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National workshop on industrial strategies and policies within the framework of the Industrial Development Decade for Africa (IDDA)

Background paper*

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THE OBJECTIVES AND PROGRAMME OF THE IDDA

1.1 Introduction

This National Workshop is being held within the context of the Industrial Development Decade for Africa, which in turn grew out of the concern of the O.A.U. member states about the pace of development in Africa. It is therefore necessary, and for the benefit of those who may not be familiar with those developments, to briefly recapitulate the history and progress so far, of the IDDA and its relevance for Nigeria at this time.

1.2 The Economic Condition of Africa in the 80s.

Most African countries became independent in the early sixties. As a prelude to independence most of them had planned their economic development with the colonial masters. The United Nations even declared the 1960s as Development Decade. Twenty years or more since independence, no appreciable development had occurred within the Africa region. No matter whichever socio-economic indicator one looks at - whether per capita income, school enrolment, ratio of doctors to population, share of manufacturing in GDP, access to safe water, life expectancy - name it, African Countries are at the bottom of the scale. Africa accounts for 26 out of the 36 "least developed" countries of the world, and according to World Bank figures, Africa also accounts for 21 out of 34 "low income" developing countries. Towards the end of the 70s, this had become a source of concern for many African governments, and so a reassessment of the path of development was a recurring topic in several international gatherings. For example, the Fourth Conference of African Ministers of Industry in 1978 stressed the need to examine existing policies and strategies with a view to restructuring them to speed up industrialisation in Africa. It then requested the secretariats of OAU, ECA and UNIDO to organise a Symposium on Industrial Policies and Strategies. This was eventually held in Nairobi in 1979. The fifth conference of the African Ministers of Industry, after reviewing the recommendations of the symposium again requested the three Secretariats to take appropriate action to have the period 1980 - 1990 declared the Industrial Development Decade for Africa.

Almost simultaneously, the O.A.U. Heads of State meeting in Monrovia in 1979 also viewed with all seriousness, the critical and bleak economic situation facing each of their countries. In that meeting it adopted what has come to be called the Monrovia Strategy for the Development of Africa which also included a recommendation that the period 1980-1990 be declared as the African Industrial Development Decade "for the purpose of focusing greater attention and evoking greater political commitment and financial and technical support, at the national, regional and international levels for the industrialization of Africa". At the extra-ordinary meeting of the OAU Heads of State in Lagos, April 1980, a Plan of Action for the implementation of the Monrovia Strategy for the Economic Development of Africa was adopted and became known as the Lagos Plan of Action.
In the meantime UNIDO/ECA took the matter up to the UN General Assembly which adopted Resolution 35/66B proclaiming the 1980s as the Industrial Development Decade for Africa. UNIDO, ECA and OAU were asked to formulate proposals to implement the programme as contained in the Lagos Plan of Action.

By 1981, a programme for the IDDA had been worked out based on the twin principles of self-reliance and self sustainment embodied in the Lagos Plan of Action. It will be recalled that the two top most priorities in the Lagos Plan of Action were: Self sufficiency in food production and self-sustaining industrialisation as necessary conditions for the economic freedom of Africa from the shackles of poverty, disease and dearth of basic necessities of life. So much for the history.

1.3 Objectives and Programmes of IDDA:

The Lagos Plan of Action deals with all aspects of socio economic development in Africa. IDDA is the industrial arm of its implementation. The objective of declaring the decade was "to generate greater awareness in the African countries of the need to take urgent action towards the accelerated industrialisation of the continent and, secondly, to mobilize greater international technical and financial support for the African countries in their industrialisation endeavours" Its operational headquarters is located in UNIDO, Vienna.

The implementation of the programme was divided into two phases - a preparatory phase (1982-84) and an implementation phase (1985-1990) It was expected that during the preparatory phase, action would be taken at the national level to establish national coordinating committees as operational focal points for all activities relating to the IDDA. It was also expected that each country would review her national industrial planning and policies and bring them into line with the programmes of the decade; identify core projects and assess her potentials, hold national workshops during which the national industrial policies and strategies would be reviewed and realigned with priorities consistent with her opportunities within available resources. There were also other actions to be taken at subregional and regional levels.

Although Nigeria's own national workshop is coming towards the end of the decade, it is known that Nigeria had taken several actions along the lines required by the programme of IDDA. Like most other African countries, she was hit by the general economic recession of the early 80's which led to a heightening of the debt crisis. Attention was then shifted from the consistent pursuit of the aims and objectives of the Lagos Plan of Action to Economic recovery programmes dictated by the need to contain the debt problem. Nevertheless Nigeria did review its industrial policies within the context of the Structural Adjustment Programme but still requested assistance in drawing up an industrial masterplan. This then provided the opportunity to examine and realign Nigeria's industrial development plan with the objectives and programmes of IDDA in the subregion for very obvious reasons.

1.4 Programme for Economic Recovery 1986 - 1990

Perhaps it will not be out of place to mention that Nigeria is not alone in lagging behind on the programmes of IDDA. In 1985, worried about the slow pace of action at the national and sub regional levels, the O.A.U. Heads of State reviewed the progress made thus far and then adopted the "Africa's Priority Programme for Economic Recovery 1986 - 1990. (OAU, Addis Ababa). In it, the OAU noted the progress made in the implementation of the programme for the IDDA and in addition recommended the following specific measures in the industrial field:

"Short term Measures:

i. a critical assessment should be made of major industrial enterprises in order to rationalise them;

ii. Urgent measures should be taken to identify industrial skills and technical capabilities required for the implementation of industrial programmes and projects;

iii. a national programme for industrial maintenance should be developed and

iv. measures should be taken to promote standardisation and quality control on industrial production.

For the medium and long term it provided that "existing national mechanisms should be strengthened .... to mobilize the entire national capabilities for the identification, preparation, evaluation, negotiation and implementation of projects especially the strategic core industries identified in the programme for IDDA." (1)

IX. It is in this context that this National workshop is being held. In a way there is an advantage in being late on this. Nigeria has already installed a Structural Adjustment Programme. SAP also requires a fundamental shift of emphasis in the industrial sector. The objective of this workshop therefore are:

- To analyse the structure and performance of the industrial sector;
- to identify the subsectors which offer opportunities for the development of competitive and efficient industrial systems;
- to review the industrial policies and their impact on the performance and competitiveness of the industrial sector;
- to review the performance of the supporting institutions - promotional, financial, technological, training etc.

- to review the consultation system among all actors within the industrial sector; and
- to define guidelines for the preparation of an industrial master plan.

Although there are other papers on specific apsects of the workshop, the purpose of this background paper is to give a general overview of the issues and problems and to situate them in the context of the present Nigerian economy.

CHAPTER II

MACRO-ECONOMIC SETTING

2. Introduction

2.1 Nigeria is one of the few countries in Africa that have all the potentials for becoming a great industrialised country. She has natural resources; minerals, including a large proven reserve of oil and gas, forest and marine resources, potentially rich agricultural lands well watered most of the year, a large population with a vibrant indigenous entrepreneurial skills and a large internal market. But somehow, Nigeria's story of development has not matched expectations based on assessment of its potentials. Although the oil boom of the early 70s brought some spurts of growth here and there, on the whole, the country' did not capitalise on it to create a base for self-sustaining growth and development. As will be shown later, the National Development plans of those years were replete with very good programmes and projects that never came to fruition. To understand the problems of industry to day, one has to look at some of the macro economic indicators in a historical context. The structure of the economy today is largely a result of the policies of the 70s and early 80s.

2.2 Developments in the economy: 1970 - 1980

The Nigerian economy grew quite rapidly following the oil boom of 73/74. The period also coincided with the Second National Development Plan which emphasised post civil war reconstruction of the basic infrastructures, and the enlargement of the role of the public sector in the productive sectors of the economy. The real

TABLE 1.1

IMPORTANCE OF OIL IN GDP (1970 - 1980)

YEAR	GDP (₦'MILLION	OIL REVENUE (₦'MILLION)	CONTRIBUTION OF OIL REVENUE TO GDP (%)
1970/71	9,442.1	219.1	2.32
1971/72	11,177.9	623.0	5.57
1972/73	11,993.1	1,410.7	11.76
1973/74	13,135.5	1,582.9	12.05
1974/75	14,410.7	4,181.1	29.01
1975/76	21,326.9	5,202.6	24.39
1976/77	26,655.63	6,105.91	22.91
1977/78	31,283.40	7,071.60	22.60
1978/79	33,471.39	7,568.34	22.61
1979/80	39,906.58	10,479.21	26.26

Sources:

(1) Federal Office of Statistics: Economic and Social Statistics Bulletin, January, 1985.

(2) 3rd and 4th National Development Plans.

(3) Eleazu, Uma, General Editor, Nigeria: The First 25 years, (Heinemann Educational Books (Nigeria) Ltd, Ibadan) 1988. P. 562.

TABLE 1.2

CONTRIBUTION OF OIL GOVERNMENT REVENUE
(1970 - 1980)

YEAR	TOTAL GOVERNMENT REVENUE (CURRENT) RESERVES (₦'MILLION)	OIL REVENUE (PETROLEUM GOVT. REVENUE (₦'MILLION)	CONTRIBUTION OF OIL REVENUE TO (%)
1970/71	755.6	219.1	29.00
1971/72	1,410.9	623.0	44.16
1972/73	2,240.0	1,410.7	53.48
* 1973/74	2,171.4	1,582.9	72.89
1974/75	5,177.1	4,181.1	80.82
1975/76	5,252.3	5,202.6	99.05
1976/77	7,222.6	6,300.0	87.23
1977/78	7,652.5	5,333.3	69.69
1978/79	7,246.2	4,383.3	60.49
1979/80	13,809.1	8,833.3	63.97

Source: Eleazu, Uma, General Editor, Nigeria: The First 25 years (Heinemann Educational Books (Nigeria) Ltd; Ibadan), 1988. P. 562.

GDP at factor cost grew at an average rate of 6.5% per annum in the early seventies and then slowed down after the first weakening of the oil market in 1977/78. Table 1.1 shows the growing importance of oil in the economy, rising from contribution of 2.32% of GDP in 1970 to a peak of 29% in 1974/75, declining slightly thereafter yearly until 1979/80 when it rose again to 26.26% of GDP. Encouraged by the increasing oil revenue, the Governments of those days made ambitious plans and increased public expenditure. The Second National Development Plan 1970-74 envisaged a total investment of ₦2.5bn, but the Third Plan 1975-80 planned a total investment of ₦30bn later revised to ₦42bn, although this was not realised because of later developments in the oil sector. Table 1.2 shows the growth in contribution of oil to total government revenue. Again one can see from Annex I that from 1974, total Federal expenditure as a percentage of GDP grew from 11% in 1974 to 22.5% in 1975, 24% in 1976, 22% in 1977 and 24% in 1978. When the Civilians came in 1979, it rose from 17.2% in 1979 to 28.4% in 1980 and stayed above 20% in 1981 and 82 even in the face of dwindling revenue from oil. Tables 1.1 and 1.2 show how the economy became heavily dependent on oil. This dependence was even more apparent in the relationship between oil export and balance of payments. Table 1.3 indicates the relationship between oil revenue, balance of payments position and GDP in the 70s.

That such a large revenue from export of oil to be turned into deficits, show the degree of openness to importation.

Table 1.3 Oil Exports, BOP and GDP Growth

	Oil Export $ million	Surplus/Deficit B.O.P.Current A/C	GDP Growth rate %	Non-Oil GDP Growth rate %
1976	9,455	- 414	10.4	8.2
1977	11,564	-1,006	6.6	8.2
1978	9,455	-3,758	-5.6	-4.6
1979	15,657	-1,675	5.9	3.1
1980	22,408	2,952	0.8	3.02
1981	16,746	-5,570	5.2	1.9
1982*	14,282	-4,231	-2.4	-1.0

Source: World Bank Economic Mission to Nigeria May/June 1982 (*was a projection)

Such massive public expenditure was bound to cause a lot of structural changes in the economy. Table 1.4 show the GDP by industrial origin. One notable development was the increasing share of Mining and Quarrying which includes petroleum. Agriculture which in the 60s contributed up to 49.5% of GDP had declined to 38% in 1970 and about 23% in 1980. An apparent shift of emphasis to the oil sector and to importation led to a neglect of agriculture which declined even in terms of growth rates. (See Table 1.5). However because of investments by both public and private sectors in Manufacturing, the sector grew quite rapidly in the 70s achieving growth rates of 11-15% and almost doubling its share of contribution to GDP, from 3.7% in 1963 to 6.11 in 1981. But this was by far below that of other new industrialialising

TABLE 1.4

GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN, 1963-1987 (AT CURRENT PRICES). (%)

YEAR	AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	UTILITIES	CONSTRUCTION	SERVICES
1963	49.5	1.5	3.7	0.3	4.7	40.3
1964	46.3	1.8	3.6	0.3	5.1	42.7
1965	43.7	3.4	4.2	0.3	6.2	42.2
1966	44.3	3.6	4.2	0.3	5.8	41.7
1967	44.6	2.8	4.3	0.3	6.1	41.9
1968	41.9	1.9	4.5	0.3	5.3	46.1
1969	38.2	5.4	4.8	0.4	5.8	45.4
1970	38.7	7.6	4.5	0.4	6.4	42.4
1971	36.3	11.4	3.9	0.3	7.9	40.1
1972	34.3	12.7	4.5	0.4	9.4	38.7
1973	30.0	18.0	4.4	0.4	10.0	37.1
1974	26.5	32.6	3.5	0.3	7.1	30.3
1975	27.3	21.7	5.4	0.3	8.5	36.7
1976	24.8	24.9	5.4	0.3	9.5	35.1

TABLE 1.4 CONT'D

YEAR	AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	UTILITIES	CONSTRUCTION	SERVICES
1977	25.2	24.7	4.9	0.3	9.3	35.7
1978	24.8	25.0	5.3	0.4	9.1	35.4
1979	22.5	28.4	5.1	0.4	8.0	35.6
1980	22.2	26.8	5.4	0.5	8.5	36.5
1981	23.3	20.7	6.1	0.6	9.2	40.1
1982	28.12	18.70	12.32	0.80	4.85	35.21
1983	31.71	15.68	9.99	0.86	3.63	38.13
1984	35.74	15.84	9.51	0.74	1.72	38.45
1985	35.07	16.47	10.70	0.66	1.75	35.45
1986	36.32	12.03	11.43	0.59	2.34	37.29
1987	29,58	27.98	9.24	0.40	2.26	30.54

Source:

(1) Statistics and survey Unit, UNIDO.
(2) Economic and Social Statistics Bulletin, 1988 Edition, of Federal office of Statistics - NIGERIA.

TABLE 1.5

*GROWTH RATES OF THE GDP AT CURRENT PRICES (%)

SECTOR	1971-72	1972.73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Agriculture, Livestock, Forestry and Fishing	5.2	-6.3	-3.2	3.9	9.7	12.2	16.3	5.1	7.3
Mining and Quarrying	40.4	18.4	13.9	10.5	10.4	45.6	16.3	-13.0	58.6
Manufacturing	3.1	23.9	9.9	9.2	21.6	25.1	6.2	42.3	24.1
Utilities	20.6	18.8	22.6	12.9	17.9	24.5	36.9	23.3	9.5
Building and Construction	41.2	23.2	25.3	15.6	28.2	34.6	12.6	-12.9	56.9
Wholesale and Retail Trade	6.2	2.7	3.2	6.7	16.6	27.1	23.1	-7.2	20.7
Transport Communication	21.8	23.0	8.0	16.8	19.2	26.5	21.9	23.0	26.7
Producer of Government Services	3.4	-10.3	38.6	18.0	15	10.3	48.5	-11.2	13.6
Other Services	13.8	13.8	13.7	9.4	13.8	11.4	17.2	14.0	24.4
Aggregate Annual Growth Rate	18.6	7.3	9.6	9.4	13.0	26.4	18.7	-2.7	29.9

* Computed from: 3rd and 4th National Development plans (GDP figures) of the Federal Republic of Nigeria.

** 1975-76 figures are at current factor costs.

countries. Table 1.6 shows the rates achieved by other newly industrialising countries in the same period.

Table 1.6

Manufacturing Share of GDP for Selected Large Middle income Developing Countries

	Mfg Share of GDP %		GNP Per Capita US$	Population 1979
	1960	1979/80	1979	Millions
Brazil	26	28	1,780	116.5
Egypt	20	28	480	38.9
Korea	10.8	31.9	1,480	37.8
Mexico	19.0	24.0	1,640	65.5
Philipines	20.0	26.0	600	46.7
Thailand	13.0	20.0	590	45.5
Turkey	13.0	21.0	1,330	44.2
NIGERIA	[5.0]	[8.0]	[670]	[82.6]

The least Nigeria could have done was to double the share of the manufacturing sector in GDP. Instead the growth area and the dominant sector was the services sector and within that <u>Wholesale and Retail trade.</u>

Since the beginning of the 80's, the Nigerian economy has been under strain because of its over exposure to the vicissitudes of the oil market. Table 1.7 shows growth rate of GDP at Constant (1984) factor prices. The decline which started in 1977 continued and the growth rate became more erratic. The modest increase of 2.4% in 1985 (in contrast to declines of - 5.5.% in 1984 and - 8.5% in 1983) was said to be due largely "to the sustained growth

TABLE 1.7

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(GROWTH RATES) AT CONSTANT (1984) PRICES
(PER CENT)
1982 – 1987

Sectors	1982	1983	1984	1985	1986	1987
1. Agriculture	3.07	0.08	–6.66	14.28	9.21	2.14
1.1 Crops & Others	2.10	–1.58	–8.10	15.84	11.62	2.35
1.2 Livestock	3.86	9.35	0.59	7.11	–2.72	0.99
2. Mining and Quarrying	–4.05	–5.33	7.10	8.10	–1.85	–9.78
2.1 Petroleum	–10.45	–4.07	11.75	8.40	–2.13	–10.40
2.1 Others	–5.46	–18.76	-52.31	–0.94	7.02	8.97
3. Manufacturing	10.75	–24.03	-10.87	15.63	–4.59	4.28
4. Public Utility	–0.75	16.97	–7.36	–8.14	–22.31	–7.83
4.1 Electricity	10.70	–3.84	5.71	12.95	–34.66	18.09
4.2 Water	–15.36	51.69	-21.19	-38.06	9.64	7.99
5. Construction	–7.76	-23.76	-49.54	–1.75	7.70	-14.02
6. Transportation	–21.83	-19.19	–5.22	22.22	–12.11	1.11
7. Communication	–5.80	-10.27	5.07	–6.15	0.17	1.00
8. Wholesale and Retail Trade	3.83	7.87	–3.77	–5.23	3.30	12.57
9. Housing	1.05	1.20	1.08	1.07	1.06	1.31
10. Government Services	–0.95	4.33	–6.95	5.04	3.77	–0.80
11. Other Services	14.23	–3.19	-20.21	–2.31	4.78	5.69
12. GDP at Factor Cost	0.50	–4.17	–6.68	7.87	3.24	1.78

Source - Federal Office of Statistics

in agricultural production and a reversal in the downward trend in the growth of industrial production in the preceding two years." (2) However the change in administration and policy uncertainties affected performance in the last quarter of 85 and 1986. Growth in GDP fell by - 2.11% but made a modest recovery of 1.2% in 1987. Sectorally, manufacturing waxed stronger by moving from 6.3% growth to 9.9%. The spate of new banks and financial houses, and the activities engendered by the newly created Foreign Exchange Market must have affected growth in that sector, showing a growth rate of 10.7%.

2.3 Balance of Payments & Debt Crisis

As could be seen, the source of strain was the adverse balance of payments occasioned by the oil crisis. Table 1.8 show the Balance of Payments since 1983 and the emergence of the deficits on current accounts.

Initially the government thought that the oil crisis of 1981 was temporary and the deficit of that year was financed by a draw down on foreign exchange reserves to the tune of ₦3 billion. Since there was no corresponding reduction in imports, the deficits were carried over in 1982 and 1983 and the government resorted to external borrowing. Contraction of foreign exchange earnings led to inability to meet certain L/C obligations and short term trade credits piled up in addition. This was compounded by maturing debts which bunched together in '83. The government then opened negotiations with IMF. Earlier, in April 1982, the Government had introduced the Economic Stabilization Act which sought among other things to use tariff and other administration controls to restrict imports, reduce total money supply, cut government spending and total credit to the system. Although this led to some reduction in imports, it also affected the performance of the GDP which declined by -

TABLE 1.8

BALANCE OF PAYMENTS - SUMMARY STATEMENT
(N'MILLION)

CATEGORY	1983	1984	1985	1986	1987
Current Account	-3,137.9	+88.8	+2,215.4	+570.2	+6,749.3
Merchandise[1]	-781.4	+2,299.8	+5,065.1	+3,443.9	+13,847.4
Export (F.O.B)[2]	+7,502.5	+9,088.0	11,720.8	8,920.5	30,239.9
Import (F.O.B)	-8,283.9	-6,788.2	-6,655.7	-5,476.6	-16,392.5
Services and Income (Net)	-2,070.7	-1,957.2	-2,617.7	-2,633.3	-7,001.9
Unrequited Transfers (Net)	-285.8	-253.8	-232.0	-240.4	-96.2
Long-Term Capital (Net)	+1,373.8	-39.3	-3,803.2	-4,172.8	-2,487.2
Direct Investement (Net)	+264.3	+144.5	434.1	338.8	275.7
Portfolio Investment	-	-	783.0	151.6	4,353.1
Other Capital (Long-Term) Net[1]	+1,109.5	-183.8	-5,019.3	-4,663.2	-7,116.0
Official	+1,092.1	-432.2	(-1,255.7)	(-1,716.5)	(303.6)
Other	+17.4	+248.4	(-3,763.6)	(-2,946.7)	(-6,812.4)

TABLE 1.8 CONT'D

CATEGORY	1983	1984	1985	1986	1987
Balance on Current Account and Long-Term Capital (Basic Balance)	-1,764.1	+49.5	-1,586.8	-3,602.6	4,262.1
Other Capital (Sort-Term) Net	+1,361.9	+106.1	2,030.2	3,327.0	-3,662.1
Balance on Current and Capital Accounts	-402.2	-155.6	443.4	-275.6	600.0
Balancing Item	+100.9	+199.2	-94.3	-520.8	-440.8
Overall Balances	-301.3	+354.8	+349.1	-796.4	+159.2
Reserves Movements[3]	+301.3	-354.8	-349.1	+796.4	-159.2

1) Ajustment for Balance of Payments
2) Crude Oil Exports are valued at realised prices
3) Minus(-) sign indicates increase in assets/decrease in liabilities
Plus(+) sign indicates decrease in assets/increase in liabilities.

Source: CBN Annual Reports, 1985 and 1987.

4.17% in 1983 and - 6.68% in 1984. Probably the magnitude of the debt problem and the remote and immediate causes are better summarised in the words of Chief Sanusi, Deputy Governor of Central Bank. (3)

"When the debt crisis surfaced, the desperately needed foreign loans to tidy over, dried up.
"Creditors who considered Nigeria under borrowed and were eager to lend liberally during the oil boom, suddenly became critical if not cynical of the policies of a country they had goaded into the debt trap.
"On the domestic front, some of the debt problems can be attributed to excessive reliance on external debt, and with the eye (sic) of hindsight, on inappropriate fiscal, monetary and external debt policies..........The expansionary monetary and fiscal policies as well as the rigid exchange rate and pricing policies pursued, led to serious adverse consequences for the economy in the form of domestic inflation, over valuation of the naira exchange rate, capital flight, distortion in relative prices, encouragement of imports and discouragement of production for export and other depressant effects on the domestic economy" (4.)

Annex II shows the external debt outstanding at the end of each year from 1970 to 1987. One notable development is the appearanced of huge trade arrears beginning 1982 and the bunching of unrefinance debts from 1983 onwards. The sudden jump in total debt in 1986 and 1987 (in Naira term) is explainable by the fall in Naira value in the SFEM market.

2.4 Money Supply and Domestic Debt Situation:

Tables 1.9 and 1.10 illustrate what Chief Sanusi referred to as the "expansionary monetary and fiscal policies". The relation- ship between MI and M2 measure the liquidity preference in the system. The higher the proportion of MI to M2, the more likely that investors consider long term investment risky and prefer staying on the shorter end of the market. This has a telling effect on the structure of growth sectors in the economy.

Table 1.9

Money Supply

₦ million

Year	Currency Outside Banks 1	Demand Deposit 2	Money Supply MI 3	2 as % of 3	Quasi Money	Money Supply M2
1982	4222.4	5826.6	10048.6	58.0	6845.4	16894.0
1983	4842.8	6439.6	11282.4	59.1	8086.5	19368.9
1984	4883.5	7320.6	12204.1	60.0	9396.4	21600.5
1985	4909.9	8357.9	13267.8	63.0	10550.8	23818.6
1986	5177.9	7927.1	13105.0	60.5	11487.7	24592.7
1987	6298.6	8607.3	14905.9	57.7	15088.7	29994.6
JUNE 1988	6923.5	9953.8	16877.3	59.0	18011.4	34888.7

Source C.B.N. EFR Vol 26 No 2 June 1988

The behaviour of money supply and banking system's credit to the economy did not reflect much the crisis facing the economy. MI grew steadily while aggregate credit to the economy rose. In a situation where GDP was not growing, but in fact declining, the rate of inflation was bound to accelerate. By the end of 1987 total money supply M2 was almost ₦30 billion while aggregate credit was ₦42.082

billion. The various measures introduced in 1982 to 1984 and 1985 had the effect of affecting only the supply side. Shortages in consumer goods and services created an upward pressure on prices. When SFEM came with its devaluation effect on the Naira, the cost of imported factor-inputs put on more pressure resulting in a cost- push inflationary situation.

Table 1.10

Banking System's Credit to the Economy.
₦Million

	Aggregate Credit	Credit to Private Sector	Credit to Govt. Sector	By CBN	By Comm Banks
1982	21,899.7	11,371.5	10,528.2	8,475	13,424.7
			by 50%		
1983	28,178.4	12,353.9	15,824.5	11,591.0	16,587.4
		(8.6%)	by(14.0%)		
1984	31,136.5	12,942.0	18,194.5	10,711.5	20,425.0
		(+4.7%)	by 3.9		
1985	32,680.3	13,700.2	18,980.1	10,265.3	22,415.0
		+5.8%	2.59%		
1986	36,820.3	17,365.0	19,455.3	16,510.8	20,309.5
		26.75%	+2.5		
1987	42,082.0	19,817.0	22,265.0	16,210.8	25,871.2
		14.1%	14.4		
June 1988	46,953.8	21,856.6	25,097.2	18,137.6	28,816.2

Source C.B.N. Economic and Financial Review
Vol 26 No. 2 June, 1988

2.5 Public Finance

Another example of inappropriate fiscal policies is illustrated by public financial management. Table 1.11 illustrates this at the federal level.

Even while oil revenue was falling, and hence its contribution to government revenue, government expenditure did not reduce. As a result overall deficit showed in Federal budget 1981 through 1987. This deficit was financed initially by drawing down on external reserve and then from external and internal borrowing. Government borrowing from domestic sources rose by 50% from 1982 to 1983. The stringent measures of the Buhari regime slowed it down and 1984 borrowing was only 14.9%, above the previous year 4% in 1985 and 2.5% in 1986.

2.6 Nigeria in the subregional Context

In spite of what has been said, Nigerian economy is a factor to be reckoned with in both subregional and regional context. Properly developed, the Nigerian economy has the potential of making all the difference to the economy of the whole of ECOWAS. It is probably only Nigeria that can muster the resources and the finance to develop certain kinds of basic industries that can link up with, or create down stream to other industries in the subregion. Table 1.12 brings out in bold relief the dominant position of Nigeria in the subregion. In 1960 Nigeria accounted for 40% of the combined GDP of the area, in 1985 it had risen to 76.8%. Although its share of value added in Agriculture declined from 66.72% to 63% it gained again in manufacturing value added, from 60.3% to 77.3%. It is important to have this at the back of our mind in discussing programmes that have impact within the subregion.

Table 1.11

Federal Govt. Finances 1982-1985

₦Million

	1982	1983	1984	1985
Revenue				
Tot.Fed.Col'ctd	10,143.9	10,811.4	11,738.5	15,041.8
F.Retained Rev	5,819.1	6,594.6	7,811.9	10,370.1
Expenditure				
Total Expend.	11,923.2	11,664.6	10,342.6	12,079.0
Recurrent "	5,506.0	5,278.8	6,072.5	
Capital "	6,417.2	6,385.8	4,270.1	
Fiscal Balance				
Recurrent Exp.	+313.1	+1,315.8	+1,739.4	
Overall	-6,104.1	-5,070.0	-2,530.7	-3039.7
Financing				
Net Exter.Loans	263.5	1,106.9	450.0	1,045.9
Inter.Loans of	3,402.0	7,376.8	3,450.7	2,277.0
which The Bank-				
ing System	2,989.2	5,616.1	3,483.8	2,414.4
CBN	1,975.9	3,324.9	-399.3	820.5
Comm.Banks	1,013.3	2,291.2	3,883.1	1,670.9
Non Bank Public	412.8	1,760.7	-33.1	-214.4
Other funds	+2,438.6	-3,413.7	-1,370.0	-1,614.0

Source C.B.N. Several Annual Reports

TABLE 1.12
NIGERIA AND ECOWAS

	GDP USA Million		Value Added in Agric US Million		Manufacturing Value Added US Million		Population Million
	1965	1985	1970	1985	1970	984	1985
Burkina Faso	260	930	461	607	-	-	8
Mali	-	1100	711	816	-	-	8
Togo	190	700	283	325	-	67	3
Niger	670	1580	1466	1070	-	-	6
Benin	220	960	410	515	69	74	4
Guinea	590	1980	-	805	-	41	6
Sierra Leone	320	1190	259	358	41	75	4
Senegal	810	2560	603	615	366	574	7
Ghana	2050	4860	2320	2398	410	233	13
Liberia	270	1000	235	373	47	63	2
Cote'd'Ivorire	760	5220	1999	2853	376	1229	10
Mauritainia	160	600	200	227	-	-	2
Nigeria	4190	75300	17943	18858	2012	8039	100
TOTAL * ECOWAS	10420	97980	26890	29880	3321	10395	173
NIGERIA AS % OF TOTAL	40.2%	76.85%	66.72%	63.1%	60.6%	77.3%	57.8%

Sourse:
World Bank Report
1987, Washington D C

* Countries not reported
Gambia
Cape Verde
Guinea Bissau

CHAPTER 3

STRUCTURE AND PERFORMANCE OF THE INDUSTRIAL SECTOR

3.1 Growth and Change in Nigerian Industry: An overview

The beginnings of industrialization in Nigeria is within the living memory of many Nigerians. In 1950, there were just a handful of factories that could pass as industries - making soap, milling palm oil, crushing palm kernel and groundnuts, tanning leather, sawmilling, beer brewing, bakeries - probably not more than 20 or 30 establishments accounting for no more than 2.7% of Gross Domestic Product. Talks about local sourcing of raw materials these days, bring to mind the fact that there were mostly based on local raw materials except for caustic soda (soap), imported malt and flour for beer and bakeries respectively. The combined output of these industries was just 5.5 million pounds sterling. Today, the story is different.

According to the latest available industrial survey by the Federal Office of Statistics, there are today over 2000 industrial establishments employing 10 or more persons. The total employment of these establishments in 1980 was 453632. Gross output in current 1980 prices was ₦10.24 billion with a total manufacturing value added of ₦5.3 billion. Table 3.1 is a summary of these developments in 1980-1983. The range of goods produced has greatly increased, from bread and magarine to books and motorcars, from office pins and filing cabinets to mild steel rods, carbon black and linear alkyd benzene. A large number of consumer goods can now be manufactured or assembled in Nigeria. And yet, in spite of such apparent impressive figures and array of goods, its contribution to GDP is no more than 7%.

3.2 Structural Characteristics of Nigerian Industry

A closer study of Table 3.1 however reveals certain structural characteristics which show up the weakness of the industrial sector.

3.2.1 Input Structure: One of the characteristic weaknesses of Nigerian industry is its dependence on imported inputs. As can be seen from Table 3.1, imported raw material cost as a percentage of total raw material cost was as high as 60% in the Agro-based subsector, 67.1% in the chemical based industries. 73% for iron and steel, with the assembly plants showing an import content of 80% and above. With this type of exposure, any serious imbalance in the external trade sector, sends shock waves into the manufacturing sector. Since the present foreign exchange crunch, a number of companies have tried to source their raw materials locally. According to a recent survey by the Manufacturers Association of Nigeria, not much change has occured; (see Table 3.2) the Food Beverage and Tobacco sub sector's imported input came down to 34% while chemicals sector still recorded 68.5% and Motor Assembly 78.3%.

TABLE 3.1

The Manufacturing Industry, 1983 — Import content in Manufacturing Industry

	Establishments Responding	Employees	Gross Output	Value Added	Raw Material Cost	Imported Raw Material	Imported Raw Material
	No.	No.	₦'000	₦'000	₦'000	₦'000	% of costs
Bakery Products	544	17,421	336,630	128,585	194,435	57,274	29.5
Other food Products	83	22,788	1,040,576	518,154	426,146	292,438	68.6
Alcoholic drinks (mainly beer)	23	14,439	865,777	684,384	143,548	69,266	48.3
Soft drinks	27	4,845	146,460	83,823	55,925	48,797	87.3
Spinning, weaving	43	45,768	835,523	383,499	381,199	276,862	72.6
Other textiles and finishing	76	16,502	352,640	167,182	161,028	118,505	73.6
Tanning leather, footwear	33	7,837	113,169	43,575	44,976	16,762	37.3
Saw milling	183	19,233	312,477	144,973	131,226	48,367	36.9
Furniture non-metal	175	11,857	169,384	56,437	105,430	45,910	43.5
Other wood and paper product	40	5,760	140,817	47,374	94,338	68,732	72.9
Total agor-based	1,227	166,450	4,363,453	2,257,947	1,738,251	1,042,913	60.0
Soap, detergents, toiletry	21	11,411	632,880	320,287	208,736	131,214	62.9
Petroleum refineries	6	4,631	1,129,712	687,014	51,951	46,531	89.6
Plastic products	86	10,232	288,936	99,170	173,313	168,097	97.0
Cement, lime, plaster	4	5,229	303,729	128,316	135,875	62,891	46.2
Non-metallic mineral	245	11,041	185,016	74,722	86,001	33,875	39.4
Other chemical	82	14,896	477,614	231,831	145,809	95,273	65.3
Other chemical based	444	57,440	3,017,887	1,541,340	801,685	537,881	67.1
Iron and steel	10	20,198	146,868	-12,166	118,542	87,068	73.4
Structural metal	61	10,412	236,902	108,688	111,522	74,535	66.8
Fabricated metal	58	13,731	416,087	194,048	202,389	164,124	81.1
Machinery and equipment	13	4,085	128,649	60,544	63,298	52,588	
Motor vehicles assembly, bodies and parts	18	11,640	1,295,475	734,422	497,384	407,758	82.0
Hardware, metal furniture	58	7,584	139,998	66,679	66,405	46,869	70.6
Other engineering based	208	47,452	2,217,111	1,164,381	940,998	745,865	79.3
Printing and publications	167	20,729	236,210	153,344	64,369	35,068	54.4
Others[a]/	56	10,140	274,657	120,624	143,321	136,222	95.1
Total	2,112	322,396	10,256,186	5,225,470	3,807,166	2,585,017	67.9

Source: Federal Office of Statistics/UNDP

Table 3.2

SOURCING OF RAW MATERIALS BY SECTORS

	SECTOR	JAN-JUNE 1987		JUNE 1988	
		Foreign %	Local %	Foreign %	Local %
1.	Food, Beverage & Tobacco	34.8	65.2	42.0	62.7
2.	Wood & Wood Products including Furniture	22.4	77.6	N.A.	N.A.
3.	Non-Metallic Mineral Products	23.5	76.5	11.6	88.4
4.	Textile, Wearing Apparel & Leather	47.6	52.4	47.5	52.5
5.	Chemicals & Pharmaceuticals	68.5	31.5	63.7	36.3
6.	Domestic & Indus. Plastics & Rubber	79.4	20.6	47.0	53.0
7.	Basic Metal. Iron & Steel & Fabricated Metal Products	50.3	49.7	60.3	39.7
8.	Motor Vehicle and Miscellane.Assembly	78.3	21.8	N.A.	N.A.
9.	Electrical & Electronics	80.7	19.3	N.A.	N.A.
10.	Pulp, Paper & Paper Products	60.1	13.7	84.7	15.3
	Average	54.6	42.8	50.30	49.70

Source: Manufacturer's Association of Nigeria.

This import dependence is even more noticeable within each subsector. For example while it is 29.5% for bakery products, it is 87% for soft drinks; 97% for plastics and 89% for refineries. However because of incompleteness of surveys, and certain statistical inconsistencies one has to treat these figures with some caution. On the other hand, the low level of capacity utilization as a result of shortage of foreign exchange only serves to confirm the degree of dependence on imported inputs.

3.2.2 Output Structure: The high import dependence is in turn the result of a low level of development of the intermediate goods industries. In 1971/72 consumer goods industries accounted for 70% of total MVA, IN 1977/78, this still recorded 67.3% and in 1984 almost 80%. The weakness of the Intermediate goods sector, as well as the capital goods sector is quite apparent. Since there is virtually no engineering industries, it meant that every new industry had to rely on importation for its capital goods and spare parts. It will be noted that the agro-based and forest resources industries contributed very little in the intermediate goods sector, which indicates the underdevelopment of agriculture as source of raw material for industry. From Table 3.3, it can be seen that Basic metal's and Basic chemicals, the real foundation of intermediate and capital goods industries were up to 1984 still at a very low level of development. As will be shown below, some of these were planned for but somehow never got off the ground in time enough to make the needed impact.

3.2.3 Size, ownership and Employment Structure: The introduction of the Nigerian Enterprise Promotion Decree in 1971 (amended 1977) gave a lot of opportunities to Nigerians to acquire the enterprises in the first schedule and up to 60% and 40% ownership in those in the second and third schedules to the decree respectively. However as can be seen from Annex III, the schedule 1 enterprises tended to bunch on the small scale end of the manufacturing spectrum - bakeries and bakery products, textiles and wearing apparel, wood and wood products including furniture, printing and paper products. Out of a total number of 2287 establishments in 1980, these small scale

TABLE 3.3

Structure of Manufacturing Value Added for selected years

Subsector	1971/72	1977/78	1981	1984
CONSUMER GOODS				
Food, Beverages, Tabacco	35.7	26.5	27.9	32.1
Textiles and Wearing apparel	18.0	14.6	8.7	15.2
Leather goods and Footwear	0.7	1.2	0.7	2.5
Paper products Printing	4.5	5.2	3.5	5.2
Rubber and Plastic	2.3	3.3	4.0	3.0
Pottery, China (other non durable goods glass etc)	6.2	10.2	0.9	0.6
Wood and metal furniture	2.1	3.8	4.4	6.8
T.V. and Radio sets	0.8	0.9	1.0	1.4
Pharmaceuticals	-	-	9.2	8.4
Petroleum Products	-	-	9.5	5.0
INTERMEDIATE GOODS				
Chemicals and Paint	11.5	7.9	2.3	-
Leather Tanning	0.4	0.4	-	-
Tyres and Tube[1]	2.4	1.8	-	-
Sawmilling	2.1	1.8	-	-
Building materials	3.7	4.9	-	-
Other intermediate	8.9	8.7	-	-
CAPITAL GOODS				
Basic metal & Products	-	-	-	1.6
Machinery and Equipment	0.2	3.5	0.1	0.0
Transport Equipment	0.4	1.0	19.6[1]	4.4
Fabricated metal Products	0.1	4.0	4.5	6.9
Other Capital Goods	-	-	3.7	8.3

Sources: Federal Office of Statistics, Industrial Survey of Nigeria 1980-83 and World Bank: NIGERIA: A Review and Analysis of the Industrial Incentive System 1983.

1. It would appear that Tyres and Tubes were included under Transport and Equipment in 1981.

industries account for 1489 or 65%. If one includes Other Non-Metallic Mineral Products (which includes a lot of block moulding industries) the percentage rises to nearly 70%. These same subsectors also accounted for 281305 of industrial employment out of a total of 448130 or 62% of total employment. This is indicative of the existence of large local entrepreneur class which if properly nurtured into small and medium scale industries could make a lot of difference in industrial output industrial dispersal and employment. Although the Nigerian Enterprise Promotion Decree has largely been implemented, there are no reliable data as to what percentage of industrial investment are now in Nigeria hands. But from complaints voiced by some foreigners, it would appear, that limiting the level of equity holding in companies is one of the factors discouraging foreign investment in flow. Now that the new policy has largely removed that impediment, it is hoped that many more will now respond to the new dispensation.

3.2.4 Geographical Distribution: The distribution of Nigerian industry is largely a function of availability of infrastructures to sustain industry. Hence one of the observed facts is that there is a high concentration of industries near the coast, and along major highways where there is a conjuction of access road, electricity, easy communication and nearness to a major port or transport mode. This accounts for the following areas showing a high concentration of industries - (1) Lagos and greater Lagos extending into Ogun State (2) Ibadan-Oyo expressway (3) Warri-Complex (4) Port Harcourt-Aba complex (5) Kaduna-Kano complex. During the earlier period of industrialisation, Federal and Regional Governments created industrial estates served with roads, electricity and in some cases water. But since the Seventies, only few states have attempted to develop industrial estates, hence their inability to attract industries. The cry for industrial dispersal would have been better served if state governments were assisted to develop full fledged industrial estates in state capitals and a few of their major cities and towns. However nearly all the state capitals have become new grow areas in order to take advantage of the infrastructural facilities available in and around capital cities. There is however a lot of industrial activities of the micro or cottage scales in the rural areas. Because these are usually not included in industrial surveys. Many people who drift to the towns to look for jobs learn their skills in these micro/cottage industries. The recently launched National Directorate of Employment (NDE) Self-employment scheme has helped to create more of such micro industries. They can become a major source of increasing industrial output and employment.

3.2.5 <u>Technological Aspects:</u> Along with the problem of import dependence in terms of inputs, there is also a technological dependence because of the absence of engineering industries. Although this was realised quite early and the Second and Third National Development Plans included some engineering projects, these have either not come on stream or requires further boost to make the necessary impact (e.g. the Oshogbo Machine Tools Industry). At present the automotive industry accounts for more than 70% of the value added in the engineering related industries. For most Nigerians, the process of setting up an industry consists of shopping for contractors who will buy install and commission the factory. Even most government projects are executed on a "design and construct" basis with the result that the Nigerians who will be called upon to run the factories never get to know the details of the blueprint of what they are running. Ability to adapt, copy or develop new machines depends on having a reservoir of scientific knowledge and technical skills needed for designing, erecting, commissioning and maintaining the machines and these are the type of skills that many companies say are lacking.

To summarise, the industrial scene is characterised by:

(a) a preponderance of light consumer industries using low level technologies.

(b) a heavy dependence on imported inputs and imported technology.

(c) a low level of intermediate goods production which in turn means a low level of inter sectoral linkages.

(d) there's virtually no real engineering industry. Neither the automotive nor the steel industries has provided the expected spin off in this area. How did Nigeria develop such a lopsided industrial structure? To understand this one needs to look at the various development plans and the type of economic and industrial policies pursued.

3.3 Industrialisation Policy before Independence:

As far as the British colonial government of Nigeria was concerned, the territory was to be developed to supply raw materials to the factories in the United Kingdom. Even after the World War II, when it had become apparent that

African peoples were moving inexorably towards national independence, the Ten Year Development Plan of 1946 - 1955 did not envisage any real industrialisation programme. Any industry that developed would be just an attempt by private capital to pursue a worthwhile economic activity. So companies like (U.A.C.) United Africa Company, Lever Brothers, P.Z. found it cheaper to carry caustic soda to the palm oil to produce soap for the Nigerian market than the other way round; to crush the groundnuts and obtain oil rather than shipping out the nuts; to make the plywood in Nigeria rather than ship out unsawn timber. Hence the early industries were in these areas. Beer and soft drinks were little luxuries for the emerging middle class, so they established those too. There were of course rural crafts and domestic production of tools and implements of rural husbandry - cutlasses, hoes, diggers, axes and other iron/steel based "capital goods" produced with the age-old technology of the blacksmith. These were not "industrialised" although there was a real need for industry to supply these 'capital goods' to agriculture. Crocodile Matchets Company in Port Harcourt was a late development.

3.4 Industrialisation since Independence:

The first development Plan 1955 - 1962 was a carry over from the Colonial Ten Year Development Plan. Under it more of the local resource based industries to supply the local market were developed - soap, soft drinks, tobacco/cigarettes, milling of oil seeds, bakery, confectioneries etc. It was during this period that the African Timber and Plywood Industry came into being. The classical theory of industrialization then was that newly industrialising countries had better start by studying their imports and try to substitute these by local manufacturing, beginning from simple consumer goods to more complex consumer durables. What is lost on import duties on those items could be regained by excise tax and corporate profit tax. Capital goods and even imported raw materials were allowed in with minimal or no duty, while the industries themselves were protected by high tariffs as "infant industries". Emphasis was no longer necessarily on using local raw materials as seeing something called an industry in a factory.

The First National Development Plan 1962-68 largely followed the above pattern, emphasising import substitution. Since the early post independence governments did not have much money, investment in industry was left largely to the foreign dominated private sector. However, a number of industrial concerns were started under the sponsorship of the federal and regional development boards. Industries like the West African Portland Cement Company, Nigeria Cement Company (Nigercem) Nkalagu, Nigersteel (making steel rods from scrap), Cocoa Industries Ltd, Golden Guinea and Top Breweries all belong to this era. Emphasis was also placed on increasing local production of the raw material base of some industries in the private sector - groundnuts, hides and skin; palm oil and rubber estates etc.

The Second National Development Plan 1970-74 retained the basic philosophy of import substitution, but also made a bold decision to shift emphasis from private sector led industrialisation to more involvement of the public sector in the direct productive sector of the economy. Also, the planners noted that although the policy of import substitution had earned rich dividends (growth rates of 15-17% over the period was achieved, total MVA more than doubled from 40.5 million pounds in 1958 to 112.9 million pound sterling in 1967) (5), it had also produced some unintended consequences; thus:

> "as the country's manufacturing consists mostly of goods to final consumers, import-substitution brought in its wake a rise in the importation of raw materials, intermediate and capital goods. The manufacturing sector has thus become highly dependent on import."(6)

Further, the planners noted that Nigeria's manufacturing had achieved a very low level of interdependence which had serious implications for the structure of industry and employment. Government therefore decided that "The answer lies in the upgrading of local production of intermediate and capital goods for sale to other industries." (7) To achieve this, the following industries were planned for the public sector:

- pulp and paper mill
- Chemical complex to produce Caustic Soda pvc and Polyethylene
- Nitrogenous fertilizer plant
- Salt Refinery
- Iron and Steel mill
- Passenger Car Assembly.

Also as a matter of public policy, the following industries were reserved for effective direct public sector control, by stipulating that the government was to hold at least 55% in each of:

- Iron and Steel basic complex
- Petro-chemical complex
- Fertiliser production
- Petroleum products.

Generally it was thought that the establishment of such industries would create the much needed linkage with agriculture, the linkages within industry and with services such as education, health and transport. A plethora of promotional institutions were created to assist private investment efforts. By the end of the plan period, none of the big government sponsored intermediate goods industries had been created, downstream private ones that were established in anticipation of the Government upstream ones were thus left in the lurch and to depend on imported inputs. Some one summarized the problem of public sector industrialization of that period thus:

> "Long delays in decision making, politicisation of choice of location, lack of deeper understanding of business practices among the bureaucrats who have to negotiate on behalf of government - these encourage the foreign joint venture partner to reckless over-shooting in the mark-up on costs of initial investment". (8)

Quite apart from this tendency to build in the cost of delay into initial investment, often the negotiations could go on interminably without coming to fruition. Eventually by the time a decision was taken to embark on the project, all the parameters in the feasibility calculations and sometimes technology would have altered radically. This happened in every single case listed above. None of the projects came on stream earlier than ten years after, some are yet to come on stream. In the circumstance, the private sector continued along its own path of easy manufacturing via import substitution.

Industrialisation under the Third National Development Plan 1975 - 80 shifted emphasis to heavy industries for the public sector but basically maintained the philosophy of public sector led industrialization, thanks to an increasing oil revenue, it was then said that "money is not the problem". As a result more heavy industrial investments were planned. But in the middle of the plan period, the first oil crisis developed and money did become a problem along with lack of executive capacity to forestall the attempt to restructure the industrial sector and put it on a firmer footing.

However, during this period work on the steel and petrochemical industries took off. But so also was the growth of more import dependent industries pandering to the tastes of the nouveau riche. The structure of tariff was such as to encourage import of capital goods and raw materials rather than encourage the search for local sources. Besides, an over valued naira made such imported inputs cheap vis a vis local substitutes. This also affected agro-based industries in a different way. Because of the low prices of agricultural produce, farmers were not encouraged to produce either for export markets or for local processors. Besides, smuggling posed a lot of problems to local industries. These conditions persisted during the Fourth Plan period leading to the structural weakness of the sector as exists now.

3.5 Performance indicators of Nigerian Industry:

Since the 1980s manufacturing activity has not been doing very well. Table III shows a drop in almost all the aggregate figures between 1980 and 1983. Total number of establishments declined from 2315 to 2112; total employment dropped 29% between 1980 and 1983 from a total of 453,632 to 322,396. Gross output in real terms stood at ₦10.2 billion in 1980, increased to ₦12.6 billion in 1981, down to ₦8.88 billion in 1982 and rose again to ₦10.15 billion in 1983.

Annex IIIA shows the table of Index of production. This again shows the same trend, a general decline in manufacturing production since 1982 reaching its lowest point in 1984 and thereafter showing signs of recovery though not to the same level as 1982. The only areas of growth are in Beer and Stout brewing and refined petroleum production, all the other industrial sectors are far below their 1982 level.

This decline in manufacturing output can be attributed to the foreign exchange crunch which compelled government to restrict all imports including raw materials and spare parts. This across the board restriction affected industries badly. Similarly, the racket over the administration of import licences which had earlier been introduced as a means of rationing scarce foreign exchange did not help matters at all. But since 1986, and especially since the deregulation of some trade policies e.g. abolishing of import licences and the establishment of a foreign exchange market, there has been a marked improvement in the allocation of foreign exchange to the manufacturing sector. As a result capacity utilization which had fallen below 30% in some respects has improved marginally. Annexes IV - VI show the sectoral allocation of foreign exchange since the FEM market was established. The industrial sector has consistently received more than 50% of the available foreign exchange. Table 3.4 shows the modest changes in capacity utilization between 1987 and 1988 - attributable to the enhanced access to foreign exchange by the industrial sector.

However the real issues about structure and performance of Nigerian industry are beyond increasing capacity utilization of existing industries. The burning issues should be the total performance of industry in the economy, in addressing the needs of soceity, in reducing the dependence of the economy on imports, in helping to improve the productivity of agriculture and so on. These require fundamental structural transformation which Nigeria has to deal with now.

Table 3.4

Capacity Utilization by sectors

(%)

Sector	July-Dec 1987	Jan-June 1988	July-Dec 1988
Food, Beverage, Tobacco	44	33.62	42.0
Wood and Wood Products inc. Furniture	N.A.	N.A.	N.A.
Non metallic Mineral Products	42.01	62.0	58
Textile & Wearing Apparl	46.44	30.0	33.0
Chemicals & Pharmaceuticals	30.51	38.0	45.0
Domestic & Industrial Plastics and Rubber	39.38	30.0	38.0
Basic Metal, Iron, Steel & Fabricated metal	26.65	25.0	30.0
Motor Vehicle & Misc. Assembly	N.A.	N.A.	N.A.
Electrical & Electronics	22.24	N.A.	N.A.
Pulp, Paper & Paper Products	40.11	27.0	37.0
Average	37	35.12	40

Source: Manufacturers Association of Nigeria.

3.6 Problems and Constraints of the Industrial Sector:

Over the years a number of problems and constraints have developed that impacted on the growth and performance of the industrial sector. These can be classified into three main types (1) Those that have to do with the restrictive and uncertain policy environment (2) those that have to do with the inadequate infrastructural support and (3) some purely administrative inconsistencies and bottlenecks.

1. Restrictive and uncertain policy environment: As will be seen later, with the onset of the oil crisis in 1978, the government in an attempt to contain the problem adopted a number of restrictive measures including - import licencing, adjustment upwards of customs tariff, prices and incomes policy that put controls on factory gate prices and generally raised excise tax. Apart from these, there were other restrictions to entry into the industrial sector; one had to apply for a business permit, approved status, pioneer status, etc and then wait endlessly or make visits to the ministries to 'check up' progress. But more important was the uncertainty about the policy environment. Each successive government started by dismantling or ignoring what the previous government had done. Every new budget put industrialists on the toe of expectancy, because invariably either the tax regime, the tariff regime or the incentive regime, would change. One was always guessing, what the government would do next which increased the risk of making any long term investment decisions. As a result many Nigerian entrepreneurs prefered going into areas where there were quick prospects of making money - trading, contracting, real estate - than go into long gestating fields like manufacturing.

2. Inadequate infrastructural support: Although the government had made heavy investments in improving facilities such as generating power stations, road construction, telecommunications, the demand was always outstriping the capacity of the agencies to supply the services. Coupled with this, is the observed inefficiencies in the operations of these parastatals such that industry could not expect any reliable service. Many firms had to resort to creating their own makeshift solutions - standby generating sets, boreholes, roads, radio-links etc. All these add to costs, making the cost of production in Nigeria quite high. The inadequate infrastructure was already a major source of under utilization of installed capacity, before this was exacerbated by shortage of foreign exchange.

Another aspect of this is the institutional infrastructure for assisting the industrial development, especially those that had to do with manpower training and skill development. Although there were many polytechnics and more recently, Universities of Technology, there has always been shortage of skilled local man power and experienced management personnel. The lack of this technical competence has meant that opportunities requiring high level technological skills could not be exploited unless with foreign input. Hence there is hardly any manufacturing outfit with an appreciable level of sophistication that has not got foreign technical partners. Foreign personnel can be quite expensive in terms of salaries, housing and other fringe benefits to attract them in the first place.

3. Administrative inconsistencies and bottlenecks:

A number of industries interviewed pointed out the various points at which an entrepreneur or investor has to interface with government officials

- Applying for Business permits
- Applying for repatriation of dividends, Fees and Royalties

- Obtaining certificate of compliance with the Indigenisation Decree
- Claiming Duty drawback etc

These often involve frequent visits by the investor to several ministries and government departments. Invariably, there will be delays and unexplainable tardiness to process the papers. Also it was not uncommon to find rules which tend to negate other worthwhile objectives. For example, the Land Use Decree 1978, introduced a requirement that no one can use land as collateral without the consent of the Governor of that State. It is not exactly clear why this provision is necessary, especially if the company already has a certificate of occupancy signed by the same governor, and the land is not in any way encumbered. However, the real complaint is that not only have state governments seen it as a source of revenue, more often than not, getting the consent has created its own bottleneck which can hold up a project for months on end and in some cases, years.

Similarly, until its abolition in 1986, the requirement for locational approval was another source of complaint, because that too could mean six months to one year delay.

CHAPTER IV

REVIEW OF INDUSTRIAL PLANNING AND INDUSTRIAL POLICIES

4.1 Evolution of Nigeria's Planning System

Nigeria was drawn into national planning as an approach to development by the Labour Government in the United Kingdom, which in the immediate post World War II era, sought to better the conditions of their erstwhile colonies. It was that government that established the Ten-Year Plan of Development and Welfare for each of the colonies. The planning process was top-bottom, paternalistic and highly centralised. The plan was put together by senior officials of the colonial administration of Nigeria and ratified by the Secretary of State for the colonies. At the end of that period, another, the 1955-60 Economic Development Plan was drawn up following a Mission Report on Nigeria by the International Bank for Reconstruction and Development (IBRD) 1954. On the recommendation of that mission, a National Economic Council (NEC) was set up to provide:

> "a forum in which the Federation and the Regions might meet to discuss the many economic problems common to each, notwithstanding their seperate constitutional functions, and such of their development policies as may have consequences reaching beyond their respective constitutional spheres". (2nd National Development Plan - Nigeria. P.7).

Members of the NEC were ministers representing their respective governments. In 1958, the NEC set up a technical committee known as the Joint Planning Committee (JPC). The function of the JPC was really not planning but one of examining and reporting on matters referred to it by the NEC, and to assist the NEC in examining the plans formulated by the various governments, and advising on modifications to be made to them "in order that the plans together may form a coherent whole" (2nd National Plan. P.7). The secretariat of the JPC was given the function of preparing of studies, reports and surveys; and the collation, coordination and dissemination of information. Members of the JPC were drawn from the Federal and Regional Ministries of Trade and Industry, Finance, Economic Planning, Agriculture and Natural Resources, and the Central Bank. It was this body that also put together the 1962-1968 plan after independence.

The structure of NEC - JPC had many drawbacks. Membership was always changing depending on ministerial and civil service postings. More importantly, members attended with their plans already prepared and often were not ready to bulge if their governments had taken a definite stand. It was like trying to integrate the plans of four separate economies.

By 1968, there had evolved a central planning machinery, partly as a result of the civil war and partly to overcome the shortcomings of turning the NEC and the JPC into mini-United Nations. Besides the old powerful Regions had been broken up into 12 states. The structure that emerged is represented in chart 4.1.

CHART 4.1

STRUCTURE OF PLANNING 1968

Supreme Military Council

Joint Planning Board

Federal Ministries

Economic Planning

Industries

States Ministries

Econonomic Planning

Industry/ Trade

The Supreme Military Council included the Service Chiefs and Military Governors of the States. The Joint Planning Board was made up of:

- Permanent Secretary of Federal Ministry of Economic Development as Chairman.
- Director Central Planning Office
- Chief Statistician, F.O.S.
- Director, N.I.S.E.R.
- Director of Research, CBN
- Federal Ministry of Finance
- Permanent Secretaries of State Ministries of Economic Planning.

It was a body like this that presided over the making of the 2nd, 3rd and 4th Development Plans. The difference in these ones is that they now adopted a holistic view of the economy and tried to plan for the whole economy, but quite often they ended up with a programme of public sector programmes, with indicative figures for the private sector.

4.2 Review of Industrial Planning System and Policies in Nigeria

Industrial planning was done within the context described above. Usually the Federal Ministry of Planning would issue guidelines which set macro economic targets, reviewed the state of public finances and determined what was likely to be available. Within that, it would set out priorities of the economy, and even within each sector of the economy where the emphasis would lay. Ministries and states were then invited to submit their plans following these guidelines. Up until 1984, there used to be in the Ministry of National Planning as it was called, a division that dealt with the industrial sector; and within that division there were departments and sections dealing with subsectors like Agro Allied, Petro-Chemicals, Engineering etc. At the Ministry of Industry level, there were also planning departments specialising in Projects, Policy and Planning, Industrial Development Coordination and Inspectorate Divisions.

Initiatives for projects could emanate from the Federal Ministry of Industries, from a sponsoring ministry or parastatal or from the Ministry of National Planning. The function of ensuring consistency of the plan is that of the Planning Ministry. Thereafter supervision of most public sectors industrial projects is by the Federal Ministry of Industry.

4.3 Review of Industrial Policies

4.3.1. Economic and Industrial Policies: The development of industries are affected by the general economic policies of the government as well as the specific policies meant to induce the development of industries. So one cannot discuss industrial policies except in context of the overall objectives of development and the macro economic policies sustaining them - fiscal, monetary, incomes, population, indigenisation and even foreign economic policies. Therefore this section of the discussion will be on two levels - (a) macro policies in the recent past as they affect industrial development and (b) policies specific to industrial development.

4.3.2. Macro-economic Policies

a. Fiscal Measures have been used in two respects - to improve or manage fiscal and external balance and to provide incentives to attract foreign investments, or to direct investments into specific areas. In the years before the oil boom, fiscal policy was dictated more by the financial requirements of the government than anything else, although the period 1960-70 also saw an array of legislation giving fiscal incentives to investors in industry (see Annex VII). The period 1970-74 (immediate post civil-war) was one of tight fiscal policy which loosened as the oil money started flowing. The general objectives of fiscal policy as spelt out in the 2nd plan document were:

"to make available for financing economic development the maximum flow of material resources consistent with minimum consumption requirements;

"to maintain reasonable economic and price stability in the face of inherent inflationary pressure; and

to minimise existing inequalities in wealth, income and consumption standards which may tend to undermine production efficiency, offend a sense of social justice and endanger political stability". 9/

In pursuance of these, and especially the second objective, the government imposed the Adebo-wage-freeze, liberalised imports, imposed price controls through the Prices, Productivity and Incomes Decree, Rent Controls and engaged in direct importation of essential commodities through the Nigerian National Supply Company. The fall out of these policies affected manufacturing industries. The price controls created artificial scarcities which led to direct imports by government to compete with local manufacturers. Liberalisation of imports removed effective protection for industries that needed it. But the most telling effect was on agriculture whose prices could not compete. Soon there were no agro supplies either for food or raw materials. When the Marketing Boards were reformed, it intervened to increase producer prices which only affected the cash crops for export.

During the preparation of the Third plan 1975-80, there was still the euphoria of the increased oil revenue, and government expected it to continue rising. Fiscal policy was therefore directed to reduce inflationary pressure expected from excessive public and private spending. So it was planned to continue the price controls, the further relaxation of administrative controls on imports, and "to encourage domestic industries, efforts will continue to be made to offer reasonable tariff protection to bonafide infant industries on a selective basis". 10/

Unfortunately this policy of liberalisation could not be sustained in the face of the collapse of the world oil market in 1978. From 1978 through 1979, there was a series of fiscal and monetary measures aimed at curtailing imports. As the country was facing continued dwindling resources, fiscal policy once again was directed towards increased domestic production and enhancing the long term productive capacity of the economy. However from year to year, the tariff laws changed so often, that it was not easy to determine the rationale of having tariffs. Reform was necessary which has now come in the form of the Customs and Excise consolidation Decree 1988.

b. Monetary Policies: The period 1962-68 was a learning period for Nigeria's economic managers,the Central Bank of Nigeria (CBN) having been newly created in 1959. Initially the objective was to create confidence in the Nigerian pound through prudent financial management. Credit guidelines to banks, interest rates and liquidity ratios were the only tools available to the young CBN. In 1962 the Nigerian pound was delinked from sterling and its value redefined in terms of gold. Until 1967, there was no foreign exchange restriction. However, by 1975, when the oil money was flowing, monetary policy was directed at reducing the excess liquidity in the banking system due to low borrowing by the government. Credits were liberalised in favour of the industrial sector and this allowed the expansion noted in industry during the seventies, and also assisted the implementation of the indigenisation policy. But by the 80's the policy shifted to tight money policy which is now affecting industrial expansion adversely.

c. <u>Incomes Policy (Profits and Dividends)</u>: Another aspect of macro economic policies that affect industrial development is the incomes policy, especially those relating to profits and dividends. The policy on profits and dividends was originally directed mainly against trading firms. But when the government arranged to import the so called "essential commodities" in order to depress excessive prices charged by importers, or to alleviate shortages, it unwittingly created unfair competition against local resource based industries. Industries that suffered most during this period (1975-84) are cement industries, clay and tile industries, sugar industries, milling (flour) industries and vegetable oil industries. On the other hand by limiting the level of dividend that can be declared or paid, a disincentive to invest or expand was created, and this stunted growth. In the end, a rational and equitable distribution of incomes was not achieved. The agency that was created to administer the policy - Prices, Productivity and Incomes Board (PPIB) - concentrated most time on the supply side of its assignment and spent most of the time trying to control prices and chase dividends. Not much was done on increasing productivity and here was the crux of the matter: to achieve relative price stability, the nation just had to produce more and more. Solving problems of scarcity by importation only creates its own problems - imported inflation and economic dependence.

4.3.3. Industrial Development Policies

If there is one thing consistent in Nigeria's planning it is the objective of supporting industrial development. With very little amendments these can be summarized as follows:

(1962-68)

- to stimulate establishment and growth of industries which contribute directly and materially to economic growth
- to enable Nigerians participate in ever increasing extent in the ownership and operation of Nigerian industries
- to broaden the base of the economy and thus minimise the risk of over dependence on imports
- to secure full employment for the people
- to make the fullest use of available resources

(70-74 additions)

- promote even development and fair distribution of industries geographically
- ensure rapid expansion and diversification of the industrial base of the economy
- promote export-oriented industries as a means of diversifying foreign exchange earnings base.
- encourage industries that create linkages in the economy

(75-80 additions)

- liberalise industrial policy to attract indigenous and foreign entrepreneurs into manufacturing
- increased self reliance in the supply of industrial products and factor inputs
- development and support for small and medium scale industries and their contribution to MVA;
- improve the efficiency of government owned enterprises. 11/

In order to achieve these objectives, governments have adopted two approaches - (i) creating an investment climate conducive to attracting entrepreneurs and investment into manufacturing; and (ii) making direct investments in manufacturing by establishing publicly owned manufacturing companies. However, this is where the problems lie. Although every imaginable incentive had at one time or the other been introduced, the problem has always been to implement them in the spirit in which they were made. Similarly although governments at both Federal and State levels have literally poured money into all sorts of industrial ventures, there is virtually little or nothing to show for it except monuments to forlorn hopes. Even those that were expected to reduce the countries dependence on imports still remain uncompleted. (Annex VII is a list of incentives available to industries. Annex VIII is a list of Federal Government investment in manufacturing industry).

4.3.4. Administrative Aspects of Industrial Policies:

Policy Instruments for creating a conducive investment climate involves a number of things partly official and governmental and partly unofficial and intangible. Positive action to create a conducive atmosphere for investment certainly includes the legal and policy instruments giving various incentives to would be investors as listed in Annex VII and an efficient administrative set-up to administer the incentives. In the past the complaint has always been about administrative bottlenecks which either negates the essence of an incentive, or even prevents an investor from thinking of Nigeria as a place he would want to put his money in. For example a foreign investor coming to Nigeria to invest will have to deal with no less than nine different agencies and pass through eleven steps in sequence, each of which takes a minimum of three months, sometimes as long as twelve months to get a response to an application. There are also administrative controls and restrictions which act as hurdles for the would be investor. He must show that he had complied with the indigenisation decree, the number of expatriates is limited to the quota allowed, he needs a permit before he can remit his dividends, even then only a certain percentage of his salary can be remitted home, nor can he locate his project where economic considerations dictate he must obtain "locational approval" from an official who invariably does not even care about the cost implication of competing locations for an industry.

As noted earlier, quite apart from administrative bottlenecks, there is the uncertainty about the policy environment. Every new administration, starts by throwing overboard what the previous administration did. Even with one administration, every budget brings new policies. Right now, the fact of handing over to civilians in 1992 creates its own uncertainties. Investments flow to where the policy environment is stable, and there is reasonable certainty that rules will not be switched midstream or without due warning.

Two examples are probably enough to show the impact of restrictive regulatory environment on potential investors. A foreign investor is expected to have a Business Permit. The main objective of this requirement is to ensure that the foreigner is a genuine investor and that the line of business he is going into is allowed to foreigners. The form he fills is in eight pages and to be submitted in quadruplicate, backed by the following documents:-

1. feasibility report
2. Articles and memorandum of Association of his proposed company.
3. (if already registered) the certificate of Incorporation
4. certificate of occupancy on any land acquired for the business or lease agreement with a landlord
5. proforma invoice for machinery (in case of manufacturing companies)
6. evidence of source of raw materials, and
7. clearance from relevant government departments/ministries (e.g. if one wants to manufacture drugs, one must first get clearance from Federal Ministry of Health)

After assembling these documents, they are sent to Ministry of Internal Affairs, and wait two to six months to be invited for an interview!! Of all the attachments only No. 1 is really necessary - even then it need not be a full feasibility report. Why should a foreigner take the trouble to incorporate a company, have a Nigerian partner, acquire land, get proforma invoice for machinery when he is not sure if he will get a business permit? Why get a clearance from a relevant ministry before the permit?

The second example is the operation of Industrial Development Coordinating Committee (IDCC) (at least until 1987). It was an inter-ministerial committee with each member defending the 'rights' of his ministry in the committee. Whatever little part each ministry played in the investment process was seen as little fiefdoms where power must be exerted.. Suggestions that the IDCC should grant say - Business Permits - were resisted by the relevant ministry as encroachment on the powers of Internal Affairs. Officials were busy neutralising each other while the investors waited in vain.

It is against this background that one can then see the fundamental changes that has been introduced by the new Industrial Policy announced later last year.

4.4 Public Enterprises in Industry:

Apart from the fact that in the 70s government had the money to embark on industrial ventures, there were very good economic, political and strategic considerations for adopting public ownership as an approach to industrial development. For one thing, some of these projects were so huge that no single Nigerian entrepreneur would have had the financial resources to embark on them. Nor would foreigners want to create such industries in Nigeria except with very high incentives. In some areas, it was therefore considered expedient that Government should get involved so as to ensure that Nigerians man the 'commanding heights' of the Nigerian economy. Thirdly there was also the "pump-priming" argument, and when the industry becomes a going concern, then they could be sold to Nigerians, and the money realised would be used to start others. Finally, some of these publicly owned industries were planned to provide the necessary intermediate inputs into other industries and thus would reduce the dependence of the latter on imports. Good examples of these are the pulp and paper plants, petro-chemcial plants, fertilizer plants, iron and steel mills sugar factories etc.

It did not quite work out. Public companies proved inefficient due to political and administrative interference in management; some were regarded as amenities or share of the national cake to the people in its catchment area; others were simply poorly managed and because they could count on government annual subventions, could not bother about fulfilling their function of producing.

In 1984, the government set up a study group on industrial policy. One of its terms of reference was "to examine and advise on the desirability or otherwise of continued government participation in the industrial sector." (12) After examining the background and arguments for government embarking on direct participation in industrial development, it came to the conclusion that,

> "the practical experience of the public sector in the industrial field during the decade of the seventies through to the present time has clearly demonstrated that government is not fully equipped to operate industrial ventures in a market economy." (13)

The main criteria used by the study group to assess performance were - production, employment generation, industrial dispersal, linkage effects, and foreign exchange saving rather than the bottom line test of profit. In any case, many of the government enterprises failed the test. Among the reasons given for the poor performance were:

1. Defective management - a situation were geopolitical considerations were given more prominence than technical competence in recruitment of key personnel meant that the key managers were not always the best the nation could afford. For the same reason board members did not accord due emphasis to economic factors in the decision making process. "In all cases, top management personnel and board members (were) only birds of passage. They could be changed or removed by successive governments." (14) Such high turnover the group noted, did not conduce to any degree of specialisation or building up of a pool of experience required for effective management of an industrial enterprise.

2. Shortage of managerial manpower, dedicated and reliable to carry out the objectives of public policy. Most people were appointed to post where they had no technical or cognate experience.

3. High incidence of 'Dead Capital' in the aggregate cost structure; this is exemplified by the large proportion of project cost that goes into road building, new townships, custom made infrastructures which have to be put in place to serve the factory or plant. Sometimes, the initial funds are 'wasted' on these 'dead capital' elements while the kernel of the project remains untouched or uncompleted. Iwopin Paper Mill and Ajaokuta Steel Township are cases in point.

4. Absence of personalised accountability: Unlike the private sector management, the public sector manager has no Annual General Meeting to report to; is not particularly worried or interested if economic indicators show losses; is not particularly worried about costs; his personal survival does not depend on the fortunes of the company.

All these peculiar factors affecting publicly owned enterprises are in addition to the general problems of poor infrastructural facilities, uncertain policy environment and restrictive administrative policies that affect industries generally.

Inspite of these comments, the Study Group did not recommend throwing away the baby with the bath water. Instead, it recommended that government should continue to play a catalytic role by taking the lead in the heavy industry sector, but in doing so, should be prepared to use available and willing private sector investors, technology owners or private management skills to keep the industries working efficiently.

Of the Intermediate goods industries - sugar, pulp and paper, salt etc, it agreed with the suggestion that capital structure of the companies be reviewed, restructured and sold as going concerns to private entrepreneurs who will make them stay alive and fulfill the functions for which they were conceived and established in the first place.

Finally, the Group considered the consumer goods industries in which government had a major share, but focused mainly on the Vehicle Assembly plants for good reason. Here again, the reason for encouraging the establishment of vehicle assembly plants, was to create a bridge head into engineering industries. But due to special conditions of the 70's and 80's, the country came to depend largely on completely knocked down (CKD) parts rather than using one or two of the seven assembly plants to create a growth pole into the automotive industry.

The Study group did not recommend selling or keeping the factories but was more concerned with how to get them to make Nigeria self sufficient in transport vehicles.

This report has been examined in some detail because between it and the Onosode Report, both form the basis for the on-going privatisation and commercialisation effort.

In its heyday, public companies did give rise to industries. Whether in their privatised or commercialised form, they will be run efficiently, will depend on who buys them and who runs them. But there is no doubt that, something has got to be done to the regulatory environment to attract would be buyers. Even after the exercise, that is not likely to exhaust the issues of managing efficiently public investments that will remain in those companies. Annex IX is a classification of government investment to be privatised, commercialised or for partial divestment of shares.

CHAPTER V

5. SAP AND THE FUTURE OF NIGERIAN INDUSTRY

5.1. Overview and Antecedents of SAP

The introduction of a Structural Adjustment Programme was the culmination of various attempts to contain the structural defects which became apparent in the economy as a result of the oil slump of 1981.

The fall in oil prices led to a dwindling of Nigeria's foreign reserve which fell from ₦5.8 billion by mid -1981 (or equivalent of 4 month's import) to under ₦1.2 billion by early 1982. Real GDP fell by 1.9% in 1982 and 6.3% in 1983. As it became apparent that world oil prices were not going to recover to its 1970 levels, the Government applied to IMF for a standby facility of $2.0 billion. After protracted negotiations, the IMF insisted on its usual conditionalities which it saw as necessary to restructure the fundamental disortion in the economy. Attempts to raise loans through syndication by a consortium of banks also required "a certificate of good economic health and management" from the IMF as a precondition. To achieve this, the Government introduced the 1982 Stabilisation Act which brought a number of austerity measures including some of the IMF requirements i.e. (reduction in budget and balance of payments deficits, reduction in government spending, cutting subventions to parastatals etc). However, the government did not agree to a devaluation of the naira. There, the negotiation got stalled when the Military took over. The Buhari/Idiagbon administration turned inward, and took some very harsh decisions to discipline both government and people by curbing their extravagant-life styles that depended heavily on imports. The Buhari administration refused to reopen negotiations with IMF, preferring austerity and prudent economic management to tide over the problem.

On assuming office in August 1985 the Babangida administration introduced a period of Economic emergency which was to last for fifteen months. The Economic Emergency Decree of 1985 granted the President wide powers to deal with the problems of the economy. Under it, measures were undertaken to cut wages, remove subsidy on petroleum products and reduce government spending. The President also, sensing the mood of the nation over the debt crises, announced a public debate over whether to borrow or not to borrow from the IMF (and accept or reject its conditionalities). By December '85, it became apparent that the people were not in favour of any further borrowing from any source. So the anti-IMF lobby won the day. The 1986 Budget Speech was really the beginning of S.A.P. because the President, still armed with the "mandate" of the Emergency Decree and the "voice of the people" against IMF loan and its conditionalities, was able to announce the governments own home-spun "dynamic economic recovery programme which aims at altering and realigning aggregate domestic expenditure and production - patterns so as to minimise dependence on imports, enhance non-oil export base, as well as bring back the economy on the path of steady and balance growth". (15)

5.2. <u>Installing S.A.P.</u>

The Economic Recovery Programme announced in the 1986 Budget Speech had the following as its major objectives:

(a) "to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports;

(b) to achieve fiscal and balance of payments viability over the medium term; and

(c) to lay the basis for a suitable non-inflationary growth over the medium and long term".

In order to achieve the above objectives, the following policy elements were built into the programme.

i. "Strengthening of the hitherto strong demand management policies

ii. adoption of a realistic exchange-rate policy

iii. further rationalisation/restructuring of the customs tariffs to aid the promotion of industrial diversification;

iv. simplification of the regulations and guidelines governing industrial investment and commercial banking activities; and

v. adoption of appropriate pricing policies especially for petroleum products and public enterprise" (16).

In effect therefore, the 1986 Budget gave the main outlines of the adjustment programme and policies to come. When later in the year, the government completed its package, it published the document entitled **"Structural Adjustment Programme for Nigeria: June 1986 to June 1988" (17).** In this document, the objectives of the programme were lifted from the budget speech word for word with one addition "(a) to lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the growth potential of the private sector". Similarly, the main features of the programme were lifted from the 1986 Budget Speech with the following additions.

- "adoption of measures to stimulate domestic production and broaden the supply base of the economy;
- move towards improved trade and payments liberalisation;
- item (iv) above became "reduction of complex administrative controls simultaneously with a greater reliance on market forces"; and
- encouragement to rationalisation and privatisation of public sector enterprises". (18)

The core policies introduced in the S.A. Programme of June '86 extended and amplified those already announced in the budget and involved three main approaches.

1. actions to correct the serious over valuation of the naira (Second-Tier Foreign Exchange Market)
2. actions to overcome the observed public sector inefficiencies (rationalisation/ privatisation and deregulation) and
3. actions to relieve the debt-burden and attract a net inflow of foreign capital while keeping a lead on foreign loans.

5.3. <u>Policies and measures introduced under SAP</u>

These can only be summarised briefly, as some have undergone minor and major shifts in response to changing attitudes or observed defects:

5.3.1 <u>Monetary Policies</u>: The objective of monetary policy was to reduce inflation which already was running at 40% in the 84/85 period. Specific measures were adopted to reduce money supply, reduce excess liquidity in the system by (a) slowing down government borrowing (b) limiting credit to the public sector (c) deregulating interest rates - and in addition, stringent credit guidelines were given to the banking sector thus limiting credit also to private sector. The CBN intervened twice in 1986 to further reduce liquidity by calling in first the naira counterpart of external obligations not yet met but whose deposits had been made by the bank's clients. Secondly, it called in arrears of deposit to cover the new naira value of the debts. Since this affected their liquidity ratios, banks had to restrict credit to their customers while seeking new deposits. The 1987 budget continued the tight money policy by allowing credit ceiling to rise by only 8%, except loans to the productive sectors - agriculture and manufacturing. Maximum lending rate was put at 15% and the various sectoral distributions were reduced to two - preferred and non-preferred sectors with the former being allowed 50% of total credit. By mid year the CBN completely deregulated interest rates (August 1 1987) but raised liquidity ratio to 30% and its own rediscount rate to 15% However, net domestic credit still grew by 12% due to government budget deficit and borrowing. In 1988 the Government came in with a reflation policy by raising the ceiling for credit to private sector to 12.5% and also reduced CBN rediscount rate from 15 to 12.75%. Interest rate fell and loans and advances rose by more than 30% in the first half of the year. This the CBN tried to contain by once more raising liquidity ratios. In April of 1989, it had to cancel all loan and advances backed by foreign collaterals and in June followed it by asking all Governments and parastatals to withdraw their deposits from the banking system and put them in the CBN. These two measures were estimated to remove about ₦13 billion from the banking system into the CBN. This was done to shore up the declining value of the naira in the forex market.

5.3.2. <u>Exchange Rate Policies</u>: The Exchange rate policy is the linch-pin of the whole adjustment programme in Nigeria mainly because having become so dependent on imports, the over-valued naira was responsible for most of the price distortions and hence maladjustments between sectors. Prior to the advent of S.A.P., naira's rate vis-a-vis the major convertible currencies was fixed by the monetary authorities allowing only a few minor adjustments. Its allocation among contending demands was by import licensing. Apart from introducing its own arbitrariness and rigidity, the import licensing procedure was fraught with corruption, maladministration and hence mis- allocation of that scarce resource.

The first reform introduced was a Second-Tier Foreign Exchange Market (SFEM) which brought a measure of market force determination of the exchange rate. Between September'86 when the SFEM was introduced and April, '87 there were actually two foreign exchange markets. One was the First Tier i.e. old fixed rate to which a crawling peg had been applied in order to slide down until the gap between it and the Second Market (SFEM) closed. At the inception of SFEM, the naira slumped 65% on the first day, exchanging at ₦4.7 to the US$1.00 while the first tier was still at ₦1.6 = $1.00.

From September 1986 to early 87, the CBN funded the market with an average of $50 - $60 million weekly. But as dollar receipts of CBN were weakening, and the negotiations for debt rescheduling protracted interminably, the CBN started reducing its funding and allowed "autonomous funds" (19) to be sold through inter bank-dealings. At first and officially, the rate for the autonomous funds was to be no more than 1% above the SFEM rate, but in actual fact, banks took differentials of up to ₦3.00 between the rates. Annex IV-VI show the sectoral distribution of the funds sold at the Foreign Exchange Market in 1987 and 1988, respectively. (VI are sales of autonomous funds).

Three modifications have been introduced into the operation of the market since its inception. (1) The first is the merging of the first and second tier in April 1987. Thereafter all transactions, both government and non government, had to be on the FEM rate. (2) Also in, April 1987 the CBN introduced the so-called 'Dutch auction' system whereby the banks pay whatever they bid, instead of paying the emerging marginal rate for the day. This was said to curb "irresponsible" bidding because the differentials between the highs and the low were quite large. (3) The third major shift came in January 1989 to enforce the requirement that autonomous funds be sold at the rate which emerges. The immediate effect was a sharp drop in autonomous fund flow into the market. The Naira immediately lost ground. Besides, the weekly bidding was changed to daily bidding, which introduced a new element of uncertainty and risk in business transactions.

5.3.3. Trade Policies: It is in the area of trade policies that the effect of deregulation is most noticeable. Before SAP, import procedure was quite a maze of regulations. Along with SFEM came the abolition of import licensing. The 30% import duty surcharge introduced under the Emergency Decree was also abolished.

Customs duties and excise taxes were equally streamlined and rates of duty were slashed and made more uniform. The government undertook a comprehensive tariff review which eventually resulted in a Customs and Excise Tariff Consolidation Decree of 1988. Under this decree, the rates specified for categories of import will be for seven years in order to give more certainty to business planning. The prohibition list has been reduced to a mere 16 items. In order to ensure the maintenance of port facilities, there is now a nominal landing charge of 1% on all imports. More importantly, the Customs Department has been reorganised to enhance performance in collecting duty and reduce (if not eliminate) graft and corruption.

On the export side, the devalued naira has enhanced the naira value of traditional non-oil exports. The SFEM decree allowed non-oil export revenue to be retained 100% by the exporter in his forex domicilary account; they are also free to convert proceeds in such account into naira through the inter-bank forex market. This was to be the major source of the autonomous fund flow into FEM. Export prohibitions too have been reduced to a minimum - only food items are now prohibited.

5.3.4. <u>Fiscal Policy</u>: Under this we consider various other policies - taxes, budgetary, prices and incomes policies which have evolved concomitantly with S.A.P. It was expected that in line with the whole adjustment process government expenditure would be trimmed and budgetary deficits held down to within 3% of GDP. To achieve this, there was to be:

- restraints on growth of public wage bills
- emphasis on maintenance culture rather than on starting new projects
- privatisation and/or commercialisation of certain parastatals and government owned companies
- allocation of capital expenditure to key projects that are near completion, and which apart from being economically viable, have wide impact on other sectors.
- emphasis on market determined prices: Subsidies were to be removed, especially those on petroleum and energy.

However these have not been easy to apply. In 1987 the deficit ran almost 10% of GDP despite increased naira revenue from oil and apparent increases in domestic tax effort. Expenditure exceeded budgeted revenue by almost 50%. This was partly due to heavy debt servicing (domestic and foreign) and pressure to increase non-wage incomes. Besides, attempts to remove petroleum subsides have been seen as potentially, politically explosive. So the Government has been very cautions. The big parastatals - NEPA, NITEL, Nigerian Airways and Nigerian Railways cannot be privatised or easily commercialised. So government continues to grant subventions to bouy them up. 1988 started with a reflation package and ended in a whimper in the face of dwindling oil revenue and soaring inflation. However the first step in removing oil subsidy was pushed through despite the few riots it occasioned.

5.5. The Industrial Dimensions of SAP

The problems of industry were specifically analysed and provided for in the SAP document. It noted that given the structure of Nigeria's industries, its major problem was inadequate supply of imported inputs and spare parts, resulting in gross under utilization of installed capacity. The Government therefore came to the conclusion that local sourcing would be the long run solution, since foreign exchange will never be adequate. Further, it noted that poor and unreliable infrastructure such as energy, water supply, roads and telecommunications contribute to the poor performance of the sector. In effect, government was not unmindful of the complaints of industry as has always been voiced by the Manufacturers Association of Nigeria in its dialogues with government. The SAP document therefore provided specifically for the industrial sector as follows:

"The industrial strategy under the present structural adjustment programme will therefore aim at:

(a) encouraging the accelerated development and use of local raw materials and intermediate inputs rather than depend on imported ones;
(b) development and utilisation of local technology;
(c) maximising the growth in value-added of manufacturing production;
(d) promoting export oriented industries;
(e) generating employment through the encouragement of private-sector small and medium scale industries;
(f) removing bottlenecks and constraints that hamper industrial development including infrastructural, manpower and administration deficiencies; and
(g) liberalising controls to facilitate greater indigenous and foreign investment".

To achieve these objectives, government is counting on some of the policies discussed earlier which include:

- a realistic and flexible exchange rate policy that will reflect the scarce nature of forex and therefore ensure its efficient allocation;
- structure of tariffs that will ensure effective protection of industries that need to be protected as well as provide needed support to the other objective of export promotion;
- review of incentives/disincentives to investors with a view to improving the investment climate;
- restructuring the Industrial Development Coordinating Committee as a focal point for all necessary permit approvals for investment;

- ensuring that with the establishment of a free foreign exchange market, investments and dividends will flow through it without the usual administrative bottlenecks.
- a review of the industrial policy of the country and
- the establishment of a Policy Analysis Department in the Federal Ministry of Industries.

The government has put a lot of hope on the industrial sector as the main backbone to boost the economy and get it back on a steady path of self-sustained growth. Besides, it is prepared to climb down from some of the "commanding heights" and allow the private sector to lead growth in that sector. As a result the Government is prepared to divest some of its holdings in purely commercial type ventures, and most of the manufacturing companies fall under this category. (20)

The government thus specifically provided for a broad review of its parastatals and the strategy for the further development of the gas and petrochemical subsector. All this go to show that government was very cognisant that the industrial sector was crucial to the success of the whole adjustment process, and wants to use the opportunity to correct the observed defects of the sector.

5.6. Institutional Support under the new Industrial Policy:

The Government has introduced a new Industrial Policy document which brings together various measures that had been adopted under SAP which have an impact on industrial development. As far as objectives go, there is really nothing new in the document that had not been said before, except perhaps a reversal to the position that the realisation of the objectives of accelerated industrial development hinges on the response of the private sector to the new set of policies.

The role of the public sector has now been streamlined as follows - encouraging increased private sector participation by privatising government holdings in existing industrial enterprises:

- playing a cataytic role in establishing new core industries
- providing and improving infrastructural facilities
- improving the regulatory environment;
- improving the investment climate prevailing in the country
- establishing a clear set of industrial priorities
- harmonising industrial policies at Federal, State and Local levels of government

Many companies interviewed expressed the view that improving the investment climate and the regulatory environment should rank high in government's agenda of reforms. Towards that end, the Federal Government is reforming the institutional framework that regulate industrial investment in the country. For example the Industrial Development Coordinating Committee (IDCC)

Decree, No 36 of 1988 has now upgraded the membership to the level of Ministers. It is now a one-stop agency for new investors applying for Business Permit, expatriate quota and pre investment technical agreement fees. Besides there is now automatic expatriate quota of two for investments of ₦5 million and above, four for ₦10 million and above. Companies can ask for more. In addition, the following have either been created or revitaised.

1. Policy Analysis Department of the Federal Ministry of Industries to undertake collection of data, conduct economic research and policy analysis necessary for the evaluation of the effectiveness or otherwise of industrial policy.

2. Industrial Inspectorate Department, also a part of FMI plays a part in certifying the value of an investment when it comes in the form of machinery, certifies date of commencement in the case of companies enjoying pioneer status. In the case of public projects, IID helps in technical services of selection, and procurement of equipment and machinery. It also acts as a counter check on the import inspecting agencies.

3. Data Bank: to gather, store and retrieve information on industries in Nigeria. It also provides information on sources of raw materials production costs, state of the market etc.

4. Investment Information and Promotion Centre: Guides and advises new investors. It should form an arm of IDCC.

5. <u>Raw Materials Research and Development Council</u>: This is housed in the Federal Ministry of Science and Technology. Its function is to coordinate efforts of various public and private bodies in the research and development of industrial inputs. It advises FMI on incentives to encourage such research.

6. <u>Industrial Training Fund</u>: This has been in being since 1972 and has the function of promoting and encouraging the acquisition of skills in industry. It provides facilities for training in industrial skills, approve courses of training and assist other to research into this aspect of human resources.

7. <u>Standards Organization</u> of Nigeria is the body responsible for standardization and quality control of goods produced in Nigeria.

There are also in the field of financing other promotional institutions such as the <u>Nigerian Industrial Development Bank,</u> the <u>Nigerian Bank for Commerce and Industries</u> and <u>Nigerian Agriculture and Cooperative Bank</u>. They perform the function of providing government sponsored soft loans to industry. Recently the NBCI and the FMI embarked on Entrepreneurship Development Programmes whereby would be small and medium scale entrepreneurs get trained in the art of starting and managing their own businesses. They are then granted loans with very little down payment requirements.

There is no doubt of the existence of a well developed institutional framework to support the new policies, what probably remains is the retraining of the individuals who operate these institutions. It is equally necessary to find ways and means of harmonising the interface between Federal and State agencies when an investor has to deal with both.

CHAPTER VI

ISSUES OF THE WORKSHOP

Introduction

The Structural Adjustment Programme marks a watershed in the development of the Nigerian economy. By the time the full effects of the macro-policies adopted under it work themselves out, certain changes would have occured in the economy in general and in the industrial sector in particular. To ensure that the structural transformation that will occur in the industrial sector is along desired goals, the government has in addition published a new Industrial Policy of Nigeria (Policies, Incentives, Guidelines and Institutional Framework). In the foreword to the document, the then Minister of Industries acknowledged the fact that "in spite of Nigerian's many natural attractions to investors such as extensive market, natural resources and enormous amount of entrepreneurial talent, several factors had tended to discourage investment in the manufacturing sector." He then went on to list "uncertainty about the policy environment, a restrictive and cumbersome regulatory framework and inadequate incentives" as some of the major factors responsible for retarding investment in the manufacturing sector. The publication was therefore an attempt to put together both existing and new legislation/regulations, the list of incentives and the institutional framework to guide investors.

We have already seen from the earlier discussions (Chapter 3 & 4) that there are structural defects and problems which the structural adjustment programme hopefully, was designed to correct or solve. In Chapter 2 of the new Industrial Policy document, government has stated that the objective is to achieve an accelerated pace of industrial development through which there will be:

- greater employment opportunities;
- increased export of manufactured goods;
- wider dispersal of industries;
- technological skills and capabilities available in the country will improve;
- industrial output will have more local content
- foreign capital will be attracted and induced to stay and invest in productive industrial ventures;
- the participation of the private sector (indigenous and foreign) will play a major role in industrialisation of the country.

In saying that, government was implicitly painting a scenario of the kind of industrial structure and performance it will like to see emerge. The task of this workshop, is to look at the structure and problems as they exist today on the one hand, and on the other to consider the policies, programmes and institutional framework that have been established in order to work out step by step an action plan that will lead to the realisation of the desired industrial scenairo.

The objectives and policies are not self-activating nor self enforcing. If the country desires to generate more industrial employment, one has to decide for example where employment is to be generated, what kind of employment, employing what kinds of skills, where those skills are to be trained and to what level, how to test those skills to ensure that when employed, that they can perform etc. To take another example:- the objective to increase export of manufactured goods - Who decides what kind of manufactured goods will go to which market? Who are the competitors? What price are they charging etc. Does the country have the resources that can give it competitive advantage in those markets? Who is to do the manufacturing? Does he require special incentives to back his competitive position? What level of tax or subsidy can make the industrialist stay competitive?

How does one increase private sector participation in the manufacturing sector? Should the country allow investors to set up just any and every kind of industry where they can make money? How does this link with the question of creating inter-industry linkages? How do we guide investors into preferred sectors? Government is currently carrying out a privatisation exercise of some of the erstwhile publicly owned companies. Is the insistence on social equity in the distribution of shares consistent with creating an efficiently managed, productive industrial system? Is there a case for contract management by the private sector of industries set up with public funds? These are some of the issues this workshop will be called upon to consider.

Probably, the first set of issues are those of basic strategy choices. There is also implied in the governments scenario, a move away from import substitution strategy to one of inward-looking, local resource based industrial strategy. In terms of market orientation, the country is to diversify so as to export more of manufactured goods rather than just primary produce. To increase the local content of industrial output, presupposes the existence of industries that produce intermediate goods and/or capital goods locally. These then raise the issue of whether the resources exist for creating efficient industrial systems that can bridge the gaps or correct the structural defects existing. Accordingly, three papers have been commissioned to examine the resource base and assess the opportunities that exist in the following subsector.

- The Agro-allied, agro and forest resource based industries
- The Chemical industries subsector (organic and inorganic)
- The Metallurgical/Engineering industries subsector.

These areas have been carefully chosen because their development usually provide wide links with other industries and economic sectors. Besides, there are already production facilities planned or in production in these areas with varying degrees of efficiency and capacity utilization.

The next set of issues implied in the desired scenairo - increased private sector participation, increased foreign direct investment in industry, employment opportunities and improving technological skills - are all tied up with the question of creating a conducive climate for investment. When new investments are made, new jobs are created, the more such investments are made in diverse technical fields, the more the need for technical manpower and hence the need for training in technical skills. The more there are people with the requisite technical skills, the better the absorptive capacity of the work force of imported know-how and do-how. Technology is a composite of technical, scientific based knowledge and technical, science based skills of being able to translate or adapt the knowledge to produce goods and services.

In chapter 4 above, it was noted that the problems of the industrial sector can be divided into: (a) the regulatory environment (b) administrative and policy environment and (c) infrastructural arrangements.

Two papers have been commissioned to address these issues: One looking at the policy instruments and the regulatory framework while the other will focus on the structural and infrastructural issues. The workshop will be called upon to re-examine the institutional framework and the policy instruments, as they relate to various industrial sub-sectors and to recommend ways of making them achieve the major objectives of policy.

One of the major problems of planning in Nigeria is implementation. A careful study of the past plan documents show that at each stage, there was a clear perception of the direction industrialization ought to be going. Good programmes and projects were planned, but on each occasion, there were failures in implementation. Now, in both the document on SAP and in the Industrial Policy of Nigeria, there is also implicit assumption that once industrial units respond to the dictates of the macro-economic policies which have exposed them to 'market forces' they will become more efficient and stay competitive. The workshop will be called upon to examine whether the market mechanism is strong enough to bring about the kind of structural transformation envisaged in the government's desired scenario for industry. Is n't there a case for establishing a strategic management framework for guiding industrial development of the country? Accordingly the sixth commissioned paper deal with issues related to planning and plan implementation. A major output of this workshop is expected to be guidelines for the preparation of an industrial masterplan. (IMP). It is important to note that all the issues to be discussed at this workshop make up the various facets of an IMP. Unlike the National Development Plans which state programmes, projects and amounts to be invested, IMP is a strategic management tool to guide, support, organise and monitor the concerted actions of government, business and financial communities and the multi-and bi-lateral donor agencies active in the industrial sector.

It shows the network of relationships that must exist if every actor is to perform its assigned role. There must be a network of information flow so as to give necessary feedback on the possible corrections/adjustments needed in order to stay on course.

Now that public policy is shifting grounds to once more allow for private-sector led industrialisation, the workshop will have to workout a process of managing the industrial system so that all actors - government, business community promotional and supporting institutions, business and industrial organisations from the private sector, Labour Unions, Universities, Polytechnics - will all be pulling together in one direction to achieve the objectives of industrial development in the country.

ANNEX I

FEDERAL GOVERNMENT: RECURRENT AND CAPITAL EXPENDITURES AS PERCENTAGE OF GROSS DOMESTIC PRODUCT

	GDP[1] (₦' M) (1)	Recurrent Expenditure (₦' M) (2)	Recurrent Expenditure As Percentage of GDP (%) (3)	Capital Expenditure (₦' M) (4)	Capital Expenditure As Percentage of GDP (%) (5)	Total Expenditure (2) + (4) (₦' M) (6)	Total Expenditure As Percentage of GDP (%) (7)
1970	5,281.1	638.3	12.1	200.5	3.8	838.8	15.9
1971	6,650.9	492.8	7.4	146.2	2.2	639.0	9.6
1972	7,187.5	681.2	9.5	295.9	4.1	977.1	13.6
1973	11,329.0	656.1	5.8	435.1	3.8	1,091.2	9.6
1974	18,811.0	874.0	4.6	1,223.5	6.5	2,097.5	11.1
1975	21,778.7	1,695.0	7.8	3,207.7	14.7	4,902.7	22.5
1976	27,571.5	2,672.6	9.7	4,041.3	14.7	6,713.9	24.4
1977	32,510.4	2,246.7	6.9	5,004.6	15.4	7,251.3	22.3
1978	35,545.7	3,427.7	9.6	5,092.3	14.3	8,520.0	24.0
1979	43,150.8	3,187.1	7.4	4,219.6	9.8	7,406.7	17.2
1980	49,754.9	6,022.0	12.1	8,091.9	16.3	14,113.9	28.4
1981	52,255.3	5,739.1	11.0	5,699.3	10.9	11,438.4	21.9
1982	53,847.5	7,417.9	13.8	5,522.5	10.3	12,940.4	24.0
1983	56,204.2	5,656.5	10.1	4,033.6	7.2	9,690.1	17.2
1984	60,797.7	6,275.4	10.3	3,277.9	5.4	9,553.3	15.7
1985	67,000.1	7,215.3	10.8	6,005.2	8.2	13,220.5	19.7
1986	82,928.8[2]	7,641.5	9.2	4,882.6	5.9	12,524.1	15.1

1 At current purchases's value, extracted from *Annual Abstracts of Statistics*, 1973 and 1985 editions.
2 F. O. S. estimates.

ANNEX 11

NIGERIA'S EXTERNAL DEBT OUTSTANDING (END OF PERIOD) 1970 – 1987
(₦' MILLION)

Category	1970	1971	1972	1973	1974	1975	1976	1977	1978
SOURCES									
1. Bilateral	100.2	106.1	124.0	150.9	182.8	200.7	233.1	350.3	210.6
2. Multilateral	37.9	37.9	102.1	107.1	122.0	126.0	119.4	140.2	154.3
3. I. C. M.	–	–	–	–	–	–	–	–	641.0
4. Trade Arrears	–	–	–	–	–	–	–	–	–
(i) Refinanced	–	–	–	–	–	–	–	–	–
(ii) Unrefinanced	–	–	–	–	–	–	–	–	–
5. Others (unguaranteed State/Private loans)	350.7	70.5	37.3	18.9	17.6	23.2	22.1	6.4	259.8
Total	448.8	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1,265.7
Type									
1. Medium & Long Term	429.0	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1.265.7
2. Short Term	59.8	–	–	–	–	–	–	–	–
TOTAL	488.8	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1,265.7

NIGERIA'S EXTERNAL DEBT OUTSTANDING (END OF PERIOD) 1970 – 1987
(₦' MILLION)

CATEGORY	1979	1980	1981	1982	1983	1984	1985	1986[1]	1987[3]
SOURCE									
1. Bilateral	405.9	483.8	656.1	163.2	179.3	351.3	365.1	1,159.1	1,968.9
2. Multilateral	163.9	181.6	181.9	530.4	566.4	1,271.2	1,283.5	4,670.2	8,782.3
3. I. C. M. Loans	1,027.8	1,090.2	1,317.5	5,474.4	5,026.5	6,003.1	7,726.4	21,725.3	40,546.3
4. Trade Arrears	–	–	–	1,981.7	4,283.4	6,598.4	7,438.2	12,597.3	47,593.6
(i) Refinanced	–	–	–	–	(1,524.6)	(1,155.0)	(1,273.9)	(4,152.6)[2]	(32,869.7)
(ii) Unrefinanced	–	–	–	(1,981.7)	(2,758.8)	(5,443.4)	(6,164.3)	(8,444.7)[2]	(14,723.9)
5. Others (unguaranteed States/private loans)	13.9	111.2	175.7	669.7	522.1	312.6	477.4	1,300.0	1,898.0
Total	1,611.5	1,866.8	2,331.2	8.819.4	10,577.7	14,536.6	17,290.6	41,451.9	100,789.1
Type									
1. Medium & Long Term	1,611.5	1,866.8	2,331.2	6,837.7	7,818.9	9,093.2	11,126.3	33,007.2	86.065.2
2. Short Term	–	–	–	1,981.7	2,758.8	5,443.4	6,164.3	8.444.7	14,723.9
TOTAL	1,611.5	1,866.8	2,331.2	8,819.4	10,577.7	14,536.6	17,290.6	41,451.9	100,789.1

[1] First-tier rate at the end of December 1986 which was used stood at $1.00 = ₦2.5954 while in 1985 it was $1.00 = ₦1.0004
[2] Exchange rate of $1.00 = ₦1.6010 ruling on September 26th 1986 is used.
[3] Exchange rate of $1.00 = ₦4.2989 is used.

SOURCE ECONOMIC AND FINANCIAL REVIEW VOL 26 NO 2
JUNE '86 P.56

ANNEX III

SUMMARY OF SURVEY OF MANUFACTURING INDUSTRY 1980 - 1983

	NO. OF ESTABLISHMENTS				NO. EMPLOYED				GROSS OUTPUT N'000				MANUFACTURING VALUE ADDED N'000			
INDUSTRIAL GROUP	'80	'81	'82	'83	'80	'81	'82	'83	'80	'81	'82	'83	'80	'81	'82	'83
Food Beverages and Tobacco	612	620	709	676	88,798	73,907	68,980	59,493	2,524,349	2,702,022	2,097,324	2,336,799	1,451,484	1,032,624	1,071,243	1,422,632
Textiles, Wearing Appeal	166	171	113	119	88,757	85,604	61,583	62,270	999,199	128,863	1,000,139	1,188,167	475,320	441,268	32,985	550,681
Leather And Leather Products	18	16	16	17	2,899	13,585	4,545	3,527	61,834	263,758	73,821	54,265	24,719	165,720	33,309	31,270
Wood and Wood Products	549	494	473	361	53,966	34,504	24,490	31,228	528,917	445,023	322,300	48,497	293,368	176,778	135,014	202,901
Paper and Paper products	213	217	211	204	30,243	26,961	32,459	26,351	280,211	46,922	323,932	374,191	228,868	168,072	88,941	191,739
Industrial Chemicals	12	11	5	4	3,915	2,892	755	714	94,221	90,823	24,290	16,978	61,666	51,497	12,835	6,888
Other Chemical Products	74	77	66	70	28,821	30,119	18,292	22,735	1,517,290	2,223,646	1,667,617	2,072,686	697,281	928,101	926,043	1,145,129
Rubber Products/Plastic	95	98	89	98	44,895	39,988	14,659	15,184	616,837	659,602	323,314	397,700	252,054	338,997	135,746	161,647
Non-Metal Mineral Products	20	16	9	9	3,308	2,386	2,257	2,047	96,579	4,155	42,386	40,038	50,149	15,653	22,033	21,125
Other Non-Metal Mineral Products	270	285	260	16	19,541	29,349	11,551	5,719	301,284	706,342	294,366	310,669	175,589	419,139	172,111	131,863
Basic Metal	-	4	10	10	-	1,332	10,543	20,185	-	22,114	153,262	146,868	-	7,760	1,814	12,166
Fabricated Metal Products	218	221	180	190	50,034	59,550	44,017	35,812	922,015	1,383,825	1,213,806	921,636	398,096	436,597	564,182	429,959
Electrical Machinery	33	35	32	33	9,752	12,071	10,773	8,001	246,085	398,142	280,543	202,186	92,667	161,601	79,792	93,307
Transport Equipment	27	30	27	27	20,022	26,832	14,138	12,766	1,676,033	1,955,622	914,043	1,350,820	1,065,803	415,467	313,821	754,165
Professional Goods Etc.	33	-	5	4	3,179	-	128	210	44,143	-	5,322	2,335	26,739	-	1,038	-33
Other Industries	-	31	9	11	-	3,054	973	900	-	44,059	18,160	17,264	-	20,344	3,845	7,336
	2,287	2,326	2,214	1,849	448,130	442,140	309,742	307,142	9,908,997	11,074,918	8,754,625	9,481,129	5,238,303	4,405,718	3,591,124	5,138,443

Source Federal Office of Statistics Industrial
Survey of Nigeria 1980 -1983

ANNEX III A

INDEX OF MANUFACTURING PRODUCTION

(Base: 1972 = 100)

Year	*Sugar Confectionery*	*Soft Drinks*	*Beer & Stout*	*Cigarettes*	*Cotton Textiles*	*Synthetic Fabrics*	*Footwear*	*Paints*	*Refined Petroleum*	*Cement*	*Roofing Sheets*	*Vehicle Assembly*	*Soap & Detergent*	*Radio & T.V.*	*Total*
1982	78.5	1,006.0	509.3	—	285.5	1,175.0	32.0	474.3	353.4	272.8	243.3	5,463.3	412.8	467.0	432.7
1983	55.3	873.0	306.1	—	144.8	1,262.0	53.8	211.1	255.7	96.6	106.8	2,068.3	383.8	558.6	319.0
1984	47.2	921.6	419.4	—	103.9	639.4	51.3	243.1	251.7	60.9	113.2	689.3	171.0	334.1	280.8
1985	42.5	785.4	489.3	—	110.0	340.2	41.8	177.2	358.8	303.8	285.1	1,344.1	178.3	367.9	336.6
1986[1]	30.5	559.4	617.4	—	44.0	666.8	32.7	140.1	301.0	328.5	525.9	629.0	181.4	181.4	323.5
1987[2]	28.3	510.7	639.0	—	145.4	768.0	34.4	151.4	306.8	332.5	431.8	610.8	185.2	84.1	340.2
1985															
1st Quarter	53.0	845.1	517.5	—	111.1	357.2	55.6	179.6	344.5	306.7	376.7	1,803.1	202.8	400.1	349.2
2nd Quarter	42.3	773.2	684.7	—	116.1	315.3	44.2	216.9	286.0	296.2	330.4	1,511.2	232.8	381.9	359.0
3rd Quarter	40.8	717.1	413.5	—	109.0	374.6	40.3	149.6	389.0	285.4	168.7	1,120.7	150.4	458.2	329.5
4th Quarter	33.8	806.2	341.5	—	127.9	313.6	27.4	163.2	415.0	327.0	265.0	941.6	127.0	231.5	308.5
1986[1]															
1st Quarter	31.1	755.9	868.2	—	74.9	311.5	33.2	142.9	319.2	315.8	342.1	836.5	171.8	182.2	387.4
2nd Quarter	32.2	648.2	624.3	—	55.1	390.7	28.8	131.4	294.0	317.3	453.3	888.9	102.7	194.1	308.0
3rd Quarter	31.1	522.5	494.5	—	17.9	1,044.5	34.5	144.4	307.8	348.4	339.9	553.2	220.0	182.6	302.4
4th Quarter	27.4	310.8	482.6	—	28.2	920.5	34.1	141.7	279.7	332.5	968.4	237.5	230.9	178.1	290.0
1987[2]															
1st Quarter	28.8	690.1	878.6	—	128.9	358.8	40.0	163.4	232.6	319.4	280.8	812.2	175.4	112.5	359.0
2nd Quarter	29.9	591.8	631.8	—	151.8	450.1	28.6	143.5	288.7	321.2	372.2	863.2	104.9	70.9	322.0
3rd Quarter	23.8	477.1	499.7	—	146.1	1,203.2	34.3	150.8	329.7	352.8	279.0	537.2	224.6	69.0	334.2
4th Quarter	25.5	283.7	487.7	—	154.9	1,060.0	33.9	147.9	376.3	336.5	795.1	230.7	235.7	84.1	345.7

Source: Data derived from CBN survey and Federal Office of Statistics (FOS), Lagos.

[1] Revised

[2] Central Bank of Nigeria estimates

ANNEX IV

SECTORAL ALLOCATION OF FOREIGN EXCHANGE UNDER FEM FOR THE MONTHS OF JANUARY TO DECEMBER 1987 ($'MILLION)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
A. IMPORTS	155.46	209.25	161.43	141.55	155.30	174.86	233.37	165.95	249.48	270.62	277.40	251.45	2446.12
INDUSTRIAL SECTOR	107.82	118.33	103.26	98.42	99.32	121.77	163.73	120.76	163.49	192.87	192.80	181.31	1663.94
(i) RAW MATERIALS	58.26	61.70	59.88	49.87	53.23	58.93	89.63	68.75	99.41	95.82	101.48	95.30	892.32
(ii) MACHINARY, S/PARTS AND CKD	49.56	56.63	43.38	48.55	46.09	62.84	74.10	52.01	64.08	97.05	91.32	86.01	771.62
AGRICULTURAL SECTOR	0.36	2.20	1.16	1.30	0.46	0.76	1.10	1.11	0.88	2.49	0.44	0.37	12.60
FINISHED GOODS	47.28	88.72	57.01	41.83	55.49	52.33	68.54	44.08	85.11	75.26	84.16	69.77	769.58
(i) FOOD	15.40	10.53	22.33	16.48	25.89	10.5	31.27	10.39	44.54	26.37	25.98	19.24	258.96
(ii) GENERAL MARCHANDISE	30.08	76.05	34.49	25.26	28.77	41.52	36.38	33.60	40.05	47.71	51.88	49.17	494.96
(a) DRUGS AND PHARMACEUTICALS	4.94	14.96	6.21	4.48	6.86	16.03	5.18	6.50	7.71	10.10	10.30	6.85	100.12
(b) BOOKS AND EDUCATIONAL MATERIALS	1.34	2.42	1.61	1.09	1.25	0.78	1.37	1.27	1.71	1.12	2.74	2.25	18.95
(c) OTHER GENERAL MARCHANDISE	23.80	58.67	26.67	19.69	20.66	24.71	29.83	25.83	30.63	36.49	38.84	40.07	375.89
(iii) CAPITAL GOODS - AIRCRAFT SHIPPING	1.80	2.14	0.19	0.09	0.83	0.27	0.89	0.09	0.52	1.18	6.30	1.36	15.66
B. INVISIBLES	14.35	13.13	55.54	14.22	13.77	16.46	22.60	12.54	22.79	31.07	37.37	57.46	311.20
(i) EDUCATION	0.77	1.12	1.07	0.62	0.52	1.17	3.49	0.49	4.19	1.76	2.12	1.13	18.45
(ii) PERSONAL HOME REMITTANCES	1.86	2.28	2.13	1.81	2.55	1.60	3.08	1.40	1.97	2.55	2.29	4.27	27.79
(iii) AIRLINE REMITTANCE	2.33	2.89	26.45	3.19	2.49	3.94	1.68	5.40	4.99	11.72	11.73	4.25	81.06
(iv) TRAVEL	1.47	1.13	1.23	1.13	1.23	2.56	2.75	1.11	1.35	1.67	2.18	1.73	19.54
(v) RE-INSURANCE	0.72	0.45	0.06	0.21	0.09	0.08	0.18	0.28	1.03	0.51	0.49	0.36	4.46
(vi) CONTRACT	0.61	0.19	2.01	0.07	1.13	0.55	0.90	0.78	1.32	1.02	2.42	0.87	11.87
(vii) AIRCRAFT LEASE MAINTENANCE FEES	0.06	0.02	0.75	-	0.02	0.12	0.09	-	0.84	0.20	1.07	5.24	8.41
(viii) SHIPPING VESSELS CHARTER/MTCE	0.18	1.20	0.15	0.10	0.30	2.21	1.81	0.51	0.77	1.46	1.18	0.94	10.81
(ix) INVESTIMENT,INCOME,PROFIT/DIVIDEND	1.48	0.49	3.43	3.30	1.56	2.14	2.25	0.52	1.96	4.92	5.90	5.97	33.92
(X) OTHERS	4.87	3.36	18.26	3.79	3.88	2.09	6.37	2.05	4.37	5.26	7.99	32.70	94.99
TOTAL	169.81	222.38	216.97	155.77	169.07	191.32	255.97	178.49	272.27	301.69	314.77	308.91	2757.42

ANNEX V

SECTORIAL ALLOCATION OF FOREIGN EXCHANGE WITH OFFICIAL FUNDS IN 1988 ($'MILLION)

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
A. IMPORTS	127.6	230.3	241.4	205.0	226.2	269.8	220.5	220.4	214.6	212.0	205.1	176.2	2549.1
(1) Indistrial Sector	91.0	157.0	175.3	138.6	158.3	190.0	162.7	154.5	150.8	150.7	145.4	120.1	1794.4
(i) Raw Materials	49.7	85.7	101.0	77.2	90.5	105.6	94.9	86.7	84.2	84.4	81.4	60.9	1002.2
(ii) Machinary/spare parts(ckd)	41.3	71.3	74.3	61.4	67.8	84.4	67.8	67.8	66.6	66.3	64.0	59.2	792.2
(2) Agrecultural Goods	5.0	0.4	0.3	0.5	0.3	1.7	0.5	1.2	0.2	0.9	0.2	0.5	11.7
(3) Finished Goods	31.6	72.9	65.8	65.9	67.6	78.1	57.3	64.7	63.6	60.4	59.5	55.6	743.0
(i) Food	7.1	16.7	11.5	10.9	16.3	16.3	14.1	18.6	14.5	14.4	15.6	11.9	167.9
(ii) General Marchandise	24.3	54.8	54.2	52.8	50.5	61.7	42.8	45.9	48.1	43.0	42.8	43.3	564.2
(iii) Capital Goods	0.2	1.4	0.1	2.2	0.8	0.1	0.4	0.2	1.0	3.0	1.1	0.4	10.9
B. INVISIBLES	13.0	16.4	21.6	29.7	23.4	20.8	18.9	19.0	19.9	16.2	23.3	13.9	236.3
(i) Education	0.8	0.5	0.6	1.7	0.9	1.3	0.7	0.9	1.4	1.2	0.9	0.8	11.7
(ii) Personal Remittance	1.9	1.7	1.9	1.8	1.8	2.0	1.4	1.6	1.0	1.7	1.0	0.6	18.4
(iii) Airline Remittance	4.3	4.1	3.0	2.7	2.4	1.1	3.0	3.6	2.4	2.8	5.0	2.8	37.2
(iv) Travel	0.8	2.1	2.9	1.4	3.0	2.4	2.9	2.4	2.7	1.8	2.5	1.4	26.3
(v) Re-Insurance	0.2	0.1	0.8	1.7	0.8	1.1	0.4	0.1	1.2	2.5	0.7	0.1	9.7
(vi) Contract	0.4	0.5	0.9	0.3	5.0	4.7	7.2	2.1	2.4	1.1	6.0	0.5	25.1
(vii) Airline Lease Maintce Fee	0.1	1.1	2.4	1.3	1.0	1.7	1.3	1.6	2.0	0.7	1.2	1.1	15.5
(viii) Shipping Vessels Charter and Maintenance	0.9	2.2	1.1	-	0.6	0.6	0.5	-	0.2	0.2	0.2	0.9	7.3
(ix) Investment Income-Profit and Dividends	1.3	1.1	2.5	1.7	0.9	0.8	1.7	1.3	2.1	0.9	1.6	1.1	17.0
(x) Others	2.3	3.0	5.6	17.1	7.0	5.1	5.8	5.4	4.5	3.3	4.4	4.6	68.1

ANNEX VI

SECTORAL ALLOCATION OF FOREIGN EXCHANGE WITH AUTONOMOUS FUNDS IN 1988 ($'MILLION)

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
A. IMPORTS	26.7	1.9	60.4	60.0	38.3	53.9	59.2	38.6	46.1	33.2	39.2	44.7	542.2
(1) Industrial Sector	23.5	34.1	50.9	42.1	35.6	48.2	45.4	34.6	40.2	27.7	27.1	37.7	447.1
(i) Raw Materials	14.8	22.7	31.6	26.6	23.4	36.9	32.4	24.2	25.5	15.2	14.8	19.5	287.6
(ii) Mechinary, Spare part (ckd)	8.7	11.4	19.3	15.5	12.2	11.3	13.0	10.4	14.7	12.5	12.3	18.2	159.5
(2) Agricultural Sector	-	0.4	0.3	8.5	-	-	-	-	-	-	-	0.1	9.3
(3) Finished Goods	3.2	7.4	9.2	9.4	2.7	5.7	13.8	4.0	5.9	5.5	12.1	6.9	85.8
(i) Food	0.2	0.4	1.2	1.0	0.2	0.6	0.5	1.3	1.5	2.2	2.1	1.0	12.2
(ii) General Marchandise	1.7	7.0	7.0	8.3	2.5	5.1	13.0	2.4	4.4	3.3	10.0	5.9	70.6
(iii) Capital Goods	1.3	-	1.0	0.1	-	-	0.3	0.3	-	-	-	-	3.0
B. INVISIBLES	5.3	8.2	23.2	5.3	5.1	7.2	38.1	10.6	12.4	3.8	7.6	7.3	134.1
(i) Education	0.2	0.1	0.3	0.3	-	0.7	0.1	0.3	0.4	0.3	0.2	-	2.9
(ii) Personal Home Remittance	0.4	0.1	0.2	0.4	-	0.4	0.1	0.1	0.3	0.1	0.1	0.2	2.4
(iii) Airline Remittance	1.4	2.2	4.0	0.8	0.7	1.3	2.1	0.5	1.6	0.6	1.8	3.9	20.9
(iv) Travels	0.3	0.5	0.7	1.4	1.0	1.9	1.1	0.7	1.8	0.9	0.9	0.4	41.6
(v) Re- Insurance	0.1	0.7	0.2	-	0.5	-	0.1	-	0.1	-	1.4	0.1	3.2
(vi) Contract	0.2	-	2.0	0.3	0.9	1.6	0.3	0.3	0.8	-	0.5	-	6.9
(vii) Aircraft Lease Maintce fee	-	1.4	7.9	-	0.2	-	-	0.2	1.0	-	-	-	10.7
(viii) Shipping Vesel Charter/Mntce	0.5	0.6	-	0.3	0.4	0.3	-	-	-	0.2	-	-	2.3
(ix) Investment,Income,Profit/Dividend	0.7	0.8	0.6	0.2	0.8	0.6	1.0	0.5	0.4	0.4	-	0.5	6.5
(x) Others	1.5	1.8	7.3	1.6	0.6	0.4	3.3	8.0	6.0	1.3	2.7	2.2	36.7
TOTAL	32.0	50.1	83.6	65.3	43.4	61.1	97.3	49.2	58.5	37.8	46.8	52.0	676.3

Annex VII

List of Industrial Incentives as at 1980

1. Industrial Development (Income Tax Relief)Act 1958 (amended 1971)

This Act provides for the granting of 'pioneer status' to companies that are producing certain scheduled goods. Pioneer status confers a tax holding of 3 years in the first instance, but extendable to 5 years.

2. Customs Duties (Dumped and Subsidised Goods) Act 1958

This is supposed to permit the government to impose duty on any goods being dumped in Nigeria in order to protect local producers.

3. Customs and Excise Management Act 1958 (with several amendments)

Confered "Approved User Status" on industries permitting the importation of approved raw materials for local manufacturing free of duty or at concessionary rates. (Abolished in 1984)

4. Customs Duty (Drawback) Regulation 1959. This allowed industrialists to claim back duty paid for imported imputs if the resultant product was exported.

5. Companies Income Tax (Accelerated Depreciation) Act 1979

This allows companies a quicker write down of their capital assets in the early years of production, amortise the capital assets by building up reserves for future expansion.

ANNEX VIIIA

FEDERAL GOVERNMENT INVESTMENTS IN INDUSTRY AS AT DEC. 1983

COMPANY	STATE LOCATED	INVESTMENT (₦)	FGN HOLDINGS (%)
Aba Textile Mills	Imo	10,500,000	70
Anambra Motor Manufacturing Co.	Anambra	8,400,000	35
Ashaka Cement Co.	Ogun	35,000,000	72
Benue Cement Co.	Benue	20,680,000	39
Calabar Cement Co.	Cross River	6,000,000	68
Cement Co. of Northern Nig.	Sokoto	7,440,000	32
Dunlop Industries	Lagos	350,000	3
Electricity Meters Co.		2,700,000	60
Flour Mills of Nigeria	Lagos	3,000,000	12
Leyland Nigeria Ltd.	Oyo	5,250,000	35
National Salt Co. of Nigeria	Ogun	9,500,000	100
National Trucks Nigeria	Kano	7,000,000	35
Nigerian Machine Tools Ltd.	Oyo	18,072,000	85
New Nigeria Salt Co Ltd.	Bendel	16,500,000	100

ANNEX VIIIA CONT'D

COMPANY	STATE LOCATED	INVESTMENT (₦)	FGN HOLDINGS (%)
North Breweries LTD.	Kano	7,500,000	50
Nigerian Sugar Co. Ltd.	Gongola	1,970,106	19
Nigerian Yeast and Alcohol	Gongola	573,750	51
Nigerian Romaman Wood Co.	Oyo	3,000,000	25
Nichemtex Industries Ltd.	Lagos	1,200,000	10
Nigerian Beverages Prod. Co.	Gongola	2,500,000	55
Savannah Sugar Co.	Niger	47,120,000	22
Seromwood Industries Calabar	Cross River	2,440,000	20
Peugeot Automobile of Nig.	Kaduna	5,250,000	35
Steyr Nigeria Ltd.	Bauchi	7,385,000	35
Specomil Textile Ltd.		2,400,000	60
Sunti Sugar Co. Ltd.	Gongola	3,168,000	90
Volkwagen of Nigeria	Lagos	6,000,000	35
West African Distilleries Ltd.	Lagos	2,000,000	100
West African Portland Cement	Ogun	13,000,000	20

ANNEX VIIIB

FEDERAL GOVERNMENT INVESTMENTS IN HEAVY INDUSTRY

COMPANY	STATE LOCATED	INVESTMENTS (₦)	LOANS
Ajaokuta Steel Co.	Kwara	1,653,599,866	252,373,609
Associated Ore Min. Co. Ltd.	Kwara	500,000	63,576,730
Delta Steel Co Ltd.	Bendel	781,278,061	270,563,548
Fed. Superphosphate Co.	Kaduna	27,419,533	NIL
National Fertilizer Co. Ltd.	Rivers	132,333,112	NIL
Nigerian Mining Corporation	Plateau	150,000,000	35,349,750
Nigerian National Paper Mfg. Co	Ondo	121,190,900	57,883,973
Newsprint Mfg. Co. Ltd.	Cross River	117,622,682	64,382,745
Nigerian Paper Mills	Kwara	97,000,000	48,692,965
Steel Rolling Mills	Jos-Plateau	147,395,261	4,612,500
Steel Rolling Mills	Katsina-Kaduna	139,645,307	4,712,500
Steel Rolling Mills	Oshogbo-Oyo	139,895,678	4,612,500
Defence Industries	Kaduna	N.A	28,214,410

ANNEX VIIIB CONT'D

FEDERAL GOVERNMENT INVESTMENTS IN INDUSTRY (SERVICE INDUSTRIES)

Chad Basin Dev. Authority
All River Basin Dev. Authorities
Central Water Transportation Company
Nigerian External Telecommunications Ltd.
Nigerian Security Printing and Minting Co.
Nigerian Railway Corporation
Nigerian Airways Corporation
National Electric Power Authority - NEPA
Nigerian Ports Authority - NPA
Nigerian Television Authority - NTA
Nigerian Airports Authority - NAA
Nigerian National Shipping Lines - NNSL
Nigerian Post - NIPOST
Nigerian National Petroleum Corporation - NNPC

OTHERS INCLUDE	INVESTMENTS	FGN HOLDINGS (%)
Durbar Hotel	10 Million	100
National Cargo Handling Co.	1.5 Million	100
Nigeria Hotels	5.8 Million	51
National Freight Co.	8.5 Million	100
Tourist Coy. of Nig.	27.6 Million	100

ANNEX VIIIC

SUMMARY OF

FEDERAL GOVERNMENT INVESTMENT IN INDUSTRY (1984) (₦)

DESCRIPTION OF ITEM	ORIGINAL INVESTMENT	ADDITIONAL CONTRIBUTION AND (BONUS ISSUES)	TOTAL INVEST-MENTS
Manufacturing companies	3,760,013,165	46,926,961	3,806,940,126
Financial institutions:			
(i) Banks	376,544,189	216,142,375	592,686,564
(ii) Insurance	14,651,471	26,400,717	41,052,188
Service Industries	4,275,190,590	1,902,999	4,277,093,589
External Investments	64,829,292	358,209	65,187,501
Investments forfieted to Federal Government	8,491,919,936	291,820,794	8,783,740,730

Source: Federal Ministry of Finance Inc.

ANNEX VIIID

LOANS AND INVESTMENTS 1984
TO PARASTATALS & PUBLICLY OWNED COMPANIES

NO.	DESCRIPTION	ORIGINAL LOANS/ INVESTMENT (₦)	REPAYMENT/ INCREASE (₦)	BALANCE OF LOANS/ INVESTMENT (₦)
1.	Loans with Terms	7,787,500,727.43	127,529,993.59	7,659,971,733.84
2.	Loans without Terms	192,195,767.54	623,793.33	191,571,974.21
3.	Investments	8,491,919,936.00	921,820,794.00	8,783,740,730.00
		16,471,616,430.97	419,973,580.92	16,635,284,438.05

Source: Federal Ministry of Finance Inc

Annex IX

Enterprises in which 100% of Equity held by The Federal Military Government shall be Fully Privatise

1. Aba Textile Mills
2. Nigerian Dairies Company Limited
3. Nigerian National Fish Company Limited
4. Nigerian Food Company Limited
5. New Nigerian Salt Company Limited
6. National Fruit Company Limited
7. National Salt Company Limited, Ijoko
8. Specomill Nigeria Limited
9. South-East Rumanian Wood Industry Limited Calabar
10. Nigerian-Rumanian Wood Industry Limited, Ondo
11. Nigerian Yeast and Alcohol Company Limited, Bacita
12. National Animal Food Company Limited, Port Harcourt
13. Opobo Boat Yard
14. Madara Dairy Company Limited Vom
15. Ore/Irele Oil Palm Company Limited, Ondo
16. Okomo Oil Palm Company Limited, Bendel
17. North Breweries Limited, Kano
18. Nigerian Beverages Production Company Limited
19. West African Distilleries Limited
20. Electricity Meters Company Limited, Zaira
21. Poultry Production Units in Jos, Ilorin and Kaduna
22. Kaduna Abattoir and kaduna Cold Meat Market
23. Bauchi Meat Factory and Galambi Cattle Ranch
24. Kano Abattoir Company Limited
25. Flour Mills of Nigeria Limited
26. Nigerian Yeast Alcohol Manufacturing Company Limited
27. Nichemtex Industries Limited.

Partial Commercialisation

1. Ajaokuta Steel Company Limited
2. Delta Steel Company Limited
3. Nigerian Machine Tools Limited

Enterprises in which Equity held shall be Partially Privatised

Enterprises	Maximum Federal Government Participation as % of Equity (after privatisation)
Agricultural, Co-operative and Development Banks	
1. Nigerian Industrial Development Bank Limited	70% by the Fed.Govt. and its agencies
2. Nigerian Bank for Commerce and Industry Ltd.	70%
Oil Marketing Companies	
1. Jos Steel Rolling Mill	40%
2. Katsina Steel Rolling Mill	40%
3. Oshogbo Steel Rolling Mill	40%
Fertilizer Companies	
1. Nigerian Superhospate Fertilizer Company Limited	40%
2. National Fertilizer Company Limited	40%
Paper Mills	
1. Nigerian National Paper Manufacturing Company Limited	40%
2. Nigeria News Print Manufacturing Company Limited	40%
3. Nigeria Paper Mills Limited	40%

Sugar Companies

1. Savannah Sugar Company Limited...............40%
2. Sunti Sugar Company Limited.................40%
3. Lafiaji Sugar Company Limited...............40%

Cement Companies

1. Ashaka Cement Company Limited...............30%
2. Benue Cement Company Limited................30%
3. Calabar Cement Company Limited..............30%
4. Cement Company of Northern Nigeria Ltd.......30%
5. Nigeria Cement Company Limited, Nkalagu......10%

Motor Vehicles and Truct Assembly Companies

1. Anambra Motor Manufacturing Company Limited..35%
2. Leyland Nigeria Limited.....................35%
3. Nigeria Truck Manufacturing Company Limited..35%
4. Peugeot Automobile of Nigeria Limited........35%
5. Volkswagen of Nigeria Limited...............35%
6. Steyr Nigeria Limited.......................35%