the Alliance for Green Revolution in Africa (AGRA), where he worked for many years. AGRA is being supported by the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) framework being promoted by the Central Bank of Nigeria (CBN) to release the full potential of the agricultural sector in Nigeria.

There may be no other person that can be considered better at midwifing the ongoing process of privatization of the power sector than Professor Bath Nnaji. He led the team that developed the Roadmap on Power Sector Reform which gave life to the process of implementing the Electric Power Sector Reform Act 2005. The roadmap also effectively identified the major challenges and provides implementable solutions with timelines. One year after, the unbundled legacy companies of the Power Holding Company of Nigeria Plc (PHCN) are on the verge of being sold to private investors. Substantial progress has also been made on the gas-to-power front, the major obstacle to rapid development of private power plants across the nation. And the Nigerian Electricity Regulatory Commission (NERC) has commenced the gradual implementation of the Multi Year Tarrif Order (MYTO) to achieve competitive pricing. The appointment of Professor Bath Nnaji to run the Power Ministry offers comfort that the current pace of reform will be sustained despite some germane hitches.

Mr. Mike Onolememen, the new Minister of Work, is a professional architect and planner. He is also new in the cabinet and he is expected to bring a fresh perspective to resolving the decay of infrastructure, especially roads, in the country.

The transformation of these five cardinal Ministries is expectedly the key to the economic stability and growth of the economy. These individuals, as identified above, suggest that the current administration is poised to reform these key Ministries; hence we expect the combination of sustained reform and revitalization of process, procedures and projects in these Ministries in the next four years to keep the Nigerian economy stable.



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