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INDUSTRIAL DEVELOPMENT REVIEW SERIES

NIGERIA

Industrial restructuring through policy reform

Prepared by the
Regional and Country Studies Branch

V.88-31718

This document has not been edited.

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PREFACE

This Industrial Development Review is one of a series of country studies prepared by the Regional and Country Studies Branch of the United Nations Industrial Development Organization (UNIDO).

The Reviews present brief factual and analytical surveys of industrial development in developing countries. Such industry-specific Reviews are in demand for a variety of purposes: to provide an information service to relevant sections within UNIDO and other international organizations and aid agencies concerned with technical assistance to industry; to be used as a reference source for financial organizations, public and private industrial enterprises and economic research institutes in developed and developing countries; and to serve as a handy, useful information source for policy-makers in developing countries. The Reviews do not represent in-depth industrial surveys. With an exclusive focus on industry they present information and analyses on the broad spectrum of the industrial development process in the countries concerned in a condensed form.

The Reviews draw primarily on information and material available at UNIDO headquarters from national and international sources as well as data contained in the UNIDO data base. Generally specific field surveys are not undertaken. The presentation of up-to-date information on sub-sectoral manufacturing trends is usually constrained by incomplete national data on the industrial sector. To supplement efforts under way in UNIDO, to improve the data base and to monitor industrial progress and changes on a regular basis, it is hoped that the relevant national authorities and institutions and other readers will provide comments and further information. Such response will greatly assist in updating the Reviews.

The present Review was prepared on the basis of information available at UNIDO headquarters by mid-1988. It is divided into two rather distinct parts. Chapter 1 and 2 are analytical in character, giving first a brief overview of the country's economy and its manufacturing sector and then a more detailed review of the structure and development of its manufacturing industries. Chapter 3 examines the problems and prospects of selected sub-sectors of manufacturing. Chapter 4 reviews policy measures relevant to industrial development and presents information on the more important governmental and other institutions involved in industrial development. Chapter 5 looks at emerging issues and future options for industrialization in Nigeria and identifies crucial areas requiring multilateral technical assistance.

It should be noted that Reviews are not official statements of intention or policy by governments nor do the views and comments contained therein necessarily reflect those of the respective governments.

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Regional classifications, trade classifications, and symbols used in the statistical tables of this report, unless otherwise indicated, follow those adopted in the United Nations Statistical Yearbook.

Dated divided by a slash (1986/87) indicate a fiscal year or a crop year. Dates divided by a hyphen (1986-1987) indicates the full period, including the beginning and the end years.

References to dollars ($) are to United States dollars unless otherwise stated.

Percentage may not add to 100.0 precisely due to rounding.

In Tables:

- Three dots (...) indicate that data are not available or not separately reported;
- Two dashes (--) indicate that the amount is nil or negligible;
- A hyphen (-) indicates that the item is not applicable.

The following abbreviations are used in this document:

ASC	Ajaokuta Steel Company
CBN	Central Bank of Nigeria
DSC	Delta Steel Company
EC	European Community
ECOWAS	Economic Community of West African States
ERP	Effective rate of protection
FEM	Foreign Exchange Market
FDI	Foreign Direct Investment
FIIRO	Federal Institute of Industrial Research Oshodi
FNDP	Fourth National Development Plan
FOS	Federal Office of Statistics
GDP	Gross domestic product
GNP	Gross national product
GSP	Generalized System of Preferences
IDC	Industrial Development Centres
IDCC	Industrial Development Co-ordinating Committee
IID	Industrial Inspectorate Department
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
MAN	Manufacturers Association of Nigeria
MFA	Multi Fibre Agreement
MVA	Manufacturing value added
N	Naira
NBCI	Nigerian Bank for Commerce and Industry
NECA	Nigerian Employers Consultative Association

NEPB	Nigerian Enterprise Promotion Board
NIDB	Nigerian Industrial Development Bank
NRC	Nigerian Railways Corporation
NTMA	Nigerian Textile Manufacturers Association
ODA	Official Development Assistance
OPEC	Organization of Petroleum Exporting Countries
PAD	Policy Analysis Department
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SFEM	Second Tier Foreign Exchange Market
SITC	Standard International Trade Classification
SON	Standards Organization of Nigeria
SSICS	Small-Scale Industries Credit Schemes
STABEX	Stabilization Programme for Exports
TNC	Transnational Corporation
TNDP	Third National Development Plan
UNIDO	United Nations Industrial Development Organization

BASIC INDICATORS 1

The economy

GDP (1986)	:	$49,110 million
Population (1986)	:	103.1 million
Labour force (1986)	:	34.5 million
GNP per capita (1986)	:	$620[a/]

Annual growth rate of GDP (per cent) :

1960-1970	1970-1975	1975-1980	1981
4.4	7.4	2.5	-2.9

1982	1983	1984	1985	1986	1987[b/]
0.0	-8.4	-5.4	1.2	-3.4	1.2

1988[c/]
3.5

GDP by sector of origin (per cent) :

	1976/77	1980	1985
Agriculture	23.5	20.6	23.8
Mining and quarrying	26.4	23.6	19.8
Crude petroleum	23.9	21.4	18.7
Manufacturing	5.0	11.0	9.3
Construction	8.8	9.7	5.1
Services and others	36.3	35.1	42.0

Average annual rate of inflation (per cent) :

1960-1970	1970-1981	1983	1984
4.0	14.4	14.2	3.4

1985	1986	1987	1988[b/]
5.5	5.4	11	20

Currency exchange rate (Naira equivalent to $) :

1980	1981	1982	1983	1984
0.55	0.61	0.67	0.67	0.79

1985	1986	1987	1988 (Oct.)
1.00	3.32	4.14	.63

a/ Estimate for 1986 based on World Bank Atlas methodology which uses the average of the exchange rates in 1984-1986 for converting 1986 GNP measured in local currency into US dollars.

b/ Estimate.

c/ Projection.

BASIC INDICATORS 2

Resources

Agricultural resources:[a/]

Food crops (1986) (in '000 tonnes)	:	Cereals (1,326), sorghum (5,455), millet (4,111), maize (1,336), rice (283), roots and tuber (6,773), plantain (1,127), sugar cane (897)
Cash crops (1986) (in '000 tonnes)	:	Palm kernel (350), cotton seed (100), cocoa (123), rubber (190), groundnut (640)
Fisheries (1986) (in '000 tonnes)	:	Catches (128), inland lakes and river catches (104), fish farm (n.a), industrial coastal fish and shrimp (14.0)
Forestry (1986) (in '000 tonnes)	:	Roundwood (92,562), sawnwood (926), wood based panels (118), paper and paper-boards (14)
Livestock (1986) (in '000 tonnes)	:	Poultry (67), goat meat (192), lamb and mutton (68), beef (223), pork (33), milk (180), eggs (399)

Mineral resources:

Oil reserves	:	20 billion barrels
Oil output	:	534.2 million barrels
Natural gas reserves	:	2.4 trillion cubic metres
Natural gas output	:	18.7 million cubic metres
Coal output (1986)	:	144,383 tonnes
Tin output (1985)	:	1,221 tonnes

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a/ Provisional.

BASIC INDICATORS 3

Foreign trade and balance of payments

Exports (1987)	:	$6.4 billion[a/]
Products (1986)	:	Petroleum (93 per cent), cocoa, rubber, timber and groundnuts
Main destinations	:	United States, F.R. Germany, France, Italy
Imports (1987)	:	$3.8 billion[a/]
Products (1986)	:	Machinery and transport equipment (38 per cent), manufactured goods classified by material (21 per cent), chemicals (17 per cent), food (13 per cent)
Main suppliers	:	United Kingdom, F.R. Germany, France, United States
Balance of payments (1986) (current account surplus)	:	$365 million
Official reserves (1987) (excluding gold)	:	$1,165 million
External debt (1987)	:	$26.2 billion

Debt service ratio (as percentage of goods and services exported) :

1974	1982	1983	1984	1985	1986	1987[a/]
1.7	10.3	18.6	28.4	34.1	19.3	20.9

a/ Estimate.

BASIC INDICATORS 4

The manufacturing sector

Manufacturing value added MVA (1985)	:	$7,773 million
Average annual growth of MVA (per cent)	:	1970-1975: 9.2; 1975-1980: 13.0; 1981: -37.5; 1982: -16.1; 1983: 26.8; 1984: -11.9; 1985: 19.2; 1986[a]: -6.4; 1987[a]: -10.0
MVA per capita (1983)	:	$52 (at constant 1977/78 prices)
Structure of MVA	:	1973 / 1978 / 1983
Mainly consumer goods		48.9 / 46.6 / 47.8
Mainly intermediate goods		39.4 / 31.1 / 37.8
Mainly capital goods		11.7 / 22.3 / 14.4
Employment in manufacturing and processing (1985)	:	6.57 million
as percentage of total labour force (1985)	:	18.2 per cent
Trade in manufactures[b]		
Export (1986)	:	N3.5 million
Import (1986)	:	N4,800 million
Share of manufactures[b]		
In total export (1986)	:	0.04 per cent
In total import (1986)	:	80.3 per cent

a/ Estimates.

b/ SITC 5 to 8.

BASIC INDICATORS 5[a/]

Inter-country comparison of selected indicators

	Unit	Nigeria	Cameroon	Côte d'Ivoire	Egypt	Ghana	Kenya
I. Demographic Indicators							
Area	'000 sq km	924	475	323	1,001	239	583
Population (mid-1986)	million	103.1	10.5	10.7	49.7	13.2	21.2
Population growth (1980-1986) (average annual growth rate)	per cent	3.3	3.2	4.2	2.7	3.5	4.1
Primary school enrollment as percentage of age groups (1985)	per cent male/female	103/81	116/97	92/65	94/76	75/59	97/91
II. Economic Indicators							
GDP (1986)	$ million	49,110	11,280	7,320	40,850	5,720	5,960
GDP growth (1980-1986) (average annual growth rate)	per cent	-3.2	8.2	-0.3	4.7	0.7	3.4
GNP per capita (1986)	$	640	910	730	760	390	300
Agriculture (1986)	per cent of GDP	41	22	36	20	45	30
Industry (1986)	per cent of GDP	29	35	24	29	17	20
Manufacturing (1986)	per cent of GDP	8	...	16	...	12	12
Services (1986)	per cent of GDP	30	43	40	51	39	50
Gross domestic investment (1986)	per cent of GDP	12	25	12	19	10	26
Merchandise trade							
Exports (1986)	$ million	6,599	2,059[b/]	3,200	4,617[b/]	863	1,216
Imports (1986)	$ million	4,498	1,512[b/]	2,024	9,517[b/]	783	1,649
III. Industrial Indicators							
MVA (1985)(current dollars)	$ million	7,773	952	889	...	526	631
Manufacturing growth (1980-1986) (average annual growth rate)	per cent	1.0	15.9[c/]	-1.9[c/]	6.3[c/]	-1.9	4.1
Share of manufactured exports in total exports (1986)	per cent	1	6	9	13	2	16
Share of manufactured imports in total imports (1986)	per cent	84	86	75	69	74	73

a/ Based on the World Bank data presented in the World Development Report 1988. It should be noted that the UNIDO data base, United Nations statistics, national statistics and World Bank data base do not always tally precisely and, therefore, discrepancies may be found between Basic Indicators 5, and the text and Tables.

b/ World Bank estimate.

c/ Industry as a whole.

SUMMARY

The economy of Nigeria recorded a positive growth rate of 1.2 per cent in 1987 after several years of sombre economic environment in the 1980s, excepting a temporary improvement in 1985. The pace of economic expansion in 1988 is unlikely to be significantly higher than what was achieved in 1987. With an estimated annual population growth rate of about 3 per cent coupled with a 20 per cent increase in inflation, real income per capita tends to decline.

Amidst signs of reluctant economic recovery, there are indications that the sacrifices made in the mid-1980s have established the base for accelerating economic growth. Successful renegotiations of debt payment arrangements with the majority of bilateral lenders in mid-1988 indicate that the country's improved economic prospects have been widely recognized in the international financial market. Many bilateral and private sector creditors seem to appreciate the Nigerian government's concern to sustain real income growth.

A key constraint on recovery stems from slow growth of export earnings. Major expansion of balance-of-payments support assistance and commercial bank lending is likely to follow an accommodation with the IMF and the World Bank on a new Structural Adjustment Programme following the collapse of the 1986 Structural Adjustment Programme and a suspension of the disbursement of the first instalment of the World Bank's second Adjustment Loan in 1987. The IMF is currently insisting on the implementation of a comprehensive reform package including a substantial reduction in the budget deficit, accelerated depreciation of Naira, and instalment of its own team within the appropriate government departments.

Nigeria has gone some way towards meeting these requirements. The value of the Naira has fallen from N1.00 per dollar in late 1985 to over N4.63 in late 1988. Official and auction market exchange rates have been unified. Interest rates have been de-regulated and a comprehensive import liberalization programme has been implemented. The concern to reverse the declining trend in per capita income growth has prevented it from going all the way.

MVA per capita in Nigeria is still only 70 per cent of the average for Africa, despite the fact that the manufacturing sector grew at almost twice the African average during 1970-1984. Growth rates vary across the sub-sectors of manufacturing. Beer had the highest growth rate in terms of annual output, followed by vehicle assembly, soap and detergents during 1977-1981. Negative growth rates were recorded by vegetable oils, pharmaceuticals and cigarettes. Annual variations in production were very large. In all cases, the standard deviation was significantly greater than the mean. Variations were particularly large in the case of vehicle assembly and pharmaceuticals, but these branches accounted for a relatively small proportion of manufacturing output over the period 1977-1981.

The period 1982-1986 stands in sharp contrast to the earlier years. The index of total manufacturing production (1972 = 100) fell from 432 in 1982 to 321 in 1986. The volume of production in 1986 was thus 25 per cent below that

of 1982. The largest contraction was recorded in vehicle, cotton textiles, soaps, detergents and pharmaceuticals. Cotton textile production fell in every year during the 1982-1986 period.

Although manufacturing growth had been rapid during the 1970s, particularly by African standards, structural imbalances contributed to a virtual evaporation of the growth of MVA during the first half of the 1980s. The drastic cutbacks in imports following the introduction of the austerity programme in April 1982 and the revision of government plans announced in the budgets for 1983, 1984 and 1985 exposed the weaknesses of the Nigerian manufacturing sector. The manufacturing sector recorded a 19.2 per cent increase in MVA in 1985, compared with a 11.9 per cent decline in 1984. Growth once again faltered to a negative rate of 6.4 per cent in 1986. The sharp depreciation of the Naira adversely affected most manufacturing branches except for a few consumer goods due mainly to higher costs of imports, lack of spare parts and limited impact on exports. As a result MVA declined by 10 per cent in 1987. A recovery in manufacturing production is under way in 1988 depending on the rapid success achieved by domestic producers in switching from imported to local sources.

Although Nigeria followed an import-substitution strategy, the net import requirements of the manufacturing sector have continued to grow rapidly during the 1970s. Resource-based industries - both agro- and hydrocarbon-based branches - have stagnated, at least partly, because of a system of protection and state intervention which discriminated against them.

Of greatest importance perhaps is the need to increase the integration of the manufacturing sector within the domestic economy. At present over 50 per cent of the raw materials consumed by the manufacturing sector are imported. Industrial concentration remains very high within key manufacturing branches. Many enterprises employ relatively capital-intensive technologies. Unemployment within the formal sector is currently estimated at about 4 million by unofficial sources and has not fallen substantially despite the economic recovery of 1987 and 1988.

There are indications that capital-intensity has increased significantly during the 1970s. Public investment remains concentrated in highly capital-intensive industries and efficiency in the public manufacturing sector remains low. The cost of plant and equipment in Nigeria is relatively high due to high costs of construction and of expatriate skilled labour and the need for infrastructural investment by the firms themselves. The average cost of fixed asset per job in modern Nigerian industry has risen significantly in the 1980s.

When most manufacturing branches experienced severe difficulties during 1982-1986 the breweries continued to thrive. Production is reported to have fallen marginally during 1987 and 1988 due to restrictions on the imports of malted barley and problems associated with the locally produced substitutes. The import content of domestically produced beer is unlikely to fall despite the ban on malt barley imports.

The import content of raw materials used by the Nigerian textile industry declined during 1986/87 but has remained stagnant during 1987/88, suggesting that the limit of efficient substitution of locally produced for imported inputs has been reached. An improvement in domestic cottonseed production during 1987/88 has been accompanied by substantial increases in producers' prices. This has made continued substitution of domestic inputs for imports difficult.

Stimulated by strong domestic demand during the second half of the 1970s, the domestic production of passenger vehicles rose by 44 per cent. In 1987 Nigeria produced around 10,000 cars which represented about 12 per cent of the production level achieved in 1980. In the wake of falling per capita income a major revival of domestic demand for passenger cars is not expected. However, as the Nigerian economy recovers from the crisis of the 1980s, the demand for transport equipment could revive. A viable programme for increasing capacity utilization within the transport equipment branch needs to be drawn up, with a focus on the role of medium- and small-sized engineering firms in subcontracting.

Although employment in the Nigerian steel industry is relatively small, two-thirds of the labour force of the steel sector constitute technicians and engineers representing a high proportion of the nation's scientific and engineering capacity. There is a need to upgrade local skills in order to reduce the dependence on expatriate workers within the iron and steel industry. Capacity utilization within the highly import-dependent steel sector is estimated at around 11 per cent.

The government embarked upon a major policy reform programme with the introduction of the Structural Adjustment Policy of 1986. A prime concern has been the achievement of a significant reduction in the import content of production and some success has already been registered in this direction. A resource-based industrialization strategy aimed at an effective and efficient exploitation of the potential for import-substitution can reduce economic dualism and enhance the manufacturing sector's contribution towards the growth of employment.

The industrial policy framework to stimulate a restructuring of manufacturing investment is deemed vital for fostering the growth of domestic resource-based and relatively labour-intensive industries. This is particularly necessary to strengthen manufacturing inter-sectoral linkages with agriculture. This cannot be achieved by an industrial policy package which relies on the dismantling of controls. There is a need to develop a creatively interventionist industrial policy package which can arrest the de-industrialization process that has occurred over much of the 1980s.

Policy-makers have sought to introduce comprehensive changes in the industrial regulation and incentives system. Main emphasis has been placed on a large-scale privatization programme involving the privatization and commercialization of over a hundred government companies. However, within the manufacturing sector, the government seeks to maintain equity and managerial control of the enterprise within the heavy industrial sub-sectors (steel and petrochemical) and to concentrate the privatization initiative on the consumer goods branch. The success of the privatization programme should be judged in terms of its impact on reducing industrial dualism through the exploitation of existing opportunities for efficient import-substitution and increasing manufactured exports.

Multilateral technical assistance can be of considerable importance in stimulating efficient industrial restructuring in Nigeria and sustaining industrial recovery. Because of the relatively high levels of export earnings during the 1970s, Nigeria has received very little concessional assistance since independence. A major expansion in the concessional assistance programme

- a major technical assistance component - is required to facilitate the rehabilitation and restructuring programme. Within the manufacturing sector good growth prospects exist for industries which can substitute domestically-produced raw materials for imports. Multilateral assistance could be directed towards creating opportunities for domestic resource-based light manufacturing industries which are pivotal to bridge the "missing middle" in Nigeria's dualistic industrial structure.

1. THE ECONOMY OF NIGERIA

1.1 Recent economic trends

The pace of economic recovery in Nigeria remains subdued. A positive rate of growth estimated for 1988 is unlikely to be significantly higher than the 1.2 per cent growth of real GDP[1/] achieved during 1987. Rapid increase in import prices resulting from the Structural Adjustment Programme (SAP)[2/] impedes sustained industrial expansion. With an estimated annual population growth rate of about 3 per cent coupled with a 20 per cent increase in inflation, real income per capita tends to decline for the tenth consecutive year since 1978, with the exception of temporary gains in 1979 and 1985.

The government has been concerned to reverse the declining trend in GDP per capita. The 1988 budget specifically sought economic reflation through the establishment of a N2.5 billion special reflationary fund (representing about 9 per cent of total projected expenditure). Allocations from this fund are to be made for the rehabilitation of the transport system and the educational infrastructure, stimulation of employment, expansion of the product range of the steel industry[3/] and the tightening of inventory control. In order to consolidate the reflationary impact of the budget, the government has announced an end to the wage freeze in operation since 1987.

The total budgetary expenditure during 1988 has been estimated at N10.58 billion (over 10 per cent in excess of the 1987 level in nominal terms). Although federal budget estimates show a surplus of N31 million, only about 65 per cent of the expenditure is to be funded from regular revenue sources. The remainder of the revenue is to be obtained from borrowings from the domestic banking system (including a N2.5 billion "self-liquidating" fund to be funded from Central Bank loans) and from project related external borrowing.

It may, therefore, be held that the reflationary impact of the 1988 budget is likely to be modest and if revenue estimates turn out to be conservative (and there are reasons to believe that this might well be the case particularly if the reorganization of the customs collection system proves to be effective) the fiscal deficit to GDP ratio may decline from about 11 per cent in 1987 to about 8 per cent in 1988.

A key constraint on growth stems from the balance-of-payment situation which registered a current account deficit of $200 million in 1987 against a surplus of $365 million in 1986. The government expects to balance its

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1/ At 1977/78 factor cost.

2/ In operation during July 1986-June 1988.

3/ N350 million is allocated for this purpose.

foreign exchange budget for 1988 by reducing its imports from $5.7 billion to $5.1 billion and cutting debt servicing payments from $5 billion in 1987 to $1.7 billion in 1988. The reduction in debt repayments has been necessitated by the slow growth in export earnings and the rising volume of net capital outflow.

In early 1988 the government achieved a significant success in rescheduling of uninsured trade debts which followed earlier agreement with the London Club of Commercial Banks. Bilateral agreements had also been reached with 14 of the 19 Paris Club Official creditors by mid-1988. Nevertheless the inability to reach an accommodation with the IMF and the World Bank on a new Structural Adjustment Programme has delayed the provision of export credit cover and the availability of balance-of-payments support and commercial bank lending to Nigeria.[1/]

The IMF requires a substantial reduction in the fiscal deficit ratio, accelerated depreciation of the Naira and inclusion of its own team within the relevant ministries to monitor progress as part of its conditionality for the conclusion of a new agreement. During 1987 Nigeria moved some way towards implementing these measures. The value of the Naira fell from N1.00 per dollar at end 1985 to N4.63 in October 1988. The official and auction market exchange rates were merged in July 1987. Interest rates were de-regulated, a wage freeze was in operation during 1987 and a comprehensive import liberalization programme was implemented. In April 1988 the government took the first step towards a reduction in petrol subsidies[2/] and also announced a programme for the privatization of 96 state-owned companies.

The crucial issue posing the Nigerian policy-makers is the pace of implementing the reform package and the resultant impact of these reforms on growth. The primary purpose of the reform package is to be directed towards reversing the declining trend in real income per capita. Given the continued depression in the world oil market and the domestic demand-oriented production, economic restructuring could hardly take place if domestic demand continues to contract over the medium-run.

There is a strong case for linking debt rescheduling arrangements with export growth as to enhance the importance of achieving the target for increasing earnings from non-oil exports from N560 million in 1986 to N1.2 billion in 1987.[3/] The government's target of maintaining debt service to exports ratio of between 20 to 25 per cent can provide a realistic basis for debt rescheduling negotiations. A cohesive policy package could enhance Nigeria's capacity to restructure and maintain a positive per capita GDP growth rate in the medium-run.

1/ The 1986 agreement with the IMF expired in 1987 without a successful review, and the disbursement of the first instalment of the World Bank's second Structural Adjustment Loan (SAL) remains suspended.

2/ Although the 150 per cent increase in petrol prices is currently being advocated by the IMF, it seems unlikely to be adopted in the current year.

3/ Earnings from oil exports declined from $6.4 billion in 1986 to $6.1 billion in 1987 and are expected to decline to $5.5 billion in 1988.

Table 1.1: Nigeria's external debt, end-1987
($ billion)

Sources of debt	$ billion
Official debt	8.0
Arrears/rescheduled claims	2.8
Multilateral agencies	2.4
Other official	2.0
Total official	15.2
Banks	3.4
Arrears/reschedulings	2.5
Promissory notes	4.9
Short-term loans	0.2
Total non-official	11.0

Source: Financial Times, March 7, 1988.

The sources of external debt presented in Table 1.1 reveal that total official debt stood at $15.2 billion by end 1987, while unofficial debt amounted to $11 billion. The country has already demonstrated its ability in concluding successful rescheduling agreements with London Club Creditors and the majority of bilateral donors despite the delay in the negotiations with the IMF and the World Bank. It is increasingly being recognized that Nigeria is capable of enhancing its economic base for self-sustained growth and stability.

1.2 Economic structure

Nigeria accounts for about a fifth of Africa's population and about a quarter of the region's GDP (Table 1.2). Nigeria's share of Africa's MVA has significantly risen from 21 per cent in 1970 to 29 per cent in 1984, reflecting the relatively more rapid development of the Nigerian industrial sector during the period of the oil boom. A trade/GNP ratio of about 40 per cent retained in the 1970s declined significantly in recent years, and currently stands at less than 30 per cent (1987). The share of Nigerian exports and imports in Africa's total trade has declined over 1982-1985.

The achievement of a sustained growth rate of GDP in excess of the growth rate of population has to be the main focal point in view of the fact that the country's 1987 GDP per capita represented only 66.6 per cent of its level in 1975 (Table 1.3). Despite the gains in the period of the oil boom (roughly 1974-1979) GDP per capita in 1987 was 21 per cent below the level achieved in 1970 in real terms. The 1980s have been a period of great economic stress when most of the gains made during the period of the oil price rise have been jeopardized as a result of the impact of the global economic recession.

Table 1.2 Nigeria and Africa : a comparison, 1960-1986, (selected years)
(in millions of dollars, unless otherwise stated)

Indicator	Year	Africa[a/]	Nigeria	Nigeria as per cent of Africa
Population (million)	1986	524.5	103.1	19.6
GDP	1960[b/]	25,630	3,150	12.2
	1982[c/]	307,450	71,720	23.3
	1985[d/]	288,900	75,300	26.1
MVA	1970[e/]	9,223	2,012	21.8
	1984[f/]	27,489	8,039	29.2
Exports	1982[g/]	73,145	19,484	26.6
	1985[h/]	60,288	12,567	20.8
Imports	1982[i/]	83,863	20,821	24.8
	1985[j/]	59,983	8,877	14.8
Net direct foreign private investment	1970[k/]	382	205	53.6
	1982[l/]	734	358	47.5
	1985[m/]	1,516	341	22.5
Gross net reserves	1970[n/]	4,229	223	5.3
	1982[o/]	24,040	1,927	8.0
	1985[p/]	20,159	1,893	9.4
Guaranteed debt public and private	1970[q/]	8,531	460	5.6
	1982[q/]	86,204	6,085	7.0
	1985[r/]	110,430	13,016	11.8

Source: World Bank, World Development Report 1984, 1987 and 1988.

a/ Includes Algeria, Angola, Benin, Burundi, Cameroon, Central African Republic, Chad, Congo People's Republic, Egypt, Ethiopia, Ghana, Guinea, Côte d'Ivoire, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Tunisia, Uganda, Burkina Faso, Zaire, Zambia and Zimbabwe.
b/ Data not available for Sierra Leone, Angola, and Mozambique.
c/ Data not available for Somalia, Mozambique and Angola.
d/ Data not available for Uganda, Mozambique and Angola.
e/ Millions of dollars in constant 1980 prices. Data not available for Burkina Faso, Mali, Mozambique, Madagascar, Nigeria, Central African Republic, Guinea, Chad, Mauritania, Egypt and Congo.
f/ Data not available for Burkina Faso, Mali, Malawi, Madagascar, Mozambique, Niger, Sudan, Chad, Mauritius, Egypt and Angola.
g/ Data not available for Rwanda, Guinea, Benin, Mozambique and Angola.
h/ Data not available for Central African Republic, Lesotho, and Botswana.
i/ Data not available for Lesotho.
j/ Data not available for Lesotho and Botswana.
k/ Data not available for Mali, Burundi, Tanzania, Guinea, Mozambique, Sudan, Liberia, Lesotho, Egypt, Zimbabwe, Congo People's Republic, Angola and Libyan Arab Jamahiriya.
l/ Data not available for Ethiopia, Zaire, Malawi, Upper Volta, Uganda, Burundi, Tanzania, Benin, Guinea, Niger, Madagascar, Togo, Mozambique, Sudan, Liberia, Senegal, Zambia, Côte d'Ivoire and Angola.
m/ Data not available for Ethiopia, Burkina Faso, Mali, Benin, Mozambique, Malawi, Burundi, Togo, Madagascar, Tanzania, Guinea, Senegal, Zambia, Uganda, Côte d'Ivoire and Angola.
n/ Data not available for Guinea, Mozambique, Liberia, Lesotho and Angola.
o/ Data not available for Guinea, Mozambique and Angola.
p/ Data not available for Mozambique, Guinea and Uganda.
q/ Data not available for Angola and Mozambique.
r/ Data not available for Mozambique.

In 1970 Nigeria accounted for over half the net direct foreign investment in Africa. By 1985 this share had fallen to 22 per cent. As an oil exporting country Nigeria's share of concessional assistance has always been small. In 1985 Nigeria received only $32 million in the form of ODA loans. Nigeria's share of Africa's publicly guaranteed debt has more than doubled over the 1970-1985 period. The need to service this rising volume of debt has significantly constrained Nigeria's economic performance in the present decade.

The country's relatively better economic performance among the African countries in the 1970s was largely due to the growth of oil revenues. During 1970-1981 Nigeria's GDP per capita grew at a real rate of 1.81 per cent per annum - the corresponding rate for the whole of Africa was 1.12 per cent. GDP per capita in the group of all developing countries as a whole, however, grew at a much faster rate - 2.67 per cent per annum - during this period. MVA per capita growth in Nigeria was significantly greater (6.7 per cent) than in Africa (2.77 per cent) and the developing world (3.98 per cent) during 1970-1981. MVA per capita in Nigeria was $48 in 1981 (at constant 1975 prices) as compared with $101 in all developing countries and $46 in Africa. Over the period 1980-1987 GDP has fallen by about 17 per cent and GDP per capita has declined by 34 per cent in real terms - the largest annual falls being recorded in the years 1983 and 1984. (Table 1.3)

Table 1.3: Nigeria: GDP and GDP per capita, 1975-1987
(at constant 1975 prices)

Year	GDP (N billion)	Growth rate (per cent)	GDP per capita (Naira)	Growth rate (per cent)
1975	27.2		360	
1976	30.0	10.3	365	1.4
1977	32.1	7.0	405	10.9
1978	30.2	-5.9	370	-8.6
1979	32.2	6.6	380	2.7
1980	30.8	-4.3	355	-6.5
1981	29.9	-2.9	335	-5.6
1982	29.9	0.0	325	-2.9
1983	27.4	-8.4	290	-10.7
1984	25.9	-5.4	255	-12.0
1985	26.2	1.2	260	1.9
1986	25.3	-3.4	245	-5.7
1987	25.6	1.2	240	-2.0
1987 as per cent of 1975	94.1		66.6	

Source: Government of Nigeria, Annual Abstract of Statistics, various issues.

A significant shift in the structure of production occurred during 1960-1981. The share of manufacturing in GDP rose from 5.38 per cent in 1977/78 to 9.30 per cent in 1985 (Table 1.4), due to the rapid growth of the manufacturing sector at an annual rate of 11 per cent in the 1970s. During

Table 1.4: Gross domestic product by industrial origin, 1977/78 - 1985
(percentage)

	1977/78	1978/79	1979/80	1980	1981	1982	1983	1984	1985
Agriculture, Total	23.48	22.98	20.14	20.61	21.16	25.04	25.91	25.72	26.56
Crops and Other	19.55	18.80	15.60	15.67	15.76	19.25	19.37	19.37	19.18
Livestock	3.93	4.18	4.54	4.94	5.40	5.79	6.54	7.35	7.38
Mining and Quarrying	25.08	23.52	27.59	23.57	18.47	16.73	17.16	19.62	19.82
Petroleum	22.44	21.31	25.50	21.41	16.00	14.61	15.20	18.11	18.68
Other	2.64	2.21	2.09	2.16	2.47	2.12	1.96	1.51	1.14
Manufacturing	5.38	7.42	8.68	11.05	7.54	6.54	8.84	8.22	9.30
Electricity, Gas and Water	0.31	0.38	0.46	0.46	0.59	0.69	0.76	0.83	0.82
Construction	9.49	9.85	9.28	9.69	11.09	9.56	8.82	6.78	5.15
Transportation	3.13	3.48	3.24	3.70	4.84	5.17	4.12	3.27	2.63
Communication	0.17	0.20	0.20	0.18	0.21	0.21	0.22	0.23	0.22
Wholesale and Retail Trade	21.48	19.67	19.31	20.03	21.95	20.17	18.97	18.35	19.16
Housing	3.43	3.76	3.20	3.10	3.55	3.78	3.03	3.19	3.95
Government Services	5.32	5.92	5.26	5.32	7.41	8.12	8.11	8.70	8.18
Other Services	2.73	2.82	2.64	2.29	3.19	3.99	4.06	4.09	4.21
GDP at Factor Cost	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Government of Nigeria.

1980-1985 the share of agriculture in GDP rose sharply from 20.61 per cent to 26.96 per cent after having suffered sharp declines in the late 1970s. The share of mining and quarrying in GDP fell from 25.1 per cent in 1977/78 to 19.8 per cent in 1985 against sharp increase in 1978/80. The service sector accounted for 40.3 per cent of GDP in 1963 and 36.7 per cent in 1981, despite fluctuations during the 1960s and 1970s.

Exports have fluctuated widely during 1983-1987 rising from $10.36 billion in 1983 to $12.57 billion in 1985 but declining every year since then. Export earnings in 1987 were $6.4 billion, representing a decline of 7 per cent in dollar terms from the previous year. The government's export projection for 1988 is only $6.9 billion and even this forecast reflects an optimistic expectation that non-oil exports will increase significantly. Oil continues to dominate the Nigerian economy. Over the period 1982-1986 it provided an average of between 90 to 95 per cent of export earnings although the government expects this share to decline significantly in 1988. The share of the petroleum sector in GDP stood at 17.5 per cent in 1987 but oil receipts still accounted for over 70 per cent of federal revenue in 1987. With known oil reserves in excess of 20 billion barrels, Nigeria is likely to remain dependent on oil revenues particularly as a means of financing public sector investment for a significant time period.

Agricultural output grew at an annual average rate of 4 per cent during 1980-1984 but the droughts of the mid-1980s have offset some of the earlier gains. On the other hand MVA contracted at an annual average rate of -12.5 per cent during 1980-1984 followed by a rapid growth in 1985, which represented only a temporary recovery since MVA declined in both 1986 and 1987. The share of the service sector in GDP rose significantly from 8.6 per cent in 1980 to over 12 per cent in 1984 while the share of trade and transport remained almost constant.

The recession has also seen a marked shift in the structure of aggregate demand. The share of private consumption has increased from 71 per cent of GDP in 1982 to 77 per cent in 1985. The share of government consumption had declined to 9 per cent by that year. Gross domestic investments have declined sharply from 25 per cent in 1982 to just over 10 per cent in 1985 - it is estimated that in real terms gross domestic capital formation has fallen by about 66 per cent during 1982-1985. Domestic savings have fallen much more moderately - from 16 per cent in 1982 to 14 per cent in 1985. It is estimated that the Nigerian terms of trade index declined by about 7 percentage points over the period 1981-1986.

The rising volume of external debt obligation coincided with an increase in both federal and state governments domestic debts.[1/] The federal domestic debt has increased from N14.85 billion in 1982 to over N31 billion at end-1988. Interest payments have become an increasingly important drain on the recurrent budget (on average representing about 25 per cent of the recurrent expenditure during 1984-1988). Increased borrowing from the banking system has tended to fuel inflationary pressure within the economy. As the import liberalization measures introduced during 1987 and 1988 under the SAP accelerates inflationary pressure, the government remains seriously concerned to dampen the inflationary impact of an economic recovery programme.

1/ Owed to domestic banks (including the Central Bank) and suppliers.

The contours of this programme are not entirely clear as yet since the government has postponed the inauguration of the Fifth National Development Plan until the beginning of 1989. The government remains concerned to accelerate the rate of per capita income growth and to restructure the economy so that the dependence on oil is gradually reduced and the national economy becomes increasingly diversified. The development of the manufacturing sector can contribute towards increasing inter-sectoral integration within the national economy, accelerating the growth of agricultural productivity,[1/] enhancing the technological and entrepreneurial capability of the country and reducing the level of urban unemployment - estimated at almost 40 per cent among school-leaving youth in 1986. The growth of manufacturing sector could also provide important opportunities for the expansion of employment in rural areas.

1.3 An overview of the manufacturing sector

With MVA valued at $3.4 billion in 1985, Nigeria ranks as Africa's largest manufacturing economy after Egypt[2/] and twelfth among developing countries.[3/] MVA per capita in Nigeria is still only 70 per cent of the African average (it was less than half this level in 1970) and it is about 35 per cent of the average level of MVA in the developing country group (Annex Table A-2). The share of MVA in Nigeria's GDP is estimated by UNIDO at about 5 per cent in 1985 (at constant 1980 prices) (Annex Table A-1). The government estimates a 9.3 per cent GDP share of manufacturing at constant 1978/79 prices (Table 1.4). In the West African region, Nigerian MVA per capita is higher only than that of Togo, Benin and Guinea.

The manufacturing sector in Nigeria grew at more than twice the average the African state during 1970-1980 (Annex Table A-3). While average African MVA grew at the rate of about 3 per cent per annum during 1981-1985, Nigerian MVA contracted at an annual average rate of 9 per cent during this period.

The manufacturing sector remains heavily import-dependent, despite two decades of growth sustained by import-substituting policies. A wide range of light consumer goods are currently produced. Their development represents what can be aptly described as "easy" import-substitution, localization of assembly and final processing of relatively simple products. The earliest manufacturing units to be established were the agro-based industries, especially vegetable oil-extraction plants, tanneries and tobacco processing units. They were soon followed by textiles, breweries and cement.

The First National Development Plan (1962-1968) was drafted with the anticipation of the first substantial increase in foreign aid. It retained the emphasis on light industry and assemblage. Manufacturing projects included simple machine tools, kitchen utensils, electric fans and motor vehicle assembly. This strategy was broadly retained in the Second National Development Plan (1970-1975). The Third National Development Plan (1975-1980) shifted the emphasis to heavy industry. Within the manufacturing sector the major projects were in steel and the petroleum refining sectors. Industrial production failed to maintain its momentum during this period due to rising

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1/ Particularly by increasing its contribution to the production of agricultural inputs (fertilizers, farm tools, tractors etc).

2/ Estimates of MVA of Egypt are not provided by World Development Report, 1988. UNIDO estimates Egyptian MVA at $5.5 billion in 1984. UNIDO, Industrial Development Review Series: Egypt, 1986, UNIDO IS.637, p.viii.

3/ World Bank, op. cit., 1988.

inflation, increased competition from imports and growing inefficiencies within manufacturing enterprises. The Fourth National Development Plan (1980-1985) retained the emphasis on heavy industry but, many of its policies and strategies remain unimplemented due to the economic crisis which has beset the Nigerian economy since the late 1970s. In the wake of balance-of-payments difficulties the government had to postpone some projects and abandon others. The iron and steel sub-sector has been particularly seriously affected by these developments.

Within the new framework of priorities the Structural Adjustment Policy adopted in 1986 by the government, emphasized increasing domestic sourcing - with domestic sourcing targets of between 50-100 per cent being set for the soft drink, food processing, petrochemicals, chemicals and machine tools sub-sectors. The large-scale devaluation of the Naira during 1986-1988 led to a massive escalation in import costs, and tariff cuts introduced in 1986 and 1988 created severe problems for domestic manufacturers and have led to several representations by the Manufacturers Association of Nigeria (MAN) to the government. The severely restrictive monetary policies of 1986 and 1987 have reduced credit and more seriously prevented a growth in effective demand thus seriously constraining manufacturing markets. Capacity utilization rates fell significantly during 1986-1987.

A recovery in manufacturing production is under way during 1988 depending on the rapid success achieved by domestic producers in switching from imported to local sources. The growth momentum can be maintained if domestic demand expands - a likely consequence of the mildly reflationary 1988 budget and the associated decision to lift the wage freeze - and if the Naira stabilizes in world markets.

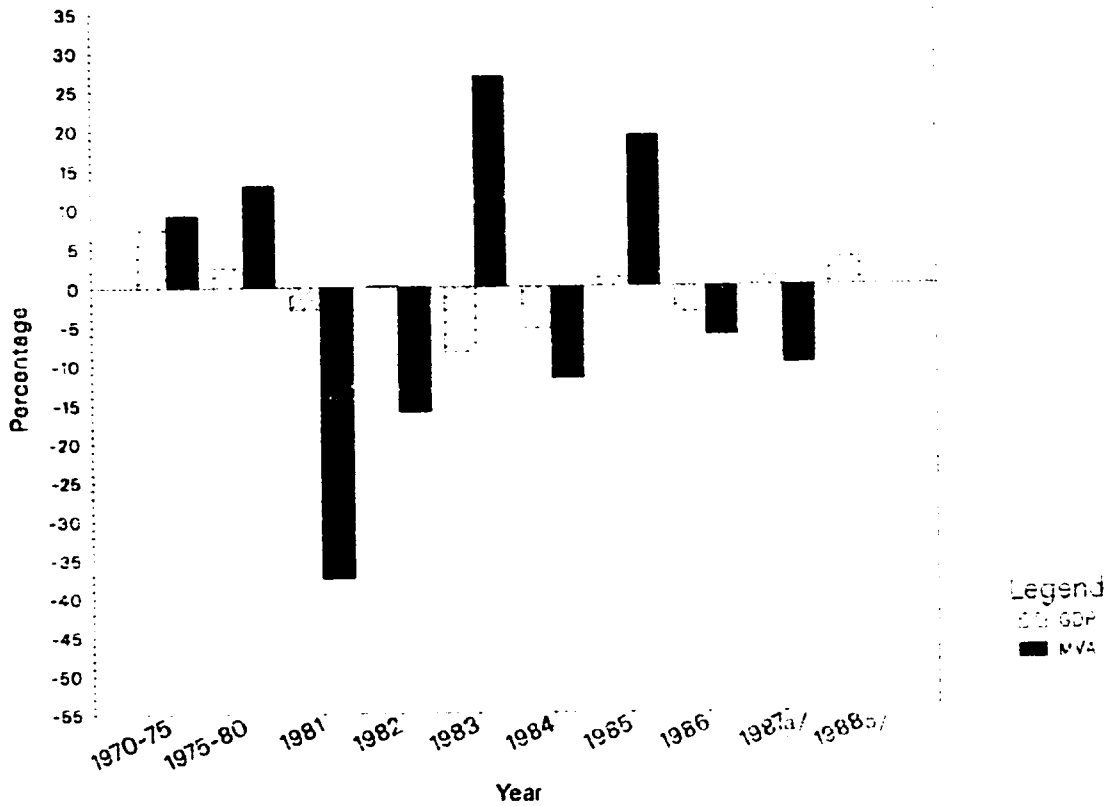
The Structural Adjustment Policy also envisaged a large-scale privatization initiative on the part of the government. Early development of the manufacturing sector was largely due to the investment of foreign capital. The role of public sector has grown following the oil boom and the increased emphasis on heavy industries. The indigenization laws of 1973 and 1977 have contributed to an expansion of domestic private sector investment. In most of the larger manufacturing enterprises, foreign capital retains a presence in collaboration with state and domestic private sector investors. A large proportion of foreign investment was located within the mining and manufacturing sectors.

Foreign interests currently represented in major Nigerian companies include UAC of Nigeria, West African Portland Cement (blue circle) Peugeot Automobile Nigeria, Volkswagen of Nigeria, Chemical and Allied products (ICI), Metal Box, Dunlop, Michelin, John Holt (Lonrho), SCOA Nigeria, CFAO Nigeria, the Leventis and Mandilas groups, and PZ Industries. The privatization initiative that commenced in 1988 include 96 public enterprises - about 50 per cent of these are involved in manufacturing.

Consumer goods industries have usually achieved relatively high growth rates but since 1980 the government has concentrated much public investment in the steel, petrochemical and fertilizer branches. It is likely that this emphasis will be retained in the Fifth National Development Plan to be announced in early 1989.

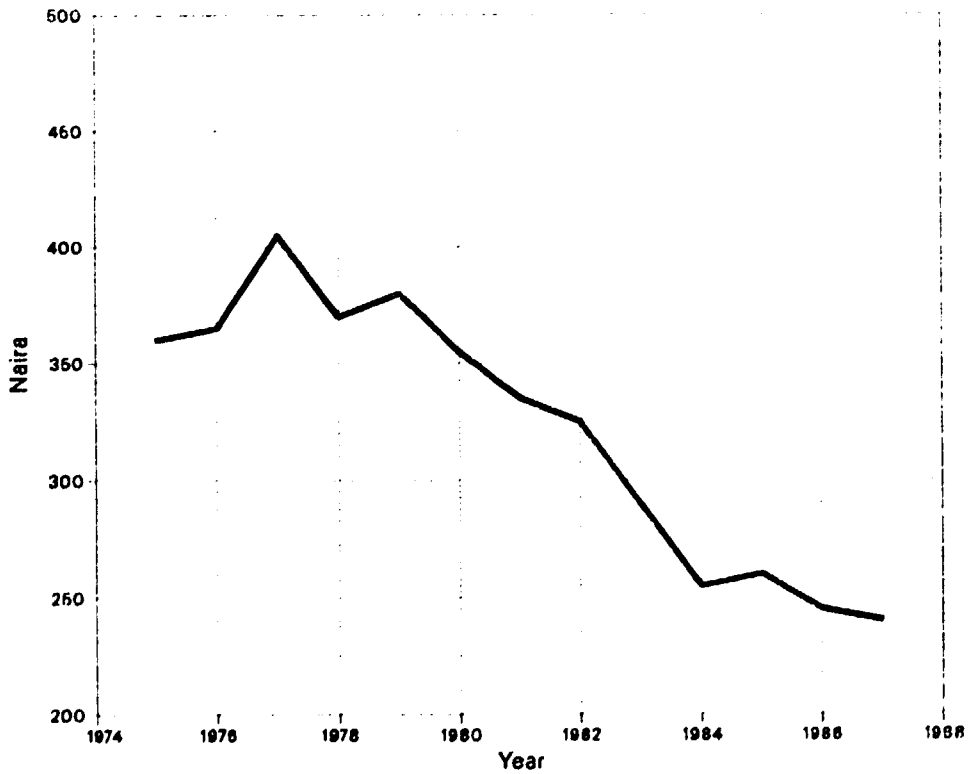
The expansion of the manufacturing sector is necessary for achieving inter-sector integration and balance. The present emphasis on increasing domestic sourcing is likely to contribute to this end. A stimulation of effective domestic demand is seen as a fundamental prerequisite for enhancing growth and performance of the manufacturing sector in Nigeria.

REAL GROWTH RATES OF GDP AND MVA, 1970-1988

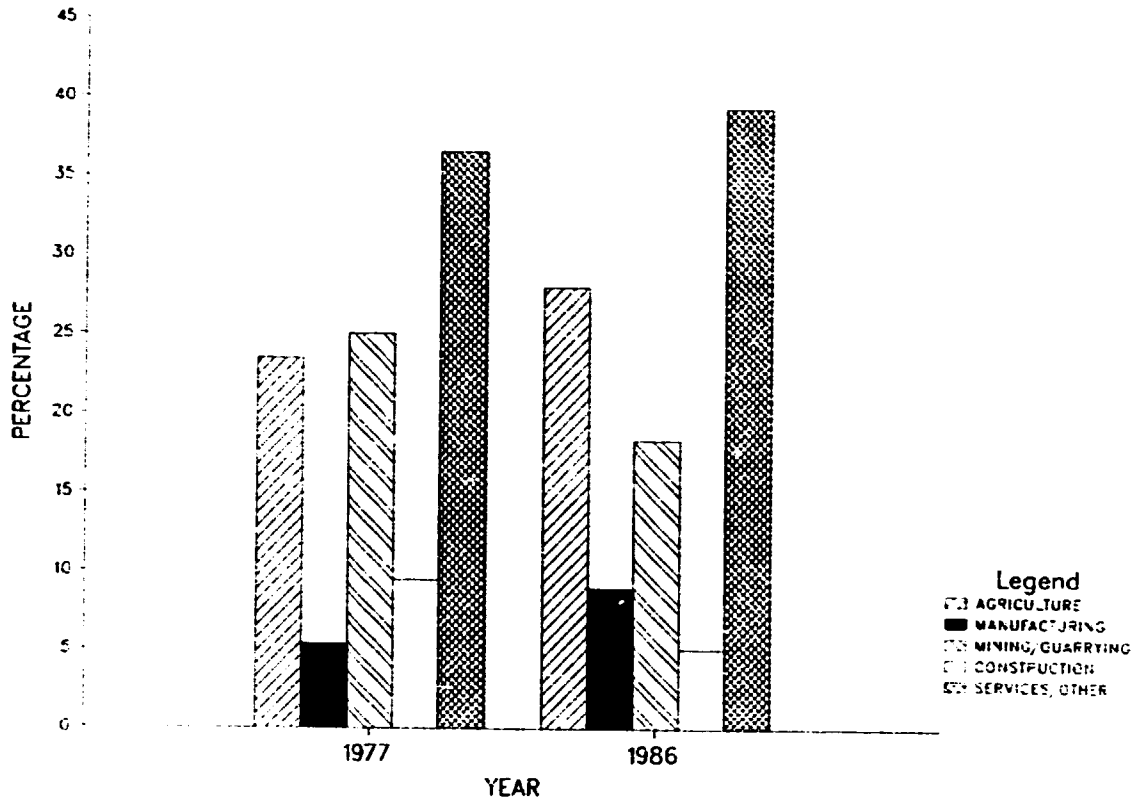


a/ Estimate.
b/ Projection. MVA is not available.

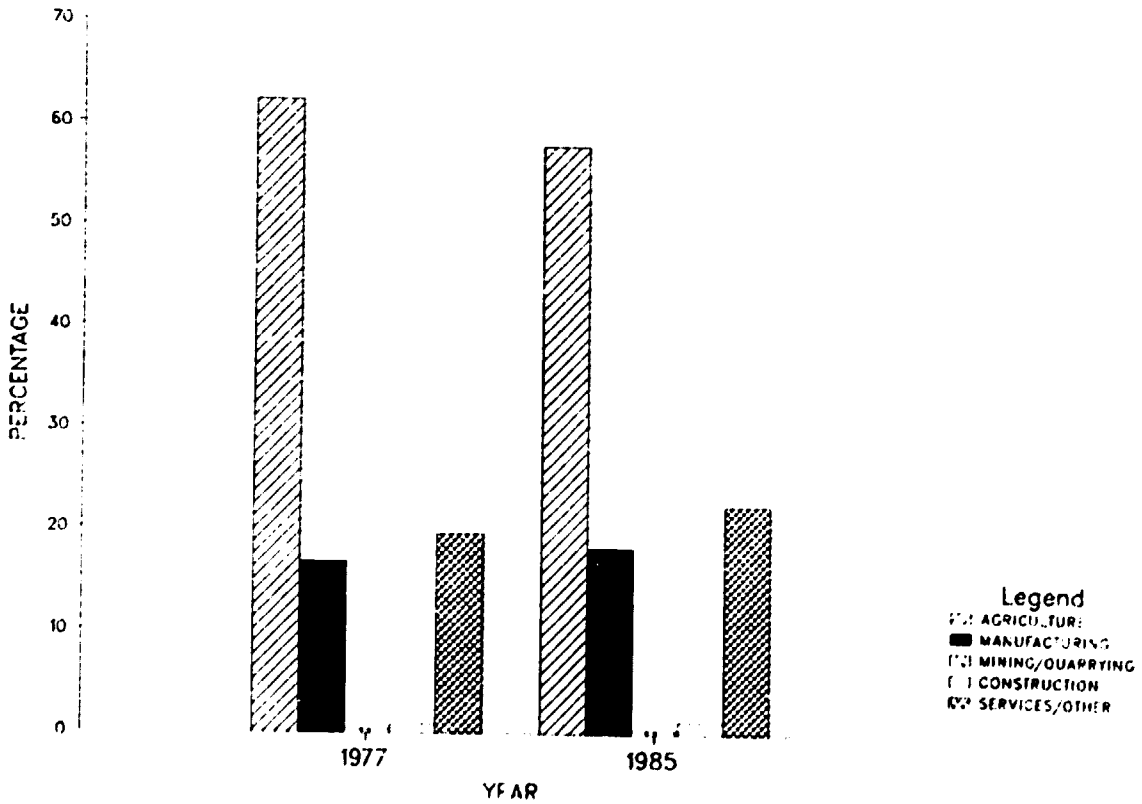
GDP PER CAPITA, 1975-1987
(Naira at constant 1975 prices)



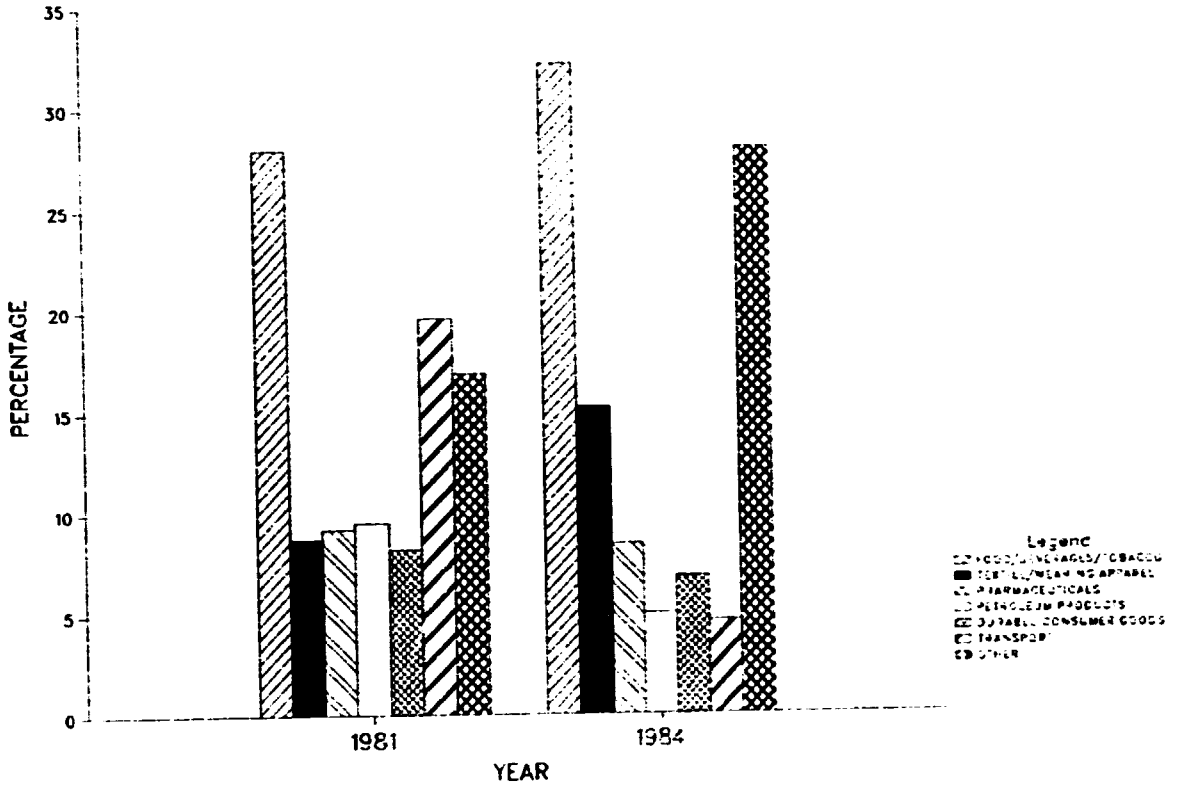
DISTRIBUTION OF GDP BY SECTOR OF ORIGIN, 1977 AND 1986



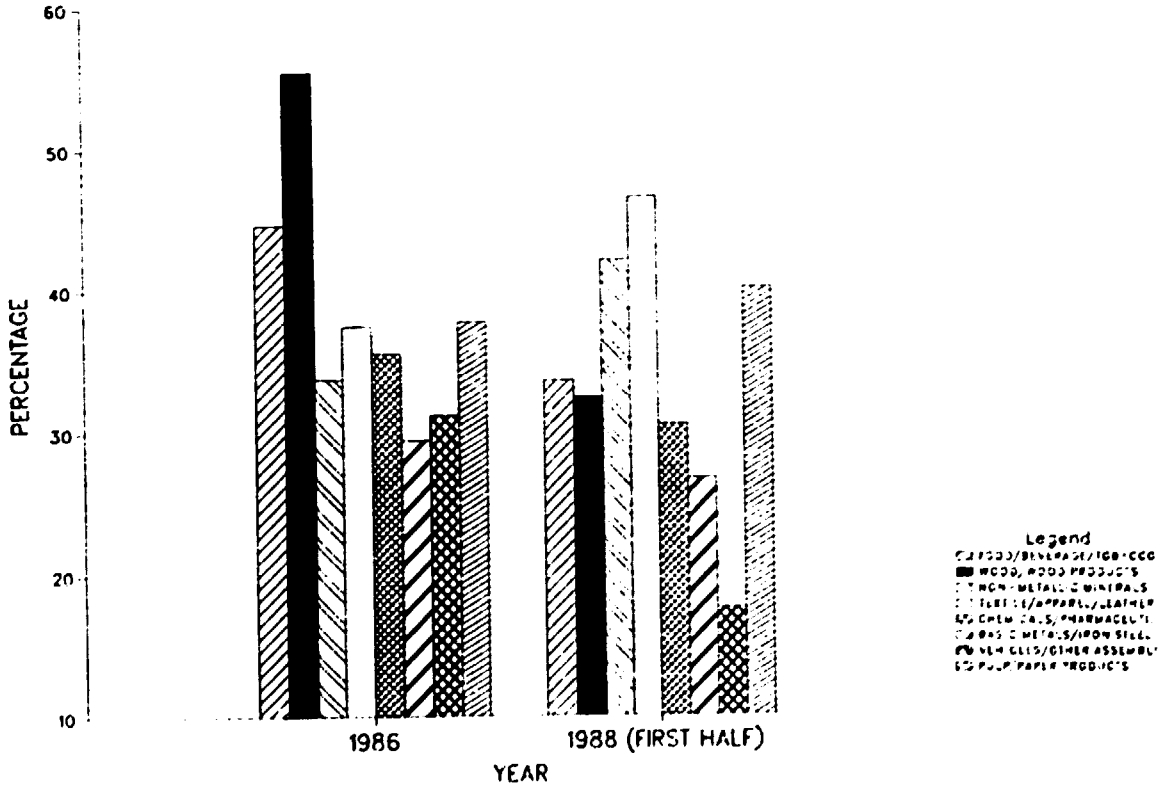
COMPOSITION OF EMPLOYMENT BY SECTOR OF ORIGIN, 1977 AND 1985



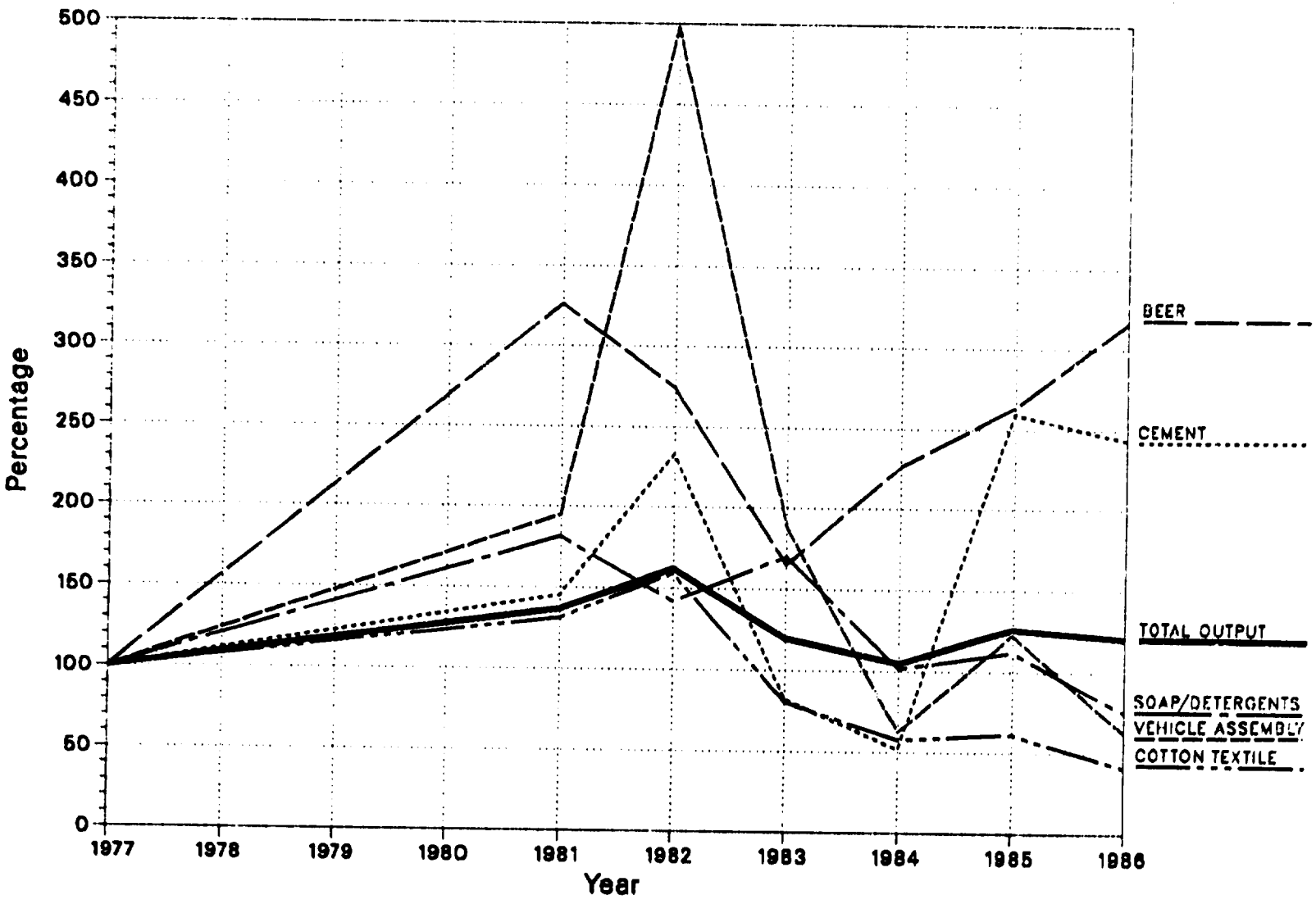
COMPOSITION OF MANUFACTURING VALUE ADDED, 1981 AND 1984



CAPACITY UTILIZATION RATES BY SECTORS, 1986 AND FIRST HALF OF 1988

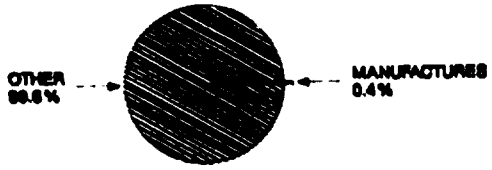


INDEX OF INDUSTRIAL OUTPUT, SELECTED PRODUCTS, 1977-1986
(1977=100)

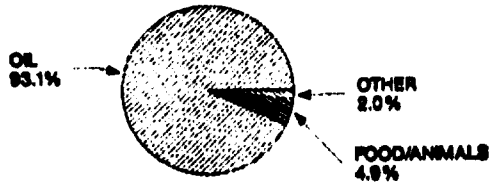


EXPORTS AND IMPORTS, 1986

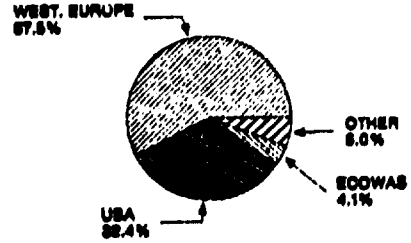
SHARE OF MANUFACTURES IN TOTAL EXPORTS a/



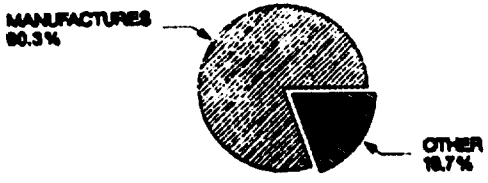
COMPOSITION OF EXPORTS



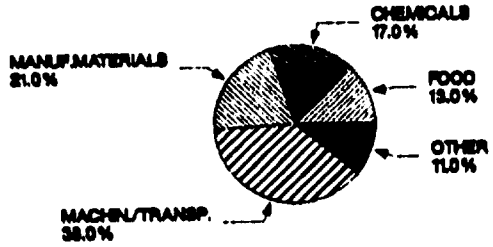
DIRECTION OF OIL EXPORTS



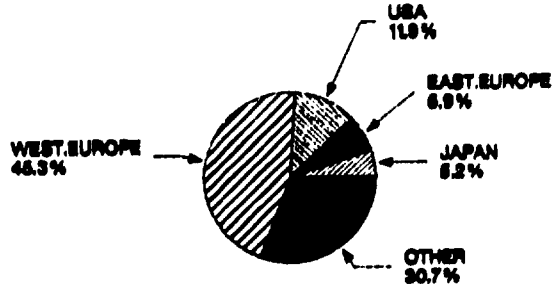
SHARE OF MANUFACTURES IN TOTAL IMPORTS b/



COMPOSITION OF IMPORTS



ORIGIN OF IMPORTS



a/ Manufactures include processed food in addition to SITC 5-8.
b/ SITC 5-3.

2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR

2.1 Growth and structural change

The manufacturing sector in Nigeria grew at an average annual real rate of 9.2 per cent for the first half of 1970s and 13.0 per cent for the last half. With the exception of the year 1974 the index of manufacturing growth was relatively steady in the 1970s. Table 2.1 presents estimates of changes in the index of manufacturing production and of selected products over the period 1977-1986. The major omission from this Table is petroleum products (ISIC 3530) which was estimated to account for on average 12 per cent of MVA during this period. During 1981-1987 the manufacturing sector contracted largely due to the unavailability of required imported inputs. This trend is likely to be reversed in 1988 partly as a result of success in switching from imports to domestic input sources.

Growth rates vary across the sub-sectors of manufacturing. Beer had the highest growth rate in terms of annual output, followed by vehicle assembly, soap and detergents during 1977-1981. Negative growth rates were recorded by vegetable oils, pharmaceuticals and cigarettes. Annual variations in production were very large. In all cases, the standard deviation was significantly greater than the mean. Variations were particularly large in the case of vehicle assembly and pharmaceuticals. Both these branches accounted for a relatively small proportion of manufacturing output over the period 1977-1981.

The period 1982-1986 stands in sharp contrast to the earlier year. The index of total manufacturing production (1972 = 100) fell from 432 in 1982 to 321 in 1986. The volume of production in 1986 was thus 25 per cent below that of 1982 and roughly equivalent to the fall of GDP per capita. The largest contraction was recorded in vehicle, cotton textiles, soaps and detergents and pharmaceuticals.[1/] Annual variations in production have once again been very large. This would suggest that the recovery of some consumer products branches in 1988 may represent no more than an early temporary gain. Beer is the only industrial product which has shown a sustained growth trend during the depression.

Estimates of structural change over the past decade are difficult to make because petroleum products are included in the manufacturing output and value added calculations only since 1981.[2/] Annex Table A-4 reports estimates of gross output and value added (excluding petroleum products) for the period 1973-1980. It shows that structural change during the period has been relatively modest. The value of Spearman's rank correlation coefficient between industries, ranked by value added in 1973 and 1980, was as high as 0.83. The top four industrial branches in 1973 were food manufacturing, textiles, fabricated metals and other chemicals. The textile and fabricated metal product had dropped down to ranks five and six respectively in the 1980 ranking. Other industries which experienced a substantial relative decline include leather, footwear, miscellaneous petroleum, coal and wood products.

1/ Estimates of pharmaceuticals production are not reported by CBN but low capacity utilization rates in this branch indicate negative output growth.

2/ Output and value added estimates in the time series data are reported only up to 1983.

Table 2.1: Index of total manufacturing production and of selected products, 1977 and 1981-1986
(1972=100)

	Total	Beer	Cement	Cotton textiles	Rubber	Soap & detergents	Vegetable oils	Vehicle assembly	Cigarettes	Pharma-ceuticals
1977	266.8	185.5	117.1	179.2	109.3	328.4	14.8	1097.3	122	186.6
1981	394.9	497.3	232.8	212.9	...	470.5	12.5	1727.8	121	127.9
1982	432.7	509.3	272.8	285.5	...	467.0	...	5463.3	...	...
1983	319.0	306.1	96.6	144.8	...	558.6	...	2068.3	...	...
1984	280.8	419.4	60.9	103.9	...	334.1	...	689.3	...	...
1985	336.5	489.3	303.8	110.0	...	367.9	...	1344.1	...	...
1986	321.2	587.3	285.1	73.5	...	247.5	...	687.8	...	...
				(Annual growth in per cent)						
1977-1981	10.3	28.0	18.7	4.4	...	9.4	-4.1	12.0	-0.2	-9.0
1982	9.6	2.4	17.2	34.1	...	-0.7	...	216.2	...	...
1983	-26.3	-39.9	-64.6	-49.3	...	19.6	...	-62.1	...	...
1984	-12.0	37.0	-37.0	-28.2	...	-40.2	...	-66.7	...	...
1985	19.8	16.7	398.9	5.9	...	10.1	...	95.0	...	...
1986	-4.6	20.0	-6.2	-33.2	...	-32.7	...	-48.8	...	...

Source: Central Bank of Nigeria, Annual Report and Statement of Accounts, various issues.

Branches which significantly increased their value added share included transport equipment and other chemicals. The share of consumer goods industries (ISIC 311 to ISIC 332) fell from 58 per cent of MVA in 1973 to 41.6 per cent in 1978. The fall was almost entirely due to a marked decline in the share of transport equipment from almost 20 per cent in 1981 to 4.6 per cent in 1984.

Table 2.2: Structure of manufacturing value added, 1981, 1983 and 1984 (percentage)

Sub-sector of manufacturing	1981	1983	1984
Non-durable consumer goods	64.4	66.4	71.8
Food, beverages and tobacco	27.9	27.2	32.1
Textile, wearing apparel	8.7	10.5	15.2
Footwear and leather	0.7	0.8	2.5
Paper and products	3.5	3.7	5.2
Rubber and plastic	4.0	2.1	3.0
Pottery and china	0.9	0.4	0.6
Pharmaceuticals	9.2	6.5	8.4
Petroleum products	9.5	13.1	5.0
Durable consumer goods	8.2	8.8	6.8
Furniture	4.4	5.0	2.2
Non-electrical household goods	1.1	1.3	1.2
Radios and TV sets	1.0	0.4	1.4
General electrical household goods	...	...	...
Other consumer goods	1.7	2.0	2.2
Capital goods	36.0	24.8	21.3
Basic metal products	...	...	1.6
Fabricated metal products	4.5	5.8	6.9
Machinery	0.01	0.1	0.0
Transport	19.6	14.4	4.6
Other capital goods	3.7	4.7	8.3

Source: Federal Office of Statistics, Industrial Survey of Nigeria, 1980-1983, Industrial Survey of Nigeria, 1984, Lagos (mimeo).

The structure of manufacturing gross output and MVA for 1981-1984 may be compared on the basis of industrial survey results published by the Federal Office of Statistics.[1/] The relative weight of the non-durable consumer goods industries can be seen to have increased significantly during the recession of the first half of the 1980s (1984 in particular). The food and

1/ The survey is limited to manufacturing enterprises each employing 10 or more persons. The response rate is not reported for the 1980-1983 results. The relationship to statistics reported by UNIDO in Annex Table A-4 is uncertain.

beverages branches produced almost one-third of Nigerian MVA. The share of the textile and wearing apparel branches has also continued to increase during the 1981-1984 period. The share of petroleum products and transport equipment has declined dramatically, particularly in 1984. The share of "other chemicals" has also fallen.[1/] The relative weight of intermediate and capital goods branches has declined significantly during the recession - from 63.1 per cent in 1981 to 43.5 per cent in 1984.[2/] This reflects the higher import intensity of the heavy industry branches and the consequent greater impact of the severe foreign exchange shortages on their performance in recent years.

Despite the emphasis laid in the Fourth Development Plan (1980-1985) on the growth of the petroleum products and the steel industries, the structural change achieved during the 1970s reflected a significant decline in the share of the consumer goods industries.[3/] However, neither 1983 nor 1984 could be taken to be 'normal' years as manufacturing production declined by 26 per cent in 1983 and by 12 per cent in 1984. The data in Table 2.1 shows that when industrial recovery occurred in 1985, non-consumer goods branches - vehicles and cement - recorded a stronger growth performance.

2.2 Performance and efficiency

According to UNIDO calculations, positive labour productivity growth in real terms[4/] was recorded for only 13 of the 26 branches for which data is available for the 1973-1983 period. Productivity growth in the case of three of these sectors (electrical machinery, other chemicals and leather products) was not significantly greater than zero. The productivity growth performance of the intermediate and capital goods industries was particularly disappointing.

For an earlier period of 1973-1978 the World Bank has estimated that employment within the manufacturing sector expanded by 83 per cent while MVA (measured in constant 1977 prices) grew by 79 per cent.[5/] This would indicate a small decline in MVA per employee measured in real terms. This is a particularly sombre finding since the period 1973-1978 represents the high point of the oil boom.

1/ This is not shown in Table 2.2 where "other chemicals" have been classified among "other capital goods and pharmaceuticals". UNIDO estimates that the share of "other chemicals" (ISIC 3520) declined from 11.7 per cent in 1981 to 8.4 per cent in 1983.

2/ Intermediate and capital goods are here defined as paper products, rubber and plastics, pottery, pharmaceuticals, petroleum refineries, basic and fabricated metal products, machinery, transport and other capital goods.

3/ As conventionally defined ISIC 311 to ISIC 332.

4/ Measured as VA/E at constant 1980 prices (VA = value added, E = employment).

5/ World Bank, Nigeria - Macroeconomic Policies for Structural Change, Report No.4506-NIG, 1983, p. 35.

Estimates of total factor productivity growth within the manufacturing sector for the period 1962-1980 are provided in a study[1/] of factor productivity trends in Nigeria. The estimates show that total factor productivity increased from an index of 100 in 1962 to an index value of 239.91 in 1970. Total factor productivity growth was negative for most years during the 1970s. UNIDO estimates of total factor productivity growth in Nigerian manufacturing during the 1980s is presented in Table 2.3. It is clear that factor productivity has declined substantially during the first half of the 1980s.[2/] It has been argued that productivity levels in mid-1980s were about a third of the levels achieved a decade earlier.

Some indicators of the financial performance of the manufacturing sector are given in Table 2.4. The most striking aspect of the pre-recession period (1970-1978) was the relatively high level of the gross profit to value added ratio. The mean gross profit to value added ratio was as high as 80 per cent during this period (with a very low standard deviation). This declined to 75 per cent during the recession of the 1980s. Profit levels have risen even in years when industrial output has fallen drastically (such as 1983). Despite the growth of wages they still constitute only about a quarter of value added. There is also no indication of rising industrial cost during the 1980-1984 period - the average value added to gross output ratio actually rose to 46 per cent during 1980-1984 from 44 per cent during 1970-1978. The decline in factor productivity must therefore be attributed to a high level of monopolization of the Nigerian manufacturing sector. This monopolization inhibits the growth of investment, modernization and upgrading of the productive equipment in most manufacturing enterprises.

It is important to stress that the healthy growth of the manufacturing sector depends not only on the generation of high profit rates - this has already been achieved during the 1970s albeit in an inefficient way, i.e. through excessive government protection - but also on a sustained and rapid growth of self-financing ratios within the sector. Given the high level of foreign participation within Nigerian manufacturing - and the consequent high relative level of transfer payments on Nigeria's current account, increasing industrial efficiency must involve a recognition of the need for an improvement of the terms on which Nigeria supplies exports and receives imports and capital from international markets.

1/ A.O. Olaoye, "Total Factor Productivity Trends in Nigerian Manufacturing", Nigerian Journal of Social and Economic Studies, Vol. 2, No.3, 1985, p. 322.

2/ Table 2.3 shows an increase in factor productivity in 1983. This is a paradoxical finding where the index of industrial production shown in the Central Bank of Nigeria's annual series shows a decline in production of 26 per cent in 1983, the value of both industrial production and value added recorded in the Federal Office of Statistics (FOS) Industrial Survey, are shown to have gone up. This would show that the productivity gains recorded are something of a statistical illusion - due not to an increase in physical output for factor input by changes in output and factor prices.

Table 2.3: Indices of total factor productivity growth in Nigerian manufacturing, 1980-1984[a/ b/]
(1980=100)

Year	Value added	Labour services	Capital services	Factor input	Total factor productivity (percentage)
1980	100.00	100.00	100.00	100.00	100.00
1981	90.06	129.95	127.68	128.80	69.92
1982	74.09	134.44	184.49	157.49	47.04
1983	97.83	134.81	73.51	99.54	98.28
1984	86.97	154.65	95.79	121.71	71.45

Source: Federal Office of Statistics, Industrial Survey of Nigeria, 1980-1983 and 1984.

a/ For an explanation of the usefulness and limitation of these measures, see Jorgensen D.W. and Grilliches III, "The Explanation of Productivity change", Review of Economic Studies, Vol. 34, No.67, 1967, pp. 13-24.

b/ Value added is measured in millions of Naira.
Capital services are measured as net capital formation in manufacturing enterprises with more than 10 employees.
Labour services are measured as total wages and salaries upon total manufacturing employment.

$$\text{Factor input} = \sqrt{(\text{index of wage per man})(\text{index of net capital formation})}$$

$$\text{Total factor productivity} = \frac{\text{Index of value added}}{\text{Factor input}}$$

Table 2.4: Selected indicators of the financial performance of the manufacturing sector, 1970-1984

Year/Ratio	Gross profit wages	Gross profit value added	Value added output
1970	3.41	0.82	0.46
1971	3.95	0.80	0.46
1972	3.64	0.78	0.47
1973	3.90	0.83	0.44
1974	3.98	0.80	0.46
1975	3.73	0.79	0.43
1976	3.96	0.80	0.38
1977	3.28	0.77	0.42
1978	3.48	0.78	0.45
1979	...	...	...
1980	3.57	0.78	0.51
1981	2.29	0.70	0.38
1982	2.69	0.73	0.46
1983	3.88	0.79	0.52
1984	2.91	0.74	0.43

Source: UNIDO, Industrial Development Review Series: Nigeria, IS.557, 1985, p. 20, UNIDO data base.

2.3 Trade in manufactures

Manufactured exports accounted on average for less than one per cent of total export earnings during 1981-1987.[1/] Non-oil exports accounted for 6.3 per cent (N561 million) of total exports in 1986. In 1987 the value of non-oil exports doubled to N1,157 million mainly due to the depreciation of the Naira; yet its share declined to 4.6 per cent. Major non-oil exports consist of cocoa and cocoa products[2/] followed by rubber and palm kernels. Given the relatively depressed prices in international cocoa markets a significant increase in its share of non-oil exports will be difficult in spite of the government's effort to promote the non-oil exports sector.

1/ Manufactured exports are narrowly defined as SITC 5 to 8 (less 68). Within this definition manufactured exports would account for only 0.04 per cent of total exports in 1986. However, exact estimations of manufactured exports are difficult to obtain since petroleum products, processed food and some manufactured goods are classified in non-manufactured products categories. If the exports of processed food, mainly cocoa products are included in addition to the narrow definition categories, the manufactured exports would account for 0.4 per cent of total exports in 1986.

2/ Cocoa and cocoa products have traditionally been Nigeria's second major exports accounting on average for about 2 to 3 per cent of export earnings during 1981-1987.

The evolution of Nigeria's industrial structure has been heavily influenced by tariffs, quantitative restrictions and exchange-rate management. Up to 1986 Nigeria had an exchange rate which has tended to depress the level of manufactured exports. Moreover, many manufacturing enterprises - particularly foreign ones - grew up behind high protectionist barriers during the 1960s. Nigerian manufacturing enterprises have remained mainly domestically oriented.

During this period the share of manufactures in total exports also fell from 12.6 per cent to 0.3 per cent. Since 1981 the share of manufactured exports in total exports has approximately doubled. This is explained mainly by the relative decline in oil receipts, although manufactured export growth has been less affected by declining prices than agricultural exports. Nevertheless the impact of the protection system on manufactured export performance has been significant. Effective protection of manufacturing actively increased during the 1970s.[1/] Import restrictions during 1982-1986 are also likely to have further increased the effective protection rates for most manufacturing products. The highest values for the Effective Rate of Protection (ERP) are estimated for assembly industries and consumer goods industries with high import content. Export-oriented[2/] and domestic resource-based industries have generally had low ERP values. In 1980 relatively high negative ERPs were estimated for fertilizers, cement, sugar, finished textiles and industrial products.[3/] These branches generally tended to have a relatively high domestic resource use ratio. Up to 1986 it was possible to discern a relationship between the level of protection and the level of industrial efficiency at the branch level.

A striking feature of the protection system that existed until the adoption of the SAP related reforms in 1986 was the high degree of variance in relative net ERPs both between activities and within end-use groupings. The metal working sector, e.g., iron rods, wires and matchets, had negative ERPs while the value of the ERPs, ranged between 30-65 per cent for products such as metal, furniture, tin containers and household utensils (Annex Tables A-6 to A-8).

During 1988 the government announced a major policy initiative for a comprehensive reform of the industrial incentive and protection system. The cornerstone of this new reform package is the emphasis placed on de-regulation and liberalization of the economy. On the 1st January 1988 the government announced a comprehensive new tariff structure to remain in operation for a seven-year period.[4/] Whereas, it is too early to assess the overall impact

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1/ World Bank, Nigeria - The Industrial Incentive System Report, No.4272 - UNI, 1983, pp. 31-40.

2/ These include particularly leather and natural leather products.

3/ These are domestic demand-oriented industries.

4/ The detailed coverage of the new tariff structure is reflected in the following document: Federal Republic of Nigeria, Official Gazette, Lagos, 1st January 1988.

of the new tariff structure on industrial protection[1/] a major aim is to reduce the import content of manufactured output. The strategy has therefore been to reduce duties on imported finished products and to raise the tariffs on intermediates. These measures go hand in hand with policies aimed at increasing the access of traders to the foreign exchange market (through the auction operations of the Foreign Exchange Market and provisions of a proportion of foreign exchange earnings by exporters). These policies may provide a stimulant for the expansion of imports of particular industries - such as automobile assembly and packaging - and may find themselves exposed to greater international competition.

Table 2.5 shows that the import content of apparent consumption in Nigeria remains very high as far as manufacturing products are concerned despite more than two and a half decades of intensive pursuit of import-substitution policies. The Table is of course incomplete with the major omission being products in the ISIC category 38 (i.e. machinery and transport equipment). Even so it is clear that import-substitution has made effective inroads into a very small number of product areas - mainly confined to the food manufacturing, footwear, wearing apparel and petroleum related branches. The import to apparent consumption ratios approach 100 per cent in the case of no less than 65 per cent of the products for which data is available. A comparison with similar data for other African countries shows that import-substitution in Nigeria is not significantly above average.[2/] Significant scope for import-substitution remains in the paper, chemical, petrochemical (particularly fertilizers and pesticides) and metal product industries. Any viable industrialization strategy must concentrate on the opportunities available for efficient import industrialization. This is particularly important because as the export to apparent consumption is significantly positive in the case of only 6 of the 67 products (cocoa powder, cocoa butter, residual fuel, distillate fuel,[3/] zinc plates and un-wrought tin) for which data is available (Annex Table A-9).

Turning to the share of imports in industrial inputs, it can be seen from Table 2.6 that the import content of industrial inputs is the highest in the intermediate and capital goods branches. It stood at 80.7 per cent for electrical machinery in mid-1987, followed by industrial plastic and rubber (79.4 per cent), vehicles (78.2 per cent), paper products (60.1 per cent), chemical and pharmaceuticals (55.8 per cent), and basic metal and fabricated metal products (50.3 per cent).

1/ This is so because, following the introduction of the tariff structure, changes in fiscal measures have been announced in several cases to compensate at least partially the effects of the reversed tariff schedules. Also the continued (and accelerated) depreciation of the Naira makes a stable estimation by the structure of branch level ERPs difficult.

2/ Thus the average import-to-apparent consumption ratio for manufacturing products for 40 African countries approached 100 per cent in 63 per cent of the cases for the 1981-1983 period, see UNIDO, "Industry and Debt in Africa", Industry and Development, No.17, 1987, pp. 1-6.

3/ The value of the export to apparent consumption ratio in the case of distillate fuel for the 1982-1984 period is only 5 per cent.

Table 2.5: Import to apparent consumption ratio, 1979-1984
(percentage)

0% - 9%	10% - 29%	30% - 49%	50% - 90%	100%
Cocoa butter	Raw Sugar	Prepared animal feed	Cotton yarn	Refined sugar
Cotton woven fabrics	Cocoa powder	Non-cellulosic staple and tow	Lubricating oil	Wool yarn
Knitted fabrics	Vegetable oils	Motor gasoline	Glass bottles	Wollen woven fabrics
Veneer sheets	Footwear	Lead refined		Wood pulp
Particle boards	Residual fuel oils			Fibre pulp
Kerosene	Tin unwrought			Wood pulp dissolving
Distillate fuel				Wood pulp sulphates
Liquified petroleum gas				Wood pulp sulphite
				Wood pulp semi-chemical
				Newsprint
				Other printing paper
				Kraft paper
				Other paper
				Methanol
				Chlorine
				Sulphuric acid
				Nitric acid
				Zinc oxide
				Titanium oxide
				Lead oxide
				Ammonia
				Caustic soda
				Dye stuffs
				Nitrogenous fertilizers
				Phospatic fertilizers
				Poltaric fertilizers
				Rubber synthetic
				Regenerated cellulose
				Plates and sheets
				Railway tracks
				Steel castings
				Copper refined
				Copper bars
				Copper plates
				Copper tubes
				Aluminium unwrought
				Aluminium bars
				Aluminium plates
				Aluminium tubes
				Zinc unwrought
				Zinc plates

Source: UNIDO data base.

Table 2.6: Share of imports in industrial inputs, mid-1987
(percentage)

Sub-sector of manufacturing	Imports as per cent of industrial inputs
Food, beverages, tobacco	34.8
Wood and wood products	22.4
Non-metallic minerals	23.5
Textile and wearing apparel	47.6
Chemicals and pharmaceuticals	55.8
Industrial plastic and rubber	79.4
Basic metal and fabricated metal products	50.3
Vehicles	78.2
Electrical machinery	80.7
Paper products	60.1

Source: Manufacturers Association of Nigeria, Sample Survey of the Manufacturing Sector, June 1987.

The relatively slow growth of Nigerian export earnings has, as indicated earlier, induced the government to lay special emphasis on the need to reduce the import content of manufacturing output. UNIDO previous survey had found that in the early 1980s, 60 per cent of the raw material consumed in the manufacturing sector was imported.[1/] A sample conducted by MAN in mid-1987[2/] found that the use of imported raw materials had declined significantly particularly in the consumer goods branches. The principle cause of this decline was the devaluation of the Naira and the rapid increase in the cost of imported raw materials - on average import costs rose by 47 per cent faster than the cost of domestic raw material inputs in the period January-June 1987.[3/] Investments undertaken during this period have been "mainly directed at adapting plants for local sourcing of raw materials or for plant replacement".[4/]

There is an urgent necessity to accelerate the use of domestic resource content of manufactured output. There is a need to increase the backward integration of the Nigerian manufacturing industry. This is of particular importance with respect to the agro-based industries for which there exists an enormous resource potential. Nigeria is rich in agricultural resources which could provide a basis for the rapid development of export oriented food processing, textiles and other consumer goods industries. Nigeria's climate

1/ UNIDO, Industrial Development Review Series: Nigeria, IS.557, 1985, p. 27.

2/ The sample contained responses from 222 manufacturing firms. The Survey does not state the share of the respondent firms in terms of MVA, gross output or manufacturing employment.

3/ Manufacturers Association of Nigeria, op.cit., p. 7.

4/ Manufacturers Association of Nigeria, op.cit., p. 1.

is suitable for a wide variety of crops. Before the oil boom the agricultural sector provided some 80 per cent of Nigeria's exports. After a decline lasting several years agricultural production has picked up since 1984 (Table 2.7). Physical volumes of output reported in Table 2.7 show positive growth rates during 1984-1986, with a few exceptions. The agricultural sector has benefitted from the government's decision to raise producer prices and the de-regulation of agricultural marketing. Export levels have tended to lag significantly behind production partly due to depressed world commodity prices and partly due to the repatriation of foreign exchange earned through agricultural exports.[1/] A strengthening of inter-sectoral linkages between agriculture and manufacturing is thus both a viable and an essential step in the development of a resource-based industrialization strategy for Nigeria.

Equally important for the development of such a strategy is the growth of a local capital goods industry which can benefit from the existence of relatively cheap energy resources. Nigeria is the fifth largest oil producer in OPEC, with a capacity of 2.4 million barrels a day of light, high quality with low sulphur content. Proven oil resources are currently estimated at well above 20 billion barrels which is sufficient to last for about 20 years at present rates of extraction and large areas remain to be explored.

Proven gas reserves stand at 2.4 trillion cu m, and additional reserves of 1.84 trillion cu m are estimated. Around 60 per cent of these reserves lie to the east of the Niger delta, and the remainder to the west. Most of the gas produced is flared at the well head. In 1985 production was to the tune of 18.5 billion cu m, of which 2.5 billion cu m was sold to local industry, 543 million cu m consumed by the oil companies and remaining 15 billion cu m flared. In addition Nigeria posseses extensive coal and hydro-electric resources.

Development of both steel and petrochemical branches depends crucially upon the efficient domestic utilization of the ample energy resources Nigeria possesses. The development of a local machine tool and fertilizer industry can play an important part in reducing import dependence and stimulating productivity growth. The expansion of these branches can be at the heart of an industrialization strategy that seeks inter-sectoral integration and the enhancement of the technical skills of manufacturing workers. A resource-based import-substitution industrialization strategy can prove viable in the Nigerian context given the large domestic market and many obstacles which impede the growth of manufactured exports. Such a strategy can also make a significant contribution towards the expansion of manufacturing employment and the strengthening of inter-sectoral linkages within the Nigerian economy.

The concern with increasing exports sometimes obscures the continued importance of an efficient import-substitution strategy for Nigeria. This is because during the 1970s, Nigeria lost the ground that it had covered during the 1960s in this respect. Table 2.8 presents sources of growth estimates for Nigerian manufacturing production, and shows that import-substitution came to a halt during the 1970s when high oil prices enabled Nigeria to expand manufactured imports at a phenomenal rate - for 12 of the 28 sectors for which results are reported in Table 2.8 import-substitution was significantly negative. Import-substitution remains confined to the chemical, petrochemical

1/ "Cocoa Exports Gets Foreign Exchange Out", African Business, November 1987, p. 60.

Table 2.7: Estimated output of major agricultural commodities, 1984-1986
('000 tonnes, except otherwise stated)

Commodities	1984[a]	1985[a]	1986[a/b]	Percentage change 1984-1985	Percentage change 1985-1986
Crops					
Maize	1,058	1,190	1,336	12.5	12.3
Millet	3,349	3,684	4,111	10.0	11.6
Sorghum	4,608	4,991	5,455	8.3	9.3
Rice	157	196	283	24.8	13.8
Beans	477	611	732	28.1	19.8
Cassava	1,204	1,378	1,564	14.0	13.5
Yam	4,600	4,738	5,209	3.0	9.9
Plantain	1,086	1,113	1,127	2.5	1.3
Soya beans	43	60	73	39.5	21.7
Melon	143	147	153	2.8	4.1
Groundnut	591	621	640	5.1	3.1
Beniseed	31	35	35	12.9	0.0
Coconuts	101	102	104	1.0	2.0
Sheanuts	99	100	103	1.0	3.0
Cotton seed	108	114	100	5.6	-12.3
Palm kernel	340	360	350	5.9	- 2.8
Palm oil	550	615	650	11.8	5.7
Cocoa	140	160	123	14.3	-23.1
Rubber	199	226	190	13.6	-15.9
Sugar cane	821	862	897	5.0	4.1
Livestock					
Poultry	62	64	67	3.2	4.7
Goat meat	177	186	192	5.1	3.2
Lamb and Mutton	65	66	68	1.5	3.0
Beef	199	212	223	6.5	5.2
Pork	28	31	33	10.7	6.5
Milk	164	172	180	4.9	4.7
Eggs	380	390	399	2.6	2.3
Fish					
Artisanal coastal and brakish water catches	228	142	128	-37.7	-9.9
Lakes and river catches	92	61	104	-33.7	70.5
Fish farm	22	15	...	-31.8	...
Industrial coastal/shrimp	25	25	14	0.0	-44.0
Forestry ('000 cu m)					
Roundwood	89,843	92,538	92,562	3.0	0.0
Sawnwood	900	910	926	1.1	1.8
Wood based panels	110	113	118	2.7	4.4
Paper and paper boards	12	13	14	8.3	7.7

Source: Derived from data from Federal Office of Statistics (FOS), FAO, Production Yearbook; CBN, Annual Survey Reports; Annual Reports of the Federal Ministry of Agriculture. Water Resources and Rural Development and Returns from State Ministries of Agriculture and Natural Resources.

a/ Revised.
b/ Provisional.

Table 2.8: Source of growth in gross manufacturing output, 1970-1979 (percentage)

	Domestic demand	External demand	Import substitution	Statistical discrepancy a/
Total manufacturing	99.75	.25	.00	1.44
Food products	166.96	.10	-67.06	9.54
Beverages	99.90	.01	.09	.00
Tobacco	99.77	.00	.23	.00
Textiles	92.53	-.31	7.78	.80
Wearing apparel	211.19	-3.83	-115.03	.00
Leather and fur products	99.06	30.31	-29.38	14.85
Footwear	94.19	.00	5.81	.00
Wood and cork products	113.14	-2.90	-10.24	5.90
furniture and fixtures	94.78	.01	5.21	.00
Paper and paper products	64.82	.13	35.05	.00
Printing and publishing	105.14	.98	-6.12	.12
Industrial chemicals	48.21	.10	51.69	.03
Other chemical products	82.01	.03	17.96	.02
Petroleum refineries	84.76	6.64	8.60	.07
Mix petroleum and coal products	108.86	.07	-8.93	.21
Rubber products	156.13	.00	-56.13	.01
Plastic products	92.33	.00	7.68	.00
Pottery china	570.47	.48	-470.96	.00
Glass and glass products	92.16	.05	7.80	.00
Other non-metallic minerals	110.76	.39	-11.14	.00
Iron and steel	.00	.00	100.00	.00
Non-ferrous metals	162.93	-25.09	-37.84	74.61
Metal products excluding machinery	114.13	.63	-14.76	.01
Non-electrical machinery	12.15	.02	87.83	.00
Electrical machinery	82.83	.06	17.12	.00
Transport equipment	11.34	.00	88.66	.00
Professional and scientific goods	-468.10	-.14	568.24	-.19
Other	154.32	-.02	-54.30	.07

Source: UNIDO data base.

a/ Statistical discrepancy in matching ISIC gross output data with SITC trade statistics.

Note: "Sources" of growth have been estimated using the following formula:

$$\Delta X = M_1 (\pm D + \Delta W) + M_1 (\Sigma E) + (M_2 - M_1)(Z_1)$$

Where X = domestic supply, $M_1 = X_1/Z_1$

$(D + W)$ = domestic + intermediate demand, E = exports,

$M_2 = X_2/Z_2$, Z = total supply.

and capital goods branches.[1] There thus remains ample scope for recouping the losses of the 1970s through the implementation of an efficient import-substitution strategy. This requires, however, that the production technology by the import-substituting branches should not itself be import dependent. It should be capable of utilizing Nigeria's national resource base and of contributing to a significant expansion of employment within the country.

An important problem in this respect is the very limited growth of sub-regional trade within West Africa. Nigeria is an active member within the Economic Community of West African States (ECOWAS), established in 1975. Yet trade with ECOWAS partners constituted less than three per cent of total Nigerian trade in the mid-1980. About 70 per cent of total manufactured exports are destined for developed market economies. An expansion of Nigerian manufactured exports must mean increased penetration of these highly competitive markets. This would be facilitated if the level of discrimination against labour-intensive manufactured exports is reduced - through, for example, an expansion of Stabilization Programme for Exports (STABEX) and of the Generalized System of Preferences (GSP) schemes and implementation of some of the trade liberalization proposals currently being negotiated within the context of the Uruguay round. An expansion of developed country markets can be most fruitful if regional groupings such as ECOWAS provide a framework for the co-ordination of national export strategies so as to limit cut-throat competition among the developing countries seeking to supply these markets and to enable the developing countries to benefit from economies of scale in developing appropriate production and investment strategies for capitalizing on the new market opportunities.

2.4 Investment and ownership patterns

Investment has declined significantly during the recession of the 1980s. The gross domestic investment to GDP ratio has declined from 19 per cent during 1965 to 12 per cent in 1986. The gross national saving to GDP ratio stood at only about 10 per cent in 1986.[2] The Fourth Plan expected a gross domestic investment ratio of 15.6 per cent and a gross national saving ratio of 8.4 per cent by the end of 1938. Under the Structural Adjustment Programme, total capital expenditure was planned to be of the order of N17,710 million (in current prices). Industry was to obtain N2,693 million, i.e., 15 per cent of the total public investment.[3] Only the agricultural sector's share of total planned investment expenditure was significantly higher (18.7 per cent). This would reflect the relatively high priority the government places on investment in manufacturing industry. Although the postponement of the Fifth National Development Plan has meant that the sub-sectoral investment priorities cannot be drawn at this stage, it can nevertheless be predicted that manufacturing will remain a favoured sector and

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1/ With the important exception of metal products.

2/ World Bank, World Development Report, 1988.

3/ The investment in the oil and gas was to total N1,954 million (11 per cent of the total) an unspecified proposition was allocated to petroleum refineries.

public investment will be mainly directed towards the intermediate and capital goods branches particularly steel and petroleum refineries. Estimates of inter-branch investment in Nigerian manufacturing over the period 1971-1985 are presented in Table 2.9.

These estimates are very tentative, being based on a variety of sources. Comparability in terms of sectoral shares, particularly over time is strictly limited. Nevertheless, they permit a few generalizations. First, the importance of the public sector in Nigerian industrialization clearly stands out.[1/] It is responsible for the bulk of investment in the intermediate and capital goods sector - according to Table 2.9 about two-thirds of investment in the intermediate and capital goods industries originated in the public sector during 1971-1978. This proportion is unlikely to have fallen during 1981-1983. Investment levels during the Fourth Plan envisaged only a small reduction in the public sector's participation within the intermediate and capital goods sector. The state sector participates in many joint ventures with both domestic and foreign capital. Particularly important is the role of the state financing institutions, such as the Nigerian Industrial Development Bank (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI). Public industrial investment has tended to grow faster than private investment, but institutions such as NIDB and NBCI have ensured that this growth goes hand in hand with increased collaboration with domestic and foreign private capital.

Secondly, Table 2.9 shows that private investment remains concentrated in the consumer-goods branches. The data suggests that the share of private investment in the consumer-goods branches has risen and that of public investment has fallen, at least until 1978. Private sector investment has grown faster in the consumer-goods than in the intermediate and capital-goods branches.

Over the period 1970-1978 investment in manufacturing industry grew rapidly. Gross investment has been estimated at N500-N530 million during 1971-1974. During 1975-1978 this rose to N3.6 billion.[2/] Direct public investment contributed at least 60 per cent of this amount. Private investment which had grown rapidly during 1975-1977 slowed down somewhat following the indigenization decrees of 1977. This slowdown, however, represents two different tendencies: direct foreign investment contracted, while domestic private sector investment continued to grow. After 1978, investment levels within the manufacturing sector have generally been reduced, particularly following the government's decisions in and after 1982 to severely restrict imports and to postpone and reschedule major industrial projects. UNIDO estimates that gross fixed capital formation within manufacturing declined by 60 per cent in 1983[3/] and by a further 46 per cent in 1984 - this is evidence of large-scale depletion of capital stock within the manufacturing sector.

1/ This is also illustrated for an earlier period 1971-1978 in a study undertaken for UNIDO. See, The Role of the Public Sector in Nigeria's Development, Udo-Udo Aka, UNIDO/IS.363, 1982.

2/ These estimates are in 1975 prices.

3/ Compared to the 1982 level of gross fixed capital formation in Nigerian manufacturing.

Table 2.9: Distribution of manufacturing investment, 1971-1985
(value in N million)

	Private					Public				
	Consumer goods		Intermediate and capital goods		Total	Consumer goods		Intermediate and capital goods		Total
Year	Value	Percent	Value	Percent	Value	Value	Percent	Value	Percent	Value
1971-1974	252.-	70.5	105.2	29.4	357.6					
						161.0 a/	11.12 a/	1,286.2 a/	85.57 a/	1,447.2
1975-1978	1,439.2	73.2	527.1	26.8	1,965.3					
1975-1981	...	...	...	...		782.0	20.60	3,017.2	79.40	3,799.2
1981-1985 b	...	...	...	...	3,000	500.0	9.21	4,924.0	90.78	5,424.0

Source: Forrest, T., "Recent Nigerian Industrialization", in Fransman, M., Industry and Accumulation in Africa, Heinman, London, 1983, p. 335 and Government of Nigeria (Fourth Plan).

a/ 1970-1978.
b. Planned investment in the Fourth Plan.

Foreign investment has also continued to contract during 1978-1984. Until 1975 foreign investment had been an important - many would argue dominant - factor in Nigerian manufacturing. In 1975, private non-Nigerians held 42 per cent of the equity of large-scale manufacturing enterprises.[1/] Foreign manufacturing investment represented about 22 per cent of total foreign investment in Nigeria during 1965-1976. The United Kingdom was the largest foreign investor during this period. Although foreign private investment grew from 1965 to 1970 (including the period of the Nigerian war) and again between 1974-1977, there was an important difference in the experience of the 1960s and 1970s.

During the 1960s annual inflow of net direct private foreign investment on average exceeded outflows in the form of profit, dividends and other service payments by about 18 per cent. This situation was reversed during 1970-1978. During this period outflows exceeded net direct, private foreign investment. Moreover, the period since 1972 has seen a rapid rise of service payments in comparison to profit repatriation. It is interesting to note that this trend predates the indigenization decree of 1977 by five years. It reflects the rising price of technology and managerial services Nigeria has had to import and Nigeria's weakening bargaining position in the markets for these services. There has been relatively little new foreign investment during the 1980s but unlike many other African countries this flow has not entirely dried up. Thus during 1984-1986 net foreign investment equalled about $800 million in view of the declining levels of domestic private and public sector investment particularly within manufacturing. This would mean that the relative importance of foreign investment is unlikely to decline in the medium-run. The government's privatization programme (discussed in Chapter 4) is designed to encourage the growth of direct foreign investment and is sometimes interpreted as a significant policy departure from the emphasis previously laid on the indigenization of management and control structures within the large-scale enterprise sector.

The indigenization decrees were promulgated in 1972 and 1977. The 1972 decree envisaged the transfer of those businesses in the private sector believed to be within the competence of indigenous expertise and Nigerian equity participation to a minimum of 40 per cent in 35 more advanced enterprises. Eighty capital-intensive modern enterprises were exempted from this decree and remained in foreign hands. The 1977 decree (effective December 1978) provided for the whole or part indigenization of all foreign enterprises. The minimum level of Nigerian equity partnership in industries previously exempted was 40 per cent. Equity participation raised to 60 per cent in other cases.

The effects of the implementation of the indigenization decrees have been widely studied. A survey of industrial units in Kano, with particular reference to indigenization, found a high concentration of indigenous equity ownership and the emergence of new patterns of collaboration between local and foreign investors. The technological control of the latter group is seen to have increased, registering a negative impact on the rate of growth of manufacturing employment in Kano.[2/] Another study notes that indigenization has "not affected the basic fact that the most important economic activities

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1/ Forrest, op.cit., p. 325.

2/ Hoogvelt, A., "Indigenization and Foreign Capital Industrialization in Nigeria", Review of African Political Economy, No.14, January-April 1979, pp. 56-68.

has "not affected the basic fact that the most important economic activities going on in Nigeria are foreign directed or foreign derived".[1] In this study emphasis is also placed on Nigeria's high level of technological dependence. Finally, another study opines that "indigenization encouraged collaboration between Nigerian and foreign capital and enhanced the national credentials of foreign companies".[2] Thus, although indigenization raised the level of local participation in Nigerian industry and led to a slowing down of the net inflow of private capital into Nigeria, foreign investment has retained an active presence in the Nigerian manufacturing sector.

2.5 Manufacturing employment and geographic distribution of industrial enterprises

Rising urban unemployment has become a particularly important concern in recent years - some unofficial estimates put the rate of unemployment among school leavers as high as 40 per cent.[3] Manufacturing and processing currently employ about 6.6 million people and as Table 2.10 shows, the share of manufacturing in total employment has risen though at modest rate during 1977-1985. Manufacturers Association of Nigeria on the other hand reports a significant decline in manufacturing employment during 1986 and 1987[4] - no less than 13.7 per cent in one year. Using standard regression techniques, employment elasticity estimates were calculated for 25 branches for the period 1970-1983. The results are summarized in Table 2.11. High values of the employment elasticity coefficient are concentrated in a relatively small number of branches (8 out of 25).

Most branches have low employment elasticities. Moreover the branches which have grown relatively slowly tended to have higher employment elasticity estimates.[5] Employment elasticities are significantly higher for most branches in the 1970-1979 period than for the period 1980-1983.[6] For the period 1980-1983, only five branches had positive employment elasticity estimates. Employment growth was significantly in excess of value added in the case of iron and steel, leather and printing. For this period negative employment growth was registered in the case of 17 branches and negative value added growth was recorded in 9 cases. Thus the impact of the recession on manufacturing employment is seen to be significantly greater than its impact

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1/ Osoba, S., "The Deepening Crisis of the Nigerian National Bourgeoisie", Review of African Political Economy, No.13, May-August 1978, p. 66.

2/ Beckman Bjorn, "Whose State? State and Capitalist Development in Nigeria", Review of African Political Economy, No.23, January-April 1982, p. 48.

3/ "The Slowing of the Engine of Industrial Growth", The Financial Newsline, April 1988, pp. 10-11.

4/ Manufacturers Association of Nigeria, op.cit., January-June 1987, p. 14.

5/ With the exception of plastic products.

6/ No national data is available for 1979. If the time series is broken into two, there are insufficient observations for regression estimates, hence the elasticity coefficient was measured as $\frac{\Delta E_{i,t}/E_{i,t}}{\Delta VA_{i,t}/VA_{i,t}}$ where t is the year at the beginning of the two periods and i is the ith sector.

Table 2.10: Sectoral distribution of labour force, 1977, 1980 and 1985 (percentage, unless otherwise indicated))

Sector	1977	1980	1985
Total labour force (million)	30.50	32.20	36.10
Agriculture	62.3	60.0	57.8
Mining and quarrying	0.4	0.4	0.4
Manufacturing and processing	16.8	17.0	18.2
Building and construction	0.9	1.1	1.2
Electricity, gas and water	0.1	0.2	0.2
Distribution	13.5	15.2	16.0
Transport and communications	0.6	0.6	0.6
Services	5.4	5.5	5.6
Total	100.0	100.0	100.0

Source: National Manpower Board, Federal Ministry of National Planning.

Table 2.11: Employment elasticity, a/ estimates for 25 Nigerian manufacturing branches, 1970-1983

Value of elasticity coefficient			
Significantly above unity	Approximates unity	Positive but significantly below unity	Negative
Food manufacturing	Furniture	Beverages	Pottery
Tobacco	Glass	Wearing apparel	Non-ferrous metals
Textiles	Other non-metallic-minerals	Leather	
Footwear		Wood	
Paper products		Printing	
Plastic	Transport	Industrial chemicals	
Machinery	Other manufacturers	Other petroleum & coal	
Electrical machinery		Rubber	
		Metal products	
		Other chemicals	

Source: UNIDO data base.

a/ Estimated using the following equation: $\ln E_i = a + \ln VA_i + e$
Where E = Employment
VA = Value added measured at constant 1980 prices for the ith sector, a constant and e residual.

on the generation of value added within the sector. Whereas over 1980-1983 MVA fell at an annual average rate of 12.7 per cent, manufacturing employment declined at an annual average rate of 7.8 per cent during this period. The contraction rate was sharpest in the intermediate and heavy industry branches.

Although Table 2.10 suggests that some of the employment losses of the recession had been made up by 1985, there continued to exist a need for enhancing the employment potential of Nigerian manufacturing industry.[1/] In general the relationship between value added and employment growth seems to be significantly weak.[2/]

An increase in the employment impact of manufacturing growth can be achieved through increase in the backward and forward linkages of manufacturing with the agricultural sector. The very high degree of industrial concentration characteristic of Nigerian manufacturing is reflected in terms of the geographic dispersion of manufacturing units. Lagos' share in industrial production is estimated to have risen from 38 per cent in 1968 to 71 per cent in 1976.[3/] The Federal Office of Statistics has discontinued presenting figures on the regional distribution of manufacturing value added or production in the Surveys for 1977 to 1984.

A detailed study of industrial concentration in the Kwara state has been undertaken by UNIDO. The study found that whereas in 1967 only Ilorin, the state capital had any manufacturing establishment employing ten people and above, by 1982 nine of the twelve local government areas in the state had such establishments. Furthermore, the indigenization policy of the federal government has resulted in a greater involvement of Nigerians in the ownership and management of manufacturing activities. However, despite these, many of the enterprises are still technologically dependent on foreign sources.[4/]

The Kwara state analysis reveals that most of the establishments have no backward linkage effects on activities in their surrounding areas and have only very limited forward linkages. Most of the establishments are geared towards final consumption. In addition, a majority of the establishments rely on raw materials imported from foreign countries or from inputs obtained from other states in Nigeria. The result of a high dependence on foreign raw materials is the vulnerability of these establishments at a period of foreign

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1/ Trends revealed in Tables 2.10 and 2.11 are at least potentially contradictory. Since the data for both tables is obtained from a variety of national sources, it is difficult to assess reliability. The source on which Table 2.10 is based shows manufacturing employment rising in 1984 when gross output and value added declined substantially. This creates some doubts.

2/ Most elasticity coefficients (both positive and negative) were found to be not statistically significant.

3/ Federal Office of Statistics, Industrial Surveys, 1968 and 1976.

4/ J. Abiodun, Industrial Policies and the Pattern of Manufacturing in Nigeria, Symposium on Regional Development Processes, Vienna, 20-24 August 1984, UNIDO Conference Paper No. 24.

exchange restrictions, as was the case during 1982-1985. Some of these establishments were likely to be faced with possible closure consequent upon the lack of imported raw materials.

In terms of labour, the greatest favourable impact occurs in Ilorin where 59.5 per cent of the industrial workers are either indigenous or are indigenous to other towns in the Kwara state. The analysis also reveals that other centers of manufacturing activities in Nigeria are succeeding in attracting labour away from metropolitan Lagos, thus indicating a positive impact on the decentralization efforts of the federal government. Another finding of the analysis indicates a positive relationship between the regional (states) population and the size of employment in manufacturing activities. The improvement in the pattern of the regional distribution of industry requires correcting important structural imbalances within the sector and indeed within the economy as a whole.

3. SELECTED INDUSTRIAL BRANCHES: PROBLEMS AND PROSPECTS

3.1 Food manufacturing

Food, beverages and tobacco constitute the largest sub-sector in Nigerian manufacturing, accounting for over 30 per cent of MVA in the mid-1980s. The Nigerian's staple foods are traditionally millet, sorghum, yam and cassava produced by small-scale and subsistence farmers. They produce crops in the manner of so-called "bush-fallow" farming, a traditional system which involves an extremely inefficient use of land. The government banned wheat, rice, meat, maize and barley imports in January 1987.[1/]

The severe drought for both 1987 and 1988,[2/] and the SAP related bans on food imports, have severely affected Nigerian food manufacturing industry. The capacity utilization of the food, beverage and tobacco sub-sector has declined from 44.6 per cent in 1986 to 33.6 per cent in 1988. However, the food, beverage and tobacco sub-sector increased the ratio of domestic to imported raw materials from 52.1 per cent in 1986 to 65.2 per cent in 1987.[3/]

The food manufacturing sub-sector is dominated by cottage and small-scale enterprises. There are 20 flour mills in Nigeria, but currently almost all of them have reduced their operations due to the depletion of wheat flour stock. Nevertheless, many flour mills made substantial investments to convert their plants for maize milling, but consumer acceptance of maize flour has been low and output has remained constrained by falling demand. Some biscuit-makers have experimented with the production of composite flour, made up of wheat flour (75 per cent) and maize flour (25 per cent), but the tests had to be stopped because of poor market response.[4/] Bakeries have also suffered a decline in demand. Total loss of jobs in the flour milling and the bakery industry was to the tune of about 60,000 during[5/] 1986-1988. The availability of wheat and wheat based products has not declined following the import bans of 1986 and 1987. Smuggled goods have taken the place of imports. The mills which invested heavily in converting wheat to maize have been severely affected by the illegal trade in wheat. Moreover domestic wheat production has declined as the level of illegal wheat imports has gone up. The import ban on vegetable oil since January 1986 has been gradually affecting the vegetable oil industry in Nigeria. The major cooking oil suppliers, Ola's company and Nigerian Oil Mills Ltd. have had to close down. Domestic production of raw material such as ground nuts, soya beans and palm nuts have been in short supply. Similar problems have affected other sectors of the food processing industry.

1/ The imports of wheat flour, corn, vegetable oil, poultry and eggs, soft drinks, beer and sparkling wine had been banned in 1986.

2/ According to the FAO estimates, the total crop production in 1987 went down by 20 per cent from the previous year.

3/ MAN, Sample Survey of the Nigerian Manufacturing Sector, January-June 1987.

4/ African Business, January 1987, p. 41.

5/ MAN, Half Yearly Economic Review, January-June 1988.

The development of this industry is of particular importance because of its capacity to generate employment - employment elasticities are significantly above unity in the food processing branch - and because its development provides investment opportunities for cottage- and small-scale enterprises.

The revitalization of this industry requires:

(a) strict control to hinder the smuggling of banned imports into Nigeria;

(b) incentives for the expansion of production of crops used by the food manufacturing industry;

(c) financial assistance for the conversion of production units to accelerate the use of domestically produced raw materials;

(d) the establishment of subcontracting and trading links between large- and small-scale enterprises within this sub-sector.

The beverage industry currently accounts for about 20 per cent of MVA in Nigeria and about 9 per cent of total manufacturing employment. Breweries[1/] produce over 90 per cent of MVA and about 80 per cent of employment generated in the beverage sector.[2/] Presently Nigeria's 31 brewery makers produce more than 40 brands of beer. In addition there are four brands of stout and five brands of malt beverages. Total employment is currently estimated at 30,000 persons. In 1987 an estimated 2 billion litres of beer was consumed in the country.

Production within the breweries sub-sector has grown rapidly. It was the fastest growing branch in Nigerian manufacturing during 1980-1982. The level of gross production in 1982 was 5 times greater than the 1970 level in volume terms. Even during 1982-1986 when most manufacturing branches experienced severe difficulties and production levels fell significantly, the breweries continued to thrive. Positive growth was registered during this period but production is reported to have fallen marginally during 1987 and 1988[3/] due to restrictions on the import of malted barley and problems associated with the use of locally produced substitutes. An increased use of locally grown white rice and sorghum for beer production can have serious implications, for these crops represent Nigeria's staple foods. However, increased use of domestic resources could provide incentives for increasing agricultural production of staple food. Furthermore, an increase in domestic raw material sourcing can lead to a serious escalation of cost.

The industries' capacity to meet the domestic demand is constrained by the fact that virtually no barley is grown in the country. The impact of the January 1988 ban on imports of malted barley has yet to have its effect felt because the breweries had stockpiled malted barley during 1986 and 1987 in anticipation of this ban. As these stocks are exhausted, the breweries face the problem of substituting locally sourced products for varieties based on imported malt barley.

1/ Defined in ISIC 3133 (malt liquor and malt).

2/ These ratios are calculated from the FOS, Industrial Surveys, 1980 and 1984.

3/ African Business, May 1988, p. 48.

The Federal Institute of Industrial Research, Oshodi (FIIRO) has since 1974 been involved in research concerned with developing the use of locally produced inputs to the beer industry. In 1987, the FIIRO demonstrated that lager beer could be produced using sorghum exclusively (i.e. involving a 100 per cent sorghum content). The breweries themselves have undertaken research to substitute wheat, rice and maize for barley in the production process. Although some success has been achieved and technical difficulties in substituting locally produced raw materials for barley have to some extent been surmounted, several problems remain for beer production. There is a concern that a sudden increase in demand generated by the brewery industry in the grain market may distort the supply balance and price structure of the local grains. It will be extremely difficult, in particular, to supply a sufficient quantity of sorghum. Demand for sorghum is expected to increase rapidly as stocks of imported barley run low.

The production of beer also requires the import of large quantities of expensive enzymes. Research on the domestic production of enzymes based on local raw material have not so far been very successful and without such a breakthrough the import content of domestically produced beer is unlikely to fall despite the ban on malt barley imports. Moreover, the production technology employed by the breweries will have to be significantly modified and the use of malt barley is to be substantially reduced. This will require the commitment of foreign exchange for technology imports on a large-scale. It is thus evident that if the beer industry is to continue to expand, the ban on the import of malted barley is unlikely to lead to a significant saving of foreign exchange in the medium-run.

The further development of the industry therefore requires several important policy choices on the part of the government. The most important concerns the extent to which staple food crops can be diverted for use in the beer industry. This can be a very important consideration in years of droughts and crop failures. The expansion of the alcoholic beverage should not be pursued at the cost of a deteriorating national food balance - particularly because Nigeria's share of the world food aid programme is small and unlikely to rise substantially over the medium-run. The brewing companies could consider the establishment of farms for rice and sorghum. Similarly, the government could encourage the cultivation of these crops. It would also be prudent to explore the possibility of expanding the use of fruit-based soft drinks in the Nigerian market to take up the slack resulting from a slower growth of beer production. This industry is likely to have linkages with the agricultural sector which can stimulate production and employment within that sector without creating the type of problems that are generated by an increased demand for the staple food crops by the breweries. Careful demand management is therefore important with respect to the determination of the future prospects of the beer industry in Nigeria.

3.2 Textiles[1/]

The textiles sub-sector currently accounts for 22 per cent of MVA. During the 1970s when the economy was booming, textile production expanded at an annual average rate of 12.5 per cent, but as Table 3.1 shows, the impact of the recession was very severe - the cumulative textile production index (1972=100) declined from 427.1 (its highest level ever) in 1982 to 157.1 in 1984. Production levels had been significantly higher in the early

1/ This section is based on information contained in World Bank, Nigeria - NIDB Textile Sub-sector Strategy, October 1986.

1970s.[1/] Although detailed statistical information is not available it is clear that no recovery has occurred during 1984-1988. Production levels remained significantly below those achieved during the mid-1970s. Capacity utilization rates have however improved from 38 per cent in 1986 to 46.4 per cent in mid-1988.[2/]

Table 3.1: Indices of textile production, 1974-1984
(1972=100)

Year	Cotton textiles	Synthetic textiles	Total[a/] textiles
1974	118.4	393.7	169.0
1975	144.9	611.0	230.7
1976	161.0	1,051.8	324.9
1977	172.9	964.7	318.6
1978	167.1	1,129.3	344.1
1979	184.2	1,297.1	388.9
1980	196.2	1,412.9	420.2
1981	212.8	1,031.0	381.6
1982	258.5	1,175.2	427.1
1983	146.3	1,262.9	351.8
1984	76.4	515.2	157.1

Source: Nigerian Industrial Development Bank.

a/ From the indices for cotton and synthetic textiles with weights of 81.6 per cent and 18.4 per cent, respectively.

The Nigerian Industrial Development Bank (NIDB) and Nigerian Textile Manufacturers Association (NTMA) have estimated that total employment of the textile industry ranged from 60,000 to 100,000 in 1986. Since the peak year of 1979/80, sectoral employment has dropped sharply. According to an estimate of the Nigerian Industrial Development Bank, employment fell by 40 per cent during 1983-1985. Table 3.2 shows the employment trends of 22 textile companies in Nigeria.

The textile industry is mainly controlled by large private sector companies often involving substantial foreign investment participation. Nigerian laws have limited this to 60 per cent of the total equity of textile sector firms but it is likely that the current privatization initiative will lead to an increase in the permitted level of foreign investment participation within the textile sector from 60 to 90 per cent. Major foreign investors within the textile sector are from Hong Kong, India, the United Kingdom, Liechtenstein, the Netherlands, the United States, Japan and Colombia.

1/ Index value for 1974 was 169.0 (1972=100) and had never fallen below this level during 1974-1984.

2/ MAN, Half Yearly Economic Review, January-June 1988; and Survey of Manufacturing , 1987. The representativeness of the MAN sample is not known.

Table 3.2: Employment in selected textile companies, 1983 and 1986
(Number of persons)

Company	1983	1986	Required[a/]
Afprint, Lagos	3,600	2,181	3,000
Enpee Industries, Lagos	1,700	850	1,100
Bendel Textile Industry	430	210	...
Arcee Textiles	750	180	320
Woollen and Synthetic Fab. Ltd.	286	170	300
West Coast Weaving Work, Lagos	170	85	170
General Cotton Mills Limited	3,500	2,700	...
Unitex Limited	594	678	880
Aba Textiles	1,752	1,668	...
Kaduna Textiles Limited	3,668	2,400	2,600
Nigerian Textile Mills Limited	3,099	2,100	2,700
Five Star Industries	2,180	1,809	3,000
Funtua Textiles	821	850	1,200
Atlantic Textiles	825	700	1,600
United Nigerian Textiles Ltd	6,979	5,640	8,700
Zamfara Textiles	1,802	1,469	...
President Clothing	1,067	1,000	1,500
Elite	600	400	340
Nichemtex	3,525	2,900	3,600
Specomill	1,500	1,200	1,500
Western Textile Mills	1,300	790	...
Supertex	700	390	670
Total	40,099	30,361	33,180[b/]

Source: Nigerian Industrial Development Bank.

a/ For operating at capacity.
b/ Total including the four companies for which no data is available is estimated at 41,200.

Table 3.3 presents data on installed machinery in the major textile firms. As can be seen more than 40 per cent of the spindles and 46 per cent of the looms remain concentrated in the Lagos area. Together Lagos and Kaduna account for 74.4 per cent of the total number of spindles and 76.7 per cent of the spindles in Nigeria. This very high degree of regional concentration is a reflection of the market dominance of the major manufacturing industries. In 1986/87 there were 37 major textile manufacturing firms organized as an influential interest group within the Nigerian Textile Manufacturers Association (NTMA).

As Table 3.4 shows, the output of total woven fabrics increased at an average annual rate of 12.9 per cent in the period of 1972-1982. Following the peak in 1982, output dropped dramatically by 38.9 per cent and 33.5 per cent in 1983 and 1984 respectively. There has been a further fall of 4.6 per cent in 1985 and there are no signs of strong recovery in the period 1986-1988.

Table 3.3: Installed spindles and looms in textile firms, 1986/87
(Number of spindles and looms)

Textile firms	Installed machinery	
	Spindles	Looms
Lagos Area		
Afprint (Nig.) Ltd.	46,080	1,030
Arcee Textiles	...	224
Atlantic Textile Mfg. Co. Ltd.	12,000	114
Aswani Textile Ind. Ltd.	...	680
Bhojsons Industries Ltd.	...	397
Dalamal Textile Mills Ltd.(DALTEX)	...	208
Enpee Industries Ltd.	...	408
Elite Textile Industries Ltd.	...	24
Five Star Industries Ltd.	...	447
GDM Textile Manufacturing Ltd.	...	187
Nichemtex Industries Ltd.	30,912	1,022
Nigerian Textile Mills Ltd.	45,000	1,434
President Clothing Co. Ltd.	...	364
Specomill Textiles Ltd.	36,000	540
Woolen and Synthetic Textile Mfg.Ltd.	...	54
Western Textile Mills Ltd.	12,096	112
West Coast Weaving Works Ltd.	...	48
Hong Kong Synthetic Fibres Ltd.	...	500
Spintex Mills Ltd.	25,592	100
Sunflag (Nigeria) Ltd.	...	295
	207,680	8,188
Kaduna Area		
Arewa Textiles Ltd.	52,200	1,644
Kaduna Textile Ltd.	42,000	720
Nortex (Nig) Ltd.	25,490	300
United Nigerian Textiles Ltd.(UNTL)	33,260	2,240
Funtua Textiles Ltd.	15,360	376
Unitex Ltd.	55,000	...
Supertex Nig.Ltd.	72,218	...
	295,528	5,280
Kano Area		
Gaskiya Textile Mills Ltd.	22,472	174
Nigeria Spinners and Dyers Ltd.	10,000	...
Northern Textile Manufacturers Ltd.	620	120
Kano Textile Printers	...	304
Universal Textile Ind.Ltd./ Universal Spinners	26,000	79
	59,092	677
Other Areas		
Aba Textile Mills Ltd.	28,800	850
General Cotton Mills Ltd.	36,640	540
Bendel Textile Mills	20,160	509
Other Mills	28,020	1,497
	113,620	3,396
National Totals:	675,920	17,541

Source: Nigerian Textile Manufacturers Association.

Table 3.4: Production of textile fabrics, 1972-1985[a/]
(million metres)

Year	Cotton and cotton blends	Woven fabrics, synthetic and artificial fibres	Total	Knitted fabrics Total[b/]
1972	190.3	5.0	195.3	...
1973	291.6	9.6	301.2	...
1974	274.8	21.4	296.2	12.9
1975	333.4	38.1	372.5	16.8
1976	367.9	52.7	420.6	25.8
1977	398.9	47.0	445.9	36.0
1978	385.7	56.6	442.3	31.2
1979	297.3	40.8	328.1	21.4
1980	426.8	60.0	486.8	14.9
1981	491.3	51.6	542.9	14.9
1982	596.9	58.9	655.8	15.0
1983	337.7	63.3	401.0	12.8
1984	239.8	26.8	266.6	12.4
1985[c/]	230.0	25.0	275.0	...
Growth rates (per cent)[d/]				
1972-1982	12.1	27.0	12.8	...
1982-1983	(43.4)	7.4	(38.9)	...
1983-1984	(29.0)	(57.7)	(33.5)	...

Source: Nigerian Industrial Development Bank.

a/ Subsequent information submitted by NIDB in July 1986 does not coincide with figures given in May and at least one of them (for 1980) seems to be out of line.
b/ Calculated from weight data assuming average weight of 200 g/m^2.
c/ Estimates.
d/ Annual average growth rate.

The major product of the woven cotton fabric branch is printed cloth followed by shirtings and drills. The typical design of cotton prints, known as African print, accounts for 35 to 40 per cent of total cotton fabrics production. Until the end of the 1970s, Nigeria produced more than enough cotton to satisfy the demand of the textile industry. Indeed Nigeria was a significant African exporter of raw cotton. But cotton-seed production is currently one-tenth of the level achieved during the mid-1970s. This has meant that the cotton fabrics has become increasingly dependent on raw material imports. The import content of raw materials used declined during 1986/87 but has remained stagnant during June 1987 to June 1988. An improvement in domestic cotton-seed production has been accompanied by substantial increases in producer prices during 1987/88. This has made continued substitution of domestic inputs difficult and has contributed to an increase in unit costs within the fabrics industry.

Table 3.4 also shows that the share of synthetic in total woven fabrics currently stands at about 10 per cent having risen from 2.5 per cent in 1972. Despite the fact that the manufacturing capacity is small and the bulk of synthetic fibres are at present imported, capacity utilization within the branch is only about 25 per cent (as against 46 per cent in the textile and wearing apparel industry as a whole). The growth of demand for synthetic fabrics - like that of cotton fabrics - outstripped the growth of production during 1977-1982. In 1977 the government banned the import of both cotton and synthetic fabrics.

Paradoxically the supply of foreign fabrics increased during the 1977-1982 period despite the official ban on imports. After 1982 both output and import (including smuggling of textile products) declined. This was due to a sharp fall in per capita income following the recession. The textile industry has been severely affected by the foreign exchange shortage. There has in particular been an acute shortage of spare parts and many firms have had to reduce output and capacity utilization rates due to the breakdown of machinery. Capacity utilization has declined from 90 per cent in 1982 to 46.5 per cent in 1988 - this represents something of a recovery since the utilization rate was estimated at about 40 per cent in 1984.

Even if we assume the relatively low per capita level of textile consumption existing in the peak year 1982 as a basis for projecting future domestic demand levels, total annual apparent consumption is seen to be over 700 million square metres in the late 1980s. If per capita consumption increases from the 1.3 kg level of 1982 to the 1.7 kg level which is the average for West Africa, the level of domestic demand would be in excess of 900 million sq m. Given that domestic production levels in 1988 approximated 370 million sq m, it is evident that there is considerable scope for the expansion of domestic demand-oriented textile production in Nigeria. This however depends crucially on the assumption that per capita income will grow and the foreign exchange constraint gradually eased. If per capita income continues to fall, as it has done in every year since 1982, the projected demand for textiles can be as low as 480 million sq m in 1991 - in this case there will be an excess supply of 71 million sq m by that year. Even on the basis of the most pessimistic scenario however there is likely to be an excess of demand of about 6 million sq m for yarn-based products by 1991.

Capacity within the textile sector has been reduced by about 20 per cent since 1980 due to closures and obsolescence of equipment which has not been replaced.[1/] Obsolescence of equipment has become a major problem. In particular the design capacity of 22 operating mills is not geared to meet the increasing demand from finer cotton-yarn, polyester (PES) and cotton polyester blends. The fact that demand for such fabrics has increased even during recession indicates the growing inequality of income distribution in Nigeria.

Technological gaps are also illustrated by the fact that twelve mills representing 61 per cent of the total capacity spin only cotton. Modernization of spinning capacity is lagging behind technological improvements in the weaving mills. There is serious shortage of spinning capacity for easy care blends. Labour productivity in spinning operations is not significantly higher than in other African countries and lags behind productivity levels in developing countries such as India and Hong Kong. This is mainly due to the low levels of capacity utilization and the inadequate provision for on-the-job training of workers.

1/ Total capacity is currently estimated at about 590 million sq m.

Low productivity levels limit export possibilities. Nevertheless some Hong Kong entrepreneurs have established export-oriented plants in Nigeria with a view to escaping the quota restrictions imposed by the Multi Fibre Agreement (MFA) on their country - Nigeria of course does not have such quota restrictions. European firms have expressed an interest in establishing textile operations in Nigeria integrated within a larger international network of textile and apparel production ventures. If these investments are proved to be successful, Nigerian firms may be encouraged to develop an active export strategy perhaps in collaboration with other ECOWAS members who have an interest in the development of their own national textile industries.

There is a need for the government, in association with NTMA to develop a national textile strategy. The objectives of such a strategy could be:

(a) to ensure supply availability through schemes aimed at increasing domestic cotton production;

(b) to facilitate the production of the cheaper woven products and expand the ability of the textile sector to meet the basic needs of the lower income groups;

(c) to halt the inflow of smuggled textile products into Nigeria;

(d) to reduce industrial concentration within the textile and apparel sub-sector through encouraging the growth of subcontracting links between small and large firms (the dominance of the major firms represents the single most important barrier to strengthening of intra-sector linkages and the growth of efficiency);

(e) to develop a national training programme for enhancing labour productivity within the textile sub-sector;

(f) to encourage the development of domestic textile manufacturing and to develop a technology acquisition policy in this field in accordance with Nigeria's needs and technological and managerial capacities; and

(g) to construct a viable export strategy in collaboration with foreign investors with a view to harmonizing the strategy with the regional textile investment and export strategy negotiated within the framework of ECOWAS.

3.3 Transport equipment[1/]

The evolution of the Nigerian automotive industry dates back to the establishment of basic built-up units undertaking simple fitting and bolting operations a few decades ago. These simple assembly operations were pioneered by Levents, SCOA, BEWAC, CFAO, RT Brisoe and Federated Motor Industries (FMI). With the beginning of two technical partnership agreements with Peugeot Automobiles and Volkswagen in 1972 passenger car assembling and manufacturing came on stream. This was followed by the signing of similar

1/ This section draws largely on information contained in M.D. Ogegbo and T.A. Ilori, Policies and Strategies for the Development of a Viable Automotive Industry in Nigeria, NISER, Lagos 1984.

agreements with four commercial vehicle assemblers and manufacturers, British Leyland, Daimler Benz, Fiat and Steyr in 1975/76. Both production and profitability levels rose rapidly during the 1970s, as buoyant domestic demand ensured a healthy pace of expansion.

The transport equipment sector has suffered negative growth every year since 1982. In 1983, the share of the transport sector in MVA was 14 per cent, while its share of manufacturing employment was about 4 per cent. By 1987 this share had declined to 5 per cent of MVA. This drastic fall reflects very high rates of capacity under-utilization in the industry. Manufacturers Association of Nigeria has estimated that in mid-1987 capacity utilization in this branch was below 20 per cent.[1/] There is no indication that capacity utilization has increased significantly during 1988.

The assembly operations were employing highly import-intensive production technologies. In 1983 the import cost of automobile assembly component packs, fully built-up vehicle units and spare parts was about N1 billion, roughly equivalent to 2 per cent of GDP. According to the MAN survey the import content of production has declined from 80.8 per cent in 1986 to 78.3 per cent in 1987.[2/] However, high import content of vehicle assembly operations poses a major problem. Vehicle assembly operations and manufactures of electrical equipment have the highest ratio of imports to total raw materials used within the Nigerian manufacturing sector. The growth of indigenous suppliers of automotive parts has been extremely slow. Although local purchases are made from domestic producers of electrical equipment, the import content of these operations is itself very high. The high import content in the wake of accelerated devaluation of the Naira since 1986 has resulted in a dramatic increase in production cost.

Over the period January 1987 to June 1988, unit costs have increased by 150 per cent and ex-factory prices have risen by about 140 per cent on average in the motor assembly industry. The government's decision to reduce subsidization and investment levels within this sector has also created significant difficulties. The Customs and Excise Schedules announced in January 1988 has reduced the duty differential on locally assembled busses between imported inputs and final product from 10 to 5 per cent. Paradoxically the duty schedules on passenger cars have remained unchanged.

In the immediate future the industry may gain substantially from the government plan to invest N700 million in the transport sector - most of this money is likely to be allocated for the purchase of busses. The major firms which produced such vehicles, Federated Motor Industries, Amambra Motor Manufacturers and Steyr Nigeria, expect a major revival in business during 1988. All the companies are involved only in the semi-knocked down components assembly operations. This implies that the employment opportunities for these operations are limited. In 1984 the total number of employees in the industry

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1/ MAN, Survey of Manufacturing Industry, January-June 1987, p. 5.

2/ Ibid., p. 6; and Half Yearly Economic Report, January-June 1988. Figures on import sourcing of the vehicle operations are not given for the 1988 period in the report.

was about a mere 11,000. In order to have a self-sustaining and viable automotive industry, it is very important to establish a domestic capacity for the production of automobile parts and components.[1/]

Nigeria at present lacks the network of parts and component manufacturers - specially foundries and forgeries which can enhance domestic sourcing and reduce the import dependence of the automobile firms. If domestic sourcing is to be increased, a rapid growth in the intermediate industries - iron and steel, non-ferrous metals, metal products, etc - which produce automobile components is urgently required. There is also a need for a rapid expansion of small- to medium-scale engineering firms which specialize in providing subcontracting services to the major automobile manufacturers.

The establishment of the assemblage operations has contributed significantly to an expansion of maintenance facilities. Despite its high import content the assembly operations have served as a conduit for the transmission of production technology to indigenous entrepreneurs. A major reduction in automobile manufacturing will lead to a collapse of the repair and maintenance industry. Given the rapid growth of urban population, this will place a very heavy burden on the transport system. An improvement in the transport system - better roads, improved driving, reduction in traffic congestion etc. - can also enhance average vehicle life significantly.[2/]

The potential backward and forward linkages of the transport equipment industry are likely to be significant, particularly in a densely populated and large country like Nigeria. Before the current recession, the rapid growth of the transport equipment sector reflected the strong domestic demand for its products. As Table 3.5 shows, the domestic production of passenger vehicles grew by 44 per cent per annum during 1975-1980. Currently the prices of the cars have been pushed up to the point where a bottom of the range model retails for around N42,000 which is far beyond the purchasing power of an average car buyer. In 1987 Peugeot Automobile Nigeria assembled 7,323 passenger cars against an installed capacity of 65,000 cars. Total car production stood at 10,000 in 1987,[3/] representing about 12 per cent of the production level of 1980.

The government does not expect a major revival in the domestic demand for passenger cars. This is constrained by falling per capita income. On the other hand, the government is keenly concerned to inject new money into the public transport system and as noted earlier, N700 million have been allocated for this purpose in the 1988 budget.

A special interest has been shown in the modernization of the railway network. The government has given the Nigerian Railways Corporation (NRC) (with a workforce of 32,000) a N50 million subsidy. Foreign expertise is expected to assist the programme. Many NRC locomotives and coaches are presently lying idle due to the unavailability of spare parts.

1/ An automotive vehicle contains on average more than 2,000 component parts which are manufactured from steel, cast iron, copper, plastics, rubber, glass and aluminium.

2/ The average life of passenger cars, commercial vehicles and motorcycles is reported to be just six years in Nigeria - this compares with an average life of 15 years or more for motor vehicles assembled in India and Pakistan.

3/ Financial Times, March 7, 1988.

Table 3.5: Demand for passenger cars in Nigeria, 1975-1982
(Number of cars)

Year	Local production	Imports	Demand
1975	13,728	57,321	71,049
1976	31,003	42,221	73,224
1977	40,223	50,727	90,950
1978	42,841	24,523	67,364
1979	56,880	6,501	63,381
1980	83,984	(-7,912)	75,413
1981	82,984	23,095	106,097
1982	71,001	18,817	89,818

Source: M.D. Ogegbo and T.A. Ilori, Policies and Strategies for the Development of a Viable Automotive Industry in Nigeria, Nigerian Institute of Social and Economic Research (NISER), 1984 (mimeo).

Coaches and locomotives are now being procured for the NRC. The government has also announced plans to improve the urban transport system through a large-scale addition to city and regional bus fleets and a programme for the privatization of the coastal shipping service.

As the Nigerian economy recovers from the crisis of the mid-1980s, the pressure on the public transport system could increase, leading to the revival of demand for locally assembled transport equipment. A viable programme for increasing capacity utilization within the transport equipment sector needs to be drawn up. Without these the repair and maintenance industry will become increasingly unable to meet transport vehicle servicing needs. The key issue in this respect is the creation of an institutional support system which can encourage the emergence of medium- to small-sized engineering firms capable of playing an active subcontracting role vis-à-vis the major enterprises in the transport equipment sector. Attention needs to be focussed on problems related to the rapid development of a technical and managerial programme which can stimulate the growth of such firms and induce them to manufacture standardized products, designed to meet the specific requirements of the large manufacturers. If multilateral concessional assistance can be provided to assist in the development of such a programme it will make a significant contribution towards enhancing Nigeria's technological capacity within the sub-sector and reducing its level of import dependence.

3.4 Iron and steel[1/]

During the 1960s investments within the iron and steel sector were undertaken by private companies mainly without significant government involvement. Following the increase in oil prices in 1973-1974, the

1/ This section draws largely on information contained in E. Igwe, Towards a Local-Resource-Based Steel Industry in Nigeria, NISER, Ibadan, 1986; and M. Ogegbo, The Role and Future of Iron and Steel Industry in Nigeria, NISER, 1984.

government developed a keen interest both in response to the rapid growth of demand for steel products and due to a heightened perception of the significant linkages between the iron and steel branch and the rest of the industrial sector. Achieving self-sufficiency in the steel sector became an important policy objective in the mid-1970s.

As of 1985, there were 16 steel mills in Nigeria, five of which were wholly owned by the federal government, two jointly owned by the government and domestic and foreign interest and eight companies were exclusively within the private sector.

The Delta Steel Company (DSC), the largest operating steel plants in the country, started production in 1982 in Nigeria. It has an installed annual crude steel production capacity of about one million tonnes (equivalent to about 82 per cent of the nation's operating liquid steel- making capacity). Since its initiation, however, DSC has not been operating its direct reduction plant at anything approaching designed levels. Three rolling mills have been established in Oshogbo, Katsina and Jos. The largest mill in Oshogbo was designed for an initial capacity of 210,000 tonnes per year with facilities to expand capacity to 420,000 tonnes per year and 720,000 tonnes per year in the second and third phases of project development. These mills produce bars for the construction industry and wire rod for downstream operations manufacturing wire mesh and nails. It was expected that DSC would provide the billets used by the mills but billets are now imported from Europe and the United States. Increased import dependence has significantly constrained capacity utilization of these mills, which was estimated at only about 10 per cent in 1985/86. The government envisages a partial privatization of these companies and intends to reduce its stock holding to less than 40 per cent.[1/]

The Ajaokuta Steel Company (ASC) is the other integrated government-owned steelworks, employing a blast furnace/basic oxygen furnace-based production technology with a first-phase crude steel production capacity of about 1.3 million tonnes annually. ASC has been designed to produce reinforcing bars, wire rods, light sections and medium sections. Eighty per cent of the work on the first phase of the project has been completed by mid-1988 and the mill is expected to start production in 1989. Upon completion of the Second and Third phases of the Ajaokuta steel project, annual production capacity will be increased to 3.2 million tonnes. Although the current development plan places strong emphasis on the investments in the steel sector, it is unlikely that the second development phase of ASC will be completed in the near future.

The private sector mini-mills are spread all over the country. They use scrap that is melted in small electric furnaces on site for production of crude steel and also depend on imported billets. The product-mix includes rounds, channels and shapes. Private sector operations also suffer from heavy under-utilization capacity and associated inefficiencies of production. An improvement in the technology employed is an essential prerequisite for widening the range of products manufactured by the private sector.

Capacity utilization within the steel sector as a whole has been estimated at about 11 per cent. There is high dependence on imported inputs. Restrictions on the import of billets during the 1980s has seriously affected the steel producers.

1/ In 1985 the government owned 100 per cent of the paid-up capital of the mills, Metal Bulletin, August 1988.

Another important characteristic of the iron and steel sector is the very narrow range of manufactured products. The plants produce only products such as bars, rods, angles, sections, channels, light rails, etc., but it should be noted that some steel plants manufacture flat steel products although the consumption of flat products accounts for 45 to 55 per cent of Nigeria's total steel demand. The existing steel plants provide necessary materials for construction and building industry, but not for the manufacture of automotive vehicles, storage and processed tanks, ships, cylinders, enamel-ware, etc. The government intends to establish a flat steel production plant at Ajaokuta. Production in this plant is scheduled to begin in 1990.

A summary of the raw materials required for steel production in Nigeria and locally available input materials is presented in Tables 3.6 and 3.7. Import dependence on raw materials is currently estimated at about 60 per cent and the decline since 1986 has been relatively modest. Production technology within the steel sector is entirely imported. Multinational engineering and construction contractors provide capital equipment and technological know-how within the context of turn-key project agreements.

Table 3.6: Raw material requirements for steel production in Nigeria, 1985
(tonnes per day)

Raw materials	Ajaokuta Steel Co.	Delta Steel Co.	Rolling mills	Sources
Iron ore	2,135	1,500,000	-	Local/ foreign
Limestone	635,000	50,000	-	Local
Dolomite	265,000	65,000	-	Local
Coal	1,400	-	-	Local/ foreign
Refractory-clays	63,000	1,500	-	Local
Natural gas	-	2,000,000 m3	-	Local
Ferrous-alloys				
a) ferrous-silicon	13,000	-		Foreign
b) ferro-manganese	9,200	-		Foreign
Manganese	85,000	-	-	Foreign
Bauxite	13,000	-	-	Foreign
Alumina	650,000	250,000	-	Local/ foreign
Scrap	260,000	250,000	-	Local/ foreign
Billets	-	..	660,000	Local

Source: E. Igwe, Towards a Local-Resource-Based Steel Industry in Nigeria, NISER, Ibadan, 1986, p. 12.

Table 3.7: Locally available input materials, 1986

Material	Source	Effort to use them	Application in steel industry
Iron ore	Itakpe, Chokochoko, Ajabanoko	Govt.Metallurgical-Research & Exploration Groups in Jos and Kaduna respectively	Liquid metal, sponge iron, and direct input arc furnace
Coal	Lafia-Obi, Enugu	Govt.Metallurgical-Research & Exploration Groups	Cooking coal, Fuel Bof steel making
Limestone	Jakura, Ubo, Mfamosing	"	Production of burnt lime, making chalk
Dolomite	Burum, Osara	"	Furnace,refractory paste of blocks
Refractory clay	Onibode, Oshiele	"	Ladle,Tundish, etc, Lining
Sea-sand	Coastal, Cities and Towns	DSC (R&D)	Tundish-for tundish preparation, etc.
Zircon	Niger state	DSC (R&D)	Tundish nozzles & associated application for Tundish preparation
Palm oil	Rivers,Oyo, Bendel,Imo	DSC (R&D) & Palm Oil Research Institute.	Casting mould; for lubrication
Graphite	Niger state	-unknown-	Furnace,Tundish Ladle,foundry
Lead	Plateau state	-unknown-	Tundish: for casting
Silver	Plateau state	-unknown-	Plating
Columbite	Plateau state	-unknown-	Alloying agent (Niobium)
Rice	Kwara,Amambra Cross river, Niger,Ogun, Sokoto		Tundish,Ladle; for insulation
Cotton oil	Sokoto,Kano	DSC (R&D)	Mould for lubrication
Guinea corn oil	Borno,Sokoto Benue states	-unknown-	Mould for lubrication
Rubber	Bendel,Rivers states	-unknown-	Seals tyres.etc

Source: E. Igwe, Towards a Local-Resource-Based Steel Industry in Nigeria, NISER, Ibadan, 1986, pp. 13-14.

As Table 3.8 shows, European firms account for a large proportion of technology imports by Nigerian public sector firms within the steel sector. TNCs hold exclusive responsibility for provision, construction and maintenance of production technology. There is no significant involvement of Nigerian engineering and consultancy firms, except in its on-site construction and erection of structure and units. Because the steel plant projects have all been contracted out to multinational firms, the Nigerians have lost many opportunities for acquiring know-how and technological skills in the engineering, design, fabrication, construction, commissioning and consultancy spheres.

Table 3.8: Countries of origin of major technology suppliers in Nigerian public sector firms in iron and steel, 1986

Company	Country of origin
Ajaokuta Steel Co.	USSR/F.R. Germany/France
Delta Steel Co.	F.R. Germany/Austria/ Switzerland/India
Oshogbo Steel Rolling Co.	F.R. Germany/Austria/ Switzerland
Jos Steel Rolling Co.	F.R. Germany
Katsina Steel Rolling Co.	Japan

Source: E. Igwe, Towards a Local-Resource-Based Steel Industry in Nigeria. NISER, Ibadan, 1986, p. 21.

Although employment within the steel sectors is relatively small, two-thirds of the steel sector labour force - 8,000 out of about 12,000 employees - are technicians and engineers representing a high proportion of the nation's scientific and engineering capacity.[1/]

A high proportion of the technical staff has been trained overseas under the terms of the agreements with the multinationals, but the training imparted under these agreements were mainly in the operation and maintenance of equipment and machinery, so-called "passive" technology transfer. There is a need to upgrade local skills in relation to the functions of technology adoption, improvisation and manufacture. Without this the high dependence on expatriate workers within the iron and steel sector cannot be reduced.

1/ Total employment potential of the steel sector (i.e. at full capacity) is estimated at 18,000 of which 12,000 are expected to be technology operators.

In summary, a viable sub-sectoral strategy could emphasize:

1. Strengthening forward linkages of the iron and steel industry with other sectors. There is a special need to develop the production of flat products and consider how to lay groundwork for establishment of a local agricultural machinery industry.

2. Stimulating backward linkages through efficient substitution of domestic for imported inputs. Some progress has also been made in this direction and a significant proportion of R and D expenditure needs to be allocated for this purpose.

3. The integration of the steel sector and also the establishment of institutional links between the major firms within this sector and the small engineering firms and metal product manufacturers scattered throughout Nigeria. Possibilities for extending subcontracting links should be explored and support for strengthening institutional ties should be provided. The current privatization and commercialization programme provide an important opportunity in this respect.

4. Finally, the reduction of import dependence requires the rapid development of an effective technology acquisition policy which can regulate the inflow of both capital equipment and technical know-how into the country and co-ordinate the firm level on-the-job training programmes that are the main conduits for the transmission of production skills and technical know-how within this sector.[1/]

3.5 Small-scale industries[2/]

The 1987 census of small-scale establishments[3/] in Nigeria (Table 3.9) shows that 87 per cent of all small enterprises and 80 per cent of the total employment they generate are in the rural areas. The majority of the small-scale sector encompasses cottage establishments, which include self-employed workers, household operations particularly in the food processing, tailoring and handicrafts branches.

1/ Developing countries such as Algeria, Brazil, India, Pakistan and (to a lesser extent) Kenya and Zimbabwe have accumulated experience in this respect which might be of considerable relevance to Nigeria. An effort may be made to develop a technology co-operation programme with developing countries so as to upgrade Nigeria's technology acquisition capacity in the iron and steel sector.

2/ The findings presented in this section are based on information contained in E.I.K. Sule, "Small-Scale Industries in Nigeria: Concepts, Appraisal of Some Government Policies and Suggested Solutions to Identify the Problems", Economic and Financial Review, Vol. 24, No.4, Central Bank of Nigeria, December 1986.

3/ A small-scale industry in the census is defined as an establishment with less than 10 workers.

Table 3.9: Estimates of small-scale manufacturing establishments,[a/] 1987

Sector	Number of enumeration areas	Number of economic activity units (EAU)	Number of persons engaged	Number of persons engaged per EAU
Urban	14,554	59,962	171,491	2.86
Rural	96,394	408,710	702,981	1.72
Total	110,948	468,672	874,472	1.87

Source: FOS, Preliminary estimates.

a/ Less than 10 workers.

The development of small-scale industries would create eminent opportunities to employ a large workforce, mobilize available local resources, mitigate rural-urban migration and above all to disperse industrial enterprise within the country. In an attempt to promote small-scale industries the government initiated small-scale industries incentive programmes.[1/] The major mechanism consists of (i) federal government-controlled Industrial Development Centres (IDC) (ii) the States Small-Scale Industries Credit Schemes (SSICS).

IDCs were initiated during the Second Development Plan (1970-1974) and were greatly expanded in the Third Development Plan (1975-1980). It was envisaged that one IDC should be located in each state of the federation, to perform the following functions:

(i) technical appraisal of applications for loans;
(ii) provision of industrial extension services;
(iii) training of entrepreneurs and staff including management; and
(iv) applied research into industrial products, the design of products for small-scale industries and management training.[2/]

SSICS was a system of matching grants under which each state government sets up a credit scheme or fund from which loans were made to small-scale industrialists. During the period 1970-1974 the financial commitment of the federal and state governments to SSICS was N2.4 million or 2.8 per cent of the total allocation to manufacturing sector. During the 1975-1980 period this was raised to N48.0 million.

1/ Small-scale enterprises are defined in various manners by banks and the federal government. The Small-Scale Industries Division of the Federal Ministry of Industry defined small-scale enterprises as any manufacturing processing or service industry with a capital not exceeding N150,000 in machinery and equipment.

2/ The Small-Scale Industries Division, Federal Ministry of Industries, Industrial Development Centres in the Service of Small-Scale Industries, Lagos, p. 8.

However, the administration of the credit scheme was not able to avoid misuse. Defaults payments significantly reduced the volume of funds available to meet the loan demands of small-scale industrialists. As a result, the federal government discontinued the scheme in 1980.

With a view to establishing a better system the government reorganized the scheme. Instead of a matching grant to each state, a new scheme arranged two lines of credit for small-scale industries. On one line each state was to continue its credit through its Ministry of Commerce and Industry, on the other line the federal government continued its loan scheme through the Nigerian Bank of Commerce and Industry (NBCI) so that the scheme might be better managed and the chances of loan repayment would be better ensured.

The Fourth National Development Plan (1980-1985) planned to raise resources to N124.0 million for 17 states and to N294.5 million for the federal government. Although the governments' financial inability prevented the practical implementation of the scheme, it showed that the government was paying serious attention to the development of the small-scale industry sector.

There remain many problems to surmount in the development of the small-scale industries. After SAP was adopted in 1986, the fragile Nigerian small-scale sub-sector has been facing a critical situation. As the majority of the small-scale industries exist in rural areas, infrastructural developments are urgently required to ease transportation, communication and electric-power difficulties, and to raise efficiency and productivity of the industries.

Small-scale sector growth is seriously constrained by lack of finance. Credit receipts from the government have declined since the onset of the foreign exchange crisis in 1982. Loan proposals have often not been properly appraised and adequate feasibility studies have not been prepared. Poor management practices have led to high default rates leading to the disappearance of commercial credit lines over the medium run.

The government's adequate financial assistance in co-operation with the banking sector would encourage the small entrepreneurs to initiate or expand their operations. The foreign exchange crisis has had a severe indirect impact on small enterprises due to the rapid rise in prices of imported raw materials, largely as a consequence of the sharp depreciation of the Naira. In order to resolve the under-capitalization of small-scale enterprises, specially under the current shortage of foreign exchange, the government has been urged to establish small businesses Loan Guarantee Schemes which would raise the flow of funds from private banks to the small-scale enterprises by providing guarantee for loan repayment and reducing the risk element in credit transactions. Improving financial management is an important prerequisite for effective credit utilization within the small-scale industries sector.

4. PLANS, POLICIES AND INSTITUTIONS FOR INDUSTRIAL DEVELOPMENT

4.1 Plan objectives and strategies

An important objective of the Third National Development Plan (TNDP), 1975-1980, prepared in the expansionary period immediately following the first oil boom, was attended to the development of a more diversified and integrated industrial structure based on the large domestic market and rapidly rising incomes. A significant proportion (25 per cent) of the greatly expanded public investment programme was allocated to manufacturing, mainly to projects for heavy and intermediate industrial goods. With the coming on stream of several large-scale investments initiated under TNDP, real manufacturing growth was projected to average 15 per cent annually.

The Fourth National Development Plan (FNDP), 1981-1985, stressed the importance of rapid economic growth especially in the non-oil commodity producing sectors and greater local participation in ownership and management of productive enterprises. The FNDP laid particular emphasis on the development of heavy industries. This was evident from the fact that over 60 per cent of the expenditure of the federal government during the period 1981-1985 was allocated to steel and petrochemical projects.

The foreign exchange crisis of the early 1980s led to a significant scaling down of both public and private sector investment under the FNDP. The government announced project rescheduling schemes for the manufacturing sector in the budgets for 1982, 1983, 1984, 1985 and 1986, with major cutbacks and postponements affecting the steel sub-sector. In 1986 the government drew up the Structural Adjustment Programe (SAP) for a two-year period. As far as the industrial sector is concerned, SAP represented a continuation of the policies adopted since the 1982 budget of downgrading public sector investment and of constructing a macroeconomic framework and an incentive system for the private sector to assume the leading role. Thus SAP placed strong emphasis on the need to diversify the productive base of the economy in order to reduce dependence on oil and imports. Demand management policies were adopted during 1986 and 1987. These were accompanied by efforts aimed at dismantling of price controls leading to a very large devaluation of the Naira in 1987 and 1988 and a rationalization of the tariff structure broadly in line with the government's commitment to reduce the import content of domestic production.

The strategy outlined in the SAP also includes an extensive privatization programme.[1/] SAP commits the government to a substantial reduction in the parastatal's share of federal expenditure. The programme stresses the need to commercialize the operation of most public sector enterprises. Finally, despite the emphasis SAP placed on the need to economize on capital expenditure, it retained FNDP'S commitment to the development of petrochemical projects and gas infrastructural development. Projects within the steel sub-sector on the other hand were to be restructured and scaled down.

Nigeria is expected to announce the details of the Fifth National Development Plan (1989-1994) in early 1989.[2/] It is unlikely that there will be major departures from the industrial strategy pursued during the SAP period. The need for tight monetary and fiscal policies will be reduced as the dependence on imports falls and self-sustainable growth becomes possible.

1/ The privatization programme is discussed in Section 5.2.

2/ The Fifth National Development Plan had initially been planned for 1987-1991, but the economic crisis deferred the launching of the Plan to 1989.

The Fifth Plan is likely to lay stress on the need to reduce the import content of manufactured output and on the importance of achieving an integration of the rural and urban economy and to provide resources for strengthening the socio-economic infrastructure particularly for securing an improvement in the provision of transport services and power supplies. The Fifth Plan is expected to contain an incentive package for accelerating the domestic production of industrial raw materials and intermediate products. An incentive system for encouraging private investment in industries in which Nigeria is seen to have an international comparative cost advantage is also expected to be provided by the Plan. The Plan will endorse the privatization initiatives announced as part of the SAP initiatives and to provide a policy framework for the commercialization of virtually all parastatal operations within the manufacturing sector. This will probably involve a major reduction in the subsidization of parastatal enterprises by the government. The emphasis placed on commercialization and the need to reduce parastatal subsidies require the rapid development of management skills within the parastatal sector. The Fifth Plan is therefore expected to provide resources for the upgrading and development of project selection, evaluation and expertise within the public sector.

As far as investment priorities are concerned the Fifth Plan will probably allocate a relatively reduced share to steel projects[1/] following the extensive review of these projects during the period 1986-1988. Nevertheless work on the Ajaokuta plant is to be speeded up. The phase I project, which has an annual output capacity of 1.3 million tonnes of liquid steel, is expected to be completed during 1989. The government's insistence on the maintenance of a viable national steel industry, despite international pressure, reflects the recognition of the importance of the steel sector in an integrated industrialization strategy which seeks to link agricultural and manufacturing development through the domestic production of light engineering products geared to increasing agricultural productivity. Petrochemical projects in which substantial investment has already taken place are also unlikely to be shelved during the Fifth Plan period.

According to preliminary estimates, the manufacturing sector is expected to grow at an annual average rate of 7.5 per cent during 1989-1994 and to account for over 10 per cent of GDP by the end of the Fifth Plan period. The Plan expects most of the growth to stem from medium- and small-scale enterprises using domestic resources and employing labour-intensive technology. It is within this sector that private enterprise is expected to play a leading role. Government investment is likely to remain of considerable importance in the heavy industries - particularly steel and petrochemicals. The Nigerian government is keenly interested in developing an investment partnership with transnational enterprises across a whole range of public enterprise activities and as noted earlier it is devising a comprehensive policy package to encourage private investors - both local and foreign - to switch from assembly type operations to manufacturing activities which increasingly utilize the resource potential of the country.

1/ Steel investments accounted for 9 per cent of public capital expenditure during the Fourth Plan period.

4.2 Macroeconomic policy environment

Nigeria pursued a restrictive macroeconomic policy during 1980-1987 under the SAP framework. The year 1988 is mildly reflationary involving a modest increase in the real fiscal deficit to GDP ratio and the establishment of a N2.5 billion special reflationary fund. A key feature of the 1988 budget is the streamlining of the revenue collection system and if the government is successful in implementing its reorganization proposals in this respect, the revenue estimates of the 1988 budget may be significantly exceeded and the fiscal deficit may turn out to be considerably smaller than the forecast made at the beginning of the year.

Although government expenditure level will continue to be a key influence on the level of industrial investment in the foreseeable future, the emphasis currently placed on privatization, commercialization of public sector operations and liberalization of the economic policy framework, will mean that industrial activity is not likely to receive the level of subsidization that it enjoyed during the 1970s when most firms, including TNCs[1/] benefitted from government interventionist investment and pricing policies within the manufacturing sector. The direct investment activity of the government is likely to be constrained because of the need to reduce the public sector borrowing requirements in order to reduce domestic credit expansion and restrain inflationary pressure within the economy.

The government has been committed to the pursuit of a tight money policy under the framework of the SAP. Nevertheless government borrowing from the Central Bank and the Commercial Bank has increased during 1988. Money supply growth (M1) has accelerated from 11.8 per cent in 1987 to almost 16 per cent in 1988. Bank credit to the private sector rose significantly during 1988 and total bank credit growth almost doubled - from 4.4 per cent in 1987 to 8.1 per cent in 1988. This, coupled with the very rapid increase in the price of imports (estimated by the Manufacturers Association of Nigeria to be well over 30 per cent on average for manufacturing inputs during the first half of 1987), due to the operations of the Foreign Exchange Market and the large-scale devaluation of the Naira, has led to a major escalation in the rate of inflation. The consumer price index which rose by about 11 per cent in 1987 is expected to show a growth rate of over 20 per cent by the end of 1988. Nevertheless the government remains committed to maintaining its control over credit expansion and the allocation of credit to priority sectors - particularly agriculture and manufacturing. Despite the government's aim to divest much of its equity stock within the banking sector, the Central Bank's ability to control the activities of the 28 commercial[2/] and the seven merchant banks was clearly demonstrated during the period of the establishment and operation of the Second Tier Foreign Exchange Market (SFEM).[3/] The Central Bank withdrew about N8.5 billion from the financial system over the

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1/ For details pertaining to the impact of government interventionist policies on the private foreign investment firms, see N. Kelley, Nigeria: Industrialization of an Open Economy, Cambridge University Press, 1978.

2/ The leading clearing banks in 1988 are the United Bank of Africa (Banker's Trust and Banque Nationale de Paris shareholdings), Union Bank of Nigeria (partly owned by Barclays) and First Bank of Nigeria (40 per cent Standard Chartered shareholding).

3/ SFEM was established in September 1986 and the official and second tier markets were merged in mid-1987.

period August 1986 to March 1987 (almost 40 per cent of M1) and induced the banks to lower credit growth substantially during this period. During 1986-1988 the Central Bank has also authorized several increases in the interest rate structure. Escalating prices have meant however that keeping interest rates positive in real terms will not prove an easy task in the medium-run.

Whether the private sector response to the new macro-policy initiatives is in accordance with the expectations of the architects of the SAP strategy cannot of course be predicted. Both commodity and factor markets remain very imperfect instruments for the transmission of policy signals in Nigeria. The private sector is expected to accelerate the rate of investment (to compensate for the fall in public capital expenditure). This is not likely to occur merely as a consequence of greater opportunities for retaining dividends and making higher profits. Profits of major Nigerian manufacturers have remained high in recessionary periods such as 1982-1985 when investment has been cut back sharply. High profits earned by a few companies in 1987 were by no means exceptional.[1/] MAN on the other hand estimates that investments declined during 1987. "No new foreign investment came into the country. The little investment expenditure that took place was mainly for adapting plants for local sourcing of raw materials or for pure replacements".[2/]

Investment growth seems to depend on market expansion and also on the lowering of the barriers to market entry by new firms and the growth of competition. The attainment of both these objectives requires direct government intervention and indeed cannot be effectively pursued without public investment levels both to stimulate domestic demand and to support investment by the medium- and small-scale units. The government sees the expansion of the medium- and small-scale units as crucial in the execution of the current industrialization strategy which stresses the need for the growth of domestic resource-based labour-intensive manufacturing activities. A revival and restructuring of public investment can thus go a long way towards accelerating the pace of industrial development in Nigeria.

4.3 Trade policy initiatives

As part of the SAP framework Nigeria has developed a liberal import policy and a comprehensive set of incentives to encourage exports. In accordance with the SAP's principles, the Nigerian government abolished import and export licences, dissolved Nigeria's six agricultural boards, ended most price controls and permitted exporters in the non-petroleum sector to retain 100 per cent of the foreign exchange earnings in the domiciliary accounts. The government also reduced the list of banned imports from 74 to 16 product groups. Currently, those goods banned from importation include wheat, wheat flour, rice, corn, vegetable oil, poultry and eggs, plastic goods (except for baby food bottles), soft drinks, beer, sparkling wines, cigarettes, textiles, wood and furniture, jewelry, and precious metals and gaming machines.

1/ African Business, April 1988, pp. 31-32.

2/ MAN, Sample Survey, January-June 1987, p. 1.

A 30 per cent import levy was also removed, although three minor import duty surcharges (totalling 6 per cent) were left in place. The tariff structure was reformed in January 1988, and import duties and the level of effective protection accorded to Nigerian industries were reduced.

Export promotion measures

A variety of measures ranging from export insurance to outright grants are applicable to manufacturers producing for export.

(i) Import duty drawback

Under the Customs (duty drawback) Regulations 1959, importers can claim repayment of import duty paid for materials used in producing export goods. Repayment will be made in full if materials are imported for use in the production of goods which are exported. In the case of certain composite goods which contain wholly or partly duty-paid ingredients the Customs and Excise Department may grant bonafide applicants a "fixed rate" drawback on proof of exportation of such goods or their disposal in an approved manner. The objective of the duty drawback is to encourage the production of various export goods as a means to diversify the economy away from oil. To encourage non-oil export development and to enable exporters compete effectively on international markets, a duty drawback scheme involving duty suspension for qualifying exporters backed by bankers' guarantees, has been put in place.

(ii) Export proceeds retention

An exporter is allowed to retain his export proceeds in foreign currency in his "Domiciliary" bank account in Nigeria. The amount so retained may be used to pay for specified activities as contained in the Export (Incentives and Miscellaneous Provision) Decree of 1986.

(iii) Export licence waiver

No export licence is required for the export of manufactured or processed products.

(iv) Export credit guarantee and insurance scheme

In order to make Nigerian products compete effectively in the international market as well as to insure genuine exporters against some political and other risks including default in payment, the government has approved the establishment of an export credit guarantee and insurance scheme. Exporters will also be in a position to grant their customers some credit facilities.

(v) Export development fund

The export development fund shall be used to provide financial assistance to private exporting companies to cover part of their initial expenses in respect of export promotion activities.

(vi) Export expansion fund

The export expansion fund shall be used to provide cash inducement for exporters who have exported a minimum of N50,000 worth of semi-manufactured or manufactured products.

(vii) Export adjustment scheme fund

An export adjustment scheme fund has been established to serve as a supplementary export subsidy. Proceeds will be used to compensate exporters for :

a. high costs of production arising from infrastructural deficiencies;
b. purchasing commodities at prices higher than prevailing world market prices but fixed by government; and
c. other factors beyond the control of the exporter.

(viii) Rediscounting of short-term bills for export

This facility will enable all exporters to rediscount their short-term bills under a scheme provided for in the Central Bank of Nigeria (CBN) (Amendment) Act 1967.

(ix) Capital allowance

Additional annual capital allowance of 5 per cent on plant and machinery for "manufacturing exporters" (those that export at least 50 per cent of their annual turnover), provided that the product has at least 40 per cent local raw materials content or 35 per cent value added.

(x) Tax relief on interest income

The Companies Income Tax Act 1979 has also been amended to grant tax relief on interest accruing from any loans granted to aid investment in export-oriented industries.

Financial support

Industrial development banks have been set up at both Federal and State levels to offer specialized services to industry. Paramount among these services is the provision of soft loans and advances to large-, medium-, small-scale- and cottage industries on concessionary terms. These concessions are reviewed regularly in line with policy objectives of governments. Development banks include among others Nigerian Bank for Commerce and Industry (NBCI), and the Nigerian Industrial Development Bank (NIDB), Kano State Investment Corporation, etc.

To sum up, the broad thrust of Nigerian industrial policies is increasingly liberal. Nigeria operates a flexible trade and exchange rate system with comparatively few restrictions on the movement of capital and commodities. However, an import-substitution process remains evident in its protectionist structure despite significant modifications. The government has actively sought to encourage direct foreign investment and has developed an extensive privatization programme. Nevertheless the need to reduce the import content of domestic production significantly and to stem capital repatriation

levels necessitate the existence of an industrial policy framework capable of redressing private sector complaints and of promoting desirable changes in the structure of investment and production. The institutional framework for industrial policy-making and implementation cannot therefore be focussed on the limited task of the dismantling of controls. It must be developed as instruments which can enable the government to play a creative, directive role in accelerating the pace of industrial development in Nigeria.

4.4 Institutional infrastructure

Nigeria has a relatively well developed institutional infrastructure for industrial policy-making and implementation. Guidelines for the development of the system have been provided by a series of legislature acts summarized in a document entitled, Industrial Policy of Nigeria, published in late 1987. The Ministry of Industry has traditionally been the central decision-making institution. It advises the government on the formulation of industrial policy, assists in the operation of federal industrial projects, supervises parastatals, and is responsible for the regulation of private industries. Other institutions involved in the industrial policy process include:

(i) The Industrial Development Co-ordinating Committee (IDCC)

Initial authorizations for the establishment of new industries were, in the past, requested from several government ministries and agencies. Delays inevitably slowed down the establishment of new industries. The government has, therefore, established a new central agency known as the Industrial Development Co-ordinating Committee. The committee comprises representatives of the following ministries: Finance, Internal Affairs, Trade, Science and Technology, National Planning, Agriculture, Industries, Employment, Labour and Productivity.

The functions of IDCC are:

(a) granting approvals for the commencement of new business and relevant expatriate quota for such businesses (expatriate quota approvals by IDCC will be limited to new business only);

(b) granting approved status in principle for imported capital in new ventures;

(c) approving technology transfer agreements as they relate to:
- assistance in procuring machinery plant equipment and components
- engineering design services
- plant installation and
- plant commissioning;

(d) advising on the administration of government industrial incentives;

(e) making recommendations on pertinent policies including tariff and various measures aimed at ensuring the industrial development of the country; and

(f) other relevant functions assigned to the committee from time to time to facilitate meaningful industrial development.

The IDCC Secretariat functions as a co-ordinating centre for receiving applications from prospective investors, channelling such applications to the appropriate ministers for their action. The decree provides that every application shall be processed within three months.

(ii) The Policy Analysis Department (PAD)

The government has established an organ known as Policy Analysis Department within the Federal Ministry of Industries. The functions of this department are to undertake the collection of data, conduct economic research and policy analysis necessary for the evaluation of the effectiveness or otherwise of industrial policy.

(iii) Industrial Inspectorate Department (IID)

The Industrial Inspectorate Department of the Federal Ministry of Industries plays a pivotal role in verifying the actual values of capital investment in buildings, machinery and equipment of various industries. The Department also certifies the date of commencement of production for companies that enjoy pioneer status, and the value of imported industrial machinery and equipment for the confirmation of approved status for non-resident capital investment. Furthermore IID issues certificates for granting concessionary rates of duty on imported industrial machinery and equipment and provides in-house technical services for the ministry, including negotiations for equipment selection and implementation of public sector projects.

It also plays a key role in the monitoring of the Comprehensive Import Supervision Scheme (CISS) to ensure that the operations are in the spirit of the Agreement. It is the intention of the government to indigenize pre-shipment import inspection currently being undertaken by foreign companies. The IID which presently monitors the operations of the Inspection Agents is expected to be directly involved in pre-shipment import inspection in due course.

(iv) Standards Organization of Nigeria (SON)

The Standards Organization of Nigeria continues to set standards for and maintain surveillance over the products of Nigerian industries and important products to ensure that they meet national and international standards.

(v) Data Bank

An Industrial Data Bank has been established in the Federal Ministry of Industries to gather, store and retrieve data. The Bank will provide information on existing industries in the various sub-sectors, their production capacities and expansion plans, production costs, the state of the market, price movement, raw materials available in various parts of the country, etc.

(vi) Raw Materials Research and Development Council

A Raw Materials Research and Development Council has been established and housed at the Federal Ministry of Science and Technology. The Council is the umbrella organization for all the various efforts by public and private sectors in the research and development of local industrial input. The Council works in close collaboration with the Federal Ministry of Industries which has the overall responsibility for the development of incentives pertaining to raw materials utilization.

(vii) Investment Information and Promotion Centre

In practically all cases, whether the prospective investors are Nigerians or foreigners, it is advisable to contact the Investment Information and Promotion Centre of the Federal Ministry of Industries for the latest information on procedural matters. The Centre can advise and guide investors, free of charge, on most aspects of their investment proposals.

(viii) Nigerian Enterprises Promotion Board which was set up by law as an instrument for the implementation of government policy determined to closely involve Nigerians in the industrialization process and to have them ascend to the commanding heights of national economy. Under the Nigerian Enterprises Promotion Act, all business enterprises are grouped into three Schedules. Those classified in Schedule I are reserved exclusively for Nigerians. They are relatively simple enterprises in terms of technology and capital investment. Foreigners can participate in Schedule II, enterprises with up to 90 per cent of equity ownership. It is permissible for companies with a amximum of 60 per cent foreign ownership to invest in or form partnerships for Schedule II enterprises.[1/] The Board is to ensure compliance with this requirement by all business enterprises in the country.

(ix) The Nigerian Industrial Development Bank (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI), which are two financial institutions set up by the government dealing with industrial financing. As Table 4.1 shows, total disbursements of the NIDB have increased at a relatively moderate rate during the 1980s. Table 4.2 shows that NIDB's loans are not evenly spread across the sub-sectors of manufacturing. In 1986 more than 50 per cent of total disbursements were sanctioned for the textile sector. The government makes funds available to these banks for on-lending to industrial ventures. The terms of development institutions are less stringent than those of the commercial banks. In addition, the guidelines issued by the Central Bank of Nigeria to the financial institutions in the country provide for preferential lending to industry, especially to small-scale industries. There are other financial arrangements to enhance availability of funds for small-scale industrial development throughout the country.

(x) Industrial Research Institutes

In order to stimulate relevant applied research and development, the Federal government has established 22 research institutes. Two of these - the Federal Institute of Industrial Research, Oshodi (FIIRO) and the Project Development Institute, Enugu, are charged with special responsibilities for industrial research. Accordingly, their major focus is on development of resource-based processes, projects and equipment, as well as adaptation of industrial technologies to the Nigerian environment. Particular emphasis is currently being placed on the agro-allied and mineral-based industrial sub-sectors.

Since Nigeria is a mixed economy, government bodies are only part of the whole infrastructure for carrying out overall industrial policy in the Federation. Many semi-governmental and non-official agencies have been created to provide infrastructural and other support services. These include development banks and other financial institutions for industry, training institutions, industrial business-information services, project analysis and

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1/ The Federal Ministry of Industries, Industrial Policy of Nigeria, November 1987, p.18.

Table 4.1: Total sanctions and disbursements of NIDB, 1983-1986
(N '000)

Sanctions and disbursements	1983		1984		1985		1986	
	Equity	Loand and debentures	Equity	Loans and debentures	Equity	Loans and debentures	Equity	Loans and debentures
Gross sanctions for the year	723,720	35,019,200	1,040,000	17,915,000	3,681,000	63,145,000	2,215,850	52,980,000
Cumulative sanctions	62,020,672	515,683,912	63,060,672	533,598,912	66,741,672	596,743,912	68,957,522	649,723,912
Lapsed cancelled & fully liquidated	2,110,000	8,764,188	200,000	9,006,101	40,000	42,036,749	543,200	18,334,800
Cumulative lapses, cancellations & fully liquidated	6,467,459	80,301,402	6,667,459	89,316,503	6,707,459	131,353,252	7,250,659	149,688,052
Net sanctions for the year	1,386,280	26,255,012	840,000	8,908,899	3,641,000	21,108,251	1,672,650	34,645,200
Cumulative net sanctions	55,553,213	435,373,510	56,393,213	444,282,209	60,034,213	465,390,660	61,706,863	500,035,860
Gross disbursements for the year	1,317,380	38,532,336	1,215,527	16,318,873	3,273,614	19,640,552	5,912,825	75,827,479
Cumulative disbursements	52,296,291	346,994,684	53,511,818	363,318,874	56,785,432	382,959,426	62,698,257	458,786,905
Repayments etc. for the year	1,500	19,047,989	63,561	16,417,284	49,500	20,450,896	-	17,906,000
Cumulative repayments etc.	747,798	83,045,577	811,359	102,462,861	851,859	122,913,757	851,859	140,819,757
Net disbursement/repayment for the year	1,315,880	19,484,347	1,151,966	(93,094)	3,233,114	(810,344)	5,912,825	57,921,479
Cumulative net disbursements/Repayments	51,548,493	260,040,107	52,700,459	260,856,013	55,933,573	260,045,669	61,846,398	317,967,148

Source: Nigerian Industrial Development Bank.

design services, testing services for raw materials and finished products, industrial standardization, quality control services, technology transfer advisory services, private consultancy services for industry, and export promotion services.

Among various supporting institutions listed above the so-called interest groups are of particular importance. They not only attempt to influence administration but the administration itself consults them in the formulation and implementation of government policy. The formally organized interest groups in Nigeria comprise the manufacturers associations and the chambers of commerce and industry. The most important are the three largest groups. They comprise the organizations which are open to all industrial firms: the Manufacturers Association of Nigeria (MAN), the Nigerian Employers Consultative Association (NECA), and The Chambers of Commerce and Industry. In addition, there are other associations representing the interest of industrial firms of specific branches. The formal interest groups frequently collect their own information on the activities of their members, and are familiar with the attitudes and opinions of the firms they represent. This information is often of great importance in the formulation of directives and decrees. When an interest group has participated in formulating a policy, it can also be asked to contribute to its implementation.

The main objective of the Manufacturers Association of Nigeria (MAN) is to develop and promote the contribution of manufacturers to the national economy through representation in all reputable bodies, government and others, whose work may affect directly and indirectly the interest of manufacturers. The MAN collects information and surveys data which is processed and made available to members. It has representatives in various government organizations, for example, the National Economic Advisory Council, the Export Promotion Council, the National Wages Advisory Council and in the National Standards Organization. It also prepares on a half yearly basis a survey of manufacturing industry for the Federal cabinet. Through participation in decision-making in these organizations it can exercise a direct influence on industrial policy formation.

The Nigerian Employers Consultative Association (NECA) was founded in 1957 to provide a means for consultation and exchange of information on questions arising about the relations between employers and workers. The NECA carries out its own data surveys and analysis, which are then sent to members. As one of the central employers' organizations it represents, in a similar way to the MAN, the opinion of the majority of the employers vis-à-vis the government. The NECA is also represented in various government organizations where it can exercise influence. In addition, it sends delegates on government invitation to ILO conferences. In this way Nigeria's employers are able to express their views on international recommendations which could subsequently become law.

The Chambers of Commerce and Industry regard their main task to be the protection of all matters affecting trade and industry for the promotion of the economic growth of the country. They collect and analyze information. The Lagos Chamber of Commerce, for instance, has its own Statistics Standing Committee. Members are mainly given information on questions connected with the establishment of new industries and commercial relations on industrial fairs, customs tariffs and incentives. The various chambers which exist in almost all of the 21 States, are members of the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture. This Association

Table 4.2: Sub-sector distribution of NIDB, 1986
(N'000)

Sub-sector	Equity	Loan	Total	Per cent
Food	-	3,750.4	3,750.4	4.6
Beverages	132.8	12,711.4	12,844.2	15.7
Textiles	30.0	3,015.7	43,045.7	52.7
Footwear and leather products	-	1.2	1.2	0.0
Wood products and furniture	-	176.3	176.3	0.2
Paper products	-	1,293.1	1,293.1	1.6
Chemicals and petroleum products	-	7,919.1	7,919.1	9.7
Rubber products	-	-	-	-
Cement	-	-	-	-
Glass, clay and stone products	-	1,069.2	1,069.2	1.3
Iron and steel	-	4.1	4.1	0.0
Metal fabrication	-	4,911.7	4,911.7	6.0
Electronics and electrical appliances	-	1.3	1.3	0.0
Transport equipments	500.0	-	500.0	0.6
Mining and quarrying	-	4.4	4.4	0.0
Hotel and tourism	-	318.8	318.8	0.4
Miscellaneous	5,250.0	650.8	5,900.8	7.2
Total	5,912.8	75,827.5	81,740.3	100.0

Source: Nigerian Industrial Development Bank.

appoints representatives from the private sector who are delegated to the government organizations. The representatives sit in the bodies already mentioned, in which the MAN and NECA are also represented. The Chambers also maintain close contacts with the Ministries.

Thus, Nigeria has a dense organizational and institutional network for the development, implementation and monitoring of industrial policy initiatives. Effective utilization of the institutional framework for industrial restructuring could be directed towards eliminating functional overlaps and filling the existing gaps within the system. This would enhance the opportunities available to Nigeria for making optimal industrial use of its resource potential and strengthening the organizational network to cope with emerging issues and options.

5. ISSUES AND OPTIONS FOR INDUSTRIAL DEVELOPMENT IN THE 1990s

5.1 Industrial dualism: bridging the "missing middle"

Although Nigeria's manufacturing sector is the most diversified and relatively the most developed one in Sub-Saharan Africa, it is characterized by severe structural imbalances. The sector consists on the one hand of a small number of large manufacturing enterprises which dominate key sub-sectors - food and beverages, petrochemicals, automobile assemblage - and have considerable monopoly power. On the other, there is a large number of operations producing goods for the lower income end of the domestic market. Links between these two sub-sectors remain extremely weak and it is extremely rare for the small-scale enterprises to have a sub-contracting relationship with the major firms because of the "missing middle".

In the engineering industry the large number of fabricated metal products producers are oriented towards supplying the needs of the construction industry. There is a great shortage of foundries, forges and machine shops producing inputs for firms manufacturing final engineering products. This leads to an excessive dependence of the major engineering firms on imported inputs and to an inefficient cost structure - domestically produced engineering goods have been estimated to be 30 per cent more expensive than competitive imports. Since the establishment of the auction-based foreign exchange market, the price of imported engineering inputs have gone up by almost twice as much as the price of domestic inputs and although the share of imported inputs in engineering production has fallen during 1987, it still accounts for over 50 per cent of material cost. The "missing middle" represents the absence of an institutional conduit for the transmission of production technology from the large firms to the indigenously-owned enterprises and to the consumers of manufactured product.

The development of subcontracting and other institutional links between large and small enterprises can be an important means for accelerating the diffusion of technological skills throughout the economy and for orienting manufacturing industry towards the production of agricultural inputs. It can also stimulate the growth of productive employment, and this is a particularly important consideration at a time when urban unemployment has risen significantly. The evolution of production linkages between large and small enterprises can thus lead to increased efficiency in factor use, the adoption of a more efficient domestic resource-based and labour-intensive production technology and the utilization of indigenous entrepreneurial and managerial talent which exists in the country. Nigerian policy-makers may thus benefit from paying close attention to the experience of other developing countries - such as Egypt, India and Brazil[1/] which have consciously fostered subcontracting arrangements as a means to parry problems of industrial dualism.

Nigeria has in recent years been increasingly conscious of the need to reduce industrial dualism and strengthen intra-sectoral ties. The Industrial Policy Statement of 1987 places particular emphasis on the need to provide greater employment within the manufacturing sector, stimulate the regional

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1/ Nigeria's relatively extensive counter-trade links with Brazil may provide a basis for the transmission of organizational and technological know-how between the two countries.

dispersal of industrial units and the expansion of the small- and medium-scale enterprise sector. Product areas in which small-scale enterprises are to be encouraged have been identified to include food manufacturing agro-industries, building materials, pharmaceuticals and low cost transport equipment. A series of measures have been announced to increase the provision of financial support and other auxiliary services to small-scale enterprises. In order to increase the impact of the programme, particularly in rural and semi-urban centres, there may be a need to reduce the lower investment limit which qualifies an enterprise for government assistance and support[1/] and restructure the financial support delivery system to cater to the needs of a much wider entrepreneurial client than currently envisaged. Institutional development outlined in the 1987 Policy Statement for facilitating the growth of the small-scale sector needs to be integrated within the context of an incentive system which avoids institutional and functional overlap on the one hand and on the other provides a basis for increasing the institutional and market links between small-scale enterprises and major manufacturing enterprises. This must crucially involve an extension of subcontracting links as indicated above. Major enterprises may also be encouraged to produce appropriate (and appropriately priced) inputs for the small-scale sector. Incentives may be provided for strengthening the commitment of the major enterprises to small-scale enterprise development. An incentive system which can effectively strengthen inter-enterprise linkages can make a major contribution towards reducing industrial dualism and enhancing the role of particularly indigenous private enterprise in Nigerian manufacturing.

5.2 Privatization: from indigenization to foreign investment

The privatization scheme was announced in early 1986 and was incorporated as an essential element within the Structural Adjustment Programme announced later that year. A basic objective of the privatization strategy announced in 1987 and 1988 is to attract foreign capital into manufacturing which is crucial to the attainment of many of the policy goals of the government. The SAP was designed with the explicit objective of increasing the inflow of foreign capital into Nigeria.

Table 5.1 presents the most recent privatization list issued by the government. One-fifth of these firms operate mainly in the manufacturing sector. Two-thirds of the manufacturing companies included in the privatization programme are earmarked for full privatization - i.e. 100 per cent divestment. Most of these firms are in the food manufacturing, beverages, textiles and wood products sub-sectors. All government-owned companies in the cement, paper, automobile assembly are to be partially privatized as are the steel rolling operations outside the main iron complex. Nigerian Super Phosphate Fertilizer Company and two sugar companies are also to be partially privatized. The government is to reduce the equity ownership in the partially privatized firms to under 40 per cent.

1/ The Industrial Policy Statement of 1987 fixes this lower limit as N100,000 in terms of total investment. This is a large sum for an artisan entrepreneur. Moreover assessing the value of fixed investment is problematic. A case may therefore be made for re-defining the lower investment limit in terms of the total number of people for whom a given enterprise can provide employment.

Table 5.1: List of companies involved in privatization exercise in Nigeria, 1988

Companies for full privatization

Aba Textile Mills (M)
American International Insurance Co
British American Insurance
Central Water Transportation Co Ltd
Crusader Insurance
Durbar Hotel Ltd.
Grins Productions Co Ltd
Guinea Insurance
Impresit Bakalore Nigeria Ltd
Law Union and Rock
Madara Dairy Co (M)
Mercury Assurance
National Animal Feed Co
National Cargo Handling Ltd
National Film Distribution Co Ltd
National Freight Co
National Fruit Co Ltd
National Livestock Production Ltd
National Root Crops Co (and other such food production companies)
National Salt Co Ltd (M)
NEM Insurance
New Nigerian Salt Co Ltd (M)
Niger Insurance
Nigeria Beverages Co Ltd (M)
Nigeria Hotel Ltd
Nigeria Ranches
Nigeria -Romania Wood Industries Ltd (M)
Nigerian Dairies Co Ltd (M)
Nigerian Film Corporation
Nigerian Food Co Ltd (M)
Nigerian National Fish Co
Nigerian National Shrimps Co Ltd
Nigerian National Supply Co
Nigerian Poultry Production Co Ltd
Nigerian Transport Ltd
Nigerian Yeast and Alchohol Co Ltd (M)
North Breweries Ltd (M)
Okomu Oil Palm Co (M)
Opobo Boat Yard
Ore/Irele Oil Palm Co Ltd (M)
Prestige Assurance
Road Construction Co of Nigeria
Royal Exchange Assurance
South-East Romania Wood-Wood Industries Ltd (M)
Specomill Nigeria Ltd
Sun Insurance
United Nigeria Insurance Co
West African Distilleries Ltd. (M)
West African Prudential Insurance

Companies for partial privatization

All cement companies (M)
All commercial and Merchant banks
All oil marketing companies
All paper mills
All steel rolling mills operating outside the iron complex (M)
All truck assembly companies (M)
All vehicle assembly companies (M)
Bacita Sugar Co (M)
Daily Times of Nigeria
Electricity metre Co of Nigeria Ltd
New Nigerian Newspapers
News Agency of Nigeria
Nigeria Airways
Nigerian Agricultural and Cooperative bank and other development banks (five of them)
Nigerian Engineering Construction Co Ltd
Nigerian Fertilizer Co Ltd
Nigerian National Shipping Line
Nigerian Super Phosphate Fertilizer Co (M)
Savannah Sugar Co Ltd (M)
Tourist Co of Nigeria Ltd

Companies for full commercialization

Associated Ores Mining Co
National Insurance Corporation of Nigeria
National Properties Ltd
Nigeria Re-Insurance Corporation
Nigerial Coal Corporation
Nigerian Mining Corporation
Nigerian National Petroleum Corporation
Nigerian Telecommunications
Tafawa Balewa Square Management Committee

Companies for partial commercialization

All federal hospitals
All River Basin Development Authorities
Ajaokuta Steel Co
Delta Steel Co
Feder Housing Authority
The Federal Institute of Industrial - Research
Federal Radio Corporation of Nigeria
Kainji Lake National Park
National Electric Power Authority
National Provident Fund
Nigerian Airport Authority
Nigerian Institute for Oil Palm Research
Nigerian Machine Tools Ltd
Nigerian Ports Authority
Nigerian Railways Corporation
Nigerian Security and Minting-co Ltd.
Nigerian Television Authority
The Project Development Agency

Source: Africa Business, July 1988, p.14.
Note: M indicates that major activity undertaken is manufacturing.

The list presented in Table 5.1 indicates that the government seeks to involve private firms, both domestic and foreign, in the industrial rehabilitation exercise within the consumer goods branches. Divestment within the heavy industrial branches is aimed at the construction of debt-equity swaps and at attracting mainly foreign managerial expertise to restructure these companies in participation with the government.

The government expects to mobilize N2.3 billion from the privatization programme. Its total investment in the firms within the privatization programme during 1980-1985 was N23 billion, roughly half taking the form of equity participation and half the form of loan capital. Besides these the government spent over N1 billion in subsidies to these parastatals.[1/] The privatization programme is thus substantially larger than the indigenization programme of 1978 which involved the sale of stock worth N210 million invested in 78 companies through the National Stock Exchange. The devising of an institutional system for handling stock market sales on such a large-scale is a challenging task although Nigeria has a considerable experience in this respect.[2/]

Despite its keen interest in the success of the privatization programme the government intends to retain control of the major industrial companies with a new thrust on business-like operations. Thus the Nigerian National Petroleum Company is to be fully commercialized (i.e. all government subvention is to be discontinued over time) but is not to be privatized. The Ajaokuta Steel Company (including its rolling operations) is to be partially commercialized and government subsidization is not likely to be phased out over the medium-run. Given the persistence of significant levels of investment in the steel and petrochemical complexes envisaged in the Fifth Plan, it is clear that the government retains its interest in playing a direct investment role in key manufacturing industries. The emphasis on commercialization thus indicates however that the government is seriously concerned to improve the performance of public manufacturing enterprises and to establish a framework for co-operation between private and public enterprises to enhance productivity growth within the manufacturing sector.

The impact of privatization on enterprise performance is likely to be determined by several factors. Public firms suffered losses due largely to the legal constraints placed on their pricing, investment and employment policies. Lifting these constraints will have a social cost which will show up elsewhere in the economy. There is in particular the possibility that private investment will concentrate on a small number of key projects with short gestation periods and will not provide resources for the type of industrial restructuring that is necessary to increase inter-enterprise production and linkages and a wider diffusion of technological know-how within the Nigerian economy. This is particularly the case, because there exist very few domestic investor groups (such as the Ihuru Group of Companies), which are likely to take up the investment slack.

1/ Rate of return on the total investment was estimated at about 4 per cent.

2/ In 1978 the specially established Nigerian Enterprise Promotion Board (NEPB) handled the privatization sales, but only 78 of the 1,120 companies made use of the services of the stock exchange of NEPB.

On the other hand, many transnational corporations have expressed an interest in the privatization programme. These include Metal Box, Chemical and Allied Products (Nigerian affiliate of U.K.'s ICI), Soclinco (Belgium) Kobe Steel (Japan), Unde (FRG), and Lever Brothers (Nigeria). Bringing such interest to fruition is an act of careful and protracted negotiations, sometimes involving complex debt-equity deals with the involvement of international financial institutions. Moreover there is a need to ensure that privatization does not lead to a substitution of private monopoly for public monopoly and an increase in the level of industrial concentration in Nigeria.

Privatization is thus a strategic option which can ensure significant gains for Nigeria in keeping pace with the changing industrial realities, which would probably require the supplementation of the divestment effort by a rehabilitation programme with the support of multilateral institutions. Steps must also be taken to ensure that industrial concentration does not increase as a consequence of privatization in view of the fact that the major constraint on the growth of factor productivity is the high level of monopolization of the manufacturing sector.

Government has been conscious of the need to restrict industrial concentration. This is reflected in its decision to channel 80 per cent of the shares through the stock market and the limits imposed on individual (but not group) holding of these shares. Government needs to develop an incentive system and a regulatory mechanism to foster the growth of investment and management co-operation between public and private enterprises and to ensure that this co-operation leads to appropriate investment patterns, technology choices, employment and labour policies and the strengthening of viable links between large manufacturing firms and the small-scale sector. If the privatization scheme is to succeed, it requires a policy initiative on the part of the government which goes beyond the limited task of dismantling control. It requires a policy of creative involvement which can identify the strengths and weaknesses of the private sector and provide a framework for utilizing private sector financial and entrepreneurial resources for the achievement of the major objectives of Nigeria's industrial policy.

The cut-back in public sector investment has led to an increased emphasis on the role of Foreign Direct Investment (FDI) within the manufacturing sector. Net direct foreign investment has however continued to decline in recent years. This is of particular concern because it is estimated that roughly one-third of FDI is concentrated in the manufacturing sector.[1/]

Since the adoption of the SAP, the macroeconomic policy framework has become particularly favourable for foreign investors. It has been argued that the establishment of the Foreign Exchange Market (FEM) and the subsequent large-scale devaluation of the Naira has increased the competitiveness of the TNCs against smaller indigenous firms in the Nigerian market. Moreover the FEM could also be used (TNCs and also their Nigerian shareholders) to repatriate funds. This would presumably enhance the capability of Nigerian-based TNC subsidiaries to raise money abroad. It has been agreed that the establishment of the FEM represents a major departure of the indigenization policy that had been in operation since the early 1970s and

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1/ Manufacturing is the leading sector in this respect followed by trading and mining. M. Akor, "Indigenous Industries and Multinational Corporations in the Second-tier Foreign Market", The Nigerian Journal of Economic and Social Studies, 1986, 2, pp. 89-104.

that an important consequence of the new macroeconomic framework would be to induce many indigenous firms (both private and public sector ones) to sell equity shares to the TNCs.[1/] This is already reflected in the extensive privatization programme announced by the government during 1988. The government has in 1987 announced a major modification of the indigenization policy framework. Amendments have been made to the Nigerian Enterprise Promotion Decree 1977 significantly expanding the scope for foreign investment corporation. Majority foreign ownership is now possible in most manufacturing enterprises.[2/]

The subsidiaries are also likely to benefit from the liberalization of imports and the authorization of the retention of foreign exchange earnings by exporters. It has also been decreed that over the period 1987 to 1992 foreign investment in Nigeria will be exempt from taxation for a three to five-year period.

5.3 Manufactured exports: the need for a selective policy package

The manufacturing sector is a large consumer of foreign exchange - the import content of manufactured raw material is still well in excess of 50 per cent - but its capacity to earn foreign exchange remains very low. Export potential was identified in a relatively small number of manufactured products - palm oil and cake, cement, finished steel products, LNG, carbon black and caustic soda. Manufactured exports have not responded significantly to the large-scale devaluation of the Naira. A comprehensive export incentive system has been developed. The Industrial Policy Statement of 1987 describes the stimulation of manufactured exports to be provided by greater access to foreign exchange earnings, devaluation of the Naira, the establishment of export free zones, etc., as an "important policy shift".[3/] But it is doubtful whether the import-substitution orientation of Nigerian manufacturing production can be changed within the short- to medium-run.

Most Nigerian manufactured exports are destined for developed economy markets, particularly the EC and the USA. Major export items include cocoa powder, cocoa butter, cocoa liquor, leather products, synthetic rubber, petroleum products, non-ferrous metal scrap, gum arabic, glycerol and personal effects. The expansion of these exports is either limited by low-income elasticity of demand or by the operation of international commodity agreements. An expansion of the product coverage in international trade agreements to allow duty exemptions for more processed products can however be of considerable assistance to Nigeria.

An important problem with respect to the growth of manufactured exports has been the very limited growth of sub-regional trade within West Africa - despite the usual level of smuggling across national borders. An expansion of Nigeria's manufactured trade must involve a regularization of the illegal trade as well as the construction of a policy framework which can harmonize the production and investment strategies of the ECOWAS member countries in key product area.

1/ Akor. Ibid., pp.97-100.

2/ Detailed revised schedules of the Amended Act have yet to be announced however.

3/ Federal Government of Nigeria, Industrial Policy of Nigeria, November 1987, p. 4.

Manufacturing firms operating in Nigeria - both domestic and foreign - have traditionally preferred to concentrate on producing for the domestic market. There are sound economic reasons for this. Nigeria has a population in excess of 100 million. The scope for import-substitution remains unexhausted. Industrial efficiency cannot increase when industrial concentration remains high and import costs soar as a consequence of the de-regulation of the foreign exchange market. Increasing international competitiveness requires the construction of a selective policy package which can support production restructuring and marketing strategies in key product areas in which Nigeria enjoys a clear international comparative advantage and can co-ordinate Nigeria's trade strategy with that of its neighbours. Multilateral assistance - both technical and financial - can play an important role in facilitating the development and implementation of such a cohesive policy package.

5.4 Manufacturing prospects and the role of multilateral technical assistance

Successful re-negotiation of debt payment arrangements with London Club Creditors and with the majority of bilateral lenders during 1988 indicate that Nigeria's improved economic prospects have been widely recognized by both public and private sector interests in international financial markets. This is despite Nigeria's reluctance to accept the terms of a new stand-by agreement proposed by the IMF which is normally a pre-condition for this type of debt rescheduling.

Within the manufacturing sector, good growth prospects exist for industries which can substitute domestically-produced raw materials for imported inputs. The import content of industrial raw materials has fallen for most industrial branches during 1987 and 1988 - the most significant reductions have been experienced by the wood product, food manufacturing, beverages, textile and wearing apparel branches. These industries benefitted from import cutbacks on competing commodities during the mid-1980s and from substantial reductions in unofficial import operations. Effective implementation of such measures can create opportunities for domestic resource-based light manufacturing industries in Nigeria.

Prospects are also good for industrial establishments which can service Nigerian engineering industries. Difficulties in importing spare parts have stimulated the rapid development of an indigenous maintenance and repair industry. Foreign investors have realized the potential for such activities. Spare parts and component shortages also create opportunities for small-scale operations - such as foundries, forge shops, etc. - in the metalworking industries. Their rapid development through the encouragement of intra-industrial subcontracting is essential for filling vital "gaps" in the production structure of the manufacturing sector.

Finally, within the heavy industry sector the government remains committed to an accelerated development of the petrochemical and the iron and steel sectors in order to meet growing domestic demand and establish a range of downstream activities. Foreign partners are actively being sought for completing the second phase of the national petrochemical complex[1/] by 1990.

1/ Involving the creation of capacity for the production of ethelene (200,000 million tonnes/year), LDPE (110,000 million tonnes/year), HDPE (70,000 million tonnes/year), VCM (145,000 million tonnes/year), PVC (140,000 million tonnes/year).

There are, thus, grounds for cautious optimism for Nigeria's medium-term industrial prospects. The Fifth Plan envisages an annual average MVA growth rate of 7.5 per cent. This can be attained provided sectoral import dependence could continue to fall and/or more foreign resources become available. The redressing of fundamental structural imbalances is also a precondition for restoring self-sustaining growth within Nigerian manufacturing.

Of greatest importance perhaps is the need to increase the integration of the manufacturing sector within the domestic economy. At present over 50 per cent of the raw materials consumed by the manufacturing sector is imported. Increasing intra-sectoral production and marketing linkages between large- and small-scale enterprise could absorb unemployed labour force.[1/]

Equally important is the need to increase efficiency levels within the manufacturing sector. The system of taxation subsidies, import licensing and investment allocation and sanctioning have been streamlined in 1987 and particular stress has been placed on privatization and liberalization of the policy framework. Protection could be accorded to genuine infant industries, particularly those capable of increasing the forward linkages between the manufacturing and the agricultural sector (such as fertilizers and agricultural machine tools) and those which can contribute towards a reduction of import needs (such as forge shops, foundries and engineering workshops). An improvement in accountancy practices and a closer and more rational system of company investigation are required to ensure that government subsidies have an optimum effect.

It would also be useful to pay attention to the importance of providing essential services to industry. Thus, engineering consultancy, management consultancy, standardization, R & D and quality control are key requirements for the export strategies, the privatization policy and the innovation process.

UNIDO is currently involved in projects related to managerial services, textile testing and quality control, transfer of technology and industrial research. Further technical assistance is required for restructuring production units in branches such as agro-industries, engineering and textiles. Assistance is also needed for regularization of accountancy procedures and practices, for the development of management skills and for the promotion of subcontracting linkages between small, medium and large firms. There is also a need to provide assistance for improving the operational efficiency of the parastatal sector and for the development of an institutional framework for the provision of public sector support for private industrial enterprises. A careful monitoring of sub-regional and regional markets and an increased awareness of actual export potential can bring rich rewards in the future.

The privatization programme represents the single most important initiative of the government. Its success should be judged not merely in terms of the volume of private manufacturing investment (both domestic and foreign) that it attracts but in terms of its impact on increasing intra-industry linkages and the linkages of the manufacturing sector with Nigeria's rural economy. Multilateral technical assistance could be directed towards crucial areas that would ensure that the privatization exercise makes a positive contribution to the integrated development of the manufacturing sector.

1/ Unemployment within the formal sector is currently estimated at about 4 million by unofficial sources and has not fallen substantially despite the economic recovery of 1987 and 1988.

ANNEX A

STATISTICAL TABLES

Table A-1: Distribution of GDP at constant (1980) prices, by sector of origin

Year	Agriculture	Total Industrial Activity	Manufacturing	Construction	Wholesale and retail trade, hotels etc.	Transport, storage and communication	Other services	Statistical discrepancy	GDP
	(p e r c e n t a g e)								(million $)
	at constant 1980 prices								
1970	39.5	25.2	2.3	4.6	21.3	2.4	6.8	0.1	56832.9
1971	37.2	30.8	2.0	5.5	20.4	2.4	6.4	-2.7	63177.8
1972	32.6	34.4	2.3	6.2	18.6	2.7	6.7	-1.3	66970.7
1973	30.0	36.7	2.7	5.9	18.7	3.2	6.3	-0.8	71078.5
1974	29.5	39.7	2.3	5.3	17.3	2.9	6.7	-1.4	79799.2
1975	27.2	33.4	2.9	5.5	19.1	3.1	9.3	2.5	77613.9
1976	24.2	37.0	3.3	6.6	19.3	2.9	8.7	1.4	85745.4
1977	24.0	35.4	3.2	7.1	20.2	2.8	8.4	2.1	92265.5
1978	23.4	34.7	3.9	7.3	19.2	3.1	8.7	3.6	86589.1
1979	20.6	40.7	4.3	7.2	18.3	3.4	8.6	1.2	85246.7
1980	20.9	36.6	4.9	7.6	20.1	3.7	8.6	2.5	88221.6
1981	20.1	29.0	5.5	8.2	21.9	4.2	10.6	6.1	86180.2
1982	23.3	26.8	5.7	6.9	20.4	4.4	11.5	6.7	84743.9
1983	23.6	27.1	5.4	6.4	21.0	4.0	11.9	5.9	79071.2
1984	24.9	29.1	4.6	4.9	20.2	3.2	12.2	5.4	74722.3
1985	25.1	29.3	4.7	4.5	20.3	3.1	12.2	5.5	76519.8

Source: Statistics and Survey Unit, UNIDO.
Based on data supplied by the UN Statistical Office,
with estimates by the UNIDO Secretariat.

Notes: i) Due to statistical discrepancies GDP may differ from the sum of its components.
ii) Total Industrial Activity comprises of Mining and Quarrying, Manufacturing, Electricity, gas and water.

Table A-2: International comparisons of economic performance at constant (1980) prices

Indicator	Year or period	Country	Africa	Developing countries Total	Developed Market Economies
GDP per capita (US $)	1970	993	634	732	8074
	1975	1147	694	868	8907
	1981	1034	709	973	10225
	1984	812	667	954	10743
	1985	804	669	948	11012
MVA per capita (US $)	1970	22	46	113	2015
	1975	34	52	140	2158
	1981	57	60	164	2518
	1984	37	59	167	2707
	1985	38	60	168	2803
Total exports/capita (US $)	1970	197	276	249	1226
	1975	206	208	265	1566
	1981	236	197	264	2103
	1984	153	184	251	2296
	1985	178	191	247	2390
Total imports/capita (US $)	1970	112	160	132	1412
	1975	188	205	188	1677
	1981	319	235	262	2095
	1984	129	186	235	2338
	1985	149	195	224	2430
Total exports/GDP (percent)	1970	19.9	43.6	34.0	15.2
	1975	18.0	30.0	30.6	17.6
	1981	22.8	27.8	27.1	20.6
	1984	18.8	27.7	26.3	21.4
	1985	22.1	28.6	26.0	21.7
Total imports/GDP (percent)	1970	11.3	25.2	18.0	17.5
	1975	16.4	29.6	21.6	18.8
	1981	30.9	33.2	26.9	20.5
	1984	15.9	27.9	24.6	21.8
	1985	18.5	29.2	23.6	22.1
Gross fixed capital formation per capita (US $)	1970	82	95	127	1936
	1975	205	146	183	1992
	1981	275	179	228	2220
	1984	150	144	204	2292
	1985	163	147	198	2394
GFCF/GDP (percent)	1970	8.3	15.0	17.3	24.0
	1975	17.9	21.0	21.1	22.4
	1981	26.6	25.2	23.4	21.7
	1984	18.5	21.7	21.4	21.3
	1985	20.3	22.0	20.9	21.7

Source: Statistics and Survey Unit, UNIDO.
Based on data supplied by the U.N. Statistical Office, with estimates by the UNIDO Secretariat.

Table A-3: Comparative average annual rates of growth by economic sector
(at constant 1980 prices)

Sectors	Period	Country	Africa	Developing countries Total	Developed Market Economies
Agriculture	1970-1980	-2.2	0.1	2.4	1.0
	1981-1985	1.5	1.7	2.5	2.0
	1970-1985	-1.6	0.5	2.4	1.4
Total Industrial Activity(incl. MVA)	1970-1980	7.2	2.8	4.6	2.9
	1981-1985	-2.5	2.3	0.8	3.5
	1970-1985	0.9	1.3	2.2	2.5
Manufacturing	1970-1980	13.7	5.0	6.5	3.0
	1981-1985	-8.6	2.6	3.1	3.8
	1970-1985	9.1	4.8	5.1	2.6
Construction	1970-1980	8.9	8.0	8.7	0.7
	1981-1985	-17.4	-3.4	-2.8	-0.2
	1970-1985	2.4	4.7	5.4	0.0
Wholesale & retail trade, hotels e.t.c	1970-1980	4.1	3.7	5.4	3.5
	1981-1985	-5.1	-0.8	1.6	3.3
	1970-1985	2.1	2.8	4.4	3.0
Transport, storage and communication	1970-1980	7.9	6.8	8.4	3.8
	1981-1985	-12.2	0.1	3.0	2.7
	1970-1985	4.5	5.3	6.7	3.2
Other services	1970-1980	8.3	6.5	7.1	3.7
	1981-1985	-0.2	3.0	2.7	3.0
	1970-1985	6.5	5.9	5.7	3.4
GDP per capita	1970-1980	0.9	1.5	3.1	2.2
	1981-1985	-6.7	-1.7	-0.5	2.1
	1970-1985	-1.8	0.3	1.8	1.9
MVA per capita	1970-1980	9.9	2.0	3.9	2.1
	1981-1985	-11.6	-0.3	0.7	3.2
	1970-1985	5.4	1.8	2.6	1.8

Source: Statistics and Survey Unit, UNIDO.
Based on data supplied by the UN Statistical Office,
with estimates by the UNIDO Secretariat.

Table A-4: Gross output and value added in manufacturing, 1973 and 1980
(at current prices) (currency = Naira)

Description (ISIC)	Gross output (thousands)		Share in total (percentage)		Value added (thousands)	
	1973	1980	1973	1980	1973	1980
TOTAL MANUFACTURING(300)	1242200a/	6943400a/	100.0a/	100.0a/	579640a/	3530400a/
Food products(311)	235000	943700	18.9	13.6	85250	315700
Beverages(313)	145400	729800	11.7	10.5	115230	542400
Tobacco(314)	57900	248500	4.7	3.6	45600	195500
Textiles(321)	205700	707600	16.6	10.2	78060	334900
Wearing apparel,except footwear(322)	2400	6800	0.2	0.1	800	2700
Leather products(323)	11400	29500	0.9	0.4	3050	11400
Footwear,except rubber or plastic(324)	20200	48900	1.6	0.7	8230	23300
Wood products,except furniture(331)	22100	63200	1.8	0.9	11650	40100
Furniture,except metal(332)	7200	114000	0.6	1.6	3040	47900
Paper and products(341)	33300	151100	2.7	2.2	13000	51500
Printing and publishing(342)	35300	142900	2.8	2.1	18770	88200
Industrial chemicals(351)	4200	32200	0.3	0.5	2200	18900
Other chemicals(352)	110300	794300	8.9	11.4	52560	398200
Petroleum refineries(353)	...	...	...	...	...	...
Misc. petroleum and coal products(354)	60500	399300	4.9	5.8	36740	158900
Rubber products(355)	39800	95900	3.2	1.4	20330	43300
Plastic products(356)	25100	121100	2.0	1.7	4680	49100
Pottery,china,earthenware(361)	700	900	0.1	0.0	300	700
Glass and products(362)	4000	57200	0.3	0.8	1620	32800
Other non-metallic mineral prod.(369)	46500	161400	3.7	2.3	28740	97700
Iron and steel(371)	0	16500	0.0	0.2	0	15700
Non-ferrous metals(372)	18490	91410	1.5	1.3	1000	45970
Fabricated metal products(381)	124810	504090	10.0	7.3	39210	193330
Machinery,except electrical(382)	1400	80200	0.1	1.2	330	33500
Machinery electric(383)	20700	167600	1.7	2.4	4530	61900
Transport equipment(384)	7600	1219400	0.6	17.6	3780	717500
Professional & scientific equipm.(385)	0	0	0.0	0.0	0	0
Other manufactured products(390)	2200	15900	0.2	0.2	940	9300

Source: Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

a/ 300 excludes 353 (Petroleum refineries).

Table A-5: Indicators of industrial growth, by branch of manufacturing

Description (ISIC)	Growth of value added at 1980 prices	Growth of employment	Growth of value added per employee
	1975-1985	1975-1985	1975-1985
Food products(311)	3.19	-0.28 b/	3.63 b/
Beverages(313)	12.59	13.27 b/	3.05 b/
Tobacco(314)	-2.58 c/	18.79 b/	-18.34 b/
Textiles(321)	3.05	-0.21 b/	6.18 b/
Wearing apparel,except footwear(322)	10.20 d/	11.70 b/	-4.93 d/
Leather products(323)	11.01 d/	15.40 b/	0.66 d/
Footwear,except rubber or plastic(324)	-1.83	6.70 b/	-7.06 b/
Wood products,except furniture(331)	11.63 c/	1.54 b/	10.19 b/
Furniture,except metal(332)	10.20 d/	9.26 b/	-9.05 d/
Paper and products(341)	6.70 e/	3.49 b/	-1.22 e/
Printing and publishing(342)	10.20 d/	9.50 b/	3.71 d/
Industrial chemicals(351)	19.91 c/	5.37 b/	15.99 b/
Other chemicals(352)	-1.38	4.29 b/	-0.59 b/
Petroleum refineries(353)	...	-3.87 a/	...
Misc. petroleum and coal products(354)	7.48 f/	8.31 b/	-6.40 d/
Rubber products(355)	2.28	-8.27 b/	14.45 b/
Plastic products(356)	10.20 d/	12.19 b/	-21.88 d/
Pottery,china,earthenware(361)	10.20 d/	-20.76 b/	13.09 d/
Glass and products(362)	10.20 d/	1.26 b/	1.26 d/
Other non-metallic mineral prod.(369)	11.24	5.20 b/	8.03 b/
Iron and steel(371)	...	49.10 b/	...
Non-ferrous metals(372)	-8.29 c/	15.39 b/	-20.60 b/
Fabricated metal products(381)	4.68 f/	4.32 b/	-5.66 f/
Machinery,except electrical(382)	-1.72	21.97 b/	-14.24 b/
Machinery electric(383)	1.84	15.75 b/	0.12 b/
Transport equipment(384)	3.16	16.13 b/	-3.95 b/
Professional & scientific equipm.(385)	...	-37.49 b/	...
Other manufactured products(390)	10.20 d/	-2.44 b/	3.43 d/

Source: Statistics and Survey Unit, UNIDO.Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes: a/ 1981-1983
b/ 1975-1983
c/ 1975-1984
d/ 1975-1980
e/ 1975-1982
f/ 1975-1981

Table A-6: Industries receiving negative net effective rate of protection, 1979-80[a/]
(percentage)

Industry	Nominal rate of protection	Net effective rate of protection
Meat and poultry products		
- Meat products b/	10	-20.6
Dairy products		
- Tinned milk	20	-25.0
- Assorted dairy products (mainly yoghurt and flavoured drinks)	15	-16.5
Vegetable and oil milling		
- Groundnut oil	14.5	-23.5
- Cottonseed oil	9.7	-1.0
- Palm oil	0	-33.3
Sugar cubing b/	34	-40.0
Cocoa butter and cake	2	-52.7
Beer and stout c/	25 - 40	-6.1 - 15.6
Soft drinks b/	20 - 35	-18.9 - 3.4
Spinning, weaving and finished textiles		
- Sewing thread b/	10 - 20	-26.8 - 16.3
- Yarn from synthetic fiber	10 - 20	-20.1 - 6.7
- Gray baft c/	20 - 40	-2.1 - 4.0
Leather belts	35	-2.8
Lumber	0	-30.1
Toilet and tissue paper b/	25	-46.6
Industrial cases	10 - 20	-32.4 - 18.4
Fertilizers	0 - 10	-62.4 - 26.2
Paints b/	25 - 33 1/3	-3.4 - 36.0
Drugs and medicines	8	-36.1
Vaseline products	20	-8.8
Blended lubricating oils and	2.1	-26.3
Tires and tubes	20 - 30	-15.9 - 13.0
Other rubber products		
- Natural rubber, fully integrated	0	-25.4
- Natural rubber, non-integrated	0	-53.7
Bricks and tiles		
- Terra 220 tiles	12	-26.1
- Structural clay products	20 - 33 1/3	-8.4 - 4.3
Cement	9	-31.1
Concrete-asbestos roofing Sheets and pipes b/	18 - 25	-3.3 - 8.3
Iron rods	20	-12.7
Aluminum sheets, coils, and circles	5 - 10	-23.0 - 8.2
Matchets	8	-31.7
Trailers, tippers, and tanks b/	15 - 20	-14.1 - 3.2
Presses and crushes	0	-38.6
Tape saws, block molding, machines, etc.	5	-22.7
Insulated electric cable b/	10 - 30	-28.1 - 10.1
Tugs, barges and small boats	5	-24.6
Ball point pens	30	-2.3

Source: James W. Robertson, The Structure of Industrial Incentives in Nigeria, 1979-80, World Bank, 15 September 1981.

a/ Assuming 35 per cent overvaluation of the naira.

b/ Requires import license.

c/ Under import ban.

Table A-7: Industries receiving net effective rate of protection, 1977
(percentage)

Industry	Nominal rate of protection	Net effective rate of protection[a/]	Net effective rate of protection[b/]
A. Nominal Rate of protection < 35%			
1) Meat products	0	-22	-31
2) Dairy products	4	-25	37
3) Groundnut oil and cake	-2	-174	-79
4) Cottonseed oil and cake	18	-1	-11
5) Palm oil milling [c/] (doubtful)	0 [c/]	-25 [c/]	-35
6) Sugar factories and refineries	8	-13	-23
7) Ovaltine substitutes, etc.	23	-1	-19
8) Tea and coffee	16	-10	-23
9) Prepared animal feeds	10	-29	-80
10) Soft drinks and carbonated waters	22	-4	-13
11) Cotton yarn	5	-20	-35
12) Grey baft (possibly)	10 - 30	-16 - +13	-20 (average)
13) Finished textile fabrics (possibly)	14 - 40	-22.3 - +130	
14) Wooden fixtures and furniture (possibly)	35 - 55	-12 - +10	-38 (average)
15) Drugs and medicine	8	-15	-34
16) Cement	0	-30	-41
17) Cotton wool and gauze	17	-5	-55
18) Matches	8	-16	-33
19) Natural rubber	0	-25	-35
20) Tin smelting	0	-23	-32
21) Agricultural machinery and equipment	0	-25	-35
22) Industrial machinery and equipment	11	-22	-31
B. Nominal rate of protection < 50% (not listed in A.)			
1) Flour	10	10	-15
2) Bakery products	40	26	-38
3) Beer breweries	27	6	-10
4) Knitting fishing nets	35	25	-9
5) Wearing apparel except footwear	44	8	-9
6) Tanneries and leather finishing	8	8	-6
7) Sawmills, planning and other wood	26 - 33	13 - 28	-2
8) Fertilizers	21	6	-5
9) Disinfectants, insecticides and fungicides	12	1	-14
10) Tire and tube industries	22	2	-13
11) Bricks and tiles	17	4	-11
12) Concrete products: asbestos roofing	18	2	-12
13) Cast iron products	45	20	-1
14) Aluminium sheets, coils and circles	10	0	-1
15) Metal furniture and fixtures without "approved user status"	30	18	-2
16) Structural metal products			
- Iron rods	21	8	-7
- Trailers and tankers	18	15	-9
- Windows and doors	20	11	-6
17) Motorcycles	15	16	-4

Source: J. Bertrand and N. Robertson, An Analysis of Industrial Incentives and Location in Nigeria, World Bank, 1978.

a/ Assuming 35 per cent overvaluation of the naira.

b/ Assuming 50 per cent overvaluation of the naira.

c/ According to Bertrand and Robertson, however, the oil-palm subsector report suggests a positive and large net effective protection for oil-palm milling in recent years.

Table A-8: Industries receiving positive net effective rate of protection, 1977[a/] (percentage)

Industry	Nominal rate of protection	Net effective rate of protection[b/]	Net effective rate of protection[c/]
A. Nominal rate of protection < 30 per cent			
1) Grain mill products	10	10	-15
2) Beer and stout [d/]	27	6	-10
3) Grey baft	10 - 30	-16 - 13	-20 (average)
4) Yarn from synthetic fiber	22 - 45	- 53 - 800	102 (average)
5) Waste cotton blankets	23	15	0
6) Tanneries and leather finishing [d/]	8	8	-6
7) Sawmills and other wood mills	26 - 33	13 - 28	
8) Fertilizers	21	6	-5
9) Pesticides	12	1	-14
10) Paints, etc.	28	19	1
11) Tire and tube industri.s	22	2.2	-13
12) Plastic shoes	15	269	192
13) Plastic sheeting and imitation leather	23	189	119
14) Mirrors	28	75	50
15) Bricks and tiles	17	4	-11
16) Concrete products [d/]	18	2	-12
17) Metal containers	25	17	
18) Metal furniture and fixtures			
- with approved user status	30	69	42
- without approved user status	30	18	-2
19) Iron rods	21	8	-7
20) Trailers and tankers	18	15	-0
21) Windows and doors	20	11	-6
22) Enamelwar	19	32	6
23) Galvanized iron sheets [d/]	16	39	14
24) Electrical cables	20	60	20
25) Shipbuilding and repairing - small boats	28	18	5
26) Motor vehicles			
- engine capacity 1800 ccs	25	44	19
27) Motorcycles	15	16	-4
28) Ink	20	109	20
B. Nominal rate of protection 31-50 per cent			
1) Bakery products [d/]	40	26	-38
2) Chocolate confectionary [d/]	40	79	62
3) Cigarettes	45	18	2
4) Finished textile fabrics	14 - 40	-22.3 - 130	-43 (average
5) Yarn from synthetic fiber	22 - 45	53 - 860	102 (average)
6) Terpauline	34	137	60
7) Fishing nets	35	25	-9
8) Knitted fabrics [d/]	35	158	106
9) Wearing apparel except footwear	44	8	-9
10) Leather products and substitutes	35 - 45	21 - 74 23 (average)	
11) Sawmills and other woodmills	26 - 3[illegible]	13 - 28 -2 (average)	
12) Containers, boxes of paper and paperboard	45	35	9
13) Pulp, paper and paperboard	40	33	9
14) Electrodes	35	127	68
15) Soap, detergents, perfumes, and cosmetics [d/]	43	39	15
16) Glass containers	42	31	8
17) Cast iron products [d/]	45	20	-1
18) Metal containers	40	46	25
19) Television, radio, communication equipment	45	47	23
20) Electrical equipment and housewares	35	290	199
21) Motor vehicles			
- engine capacity 1800-2000 ccs	40	50	27
22) Ballpoint pens	35	16	0
C. Nominal rate of protection > 50 per cent			
1) Spirits	58	40	13
2) Cordage	62	...	...
3) Leather footwear	51	83	54
4) Wooden furniture and fixtures [d/]	35 - 55	-12 - 10 38 (average)	
5) Foam cushions and mattresses	55	54	25
6) Ceramic tableware	66	56	28

Source: J. Bertrand and M. Robertson, "An Analysis of Industrial Incentives and Location in Nigeria", World Bank, 1978.

a/ Assuming 35 per cent currency overvaluation.

b/ Assuming 35 per cent exchange-rate overvaluation.

c/ Assuming 50 per cent exchange-rate overvaluation.

d/ Industries with excess profits (in 1977) thought sufficient to permit absorption of losses from a removal of all market distortions

Table A-9: Average apparent consumption of selected manufactures, 1982-1984

Product grouping and commodity (ISIC)		Unit	Average apparent consumption per 1000 inhabitants	Imports | Exports: As percentage of apparent consumption		Average annual production	Growth rate of apparent consumption
			1982-1984	1982-1984	1982-1984	1982-1984	1975-1984
FOOD PRODUCTS							
Raw sugar (311801)	a/	W	0.28	16.7	0.0	20000	-10.92
Refined sugar (311804)	a/	W	9.45	94.4	0.3	48300	24.17
Cocoa powder (311907)	a/	W	0.09	14.1	30.1	8409	-5.28
Cocoa butter (311910)	a/	W	0.08	0.8	40.4	9830	1.58
Chocolate and chocolate products (311913)		W					
Prepared animal feeds (312201)		W	0.84	34.9	0.0	49000	15.94
OILS AND FATS							
Oils and fats of animals, unprocessed (311507)		W					
Oils of vegetable origin (311510*)	b/	W	12.66	15.2	2.9	973123	6.64
TEXTILES							
Wool yarn, pure and mixed (321103)	a/	W	0.00	100.0	0.0	0	14.09
Cotton yarn, pure and mixed (321109)	a/	W	0.18	67.4	0.0	4814	3.01
Cotton woven fabrics (321128)		S	4958.12	0.1	0.0	441074592	4.00
Woollen woven fabrics (321134)		S	1.80	100.1	0.1	0	-7.98
Knitted fabrics (321301)		W	0.04	4.5	0.0	3409	-5.79
FOOTWEAR							
Footwear, excluding rubber footwear (324000)		P	116.86	13.8	0.2	9014867	-2.94
WOOD AND WOOD PRODUCTS							
Veneer sheets (331110)	a/	V	0.04	7.8	0.4	3000	8.46
Particle board (331122)	a/	V	0.54	5.1	0.0	45000	2.71
PAPER AND PAPER PRODUCTS							
Wood pulp, mechanical (341101)		W	0.00	100.0	0.0	0	1.47
Pulp of fibres other than wood (341104)		W	0.00	100.0	0.0	0	-4.18
Wood pulp, dissolving grades (341107)		W	0.01	100.0	0.0	0	108.44
Wood pulp, sulphate and soda (341110)	a/	W	0.13	100.0	0.0	0	19.75
Wood pulp, sulphite (341113)	a/	W	0.00	100.0	0.0	0	-22.36
Wood pulp, semi-chemical (341116)		W	0.01	100.0	0.0	0	27.92
Newsprint (341119)	a/	W	0.31	100.1	0.1	0	2.33
Other printing and writing paper (341122)	a/	W	0.54	100.0	0.0	0	5.83
Kraft paper and kraft paperboard (341125)	a/	W	0.62	100.0	0.0	0	15.91
Other paper and paperboard (341131)	a/	W	0.33	100.0	0.0	0	14.60
INDUSTRIAL CHEMICALS							
Methanol (methyl alcohol) (351121)	a/	W	0.00	100.9	0.9	0	-34.76
Glycerine (glycerol) (351125)		W	. . .	. . .	. . .	. . .	. . .
Chlorine (351145)		W	0.01	100.0	0.0	0	6.52
Sulphuric acid (351147)	a/	W	0.05	100.1	0.1	0	33.72
Nitric acid (351149)		W	0.00	100.0	0.0	0	10.98
Zinc oxide (351154)		W	0.00	100.0	0.0	0	-3.95
Titanium oxides (351155)		W	0.01	100.0	0.0	0	6.82
Lead oxides (351157)		W	0.00	100.0	0.0	0	-10.31
Ammonia (351158)		W	. . .	. . .	. . .	. . .	. . .
Caustic soda (351159)	b/	W	0.38	100.0	0.0	0	4.49
Soda ash (351166)		W	. . .	. . .	. . .	. . .	. . .
Hydrogen peroxide (351171)		W	. . .	. . .	. . .	. . .	. . .
Calcium carbide (351173)		W	. . .	. . .	. . .	. . .	. . .
Dyestuffs, synthetic (351174)	b/	W	0.05	100.1	0.1	0	-4.76
Vegetable tanning extracts (351175)		W	. . .	. . .	. . .	. . .	. . .
Nitrogenous fertilizers (351201)		M	1.30	100.0	0.0	0	18.50
Phosphatic fertilizers (351204 + 351207)		M	0.96	93.7	0.0	5400	20.06
Potassic fertilizers (351210)		M	0.53	100.0	0.0	0	23.13
Insecticides, fungicides, etc. (351216)		W	. . .	. . .	. . .	. . .	. . .
Rubber, synthetic (351301)	b/	W	0.03	100.0	0.0	0	-5.97
Non-cellulosic staple and tow (351304)		W	0.05	52.5	0.0	2200	7.40
Regenerated cellulose (351331)		W	0.07	100.1	0.1	0	1.88

=======> continued

Table A-9 (continued)

Product grouping and commodity (ISIC)		Unit	Average apparent consumption per 1000 inhabitants	Imports: As percentage of apparent consumption	Exports: As percentage of apparent consumption	Average annual production	Growth rate of apparent consumption
			1982-1984	1982-1984	1982-1984	1982-1984	1975-1984
PETROLEUM REFINERIES							
Motor gasolene (353007A)		W	45.98	43.0	0.2	2346000	20.90
Kerosene (353013A)		W	12.77	0.0	1.3	1152667	14.62
Distillate fuel oils (353019A)		W	28.91	7.7	5.0	2331667	17.05
Residual fuel oils (353022A)		W	15.59	13.4	31.4	1837333	16.12
Lubricating oils (353025A)	a/	W	3.80	72.6	0.1	90000	14.78
Liquefied petroleum gas (353037A)		W	0.91	0.0	0.0	81333	2.55
GLASS AND CEMENT							
Glass bottles and containers (3620108)		W	...	...	...	...	...
Cement (369204)	b/	W	74.89	53.2	0.0	3070000	8.23
IRON AND STEEL							
Pig iron (371007 + 371010)		W	...	...	...	...	90.53
Wire rods (371028)		W	...	...	...	...	...
Angles, shapes and sections (371035)		W	...	...	...	...	...
Plates(heavy), over 4.75 mm. (371040)			...	...	...	...	...
Plates(medium), 3 to 4.75 mm. (371043)			...	...	...	...	...
Plates and sheets, < 3 mm. (371046 + 371049 + 371052)	a/	W	4.77	100.0	0.0	0	17.95
Tinplate (371055)		W	...	...	...	...	-10.33
Railway track material (371067)	a/	W	0.17	100.0	0.0	0	25.22
Wire, plain (371070)		W	...	...	...	...	-2.03
Tubes, seamless (371076)		W	...	...	...	...	-4.27
Tubes, welded (371079)	a/	W	0.55	100.0	0.0	0	-4.11
Steel castings in the rough state (371085)		W	...	...	...	...	...
Steel forgings (371088)		W	...	...	...	...	...
NON-FERROUS METALS							
Copper, refined, unwrought (372004)	b/	W	0.00	100.0	0.0	0	15.40
Copper bars, rods, angles, etc. (372010 + 372013)	a/	W	0.09	100.0	0.0	0	24.31
Copper plates, sheets, strip and foil (372018)	b/	W	0.02	100.0	0.0	0	23.80
Copper tubes and pipes (372019)	b/	W	0.00	100.0	0.0	0	-2.37
Aluminium, unwrought (372022)		W	0.08	100.2	0.2	0	6.55
Aluminium bars, rods, angles, etc. (372025 + 372028)	b/	W	0.07	102.5	2.5	0	21.24
Aluminium plates, sheets, strip etc. (372031)	a/	W	0.21	100.0	0.0	0	10.91
Aluminium tubes and pipes (372034)		W	0.00	100.0	0.0	0	17.40
Lead, refined, unwrought (372037)	b/	W	0.04	45.0	0.8	2000	62.31
Zinc, unwrought (372043)	a/	W	0.24	100.0	0.0	0	11.13
Zinc plates, sheets, strip and foil (372046)		W	0.00	110.5	10.5	0	8.68
Tin, unwrought (372049)		W	0.00	13.1	345.6	1418	-26.07

Source: Statistics and Survey Unit, UNIDO.
Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Note: ISIC 311510* consists of 311510 + 311513 + 311516 + 311519 + 311522 + 311525 + 311528 + 311531 + 311534 + 311537.
Growth rates have been calculated on the basis of available annual data over the period indicated.

Footnotes: a/ Data for 1982 only.
b/ Data for 1984 not available.
c/ W = Metric tonnes
S = Square metres
P = Pairs
V = Cubic metres

ANNEX B

LAWS AND REGULATIONS RELATED TO INDUSTRIAL DEVELOPMENT, 1958-1988

Annex B - Laws and regulations related to industrial development, 1958-1988

The following are the laws and regulations related to industrial development in Nigeria:

1. Customs and Excise Management Act 1958, No.55 of 1958
2. Customs (Drawback) Regulations Legal Notice, No. 70 of 195[illegible]
3. Customs Duties (Dumped and Subsidised Goods) Act No. 9 of 1958
4. Income Tax Management Act, 1961, No.21
5. Factories Act Cao, 66
6. National Provident Fund Act 1961, No.20
7. Workmen's Compensation Act; Cap. 222
8. Merchandise Marks Act Cap. 117
9. Registration of Business Names Act 1961, No.17
10. Trade Marks Act 1965, No.29
11. Immigration Act 1963, No.6
12. Exchange Control Act 1962, No.16
13. Companies Act No.51 of 1968
14. Patents and Designs Act 1970, No.60
15. Industrial Inspectorate Act 1970, No.53
16. Industrial Development (Income Tax) Act 1971, No.22
17. Nigerian Standards Organization Act 1971, No.56
18. Industrial Training Fund Act 1971, No.47
19. Wages Boards and Industrial Councils Act 1973, No.1
20. National Bank for Commerce and Industry Act 1973, No.22
21. Trade Union Act 1973, No.31
22. Excise Tariff (Consolidation) Act 1973,No.7
23. Customs Tariff (Consolidation) Act 1973, No.6
24. Labour Act 1974, No.21

Annex B (continued)

25. Trade Disputes Act 1976, No.7

26. Trade Disputes Essential Services Act 1976, No.23

27. Nigerian Export Promotion Council Act 1976, No.26

28. Nigerian Enterprises Promotion Act 1977, No.3

29. Productivity, Prices and Incomes Board Act 1977, No.30

30. Pre-shipment Inspection of Imports Act 1978, No.56

31. Companies Income Tax Act 1979, No.28

32. Industrial Promotion Act 1979, No.40

33. Import Prohibition Order L.N. 10 of 1979

34. National Office of Industrial Property Act, 1979, No.70

35. Securities and Exchange Commission Act, 1979, No.71

36. The Electricity (Private Licences) Regulations 1965, LN 76

37. Bankruptcy Act 1979, No.16

38. Nigerian Industrial Policy and Strategy Guidelines, 1980

39. Company Income Tax Act 1979 (Amended 1985)

40. Excise and Tariff (consolidated) Act 1973 amended January 1988

41. Customs Tariff (consolidated) Act 1973, amended January 1988

42. Export Incentives Decree, 1986

43. Industrial policy of Nigeria December 1987

ANNEX C

LEGAL FRAMEWORK GOVERNING FOREIGN INVESTMENT IN NIGERIA

Annex C - Legal framework governing foreign investment in Nigeria

The cut-back in public sector investment has led to an increased emphasis on the role of Direct Foreign Investment (DFI) within the manufacturing sector. Net direct foreign investment has however continued to decline in recent years. This is of particular concern because it is estimated that roughly one-third of DFI is concentrated in the manufacturing sector.[1/] Since the adoption of SAP, the macroeconomic policy framework has become particularly favourable for foreign investors. It has been argued that the establishment of the foreign exchange market and the subsequent large-scale devaluation of the Naira has increased the competitive advantage of the TNCs against smaller indigenous firms in the Nigerian market. Moreover the Foreign Exchange Market (FEM) could also be used (the TNCs and also their Nigerian shareholders) to repatriate funds. This would presumably enhance the capability of Nigerian based TNC subsidiaries to raise money abroad. It has been agreed that the establishment of the FEM represents a major departure from the indigenization policy that had been in operation since the early 1970s and that an important consequence of the new macroeconomic framework would be to induce many indigenous firms (both private and public sector ones) to sell equity shares to the TNCs.[2/] This is already reflected in the extensive privatization programme announced by the government during 1988.[3/] The government has in 1987 announced a major modification of the indigenization policy framework. Amendments have been made to the Nigerian Enterprise Promotion Decree 1977 significantly expanding the scope for foreign investment corporation. Majority foreign ownership is now possible in most manufacturing enterprises.[4/]

The subsidiaries are also likely to benefit from the liberalization of imports and the authorization of the retention of the foreign exchange earnings by exporters. It has also been decreed that over the period 1987 to 1992 foreign investment in Nigeria will be exempt from taxation from a three- to five-year period.

Administrative procedures for the sanctioning of foreign investment and the operation of the foreign firms have been simplified. An Industrial Development Co-ordination Committee has been created to streamline sanctioning procedures. This is an inter-ministerial committee located at the Federal Ministry of Industry. The Ministry of Industry offers information facilities to assist foreign investors seeking information on investment laws and procedures. Other information sources include:

1/ Manufacturing is the leading sector in this respect followed by mining. M. Akor "Indigenous Industries and Multinational Corporations in the Second Tier Foreign Exchange Market", Nigerian Journal of Economics and Social Research, 1986, 2, pp. 89-104.

2/ M. Akor. op.cit., pp. 97-100.

3/ The privatization programme is discussed in Section 5.2.

4/ Detailed revised schedules of the Amended Act have yet to be announced however.

(a) Nigerian Investment Promotion Centre, Ministry of Industries, now located in the new Federal Capital of Abuja, has information on all industrial development matters.

(b) The Nigerian Export Promotion Council[1/] has information on all laws tariffs and taxes concerning exports and identifies possible export markets.

(c) The Nigerian Enterprise Promotion Board[2/] implements the government's indigenization decree. Address inquiries to the secretary of the board.

(d) The Investment Promotion Centre[3/] can also advise potential U.S. Investors.

Foreign investors must take the following steps in order to conduct business in Nigeria.

(1) Permission to Establish a Business and Employ Expatriates. The application must include a Form T-1 and a detailed project outline addressed to the Federal Ministry of Internal Affairs, Business Division, Abuja. Without an approved T-1, a firm may not employ foreigners in Nigeria. The Industrial Development Co-ordinating Committee will determine what concessions and incentives may be offered to investors. Generally, the applicant will receive approval and obtain a business permit and authorization for an expatriate quota within six to eight weeks. The government expects an enterprise to employ as many Nigerians as possible so obtaining an expatriate quota often involves direct negotiation with the government. Quotas are normally granted for a three-year period and may be extended upon request. If commercial expansion requires a firm to seek a larger quota, then it must file a Form T-2. The government closely monitors and enforces expatriate staffing quotas.

(2) Incorporation and Registration of Companies. Following approval from the Ministry of Internal Affairs, the firm must file these documents with the Registrar of Companies, Ministry of Trade: memorandum of association, articles of association, statement of nominal capital (Form C.0.2) (for companies limited by share), declaration of complaints with the Companies Decree of 1968 (Form C.0.1), notice of location of the registered office of the company (Form C.0.6), and particulars on the directors and secretary (Form C.07).[4/]

1/ Export House, plot 1230, Ahmadu Bellow Way: Victoria Island, P.M.B.12776, Lagos, Telephone: 611012, 611426.

2/ 72 Campbell St.Tafaw Balewa Square, Lagos, Telephone: 631564.

3/ 100 E.42nd Street, Room 1002, New York, NY 10017, U.S.A., Telephone: 212-883-1980.

4/ The statutory application forms are available from book stores. The memorandum and articles of association must be printed. A stamp duty, assessed at scaled rates, is payable on the authorized share capital, along with filling and registration fees.

The memorandum of association must contain:

- the objectives of the company;
- the company's name with the word "limited" as the last word (the name must not conflict with that of any other company and must have prior approval of the Ministry of Trade);
- the amount of the nominal share capital, the number of share into which it is to be divided and the nominal or per value of each; and
- the location of the registered office of the company.

It must be signed by the subscribers to the original issue of shares and witnessed. If an undertaking is a sole proprietorship, a partnership or for professional practices, the application for the registration of the business name is required on Form 1 or Form 2.[1/]

(3) Application for Approved Status. Approved status (as well as tax-clearance certificate) is needed to qualify for pioneer status or import-duty relief. Approved status does not serve as any sort of guarantee for foreign exchange availability but it is required in order to apply for repatriation of earnings and capital and implies that the Ministry of Finance will give sympathetic consideration to such applications.

Application for approved status is generally a two-step process. It must be made before bringing capital into Nigeria. The application consists of a letter based on a Ministry of Finance questionnaire and submitted to the Ministry's Exchange Control Division. The letter must fully describe the proposed project, its initial and future objectives, the proposed capital structure of the company (distinguishing among loans debentures, and preferred and common shares), and the project's over importance to the national economy (i.e., export earnings, foreign exchange savings, and new employment and technology). Copies of the memorandum and articles of association, the business permit, and the certificate of compliance issued by the Nigerian Enterprises Promotion Board are required to support the letter of application. Approved status is valid for 12 months but can be extended. Final approved status is granted once the capital has been imported to Nigeria. Petroleum and mining ventures must also obtain approval from the NNPC and the Ministry of Mines, Power, and Steel, respectively.

Investors should obtain professional advice and assistance from Nigerian lawyers and accountants throughout the investment process. The process of officially establishing a company in Nigeria can take 6 to 12 months, perhaps longer. Foreign investors also benefit from a host of measures and incentives available to all investors within the manufacturing sectors. These are described below:

1/ Both are obtainable from the Registrar. Registry officials will issue a certificate of incorporation once all documents are reviewed and found in order.

Taxation: Fiscal measures have been devised to provide for deductions and allowances in the determination of taxes payable by manufacturing enterprises. The fiscal measures are targeted at aspects of industrial activity as follows:

(i) Pioneer Status

By the provision of the Income Tax Relief Act 1958 (Amendment by Decree No. 22 of 1971), public companies are granted specific tax holiday on corporate income. The objective of the Decree is to encourage the establishment of such industries that government considers beneficial to Nigeria. During the period of the exemption, the companies are expected to achieve a reasonable level of profitability. To benefit from the Decree, the relevant company (or the product) is declared a pioneer industry (or pioneer product). The Act is applicable to both public and private and public limited liability companies.

The relief covers a non-renewable period of five years. A review of this incentive (to incorporate award of tax credits and to varying periods of eligibility) is being undertaken to make it applicable to companies that embark of novel technological initiatives in the areas of: a) local raw materials (b) labour-intensive processes (c) export-oriented activities (d) in-plant training (e) infrastructural facilities.

(ii) Tax relief for Research and Development

Industrial establishments are expected to engage in Research and Development (R & D) for the improvement of their processes and products. Up to 120 per cent of expenses on R & D are tax deductible, provided that such R & D activities are carried out in Nigeria and are connected with the business from which income or profit is derived. For the purpose of R & D on local raw materials, 140 per cent of expenses are allowed. Where the research is long-term, it will be regarded as a capital expenditure and will be written off against profits. In administering this tax relief, the Federal Ministry of Finance shall consult the Federal Ministry of Science and Technology to determine the genuineness of such R & D activities. The result of such research could be patented and protected in accordance with internationally accepted industrial property rights.

(iii) Companies Income Tax Act

This act has been amended in order to encourage potential and existing investors and entrepreneurs. Henceforth the following reliefs and regulations shall apply:

a) Corporate Tax Rate is 40 per cent from 1987;
b) Penalty for failure to pay on due date is 10 per cent per annum of the outstanding amount;
c) Section 49 (3) if the Companies Income Tax Act requires companies to submit detailed tax computations along with their returns and audited accounts; and Industrial Inspectorate Department Acceptance Certificate;
d) When a tax payer wants to appeal against a court decision, the disputed tax shall be paid. The body of Appeal Commissioners as the courts have been empowered to impose a penalty for 10 per cent where an appeal proves to be frivolous or groundless;

e) Power to obtain information by a tax authority on banks' customers which has been provided in the Income Tax Management Act is also applicable to Companies Income Tax Act 1979:

f) Capital Allowance: The rates of allowance are as follows:

	Initial	Annual
Qualifying Furniture and Fitting	15%	10%
Qualifying Research and Development Expenditure	25%	12.5%
Qualifying Motor Vehicle	25%	20%

(iv) Tax Free Dividends

An individual or a company deriving dividends from any company as from 1987 shall enjoy tax free dividends for a period of 3 years if:

a) the company paying the dividends is incorporated in Nigeria;
b) the equity participation is imported into the country between 1st January 1987 and 31st December 1992; and
c) the recipient's equity in the company constitutes at least 10 per cent of the share capital of the company.

In addition to a, b, and c above, if the company paying the dividends is engaged in agricultural production within Nigeria or processing of such Nigerian agricultural products within Nigerian or the production of petrochemicals or liquified natural gas, the tax free period shall be 5 years.

(v) Tax Relief for Investments in Economically Disadvantaged Local Government Areas

Entrepreneurs who invest in economically disadvantaged local government areas are entitled to special income tax and other concessions. These include:

a) Seven years income tax concessions under the pioneer status scheme;
b) Special concessions by relevant State Governments;
c) Additional 5 per cent over and above the initial capital depreciation allowance under the Company Income Tax Act (Accelerated Capital Depreciation)

For the purpose of administering these incentives, the country has been grouped into the following zones:

Zone 1 - Industrially and economically developed local government areas

Zone 2 - Less industrially and economically and local government areas and

Zone 3 - Least industrially and economically developed local government areas

Less industrially and economically developed and least industrially and economically developed local government areas are defined in terms of inadequacies of :

- industrial production in gross and per capita basis available
- social and economic infrastructures
- level of labour market development

(vi) Double Taxation (Income Tax Act 1979)

By Decree No.4 1985 (Miscellaneous Taxation Provisions) the Income Tax Act of 1979 was amended. The effect of the amendment was to eliminate double taxation on investment income.

(vii) Group of Companies Taxation

Companies can now pay interim company dividends without any double taxation since the amendment on foreign investment income came into effect on 1st January 1985.

ANNEX D

MANUFACTURING PROJECTS SEEKING EXTERNAL ASSISTANCE

Annex D - Manufacturing projects seeking external assistance

CONTROL NUMBER: 002425
ISIC: 3559
PROJECT NUMBER: NIR/053/V/86-03 COUNTRY: Nigeria
PROJECT TITLE: Latex Rubber Project
PRODUCT & CAPACITY: Surgical gloves: 360,000 pairs per year
Household and industrial gloves: 460,000 pairs per year
Condoms: 500,000 pieces per year
Balloons: 1,300,000 pieces per year
Teats: 440,000 pieces per year
COOPERATION SOUGHT: JVE, SOT, EQS, MAX, TEX, TRX
TOTAL PROJECT COST: n.a.
STUDY AVAILABLE: No
PROJECT STATUS: Active
PROJECT IS: New
LOCAL SPONSOR: Yes
AS ON (DATE): 860410
SPONSOR:
Mr. S.Y. Eke

P.O. Box 240
5, Ore-Oghene Lane
Benin
Nigeria

PROMOTER:
Promotion & Development Dept.
Nigerian Ind. Development Bank
P.O. Box 2357
NIDB House
63-71 Broad Street
Lagos
Nigeria

CONTROL NUMBER: 002447
ISIC: 3121
PROJECT NUMBER: NIR/054/V/86-04 COUNTRY: Nigeria
PROJECT TITLE: Corn and Food Products (Nigeria) Ltd.
PRODUCT & CAPACITY: Glucose syrup: 15,000 tons per year
Corn germs: 1,500 tons per year
Gluten feed: 5,100 tons per year
COOPERATION SOUGHT: SOT, EQS, MAX
TOTAL PROJECT COST: US$19,652,200
STUDY AVAILABLE: Yes
PROJECT STATUS: Active
PROJECT IS: New
LOCAL SPONSOR: Yes
AS ON (DATE): 860509
SPONSOR:
Alhaji Ismaila Muhtari
Corn & Food Products (Nigeria)
c/o Bagauda Biscuits Co. Ltd.
27/27A Sharada Industrial Estate
P.O. Box 932
Kano
Nigeria

PROMOTER:
Nigerian Industrial Development
Bank (Mr. E.J. Ekere)
N.I.D.B. House
63-71 Broad Street
P.O. Box 2357
Lagos
Nigeria

CONTROL NUMBER: 002933
ISIC: 3119
PROJECT NUMBER: NIR/055/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Processing of cocoa
PRODUCT & CAPACITY: Cocoa butter and cocoa powder: 2,000 tons/year
COOPERATION SOUGHT: LNS, LIC, AFM, TEX
TOTAL PROJECT COST: US$ 1,630,000
STUDY AVAILABLE: Yes
PROJECT STATUS: Active
PROJECT IS: New
LOCAL SPONSOR: Yes
AS ON (DATE): 870105
SPONSOR:
Tunde Okunrinboye Partnership
23 Awolowo Avenue
Bodija
P.O. Box 2573
Ibadan
Nigeria

CONTROL NUMBER: 002934
ISIC: 3121
PROJECT NUMBER: NIR/056/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Manufacture of starch
PRODUCT & CAPACITY: Starch, glucose and dextrose: 3 tons/day
COOPERATION SOUGHT: LIC
TOTAL PROJECT COST: US$ 4,366,500
STUDY AVAILABLE: Yes
PROJECT STATUS: Active
PROJECT IS: New
LOCAL SPONSOR: Yes
AS ON (DATE): 870105
SPONSOR:
Ebun (Nigeria) Limited
104, Obafemi Awolowo Way
Ikeja
Lagos
Nigeria

CONTROL NUMBER: 002935
ISIC: 3121
PROJECT NUMBER: NIR/057/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Manufacture of yeast
PRODUCT & CAPACITY: Baker's yeast: 1,000 tons/year
COOPERATION SOUGHT: EQY
TOTAL PROJECT COST: US$ 4,500,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870105
SPONSOR:
Fiyin Folu Nig. Limited
14 Olaseinde Musin Street
Olorunsogo
P.O. Box 266
Agege
Nigeria

CONTROL NUMBER: 002936
ISIC: 3511
PROJECT NUMBER: NIR/058/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Manufacture of calcium carbonate
PRODUCT & CAPACITY: Lime: 70,000 tons/year
Calcium carbonate: 21,000 tons/year
COOPERATION SOUGHT: LNS
TOTAL PROJECT COST: US$ 11,530,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870105
SPONSOR:
GHI Limited
P.O. Box 2978
Ikeja
Lagos
Nigeria

CONTROL NUMBER: 002938
ISIC: 3610
PROJECT NUMBER: NIR/060/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Manufacture of ceramic tableware
PRODUCT & CAPACITY: Flat plates, dishes, teapots, cups and saucers, mugs, giftware: 600 tons/year
COOPERATION SOUGHT: EQY, LNS, LIC
TOTAL PROJECT COST: US$ 4,933,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870105
SPONSOR:
Mokoloran Ceramic and Allied Products Ltd.
P.O. Box 1108
Abeokuta
Ogun State
Nigeria

CONTROL NUMBER: 002940
ISIC: 3831, 3832
PROJECT NUMBER: NIR/062/V/86-06 COUNTRY: Nigeria
PROJECT TITLE: Electronic and electrical parts
PRODUCT & CAPACITY: Electronics and electrical parts and components
COOPERATION SOUGHT: EQY, LIC
TOTAL PROJECT COST: US$ 418,300 PROJECT IS: Moderniz.
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870105
SPONSOR:
Air Link Manufacturing Ltd.
23, Aje Street
Lagos
Nigeria

Annex D (continued)

CONTROL NUMBER: 003129
ISIC: 3211
PROJECT NUMBER: NIR/063/V/86-10 COUNTRY: Nigeria
PROJECT TITLE: Woven polypropylene sacks
PRODUCT & CAPACITY: Woven polypropylene sacks (50 kg types): 12,000,000 sacks/year
COOPERATION SOUGHT: JVE, LNS
TOTAL PROJECT COST: US$ 6,975,900 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870512
SPONSOR:
HIC International Plastics Ltd.
Plot No. 40
Trans-Amadi Industrial Layout
P.O. Box 797
Port Harcourt
Nigeria

CONTROL NUMBER: 003130
ISIC: 3113
PROJECT NUMBER: NIR/064/V/86-10 COUNTRY: Nigeria
PROJECT TITLE: Fruit juices
PRODUCT & CAPACITY: Citrus oils, lemon juice, grapefruit juice, guava juice, orange juice, pineapple juice, fresh grapefruit processing: 12,800 tons/season
COOPERATION SOUGHT: SOT, MAX, TRX, MKX
TOTAL PROJECT COST: US$ 4,000,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870512
SPONSOR:
Mr. Godwin E. Bienoseh
African Beverages Ltd.
G.P.O. Box 8351
Lagos
Nigeria

CONTROL NUMBER: 003131
ISIC: 3121
PROJECT NUMBER: NIR/065/V/86-10 COUNTRY: Nigeria
PROJECT TITLE: Salt production
PRODUCT & CAPACITY: Salt: 50,000 tons/year
COOPERATION SOUGHT: LNS, EQS, TEX, TRX
TOTAL PROJECT COST: US$ 37,000,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870512
SPONSOR:
Chief Onwuka Kalu
Natural Chemical Company Ltd.
152, Awolowo Road
Ikoyi
Lagos
Nigeria

CONTROL NUMBER: 003132
ISIC: 3610
PROJECT NUMBER: NIR/066/V/86-10 COUNTRY: Nigeria
PROJECT TITLE: Ceramic tableware
PRODUCT & CAPACITY: Ceramic tableware, souvenir and gift items (mugs): 504,000 pieces/year
Ceramic flower vases: 60,000 vases/year
Ceramic pin and D-iron insulators: 600,000 pieces/year
COOPERATION SOUGHT: JVE, LNS, EQS, MAX, TEX, TRX, MKX
TOTAL PROJECT COST: US$ 2,923,248 PROJECT IS: Expansion
STUDY AVAILABLE: No LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870512
SPONSOR:
Mr. Solomon O. Olabode

Plot 41, Oyedele Ogunniyi Street
Anthony Village
Ikorodu Road
Lagos
Nigeria

PROMOTER:
Oceans Five Industries Nigeria Ltd.
P.O. Box 10348
Lagos
Nigeria

CONTROL NUMBER: 003308
ISIC: 3113, 3819
PROJECT NUMBER: NIR/068/V/87-07 COUNTRY: Nigeria
PROJECT TITLE: Manufacture of metal cans. Canning of vegetables, fruit and fruit juices.
PRODUCT & CAPACITY: Metal cans: 24 million pieces/year
Processing and canning of baked beans, peas, corn, other vegetables, fruit and fruit juices: 4 million kg/year
COOPERATION SOUGHT: EQY, LNS, JVE, MAX, TEX
TOTAL PROJECT COST: US$ 4,550,339 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870812
SPONSOR:
Mr. Mbolu
Momeld (Nigeria) Ltd.
P.O. Box 85
Aba
Nigeria

CONTROL NUMBER: 003309
ISIC: 3522, 3851
PROJECT NUMBER: NIR/069/V/87-07 COUNTRY: Nigeria
PROJECT TITLE: Disposable plastic syringes and pharmaceutical drugs
PRODUCT & CAPACITY: Disposable plastic syringes (2.5 ml): 6 million pieces/year
Disposable plastic syringes (5.0 ml): 6 million pieces/year
Tablets: 360 million pieces/year
Oral liquids: 260 million litres/year
Capsules: 26 million pieces/year
COOPERATION SOUGHT: EQY, LNS, JVE, MAX, TEX, TRX
TOTAL PROJECT COST: US$ 3,750,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870812
SPONSOR:
Mr. I. Mbolu
Momeld (Nigeria) Limited
P.O. Box 85
Aba
Nigeria

CONTROL NUMBER: 003310
ISIC: 3115, 3116
PROJECT NUMBER: NIR/070/V/87-07 COUNTRY: Nigeria
PROJECT TITLE: Infant cereal, corn flour and bran for feedmills
PRODUCT & CAPACITY: Infant cereal: 1,000 tons/year
Corn flour: 1,000 tons/year
Bran and vegetable oil: 200 tons/year
COOPERATION SOUGHT: EQY, LNS, JVE, MAX, TEX
TOTAL PROJECT COST: US$ 2,350,000 PROJECT IS: New
STUDY AVAILABLE: Yes LOCAL SPONSOR: Yes
PROJECT STATUS: Active AS ON (DATE): 870812
SPONSOR:
Mr. I. Mbolu
Momeld (Nigeria) Ltd.
P.O. Box 85
Aba
Nigeria

LIST OF ABBREVIATIONS FOR FOREIGN CO-OPERATION SOUGHT:

AFM	Access to foreign markets	MAX	Management expertise
CTR	Compensation trade	MKX	Marketing expertise
EQS	Equipment supply	RMT	Raw material supply
EQY	Equity participation	SCT	Subcontracting
JVE	Joint venture	SOT	Sale of technology
LIC	Licensing	TEX	Technical expertise
LNS	Loans	TKP	Turnkey project
		TRX	Training expertise

ANNEX E

LIST OF SELECTED NIGERIAN MANUFACTURING ENTERPRISES

Annex E - List of selected Nigerian manufacturing enterprises

Name of enterprise	Products	Number of employees	Sales volume/turnover (N million 1985 except as indicated)
Food and tobacco			
Cadbury Nigeria	Confectionary	2,000	113
Flour Mills of Nigeria	Flour milling		232
Food Specialities Nigeria	Confectionary	1,454	102
Lever Brothers Nigeria	Food detergents	3,500	266
Nigerian Tobacco	Tobacco	3,600	116
Beverages			
Guiness Nigeria	Beer	5,200	258
Nigerian Bottling	oft drink	4,330	309 (1986)
Nigerian Breweries	Beer	4,000	179
Paper and paper products			
Nigerian Newsprint Manufacturing	Newsprint	...	...
Nigerian Paper Mill	Paper	1,023	...
Textiles, wearing apparels and footwear			
Arewa Textiles	Prints	4,200	...
Bata Nigeria	Footwear	2,000	47
United Nigerian Textiles	Textiles/prints	...	76 (1/2 year 1982)
Western Textile Mills	Spinners/textiles manufacturers	1,021	22
Automobile and transport equipment			
Leyland Nigeria	Commercial vehicles	1,100	...
Peugeot Automobile Nigeria	Vehicle assembly	1,995	$118 million (1987)
S.C.O.A. Motors Nigeria	Vehicles	...	...
Iron and steel			
Ajaokuta Steel	Iron and steel	7,650	40 (1986)
Delta Steel	Iron and steel	5,400	86
Construction and building materials			
The West African Portland Cement	Cement	2,500	110 (1982)
Glass, ceramic and clay products			
Metal Box Toyo Glass Nigeria	Glass bottles	1,250	38 (1982)
West African Glass Industry	Glass products	...	28
Chemicals, petroleum and petrochemicals			
AGIP Nigeria	Petroleum products	315	54 (1/2 year 1984)
Berger Paints Nigeria	Paints	550	32
Chemical and Allied Products	Chemicals/pharmaceuticals	...	58
Elf Nigeria Lagos	Oil/gas	...	...
Gulf Oil Company Nigeria	Oil	...	...
Mobil Oil Nigeria	Petroleum products	...	329
Nigeria National Petroleum Corporation	Petroleum products	1,500	$6,500 million (1987)
Shell Petroleum Development Company of Nigeria	Oil	...	...
Texaco Nigeria	Petroleum products	240	213
Total Nigeria	Petroleum/gas	800	345
Pharmaceutical products and detergents			
Beecham	Pharmaceuticals	600	42
Glaxo Nigeria	Pharmaceuticals	534	32
Paterson Zochonic Industries	Detergents/pharmaceuticals	...	242 (1982)
Household electrical equipment and appliance			
Leventis Technical	Electronic products	1,016	69 (1983)

Source: Marketing Investment and Development, MIAD Nigeria, Lampada Company Ltd.. Ibadan, 1986; and South, July 1988, p. 95.

Note: The above source of "Marketing, Investment and Development" furnishes the complete list of industrial enterprises in Nigeria, with details of product, employment and turnover.

ANNEX F

THE COMPLETED, OPERATIONAL AND/OR APPROVED TECHNICAL CO-OPERATION PROJECTS OF UNIDO

Annex F - The completed, operational and/or approved technical co-operation projects of UNIDO

I. The completed projects

Federal Republic of NIGERIA

(1)

since 1972

Backstopping Responsibility	Spec.Act./ All.Acc.Code	Project Number	Project Title
IO/IIS/INFR	31.1.00	DP/NIR/71/002	Assistance to the Nigerian Standards Organization
IO/IIS/INFR	31.3.A	DP/NIR/75/023	Assistance in textile testing and quality control
IO/IIS/INFR	31.3.N	DP/NIR/75/069	Federal Institute of Industrial Research
IO/IIS/INFR	31.3.N	DP/NIR/83/003	Data-bank project
IO/IIS/INFR	31.1.02	TS/NIR/75/002	Standardization and quality control
IO/IIS/INFR	31.3.K	DP/NIR/75/070	Standardization and quality control
IO/IIS/INFR	31.3.K	DP/NIR/75/143	Weights and measures training school
IO/IIS/INFR	31.3.Z	VC/NIR/74/102	Textile testing equipment for quality control
IO/IIS/INFR	00.0	IB/NIR/74/005	Small-scale industry mission
IO/IIS/INFR	31.4.01	IS/NIR/71/805	Development of small-scale industries
IO/IIS/INFR	31.3.D	DP/NIR/72/004	Small-scale industries
IO/IIS/INFR	31.3.L	DP/NIR/73/014	Industrial Development Centre, Oshogbo
IO/IIS/INFR	31.3.L	DP/NIR/75/075	Small-scale industries services, East Central State
IO/IIS/INFR	31.3.L	DP/NIR/75/068	Industrial estate development
IO/IIS/INFR	31.3.L	DP/NIR/78/002	Advisory services to small-scale industries
IO/IIS/INFR	J12103	DP/NIR/83/022	Federal Institute of Industrial Research, Industrial Information Centre (phase II)
IO/IIS/INFR	31.3.M	DP/NIR/75/066	Strengthening of the Nigerian Industrial Investment Information and Promotion Centre
IO/IIS/IMR	31.3.00	DP/NIR/71/006	Assistance to the Mid-West glass industry

Annex F (continued)

Federal Republic of NIGERIA
(2)
since 1972

Backstopping Responsibility	Spec.Act./ All.Acc.Code	Project Number	Project Title
IO/IIS/IMR	31.3.00	DP/NIR/74/002	Industrial development management training
IO/IIS/IMR	31.4.B	DP/NIR/75/067	Industrial management
IO/IIS/PLAN	32.1.01	DP/NIR/68/007	Industrial programming
IO/IIS/PLAN	32.1.01	DP/NIR/69/020	Industrial economics
IO/IIS/PLAN	31.2.A	DP/NIR/71/003	Industrial economist (OPAS), South Eastern State
IO/IIS/PLAN	31.2.A	DP/NIR/75/073	Industrial economic adviser, River State
IO/IIS/PLAN	31.2.A	SI/NIR/79/801	Advisory services for the preparation of an industrial sector national resources survey
IO/IIS/PLAN	31.2.A	SI/NIR/79/802	Industrial project implementation assistance
IO/IIS/PLAN	31.2.B	DP/NIR/76/006	Industrial advisory services, Kano State
IO/IIS/PLAN	31.2.C	DP/NIR/75/003	Project analysis, Oyo State
IO/T/AGRO	31.7.B	DP/NIR/75/076	Preparatory assistance in textile technology to the Kaduna Polytechnic
IO/T/AGRO	30.6.02	DP/NIR/73/015	Gari production and enrichment
IO/T/AGRO	31.7.C	DP/NIR/76/013	Integrated food industries complex
IO/T/AGRO	31.7.C	US/NIR/80/069	Integrated food industries complex
IO/T/AGRO	31.7.C	VC/NIR/76/091	Agro-industry development
IO/T/AGRO	00.0	RP/NIR/72/006	Agro-industrial management
IO/T/AGRO	30.6.00	RP/NIR/73/006	Agro-industrial development (Arthur D. Little course)
IO/T/AGRO	31.3.00	RP/NIR/74/003	Agro-industrial and industrial management (Arthur D. Little course)

Federal Republic of NIGERIA
(3)
since 1972

Backstopping Responsibility	Spec.Act./ All.Acc.Code	Project Number	Project Title
IO/T/MET	31.8.B	DP/NIR/80/001	Nigeria-Zambia copper fabrication project (see also DP/ZAM/78/004, DP/RAF/79/006)
IO/T/MET	J13210	DP/NIR/85/022	Central metallurgical research and development institute (phase II) (continuation of ST/NIR/80/001)
IO/T/MET	J13210	DP/NIR/86/007	National metallurgical research and development centre
IO/T/MET	J13210	ST/NIR/80/T01	Central metallurgical research and development institute (continued under DP/NIR/85/022)
IO/T/ENG	30.1.03	IS/NIR/71/803	Assistance to the telecommunication and electronics industry
IO/T/ENG	00.0	IS/NIR/71/807	Passenger car assembly, local manufacture of components, feasiblity study
IO/T/ENG	30.1.00	DP/NIR/72/035	Study tour of three representatives of the Nigerian Technical Standing Committee for the automotive industries to developing country
IO/T/ENG	31.9.B	DP/NIR/76/011	Machine tools industry, feasibility study
IO/T/ENG	31.9.A	DP/NIR/78/012	Assistance for the establishment of a training centre for a machine tool complex
IO/T/CHEM	00.0	IS/NIR/71/802	Technological economical surveys, assistance to cement company of North Nigeria Ltd.
IO/T/CHEM	32.1.B	DP/NIR/74/015	Glass production adviser, Bendel State
IO/T/CHEM	J13420	US/NIR/84/246	Demonstration plant for salt production by women in the Plateau State
IO/T/CHEM	J13424	SI/NIR/85/801	Assistance at the evaluation of tenders for factories to be established in the Bendel State
IO/T/CHEM	32.1.C	SI/NIR/82/801	Fact finding mission for a solar salt project in the Plateau States

Federal Republic of NIGERIA
(4)
since 1972

Backstopping Responsibility	Spec.Act./ All.Acc.Code	Project Number	Project Title
IO/SD/FEAS	31.6.A	RP/NIR/82/002	Training workshop in industrial project preparation, evaluation and financing (continued under RP/NIR/84/002)
IO/SD/FEAS	31.6.A	RP/NIR/84/002	Training workshop in industrial project preparation, evaluation and financing (continuation of RP/NIR/82/002)
IO/SD/TRNG	31.5.A	RP/NIR/82/001	Strengthening of the training capacity of the industrial research and development unit of the University of Ife, Nigeria
IO/SD/TRNG	J12309	DP/NIR/75/012	Industrial management development services
IO/SD/TRNG	31.5.B	DP/NIR/71/022	Management programme for administration of industrial development
IO/SD/TRNG	31.5.B	RP/NIR/78/002	Study tour of Nigerian officials to selected developing countries (Brazil, Mexico, Algeria)
IO/SD/TRNG	31.5.B	RP/NIR/80/001	Development banking course
IO/SD/TRNG	31.5.B	RP/NIR/85/001	Training in quality control
IO/SD/TRNG	31.5.B	SI/NIR/77/801	Study tour of Nigerian officials to selected developing countries, India and Republic of Korea
IO	32.4.Z	SI/NIR/78/801	Advisory mission for the establishment of a national office for technology transfer and a national industrial consultancy agency
IPCT/II	00.0	AR/NIR/74/004	IBRD appraisal mission
IPCT/DTT/TEC	62.4.Z	DP/NIR/80/003	Trade fair technology for the people
IPCT/DTT/TEC	G03300	DP/NIR/78/006	Establishment of a national office for technology transfer and a national industrial consultancy agency

Annex F (continued)

II. The operational and/or approved projects

Federal Republic of NIGERIA

Backstopping Responsibility	All.Acc.Code	Project Number	Project Title
IO/IIS/INFR	J12101	DP/NIR/83/021*	Federal Institute of Industrial Research, Industrial Information Centre (phase II of DP/NIR/75/069)
IO/IIS/INFR	J12102	DP/NIR/78/001*	Assistance in textile testing and quality control (phase II)
IO/IIS/IMR	J12206	DP/NIR/85/023*	Assistance to the new Nigerian Development Company
IO/T/AGRO	J13102	SF/NIR/87/002	Diagnostic appraisal for rehabilitation of Kaduna Textiles Ltd.
IO/T/MET	J13210	DP/NIR/87/031**	Assistance to the National Metallurgical Development Centre, Jos
IO/T/CHEM	J13419	SF/NIR/86/001**	Assistance to the Cement Company of Northern Nigeria (CCNN), Sokoto, Nigeria
IO/T/CHEM	J13427	DP/NIR/87/005*	Assistance to rural women engaged in salt processing
IO/SD/FEAS	J14101	DP/NIR/87/017*	Feasibility study on the establishment of a multi-purpose pesticide formulation pilot plant
IO/SD/FEAS	J14100	SF/NIR/88/001*	Studies on investment opportunities in selected industrial subsectors
PPD/AREA/AFR	E02101	DP/NIR/86/001	Preparation of industrial section of 4th country programme (1987-1991), programming mission
PPD/SPA/COOP/STF	E05201	SF/NIR/87/001	Project development facility for the Nigerian Industrial Development Bank (NIDB)
IPCT/DTT/TEC	G03300	DP/NIR/87/006*	Assistance to the National Office of Industrial Property (NOIP)

* Large-scale project (= total allotment $150,000 or above)
** Total allotment $1 million or above

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** Restricted.