



Financial System Strategy 2020



Overview

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Presentation Outline

- **Why FSS 2020?**
- **Objectives of FSS 2020**
- **FSS 2020 Methodology**
- **Milestones**
- **Challenges**
- **Next Steps**



Why Financial System Strategy (FSS) 2020?

- A logical **follow through to Nigerian Economic Empowerment and Development Strategy (NEEDS) I**
- **Current can do spirit in Nigeria** - following recent modest successes in the implementation of key reform programs- Banking sector Consolidation and the 13 point reform agenda. We have several good stories to tell on the economic front. Year 2006 GDP growth tending towards 10%.
- **Need to integrate the various reforms** that have recently embarked upon to remove their current adhoc and uncoordinated nature - Banking reforms, Pension reforms, Capital market reforms, Insurance sector reforms and reform of the country's debt portfolio.
- Address the fragmented nature and inherent **weaknesses of the financial sector relative to the GDP** - need to develop the financial system to be the driver of the economy in order to unleash its huge potentials



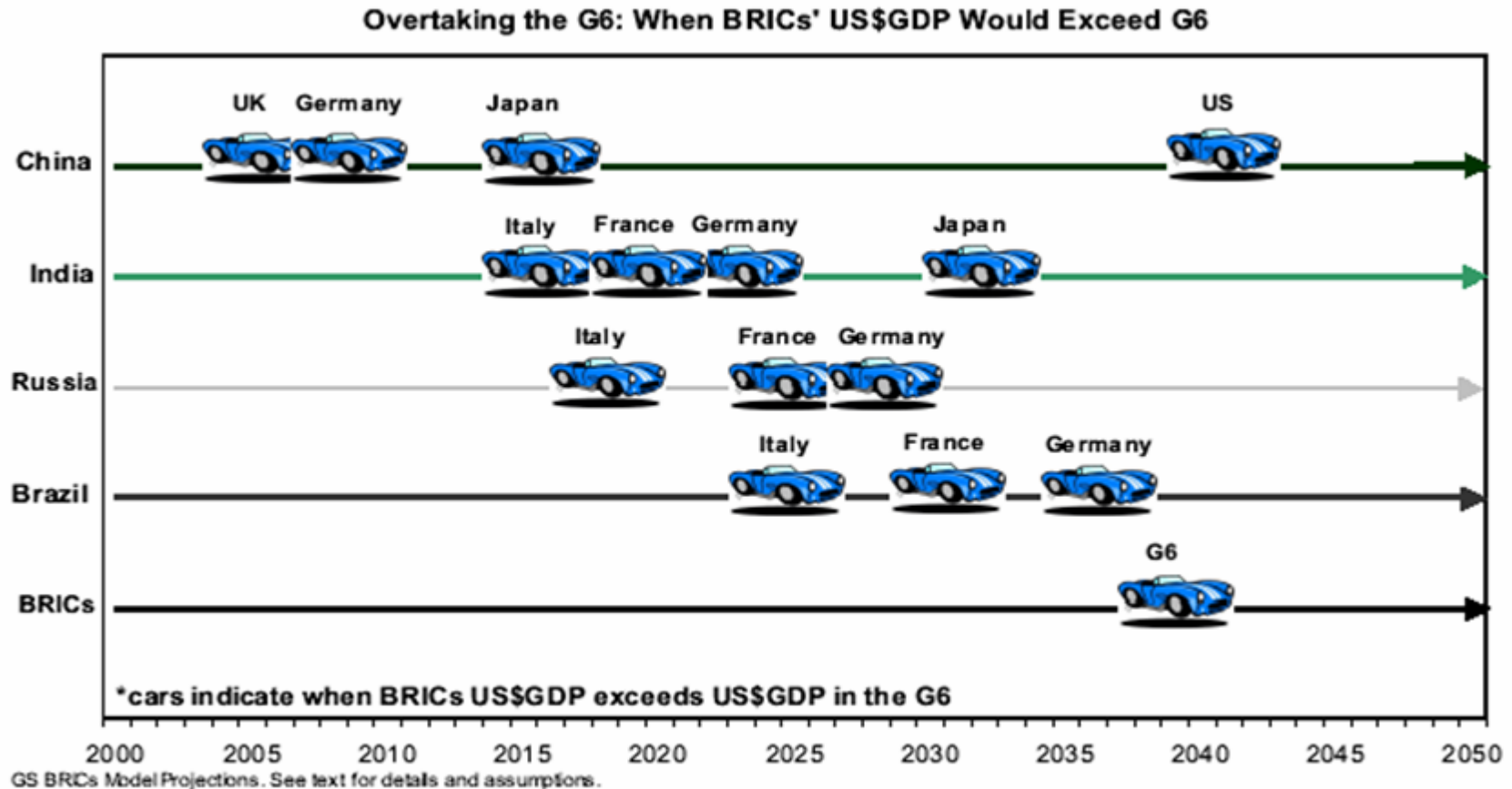
Why Financial System Strategy (FSS) 2020?

- **BRICS effect** – the need for Nigeria to take its place following the recent successes of BRICS. We have similar demographic credentials.
- Indeed Nigeria is identified as one of the so called **Next Eleven (N11)** – **better international perception (NEEDS, CBN reforms/some reform credibility, Debt Repayment, build up of foreign reserves, Sovereign rating, increased FDI etc).**
- Therefore, need for Nigeria to **take economic and financial leadership in West and the rest of Africa.**
- **Nigeria's objective to be in the league of top 20 economies** by year 2020.



Why FSS 2020 - BRIC Economies overtaking the G6 Nations

Extensive work done by **Goldman Sachs in 2001**, projected that the economies of **Brazil, Russia, India & China (BRIC)** would surpass that of the G6 nations based on extrapolation of growth rates, demographic changes, capital accumulation and so on.





Why FSS 2020-Nigeria identified as one of the Next Eleven (N11) countries

After the BRICs, there is the **next 11 or N11 countries**, which have the potential to be 'BRIC like' in the future as identified by Goldman Sachs one of which is Nigeria. Goldman Sachs believes that only 2 countries in Africa will overtake Italy in GDP size by 2015 i.e. Nigeria and Egypt. For Nigeria to achieve this feat and its aim of being part of the 20 largest economies by 2020, she must maintain an annual average growth rate of 12.4% over the next 15 years and focus on developing the following areas:

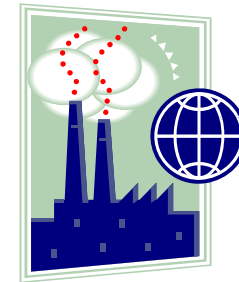
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More Economic Reforms



Steps towards accepting WTO & CET



Create a more industrial economy & eliminate over-dependence on oil revenues

Increase commitment to education



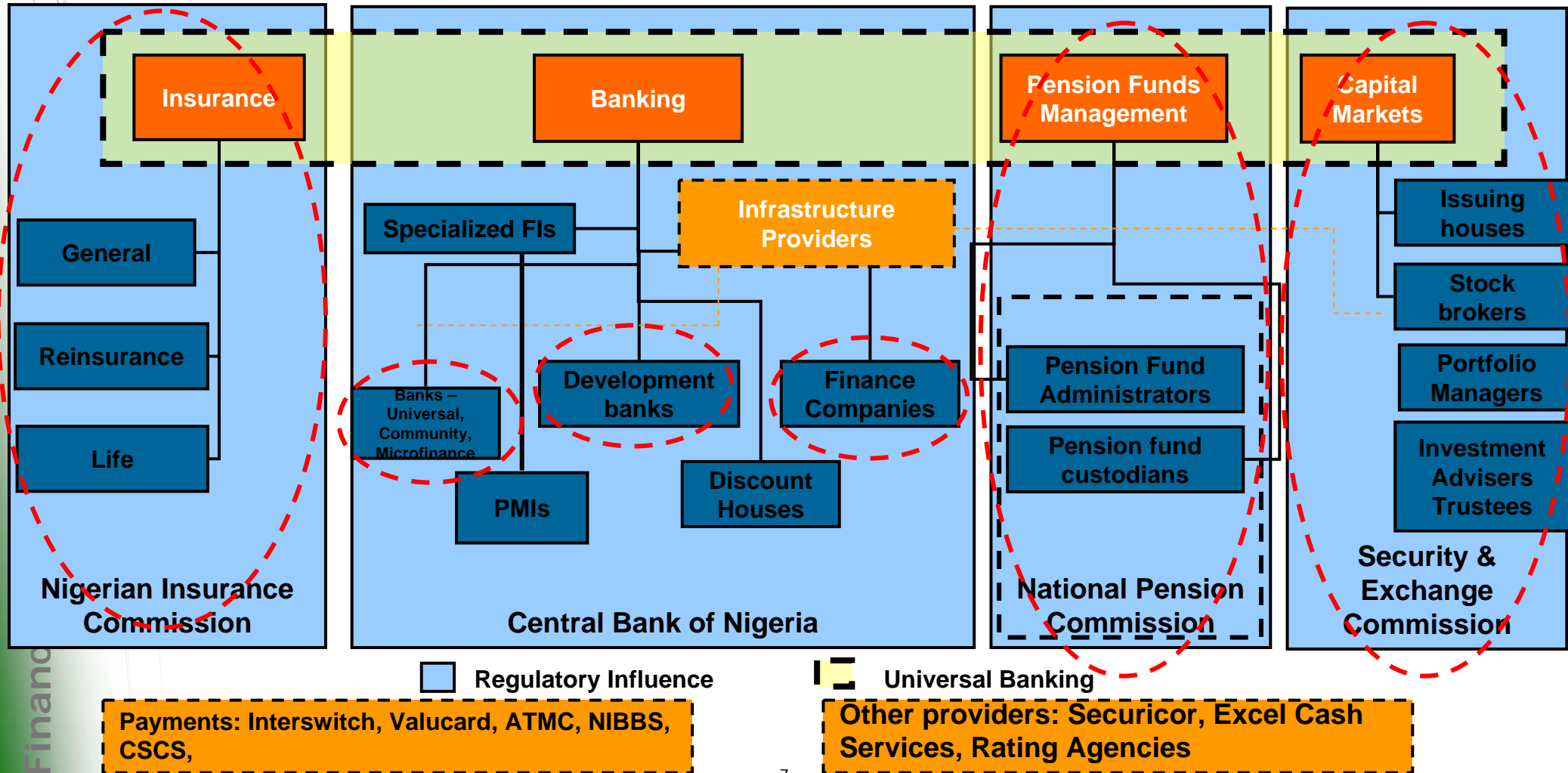
Improve power supply, transportation & telecom infrastructure



Why FSS 2020 - Need for an Integrated Approach to Reforms.

Reformed & Reforming

The Structure of the Nigerian Financial Services Industry & Reforms





Why FSS 2020 - Comparative Country Statistics

COUNTRIES	GDP(\$billions)	GDP growth% (per annum)	GNI per Capita (US \$)	Literacy rate % population	Market	Total
					Capitalization % of GDP	Population
	2005	2005	2005	2004	2005	2005
1. China	2,229	10	1,740	91	35	1,304,499,968
2. Brazil	794	2	3,460	89	60	186,404,912
3. India	785	9	720	61	70	1,094,583,040
4. Russian	764	6	4,460	99	72	143,151,280
5. Turkey	363	7	4,710	87	44	72,636,000
6. Indonesia	287	6	1,280	90	28	220,558,000
7. South Africa	240	5	4,960	82	235	45,192,000
8. Argentina	183	9	4,470	97	34	38,747,148
9. Hong Kong	178	7	27,670	..	566	6,943,600
10. Venezuela, RB	139	9	4,810	93	4	26,577,000
11. Malaysia	130	5	4,960	89	139	25,347,368
12. Czech Republic	122	6	10,710	..	31	10,196,360
13. Singapore	117	6	27,490	93	178	4,351,400
14. Chile	115	6	5,870	96	118	16,295,102
15. Pakistan	111	8	690	50	41	155,772,000
16. Nigeria	99	7	560	..	20	131,529,672
17. Philippines	98	5	1,300	93	41	83,054,480
18. Egypt	89	5	1,250	71	89	74,032,880
19. UAE	N/A	N/A	N/A	N/A	N/A	4,533,145
20. UK	2,192	2	37,600	..	139	60,202,604
21. USA	12,455	4	43,740	..	136	296,496,640



Objectives of FSS 2020

- To develop a **shared vision and integrated strategy** for the financial system to make it the **financial hub of Africa sort of the Dubai of Africa by year 2020**
- To **develop market and infrastructure strategies** for the financial system in order to achieve the above objective
- To develop a financial system that would unleash the huge potentials of the **Nigerian economy to make it the China of Africa by 2020**
- Approach the **development of the financial system within a proactive, systematic and coherent framework.**



FSS 2020 Methodology-Guiding Principles

- Need to **get stake holder's buy-in** – widest possible involvement of regulators and operators
- Should lead to the development of **a shared vision and integrated strategy for the financial system**
- Develop a **project governance structure that elicits ownership and leadership** by all the key stakeholders in the financial system
- Elicit the involvement of **a large segment of strategy consultants** (local and foreign) in order to guarantee quality and timely/disciplined conclusion of deliverables
- **Maximize market coverage**
- Urgency in the conclusion of the packaging of the strategy phase of the initiative without compromise to quality- **we are a country in a hurry to reform**
- Obtain widest possible **input from the general public**
- **Involve the international financial community particularly the World Bank and the IMF** to ensure that the initiative meets international best practices
- Benefit from **past experiences in visioning and strategy development in Nigeria** – need to tie policy to politics



Methodology – Continued- The Adopted Approach

- Stake holder's meeting took place in August 2006 when a consensus was reached that **there is no alternative to the proposed integrated approach to financial sector reforms**
- A six layer **governance structure** was approved
- A **markets rather than institutional approach** was adopted in creating the working teams
- **Memoranda** was called and received **from the general public**
- **Private sector strategy consultants** were retained to drive the activities and deliver industry wide and sector strategies
- **Design an all inclusive governance framework-** regulators and operators.
- Adopt market based approach to working teams- **teams composition reflect market segmentation.**
- Ensure that project, team and focussed **sessions are structured and implemented with discipline**
- **Focus sessions** are organized at team levels involving industry experts to elicit further input.



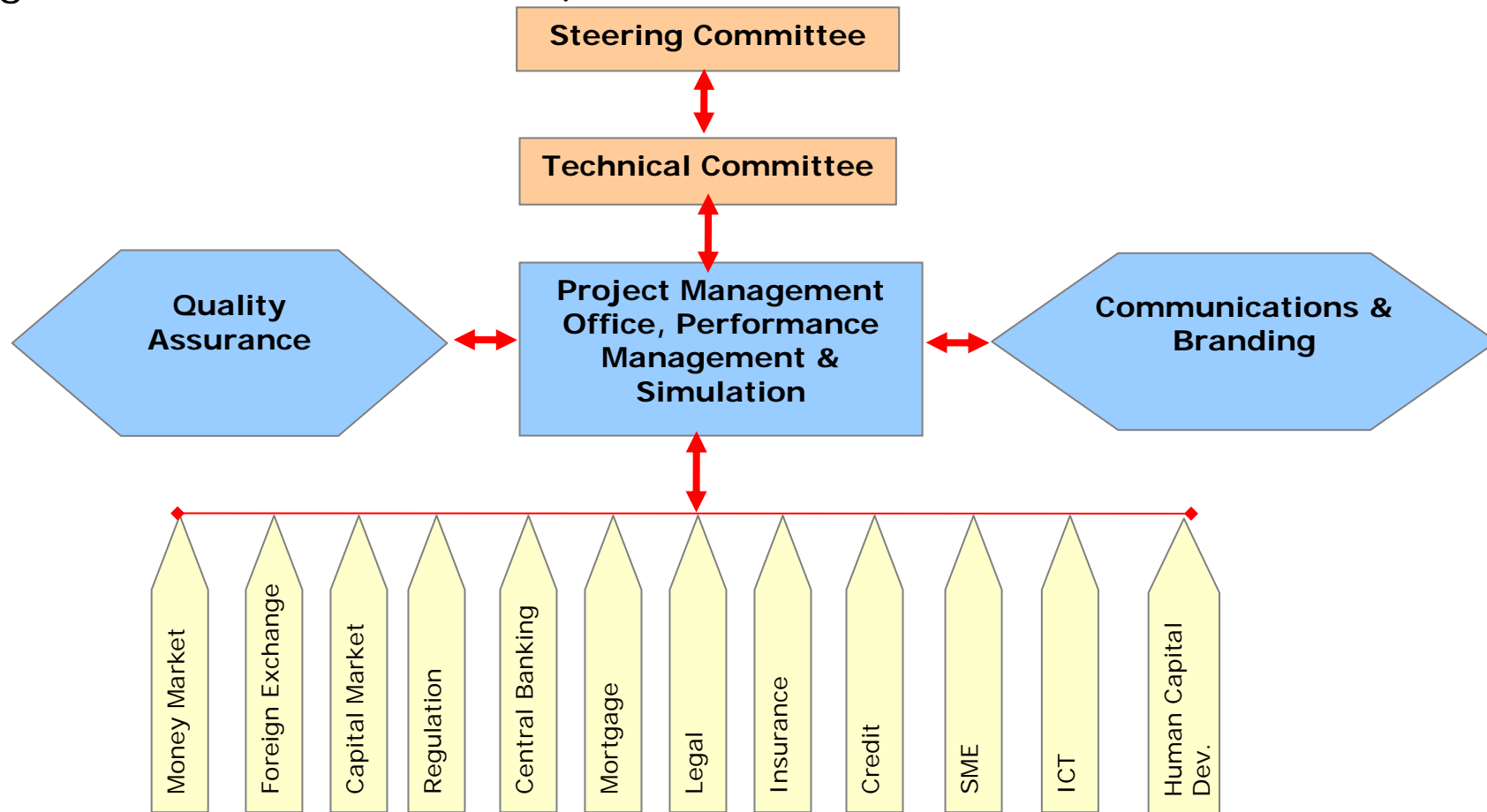
Methodology – Approach Adopted

- Assembled a team of about **100 members covering regulators, operators and consultants**
- **Over sixty meetings** already held as technical committee meetings, team meetings, project meetings, strategy retreat and focused sessions
- **Elicited technical assistance from the World Bank and the IMF** – responses have been profoundly proactive and this has enhanced quality
- Enshrined **quality control as a major aspect of the FSS 2020**
- Adopt a common structure in the presentation of the reports vis **Vision, Mission, Strategic Objectives, Strategic Initiatives and sequenced Implementation Plans**
- Recognize the need and assemble resources to handle other key areas namely implementation plan **performance management framework, communications and change management** issues and so on.



Methodology Adopted - Governance Structure

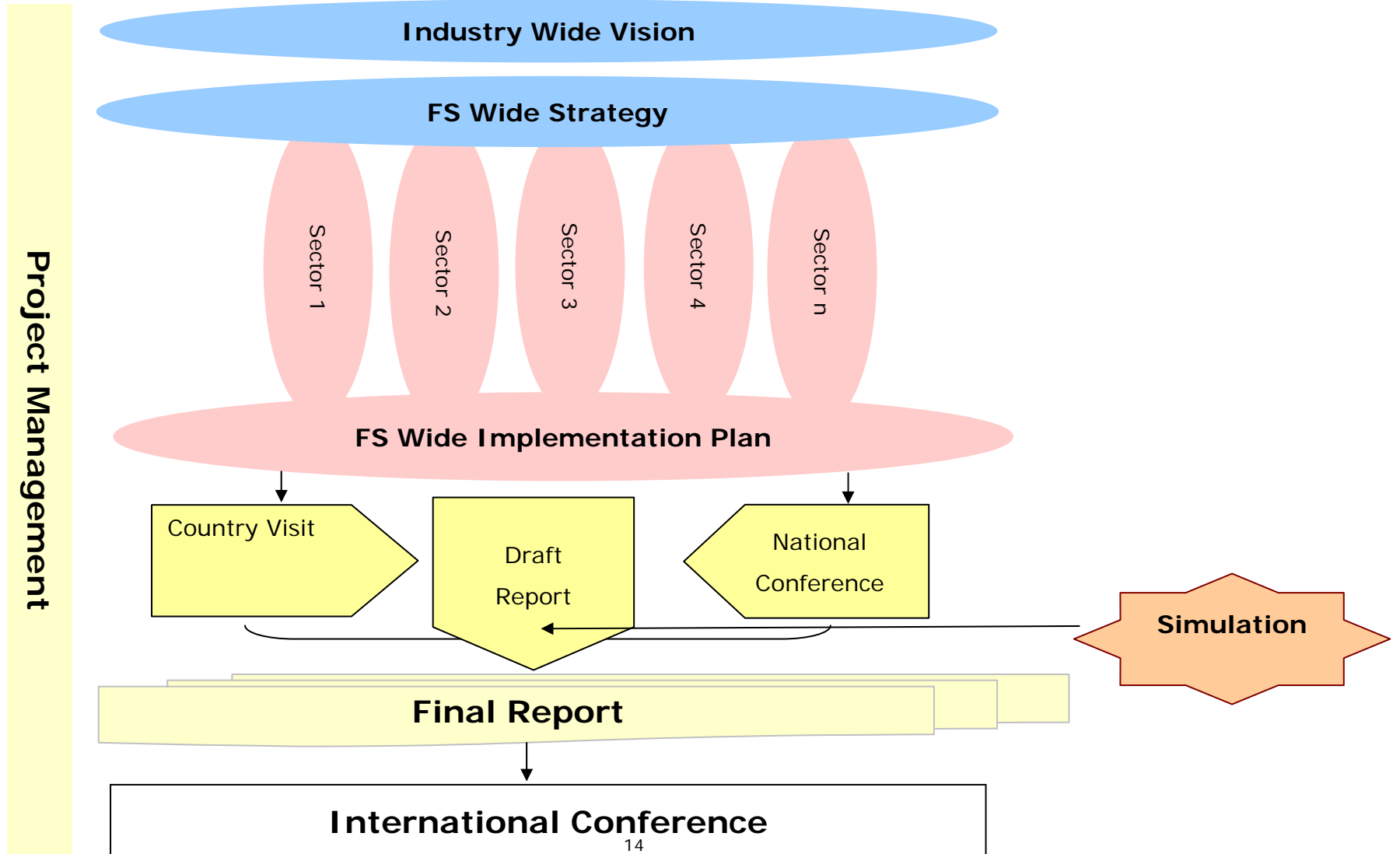
This project structure was adopted to ensure complete coverage of all the key sectors in the Financial system and depth of the strategic plan (Data Mgt. and Change Mgt teams were later added)





Methodology Continued-Project Approach

The approach adopted for this project is depicted in the schematic below:





Milestones

Activity	Due Date
Luncheon	
Launching of the Technical Committee	August 11, 2006
Invitation for Bid from Consultants	August 17, 2006
Conclude Selection of Consultants	August 23, 2006
Communicate discussions to Consultants	August 24, 2006
Request for assistance from IMF and World Bank	August 25, 2006
Request for Memoranda from the Public	August 28, 2006
Workshop to Commence Activities of the Working Groups, Crafting of Vision/ Mission	August 29, 2006
Take off of the Project Management Office	August 29, 2006
Communique on outcomes of the Kick Off Workshop	August 29, 2006
Commencement of Meeting of the Sector Teams	September 12, 2006
Meeting of the Technical Committee and Team Leaders	Weekly (Thursday, 10am)
Send out feedback from Call for memorandum from the public to various teams	September 13, 2006
Focus group sessions	4th week in Sept
1st draft overall detail strategic direction and teams strategic plan	4th week in Sept
FS Industry wide strategy session	Week of October 2, 2006
2nd draft overall detail strategic direction and teams strategic plan	3rd week of October
Steering Committee/Technical Committee Meeting	October 31, 2006
Submission of draft report To Steering Committee	Nov. 15, 2006
Submission of Final Report	December 15, 2006



- Eliciting more **broad based participation and ownership**
- Need to give FSS 2020 better **national focus**
- **Communication issues** – internal and external
- **Keeping to the project timelines**
- **Sequencing the implementation action plans** and their measurement
- Challenges of **designing an appropriate implementation structure**
- Challenges of **political transition – policy to politics linkage**
- Several circles of concern – **poor state of physical infrastructure, state of security, corruption** particularly around the designated financial hub (Lagos)
- **Change management issues** to do with the implementation agencies
- **Tight delivery timelines**
- **Branding issues/appropriate web portal.**



- Incorporate the input of the IMF, World Bank and our Quality Assurance Adviser now and in due course in order to **come up with the third draft report**
- **Call the next Steering Committee meeting** on January 16th 2007 to approve the draft report before circulation
- Review the project structure in order to **focus on strategy phase closure**
- Embark on **aggressive road show to market the FSS 2020** project ahead of the International Conference
- **Orchestrate the international conference** that is scheduled to hold 26-28 March 2007
- Develop and push through a structure to **hedge the FSS 2020 from implementation risks.**



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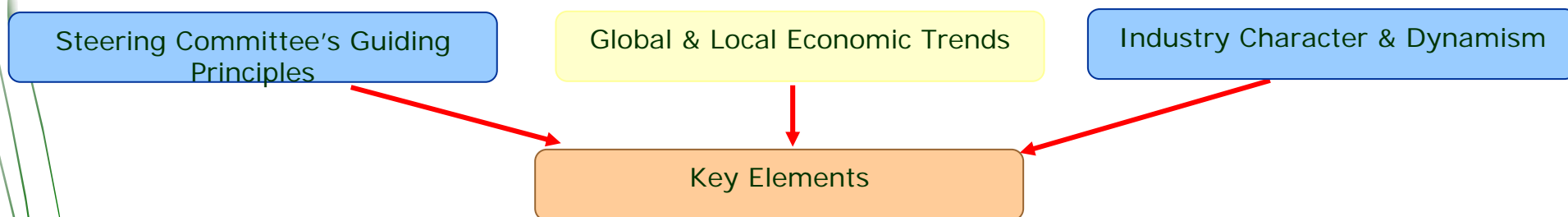


Evolving Strategic Direction



Evolving Strategic Direction

The visioning process:



Dimensions	Outcomes
Vision Timeframe	2020
Geographic Dimension	Emerging Markets
Scope of Offerings	Entire Financial Services
Growth Rate	Fastest Growing
Size of Economy	Top 20
Role of Financial System	Driver & Catalyst
Sector Target	Non-Oil Growth above 10%
Focus	Efficiency & Safety

"A robust and integrated financial system emerges"



leading to a clear envisioned end state...

Vivid Description of our envisioned end state

- It's now the year 2020 and Nigeria is one of the top 20 economies in the world, with global rating that describes our financial system as being among the safest in the world.
Non-oil sector now contributes about 60% to our Foreign exchange earnings and our rate of growth is the fastest among the emerging economies. The latest ranking of global financial institutions reveals that a Nigerian Bank is now among the top 50 and the size of our FS industry is at least twice the size of the economy.
- The necessary and required enablers to efficiently and seamlessly function as a stakeholder within the Financial System are available to enable prompt and fact based decisions which are driven by the integrated configuration of the financial system and enabled by ICT



Our Vision & Its Key Elements

Our Vision

- To be the safest and *fastest growing* financial system amongst *emerging market* countries

Key Elements of the Vision

- “**Fastest growing** – Our rate of growth will be measured by clearly defined parameters which are stated in our strategic objectives”
- “**Safest** – The Nigerian financial system will be modeled to provide unparalleled safety, in order to mitigate the perception usually associated with emerging economies. Our financial system will be re-configured with shock-recovery capabilities and sensitivity”
- “**Emerging markets** – We intend to conquer and use the key emerging markets as our initial benchmark. Emerging markets will be as defined by World Bank and IMF e.g. the BRICs”



Our Mission & Strategic Objectives

Our Mission

- *“To catalyze Nigeria’s economic growth”*
- *“To drive rapid and sustainable economic growth in Nigeria and Africa”*

Strategic Objectives

- To develop the most capitalized and sophisticated financial hub in Africa;
- To build the best pool base of financial system work-force among the emerging markets by 2020;
- To develop the financial system with the highest financial sector penetration and density in Africa and emerging markets;
- To provide the highest contribution to GDP relative to African countries and other emerging markets; and
- To build a financial system that is based on transparency and good governance.



Our proposed industry wide initiatives are outlined below:

1. Significantly upgrade the educational system using a two pronged approach:
 - Short Term: Enhance specialization in the industry by:
 - Leveraging on existing institutions (CIBN, FITC, ICAN)
 - Creating new ones
 - Setting standard for certificates
 - Reviewing, broadening and upgrading current curricula to cover the entire financial system
 - Create a framework of cross certification in the financial services industry
 - Emphasize professionalization in the financial services industry.
 - Medium to Long Term:
 - Work with stakeholder to influence policy direction in the educational system
 - Create an enabling environment that will attract talent
 - Create enabling environment to promote techno-literacy.



Our proposed industry wide initiatives are outlined below:

2. Technology and Infrastructure:

- Create a unified and collaborative IT infrastructure that will support the financial system in all ramifications
- Develop an identification system that will be amenable to new financial system
- Build and sustain data integrity, safety and accessibility

3. Legal and Regulation

- Encourage migration from the current multiple regulatory environment to a single regulatory framework with oversight function across the FS system
- Strengthen Financial Sector Regulatory Coordinating Committee (FSRCC) as an initial stop gap to the target regulatory model
- Promote and strengthen SROs for effectiveness as first line regulators.



Our proposed industry wide initiatives are outlined below:

4. Culture Change buy-in

- Foster a customer – centred philosophy and a reward system anchored on innovation and dynamism
- Promote the drive for enhanced financial literacy among Nigerians in collaboration with the media

5. Further Strengthen Regional Influence

- Advance initiatives towards ensuring that Nigeria and other WA countries meet WAMZ convergence criteria
- Promote integration/greater interface within financial markets across the region
- Facilitate the emergence of an increased number of cross border financial activities/ listings to deepen financial markets



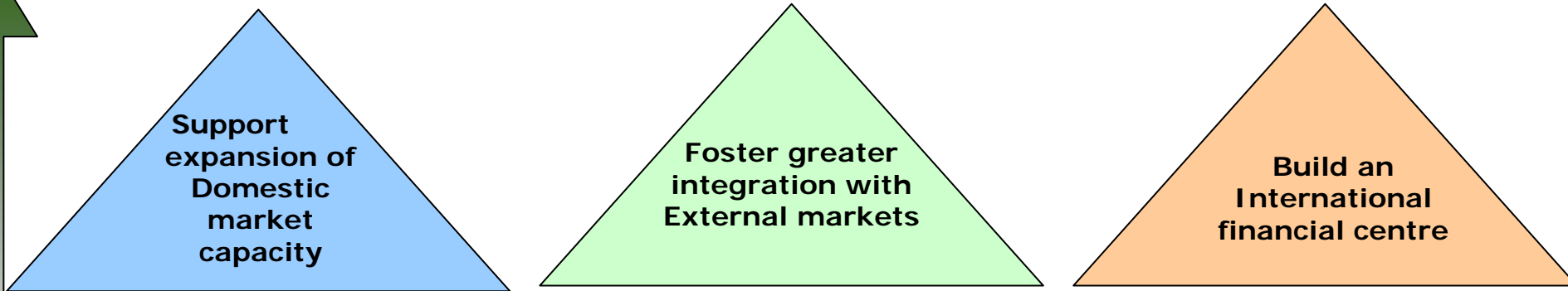
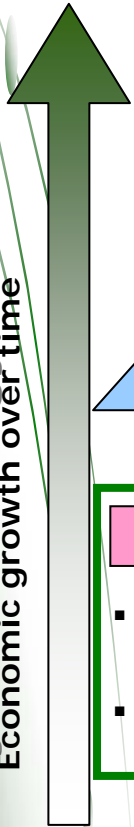
Growth Approach

- Need to catch up and overtake our contemporaries like Singapore, Malaysia, India, etc. who are clearly ahead
- Being in a hurry, we will adopt an engineered growth approach as opposed to a sequential approach
- The approach will require simultaneous development of both the domestic and the external markets to facilitate the emergence of Nigeria as a financial centre.
- Partnership will be built with the private sector in this regard



Engineered Growth Approach

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Economic growth over time



Develop supporting physical infrastructure e.g. airports, seaports, adequate transportation facilities

- Develop sufficient urban (road and rail) transport
- Develop inter-city/-state transport facilities
- Develop strong international trade and commerce transportation (sea, rail and inland waterways)
- Develop international business transportation services (strong air transportation)



Growth Approach – Expansion of Domestic Markets

- **To Support the depth of Domestic Market Capacity, CBN will:**
 - Provide enabling FS regulations to promote expansion in the local productive capacity
 - Support introduction of new financial service products by industry players
 - Support diversification of products in existing exchanges-Stocks, FX, Commodities, derivatives, etc
 - Partner the private sector in developing an efficient nationwide payment system
 - Promote enhanced access to credit, etc.



Growth Approach – Integration of External Markets

- **To foster greater integration with external markets, CBN will:**

Champion facilitative monetary and exchange rate policy framework to encourage exports to diversify earnings by :-

- Fostering more synergic integration of monetary policies with fiscal policies
- Promoting and monitoring export expansion initiatives – funds, concessions, grants etc
- Advancing towards full convertibility of the national currency
- Pursuing exchange rate stability



Growth Approach – Build International Financial Center

- **To support the creation of an International Financial Center, the Government will:**
 - Designate a particular geographic area as financial center
 - Quarantine the designated center for seamless take off
 - Enact appropriate laws and fiscal incentives to support rapid growth of the center
 - Create awareness of the existence of the centre



- There is need pay initial attention to the sectors that have the carriage to trigger multipliers in the financial system:
 - Foundation Sectors
 - Follow-up Sectors

- Criteria for foundation sectors' selection
 - Potential size
 - Interdependencies with other financial sectors
 - Growth potential
 - Ease of take-off
 - Basic infrastructure available



Simultaneous Approach

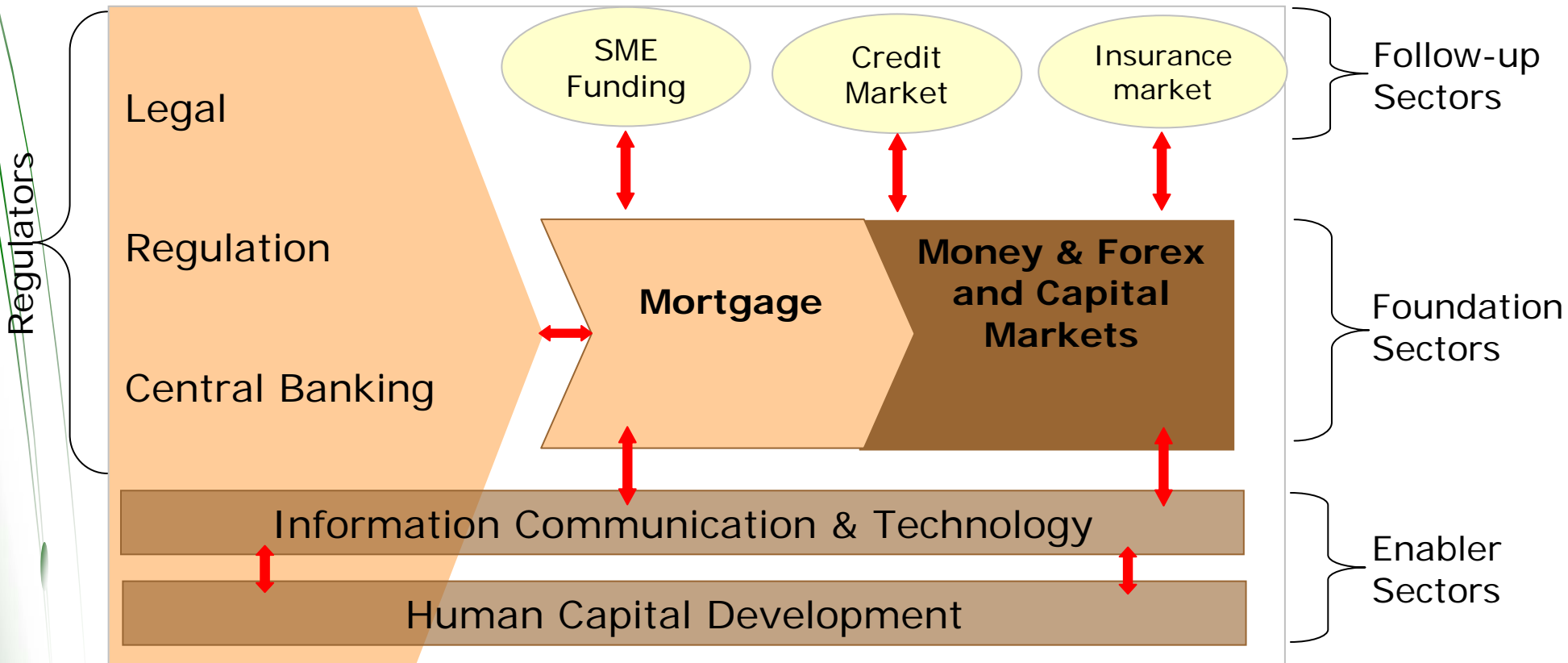
The initial attention would aim at gaining adequate mileage from sectors with multiplier effect on the economy. Consequently, the strategy would be to:

- Develop interrelated critical sectors simultaneously and implement the quick wins of each sector
- Leap frog foundation sectors to serve as anchor platform for other sectors
- Enhance development of “enablers” like (ICT & HCD) to facilitate the attainment of the set objectives



Implementation Architecture:

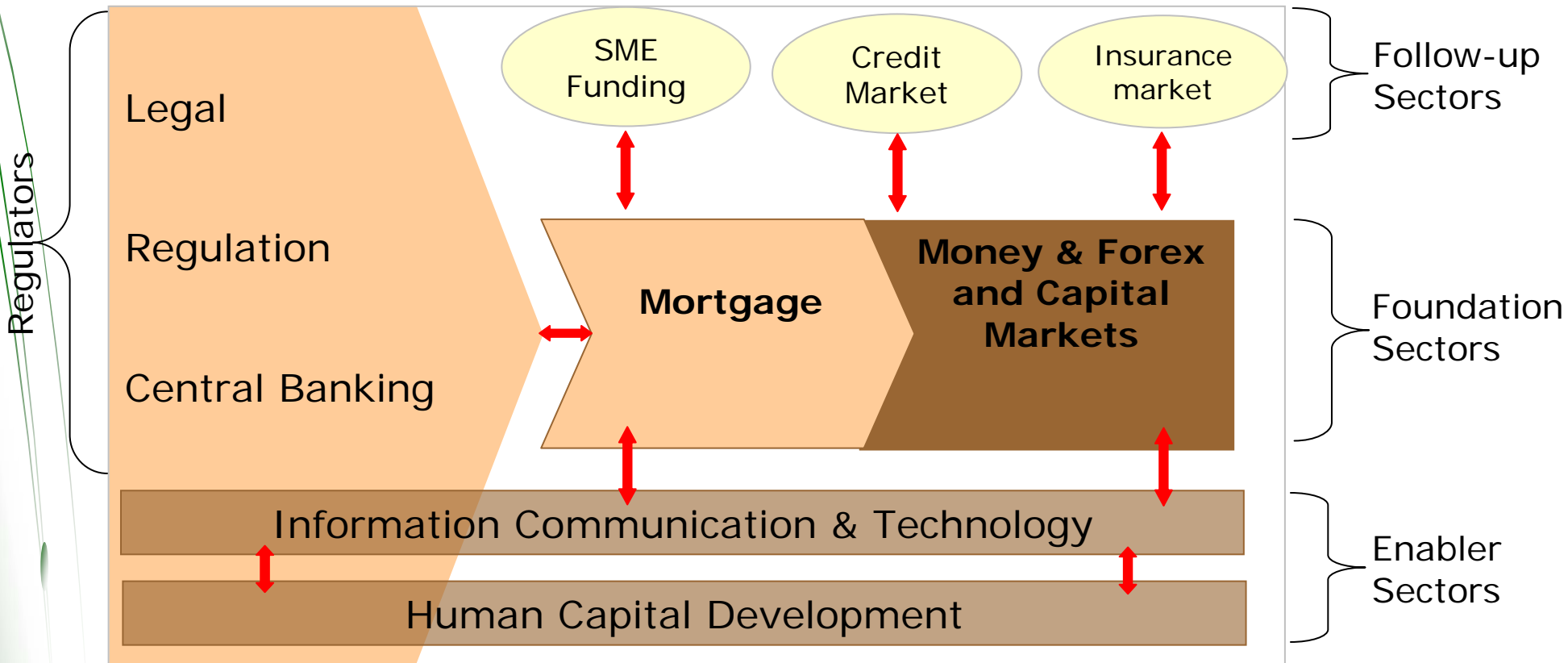
- Mortgage and Money/Capital Markets shall serve as foundational sectors





Implementation Architecture:

- Mortgage and Money/Capital Markets shall serve as foundational sectors





- **Consider situation analysis (present state of affairs)**
- **Vision**
- **Mission**
- **Strategic Objectives**
- **Strategic initiatives**
- **Critical success factors**
- **Implementation plan**



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How we intend to get there – Evolving Strategic Objectives & Initiatives

- Market Sectors
- Regulatory & Legal Sectors
- Enabler Sectors



- Refocus the mortgage finance market to enhance access with minimum risk and cost
- Create incentive to prolong tenor in mortgage finance
- Liberalize collateralization
- Develop a sustainable and affordable housing delivery mechanism
- Provide initiatives to integrate the mortgage market with the capital market and
- Promote the securitization of the Nigeria Mortgage sub-sector



Money & Forex Market

- Develop a market incentivated yield curve for both private and public securities
- Create an efficient and active derivatives market
- Create enabling environment for specialized institutions to thrive
- Ensure moderate market volatility using the new CBN Monetary Policy
- Improve implementation framework etc.



- Foster a culture of securities innovation and development
- Promote a strong knowledge-based capital market
- Foster a research driven capital market
- Ensure systemic stability (Competitive market infrastructure)
- Foster a liquid and efficient market for secondary market trading of securities
- Enhance capital market transactions with electronic vehicles etc.



- Restructure the regulatory and supervisory approach
- Harmonize the number of regulatory bodies in the insurance industry
- Ensure independence of the insurance regulator
- Develop quality of customer service for all operators in the insurance industry
- Develop a reliable research, statistics and central data that can be easily accessible
- Set up alternative dispute resolution agencies for insurance matters
- Prepare a programme of phased market driven capital increase for the insurance industry



Information Communication & Technology

- Establish a virtual, collaborative and scalable financial systems network
- Develop a central identification system for individuals and corporate entities
- Set up an autonomous centre for R&D on financial services technology
- Enhance the use of mobile devices, ATMs and the internet for financial service delivery channels etc.



Human Capital Development

- Lay emphasis on continuous professional development and sustainable reward system



- Ensure justice administration is speedy, affordable and effective
- Simplify procedures for perfection of property transfers and mortgages.
- Ensure harmonization of community trade laws and customs with trade and commercial laws of both the ECOWAS and the AU countries



- Develop regulatory capacity and infrastructure to support the emerging financial system
- Develop a regulatory environment that will attract and retain investments into the Nigerian financial system
- Develop a more harmonized and coordinated regulatory framework for the financial system
- Foster a more thematic approach to regulation



- To promote price stability
- To achieve low single digit inflation
- To promote financial sector soundness as reflected by the FSI (Financial Sector Indicators) provided it does not conflict with the attainment of a single digit inflation
- To optimize efficiency and cost effectiveness of currency management and improve safety and security of currency operations
- To provide prudent and timely advisory, banking and financial services to the Government



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Anticipated Challenges/Issues



Political Stability

- Developing the right level of political will to see the initiative through
- Ensuring the continuity of the initiative through all new regimes by setting up bodies backed up by appropriate laws
- Addressing the critical success factors preparatory to take off

Implementation

- Building an implementation plan with well identified milestones and realistic timeframes
- Identification and adoption of quick-wins
- Obtaining implementation support from relevant institutions
- Setting up an empowered implementation committee
- Continuous evaluation and re-strategising
- Providing adequate and timely funding



Infrastructure

- Communication infrastructural requirements, transportation, telecommunication, technology, etc
- Adequate media and educational coverage
- Availability of credible, comprehensive and timely data

Change management

- Ensuring adequate participation of all stakeholders
- Ensuring buy-in by all stakeholders
- Converting passive stakeholders into active advocates for the change

Thank you for listening