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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION		Nigeria's Organized Private Sector (OPS)

FINAL REPORT

Report of the 2008 Organized Private Sector (OPS) Quarterly Forum

Organized by United Nations Industrial Development Organization (UNIDO)

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In cooperation with the UNIDO Regional Office for West Africa, Abuja

Summary of Content

1. BACKGROUND

Under its “Governance, Trade Facilitation, Investment Promotion and Public-Private Partnership” Integrated Programme (IP), the United Nations Industrial Development Organization (UNIDO) is providing support through quarterly meetings to the Organized Private Sector (OPS) bodies in Nigeria. The quarterly meetings are aimed, among other things, at creating a platform for organized private sector bodies to interact and discuss shared experiences and challenges relating to the industrial sector in Nigeria, particularly the manufacturing sector. The forum will assist UNIDO in developing appropriate intervention programmes to address the needs and priorities of the OPS and enhance the impacts and benefits of such intervention.

The meetings also serve as engine room for capacity development of the OPS and a forum for direct interaction with Government with the participation of key officials of the Federal Ministry of Commerce and Industry. In addition, the quarterly meetings are designed for policy advocacy. The ultimate goal of the quarterly meeting with the OPS can only be realized if the above activities are made to enable effective industrial policy formulation and implementation in Nigeria. In effect, the outcome of the deliberations is programmed to influence industrial policy formulation and implementation in the country.

Four meetings were held in the four quarters of 2008. A number of presentations on varied issues in the Nigerian industrial sector were made during the meetings. This report captures the highlights of the presentations, observations and recommendations produced at these quarterly meetings held in 2008.

This report is organized into five sections. The first section discusses the structure and major highlights of the quarterly meetings. This section is followed by a section on the summary of the papers presented at the OPS forum. The next section provides a summary of the observations captured in the presentations and dialog/discussion sessions. Following the observations is a section on specific recommendations and action points suggested by the participants to the sector stakeholders for general improvement of the industrial sector in Nigeria. Finally, the report concludes with a section on the key learning points from the OPS meetings.

1.1 Highlights of the 2008 Quarterly Meetings

Four interactive quarterly meetings were held in the months of March, June, September and December 2008 to discuss the challenges of the industrial sector and proffer solutions to the identified challenges. All the meetings were held at the UNIDO Lagos Office.

The meetings were organized as an interactive forum with one or two presentations followed be a dialog/discussion session to further address the topic of the day, share experiences and proffer solutions tailored to improve the fortune of the industrial sector in Nigeria. The following presentations were delivered at the first three quarterly meetings.

- “*Background to, and Focus of the OPS Quarterly meeting*” by Mr. Masayoshi Matsushita & Reuben Bamidele of UNIDO.

- "*The Cost of Doing Business in Nigeria*" by Mr. Ambrose Oruche of MAN
- "*Impact of Government Policies on, and Role of Manufacturing Strategy in the Performance of Manufacturing Companies in Nigeria*" by Drs. Obinna Muogboh & Adedoyin Salami of LBS (delivered in two parts during 2nd and 3rd meeting).
- "*Promoting Ethics and Transparency in Business Transactions in Nigeria in Partnership with UNIDO*" by Messrs Uli Haeussermann and Pius Otuno of UNODC

Participants in the quarterly OPS meetings were drawn from various organizations representing the organized private sector, Government and multilateral agencies in Nigeria. The organizations that participated in the quarterly meetings include:

- Manufacturers Association of Nigeria (MAN)
- The Nigeria Economic Summit Group (NESG)
- Lagos Chamber of Commerce and Industry (LCCI)
- National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)
- Nigeria Employers' Consultative Association (NECA)
- Nigerian Association of Small Scale Industrialists (NASSI)
- Nigerian Association of Small and Medium Enterprises (NASME)
- Lagos Business School (LBS), Pan-African University
- Federal Ministry of Commerce and Industry (FMCI)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Office on Drug and Crimes (UNODC)

1.2 Manufacturing Sector Analysis

Since the return of democratic rule in Nigeria, the Nigerian economy has experienced some remarkable growth. The government intention to leverage on the growth is good and encouraging. The progress made so far on economic reforms championed by use of the *national economic empowerment and development strategy* (NEEDS) is encouraging. The reforms have led to a modest GDP growth and a single digit inflation rate. The real GDP growth in 2006 was 5.63 per cent and inflation is now firmly in the single digits and has again performed better than target through 2005, 2006, and 2007, with the inflation rate registering 11.6%, 8.5%, and 6.0% against targets of 18.5%, 8.5%, and 6.2%, respectively (IMF Review, 2007). Reforms has improved macroeconomic policies, strengthened financial institutions, and created a more business-friendly context (African Economic Outlook 2007 (Nigeria)). Despite the improvement in the Nigeria economy, there are still great challenges impeding industrialization.

In 2005 and 2006 the manufacturing sector grew by more than 9 per cent (African Economic Outlook 2007 (Nigeria); World Trade Organization: Trade Policy Review Report by Nigeria, April 2005). According to African Economic Outlook, despite the improvement in the last five years, the manufacturing sector accounted for less than 5 per cent of the GDP; this is as a result of the long-standing competitiveness problems which the Nigerian industries lost during the oil-boom of 1970.

The greatest macroeconomic achievement of Nigeria has been the reduction of the external debt that declined from 36 per cent of GDP in 2004 to less than 4 per cent of GDP in 2007 (Nigeria Economy (2007).

Outside of the oil and gas sectors, Nigeria's economy is highly inefficient. Moreover, human capital is underdeveloped—Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004 — and non-energy-related infrastructure is inadequate (Library of Congress - Federal Research Division; Country Profile: Nigeria).

Recently, the first deputy president of the National Union of Textile, Garment and Tailoring Workers of Nigeria, (NUTGTWN), Comrade Oladele Hunsu, in an interview granted to the News, stated that the situation in the textile industry has deteriorated so much that a state of emergency is needed to save the industry. According to him, an industry that had about 150 textile manufacturing firms and capacity to generated about one million jobs, now have less than 20 firms (The News, 22nd October, 2007). We observed from our field survey, that this same poor performance picture can be painted for all other sectors in manufacturing.

The performance of manufacturing companies in Nigeria is a critical aspect in the transition to sustainable development; and an important factor in building competitive manufacturing companies is the formulation and implementation of effective government policies. Policies are the means by which government implements its objectives.

Why has the Nigerian manufacturers failed so badly? What role does government policy play in defining the current manufacturing state? Does manufacturing strategy adopted by a firm and the managerial competence have any role in creating successful manufacturing firms? On the 30th of January 2008, the government approved yet, another new industrial policy based on the cluster concept. Will this solve the manufacturing sector problem? Are government agencies adequately prepared to formulate and implement the new manufacturing policy? These questions are addressed in this report of the 2008 UNIDO-sponsored Organized Private Sector (OPS) forum.

2. SUMMARY OF PAPERS PRESENTED AT QUARTERLY MEETINGS

Paper 1: *Background to, and Focus of the OPS Quarterly meeting*

Presenter: Mr. Masayoshi Matsushita and Reuben Bamidele, UNIDO Regional Office for West Africa, Abuja.

Mr. Masayoshi Matsushita's presentation was structured into three parts. The first part was captioned *Nigeria in the world Economy: What role for the Industrial Sector?* The second part was on *UNIDO's specific interventions in Nigeria* while the third part was on *Enhancing Economic Development through Industrial Development*.

Nigeria in the world Economy: What role for the Industrial Sector?

In the first part of his presentation, Mr. Matsushita highlighted the strategic role of the industrial sector in the attainment of Nigeria's goals as defined in the seven-point agenda and the vision 20-2020 of the present administration. Vision 20-2020 aims to have Nigeria become one of 20 largest economies in the world by year 2020. The 7-point agenda outlines the broad areas of the economy that the government wants to impact in the short-medium term.

Mr. Matsushita presented some key data to assess Nigeria within the context of the government's seven-point agenda and the 20-2020 vision. Within this framework, Nigeria was compared with other countries of the world based on parameters such as nominal GDP, GDP (PPP) per capita and competitiveness. Based on 2006 IMF data, Nigeria with a low GDP of US$115 billion is ranked 48 in the world. However, on a per capita basis, according to same report, Nigeria ranked 165 with a low GDP per capita of US$1,213 in 2006. Mr. Matsushita noted that in terms of competitiveness, Nigeria is ranked 101 with a competitiveness index of 3.45.

In addition, Mr. Matsushita noted that there is an over dependence on crude oil as a major source earnings in Nigeria. Traditionally, the country's main revenue between 1960 and 1970 was derived from primary (agricultural) products. However, since the oil boom of 1973, oil has dominated Nigeria's main revenue structure. In recent years, the manufacturing sector's contribution to GDP was less than 1% with a capacity utilization of less than 50% in the sector. And the contribution of non-oil exports of Nigeria to world trade is less than US$1 billion per year.

In his view, the attainment of vision 20-2020 will require some concerted effort against the current realities in the country particularly with respect to weaknesses in the manufacturing sector of the Nigerian economy. Specifically, to achieve the top 20-2020 vision the Nigerian economy needs to grow at 13% per annum over the next 12 years. The attainment of vision 20-2020 would be greatly enhanced if the economy is diversified and the industrial sector is made more vibrant.

UNIDO's Interventions in Nigeria

The second part of the presentation focused on UNIDO interventions: poverty reduction through productive activities; trade capacity building; and, energy and environment. The UNIDO Country Service Framework (CSF) for Nigeria and the individual integrated programmes (IPs) under the IPs were also discussed. Thereafter, some selected projects from the CSF were discussed with a little emphasis on the value addition strategy, cluster development, one village one product scheme, and renewable energy generation/clean development mechanism. This was followed by UNIDO interventions in local capacity building (trade capacity building for MSTQ, COMFAR, ICT programmes for SME development, etc) and other cross cutting issues (equipment fabrication and technology upgrading).

Enhancing Economic Development through Industrial Development

The third part of the presentation explored what needed to be done to enhance economic performance and industrial development. Mr. Matsushita noted that that Micro Small and Medium enterprises (MSME) at the heart of Manufacturing. MSMEs make up over 90% of businesses and employ two-thirds of the workforce world wide. MSMEs need to be competitive, innovative and technologically strong. He posited that competitiveness, innovation and technological advancement can be achieved through: outsourcing; inter-firm linkages; entrepreneurship development; and building knowledge and skills. To develop MSMEs, he emphasized the need to:

- stimulate private ownership and entrepreneurial skills;
- provide broad-based sources of growth;
- act as incubators for developing domestic enterprises into large corporations; and
- continue economic liberalization and globalization as it provides new and greater opportunities to capable SMEs.

In conclusion, Mr. Matsushita advocated the use of industry to drive the development process of the country. In order to realize this, he suggested the following:

- the pivotal role of the industrial sector must be fully recognized and reflected accordingly in national development plans;
- the Federal Ministry of Commerce and Industry (FMCI) should be restructured and repositioned to be able meet emerging development needs and challenges;
- the capacity of FMCI (institutional and human capacity) should be strengthened; and
- the organized private sector (OPS) should influence policy through effective advocacy, which is one of the objectives of the UNIDO Quarterly meeting with the OPS.

Paper 2: *Impact of Government Policies on, and Role of Manufacturing Strategy in the Performance of Manufacturing Companies in Nigeria*

Presenters: Drs. Obinna Muogboh & Adedoyin Salami, Lagos Business School, Pan-African University

Dr Muogboh's presentation is based on an ICBE-sponsored research on the impact of government policies on, and role of manufacturing strategy in, the performance of manufacturing companies in Nigeria. His presentation provides a brief background information on the sector; the outcome of the manufacturing sector stakeholders' forum; and the result from field survey of manufacturers.

Background and outcome of the Stakeholders' Forum

Dr Muogboh started his presentation by emphasizing the importance of a vibrant manufacturing sector and the huge potential to provide positive impact on the economy because of the multiplier effect on the other sectors. He however noted that Nigeria is not able to fully derive such benefits because of some challenges facing the sector that act to discourage investment in manufacturing and lead to poor manufacturing performance. These challenges include:

- High cost business environment;
- Poor and high cost of infrastructure;
- Inconsistent government policies;
- High energy cost;
- Preference for foreign goods among Nigerians;
- Poor standard of living (purchasing power is low);
- Competition with subsidized foreign imports;
- Competition with alternative investment opportunities in other sectors of the economy; and
- Multiple taxation.

Some of the key points by Dr Muogboh on related to the sector's challenges are discussed further below.

a) Lack of competitive long-term finance

In the area of long-term financing, Dr Muogboh emphasized the need to evolve means of encouraging banks to partner with the private sector on a long-term basis. He stated that the SMIEIS scheme has not yielded the expected benefits for the manufacturers. Banks were more likely to go to the high return service sector of the economy. In addition, most Nigerian banks lacked the necessary skills to manage equity investment. There is also the issue of poor human capacity in the manufacturing sector: indigenous managers do not come up with good business proposals that convince banks to provide loans.

b) Poor Infrastructure

He noted that poor infrastructure is a great challenge to local manufacturers. It greatly increases the cost of doing business by 10-20%, thereby making Nigerian manufacturers uncompetitive.

c) Policy Inconsistencies

On the issue of policy inconsistencies, he identified this as the greatest challenge facing the sector. Long-term investment decisions are usually based on subsisting government policies. Policies are reversed and/or changed several times, even during the term of a particular administration. Policy reversals ruin investment decisions. He advanced the following reasons for policy inconsistencies: Inadequate studies and realistic plans before policy introduction. It is not uncommon for the government to announce a new policy only for the operators to find out that the implementing agencies are ill-prepared to execute such a policy. There is also the issue of lack of political will and commitment to implement.

d) Policy Implementation Challenges

Dr Muogboh went further to note that even when policies are properly formulated, they usually get bugged down during implementation. Problem starts with inadequate studies and realistic plans before policy introduction. There is a strong need to evolve better implementation and monitoring mechanisms. Evolution of good implementation and coordination mechanisms anchored on proper planning.

<u>*Way Forward*</u>

Dr Muogboh suggested that to develop a vibrant manufacturing sector, there is a need to proffer solutions to the observed sector challenges. Some of his suggestions on how to overcome to sectors challenges are discussed below.

a) Policy Inconsistencies

On preventing frequent policy reversals, Dr Muogboh stated that there is need to engage in public debate and discussions before such reversals. And there should be a transition period to enable the operators articulate and formulate proper strategies to deal with policy changes.

b) Policy Implementation Challenges

On the way forward for government policies formulation and implementation, Dr Muogboh suggested that there is a need to evolve mechanisms to <u>influence</u>, and hold <u>accountable</u> the policymaker on policy outcomes. It is also essential that government harmonize various policies and ensure that they are properly implemented.

c) Influencing Government Policies

To change the fortune of the manufacturing sector, Dr Muogboh suggested that it is important for the manufacturers to be proactive and influence policy formulation and implementation in a sustainable fashion. He suggested the following as possible mechanisms for influencing government policies:

- Need to establish an organized private sector (OPS) association that can speak with one voice and influence policies.
- Need for the entire private sector organization to form an umbrella organization that can coordinate and harmonize divergent views.
- Need for constitutional amendment to make it mandatory for government to seek broader consultation with the OPS.
- Need to make sure that the interest of the private sector is represented by genuine practitioners, instead of individuals and organizations that are motivated by personal gains.
- Need to minimize the current trend where some entrepreneurs are in patronage with government, even when such moves are not in the best interest of the entire economy or sector.

d) Developing Successful Companies through effective Manufacturing Strategies

How can manufacturers survive in the mist of all the challenges? Dr Muogboh noted that the manufacturers, on their part, have a role to play in ensuring that they are successful. He suggested the following as a way of advancing performance:

- Adoption of good supply chain management and manufacturing strategy.
- The human capital deficiencies can be improved through training.
- Introduction of world-class strategies e.g. lean enterprise, TQM, Six sigma, JIT, etc
- Taking advantage of opportunities and incentives provided by government and other multilateral agencies.
- Use of strategic information about evolving market and competitive environment.
- Quality of managerial experience.

Other strategies advocated by Dr Muogboh include the formation of Industrial Clusters, Joint ventures and Industry Linkages to leverage on our existing capacities.

- He observed that the formation of industrial cluster could solve some of the problems related to: manpower, technology, infrastructure, and managerial know-how. For clusters to be effective, participants must learn to trust other members and to take responsibilities.
- He also suggested business partnerships in the form of JVs. That is linkage between small, micro, medium and large business. Business alliances could be encouraged (through incentives) whereby large organizations buy from small local manufacturers.

<u>Operator Survey (see Appendix B)</u>

The Appendix presents the outcome of the survey of 116 diverse manufacturing firms in Lagos area.

- The manufacturers' perceptions of the performance of government in policy process were very poor across all areas of policy formulation and implementation for the three tiers of government. The policy process was considered :
  - opaque – non consultative
  - lacking preparation (impact assessment, feasibility where relevant, internally inconsistent)
  - Poor implementation – inefficient.

Operators' Assessment of Policies & Corporate Competencies

- None of government policies found to be supportive of manufacturing sector
  - Most policies adjudged to hamper growth
  - Some considered impact neutral
  - None adjudged to be growth promoting
- Most companies adjudge themselves to possess greatest competence in –
  - Quality Management
  - Customer Services
- Corporate investment highest in
  - Work place Safety
  - Quality Improvement

<u>Conclusion</u>

Do we need government to protect markets? Dr Muogboh posits that the argument by manufacturers for greater protection stems from the prevailing local operating environment which makes Nigerian manufacturers globally uncompetitive. He suggested that Government need to play its role and improve the business environment (thereby making local manufacturers more competitive). On the other hand, manufacturers need to improve their competitiveness through the adoption of effective manufacturing strategies and continued discussion and/or lobbying of government to improve the business environment.

Paper 3: *Promoting Ethics and Transparency in Business Transactions in Nigeria in Partnership with UNIDO*

Presenters: Messrs Uli Haeussermann and Pius Otuno, UNODC Country Office Nigeria

The presentation of UNODC titled "Promoting Ethics and Transparency in Business Transactions in Nigeria in Partnership with UNIDO" was jointly delivered by Messrs Uli Haeussermann and Pius Otuno.

Background

Mr. Uli Haeussermann noted that corruption is universally condemned as the single greatest obstacle to economic and social development around the world. It discourages foreign and domestic investments and increases the cost of doing business and cost of investing. He observed that the cost of corruption is estimated to be more than 5% of global GDP (US $2.6 trillion) with over US $1 trillion paid in bribes each year (*Source – World Bank Institute*). Corruption adds up to 10% to the total cost of doing business globally and up to 25% to the total cost of procurement contracts in developing countries. He quoted previous studies that have estimated that moving business from a country with a low level of corruption to a country with medium or high levels of corruption is found to be equivalent to a 20% tax on foreign business.

Some international legal framework against corruption

The paper examined some international legal frameworks against corruption, the United Nations Convention Against Corruption (UNCAC), and the efforts to curb the corruption menace in Nigeria.

- Inter-American Convention against Corruption (1996)
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)
- European Union Instruments on Corruption (1997)
- The African Union Convention on Preventing and Combating Corruption (2003)
- United Nations Convention against Corruption (2003)
- United Nations Global Compact (2004)

Anti-Corruption action in Nigeria

The paper observed that corruption has been identified by Nigerian Government as a key obstacle to development and has featured as a key priority of government. Government's intervention through policy, laws and new institutions has provided local setting for further anti-corruption measures. EC, World Bank and other bilateral donors like DFID and USAID are already working with local counterparts in anti-corruption areas. In conjunction with the EFCC and NJI, UNODC has been implementing an EU funded project "Support to EFCC and the Nigerian Judiciary".

However, Mr. Uli Haeussermann noted that the Mobilization of the private sector is a vital missing link required in the fight against corruption

Project: Promoting Ethics and Transparency in Business Transactions in Nigeria (NGA/T10)

The UNODC duo presented an on-going project called NGA/T10. NGA/T10 is a UNODC initiative to promote transparency and ethical business practices through corruption prevention and involvement of non – state actors, in particular SMEs. It is guided by the UNCAC which provides a framework for addressing corruption by States and the PSOs and the UN Global Compact that offers guidelines for companies in this respect. The project aims at ensuring ethical business practices in the Nigerian private sector through

- a risk assessment (vulnerability to corruption')
- the development of business principles and standards
- capacity building
- building of private and public sector partnerships
- a functional Public Complaints System
- a more compliant banking and financial system in line with AML standards

NGA/T10 has three main objectives:

- Develop and implement a comprehensive framework for promoting ethics and transparency in Nigeria's private sector
- Establish a credible and effective public complaints system to aid private sector organizations to report corruption without fear of retaliation
- Enhance compliance by the banking sector and other financial institutions with anti-money laundering standards

Conclusion

The UNODC team concluded their presentation by advocating that in addition to punishing corruption, effort should be made to prevent corruption by:

- reversing the present culture of accepting corruption as a way of life. There must be a behavioral shift
- engaging all Nigerians in this fight particularly the business community

Paper 4: *The Cost of Doing Business in Nigeria*

Presenter: Mr. Ambrose Oruche, Manufacturers Association of Nigeria (MAN)

Mr. Ambrose Oruche, who represented MAN, underscored the importance of industrialization in economic development and the effect of internal and external factors on survival of businesses. It noted that the cost of doing business in Nigeria has become highly prohibitive and undermines manufacturing competitiveness. The presentation particularly hammered on high cost of capital and rigid labour market with a poorly skilled workforce as major constraints to the Nigerian manufacturing sector. Highlights of his presentation are summarized below.

Introduction

Mr. Oruche acknowledged the fact that industrialization is recognized as the prime mover for sustained economic development, employment, savings and investment. He noted that industrialization determines the dividing line between economically developed and developing nations. He further stated that some other studies have shown that in most developed countries of the world, manufacturing sector is the largest employer of labour. The sector, he noted, is one of the engines of growth, an antidote for unemployment, a creator of wealth and the threshold for sustainable development.

The manufacturing sector contribution to GDP remained the lowest when compared with other developing countries such as Mexico, Indonesia, Brazil, Ghana and South Africa. Unfortunately, Mr. Oruche noted that the contribution of manufacturing sector, which is the heart of the industrial sector, accounted for 4.3% of the GDP in 2007. It attained a height of 8.1% in 1970 and declined to 6.5% in 1975 after the discovery of oil. According to the Mr. Oruche, another indication that all is not well with the manufacturing sector is the observed low capacity utilization at the nation's factories. This has generally been under 40% for a greater part of the 1980s to date.

Mr. Oruche further observed that the survival of businesses, no doubt is hinged on several factors which are internal and external:

- Internal factors can be well managed for profitability such as management, input procurement, marketing and distribution channels etc.
- External factors are the ones beyond the immediate control of the business organization e.g. infrastructure, taxation, government policies, dumping/smuggling, etc.

Cost of Doing Business in Nigeria

Mr. Oruche noted that the cost of doing business in Nigeria has become prohibitive on account of many factors such as:

- Infrastructure deficiency
    - Inadequate electricity supply
    - Unavailability/high cost of petroleum products for industries
    - Inadequate road maintenance
- Inconsistencies in government policies
- Multiple taxations
- Unfavorable bilateral/multilateral agreement
- Massive influx of fake, counterfeit and substandard products alongside dumping of imported goods/smuggling
- Macroeconomic issue such as inflation co-habiting with unemployment
- Attitudinal factors e.g. preference for imported goods.
- High cost of funds
- Inefficient port administration
- Low technological base
- Insecurity of life and property

- Poor railway system/management
- Continuous harassment of companies by some state and local government over unauthorized multiple levies and charges in spite of the clear position of Decree (Act) 21 of 1978.
    - Presently, over 144 taxes and levies are being charged by the three tiers of government. Among these are
- Difficulties in building coalitions and business linkages
- Corruption and trade malpractices.
    - Corruption is universally condemned as the single greatest obstacle to economic and social development around the world. Corruption adds up to 10% to the total cost of doing business globally and up to 25% to the total cost of procurement contracts in developing countries.

He further noted that the cost of finance is particularly constraining for capital-intensive industries. Nigeria fares poorly with regard to finance costs. He pointed out that the 19 percent annual interest rate in Nigeria is four percentage points higher than in its most costly neighbor, Kenya and more than three times as much as in China. In addition, Nigerian firms face a rigid labour market with a poorly skilled workforce, which particularly impacts the sector.

Way Forward

In conclusion, Mr. Oruche proffered that the way forward is to address the identified causes of high business cost with appropriate policies and strategies which should also include the promotion/facilitation of public-private partnership. He suggested adoption of the following strategies:

- Provision of effective and efficient infrastructure.
- Complete harmonization of tax administration.
- Easy access to funds with low interest rate.
- Anti-corruption drive should be reinforced at all tiers of government.
- Improved public-private sector relationship. Government should also allow the private sector to take the driving seat of the economy.
- Government should provide investment incentives capable of encouraging investors such as granting tax holidays to attract interested investors.
- Government should improve the state of security in the country. In this way, more foreign investment would be attracted into the country.
- Government should be very considerate with its policy on industrial matter as well as the macroeconomic environment, and the removal of unnecessary proliferation of business regulatory policies etc.
- The problems being experienced by investors/manufacturers at the Port despite its concessioning and the various agents with duplicative function that add to the cost of doing business in the country should be urgently addressed.

Paper 5: *Impact of Government Policies on, and Role of Manufacturing Strategy in the Performance of Manufacturing Companies in Nigeria*

Presenters: Drs. Adedoyin Salami &Obinna Muogboh, Lagos Business School, Pan-African University.

The paper titled "The Impact of Government Policies on, and Role of Manufacturing Strategy in, the Performance of Manufacturing Companies in Nigeria" was presented by Dr. Adedoyin Salami of the Lagos Business School. The paper was a more detailed version of the earlier one presented during the second quarter meeting by Dr. Obinna Muogboh of the same institution. The paper began by emphasizing the importance of a vibrant manufacturing sector to the overall economic development of a country. The presenter highlighted the high potential in manufacturing in Nigeria on the premise of a high proportion of intermediate consumption to value added. He went further to present his survey results (*see Appendix B*) on business performance as impacted by public policy. He also spoke about the challenges to manufacturing in Nigeria based on the responses of the operators surveyed. These issues were also examined within the context of ownership structure of the manufacturing concerns. The paper proffered focus on policy formulation and implementation challenges, developing successful companies, and provision of favourable long-term finance as the way forward. In conclusion, the presenter summarized the right choice to make as that of improving the business environment by Government while manufacturers also improve their productivity and efficiency to enhance the competitiveness of the manufacturing sector.

3. OBSERVATIONS AT THE UNIDO-OPS MEETINGS

The presentations were followed by a dialogue and discussions session which focused on the state of the manufacturing sector, the problems and challenges. The session provided an opportunity for information exchange and experience-sharing on the activities of OPS members and the problems being encountered in the course of doing business.

A summary of other issues and observations discussed at the meetings is detailed below.

Strategic role of Manufacturing Sector in Nigeria

The forum emphasized the importance of a vibrant manufacturing sector to the overall economic development of a country. The discussions highlighted the high potential in manufacturing in Nigeria on the premise of a high proportion of intermediate consumption to value added. Industrialization is recognized as the prime mover for sustained economic development, employment, savings and investment. A vibrant manufacturing sector has a huge potential to provide positive impact on the economy because of the multiplier effect on the other sectors. Study has shown that in most developed countries of the world, manufacturing sector is the largest employer of labour. The sector is noted as one of the engine of growth, an antidote for unemployment, a creator of wealth and the threshold for sustainable development.

Challenges confronting the Manufacturing Sector

On world competitiveness, Nigeria is ranked 101st among world economies. The consequences of this on the manufacturing sector are very negative and result in very uncompetitive products. The requirements for achieving the 20-2020 vision against the current realities in the country particularly with respect to weaknesses in the manufacturing sector are very challenging. A conservation analysis points to the fact that to achieve the top 20-2020 vision, the Nigerian economy needs to grow at 13% per annum over the next 12 years

The OPS forum spent considerable amount of time addressing the challenges facing the industrial sector. Some of the specific challenges identified by the forum are presented below.

- The cost of doing business in Nigeria has become highly prohibitive and undermines manufacturing competitiveness. There is high cost of capital and rigid labour market with a poorly skilled workforce as major constraints to the Nigerian manufacturing sector. These factors are a major disincentive to investment in the industrial sector and leads to poor performance of the sector.

- The major causes of the high cost of doing business were summarised under the following major areas:
    - Infrastructure deficiency
    - Uncertainty and inconsistencies in government policies
    - Poor implementation of government policies
    - Multiple taxations

- Unfavorable bilateral/multilateral agreement
- Influx of fake, counterfeit and substandard products alongside dumping of imported goods/smuggling
- Macroeconomic issue such as inflation co-habiting with unemployment
- Attitudinal factors e.g. preference for imported goods.
- High cost of funds
- Inefficient port administration
- Low technological base
- Insecurity of life and property
- Poor business linkages
- High energy cost
- Preference for foreign goods among Nigerians
- Poor standard of living (purchasing power is low)
- Competition with subsidized foreign imports
- Competition with alternative investment opportunities in other sectors of the economy.

- Poor government credibility: because of Government's inconsistencies, most institutions will not accept Government's guarantees. For example, Nigerian banks will not lend money to the industries that include government financial incentives (for instance, the export expansion grant) in their business plans.

- Poor managerial capacity in area of investment analysis and manufacturing strategy formulation / implementation.

- Poor support for support small businesses in diverse areas such as: development of business plans, entrepreneurship capacity, marketing skills, quality management.

- High level of corruption in business and government transaction in Nigeria.

Performance of the Manufacturing Sector

Generally, the performance of the manufacturing sector has been very poor. It contributes less than 1% to the GDP. On average, the manufacturing sector has not met their performance goals in recent years. A recent survey of the manufacturers shows that their performance has been less than 50% (see the Appendix). The poor performance is generally attributed to the challenges mentioned in the previous section. Also attributable to the poor performance is the low level of new investments and innovation in the sector.

It is interesting to note that in the field survey (*see the Appendix*) indicate that the multinationals generally perform better than wholly-owned Nigerian manufacturing firms. Some of the reasons adduced for this disparity in performance of local and foreign firms are:

- The multinationals are the first to take advantage of opportunities and incentives.
- The multinationals make use of strategic information about evolving market and competitive environment.

- The multinationals adopt good supply chain management and manufacturing strategy.
- The multinationals have better quality of managerial experience.
- The multinationals are usually obtain funding from outside the country at a cheaper rate.
- Poor attitude of some of the Nigerian manufacturers to issues of discipline and strategies that will ensure sustainable competitiveness of their businesses.

Other issues that impact performance of manufacturing firms are summarized below.

- There is weak linkage between research and development (R&D) institutions and the Nigerian manufacturing sector. This is particularly of great concern, given the role of innovation and R&D in business development across the globe. The quest for competitiveness in manufacturing will remain a herculean task without the duo of innovation and R&D.
- The weak link among businesses was also observed. The needed complementarities and synergies derivable from business linkages are virtually non-existent in the country. Thus, little or no subcontracting activities exist among the companies.
- The capacity of the OPS to analyse policies is considered to be weak. Thus, performance of the manufacturing sector may remain poor until there is adequate capacity by the OPS to analyse, interpret and influence public policy.

Role of the government in policy formulation and implementation

a) Policy Inconsistence

The greatest challenge facing the manufacturing sector is in the area of policy formulation and implementation by government. A host of issues identified by the forum relating to the government policies are highlighted below.

- Long-term investment decisions are usually based on subsisting government policies.
- Policies are reversed and/or changed several times, even during the term of a particular administration. Policy reversals ruin investment decisions.

Reasons for policy inconsistencies

- Inadequate studies and realistic plans before policy introduction.
    - It is not uncommon for the government to announce a new policy only for the operators to find out that the implementing agencies are ill-prepared to execute such a policy.
- Lack of political will and commitment to implement.
- Policy Implementation Challenges
    - Policies usually get bugged down during implementation.
    - Problem starts with inadequate studies and realistic plans before policy introduction.
    - There is a strong need to evolve better implementation & monitoring mechanisms.
    - Evolution of good implementation and coordination mechanisms anchored on proper planning.

b) Policy Formulation and Implementation

- The participants faulted the policy process. In their views, the policy formulation procedure is deficient. Each tier of government tries to formulate its own policies which brings about overlaps and puts operators in a fix as they wouldn't know where to run to for help. The example of sales tax was cited in this regard.
- The Ministry of Commerce and Industry at the State level are not carried along in the formulation and implementation of industrial policies in the country.
- The meeting reiterated the failure of Government to conduct impact assessment of policies. This situation is adjudged to contribute to poor performance of the manufacturing sector and inefficient utilization of public resources as policies are seldom effective.
- There is poor consultation of the OPS during the policy formulation stage.

c) Other Government Related Issues

- The cluster concept is considered to be narrow in its present form as the State Governments have not been well involved in the development of the concept.
- In order to develop the SME sector, a number of issues are considered germane including the need for the Corporate Affairs Commission (CAC) to be effective and efficient in its operations.
- The process of tax administration is cumbersome and unwieldy.
- The proposed strategy of enterprise zone concept to promote sustainable industrial development is a welcome idea. A typical enterprise zone would have within its' premises the following facilities: Common Facility Centre (CFC), provision of utilities, tax holidays, free rent for a period of time, and business registration in two days
- There is a lack of industrial development strategy in Nigeria which will identify the strategic sectors to be focused and developed that will in turn be used to propel other sectors of the economy. The example of Japan which adopted the echelon of the wild geese (during flight) as her industrial development strategy where some strategic industries/sub-sectors served as lead/arrow heads to provide direction the country's industrial development was illustrated. This is however, gradually being addressed with the on-going review of the Nation's industrial policy.
- The way forward is to address the identified causes with appropriate policies and strategies which should also include the promotion/facilitation of public-private partnership.

Poor Infrastructure

- Power/energy crisis is recognised as the bane of Nigeria's economic development. This is unwarranted given the abundant sources of energy available in the country
- There is a lack of adequate information and data on the industrial sector in Nigeria particularly the SME sub-sector. However there are on-going efforts to compile SME directory in the country by Small and Medium Enterprises Development of Nigeria (SMEDAN) and the Lagos State Government
- Inefficient port administration
- Insecurity of life and property
- Inadequate transportation infrastructure (road and rail infrastructure)

Public-Private Partnership

- There is a need for cooperation between the Government and OPS.
- The OPS must be ready to divulge information, and there is a need for a re-orientation and education of the populace on the strategic role of the industrial sector.
- The FMCI was adjudged to be too aloof. Its lack of interaction with the OPS players was considered injurious to the successful development of manufacturing concerns in the country.
- There is need for the private sector to be more organized and be able to present a common front to government on issues relating to the sector.
- The private sector is said to be too far away/not sufficiently involved in governance which accounts for why public policies are mostly unfavourable to their activities.
- There is need for the OPS to cooperate with government in developing the human capacity in the manufacturing sector.

Finance

- SMEs in Nigeria still suffer from a number of problems including inability to prepare bankable investment proposals, wrong attitude of entrepreneurs, and the inability of the Central Bank of Nigeria (CBN) and the public and private commercial banks and financial institutions to assist the business group. The zero interest rate policy of Japan at a stage in her development process was cited as an example from which Nigeria can borrow.
- It was observed that there is an undue emphasis on finance when discussing the bane of manufacturing performance in Nigeria. It was argued that there are other contributing factors other than finance that are central to the survival and growth of businesses which are often neglected in official discourses.
- There is need to evolve means of encouraging banks to partner with the private sector on a long-term basis.
- The SMIEIS scheme has not yielded the expected benefits for the manufacturers.
    - Banks were more likely to go to the high return service sector of the economy.
    - Most banks lacked the necessary skills to manage equity investment.

Governance & Business Ethics (Presentation by UNODC)

The forum agreed that corruption is the single greatest obstacle to economic and social development. Some of the international legal frameworks against corruption and the efforts to curb the corruption menace in Nigeria were highlighted in the paper presented by UNODC. A joint publication of UNODC and UNIDO on "Corruption prevention to foster small and medium-sized enterprise development was distributed to participants. The discussion session attempted to x-ray the whole gamut of issues surrounding corruption in the Nigerian economy. The following observations were raised in specific terms:

- Corruption discourage foreign and domestic investments and increases the cost of doing business and cost of investing
- Cost of corruption is estimated to be more than 5% of global GDP (US $2.6 trillion) with over US $1 trillion paid in bribes each year – *World Bank Institute*

- Corruption adds up to 10% to the total cost of doing business globally and up to 25% to the total cost of procurement contracts in developing countries
- Moving business from a country with a low level of corruption to a country with medium or high levels of corruption is found to be equivalent to a 20% tax on foreign business
- The fight against corruption can not be effective by mere talking. It is the low pay in the public sector that breeds corruption
- The intervention through the UNIDO-UNODC programme on corruption prevention can only succeed when it begins from the family level to the communities before focusing on the public and private sector organizations
- It was observed that the greatest need of the country is value re-orientation. Everybody has to be working towards the same goal and the fight against corruption can only begin from the top.
- Corruption has been identified by Nigerian Government as a key obstacle to development and has featured as a key priority of government.
- Nigeria government's intervention through policy, laws and new institutions has provided local setting for further anti-corruption measures.
- EC, World Bank and other bilateral donors like DFID and USAID are already working with local counterparts in anti-corruption areas.
- Mobilization of the private sector is a vital missing link required in the fight against corruption

4. RECOMMENDATIONS – IMPROVEMENT OPPORTUNITIES

The forum noted that for the country to move forward in her industrial development drive the current problems being encountered should be addressed with the active involvement of all the stakeholders. It recognised that industry must drive the development process of the country. The meeting came up with the following recommendations as part of necessary actions to be taken among others to address the issues and observations raised above. The recommendations are organized under the following sub-headings – OPS, UNIDO and government – relating to the stakeholders expected to drive the respective recommendations.

4.1 Organized Private Sector (OPS)

The OPS occupies a unique position in the effort to improve the fortune of the industrial sector. The OPS can mobilize the nation towards a renaissance of the sector by doing the following:

- The organised private sector (OPS) should influence policy through effective advocacy, which is one of the objectives of the UNIDO Quarterly meeting with the OPS.
- The private sector should engage some professionals to lobby the Government on their behalf to ensure that their interests and concerns are considered when formulating national policies and strategies. The lobbying process must be professionally conducted and ethical.
- There is an urgent need to develop the capacity of the OPS. The capacity strengthening intervention should focus on enhancing the business management skills of the private sector operatives and the capacity for OPS to engage/lobby Government and analyse public policy.
- Since the Government usually fails to carry out impact assessment of its policies, the OPS should take up this role especially as it would enhance their performance.
- The OPS should make efforts as much as possible to hedge uncertainties in the course of business transactions. They should also push for specific sustainable incentives from Government.
- In order to bridge the gap between research outcomes and the need of the manufacturing sector, there is an urgent need to audit the R&D institutions in Nigeria. This will provide understanding to the Nigerian public of existing research outputs and areas that require further work. The R&D institutions should engage in applied researches that target the needs of the manufacturing sector. To achieve this, there should be a better and closer collaboration between the R&D institutes and the manufacturing sector. To this extent, the R&D institutes should focus their efforts and expertise more on sponsored researches from the manufacturers.
- The manufacturers should spend more on innovation and research.
- To address the weak linkages among businesses in the country, both the national standards bodies and the manufacturers should jointly work harder to improve quality of manufactured products to international standards and promote subcontracting and partnership arrangements among businesses.
- The OPS should be invited to participate in the capacity development of statisticians to be organised by UNIDO.

- The OPS should investigate more into, and learn from, why foreign companies perform better in Nigeria than indigenous ones.
- The OPS should establish an effective OPS association that can speak with one voice and influence policies on behalf of the organized private sector.
- The entire private sector organization should coordinate and harmonize divergent views.
- The Federal Ministry of Commerce and Industry should propose a bill to the national Assembly to make mandatory for government to seek broader consultation with the OPS.

Additionally, the manufacturing sector can survive in the mist of all the challenges by:

- Adopting good supply chain management and manufacturing strategies e.g. lean enterprise, TQM, Six sigma, JIT, etc
- Improving the human capital deficiencies through training.
- The Government of Japan, during TICAD IV, promised to double official development assistance (ODA) to Africa in the next five years. Nigeria should take full advantage of this offer which is expected to assist in relaxing some of the constraints on manufacturing in Nigeria.

4.2 United Nations Industrial Development Organization (UNIDO*)*

The participants welcomed the OPS Quarterly meeting. According to them it will strengthen the OPS to develop a common front for discussing and negotiating with Government and other relevant parties on issues of interest and concern to them.

In order to enrich discussions and better facilitate public-private partnership in the development process, the present membership of the OPS quarterly meeting should be expanded to accommodate more private sector bodies and invite when necessary relevant public sector Ministries and parastatal organisations to the meetings.

4.3 The Federal Government of Nigeria

Government has a pivotal role to play in ensuring that a more vibrant and sustainable industrial sector is developed in Nigeria. The principal instrument through which government can influence the fortune of the sector is through effective policy instruments – policy formulation and policy implementation. The points below are the key policy issues that the forum participants recommend for government’s follow-up action.

- The pivotal role of the industrial sector should be fully recognised by the government and reflected accordingly in national development plans.
- The Federal Ministry of Commerce and Industry (FMCI) should be restructured and repositioned to be able meet emerging development needs and challenges
- The capacity (institutional and human capacity) of Federal Ministry of Commerce and Industry (FMCI) should be strengthened through necessary training and other capacity development mechanisms.

- Policy formulation and implementation should be all-embracing with the three tiers of government working together for the common good of the country as unnecessary overlaps will be mitigated in the policy process.
- Since impact of policy implementation should be seen and felt at the grassroots, the State Ministries of Commerce and Industry should be carried along in the policy development and implementation process
- In order to address the energy crisis confronting the nation, the various energy alternatives including wind and solar should be developed with the active involvement and participation of the private sector
- The cluster concept should involve the State Governments and relevant private sector stakeholders in its development and implementation and linked it to existing clusters like the light engineering and automotive spare parts clusters in Nnewi.
- The Lagos State Government and SMEDAN should collaborate and pool resources together for cost-effectiveness and synergy in their efforts to compile SME directory in Nigeria
- The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) should learn from the Israeli model in the development of its Business Development Centres.
- The National Planning Commission in close consultations with relevant line Ministries and agencies should evolve a model for the strategic and sustainable development of the Nigerian economy that establishes strong linkages and interrelationships among the various sectors.
- The Corporate affairs Commission should establish business registration centres in other locations like MAN as a one-stop outpost for prompt delivery of its services.
- The public-private partnership mechanism should be made to work through better collaboration. The Federal Ministry of Commerce and Industry (FMCI) and other government agencies should carry along private sector operators in their daily business of service delivery.
- In order to achieve effective fight against corruption, the government should revisit remuneration to its workforce by paying a living wage.
- Government should give adequate attention to fight against corruption by deploying enough resources to publicity and awareness on its effects and by institutionalizing deterring sanctions on those found to be corrupt.
- The Corporate Affairs Commission (CAC) should be effective and efficient in its operations.
- The process of tax administration is cumbersome and unwieldy. All the numerous taxes should be harmonized, with streamlined the administration process.
- The proposed strategy of enterprise zone concept to promote sustainable industrial development is a welcome idea. A typical enterprise zone would have within its' premises the following facilities: Common Facility Centre (CFC), provision of utilities, tax holidays, free rent for a period of time, and business registration in two days
- Preventing frequent policy reversals is essential cornerstone of sustainable and vibrant industrial sector. Government should ensure the stoppage of frequent policy reversals and the attendant inconsistencies. When it is absolutely necessary to reverse a policy, the government should:

    - Engage in public debate and discussions before such reversals.
    - establish a transition period to enable the operators articulate and formulate proper strategies to deal with policy changes.
- Government should evolve mechanisms for the OPS to influence, and hold accountable the policymaker on policy outcomes.
- Various policies from the government should be harmonized and properly implemented.

Developing Successful Companies through –

Other strategies recommended by the forum to help alleviate the fortunes of the industrial sector and ensure some initial quick-wins include:

… *Industrial Clusters*

- Formation of industrial cluster could solve some of the problems related to manpower, technology, infrastructure, and managerial know-how. For clusters to be effective, participants must learn to trust other members and to take responsibilities.

… Joi*nt ventures and Industry Linkages*

Promotion of:

- Business partnerships in the form of JVs.
- Linkage between small, micro, medium and large business. Business alliances could be encouraged (through incentives) whereby large organizations buy from small local manufacturers.

Other issues that must be addressed by the government include:

- Provision of effective and efficient infrastructure
- Complete harmonization of tax administration
- Easy access to funds with low interest rate
- Anti-corruption drive must be reinforced at all tiers of government
- Improved public-private sector collaboration. Government should encourage the private sector to be more proactive in driving seat of the economy.
- Government should provide investment incentives capable of encouraging investors such as granting tax holidays to attract interested investors.
- Government should improve the state of security in the country. In this way, more foreign investment would be attracted into the country.
- Government should be very considerate with its policy on industrial matter as well as the macroeconomic environment, and the removal of unnecessary proliferation of business regulatory policies.
- The problems being experienced by investors/manufacturers at the Port despite its concessioning and the various agents with duplicative function that add to the cost of doing business in the country must be urgently addressed.

5. CONCLUSION

The OPS forum has been a very useful strategy for the OPS and government to dialog on ways to improve the industrial sector. This report has articulated the critical challenges facing the industrial sector in Nigeria. In addition, the forum has also articulated suggestions on how best to move the sector forward. These suggestions are captured under the section on recommendations. It is the view of the participants of this forum that to move the sector forward and attain the goals of the seven-point agenda and the Vision 20-2020, immediate steps must be taken to address the issues raised in the report.

The participants recognized the central role played by government in formulating/implementing policies and creating conducive environment for the sector to thrive. Hence, the forum is of the view that the report should be integrated into the policy formulation and implementation process of the government.

Additionally, the forum also recognize that the sector can not move forward without some practical and positive effort by the all the sector stakeholders, especially the manufacturers. The recommendations in this report also provided some practical steps on how the OPS can ensure the success of the sector by taking action to protect and promote the interest of the manufacturers.

Finally, the participants recognize that true success can only be achieved through effective collaboration between the government and the private sector. They advocate better collaboration and pragmatic policy advocacy to create a dynamic and vibrant sector. Government need to play its role and improve the business environment (thereby making local manufacturers more competitive). And manufacturers need to improve their competitiveness through the adoption of effective strategies and continued discussion and/or lobbying of government to improve the business environment.

APPENDIX

Appendix A

List of Meeting Participants (Individuals)

Chief J.A.C. Ifejika	Director, (ES)	MAN
Alh. L.A. Adebityi	Deputy President,	NASME
Ms Deborah Okafor	Head, Comm & Edu. NESG	
Mr Akin Aluko	Manager, Bus. Edu.	LCCI
Dr. Austin Nweze	MGT Education & Research,	LBS
Mr. M. Matssushita	Representative/Director,	UNIDO
Mr. A. Ajani	Programme Officer,	UNIDO
Mr. R. Bamidele	Programme Officer,	UNIDO
Mr. Thompson Akpabio	NECA, Industrial Relations Assistant,	
Dr. Obinna Muogboh	Faculty Member & Researcher, LBS	
Mr. Mike Ojo	Ag. Deputy Director-General, NACCIMA	
Ms Maria C. Eka,	Pres. Coop. CTCS, Lagos Wing, NASSI	
Mr. Akin Aluko	Consulting Manager, LCCI	
Mr. A.S. Durowaiye	Director, PSRS, FMCI	
Mr. Uli Haeussermann	Project Coordinator, UNODC	
Mr. Pius Otuno,	National Project Officer, UNODC	
Mr. Onuegbu Nwabueze	Lagos Business School (LBS)	
Dr. Doyin Salami	Faculty Member & Researcher, LBS	
Mr. Ambrose Oruche	Manufacturers Association of Nigeria (MAN)	
Mr. Muda Yusuf	Lagos Chamber of Commerce and Industry (LCCI)	
Mr. Endurance Uhumuavbi	Nigerian Economic Summit Group (NESG)	
Mr. Abiodun Awogbemi	National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)	

Appendix B

OPERATORS' SURVEY

1. How well the company met its goals in the last two years

On a Scale of 1-to-5. Where, did not meet goal (1); met goal (3); and exceeded goal (5)

	Mean
General competitive position of the company	2.91
Annual turnover	2.89
Market share	2.96
Profitability	2.77
Return on Assets	2.66
Corporate social responsibility	2.85
Harmonious working relation with host community	3.39
Employment & development of local suppliers	3.17
Employee welfare	3.13

2. Degree to which government policies or factors promote (positive) or hamper (negative) competitiveness & growth

On a Scale of 1-to-7. Where, Negative (1); Neutral (4); and Positive (7)

	Mean
federal taxes & levies	2.84
state government taxes & levies	2.56
local government taxes & levies	2.40
import & export policies	3.21
customs & port reforms	3.21
exchange rate (strength of Naira)	3.44
access to financial resources through banks	3.93
environmental regulations	3.82
educational / training system	4.08
medical & health care system	4.17
power infrastructure	1.63
transportation infrastructure	2.31
availability & cost of quality managerial staff	3.85
availability & cost of technicians & other skilled workers	3.99
smuggling across the borders	2.42

3. Company's aggregate level of competence/knowledge in management

On a Scale of 1-to-5. Where, Low (1); Mid (3); and High (5)

	Mean
Strategic planning	3.42
Strategic alliances (e.g., partnerships, & joint ventures, etc)	2.89
Team building, negotiation and communication	3.39
Customer Service	3.79
Financial management and cost accounting	3.54
Marketing	3.61
Management information systems (MIS)	3.25
Project management	3.33
Distribution and channel management	3.42
Production management	3.61
Supply chain management	3.47
Exporting and importing basics	2.63
Quality management	3.95
New product development	3.42

4. Manufacturers' perception of performance of Government in policy process

On a Scale of 1-to-5. Where, (0) represent very poor performance; & (5) represent excellent performance

4.1 Policy Formulation

	Federal govt.	***Lagos State govt.***	***Local govt.***
Consultation with stakeholders	**1.67**	**1.48**	**0.62**
Sector feasibility studies	**1.63**	**1.56**	**0.74**
Cost-benefit analysis	**1.49**	**1.40**	**0.75**
Transparency in policy formulation	**1.73**	**1.53**	**0.75**
Setting of policy goals and objectives	**2.34**	**2.14**	**1.16**
Consistency of policies (lack of inconsistencies)	**1.38**	**1.59**	**0.67**

4.2 Policy Implementation

	Federal govt.	***Lagos State govt.***	***Local govt.***
Planning of implementation phase	**1.97**	**2.04**	**0.98**
Implementation procedures & support systems	**1.95**	**1.90**	**1.05**
Implementation efficiency (not being wasteful)	**1.30**	**1.66**	**0.98**
Implementation effectiveness (achieving policy objectives)	**1.50**	**1.81**	**0.97**
Public enlightenment during implementation	**1.93**	**2.18**	**1.02**
Budget provisions for successful	**2.45**	**2.38**	**1.35**

4.3 Legislative arm of Government

	Federal govt.	***Lagos State govt.***	***Local govt.***
Role of the legislators in policy formulation	**2.59**	**2.12**	**1.19**
Role of the legislators in policy implementation	**1.91**	**1.60**	**0.79**