REPORT ON CBN FOREIGN EXCHANGE POLICY DIALOGUE

November 1, 2016

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EXECUTIVE SUMMARY

Insufficient foreign exchange access, supply and trade have compounded Nigeria's economic difficulties, triggered by the decline in crude oil prices in 2015. With declining gross domestic product (GDP), rising prices, declining reserves and scarcity of imported inputs in key sectors, the FOREX problems highlight deeper issues in Nigeria's ability to respond to external shocks. The Central Bank of Nigeria (CBN) has struggled to sustain confidence in the FOREX market, with mixed messages in its policies. A weak currency provides opportunities for exporters, but bureaucratic burdens, poor infrastructure, and limited access to credit hindered growth in this area.

In order to sustain dialogue between economic managers, private sector, development partners and other stakeholders, the British High Commission and PDF II, in partnership with the Nigerian Economic Summit Group (NESG) held a forum at Eko Hotel in Lagos on 1 November 2016 to examine the impact of the CBN's foreign exchange policy on small and medium size businesses and citizens, with the view to proposing constructive next steps.

Participants included representatives of: the CBN, NESG, Nigeria Export Promotion Council, Ministry of Industry, Trade and Investment, the Nigerian Customs Services, the Small and Medium Enterprise Development Agency of Nigeria, business associations, non-governmental organisations and development partners.

Many participants felt FOREX challenges were a symptom of wider issues, with the following issues finding consensus:

- The market was not working – the gap between the official and parallel rates demonstrates this, as does business complaints about "restrictions" and "access"
- Interventions were distorting the market and encouraging "unofficial" trade
- These problems were choking liquidity without which, businesses could not grow
- Price uncertainty meant businesses' invoices did not last more than two weeks
- Investors and traders needed greater clarity, consistency and communications regarding FOREX policy

There was understanding for the difficulty of Nigeria's position – "Dollars had to be earned", and Nigeria's major source of dollars (oil sales) had declined this year. There were also concerns about balancing the needs of different sectors while avoiding speculative "hot money" in favour of longer-term foreign direct investment (FDI).

Experience from other countries showed, however, that the problem could not be outrun. **Several participants called for more cooperation between monetary and fiscal policy.**

Further discussion acknowledged that the FOREX problems were symptomatic of wider problems with the productive base of Nigeria's economy. The audience called for **non-oil export promotion – and facilitation,** noting that a weaker currency could provide advantage for exporters. However, to achieve this would require significant shifts in the business and operating environment – including increasing Nigeria's attractiveness to both local and foreign investment, enhancing infrastructure, and removing excessive regulatory barriers to trade. Restrictions on access to export proceeds and the acceptance of only Letters of Credit for payment were cited as specific disincentives to export trade.

On the monetary side, **transparency and clarity of policies in the management of FOREX** are crucial in ensuring stability of the system and more importantly, create confidence, which has been lacking during the last one year. Investors need to be assured of safety of their investments. The CBN could take on a more public profile in explaining its actions and giving assurances to demonstrate clarity and consistency in foreign exchange policy. Some proposed the creation of a sinking dollar fund for investors that plan to exit the market as a way of encouraging greater investment flows.

Small businesses noted the particular problems they faced, especially in access to affordable credit, and access to FOREX to import key inputs. **A one-stop-shop to ease licensing and reduce barriers to export** would be a positive signal of the government's intent to support growth. The **41 items ban had increased both scarcity and cost of inputs** – the local market was unable to respond swiftly enough, and jobs had been lost.

A presentation on the impact on the poor noted that the devaluation decision had been another subsidy removal, following those lifted on electricity and fuel. The impact of this on the "new poor" (those just above the poverty line) would require specific, targeted programmes of support.

Overall, the audience stressed the importance for **Nigeria to develop a comprehensive economic plan for the short, medium and long term**. This would support the mobilisation of investments into strategic sectors as well as assist the country in defining its vision and strategy in the long term and reposition Nigeria on the path of sustainable development. Allowing the FOREX market to operate free from distortions would be an important first step.

INTRODUCTION

The forum was declared open at 8:35am with the singing of the National Anthem. The moderator, Mr Boason Omofaye informed the audience about the objective of the dialogue, which is to provide a platform for stakeholders to take a closer look at CBN's recent Forex policy with the aim of reviewing short and long-term effects on businesses and consumers. In addition, the dialogue will critically explore the overall impact of the policy across different sectors, while taking some preliminary findings of an on-going study on the Impact of Macroeconomic Challenges on Segments of the Nigerian Population.

WELCOME ADDRESS

Mr Laoye Jaiyeola, CEO, Nigerian Economic Summit Group (NESG)

Over the last one year, Nigeria has experienced a currency crisis, with attendant negative effects on its economy. Foreign Exchange (FOREX) has become a dominant issue, and it is important for Nigeria to continue the dialogue on finding solutions to this problem. As citizens and interested parties, we must determine the optimum exchange rate policy that would support our industries and encourage growth and job creation. In this Forum, key players such as the Central Bank of Nigeria, Nigerian Export Promotion Council, the private sector, development partners and Micro, Small and Medium Enterprises (MSMEs) owners are represented. We urge you all to share your thoughts on the way forward for Nigeria.

OPENING PRESENTATION

Representative of the Government of Nigeria - Mr Segun Awolowo, Executive Director, Nigerian Export Promotion Council (NEPC)

Like many other countries, Nigeria has been hard hit by the global decline in commodities prices. Specifically for Nigeria, the effect has been drastic due to the dependence on a single commodity- crude oil- for foreign exchange earnings. With the crash in oil prices over the last two years, Nigeria's foreign exchange earnings have been reduced to about $35billion, from $70billion prior to the decline in crude oil prices. Meanwhile, the country's import bill remained around $50billion, causing pressure on the exchange rate and reserves. Nigeria is in this situation not only due to the global decline in the oil price, but also as a result of its tilted export profile. Nigeria does not have an "oil price" problem, it has an "export inertia" problem. To illustrate this, while a country like Malaysia has a three year average of 76% exports to GDP, Nigeria has 18%, of which only 1% is non-oil. This is where the problem is. This is why we need an **Export Revolution**.

TABLE 1: NON-OIL EXPORT PERFORMANCE

Year	FOB Value (billion)	% Increase/Decrease
2011	$2.76	
2012	$2.56	-7.38
2013	$2.97	15.38
2014	$2.71	-8.62
2015	$1.62	-40.14

Source: Nigerian Export Promotion Council

President Muhammadu Buhari, GCFR, while addressing a delegation of manufacturers in 2015 stated that, "Nigeria must begin to behave as if we have no more oil". These words have shaped the Zero Oil economic agenda of the current administration, and are essential to build a better Nigerian economy of the future.

Nigeria has a greater potential in exporting the commodities listed in Table 2. In addition, while several firms/initiatives with prospects to improve exports include Indorama Eleme Petrochemicals; Dangote; Anchor Borrower Programme moving towards achieving import substitution; new initiative by North Western governors on reviving cotton farming; new efforts in Ondo, Cross Rivers and others on Cocoa production.

Table 2: Exportable Commodities

• Soya Beans, Soya beans meal and oils	• Petrochemicals and Methanol
• Sugar (Raw, Cane and Confectionary)	• Nitrogenous Fertilizers and Ammonia
• Rice	• Rubber
• Palm oil	• Cotton and yarn
• Hides Cocoa (beans, paste, butter and powder)	• Gold

Source: Nigerian Export Promotion Council

Despite the potential to become a significant exporting nation of non-oil commodities, several challenges have led to a 40% decline in non-oil exports over the last year:

1. **Inoperative incentives**
    a. The suspension of the Export Expansion Grant (EEG) Scheme, has led to an 8.62% and 40.14% decline in export figures in 2014 and 2015 respectively. This was a huge loss for the country in terms of foreign exchange.
    b. Non-activation of the Export Development Fund, which should address such issues as Market Aggregation & Off-takes (export market making); Export Storage, Standards, and Shipping (export infrastructure and operations).

2. **Restrictions on access to export proceeds**
   Prior to the floating of the exchange rate, exporters were restricted to selling their foreign exchange at the CBN official rate of N197 to a dollar. In some instances, Deposit Money Banks used delay tactics to prevent exporters from accessing their foreign exchange in settlement of foreign currency denominated expenses for items not under foreign exchange restriction (e.g. freight charges). This forced exporters to source foreign exchange from the parallel market. Furthermore, the recent pronouncement by the CBN that exporters have unfretted access to their export proceeds came with a requirement that exporters have to sell foreign exchange to their banks at the interbank rate.

3. **The reversal of the "Export Proceeds Retention Policy"** by the CBN (vide circular TED/FEM/FPC/GEN/01/006 of 20th February 2015) stopping exporters accessing their export proceeds contributed to the foreign exchange problem. This policy also contradicts section 2 sub sections 1-3 of the "Export Incentives and Miscellaneous Provision Act No.65 of 1992" which allows 100% retention of proceeds by exporters.

4. **Decline in the price of international commodities.** Comparative figures from 2015 and 2016 of local and international price of commodities show that it was near impossible for exporters to make profits on export transactions based on the official exchange rate.

5. **Weakened currency and regional competition**
   Nigeria is competing with other countries in the international market for the same goods (e.g. with Ghana and Cote d'Ivoire for cocoa; with Chad and Sudan for sesame seeds, Gum Arabic and Hibiscus) and is at a disadvantage due to high production costs and Forex challenges, imposition of tariff on goods coming from Nigeria, like cocoa and cocoa products into the EU (due to non-signing of EPA), sesame seeds to China and gum Arabic to India. Coupled with the lack of export incentives, Nigerian products are not competitive in the international market.

6. D**isparity between the official rate and the black market rate** encourages exporters to export informally; under invoice; relocate or export from our neighbouring countries (such as Niger, Chad), where more favourable conditions exist, and where they enjoy unfretted access to their export proceeds.

7. **CBN restriction on exporters to the use of a single mode of payment (letter of credit) for export transactions**, while cancelling other modes of payment such as Cash in Advance, Cash against Document, (Documentary Collection or Draft) and Open Account. A recent analysis carried out by the NEPC of the returns from the Pre-shipment Inspection Agents (PIA) in respect of the first and second Quarters of 2016 indicated that only 1% of the total transactions (representing 5% of traders) was carried out through Letter of Credit, while 73% of the transactions (representing 66% of traders) adopted the Cash Against Document method of payment. Twenty percent of transactions were carried out using advance payment, representing 17% of traders. This policy restriction has made a bad situation worse.

These challenges have serious ramifications on Foreign Direct Investment, employment, capacity utilisation and capital investment.

Conclusion

The Nigerian government must provide an enabling environment for business. Ensuring private sector confidence in the government and its policies is paramount to development.

The Government has to be seen to initiate, implement and sustain good policy. It is the position of the NEPC that, from the standpoint of the provision of Act 65 of 1992, government has to motivate exporters if it wishes them to repatriate their export proceeds. The CBN should urgently consider granting concession to the exporters to have access to their proceeds, even if it is only a proportion. We believe this will go a long way towards bridging the gap between the official and black market rates. The Government should also urgently consider reviving export incentive schemes, as well as other Schemes aimed at addressing other key challenges.

PRESENTATION 2

Protecting Nigeria's Poor from Distributional Effects of Devaluation by Dr Ayo Teriba, CEO, Economic Associates

Dr Teriba's presentation shows new empirical evidence on the distributional effects of the Naira devaluation on different income groups in the country, across rural and urban areas, and across the six geopolitical zones. Some key findings from the study include the following:

- The devaluation of the Naira in June 2016 represented the removal of another unsustainable subsidy, following those removed on electricity and fuel.
- The necessary adjustments had been delayed in part by concerns about the vulnerability of the poor. After the inevitable adjustments, this study finds that the poor will indeed bear a proportionally larger burden than other income groups.
- In terms of per capita expenditure, while the rich face larger absolute losses, the poor face a greater relative loss, thus causing a slight increase in inequality. This holds true by expenditure groups, rural-urban divide, and geopolitical zones. It is however important to note that though the poorer groups suffered relatively higher losses, the model did not account for the compensatory effects of higher income the poor receive from selling their farm produce. Thus the model's estimates are a maximum and in reality the net effect would be lower.
- **In terms of spending (imports),** devaluation erodes welfare across income groups, with rising consumer prices reducing purchasing power. Upper income groups suffer greater losses than lower income groups because they spend a greater proportion on non-food items that include imported components than on food items, which have fewer imported components.
- **In relation to incomes (non-oil exports, remittances),** upper income groups receive most of the foreign currency from non-oil export earnings and remittances, while middle-income groups receive very little, and low-income groups receive nothing. As such, upper income groups can mitigate their purchasing power losses through the enhanced Naira value of the portions of

their incomes denominated in foreign currency, while lower income groups cannot.

In terms of the distributional impact of devaluation, Dr Teriba categorized the impact into three areas:

- ***Differential impacts on rich and poor:*** While lower income groups will lose between 4 and 7 percent of their incomes in the aftermath of devaluation, upper income groups will only lose about 2.5 percent.
- ***Rural-Urban differences:*** While rural dwellers will lose between 4 and 6 percent of their incomes in the aftermath of devaluation, urban dwellers will only lose about 3 percent. The incidence of poverty will thus increase the most in rural areas.
- ***Regional differences:*** The incidence of poverty will increase the most in the North West and North-East of the country, which already have the highest poverty incidents in the country, while the incidence of poverty will increase the least in the South West and the South-South, which already enjoy the lowest incidents of poverty in the country.

In concluding his presentation, Dr Teriba proposed the urgent need for the government to implement immediate social transfers to *protect the poor from the losses inflicted by devaluation*, by using some of the government revenue gains from the devaluation to fund such transfers.

PANEL DISCUSSION

- Mr Laoye Jaiyeola, CEO, Nigerian Economic Summit Group
- Mr Bismark Rewane, CEO, Financial Derivatives Company Limited
- Mr Segun Awolowo, DG, Nigeria Export Promotion Council
- A representative of Central Bank of Nigeria
- Mr Muda Yusuf, Director General, Lagos Chamber of Commerce and Industry (LCCI)
- Dr Eniola Ajayi, Consumer Advocacy Foundation of Nigeria
- Ms Nneka Okekearu, Enterprise Development Centre
- Ms Jumoke Olaniyan, Associate Vice President, FMDQ OTC Securities Exchange
- Mr David Adepoju, Standard Chartered Bank

Introduction

During the past year, Nigeria's FOREX market has been characterised by two main issues: restrictions and limited supply/access. Dollar inflows into the economy have declined significantly, while external reserves have faced pressure from persistent dollar demands for imports and services.

In addition, the CBN has not limited itself to the role of the regulator, but has become a dominant market player, with frequent interventions and changes in policy direction. The active involvement of the CBN in market operations signals a distorted, imperfect and inefficient market. To resolve the current FOREX challenges, the institutional strength of the CBN is important.

Panellist expressed their views on the FOREX situation in the country. Several issues were identified:

Liquidity challenges: Lack of liquidity and inefficient allocation of FOREX resources has made it difficult for businesses to survive, hurting job creation. Current management of the FOREX market has damaged confidence in the system and has increased uncertainty. Both are unhealthy for businesses as they attempt to plan for the future.

Implications for International Trade: The Nigerian economy is highly import dependent and cannot become self-sufficient overnight. However, it is essential to strengthen local content to stimulate production and improve Nigeria's external trade position. Trade and welfare are highly correlated as improved trade increases welfare of citizens. Nigeria must aggressively increase trade by enacting supportive policies.

From the point of view of the entrepreneurs, beyond uncertainty is the difficulty in doing business. A few exporters have relocated to neighbouring countries such as Ghana to export commodities produced in Nigeria due to several foreign exchange restrictions. Likewise, the unstable movement of the exchange rate affects the ability of businesses to cover costs and plan for the medium term. Some called for the CBN to prioritise the allocation of FOREX to key industries and businesses with great potential to stimulate employment and GDP growth.

In a separate view, a panel member argued that devaluation could provide economic benefits. The price adjustment should be seen as a great catalyst for diversification of the economy, with rising costs depressing imports while exports would be more competitively priced in international markets.

Nigeria's exchange rate is only a symptom of a much bigger problem, which is the weak productive base of the economy. The challenge with the supply of FOREX is largely as a result of weak non-oil export earnings and lack of transparency and efficiency in allocating existing resources. These issues must be addressed in order for Nigeria to resolve the FOREX challenges. The environment must be made conducive for businesses to remain in the country; and for existing businesses to grow and earn dollars through exports of products and services.

The foreign exchange crisis was made worse because of the absence of external buffers, with the reserves currently around US$25 billion, which could cover less than 4 months of imports. In addition, the lack of harmony among monetary, fiscal and trade policies, frequent policy changes, high interest rate and misallocation of FOREX to pilgrims for instance are factors that damaged confidence and further complicated the FOREX situation.

Several countries such as Zambia, Egypt, Argentina and Ghana have experienced FOREX challenges in recent times and Nigeria could learn from the experience of these countries. In all of these countries, flexibility of the exchange rate was essential in their recovery process. The apex authority in Nigeria should allow for more flexibility in the exchange rate as this would provide investors with more confidence in the CBN's ability to manage the situation. Frequent and unnecessary interventions have triggered uncertainty, which is hurting confidence and liquidity. Furthermore, Nigeria must develop a cohesive plan to get out of the current FOREX crisis and effectively communicate this plan to stakeholders. This approach in Ghana saw an oversubscription of recently issued five-year bonds, with yields dropping from 24% to 19%.

Response from the CBN representative

With regard to the liquidity challenges, the CBN does not earn foreign currency; other economic stakeholders do and in some cases this comes at a cost. For example, Foreign Portfolio Investment, which depends largely on depreciation and devaluation, could leave the system overnight, adding more pressure on the exchange rate. FDI on the other hand can only be attracted if there is confidence in the system. Some investors cited factors such as the 2015 elections, and the time taken to appoint a cabinet as contributing to uncertainty in the Nigerian economy, causing FOREX outflows and lower than projected inflows. In addition, prior to the FOREX crisis, several companies relocated to other countries due to the difficult business environment, such as higher infrastructure costs, leaving the CBN with little FOREX to fund imports.

Furthermore, the CBN had to tackle sharp practices from business owners and fund managers attempting to influence and take advantage of the exchange rate. The CBN was determined to continue to enforce sanctions against such attempts, including against banks if necessary.

As regards the policy restricting exporters to selling their FOREX at the interbank market, the majority of exporters obtain FOREX from the interbank market and are therefore not allowed to sell their earnings in the parallel market. Exporters who obtain funds via the parallel market are not within the scope of this policy. Several exporters kept their proceeds abroad until they were compelled by the banks to repatriate them. On the mode of payment, more than 50% of the bills for collection are bloated – worsening the scarcity problem.

In response to calls for further devaluation, it is important to note that when there is scarcity, the market may not be as efficient in allocating resources. Devaluation could also increase fragility of Banks' balance sheet. To address FOREX scarcity, Nigeria must pay attention to the structure of its industrial sector and expand non-oil commodity exports to earn more foreign currency. Thailand, for example, is an oil economy; however, the country was less affected by the crash in crude oil prices due to its broader, robust export base. For Nigeria, this may not be a short-term solution but efforts must begin in earnest to diversify exports and increase GDP.

Another panellist noted that devaluation of the naira in 2016 made the production and exports of certain products attractive within Nigeria as imports became more expensive, i.e. the exchange rate can act as an incentive to local producers. However, this potential positive was obstructed by the CBN's frequent interventions in the market and interference with market forces. Responding frequently to pressures would send wrong signals to market players. In addition, the sanctioning of nine commercial banks earlier in 2016, which was followed by a significant fall in the value of the naira, could have been better handled in a closed-door interaction. The negative publicity and seemingly sudden and excessive sanction gave a worrying impression of the functioning of the Nigerian economy to external watchers. Based on current PPP tests, Nigeria's exchange rate stood at N302/US$, meanwhile the current exchange rate is over N400. This demonstrates that the market lacks confidence. Signalling and messaging required careful and considered attention to send positive and consistent signals to potential investors.

PRESENTATION FROM MICRO SMALL AND MEDIUM ENTREPRISES OWNERS

Mr Opeyemi Owosho, Manufacturer of Gas Stove

Opeyemi manufactures gas stoves in Nigeria with 60% of local content and plans to achieve 100% in the near future. The body of the gas stove is produced locally. Major input into the production process is steel plate, which has experienced a 56% price increase. Cost of production has been increasing, making it difficult to compete favourably with foreign manufacturers.

Ms Chigozie Nwagana- Catfish farmer

Chigozie is a catfish farmer based in Port Harcourt. Fish feed, which is imported, is a major input into the business and the price has increased significantly from N170, 000 per month prior to the FOREX crisis to N360, 000 monthly. Sales have been on a downward trend, likewise profit margins.

Ms Ogechi Oteh

Ogechi owns a bakery and a super market in Lagos. For her, it is essential for the government to grant businesses single digit loan, tax benefits and production and export incentives.

AUDIENCE INTERACTION

Femi Shoremekun

I believe most FOREX websites in other countries are managed by the apex monetary authorities. The website called abokifx.com has significant influence on exchange rate in

Nigeria as their rates are used as a benchmark; meanwhile the website is largely unregulated by the CBN. Perhaps, as a suggestion, licenced BDCs could develop a common platform that discloses the BDC rates.

Dr. Francis Alaneme from Federal Ministry of Industry, Trade and Investment
With respect to the SME presentation, Steel, a major input in the production of gas stove, is one of the items CBN restricted from getting FOREX via the official window. CBN should review this.

Dayo George
Nigeria's Fiscal and monetary policies are not in conformity. What are the plans to link fiscal, monetary and trade policies?

Jude, News Editor, Pulse.ng
What is the current exchange rate regime called? Is it floating, flexible, drifting?

Participant
How does the CBN intended to solve coordination problem between itself and the Ministries of Finance, Industry, Trade and Investment to prevent further information asymmetry? How does CBN intend to solve the problem of speculations?

Mr Segun Awolowo, DG, NEPC
Currently, there is coordination of ministries and agencies under the Economic Management Team, although several economic agents have called for the need for business groups to be represented in this committee.

One major way to get out of the current exchange rate crisis is to improve exports. This informed the development of zero oil plan, which emphasizes cooperation of key government agencies and even state governments. Under the plan, 11 sectors were identified and production targets of key commodities have been given to state governments. The Nigerian Customs Service, which is currently a revenue generating agency with financial targets, should be made to play their original role of facilitating trade. The NEPC is working with the Customs to establish a one-stop single export window to ease the bottlenecks associated with exports. In addition, there is also a presidential council on ease of doing business, mandated to ease doing business across the country.

The NEPC plans to resuscitate the Export Expansion Grant (EEG), which was suspended two years ago. The agency will conduct series of dialogues with stakeholders and present its findings to the Federal Executive Council (FEC).

Dr Ayo Teriba, CEO Economic Associates

I think it is appropriate for the private sector to be excluded from the Economic Management Team. Government should remain government while business remains business. The private sector must be consulted on a regular basis but should not be part of the EMT as practised in past administration.

CBN Representative

Coordination exists between the CBN and fiscal authorities. It would be difficult to totally prevent speculation, however, we must reduce its occurrence. The point on abokifx.com has been noted. The current exchange rate regime can be termed managed-floating. The CBN would remain consistent with its policies to ensure the gains of some of the tough decisions are felt in coming years.

Ms Jumoke Olaniyan, FMDQ OTC

It is important to point out the consistency, transparency and credibility of the abokifx.com. They survey the market and provide fairly accurate exchange rate and as a result have earned trust of their clients and users. This is the model FMDQ is looking at. Investors need consistency and reliability.

There is need for Nigeria to change the structure of its economy and improve non-oil export to earn more FOREX. The market should be allowed to find its price level. Through this, the rate will moderate and find its equilibrium.

The CBN must also engage and inform the public about their current and long term plans in the management of FOREX to reassure investors of the safety of their investments.

Mr Laoye Jaiyeola, NESG

While interaction between the fiscal and monetary authorities is essential, we must also be concerned about the independence of the Central Bank. Nigeria needs a long-term goal and a macroeconomic plan. Fiscal authorities also need to be careful of incurring huge debts on the basis that debt to GDP ratio is low. The authorities must consider the rising debt servicing burden, which is about 30% of revenue.

David Adepoju, Standard Chartered Bank

Nigeria should learn from success stories in telecoms and banking sectors where, with the right infrastructure and regulation, private investments increased into these sectors. We must replicate this model in other strategic sectors. We must develop a clear and concise plan to reduce the import gap and address the currency challenges.

Participant

The issue of infrastructure must be addressed to ensure competitiveness of MSMEs. Better transport systems, good roads, storage facilities, ease of doing business are necessary to stimulate local production.

Muda Yusuf, LCCI

Entrepreneurs and business managers respond to opportunities. A weak currency offers a lot of benefits in terms of exports. It has the potential to restructure the economy. At a time like this, Nigeria needs significant private investments into key sectors but government must remove all bottlenecks facing businesses. Initially, CBN accounted for 40% of the FOREX but this share has increased to about 90%. The supply-side constraint must be addressed.

Zeal Akaraiwe

The main challenge with Nigeria is not the import-export ratio, rather it is the commodities that are being imported. Nigeria imports processed goods and exports raw materials, whereas in an ideal situation, the opposite should be the case. We import commodities that can be produced locally. For instance, in 2015, 30% of imports comprise food and fuel. Nigeria imports about 150 million units of toothbrushes from China. The CBN tried to control imports with the use of monetary policy by placing a ban on these items but this has not yielded the intended result. These commodities are still being imported with FOREX from the unofficial sources driving up rates in the parallel market. As a country, we must begin to look inwards and produce commodities that are imported.

Going forward, the CBN should register every foreign investment electronically and create a sinking dollar fund for investors that plan to exit the market as a way of encouraging greater investment flows.

Mr Segun Awolowo, DG, NEPC

Imports are not the problem. What we need is smart import to drive export. We examined 20 top economies in the world and only 3 are exporting oil- Russia, Saudi Arabia and the UAE. We must also bear in mind that countries that closed their borders have failed because they are not competitive. We also need to pay attention to the issue of standards of local produce.

In terms of opportunities, there are smart start-ups that are being developed across Nigeria. Young entrepreneurs are taking advantage of these opportunities. The government must provide policy support and ensure consistency. Several incentives such as single digit fund for manufacturing; the Nigerian Industrial Revolution Plan and the National Enterprise Development Program for entrepreneurs are in place to support businesses. Infrastructure projects linking markets and agricultural fields are being prioritized.

Participant

What are you doing to make it easy for SMEs to obtain export certification?

Mr Segun Awolowo, DG, NEPC

We had a review recently and found that for some products, exporters required 27 steps to export and this is being streamlined to seven. In some cases, over 17 agencies are involved in regulating export. We are currently working to establish a one-stop shop to remove all export bottlenecks. Information about exports will also be placed on the Nigerian Customs website. The NEPC also conducts market intelligence and provides information to potential exporters on the standards, certification etc.

CBN representative

We have noted all the suggestions raised today and will consider these suggestions. The CBN will always act in the best interest of Nigeria and will keep engaging stakeholders on the way forward.

Laoye Jaiyeola

At the 21st Nigerian Economic Summit, we presented the tough decisions that Nigeria needs to make to avoid a recession. The National Assembly challenged the NESG to review and propose amendments to key legislations that are crucial to ease doing business in Nigeria. This work was done with DFID. We also found out that there are many regulatory agencies doing similar tasks for one reason or the other, inhibiting businesses. We hope that this issue would be addressed following the establishment of the ease of doing business council.

Also, sometimes, we do not see the sense of urgency from government when dealing with some major problems. This attitude has to change.

Participant
Lagos state has set up single digit fund for 3 years, with an interest rate below 10%. Ministry of Industry, Trade and Investment, GEMs and EDC, has developed a program called BIG and businesses can access a grant worth $50,000 for capacity development and business growth.

CLOSING REMARKS

The meeting ended with a summary and closing remarks from Richard Ough of DFID and Andrew Fleming of the British High Commission respectively.