

KEYNOTE ADDRESS DELIVERED BY  
CHIEF (DR.) J. O. SANUSI, *CON*, GOVERNOR,  
CENTRAL BANK OF NIGERIA AT THE 8<sup>TH</sup>  
MONETARY POLICY FORUM ON THE THEME,  
“DEVELOPING THE NON-OIL SECTOR IN NIGERIA”  
HELD AT THE CBN CONFERENCE HALL, GARKI, ABUJA

Honourable Members of the National Assembly,  
Honourable Ministers,  
My Colleagues,  
Distinguished Guests,  
Ladies and Gentlemen

I most heartily welcome you all to this quarterly edition of the Central Bank of Nigeria Monetary Policy Forum. It is the eighth in the series. I especially welcome and congratulate the recently elected members of the National Assembly and the newly appointed ministers. Let me briefly recall, for the benefit of those who are new among us, that the primary objective of this CBN initiative is to create a platform where key government officials, financial market operators, academics, as well as other stakeholders in the private sector can meet periodically to rub minds on key economic policy issues, as a strategy for enhancing the relevance and transparency of monetary and financial policies in Nigeria. I therefore crave for your full participation in this Forum.

2. As you are already aware, the theme of today's Forum is, “Developing the Non-Oil Sector in Nigeria”. The choice of this theme was informed by our deep concern about the risks of Nigeria's over-dependence on the oil sector and the urgent need for economic diversification. By the early 1970s, despite the growing importance of oil, the non-oil sector, mainly agriculture was the mainstay of the economy, accounting for over 42 per cent of commodity export earnings and about 74 per cent of total government revenue. By the end of the 1970s, however, the petroleum sector had taken over dominance of the economy, accounting for over 90 per cent of export earnings and more than 80 per cent of government revenue. Indeed, Nigeria was widely regarded as suffering from the “oil syndrome”.

3. Distinguished Ladies and Gentlemen, you will recall that, the diversification of the economy away from oil and enhancing productivity growth in a stable macroeconomic environment were at the centre of

Nigeria's Structural Adjustment Programme (SAP) adopted in 1986. It is regrettable that more than 15 years after, there has not been any perceptible improvement in this economic malaise, as the oil sector still contributed 91.9 per cent to total export earnings and 76.5 per cent of total government revenue in 2001. Characterized by low output growth, high unemployment rate and rising inflation, the Nigerian economy has continued to perform below its potentials, especially in recent years. The economy remains extremely vulnerable to external shocks, particularly the vicissitude of world oil market prices.

4. Although various factors have been adduced to Nigeria's poor economic performance, I make bold to say that the major problem has been the economy's continued excessive reliance on the fortunes of the oil market and the failed attempts to achieve any meaningful economic diversification, reflecting the effect of the so called "Dutch disease". The need to correct the existing structural distortions and put the economy on the path of sustainable growth is therefore compelling. This raises the question of what else need to be done in order to diversify the economy and develop the non-oil sector in order to realize the potentials of the sector. This calls for new thoughts and initiatives, which I consider to be the essence of today's Forum.

5. The continued unimpressive performance of the non-oil sector and the vulnerability of the external sector thus dictate the urgent need for a reappraisal of the thrust and contents of our development policies and commitments to their implementation. Indeed, the need for a change in our policy focus and paradigm shift in our industrialization strategy is imperative, if we are to return the Nigerian economy to the path of sustainable growth and external viability.

6. The experiences of the South-East Asian countries, some of them with similar economic characteristics as Nigeria, are instructive in this regard. Faced with problems of economic stagnation, high unemployment rate, runaway inflation and persistent external sector imbalances, the thrust of development policies in those countries shifted in favour of the diversification of the productive base and broadening of the export base of the economy through massive investment in physical and human capital. The successful implementation of those policies resulted in enhanced productivity growth, increase in the share of manufacturing in total export earnings and drastic reduction in the vulnerability of those economies to external shocks.

7. There is, therefore, the urgent need to evolve policies to enhance productive growth in the non-oil sector in order to ensure that we produce enough to satisfy domestic demand and more for export to boost foreign exchange earnings. We are encouraged by the results of the various geological surveys and feasibility studies, which confirm that Nigeria has great potentials in the production of solid minerals and gas for export. Indeed, there are unexploited non-oil export potentials, including solid minerals and semi-manufactured agricultural products. The experiences of the Asian Tigers also demonstrated that the development of Small and Medium Scale Enterprises provides a veritable channel for tapping these potentials. It is in recognition of this fact that the Federal Government is refocusing on the development of small and medium scale enterprises and the Small and Medium Industries Equity Investment Scheme (SMIEIS) has been initiated under the aegis of the Bankers' Committee.

8. Perhaps, there is a lot of merit in the observation that rapid and sustained growth is a function of technological and infrastructural improvement. Yet, it seems that not enough attention has been paid to the maintenance, acquisition, adaptation and utilization of existing technology and infrastructure. This cuts across the agricultural, industrial and service sectors. To enhance the competitiveness of the non-oil sector and the growth of SMEs, there is need for increased collaboration among all stakeholders, including the government, the operators in the sector, the universities and research institutes. This will not only stimulate innovation but also improve the quality of the products.

9. We are aware that there are several inventions lying at various university laboratories and research institutes awaiting potential investors to commercialize. This has been attributed to information asymmetry and limited availability of long-term finance in the form of venture capital. Again, this calls for visionary leadership from both our banks and entrepreneurs especially as a pool of long-term investible funds are available in the financial markets. The Central Bank, on its part, is determined more than ever to ensure the maintenance of price and of the exchange rate stability, which is sine qua non for investment and output growth.

10. The role of Government in raising the contribution of the non-oil sector cannot be overemphasized. Sustained effort must be made to substantially improve power and water supply, and the provision of other

infrastructure including the building of industrial estates, the positive externalities that would give incentives to prospective investors and enhance their competitiveness.

11. Distinguished Ladies and Gentlemen, this Policy Forum offers us another opportunity to discuss freely and incisively on ways to significantly improve the performance of the non-oil sector of the Nigerian economy. It must do more than serve as a talk-shop. It is my hope that at the end of this Forum we shall come up with concrete proposals that will enable us to improve on the current strategy and policies to diversify the productive base of the economy.

12. I have been informed that seasoned and experienced professionals are in our midst to lead the discussions. Also, going by the list of distinguished participants, I am confident that our objectives will be realized.

13. I thank you for your kind attention and wish you fruitful deliberations.

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