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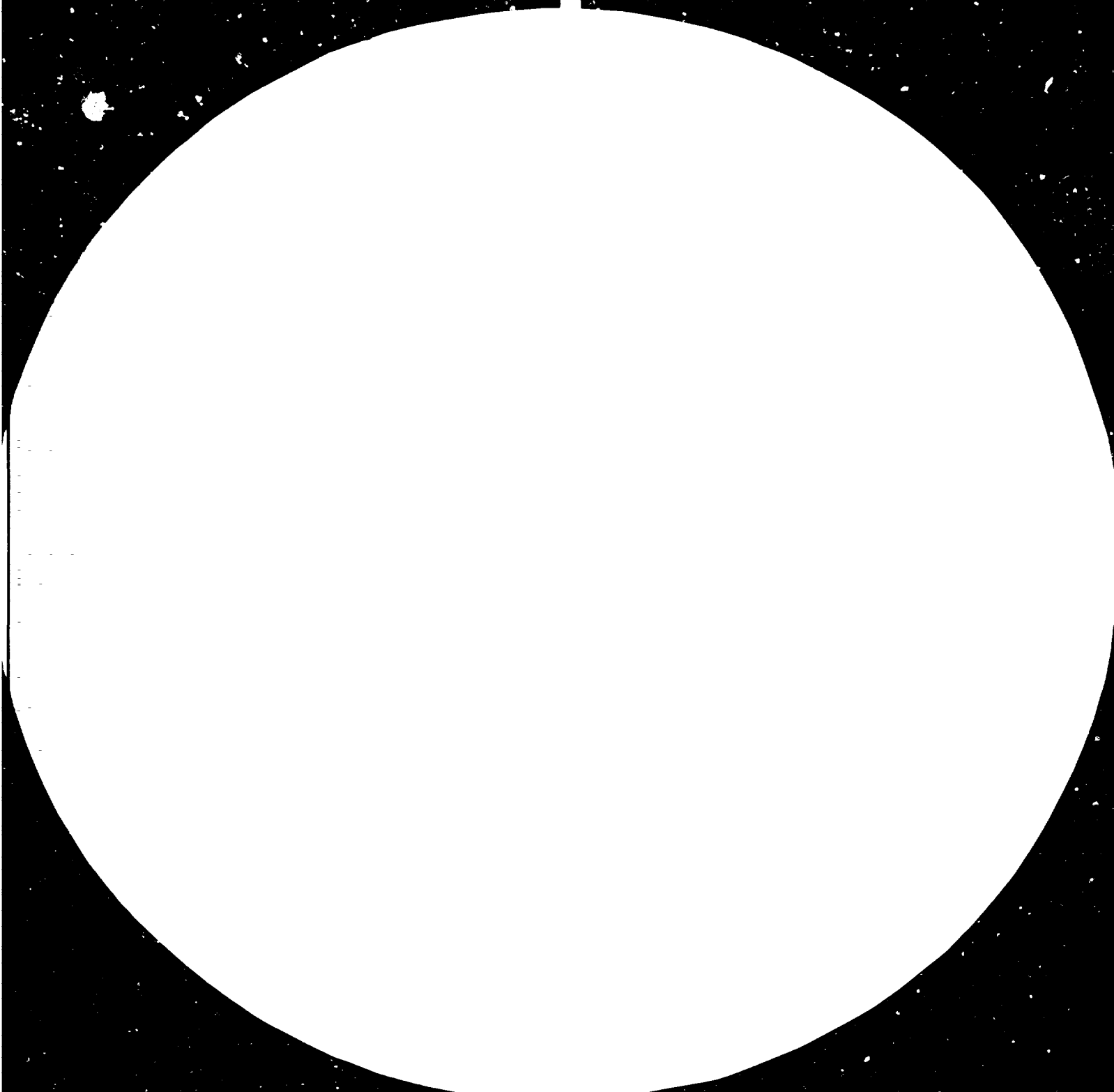
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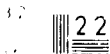
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THE ROLE OF THE PUBLIC INDUSTRIAL SECTOR
IN NIGERIA'S DEVELOPMENT *

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L

in co-operation with
Regional and Country Studies Branch
Division for Industrial Studies

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PREFACE

This study was undertaken within the framework of the research and studies programme on the role of the public sector in the industrialization of developing countries conducted by the Regional and Country Studies Branch of the Division for Industrial Studies, UNIDO. Through this research programme, an attempt has been made to analyze the role and function of the public industrial sector in developing countries and to examine the crucial issues surrounding their operations.

The country studies have primarily focussed upon the role of public industrial enterprises as an instrument of industrial policy and strategy; their contribution to growth and development of the industrial sector and national economy; their operational performance as well as their organizational framework and institutional infrastructure. By examining the role of public industrial enterprises and identifying the major constraints facing these enterprises in various developing countries the uncertainties surrounding their operational performance may be reduced and a basis laid for improving their efficiency and enhancing their contribution to industrial growth and national development.

In this country study the role and function of the public industrial sector in Nigeria is analyzed. The study was prepared by Mr. Udo Udo-Aka, Director General, Centre for Management Development, Lagos, Nigeria, as UNIDO Consultant.

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1. INTRODUCTION

The purpose of this paper is to discuss the role of the public industrial sector in Nigeria's development. The paper focuses on the evolution of public industrialization policy, institutional infrastructure organizational framework, and the strategy and performance of public industrial enterprises.

Though there is no consensus on the precise definition of public enterprises, the term is used in this paper to refer to enterprises in which government (Federal, state or local) has majority equity holdings or organizations which are fully financed and or controlled by government. In this broad sense, Nigerian public enterprises include:

- Public utilities
- Financial institutions
- Commercial and industrial companies
- Regulatory, and welfare services agencies

The scope of this paper is limited to the public industrial sub-sector as different from the broader context of the public enterprise sector. The sub-sector of interest here covers wholly - or partially-owned limited liability companies established under the Companies Act 1968 to produce goods and or services on commercial basis. In the narrower context of this paper, a public industrial enterprise in Nigeria refers to any industrial enterprise which is:

- (i) 100 per cent owned by the Federal Government of Nigeria; or
- (ii) 100 per cent owned by any of the State Governments of the Federation;
or
- (iii) jointly owned by both the Federal and State Government; or
- (iv) Jointly owned by two or more State Governments; or
- (v) jointly owned by any one or more of the above Governments and private interests, where the Government's shareholding is above 50 per cent.

The crucial role of the Nigerian Government in the industrialization of the economy is enshrined in the country's Constitution. The Constitution provides, inter alia, that:

The state shall...

- control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen ...;

- without prejudice to its right to operate or participate in areas of the economy other than the major sectors of the economy, manage and operate the major sectors of the economy;
- ... protect the right of every citizen to engage in any economic activity outside the major sectors of the economy;
- ...ensure the promotion of a planned and balanced economic development,
- ...ensure that the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or of a group...

Consistent with these provisions of the Constitution, Nigeria operates a mixed economy with increasingly dynamic private and public sectors competing in almost all fields of economic activities. The increasingly dynamic market economy also exists side by side with a large traditional or subsistence economy reflecting, as it were, the degree of the country's underdevelopment. Like most developing countries, Nigeria uses systematic planning as a tool for ordering and monitoring the development process.

2. INDUSTRIAL SECTOR: PLANNING OBJECTIVES

In the various Development Plan documents, Nigerian planners treat the industrial sector as "manufacturing and crafts". The Central Bank of Nigeria, on the other hand, defines the industrial sector to include manufacturing, mining, and utility. Though data reflecting both approaches are used in this paper, emphasis is placed on the Planning Ministry's relatively narrower classification.

Nigeria's development planning experience dates back to the 1946 "Ten Year Plan of Development and Welfare". This, as well as the 1962-68 First National Development Plan were both basically a series of unrelated projects. The importance of the industrial sector in the development process was recognised early in Nigeria's economic planning history. However, the strategy for industrial development was that of a total reliance on private sector (mostly foreign) initiative supported by generous tax and other incentives. The objective was import substitution particularly for basic consumer goods. Up till 1970, the impetus for the growth of manufacturing activities came mostly from private sector initiative.

The Second National Development Plan 1970-74 marked the beginning of a serious articulation of Nigeria's broad national as well as industrial sector planning objectives. Being prepared towards the end of the Nigerian Civil War, emphasis was, understandably, placed on unquantifiable and non-economic objectives of socio-political integration and development. The phenomenal increase in government revenue from petroleum brought about substantial public sector investments in manufacturing in the 1970s, to the extent that, today, manufacturing is as dependent on government investment as it is on investment by the private sector.

The public industrial sector was accorded the highest priority, next only to agriculture in the sectoral focus of the Second Plan. The specific planning objectives of the industrial sector were:

- promotion of even development through fair distribution of industries in all parts of the country;
- ensuring a rapid expansion and diversification of the industrial sector of the economy;
- increasing the incomes realised from manufacturing activity;
- creating more employment opportunities;
- promotion of export-oriented industries in order to earn foreign exchange;
- continuation of import substitution programme while increasing the production of intermediate and capital goods;
- increasing indigenous ownership of industrial investment.

The industrial sector continued to be accorded high priority in the sectoral focus of the Third National Development Plan 1975-80. The specific planning objective for the sector was to transform the structure of manufacturing with emphasis on intermediate, heavy, consumer and capital goods, as well as on an increased capacity for export.

Under the Fourth National Development Plan 1981-85, high priority continues to be accorded to the manufacturing sector. Specific planning objectives for this sector include:

- ensuring increased level of self-reliance in the supply of industrial products;
- maintaining rapid growth of the manufacturing sector with a view to increasing its share in the GDP to 12.9%;
- increasing the local resource content of manufacturing output through increased substitution of local for imported raw materials and manpower;

- increasing employment opportunities;
- promoting the development of export industries;
- improving the price and quality competitiveness of Nigerian manufactured goods;
- promoting a more even regional dispersion of industries.

3. THE ROLE OF THE PUBLIC INDUSTRIAL SECTOR

The importance which government attaches to the public industrial sector can also be assessed on the basis of planned and actual investment in the sector. Available records show the following planned allocation of Public sector investment in industry:

TABLE 1

PLANNED INVESTMENT IN PUBLIC INDUSTRIAL SECTOR

Period	₦m	% of total capital allocation
1956-60	14.00*	2.0
1962-68	180.00*	13.4
1970-74	172.00	8.4
1975-80	5,486.00	13.0
1981-85	8,065.00	9.8

Source: First and Second Progress Reports, Second National Development Plan 1970-74; O. Teriba and M.O. Kayode. Industrial Development in Nigeria, 1977 p. 308; Outline of the Fourth National Development Plan 1981-85, p. 147.

In absolute terms, planned public capital allocation to the industrial sector has been impressive and reflects the importance accorded the sector in Nigeria's development planning.

The relative importance of the industrial sector can also be assessed by examining the percentage distribution of sectoral contribution to GDP as shown in Table 2 below.

* Capital allocated to Ministry of Trade and Industry

TABLE 2

GROSS DOMESTIC PRODUCT*
PERCENTAGE DISTRIBUTION

Sector	1970/ 71	1971/ 72	1972/ 73	1973/ 74	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/ 79	1979/ 80
	%	%	%	%	%	%	%	%	%	%
Agric, Fores- try and fishing	44.8	41.8	41.5	24.7	23.4	22.6	21.9	21.0	20.1	19.0
Mining and Quarrying	14.8	18.5	14.8	45.1	45.5	44.6	43.2	41.5	39.6	37.5
Mfg and Crafts	8.2	8.5	7.6	4.8	4.7	4.9	5.2	5.7	6.2	6.9
Elect. and Water Supply	0.6	0.6	0.6	0.4	0.4	0.4	0.5	0.5	0.6	0.7
Bldg. and Construction	4.8	4.9	7.7	5.4	5.7	6.1	6.7	7.3	8.1	9.0
Distribution	11.8	11.5	11.1	6.9	6.7	6.9	7.0	7.2	7.2	7.3
Transp. and Communications	3.7	3.7	2.8	2.1	2.3	2.4	2.5	2.0	2.9	3.2
General: Govt.	5.7	5.3	7.5	5.8	6.3	6.7	7.1	7.8	8.5	9.1
Education	2.7	2.6	2.5	2.3	2.6	2.9	3.2	3.6	4.0	4.4
Health	0.7	0.7	1.0	0.8	0.9	1.0	1.1	1.2	1.3	1.4
Other Services	2.1	2.1	2.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: 2nd National Development Plan 1970-74
(2nd Progress Report)
3rd National Development Plan 1975-80
Vol. 1

The above percentage distribution of sectoral contribution to GDP does not reveal a consistently rising trend in the contribution of the industrial sector between 1970 and 1980. The contribution of the sector dropped from 8.5% in 1971/72 to 4.7% in 1974/75 and rose marginally every year to 6.9% in 1979/80. During the same period, the contribution of the agricultural sector declined from 44.8% in 1970/71 to 19% in 1979/80, while mining increased from 14.8% to 37.5%. The industrial

* GDP from 1970-73 are at 1962/63 Factor Cost
GDP from 1973-80 are at 1974/75 Factor Cost

policy objective is to increase the contribution of the manufacturing sector to the GDP to a minimum of 12.9 per cent during the Fourth Development Plan (1981-85) period.

In absolute terms, the contribution of the manufacturing sector, to the Gross Domestic Product at 1973-74 factor cost is presented in Table 3. The sector's contribution has grown in importance from ₦611 million in 1973-74 to ₦1.15 billion in 1979-80. An annual average growth rate of about 14.7 per cent considerably greater than the annual average growth rate of GDP over this period.

TABLE 3
GROSS DOMESTIC PRODUCT AT 1973-74 FACTOR COST
(₦ Million)

Activity Sector	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Agriculture	2,183.3	2,203.8	2,143.1	2,251.9	2,336.6	2,406.7	2,486.6
Livestock	488.8	491.2	393.9	399.6	408.9	422.2	440.6
Forestry	215.0	302.7	328.8	355.1	383.5	412.2	443.2
Fishing	465.0	567.6	573.8	607.1	658.7	698.2	743.6
Crude Petroleum	2,771.6	2,797.6	2,345.3	2,676.8	2,715.7	2,480.0	2,866.5
Other mining and Quarrying	198.8	247.8	310.5	372.6	436.0	492.7	544.4
Manufacturing	611.0	601.4	729.7	854.4	943.0	1,040.6	1,151.0
Utilities	45.2	51.8	59.7	74.4	95.2	117.3	136.6
Construction	884.1	1,108.4	1,411.4	1,693.6	1,981.8	2,239.7	2,474.7
Transport	429.6	403.1	468.2	636.8	764.1	878.7	966.9
Communication	33.2	38.9	47.7	54.9	60.3	65.2	71.7
Wholesale and Retail Trade	2,268.1	2,295.1	2,491.5	2,788.5	3,043.9	3,245.2	3,492.2
Hotels and Restaurants	32.4	35.6	39.1	43.0	47.5	52.0	57.2
Finance and Insurance	140.5	155.0	170.4	187.6	206.4	226.7	249.4
Real Estate and Business Services	61.1	67.3	74.0	81.4	89.5	98.5	108.3
Housing	625.9	688.2	756.6	832.4	915.6	1,006.4	1,107.7
Producer of Govern- ment Services	664.4	743.4	1,049.1	1,082.4	1,208.5	1,299.3	1,399.8
Total	12,118.0	12,798.9	13,392.8	14,992.5	16,285.2	17,182.2	18,740.4

Source: Guidelines for The Fourth National Development Plan, 1981-85, p.14

Certain strategic industries have been reserved for direct public sector ownership and control. Such strategic industries include:

- Petro-chemicals
- Petroleum products, exploration, refining and distribution
- Fertilizer production
- Iron and steel
- Machine tools
- Liquefied Natural Gas
- Cement production
- Vehicle assembly plants

As already indicated, the public industrial sector in Nigeria is financed variously by the three tiers of government (Federal, States, Local). Of the total planned investment in this sector for the 1981-85 Plan Period, the Federal Government accounts for 78.9 per cent, the State Government for 20 per cent and the Local Governments for 1.1 per cent. The Federal Government's planned investment in this sector for the period is made up of capital allocation to the Federal Ministry of Industries (27.1%) Steel Department (37.2%) and the Nigerian National Petroleum Corporation (14.6%). Table 4 shows the breakdown of the Federal Government industrial investment expenditure.

TABLE 4
PUBLIC INDUSTRIAL INVESTMENT EXPENDITURE (FEDERAL LEVEL)
BY SUB-SECTORS

Sub-Sector	Allocation ₦ million	Percentage of Total
Engineering	107.00	1.7
Basic Steel and Metal- lurgical Products	3,030.00	47.6
Building Materials	85.00	1.3
Chemicals	303.00	4.8
Financial Institutions and other investment provisions	743.00	11.7
Quality Control	6.80	0.1
Agro-Allied	539.00	8.5
Small-Scale Industries	294.50	4.6
Refineries and Petrochemicals	887.00	13.9
Liquefied Natural Gas	295.00	4.6
Others	77.00	1.2
TOTAL	6,367.30	100.0

Sources: Fourth National Development Plan 1981-85, p. 148.

Within the public industrial sub-sectors, there is an array of specific industrial enterprises ranging from beer brewing and textile manufacturing to food processing, flour milling, ceramic, glass and pharmaceutical industries. The capital allocations to public industrial enterprises do not necessarily reflect the overall cost of the projects. Instead, such allocations reflect government direct contribution which in most cases range from 10 - 60 per cent of total cost. The size of public industrial sector reflects not only its importance but also the capital-intensive nature of strategic manufacturing activities.

4. INSTITUTIONAL SUPPORT FOR THE PUBLIC INDUSTRIAL SECTOR

A large number of supporting institutions have been established in Nigeria to facilitate public industrial development. Important in this connection are:

- (1) industrial development banks, e.g.
 - Nigerian Industrial Development Bank Limited
 - Nigerian Bank for Commerce and Industry Limited
- (2) state investment companies, e.g.
 - New Nigerian Development Company Limited
 - Investment Trust Limited
 - Central Investment Company Limited
 - Odu'a Investment Company Limited
 - Sokoto Investment Company Limited
 - Benue Investment Company Limited
 - Plateau Investment Company Limited
 - Kano State Investment Company Limited
- (3) industrial research institutes, e.g.
 - Federal Institute of Industrial Research
 - Project Development Centre
- (4) industrial extension services centres, e.g.
 - Industrial Development Centres
- (5) quality control agencies, e.g.
 - Nigerian Standards Organization

The above list is by no means exhaustive but shows some industry-related government institutions established to facilitate the achievement of industrialization objectives of the various governments.

The industrial development banks, and investment companies are wholly-owned government holding companies. They promote, establish and finance industrial and commercial enterprises which have economic viability and profit potential. They provide management services to businesses owned by or located in the community where they operate. The importance of this group of institutions is illustrated by Nigeria's premier development bank - The Nigerian Industrial Development Bank (NIDB).

The Nigerian Industrial Development Bank was established as an industrial development finance company. As a development bank the NIDB has two major functions. As a banking institution it is concerned with the provision of medium-term and long-term finance to industrial projects. As a development agency it attempts to contribute to the identification of bottlenecks in the process of industrialization. The banking function of the NIDB has two aspects: sanctioning of prospective clients' applications for assistance, and the disbursement of the sanctions. During the current plan period (1981-85), the Federal Government intends to support the NIDB and the Nigerian Bank for Commerce and Industry (NBCI) financially to enable them to discharge their functions effectively. To this end, the two industrial development banks have been allocated ₦770 million to finance private sector and state governments' industrial efforts. In addition, ₦200 million is allocated for financing small scale industries and another ₦80 million for the establishment of industrial development centres in states where they are non-existent.

The scope of investment of the NIDB is limited to manufacturing, non-petroleum mining and tourism. However, each year about 90 per cent of the bank's investment is made in manufacturing. Between January 1964 when the bank was established and December 1980, the bank sanctioned a total of ₦395 million (₦37.8 million in equity and ₦357.2 million in loans) in aid of 422 industrial projects. These projects offered employment to over 140,000 people. The foreign exchange savings accruing from those projects amounted to over ₦300 million annually.

Before 1979, NIDB's financial share in total project cost averaged 17.2 per cent. In 1979 it rose to 26.8 per cent. This growth in

participation clearly illustrates the bank's commitment to indigenisation of the economy. The role of the bank in the economic development of Nigeria can be better appreciated, however, when one considers its total investment in projects rather than its financial participation. This is so since any project financed requires technical and material assistance to succeed, apart from the bank's financial assistance. Table 5 shows the distribution of NIDB funds by sub-sectors in 1980.

TABLE 5
SUB-SECTORAL DISTRIBUTION OF NIDB
SANCTIONS IN MANUFACTURING, 1980
 (VALUE IN ₦'000)

Sub-Sectors	No. of Projects	Equity	Loan	Total	% of Sanctions
Food	4	785.7	5,277.5	6,063.2	10.66
Beverages	2	313.0	700.0	1,013.0	1.78
Textiles	2	12.1	945.0	957.1	1.68
Footwear and Leather Products	2	252.0	600.0	852.0	1.50
Wood Products and Furniture	1	-	720.0	720.0	1.27
Paper Products	4	50.4	720.0	770.4	1.36
Chemical Products	7	213.4	5,660.0	5,873.4	10.33
Rubber Products	-	-	-	-	-
Non-metallic Mineral Products	2	66.0	100.0	166.0	0.29
Metal Products	7	110.0	6,380.0	6,490.0	11.41
Electrical Appl.	1	-	1,950.0	950.0	1.67
Hotel and Tourism	11	4,804.6	21,310.0	26,114.6	45.92
Miscellaneous	6	-	6,900.0	6,900.0	12.13
TOTAL	49	6,607.2	50,262.5	56,869.7	100.00

Source: Nigerian Industrial Development Bank.

From the activities outlined above, it is clear that the role of the Nigerian Industrial Development Bank in the economy is two-fold. Firstly, it invests directly in industrial projects; secondly, it helps other people to invest (by lending to them). The second function is clearly of primary importance. As can be seen from Table 5 equity participation represents only 11.6 per cent of the banks total financing in 1980. The Bank attempts to promote co-operation between the public and private industrial sector in Nigeria.

5. PUBLIC INDUSTRIAL SECTOR PERFORMANCE

The performance of the public industrial sector is reflected in the Index of Industrial Production in Table 6, the percentage changes between the last three plan periods in Table 7 and the Index of manufacturing production in Table 8.

There has been a rapid increase in public capital investment in the industrial sector and growth introduction has also been impressive. In spite of this, the industrial sector has not made much impact on the structure of the economy through its contribution to GDP, employment, forward and backward linkages, and conservation of foreign exchange. It is fair to note, however, that the public industrial sector has stimulated a more deliberate entry into the intermediate goods sub-sector of the economy. The contribution of manufacturing has without doubt, been dwarfed by the weight of the oil sector as already shown in Tables 2 and 3. As the prime contributor to the development of the economy, it is pertinent to discuss the oil sub-sector of Nigeria's public industrial sector.

TABLE 6
INDEX OF INDUSTRIAL PRODUCTION
(Base Year 1972 = 100)

Period	Manufacturing	Mining	Utility	Average Total all Industries
Weight	233.5	480.6	18.0	732.1
1970	81.0	58.9	66.3	66.2
1971	92.8	85.6	87.9	87.9
1972	100.0	100.0	100.0	100.0
1973	123.6	112.6	117.5	116.2
1974	119.5	123.4	130.3	122.3
1975	147.7	97.8	153.8	115.1
1976	182.2	113.4	184.5	137.1
1977	193.5	114.5	212.3	142.1
1978	221.4	103.6	260.6	145.0
1979	225.6	141.8	284.7	172.0

TABLE 7
INDUSTRIAL GROWTH 1970-1980
(Base: 1972 = 100)

Sectors	1970 - 75		1975 - 80		1970 - 80	
	% Change	Average Annual Rate	% Change	Average Annual Rate	% Change	Average Annual Rate
Manufacturing	82.3	16.46	52.74	10.5	178.5	17.9
Mining	66.0	13.2	45.0	9.0	140.7	14.1
Utility	132.0	26.4	85.1	17.0	329.4	32.9
Average Total	73.9	14.8	49.4	9.9	159.8	16.0

Source: Calculated from Table 6

TABLE 8
INDEX OF MANUFACTURING PRODUCTION
Base: 1972 = 100

Products	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Vegetable Oil	163.3	118.5	100.0	151.2	43.8	35.7	34.3	4.8	15.4	16.6
Sugar	62.7	112.4	100.0	98.6	106.5	125.8	111.1	123.2	111.8	115.3
Sugar Confectionery	79.7	61.2	100.0	101.0	86.9	118.4	139.5	207.3	201.6	210.1
Soft Drinks	53.4	76.7	100.0	161.5	154.0	224.9	323.6	303.6	332.3	324.3
Beer (incl. Stout)	64.0	84.6	100.0	130.5	148.4	178.5	223.1	185.6	285.2	287.9
Cigarettes	89.5	95.3	100.0	89.7	96.7	107.0	129.2	122.0	129.0	127.4
Cotton Textiles	119.3	120.3	100.0	127.3	118.8	144.9	133.4	172.9	167.1	202.3
Other Textiles	n.a.	45.3	100.0	133.5	393.7	611.0	611.0	964.7	1129.3	1156.8
Foot Wear	107.2	109.9	100.0	85.0	111.4	122.6	99.9	123.5	119.3	125.0
Paints and Allied Products	84.0	92.0	100.0	122.2	113.8	151.7	173.6	241.8	280.3	279.4
Soap and Detergent	70.8	88.5	100.0	161.3	168.6	177.9	225.3	328.4	362.5	316.5
Refined Petroleum Products	-	45.3	100.0	127.0	124.4	105.4	126.9	123.6	124.5	120.6
Other Petroleum products	76.9	95.0	100.0	118.7	40.6	160.8	83.6	86.6	74.6	71.5
Pharmaceutical	60.2	109.7	100.0	141.2	84.9	148.3	262.9	186.5	352.9	338.4
Rubber	138.5	117.2	100.0	78.5	68.3	140.1	35.0	109.3	122.6	124.6
Cement	53.9	65.8	100.0	112.5	108.7	115.6	115.0	117.1	139.6	172.0
Tin Metal	115.2	105.1	100.0	85.5	79.2	161.4	56.2	47.4	42.6	39.3
Roofing Sheets	60.5	90.9	100.0	114.2	82.3	137.9	134.0	214.7	191.7	192.8
Vehicle Assembly	118.3	120.3	100.0	118.4	130.7	302.2	751.9	1097.3	992.7	1077.2
Radio, Changers T.V. ETC	182.4	135.3	100.0	97.9	66.2	108.0	113.7	128.1	95.7	99.0
	81.0	92.8	100.0	123.6	119.5	147.7	170.6	193.5	221.4	225.5

Source: C.B.N. Annual Report and Statement of Accounts 31 December, 1976 pp. 16 and 17; 31 December 1979 p.15.

Nigeria is the world's seventh largest producer of crude oil and joined the Organization of Petroleum Exporting Countries (OPEC) in 1971. As a public enterprise, the Nigerian National Petroleum Corporation (NNPC) has majority participation in oil production in Nigeria on behalf of the Government. In 1974 the oil industry contributed about 45 per cent of the Gross Domestic Product (GDP), 13 per cent of export earnings and 82 per cent of the total revenue accruing to the Government. In 1975 its contribution to the GDP fell to about 30 per cent, owing to a fall in demand in the world market. In 1978 it contributed about 68 per cent of total government revenue. During the first half of 1980, Nigeria's petroleum output averaged 2.2 million barrels per day, which dropped to 1.9 million barrels per day during the second half. Consequently, the average daily petroleum export in 1980 was slightly less than 2.0 million barrels per day as against 2.2 million barrels in 1979. However, owing to the rising price of crude oil from 26 U.S. dollars per barrel in 1979 to as much as 40 U.S. dollars by December 1980, what the country lost in physical oil output was more than offset by price increase. Table 9 below shows oil revenue in relation to total Government revenue between 1970 and 1980.

TABLE 9
CONTRIBUTION OF THE OIL SUB-SECTOR
TO TOTAL GOVERNMENT REVENUE

Year	Total Govt. Revenue	Oil Revenue	Oil Revenue as % of Total Govt. Revenue
	₦ million	₦ million	
1970-71	758.1	196.4	
1971-72	1,410.9	740.1	
1972-73	1,389.9	576.2	41.5
1973-74	2,171.3	1,461.6	67.3
1974-75	5,177.1	4,183.8	80.8
1975-76	5,861.6	4,611.7	73.7
1976-77	7,070.3	5,548.5	78.5
1977-78	8,251.1	5,821.4	70.6
1978-79	6,815.2	4,249.2	62.3
1979-80	8,805.3	7,350.3	83.5

Source: Federal Ministry of Finance

The three existing refineries in the country have capacities for refining 60,000; 10,000 and 120,000 barrels of crude oil daily respectively. A fourth refinery estimated to cost ₦1.5 billion is

provided for in the current (1981-85) National Development Plan. As indicated elsewhere in this paper, a liquefied natural gas project estimated at ₦300 million is also planned for during this plan period.

The effect of the oil industry on the national economy is reflected in the development plans made since 1962. The colonial Development Plan of 1955-62 was estimated to cost ₦328 million whereas the estimated cost of the 1962-68 First National Development Plan was ₦2,368 million. The 1970-74 Second National Development Plan estimated a total capital expenditure of ₦3.3 billion and the Third National Development Plan 1975-80 was to cost ₦4.3 billion. The 1981-85 Fourth National Development Plan projects the investment of ₦82 billion in the economy.

Of the ₦6,575 million earmarked for investment in mining and related activities, during the 1981-85 development plan period, 94.5 per cent is allocated to the NNPC. This further highlights the prominence of the oil sub-sector of the economy. The objectives set for this sub-sector are:

- (i) achievement of internal self-sufficiency in the supply of petroleum products;
- (ii) prevention of wasteful disposal of associated gas;
- (iii) commercial utilisation of gas;
- (iv) effective internal distribution of petroleum products;
- (v) greater participation by Nigerians in the oil service sub-sector;
- (vi) more rapid acquisition of oil exploration and conservation technology;
- (vii) providing effective organization for government participation in the oil industry.

6 PROBLEMS OF THE PUBLIC INDUSTRIAL SECTOR

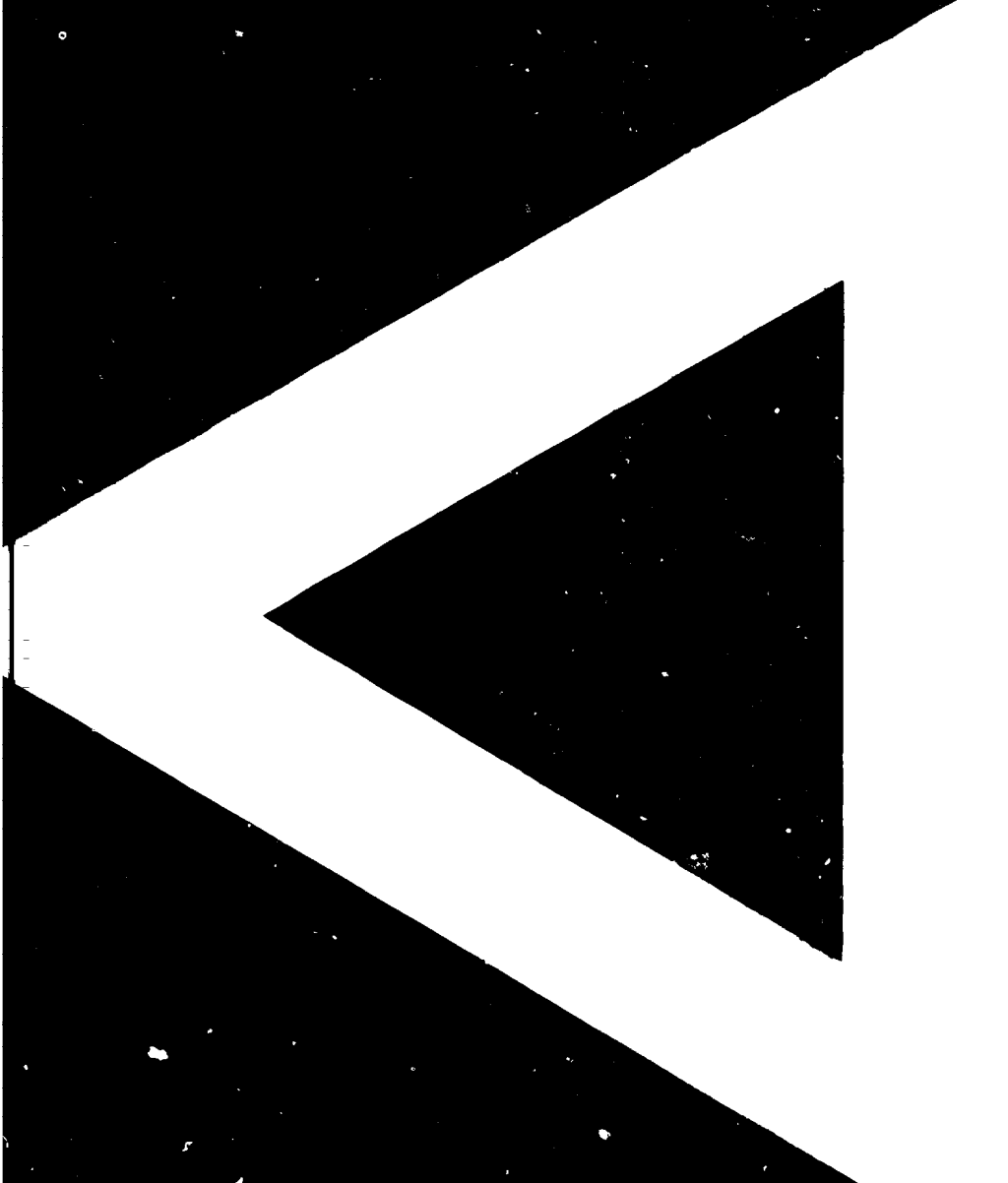
Public enterprises the world over have identical problems which vary only in degree reflecting the different environments in which they operate. In Nigeria, problems of public industrial enterprises, as well as public enterprises in general derive from and are traceable to:

- Vague and conflicting Government policy objectives and directives;
- Inadequate physical infrastructure;
- Capital structure;
- Shortage of manpower;
- Undue and excessive political/administrative interference;
- Unwieldy and poorly constituted boards;
- Poor personnel practices;
- Overdependence on external sources of raw materials;
- Shortage or lack of data for planning and forecasting trends.

There is a universal recognition of the important role of the public industrial sector in the development process. At least, in Nigeria, the right of the governments to participate directly or indirectly in economic activities is well established and constitutionally recognized. The modern industrial sector is a relatively new phenomenon in Nigeria. The sector is characterized by the lack of industrial labour culture and dearth of managerial and technical skills. Nigeria's public industrial sector is in its infancy and does not have much more than a decade's history. Many of the large and strategic public industrial enterprises are still at the construction stage. The growth of investment in this sector is impressive though the contribution or impact of the sector cannot be easily assessed.

In this discussion, the rationale, planning objectives and importance of the public industrial sector have been reviewed. The major investment focus, and institutional infrastructure have been identified and problems summarised. Public enterprises in developing countries are generally not known for their efficient performance, and their poor performance is a matter of global concern. Nigeria has joined in the serious and continuous search for practical solutions to the problems of public enterprise inefficiency.





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