MANAGING DEBT AND MOBILIZING RESOURCES:

A delicate balance to sustain economic growth

Reconciling financing needs and rising debt levels

Brahima S. Coulibaly
@BSangafowaCoul - Director and Senior Fellow, Africa Growth Initiative
Global Economy and Development, Brookings Institution

In 2019, the economic outlook of sub-Saharan Africa will strengthen, due largely to a combination of higher commodity prices, a stronger global economy, and supportive domestic policies. The latest projections have the region's aggregate gross domestic product (GDP) growth stepping up to 3.8 percent this year, up significantly from the 2.6 percent average growth rate of the past four years.[1] Thereafter, growth will rise to just over 4 percent by 2023.

The aggregate contour masks significant differences across countries. Importantly, despite notable improvements, economic growth remains weak in **Angola**, **Nigeria**, and **South Africa**, the continent's largest economies,[2] with growth averaging under 2.5 percent—which is comparable to the rate of population growth—over the next five years. These large economies remain at risk of a lost decade (flat per capita GDP) unless policymakers implement significant reforms to reduce dependence on oil in Angola and Nigeria and, in the case of South Africa, to overcome structural problems—many inherited from the apartheid era. In this regard, priorities of President Cyril Ramaphosa and Vice President Yemi Osinbajo (see Viewpoints on pages 35 and 42) suggest strategies that are encouraging.

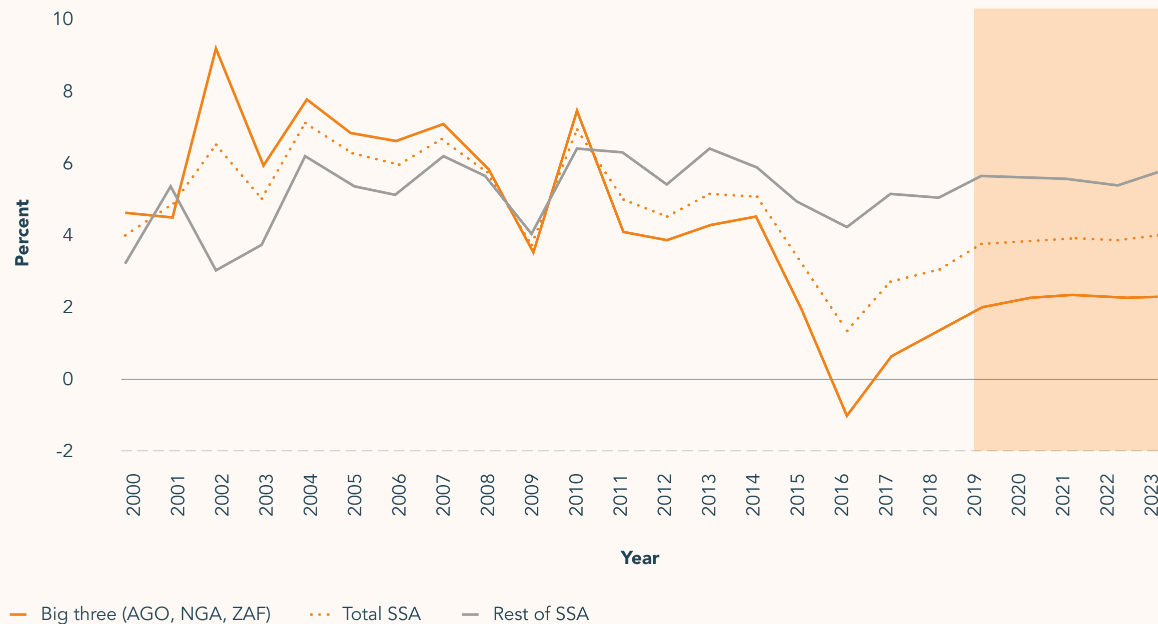
Excluding these large economies or focusing on the country-level growth rates reveals an even brighter outlook for the region. Aggregate growth for the region rises to 5.7 percent in 2019 and remains at around this rate through 2023 (Figure 2.1). About half of the world's fastest-growing economies will be located on the continent, with 20 economies expanding at an average rate of 5 percent or higher over the next five years, faster than the 3.6 percent rate for the global economy. **Ethiopia**, **Rwanda**, **Ghana**, **Côte d'Ivoire**, **Senegal**, **Benin**, **Kenya**, **Uganda**, and **Burkina Faso** continue to be among the top-10

1 International Monetary Fund, World Economic Outlook, October 2018.

2 Angola, Nigeria, and South Africa make up 55 percent of the region's aggregate GDP estimated at market exchange rates.

Figure 2.1 Real GDP growth in sub-Saharan Africa 2000-2023

GDP growth will pick-up in 2019 aided by a growth rebound in the region's three largest economies, Angola, Nigeria, and South Africa.



— Big three (AGO, NGA, ZAF) ··· Total SSA — Rest of SSA

Source: International Monetary Fund, World Economic Outlook, October 2018.

Figure 2.2 Top African economic performers of 2018-2019

Nine out of the top 10 countries in 2018 will also be the top 10 economic growth performers in 2019. Tanzania will make it into the top 10 this year, displacing Guinea. Ethiopia is predicted to top the group. In addition, these estimates are higher than in 2018 for all countries except Côte d'Ivoire and Senegal.

Top performers based on 2018 growth estimates	
Country	**GDP growth in 2018**
Ethiopia	7.5
Côte d'Ivoire	7.4
Rwanda	7.2
Senegal	7
Ghana	6.3
Benin	6
Kenya	6
Uganda	5.9
Burkina Faso	5.9
Guinea	5.8

Top performers based on 2019 growth estimates	
Country	**GDP growth in 2018**
Ethiopia	8.5
Rwanda	7.8
Ghana	7.6
Côte d'Ivoire	7
Senegal	6.7
Tanzania	6.6
Benin	6.3
Kenya	6.1
Uganda	6.1
Burkina Faso	6

Source: International Monetary Fund, World Economic Outlook, October 2018.

performers this year, and **Tanzania** moves up into the top 10, displacing **Guinea**.

The relatively bright economic prospects in several countries face important downside risks both external and domestic. Among the external risks are the possibilities of market stepdown in global growth or an escalation in trade protectionism, which could result in a drop in commodity prices and in demand for Africa's exports and push up borrowing costs. Key among the domestic risks is the rising level of government debt and concerns about debt sustainability in several countries. A top priority for policymakers in 2019 is to ensure that their debt management frameworks and strategies are updated to the new structures of the debt, and to take bold steps to strengthen governance around tax revenue collection.

Rising debt and debt servicing cost have several countries in, or at risk of, debt distress

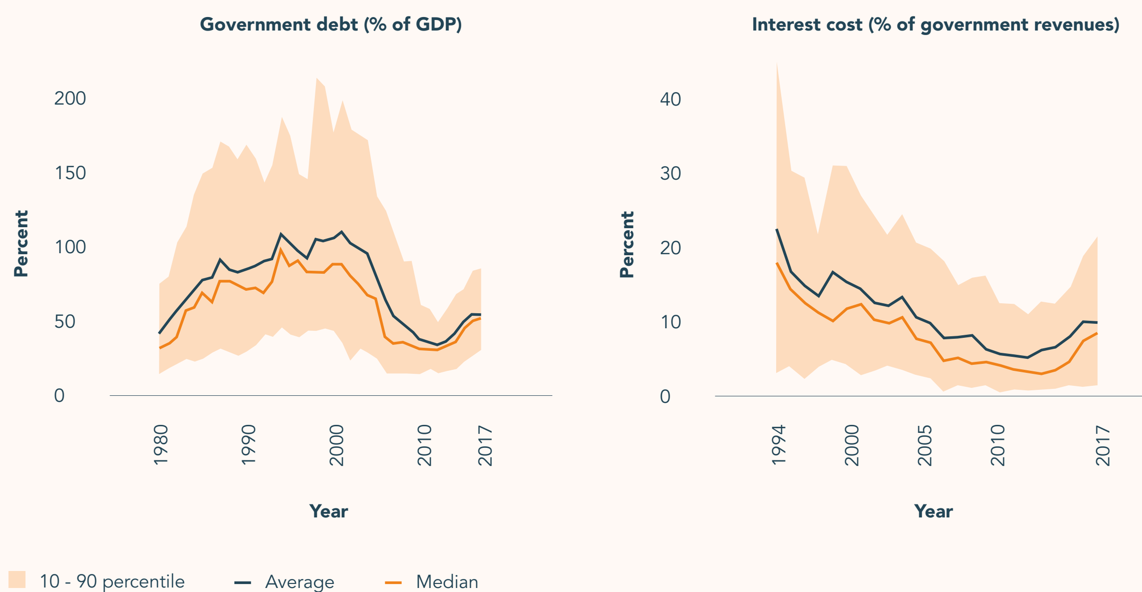
Government debt, which has been an important source of financing, along with debt servicing cost has risen rapidly in recent years. As a result, at least 14 countries—one-third of all countries in the region—are judged to be either in debt distress or at high risk of debt distress, up from only six countries in 2013. Total debt and external debt for these countries is estimated at $160 billion and $90 billion, respectively.

This observation has raised concerns that the region might be on course for another broad-based debt distress situation reminiscent to that which led to the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). Following the implementation of HIPC/MDRI, the average public debt as a percent of GDP for all sub-Saharan countries receiving relief fell from 110 percent in 2001 to 35 percent in 2012, and the interest-revenue ratio fell from 13 percent to 5 percent. Since 2013, both indicators of debt sustainability have deteriorated significantly. The average debt ratio has risen to an estimated 57 percent in 2017, particularly in Cabo Verde, Eritrea, Republic of Congo, and Mozambique where it exceeds 100 percent of GDP. Similarly, the average interest-to-revenues ratio increased from 5 percent in 2012 to an estimated 10 percent. The interest cost exceeds 20 percent of revenues in Burundi, Gambia, Ghana, Nigeria, and Zambia.

Compared with the pre-HIPC/MDRI period, debt levels are still generally lower, but interest payments as a share of government revenues are close for several countries. This contrast points to the poorer quality of the debt in the recent debt buildup.

Figure 2.3 Government debt and interest cost

Debt sustainability has deteriorated in sub-Saharan Africa with both debt and interest costs rising.



Source: International Monetary Fund, World Economic Outlook, October 2018; Sub-Saharan Africa Regional Economic Outlook, October 2018; International Monetary Fund, Historical Debt Database.

Changing structure of the debt requires updated debt management frameworks and strategies

External debt remains predominant, as in pre-HIPC/MDRI build up, accounting for 57 percent of total debt in 2017. However, the share of commercial—and more costly—debt has increased. The share of private debt has risen from 9 percent of external debt in 2000 to 17 percent in 2017, owing partly to the issuances of eurobonds by several countries since 2006. Meanwhile, the share of multilateral and bilateral debt has declined.

Another important development in the structure of debt is the more diffuse creditor base. In addition to the growing importance of private lenders, the number of official creditors has also increased. Among bilateral lenders, the share of Paris Club members has fallen from over 40 percent in 2008 to below 23 percent in 2017, while that of non-Paris club members—notably Chinese lending—has increased significantly.

Finally, some countries have also issued commodity-linked debt. These changes in the structure of debt require that governments and their development partners adapt their debt management approaches and frameworks to reflect the new environment, including ensuring that the debts are sufficiently hedged against global market risks. A strategy for the near term that can help countries balance the need for financing while controlling indebtedness is to strengthen governance around tax revenue collection.

Strengthening governance around tax revenue collection can help

The debate around the sustainability of Africa's debt lays bare the fact that the challenge of sustainable financing for Africa's development has not yet been fundamentally addressed. The region continues to suffer from perennially low domestic saving rates, which are projected to average just 18 percent of GDP[3] over the next five—among the lowest in the world, and significantly below the desired investment rate of close to 30 percent. The resulting 12 percentage points of GDP financing gap amounts to about $230 billion annually, and partly explains the increase in external indebtedness.

Tax revenues are the most important component of domestic resources, and raising them has been at the center of many domestic reforms and regional and international initiatives.[4] These efforts helped to boost revenue collection from 11 percent in the early 2000s to 15 percent recently. Even so, the region's tax ratios are still among the lowest in the world, below that of Organization for Economic Cooperation and Development (OECD) countries (24 percent) and other emerging and developing countries.

These changes in the structure of debt require that governments and their development partners adapt their debt management approaches and frameworks to reflect the new environment.

The region's low tax revenues are due to both low taxation capacities—about 20 percent of GDP on average (compared with 30 in OECD countries)—and to inefficiencies in revenue collection.[5]

The debate around the sustainability of Africa's debt lays bare the fact that the challenge of sustainable financing for Africa's development has not yet been fundamentally addressed.

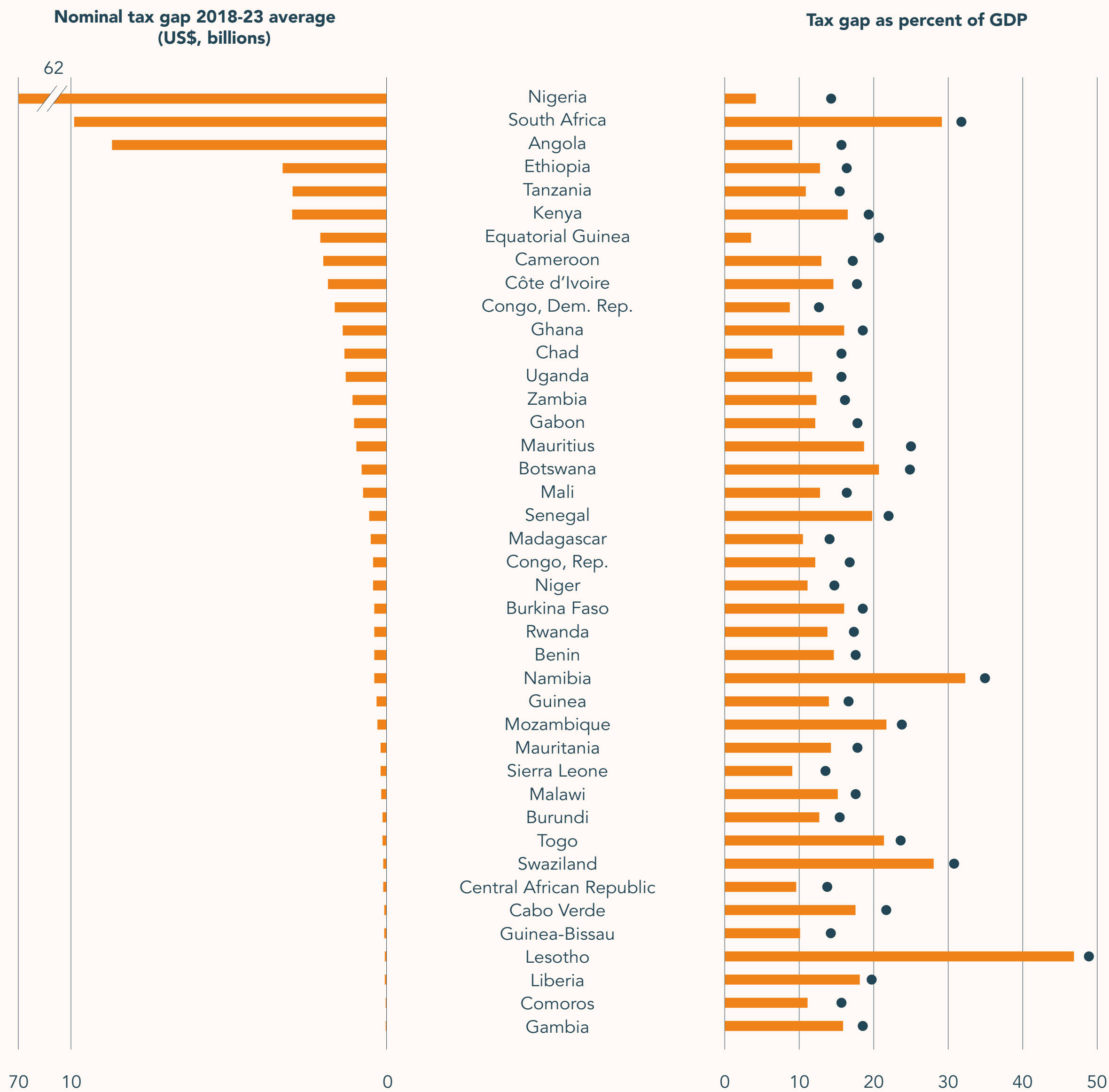
3 Based on projections in the October 2018 edition of the World Economic Outlook database.

4 Some of these initiatives include the 2002 Monterrey Consensus, the 2011 Busan Agreement, the Addis Tax Initiative launched in 2015, and the Platform for Collaboration on Tax launched in 2016.

5 Coulibaly, Brahima and Dhruv Gandhi. 2018. "Mobilization of tax revenues in Africa: State of play and policy options." Brookings Institution.

Figure 2.4 Non-resource tax gap in African countries (excluding social contributions)

The size of Nigeria's economy and its large tax gap due to low non-resource tax revenues (below 5 percent of GDP) means that it accounts for more than half the region's average nominal tax gap of $110 billion a year. South Africa and Angola follow in second and third with average tax gaps of $10 billion and $8 billion respectively.



Source: Coulibaly and Gandhi, 2018.

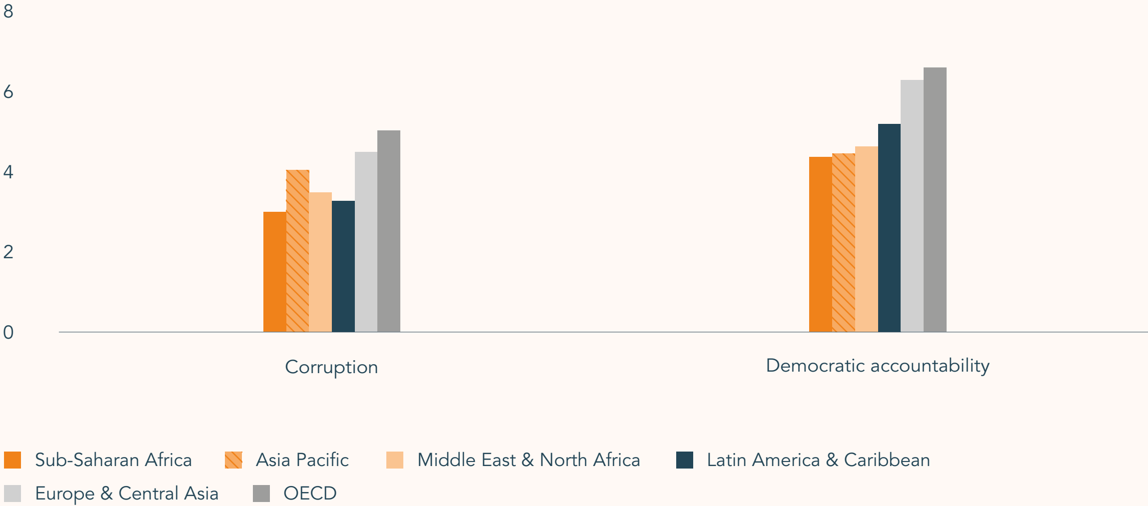
The good news is that there is scope to raise tax revenues above current levels by further strengthening tax capacity and improving governance in revenue collection. Strengthening tax capacity should remain a medium- to long-term policy objective, given that capacity is largely determined by entrenched structural factors such as the stage of economic development, the size of the informal sector, and the sectoral composition of economic activity, among others. Improving governance, on the other hand, can yield near-term results and help close the gap—4 percentage points of GDP—between current tax revenues and tax capacity. Significant heterogeneity in tax gaps exists across the region. At the country level, the gaps are largest for Equatorial Guinea, Nigeria, Chad (9 percentage points of GDP or higher) and smallest for Liberia, Mozambique, and Togo (2 percentage points or less).

Governance indicators for the region, including corruption and accountability, remain the worst in the world.

A recent study by the Africa Growth Initiative at Brookings estimates that an improvement in the region's corruption and democratic accountability scores to the global median, which is still below those of the OECD countries, can help mobilize up to $110 billion annually over the next five years.[6] This amount is more than double the $44 billion in official development assistance to the region in 2016, and almost one-half of the estimated $230 billion average financing gap. Policymakers should prioritize taking

Figure 2.5 Average governance scores by region

Sub-Saharan Africa performs poorly on both governance indicators, with the lowest average scores.



Source: International Country Risk Guide; Coulibaly and Gandhi, 2018.

6 Ibid.

bold steps to strengthen governance around revenue collection in 2019 to help balance indebtedness and the needs for financing. Enhancing public financial management, including efficiency and equity of public spending, will also help. Citizens are more likely to comply with tax collection when they trust that tax revenues are managed well.[7]

Although the debt situation is not yet at the pre-HIPC/MDRI level overall, the pace of increase along with some fundamental changes in the structure of the debt, notably the higher share of commercial debt, is concerning. The relatively short tenures of commercial debts and their higher interest rates make them ill adapted to finance long-term economic development projects, particularly infrastructure. The access of African countries to global financial markets is a welcome and inevitable phase in economic development. Along with access to global financial markets comes increased scrutiny of the fundamentals of the local economies and of domestic policies, which, in turn, imposes more discipline and accountability on policymakers.

Finally, the wider range of creditors allows for a more diversified creditor base and likely attests to greater confidence in the region's economic prospects. However, these new features of the debt come also with new challenges. Importantly, debt management frameworks and approaches need to be adapted to the new structures of the debt and global market risks. In addition, the more diffuse creditor base makes eventual debt resolutions more complex. International financial institutions can help by revisiting rules on access to concessional funding, and by laying the groundwork for a uniform and orderly debt resolution mechanism that reflects the new environment.

Although the debt situation is not yet at the pre-HIPC/MDRI level overall, the pace of increase along with some fundamental changes in the structure of the debt, notably the higher share of commercial debt, is concerning.

The debate around debt sustainability is a reminder that the challenge of sustainable financing for Africa's development remains a work in progress. Strengthening governance around tax collection offers a near-term solution to mobilize additional resources to finance the development agenda and slow indebtedness. Moreover, where appropriate, governments should resort more to innovative financing mechanisms such as blended finance or public-private partnerships and other risk mitigation mechanisms to crowd in more private sector investment and help preserve the solvency of public sector balance sheets. Taking these steps will sustain economic progress throughout 2019 and beyond.

7 Barone, Guglielmo and Sauro Mocetti. 2011. "Tax morale and public spending inefficiency." International Tax and Public Finance. Vol 18, Issue 6.

VIEWPOINT

South Africa's plan to revive its economy

H.E. Cyril Ramaphosa
@CyrilRamaphosa - President, Republic of South Africa

01.

The dawn of 2019 brings new possibilities for advancing human progress in an inclusive and sustainable world.

As our information society expands and new technologies with the potential to advance human development emerge, we are still confronted by deepening inequality within and across national boundaries. In parts of the world, technological progress is taking place in the midst of social and political regression. Nationalism, xenophobia, and unilateral action are undermining established institutions of global governance.

Despite this turbulence, African governments, civil society organizations, and citizens will remain focused in 2019 on the realization of "the Africa we want," as outlined in the African Union's Agenda 2063. As part of advancing this agenda, the African Union is engaged in an institutional reform process that seeks to create a self-sufficient, independent, and effective organization that promotes peace and stability, industrial growth, infrastructure development, universal health care, and skills development.

This reform process will complement the establishment of the African Continental Free Trade Area, which promises to significantly increase intra-African trade and investment and enhance the integration of African markets into the global economy. (see Vera Songwe's Essay on Page 97 and Albert Muchanga's Viewpoint on Page 110).

South Africa's contribution to Africa's march forward will be enabled by our own efforts to end a decade of economic stagnation, which include a drive to raise $100 billion in new investment in our economy. Such investment is needed if we are to make meaningful progress in reducing poverty, unemployment, and inequality in a society that still bears the scars of apartheid.

To enable this shift in our economy, we are working to improve the ease of doing business and undertaking policy reform in key growth sectors. We are implementing an economic stimulus package to reignite growth and create jobs, and we have taken the fight against corruption to individuals, companies, and institutions implicated in plundering public assets in recent years.

During 2019, our focus on economic renewal and the restoration of ethical conduct in government and business will coincide with our celebration of 25 years of freedom and democracy. This anniversary will serve as inspiration for all South Africans to build the inclusive, peaceful, prosperous, and stable South Africa envisioned in our Constitution and will keep us focused on our efforts to create a better South Africa, a better Africa, and a better world.

VIEWPOINT

Could taxation of mobile banking in Africa stall financial inclusion?

Njuguna Ndung'u
Executive Director, African Economic Research Consortium
Former Governor, Central Bank of Kenya

02.

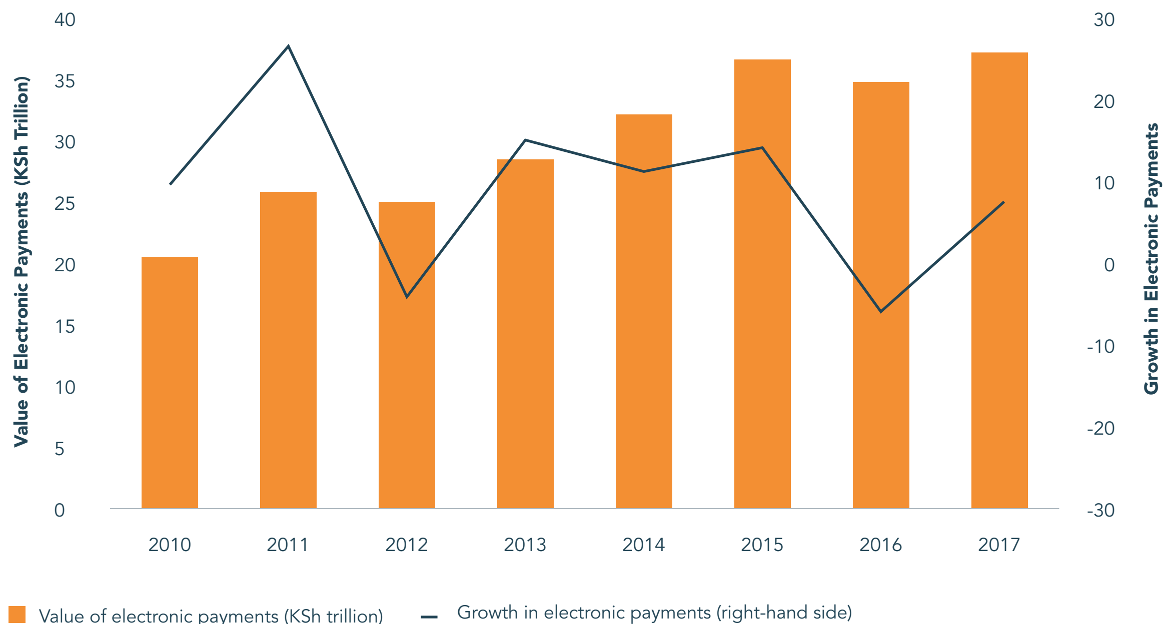
Mobile phone-based financial services have produced celebrated economic outcomes for Kenya and other African countries, enabling completely cashless transactions across entire market segments of Kenya's economy. The need to raise additional tax revenues to finance economic development has motivated governments to begin taxing mobile transactions. As mobile banking now takes hold in Africa, the consequences of this policy are concerning.

Raising taxes and broadening tax bases is necessary for governments, but they must also evaluate the negatives of such actions. As tax rates increase beyond the optimal rate, tax revenue declines and the potential for distortion in the market is raised. Excessive taxation on mobile phone-based transactions could potentially reverse the gains for financial inclusion and create an incentive for cash transactions that escape taxation.

Figure 2.6 shows that the growth in electronic payments in Kenya seems to follow economic cycles but has generally slowed from an annual average of 12.2 percent from 2010 to 2013 to an annual average of 7 percent from 2014 to 2017 after the introduction of the excise tax on financial services.

Figure 2.6 Growth in electronic payments in Kenya

Growth in electronic payments slowed from an average of 12.2 percent from 2010 to 2013 to an average of 7.0 percent from 2014 to 2017.



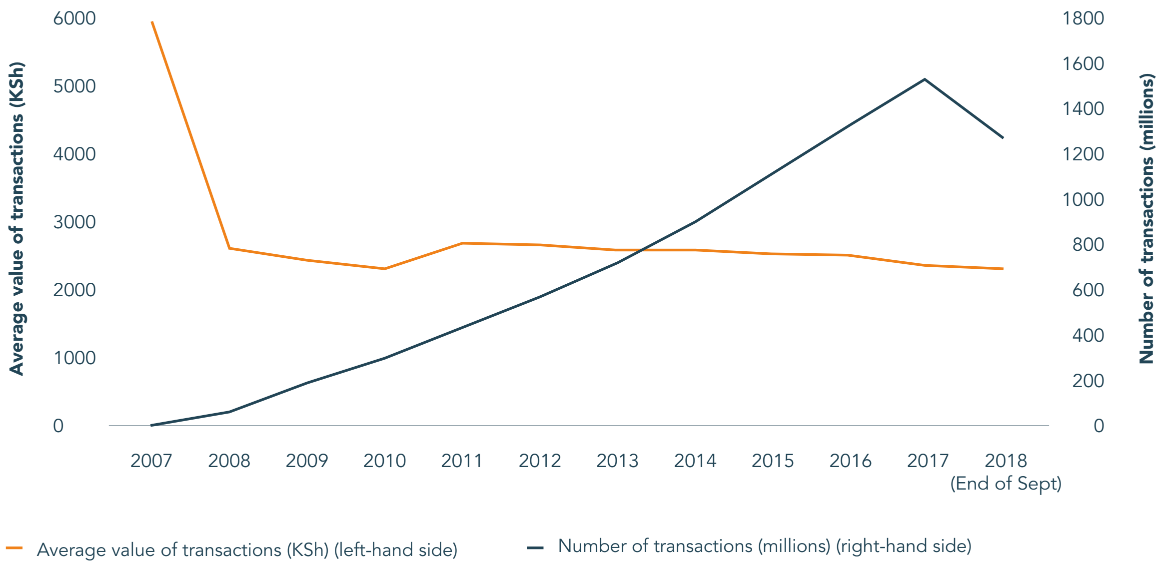
Source: Central Bank of Kenya.

The number of mobile phone transaction accounts have been steadily increasing, rising from 1.4 million in December 2007 to 44.3 million in September 2018. Figure 2.7 shows that the number of mobile phone transactions has increased correspondingly over the same period. However, the average value of mobile phone transactions has remained stagnant after the sharp decline noted between 2007 and 2008. The high volume but low average values of mobile phone transactions shows that the platform is largely used by low-income earners who mostly transact in small values and are sensitive to transaction costs.

Figure 2.8 shows that mobile phone payments are actually a very small proportion of total electronic payments, meaning that they offer limited scope for significantly expanding the tax base. Instead, increasing the rate of taxation on retail transactions coming from low-income earners, who are sensitive to transaction costs, may result in less tax revenue in the future as these earners revert to cash transactions to avoid taxation.

Figure 2.7 Mobile phone transactions in Kenya

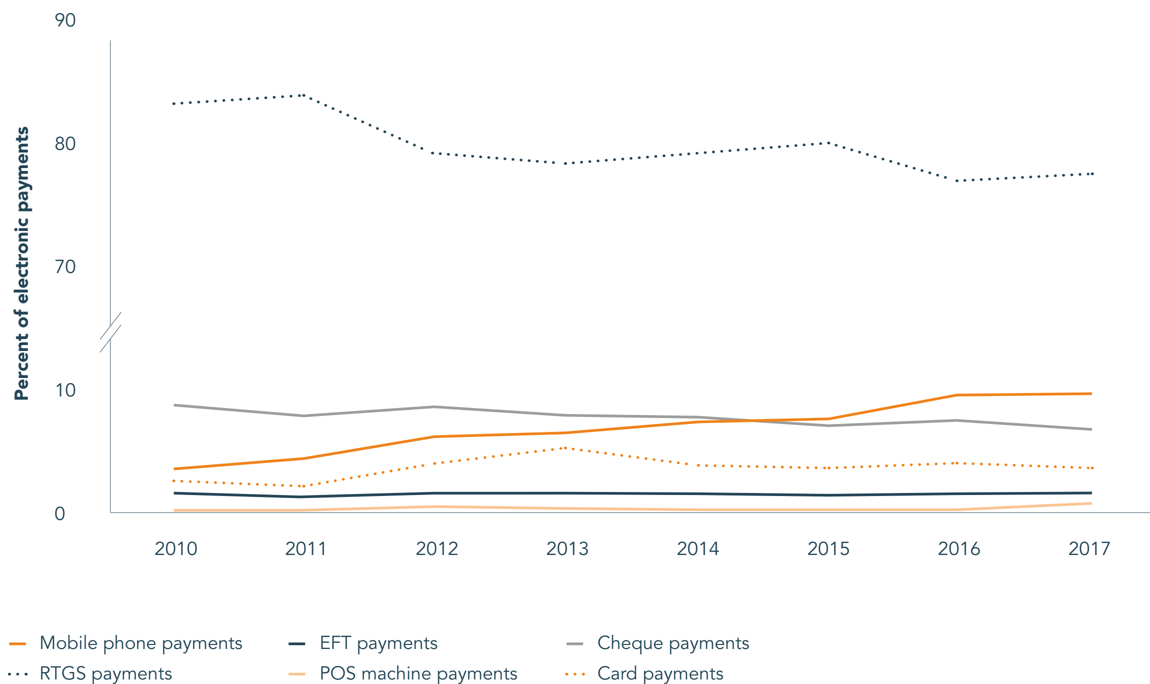
The number of mobile phone transactions have increased steadily since 2007.



Source: Central Bank of Kenya.

Figure 2.8 Composition of electronic payments in Kenya

Mobile phone transactions make up a very small percent of total electronic transactions in Kenya. In 2017, they accounted for about 10 percent of electronic transactions.



Source: Central Bank of Kenya.

A tax on mobile phone-based transactions was first introduced in 2013 via an excise tax at a 10 percent rate. In 2018, the Finance Act increased the excise tax on money transfer services through mobile phones and banks from 10 percent to 12 percent and from 10 percent to 20 percent, respectively. Additionally, the excise tax on telephone services (airtime) was increased from 10 percent to 15 percent.

Levying an excise tax is premised on the assumption that demand elasticities will not change after the tax and so may raise the government's targeted tax revenue. In most cases, excise taxes are imposed on the strong belief that the product in question is price inelastic. However, time and technological changes show that price can only be inelastic in the very short term. In the medium- to long-term, the structure of demand is likely to change, as will the nature of tax revenue anticipated; as a result, governments may receive less tax revenue and there will be a cost of price distortion in the economy.

For this reason, excessive tax increases beyond the optimal rate may push taxpayers to prefer alternatives to escape taxation, resulting in lower tax revenue for the government. To avoid such effects, analysis of optimal taxation for an excisable product should precede such tax policies.

Altering the demand structure for mobile phone-based transactions through suboptimal taxation policy has the potential to reverse gains made in the financial sector, such as the decline in cash outside the banking system. Kenya was moving into a cashless economy, but the incidence of tax on micro-transactions that use mobile phones has the potential to increase the incentive to use cash.

I have argued elsewhere that poorly designed tax policy will have negative outcomes. The living example in Kenya is excise tax on beer. When beer was taxed beyond the optimal tax rate, the rich upgraded consumption to other alcoholic beverages, and the poor downgraded consumption and created a market for illicit alcoholic beverages without standards or controls. This problem has plagued Kenya over the past 15 years with devastating consequences on the youth and rural populations who use these illicit drinks. It is a lesson that poorly designed tax policy can not only have bad outcomes for tax revenues, but can also introduce market distortions that can drive consumption behavior on undesired paths.

Poorly designed tax policy when applied to retail electronic transactions as well as bank transactions can potentially reverse the economic gains from mobile banking, especially for low-income earners who rely heavily on these services. African countries wishing to tax mobile transactions should undertake careful cost-benefit analyses in the short and long term. The future of digitization and financial inclusion and inclusive growth in Africa may depend on these digital spaces. If tax policies are not properly implemented, the incentive to use cash when mobile phone transactions are deemed high-cost will reverse advances in cashless economy and in financial inclusion achieved by Kenya, and other economies that have followed this path.

VIEWPOINT

Debt management in a challenging environment: Lessons from Côte d'Ivoire

H.E. Adama Koné
Minister of Economy and Finance, Republic of Côte d'Ivoire

03.

Côte d'Ivoire's objective is to reach the status of an emerging country by 2020, a goal that will require a debt management strategy that enhances economic performance over the coming years while preserving macroeconomic stability. While debt issuance is necessary to help finance capital expenditure and the broader economic agenda, the government is intent on controlling the costs and risks of debt as well as minimizing reliance on external financing by strengthening capacity for domestic resource mobilization.

The government is intent on controlling the costs and risks of debt as well as minimizing reliance on external financing.

In 2019 and through 2023, the government plans to mobilize new external financing, prioritizing concessional and semi-concessional sources and only considering commercial loans as a last resort. With the normalization of monetary policy in the advanced economies, notably the United States and, to a lesser extent, Europe, we expect funding conditions on international capital markets to tighten and the cost of external debt for Côte d'Ivoire to rise. Accordingly, the government will continue to favor Treasury bond issuances in the regional market where the outlook for funding conditions is more favorable. However, the regional bond market is not well developed, limiting funding from this source. Potential additional sources include local-currency denominated eurobonds and Global Depository Notes.[1]

Côte d'Ivoire's approach to debt management is consistent with the Guidelines for Public Debt Management published by the World Bank and the International

1 A Global Depository Note is a debt instrument by a depository bank that evidences ownership of a local currency-denominated debt security.

Monetary Fund, which includes, importantly, the need for coordination among relevant branches of the government. To this effect, the government set up a National Public Debt Committee (NPDC)—an inter-ministerial committee chaired by the Minister of Finance—as a coordinating entity to ensure consistency of public debt policy with fiscal and monetary policies.

The NPDC ensures, among other things, that the level of debt is compatible with that of tax revenues, that the increase in the stock of debt is sustainable, and that the dynamics of export earnings are strong enough to support foreign currency-denominated debt. Finally, the NPDC takes the necessary steps to ensure that all public debt indicators meet set standards including remaining below debt sustainability thresholds.

To further ensure that the overall debt strategy is consistent with macroeconomic stability, the NPDC draws on the government's medium-term (five years) debt management strategy (MTDS) set up since 2012. Annual adjustments to the MTDS require governmental approval to consider the medium-term macroeconomic and fiscal framework, financing needs, financial market conditions, and other relevant factors. The MTDS is subject to a debt sustainability analysis that indicates that the risk of debt distress in Côte d'Ivoire is moderate.

Even so, Côte d'Ivoire continues to implement budget reforms, enhance tax revenue collection, and improve the business environment—the country is among the top-10 improvers in the most recent Doing Business report of the World Bank. The government has also implemented additional measures to reduce procurement deadlines, to promote good governance and eradicate corruption, to boost the competitiveness of the economy, and to manage risks in public-private partnerships, among others.

With respect to public debt management, Côte d'Ivoire has favored financing that helps reduce rollover risks of domestic debt as well as currency risk of external debt. For example, new issuances of external debt will prioritize those denominated in euro, given the peg of the local currency to the euro, and new dollar-denominated debt will be hedged against exchange rate risks through euro-U.S. dollar swaps.

The government is also alert to the risks of debt accrued by public enterprises and other public sector entities. A centralized and comprehensive debt database has been set up to facilitate the monitoring of public enterprise debt and to ensure that these debts are taken into account in the national debt strategy.

At the institutional level, the government continues to bolster the capacity of the Public Debt Department and the capacity for tax revenue collection.

These strategies have allowed Côte d'Ivoire to maintain a sustainable debt level (47 percent of GDP), to finance its economic agenda, and achieve a robust economic growth rate averaging 8.7 percent over the past seven years.

VIEWPOINT

Reviving Nigeria's economy through economic diversification

H.E. Yemi Osinbajo
@ProfOsinbajo - Vice President, Federal Republic of Nigeria

04.

With a population and gross domestic product projected at 399 million people and $3.3 trillion by 2050,[1] the gulf between the reality of Africa's largest economy and its undisputed potential remains wide—but achievable. Indeed, our major task has been to systematically implement strategies that will deliver the future we wish to see. This daunting responsibility has not been lost on the Buhari administration, and serves as the impetus for its sustained "Change" agenda.

The past three and a half years have been challenging both at home and abroad. Commodity prices, both oil and non-oil, have been volatile. Global trends, be it security, trade, or politics, have also been unpredictable. In Nigeria, we have had to cope with disruptions in oil production and exports, security challenges, and devastating floods. We have weathered these storms and made progress on many fronts, which is why we have cause to be optimistic about the future.

This administration has now set the country on the path to stability, growth, and prosperity. This government is doing more to diversify and grow a productive and competitive economy with far fewer resources. Notably, it secured the territorial integrity of the nation by reclaiming territory in the Northeast and has tackled grand corruption, introducing and improving transparency and accountability in the management of public funds.

The economy has recovered from recession and we have had six quarters of growth. Nigeria's real gross domestic product growth stood at 1.81 percent in the third quarter of 2018 compared to 1.17 percent in the third quarter of 2017.

1 PricewaterhouseCoopers. 2017. "The World in 2050." https://www.pwc.com/gx/en/issues/economy/the-world-in-2050.html.

Foreign exchange reserves grew from $28.57 billion in May 2015 to $42.92 billion by mid-December 2018. This contributed to exchange rate stability and provided a buffer against unanticipated external shocks. Inflation has also declined from a peak of 18.72 percent in January 2017 to 11.28 percent in November 2018. Nigeria has moved from a deficit to a surplus of 681.27 billion Nigerian naira in our trade balance as of the third quarter of 2018, representing a significant improvement from the deficit of 290.1 billion naira in 2016. This reflects an increase in non-oil exports and a reduction in the importation of food and items that can be produced locally.

We also committed to unprecedented investments to start and finish critical infrastructure projects in power, roads, and rail across the country, as well as direct investments in people to lift them up—the largest social investment program in Africa.

By allocating over 3 trillion naira ($8.3 billion) toward reducing our infrastructure deficit over the past three years—the largest capital spending in Nigeria's history—we have jump-started the construction of power, road, and rail projects, which will be catalytic in connecting people, goods, and opportunities. One example, the Lagos-Kano rail, will help move freight over a more than 1,000-kilometer network of rail from the country's busiest port in Lagos to the northern city of Kano. For effective delivery of power to critical areas, such as industries and large markets, we have decentralized the power supply by leveraging off-grid solutions, especially solar-based systems, and are enabling the deployment of broadband across the county.

We continue to focus on creating an enabling business environment for our small and medium-sized enterprises to thrive by making Nigeria a progressively easier place to do business, delivering several reforms, as evidenced by our moving up 24 places in the World Bank's Doing Business report over the past three years.

In 2019 and beyond, we are confident that by driving agriculture and agro-based industries, technology and innovation, solid minerals, and our vibrant creative sector, Nigeria will harness the energies of our entrepreneurial youth to deliver the promise of our future.