STUDY REPORT ON INDUSTRIAL POLICY AND STATE OF INDUSTRIALISATION IN NIGERIA

# STUDY REPORT ON INDUSTRIAL POLICY AND STATE OF INDUSTRIALISATION IN NIGERIA

FRIEDRICH EBERT STIFTUNG

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# STUDY REPORT ON INDUSTRIAL POLICY AND STATE OF INDUSTRIALISATION IN NIGERIA

# TABLE OF CONTENTS

## PART FOUR



## PART FIVE



## PART SIX



## PART SEVEN

# LIST OF FIGURES AND TABLE

**List of Figures and Tables**

# LIST OF ABBREVIATIONS

| | | |
|---|---|---|
| BOI | - | Bank of Industry |
| CBN | - | Central Bank of Nigeria |
| CCI | - | Chambers of Commerce and Industry |
| CET | - | Common External Tariffs |
| CITA | - | Company Income Tax Act |
| CSOs | - | Civil Society Organisations |
| CTG | - | Cotton, Textile and Garment |
| ECOWAS | - | Economic Community of West African States |
| EFCC | - | Economic and Financial Crime Commission |
| EPA | - | Economic Partnership Agreement |
| EPZs | - | Export Processing Zones |
| ERGP | - | Economic Recovery and Growth Plan |
| ESL | - | Export Stimulation Loan |
| FIF | - | Foreign Input Facility |
| FMITI | - | Federal Ministry of Industry, Trade and Investment |
| FMOF | - | Federal Ministry of Finance |
| FTAs | - | Free Trade Agreements |
| GDP | - | Gross Domestic Product |
| ICPC | - | Independent Corruption and other Practices Commission |
| ICPs | - | Industrial Core Projects |
| IMF | - | International Monetary Fund |
| JPB | - | Joint Planning Board |
| MAN | - | Manufacturers Association of Nigeria |
| MDAs | - | Ministries, Departments and Agencies |
| MNPB | - | Ministry of National Planning and Budget |
| MRR | - | Minimum Rediscount Rate |
| MTEF | - | Medium Term Expenditure Framework |
| NACRDB | - | Nigerian Agricultural Cooperative and Rural Development Bank |
| NASS | - | National Assembly |
| NBCI | - | Nigerian Bank for Commerce and Industry |
| NEC | - | National Economic Council |
| NEEDS | - | National Economic Empowerment and Development Strategy |
| NEPC | - | Nigerian Export Promoting Council |
| NERFUND | - | National Economic Reconstruction Fund |

| | | |
|---|---|---|
| NEXIM | - | Nigerian Export-Import Bank |
| NICs | - | Newly Industrialised Countries |
| NIDB | - | Nigerian Industrial Development Bank |
| NIRP | - | Nigeria Industrial Revolution Plan |
| PBT | - | Profit before Tax |
| PITA | - | Personal Income Tax Act |
| PPTA | - | Petroleum Profits Tax Act |
| RRF | - | Rediscounting and Refinancing |
| SAP | - | Structural Adjustment Programme |
| SMEs | - | Small and Medium-Scale Enterprises |
| SMIEIS | - | Small and Medium Industries Equity Investment Scheme |
| SSI | - | Small Scale Industry |
| UNIDO | - | United Nations Industrial Development Organisation |
| VATA | - | Value Added Tax Act |
| WTO | - | World Trade Organisation |

# PREFACE

Friedrich-Ebert-Stiftung (FES) is convinced that a sustainable and socially just development in Africa requires strong economic transformation. In order to move towards a more equitable and socially just economic development, benefitting the people on ground, an environment friendly and labour-intensive industrialisation is needed in Africa. Probably more than in any other African country, in Nigeria, Africa's biggest market, it becomes evident that industrialisation and especially the built-up of a manufacturing sector is of utmost importance. Nigerians need to produce what they consume.

Despite various efforts, since independence in October 1960, the level of industrialization in Nigeria remains very low. Since the 80's Nigeria has been experiencing de-industrialisation in the formal sector with many of its manufacturing industries closing down. Various administrations both civilian and military have embarked on different economic development policies. Each of these policies has had varying degrees of impact on the enormous task to promote the industrial sector. It seems, that none of these policies has achieved its intended purpose, as industrialization has eluded the country.

The discovery of crude oil and its exportation in large quantity since 1958, made crude oil the mainstay of the Nigeria economy. It became an important export product and earner of huge foreign exchange for the economy, but also lead to the near neglect and near collapse of the industrial sector. Unfortunately, it is predominantly in times when oil production and international oil prices are low that the discussion about diversification of the economy and strengthening of industrialization in the country gains momentum.

**This Analysis of existing industrial policies and state of implementation** was commissioned by FES Nigeria in October 2016. Under the FES Africa Departments Working Line of Economic Transformation six similar studies were conducted in six countries: Nigeria, Uganda, South Africa, Ethiopia and Madagascar. The intension of the country studies was to assess the progress of Economic Transformation in the respective countries so as to synthesise them into a report at a later stage.

Dr. Omoaregba Aregbeyen did marvellous work on the research topic. Representatives from academia, labour, industry and government were ready to give their invaluable input. The report addressed a number of questions: What is the current overall development strategy as laid down and which economic policies are currently being pursued? What role does industrial policy play in the countries development strategy? Is it a political priority that the policy is being geared towards the manufacturing sector? How can past attempts to implement industrial policies, especially with regards to promoting manufacturing industries be assessed? Furthermore, a closer look is taken at the instrument and actors involved in the formulation and implementation of economic policies and more specifically industrial policies.

I herewith have the honour to humbly present the findings of the research to the reading public, stakeholders and all those interested in the industrialization of Nigeria as a means of reducing unemployment and poverty in Africa's most populous nation.

Thank you

**Mr Ulrich Thum**
Resident Representative,
Friedrich-Ebert-Stiftung Nigeria Office.

**Mrs Remi Ihejirika**
Project manager,
FES Nigeria.

# FOREWORD

The study on Industrial Policy and State of Industrialization in Nigeria, commissioned by the Friedrich-Ebert-Stiftung, Nigeria's office, provides an illuminating analysis as to why industrialization has eluded Nigeria since independence in 1960. The study broadly examines past and existing socio-economic and political policies affecting the state of industrialization in the country. Within the context of specific objectives, the investigation of how industrial policies are conceptualized, formulated and implemented, the various development ideologies as well as identifying the spoilers of economic development and the channels of spoilage as well as the industrialization agenda forms part of the study.

Industrialization remains the key to unlocking the development of underdevelopment in Nigeria. It would fast-track poverty reduction, generate employment, diversify sources of earning revenues for government and provide opportunities for innovation through skills acquisition. The Founding Fathers of the country laid the foundation for industrialization by emphasizing quality education, establishing various research institutions, the Iron and

Steel industry, the Osogbo Machine tools industry, among others. How and why these efforts failed are thoroughly examined in the study.

In addition, recent efforts at industrialization namely the various development plans and strategies, industrial policies and strategies as well as the ideological coloration of these attempts are properly articulated in the study. Apart from the utilization of primary and secondary data to enrich the study, the perspectives of key stakeholders such as the organized private sector, the bureaucrats, the legislature, labour unions, and academia cement the robustness of the empirical investigation of the report.

The structure of industrial production reveals that the manufacturing sector which is the most potent sub-sector performed sub-optimally from 1943-2015 and also under-performed when compared to African and other developing economies. The contribution of manufacturing to GDP and exports remained low during the period 1943-2015. As percentage of GDP, manufacturing which stood at 9.6 per cent from 1980-89 declined to 8.4 percent from 2010-2015. The study elucidates the challenges facing economic and industrial policies in the country in general and the constraints facing the manufacturing sub-sector in particular.

Another interesting aspect of the report is the political economy approach in investigating the formulation and implementation of economic and industrial policy in the country. The issues of ideological shift, regional/international trade relations, leadership and governance matters including institutional framework are well articulated within the context of industrial policy and the state of industrialization in Nigeria.

The Friedrich-Ebert-Stiftung has made a major and significant contribution to the discourse on the development of Nigeria by commissioning this study. Policy-makers at all levels need to avail themselves of the study and pay close attention to its inherent analysis with close reading of the recommendations.

I highly recommend the study report to the Nigerian leadership at all levels, bureaucrats, academia, organized and unorganized private sector, relevant ministries, departments and agencies, the Central Bank of Nigeria, multilateral institutions, research institutions, among others, to thoroughly examine the report.
The study report on Industrial Policy and State of Industrialization in Nigeria, is compulsory reading to all those interested in the development of the country.

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*And Director General,*
*West African Institute for Financial and Economic Management (WAIFEM),*
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*May, 2018.*

# EXECUTIVE SUMMARY

*This study evaluated economic and industrial policies and the state of industrialisation in Nigeria. Both primary and secondary data/information were collected. The secondary data pertained to all the industrial policies to date, and key indicators of industrial development over the years. Primary information/data were sourced from focus in-depth interviews with officials of purposively selected Ministries, Departments and Agencies (MDAs), organised private sector institutions, labour unions leaders, senior academics and the members/leadership of the National Assembly as key stakeholders'.*

*Analyses show that despite the plethora of industrial policies/incentives and experimentation with alternative approaches to industrialisation, the quest for industrial development and industrialisation (given the structural composition of the economy and the structure of industrial production) over the last five decades and half has remained by and large unattained. Indeed, comparative statistics on manufacturing sector performance vis-à-vis other countries show that Nigeria has the poorest performance. Nevertheless, some notable successes were recorded. The largely unachieved expectations of industrialisation underscore the failures of economic and industrial policies over the years. It is instructive to* *note that the causes of economic policy failures and indeed all other associated and/or sector policies (industrial policies in this instance) are largely non-economic, multidimensional and interrelated.*

*The political economy considerations that have shaped/defined economic/industrial policies formulation and implementation over time include ideological/paradigm shifts, regional/international trade relations, leadership and governance issues, and institutional framework. Policy making process generally is anchored on the principle of federal supremacy which is a constitutional conditionality, while the cycle is characterised by the interface of three set of actors-the academics/technocrats, government and non-government actors, though not in a mutually reinforcing manner. Accordingly, public policies have often been designed to promote and protect the class interest of those who control the State, such that even under democratic governance, leadership quality remains low and perhaps worse with no perceptible dividends to the citizenry. In addition, the policy implementation phase is characterised by lack of coordination framework, which triggers conflict, as well as the absence of proper synergy among MDAs and their respective sub-units. The stakeholders consented that the spoilers of economic development/industrialisation agenda are the elite/interest class, political leaders and the bureaucrats through (i) state capture and policy process corruption, (ii) lack of political will, (iii) systemic corruption, (iv) inconsistent policy, (v) the problem of policy coordination and (vi) improper and ill motivated implementation of policies.*

*The study concludes that to make success of the attempt towards the economic development/industrialisation agenda requires a renewed, pragmatic and disciplined approach. Consequently, the following recommendations are proffered:*

***(I)*** ***Government:*** *create a stable macro-economic framework/environment, return to the path of conscious planned economy in tandem with section 2(a) of the 1999 constitution as amended, and re-engage in medium term development planning hitherto abandoned; institute and promote public-private interface, engage in strategic and pragmatic state investment in people, science and technology; demonstrate political will and commitment to good governance, create and maintain a competent and highly motivated bureaucracy; encourage the character of the arrangement and framework for Cement and Fruit Juice productions in other areas/sub-sectors; provide a structured regime of incentives for manufacturing industries on a sector-specific basis and be allowed to run its course under an institutionalised arrangement; address the infrastructure gaps particularly electricity supply to industries; ensure effective combating of smuggling, counterfeiting, faking of made in Nigeria goods and other trade malpractices; promote tripartite collaboration among the government, industry and academics; enact laws to commit government to policy continuity; repeal extant industrial policies and laws that violate provisions of the constitution, and similarly all laws inhibiting industrial policy implementation should be subjected to regular review; ensure adequate security for lives and investment; use the institution of cooperative societies to facilitate industrial development through access to low interest funds; ensure the alignment of* *industrial policy formulation and implementation across national and sub-national levels of government; promote the establishment of industrial clusters across the economy for shared infrastructure, idea incubation, innovation, start-ups and overall industrial development; promote the patronage of made in Nigeria goods by giving locally produced goods preference and entrenching it in the National Procurement procedure and process; institute proper monitoring and evaluation mechanisms incorporating all interest groups for the implementation of policies on regular basis; aggressive development of key selected mineral resources through backward integration especially those with high inter-industry linkages such as iron ore, zinc-led, bitumen, lime stone and coal; including selected agricultural produces for more industrial input supply from other sectors; and develop framework to capture businesses operating in the informal sector and transit them into the formal sector;*

***(ii) Organised Private Sector:*** *develop the capacity and raise the quality of their members and leaders to more effectively engage in issues of policy concerns; facilitate the accumulation of technological capability to improve their competitiveness for export production; participate actively in public-private partnership and investments in infrastructure; active involvement in policy formulation and review, as well as implementation; and*

***(iii) Labour Unions:*** *sustain and deepen collaborations with the public sector, private sector, CSOs and other interest groups in policy campaigns and advocacy and stronger involvement in policy formulation and review, as well as implementation.*

# Part One

# INTRODUCTION

## 1.1. Articulation of the Study Focus

The development narratives of Nigeria are both of disappointments and missed opportunities. Disappointments because the country is indeed a blessed nation, rich in land mass, human and natural resources, but its development profile belies her vast potentials. In spite of its oil wealth, Nigeria is ranked in the “low human development” category on the Human Development Index. Deficits in infrastructure, insecurity, corruption, and unemployment remain major challenges to economic growth. Of missed opportunities because of the several failed attempts at industrialising the country and diversifying its economic base. Indeed, since Nigeria became independent in 1960, achieving economic development through rapid industrialisation has remained a major challenge. It is also not surprising that this has been the principal focus of the various administrations in the country. Thus, different economic development policies (with each having a bearing on the industrial sector) and several approaches to industrialisation have been experimented with. The pertinent question then becomes: why have the several economic/industrial development policies failed to achieve the desired outcomes over time? Perhaps, the answer lies in properly evaluating past and existing economic and industrial policies in Nigeria. This is the focus of this study.

## 1.2 Objectives of the Study

The broad objective of this study is to explore past and existing economic/industrial policies and the state of industrialisation in Nigeria. The specific objectives include to:

(i) Discuss the different phases of economic development strategy, the place and priority of industrial development policy, particularly geared towards the manufacturing sector.

(ii) Examine past and present industrial policies, especially with regard to promoting manufacturing, discuss the success and failures of these policies and the associated reasons;

(iii) Investigate how economic policies are being formulated and implemented;

(iv) Identify the means and with what instruments are economic policies and more specifically industrial policies currently being implemented;

(v) Identify the key actors, and Ministries, Departments and Agencies (MDAs) involved in industrial policy formulation and implementation and discuss their roles;

(vi) Identify the shortfalls of current and past economic policy formulation and implementation, and evince why these shortfalls exist and how they could be addressed;

(vii) Ascertain the extent of connection or disconnect between democratic governance and development of the country, and suggest how the link between both can be strengthened and improved upon;

(viii) Take stock of the role of the legislature in economic policy;

(ix) Look into the political economy undertone of economic management and industrial policy administration; and

(x) Collate key stakeholders' perceptions and suggestions; and

(xi) Identify the spoilers of economic development and industrialisation agenda and the channels of spoilage.

## 1.3 Data/Information Collection

The study relied on both secondary and primary data/information. The secondary data included all the industrial policies before and post-independence-till date, and key indicators of industrial development over the years. Primary information/data were sourced from Focus in-depth interviews. Key informants' interviews were conducted to collate informed perspectives on industrial policies formulation and implementation. The key informants were purposively sampled from relevant MDAs, organised private sector institutions (like the Manufacturers Association of Nigeria-MAN, Chambers of

Commerce and Industry-CCI), labour leaders, senior academics and the members of the relevant committees and leadership of the National Assembly (NASS-Senate and House of Representatives).

The focus of the interviews in the MDAs was on the state of industrialisation in the country, the perceived role(s) of industrial policy in industrialisation, the philosophical approaches and paradigm shift in industrial policy development over time, the preparations and considerations that inform the industrial policies formulated over time, implementation details and challenges, and lessons learnt. For the organised private sector, emphasis was on the extent of their participations in the formulation of industrial policies in the country over time, their roles in the implementation of the industrial policies, general observations about the implementation of the industrial policies (government sincerity and commitment, consistency of purpose, etc.) and constraints faced. The labour leaders were interviewed on their supposed roles in industrial policy formulation and implementation, how well they have played these roles, general observations about industrial policies formulation and implementation over the years, and desired changes expected in the formulation and implementation of industrial policy in the country. Senior academics consulted were engaged in an historical perspective of the appropriateness of the approaches to industrial policies formulations and issues in industrial policies implementation over time, mistakes that were made, what needs to be done and how to go about them. The relevant committees' members and leadership of the NASS were engaged on their knowledge of the role of industrial policy in industrialisation of the country, perceived roles in the economic policy formulation and implementation of policies generally, and specifically industrial policy in the country, how well they have played these roles, observed challenges and how they intend to better contribute to the process of industrial policy formulation and implementation in the country.

### 1.4. Structure of the Report

The rest of this report is organised into six sections. Section 2 presents an overview of the literature on industrialisation and industrial policy. The characterisation and discussions of economic development ideology/strategy, industrial policy/incentives and development is done in section 3. Section 4 examines the challenges of economic and industrial policies formulation and implementation. Section 5 explores the political economy of policies formulation and implementation, while the documentations of key stakeholders' views on economic and industrial policy formulation and implementation is contained in section 6. Section 7 contains the summary, conclusion and recommendations.

## Part Two

# OVERVIEW OF THE LITERATURE ON INDUSTRIALISATION/ INDUSTRIAL POLICY

Since the empirical work of Kuznet (1965), a large body of studies and theories of economic development has ascribed great recognition to the strategic role of industrialisation in the economic development process. Industrial production creates job opportunities at higher skill levels, facilitates denser links across the services and agricultural sectors, between rural and urban economies and between consumer, intermediate and capital goods industries. Prices of manufactured exports are less volatile and susceptible to long-term deterioration than those of primary goods, making it particularly strategic in highly commodity-dependent developing countries. In addition, industrialisation is a critical tool in poverty eradication, employment generation, and regional development policies. Finally, it can spur technological advancement and innovation as well as productivity gain, and will be able to play the development role more suitably than the agricultural sector.

Industrialisation refers to the sustained structural transformation of a traditional economy into a modern one driven by high–productivity activities in manufacturing. Development is associated with industrialisation but due to various types of market failures, it does not happen automatically in poor countries, hence the important role for government to stimulate industrialisation with industrial policy. The state interventions in industrialisation process are called industrial policies (Sousa Junior, 1996). Industrial policy, therefore, essentially describes government deliberate attempts to promote industry. In a more technical sense, Frischtak et. al. (1996) see it as encompassing any state acts or policies designed to affect the allocation of resources among economic activities and alter what would otherwise have been the market outcome; while The World Bank (1993) in very precise manner defines industrial policies as government efforts to alter industrial structure to promote productivity-based growth. This therefore implies that industrial policies are essentially meant to foster industrial development. Conceptually, industrial development means all activities and infrastructure associated with the development of an industrial base to accommodate and service the extraction, removal and the processing of non-renewable resources-like manufacturing activities to foment economic growth by promoting exports, building the domestic capacity to manufacture goods, creating jobs, and developing technological capabilities. There are many ways in which this can be done and many things that can count as "industrial policy". This ranges from tariffs and trade policy (protection) through tax relief, subsidies of various forms, export processing zones, to state ownership of industry.

It has been argued that industrial policy had not worked, and indeed could not work because government failures are always worse than market failures (Krueger, 1993 and Lal, 1983). Industrial policy can sometimes work (as in South Korea, Taiwan), but sometimes may not (Ghana, Latin America), depending on the type of industrial policy and approach adopted in the different cases. There are many approaches to industrial development which may be adopted. The first is the processing of raw materials available in a country. The second is the domestic production of manufactured goods for the domestic market, commonly called the inward-looking or import substitution approach. The third approach is outward-looking or export-led approach, which emphasises the domestic production of manufactured goods for exports. Whatever approach or sequence of approaches is adopted, there are some other considerations which should be taken into account in formulating an industrial development strategy (Oyejide, 1977, pp.212). These relate to the kind of industries which should be established, and the relative factor-intensity to be encouraged in the light of the country's resource endowments.

Variation in the adoption of and success of different industrial policies approaches is explained by differences in the ideas and ideologies of different policymakers or their economists. According to Rodrick (2007a&b), industrial policy is potentially very powerful, but one size does not fit all. To successfully promote development, industrial policy has to be tailored to the specific context or institutions of a country, or to use the terminology introduced by Hausman et. al. (2007), it has to be sensitive to the “binding constraints”.

Variation in the adoption of industrial policy or its success or failure has less to do with ideas or economists, though these can be important in particular circumstances, and it much more has to do with the nature of the political equilibrium in society- which interests are mobilised, what their interests are, what are the political institutions etc. Political economy focusses on developing a positive explanation for understanding industrial policy. Promoting industrialisation requires having an industrial policy, which is an endogenous outcome of the political choices of a society. If interests and institutions are not aligned then industry will not get promoted, whatever the normative consequences are.

To stimulate industry outside economists and/or international institutions require taking two things into account: (i) trying to change the nature of the political equilibrium in a direction more conducive to industrialisation, e.g. by strengthening the political influence of those groups who would benefit from this; and (ii) holding the political equilibrium constant, trying to find a way of costing a pro-industry policy, which will be incentive compatible for those holding power.

From historical experiences, the path to a successful implementation of industrial policy is summarised in two steps: The first step is to identify new industries in which a country may have a latent comparative advantage, and the second is to remove the constraints that impede the emergence of industries with latent comparative advantage, and create the conditions that allow them to become the country's actual comparative advantage.

Moreover, the context for the formulation of industrial policies has changed. First, the global economy and global industrial production patterns have evolved, and policies therefore need rethinking with a solid anchorage in national circumstances (Rodrik 2004; Haque, 2007). Second, industrialisation competes with several other public policy priorities and national development needs. Third, the use of certain typical instruments of industrial policy has been forbidden or regulated by international trade agreements (e.g. export subsidies and local content requirements under the World Trade Organization [WTO]'s agreements). Last but not least, commonly used measures, such as selective tariff protection, are under increasing pressure as a result of both the WTO Doha Round and the conclusion of Free Trade Agreements (FTAs).

# Part Three

# ECONOMIC DEVELOPMENT IDEOLOGY/STRATEGY, INDUSTRIAL POLICY/ INCENTIVES AND DEVELOPMENT

## 3.1. Economic Development Ideology/Strategy and Policies

Economic development ideology/strategy has evolved in phases over the years. Prior to Independence, the prevailing economic ideology/strategy was capitalism with emphasis on promotion of the enabling environment for private commercial activities. On attaining independence in 1960 and up till 1969, the guiding economic development ideology/strategy changed to that of active government involvement in the economy, but with soft controls (mixed economy), geared towards transformation of the country into a modern industrial economy with high priority on rapid industrialisation. Thereafter, from 1970 to 1985, there was a shift to the paternal state command and control ideological orientation, with the thrust of controlling the commanding height of the economy. There was recourse to Structural Adjustment Programme (SAP), hinged on reforms predicated on demand-management as a measure for curtailing fiscal and external imbalances with a restrictive monetary policy during 1986-1999. And from 2000 till date, the free market capitalism/economic liberalism ideology/strategy has been adopted. The underlying philosophy is the promotion of private sector development. Table 1 (Appendix I) contains the profiling of these economic development ideologies/strategies, and particularly, the key policy focus of each phase/period.

Summarily and very instructive, the quest for industrial development and/or industrialisation has been a regular and prominent feature of economic development ideologies/strategies over time.

## 3.2. Industrial Policy Profile

Industrial policy formulation and implementation has widely characterised the development agenda of the country. The first industrial development policy was unfolded in 1952, called the Aid to Pioneer Industries Ordinance. Since then, sixteen others industrial development policies have followed over the years. Table 2 (Appendix II) presents a chronological listing of these policies, aims and objectives, and contents/implementation.
In retrospect, industrial policy formulation and implementation in Nigeria has straddled many approaches. Four distinct approaches and phases are discernible. These are (i) processing of raw materials available in the country (prior to 1960), (ii) Import Substitution Strategy (1960-1985), (iii) Export-Oriented Adjustment Strategy (1985-1998) and (iv) (Foreign) Private Sector Led Initiative (1999 to date).

The literature indicates that the two most promising options open to developing countries like Nigeria to develop industrially are the ISI and EOI. The issue is not of choice between these two mutually exclusive strategies, but rather of how the two can be integrated. It is therefore advised that a country starts with processing of raw materials for exports, and then progresses gradually by adopting the ISI strategy which is limited to the domestic production of non-durable consumer goods and other products requiring relatively simple technology and semi-skilled labour. But, instead of extending the process to higher stages of manufacturing (domestic production of intermediate and capital goods), a country may change over and adopt the EOI strategy which emphasises the export of labour intensive manufactured goods.

Obviously, Nigeria has followed this sequence but with limited success. Though, ISI led to the development of the petrochemical plants, the iron, steel, textile, breweries, agriculture and cottage industries, and the establishment of assembly plants that used imported processed materials in the automobile and cement industries, but only the cement industry ably and fully actualised the benefits of ISI. Nigerian cement companies not only meet local demand, they also export to neighbouring African countries. The ISI had encouraged accumulation of production capacities but paid little attention to accumulation of technological capability. In other words, it failed as a learning process to acquire the requisite technological capability for export production, and in leading to the type of growth booms associated with industrial catch-up or industrial revolutions. Indeed, genuine industrialisation goes with export orientation

For ISI to provide a dynamic “entry route” into export-based industrialisation, it must serve as a basis for technological learning. The experiences of the East Asian Newly Industrialised Countries (NICs) suggest that the appropriate way for Nigeria to start building up industrial competence is to boost firm capabilities and export performance, through skills development, adequate infrastructure provision, facilitate innovation, and to promote industrial clusters and competition among firms.

As part of government's drive to encourage investments and promote industrial development in Nigeria, various incentives packages have been designed and implemented. These incentives are usually in form of fiscal measures. The major ones included: tax holiday, tariff protection, investment guarantees and effective protection, export incentives, export processing zones (EPZs), access to land, establishments of industrial core projects (ICPs), support for research institutions, and direct government participation. In addition to these broad incentives, a number of significant industrial policy instruments under the rubric of trade, tax and credit policies and others have also been experimented with over the years. A list of some of them are as follows:

## Trade Policies

(i) Preferential Duty on exports and imports;

(ii) Duty drawback scheme;

(iii) 100% retention of foreign exchange earnings from exports;

(iv) Anti-dumping measures to ensure fair competition and protect local investors;

(v) Tariff concessions and tariff protections;

(vi) Port reforms;

(vii) 100% physical pre- and post-shipment inspection of goods scheme;

(viii) Relaxation of the requirements for manufacture-in-bond scheme;

(ix) Inclusion and removal of some products from the import prohibition list; and

(x) Enhanced surveillance in checking the influx of fake and substandard manufactures products.

## Tax Policies

(i) Capital (tax) allowance scheme;

(ii) Tax free dividends interest, rent, royalties, fees and commissions from foreign countries;

(iii) Tax relief for investments in economically disadvantaged local government areas;

(iv) Amendment of the double taxation Income Tax Act and the Group of Companies Taxation;

(v) A 3-year tax holiday for industry in EPZs, and companies involved in solid minerals extraction at inception;

(vi) A100% depreciation rate on industrial buildings and private investments;

(vii) Tax exemptions on profit from some export oriented activities;

(viii) Low tax rate (20%) for small manufacturing companies in the first five years of commencement of business;

(ix) 20% investment tax credit on eligible capital expenditure for companies and organisations that engaged in research and development activities;

(x) Income tax relief; and

(xi) Streamlining tax rates as well as realigning reliefs and allowance with respect to Company Income Tax Act (CITA), Personal Income Tax Act (PITA), Petroleum Profits Tax Act (PPTA), and Value Added Tax Act (VATA).

## Credit Policies & Others

(I) 100% retention of foreign exchange earnings by non-oil exporters in their domiciliary accounts;

(ii) Foreign Input Facility (FIF) to provide foreign exchange to exporters to finance imported inputs under the Export Stimulation Loan (ESL) scheme;

(iii) Rediscounting and Refinancing (RRF) for export at a concessionary interest rate;

(iv) Tax free interest paid on bank loans for the manufacturing of exported goods;

(v) Use of official exchange rate for repayment of offshore loans by small-scale industries;
(vi) Reduction of the Minimum Rediscount Rate (MRR);
(vii) Prescribed sectoral banks' credit allocation for manufacturing, and particularly exports;
(viii) Small and Medium Industries Equity Investment Scheme (SMIEIS) to enhance accessibility and availability of credit to small and medium scale enterprises;
(ix) Small Scale Industry (SSI) and Small and Medium-Scale Enterprises (SMEs) loan schemes;
(x) Forex access/denial for importation of some items/products.
(xi) Re-capitalisation of selected development financial institutions-NERFUND, NEXIM, NIDB and NBCI to strengthen their operations;
(xii) Rehabilitation of infrastructure; and
(xiii) Re-organisation of the Nigerian Export Promoting Council (NEPC);

## 3.3. Industrial Development Profile

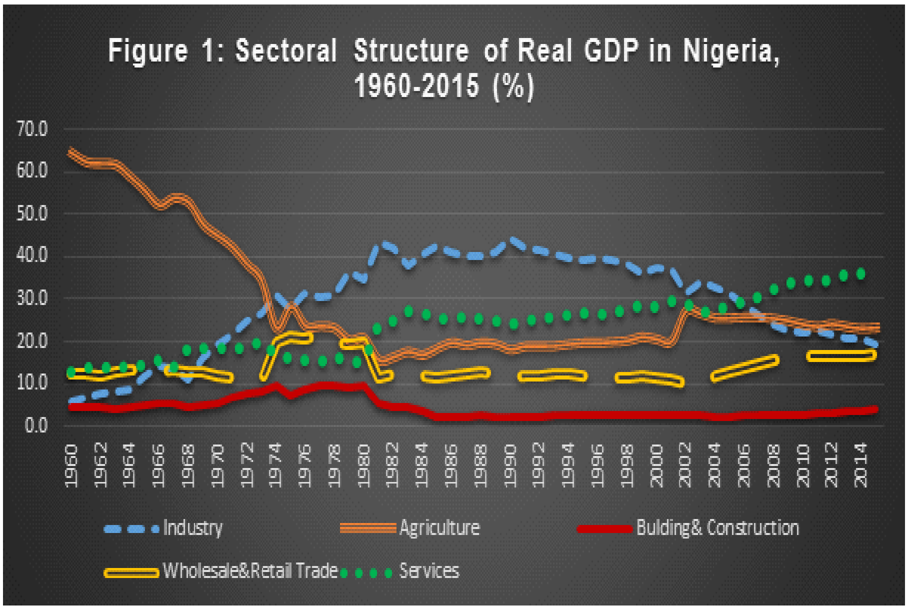
### (a) Industrial Sector Contribution to Gross Domestic Product (GDP)

Figure 1 shows the sectoral composition of GDP from 1960 to 2015. Agricultural output dominated total output until 1973 when its contribution started to decline, and the industrial sector due to the oil & gas factor became dominant and remained so till 2006. From 2007, the services sector contribution increased phenomenally and became dominant, but actually more a reflection of the large capacity to import and less a reflection of increased domestic production. The contribution of the industrial sector and its component sub-sectors namely crude oil & natural gas, manufacturing and solid minerals to the GDP is further depicted in Figure 2. The clear picture is dominance of crude oil & natural gas with both manufacturing and solid minerals trailing behind at significant distances. The very minimal contribution of solid minerals is striking and instructive.

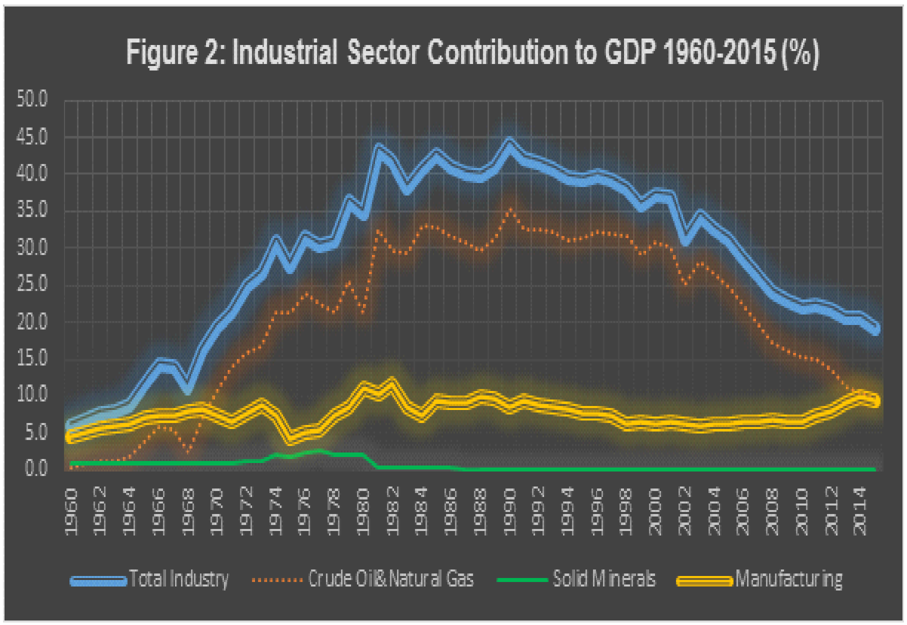
## (b) Structure of Industrial Production

The general pattern of the structure of industrial production observed is that while the manufacturing sub-sector dominated between 1960 and 1969, the crude oil & natural gas sub-sector did from 1970 to 2014. Almost even production is observed for the two sub-sectors in 2015. The solid minerals sub-sector significantly lags behind in all years, particularly from 1981 (see Figure 3).

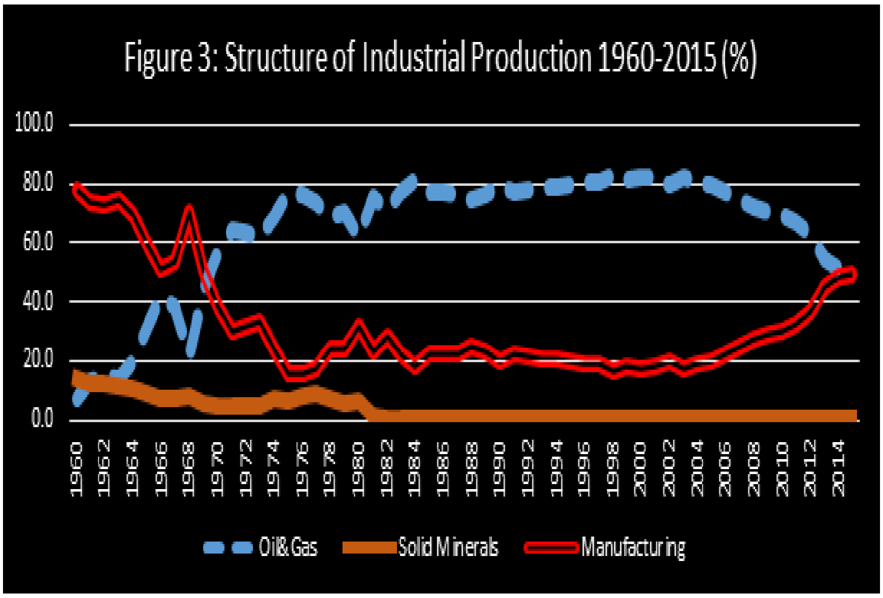
Given the observed GDP composition, and the industrial sector and particularly its sub-sectors contributions, and the structure of industrial production, and considering the fact that manufacturing should be the hub of industrial activities in any industrialised or promising industrialising economy, it is evident that the quest for industrial development and industrialisation over the last five decades and half, has remained by and large unattained. To substantiate this assertion further, the next sub-section explores the performance and structure of production of the manufacturing sector and activities.




***Source:*** *Author's Calculations. Underlying data are from the CBN Statistical Bulletin 2008 and 2015*




***Source:*** *Author's Calculations. Underlying data are from the CBN Statistical Bulletin 2008 and 2015*




***Source:*** *Author's Calculations. Underlying data are from the CBN Statistical Bulletin 2008 and 2015*

## ( C) Manufacturing Sector Performance and Structure of Production

Table 3 indicates that the performance of the manufacturing sector has been poor and disappointing over the years. Its contribution to GDP show no significant and sustained trend. It is still far off the target 25% contained in the Vision 20:20:20. This is linked to the declining and/or unstable pattern in capacity utilisation rate. Consequently, the growth rate of the sector has also been unstable and, sometimes negative and discouraging. Manufactured exports in total exports also remained low and uninspiring. In contrast, manufactured import share of total imports is high and accounted for more than 50% in all the periods.

**Table 3: Manufacturing Sector Performance 1943-2015**

| S/No. | Indicator/Period | 43-59 | 60-69 | 70-79 | 80-89 | 90-99 | 00-09 | 10-15 |
|---|---|---|---|---|---|---|---|---|
| 1 | % of GDP | 4.0 | 6.4 | 6.9 | 9.6 | 8.0 | 6.4 | 8.4 |
| 2. | % of Export | N/A | 1.63 | 0.32 | 0.13 | 1.14 | 3.25 | 3.01 |
| 3. | % Capacity Utilization | N/A | **70.0** | 75.42 | 50.34 | 34.1 | 48.54 | 57.4 |
| 4. | Growth rate (%) | N/A | 10.1 | 11.2 | 1.28 | -0.27 | 6.55 | 12.3 |
| 5. | % of Total Import | N/A | 71.4 | 73.2 | 65.5 | 63.2 | 60.0 | 53.1 |

**Source:** National Bureau of Statistics (NBS) *Annual Abstract of Statistics*, and *CBN Statistical Bulletin 2008 and 2015*, and Annul reports and Statement of Account (2010-2015).

Table 4 presents comparative statistics on manufacturing sector performance in 22 selected countries. According to the table, Nigeria has the poorest and quite striking manufacturing sector performance.

The selection of the countries is based on historical narratives of the countries Nigeria should be at par with or even should have perform better than.

**Table 4: Comparative Manufacturing Sector Performance in Selected Countries**

| Country | Manufacturing Value Added Share of GDP (%) | | Manufacturing Exports Share of Total Exports (%) | | Country | Manufacturing Value Added Share of GDP (%) | | Manufacturing Exports Share of Total Exports (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2013 | 2008 | 2013 | | 2008 | 2013 | 2008 | 2013 |
| Burundi | 10 | 8 | 19.9 | 18.9 | Malaysia | 26 | 25 | 70.7 | 80.7 |
| Cameroon | 16 | 16 | 54.6 | 33.0 | Mauritius | 16 | 15 | 80.6 | 96.3 |
| Cote d'Ivoire | 12 | 11 | 44.0 | 45.1 | Mozambique | 13 | 11 | 12.2 | 28.7 |
| Egypt | 16 | 15 | 61.8 | 65.1 | Namibia | 13 | 11 | 49.9 | 69.1 |
| Ghana | 8 | 7 | 19.6 | 16.4 | Niger | 5 | 6 | 51.4 | 89.3 |
| India | 15 | 14 | 85.8 | 83.1 | Nigeria | 3 | 4 | 5.6 | 5.7 |
| Indonesia | 26 | 25 | 60.5 | 60.1 | Senegal | 12 | 12 | 81.5 | 62.1 |
| Kenya | 11 | 10 | 49.6 | 48.7 | South Africa | 16 | 15 | 69.1 | 67.0 |
| Korea Republic Of | 27 | 29 | 97.0 | 97.2 | Thailand | 36 | 34 | 84.0 | 88.0 |
| Madagascar | 15 | 14 | 79.6 | 55.6 | The Gambia | 6 | 5 | 28.8 | 10.3 |
| Malawi | 10 | 9 | 17.3 | 30.1 | Tunisia | 16 | 17 | 81.9 | 84.9 |

***Source:*** *United Nations Industrial Development Organization (UNIDO), 2015. Industrial Development Report, 2016. Annex B2-Indicators of Competitive Industrial Performance by Economy.*

Perhaps, the poor performance of the sector lies in the structure of production. Table 5 presents the structure of production in the sector between 1981 and 2015. A noticeable feature is the dominance of the non-durable consumer goods, which accounted for about 70% of production. The intermediate goods sub-sector accounted for about 26% on the average. The capital goods sub-sector contributed marginally to overall production. The persistency of this structural pattern as observed by Adenikinju (1996; p.345), is associated with the overvaluation of the naira exchange rate in the 1970s and even later years, which made the import of capital and producer goods to be favoured against local manufactures, while at the same time the position of the final consumer goods manufacturing was entrenched by higher tariffs. This cycle has tended to perpetuate the need to import raw materials and intermediate products, and to maintain the existing pattern of import substitution in favour of non-essential industries beyond the limit of exhaustion of substitution possibility, and indeed beyond the limit of rationalisation (Okigbo, 1983).

**Table 5: Structure of Manufacturing Production 1981-2015**

| Sub-Sector/Year | 1981-1990 | 1991-2000 | 2001-2010 | 2011-2015 |
|---|---|---|---|---|
| Oil Refining | 2.3 | 2.9 | 7.2 | 4.9 |
| Cement | 14.1 | 11.8 | 5.7 | 6.8 |
| Food, Beverage and Tobacco | 61.9 | 63.2 | 64.5 | 51.0 |
| Textile, Apparel and Footwear | 9.5 | 9.7 | 9.9 | 18.5 |
| Wood and Wood Products | 3.3 | 3.4 | 3.5 | 3.1 |
| Pulp, Paper and Paper Products | 0.7 | 0.7 | 0.7 | 0.7 |
| Chemical and Pharmaceutical Products | 0.7 | 0.7 | 0.7 | 1.6 |
| Non-Metallic Products | 1.6 | 1.6 | 1.7 | 2.7 |
| Plastic and Rubber products | 0.9 | 0.9 | 0.9 | 2.5 |
| Electrical and Electronics | 0.1 | 0.1 | 0.1 | 0.1 |
| Basic metal, Iron and Steel | 1.2 | 1.2 | 1.2 | 2.5 |
| Motor vehicles & assembly | 0.6 | 0.6 | 0.6 | 0.8 |
| Other Manufacturing | 3.1 | 3.2 | 3.3 | 4.8 |
| **TOTAL** | **100.0** | **100.0** | **100.0** | **100.0** |
| Consumer Goods | 71.4 | 72.9 | 74.4 | 69.5 |
| Intermediate Goods | 26.7 | 25.2 | 23.7 | 27.1 |
| Capital Goods | 1.9 | 1.9 | 1.9 | 3.4 |
| **TOTAL** | **100.0** | **100.0** | **100.0** | **100.0** |

***Source:*** *Author's Calculations. Underlying data are from the CBN Statistical Bulletin 2008 and 2015*

Very instructive too is the fact that there are basically three categories of operators in the manufacturing sector. The small to medium-sized firms constitute the most active segment. These firms are mostly private and Nigerian owned. They are predominant in such activities as food processing, textiles, wood products, paper and printing, etc. Many of these firms operate in the informal market (tailoring, carpentry, repairs and maintenance) where activities are mostly unrecorded or are under-reported. Government policies, in general, discriminate

Like in most developing economies, the informal sector is quite significant in Nigeria also quite significant in Nigeria.

against this group in terms of the administration of incentives spanning trade, tax and credit policies. This is because they operate in the informal economy. There is also quite a significant though declining presence of medium to large private and public manufacturing groups. Several of these companies are owned by and operate as subsidiaries of foreign companies. The third category are those companies that constitute the core industrial projects. These companies are 100% owned and operated by the government. They were initiated to facilitate the industrialisation process. Their poor conception combined with incessant political interference led to the inefficient operations of these companies.

Moreover, in spite of the successive development plans aimed at even distribution of industrial activities across the country, industrial activities are still concentrated in few states and primarily in cities, which are mainly, state capitals, ports and major administrative centres. Thus, there are spatial disparities in the distribution of industrial establishments. The four industrial urban conurbations are Ikeja-Sango Otta-Ibadan, the Kano-Kaduna-Zaria-Jos, Benin-Sapele-Warri, and Port-Harcourt-Aba-Onitsha-Enugu.

Despite the general poor performance and unimpressive features of the manufacturing sector, some degree of successes has been recorded. The first has to do with the changes in the phases of manufacturing and industrial development. There has been advancement from mere craftworks in the earliest time to valorisation of raw materials through import substitution to local sourcing of industrial raw materials in recent times. The second is the improved (significant) domestic capacity in the production of cement through the Dangote initiative/pact, which has greatly halted the recourse to importation of cement. Though the unit price of cement is still relatively high, however, it is still a success story compared to what it would have been if its importation had remained the dominant option. The third is the establishment of steel rolling mills at the instance of specially packaged incentives.

## 3.4. Factors Militating Against the Manufacturing Sector

A number of factors has militated against the manufacturing sector. These include operations & management practices, multiple taxation, lack of credit/access to credit, low technological development/over dependence on foreign machines, inadequate raw materials, production of sub-standard goods, illiteracy/inadequate skilled manpower, lack of basic infrastructures, political instability and militancy/terrorism, distribution and logistics, low inter-industry linkage, counterfeiting and smuggling, poor regulatory environment, and most significantly a poor macroeconomic environment. Table 6 shows some selected indicators. The macroeconomic environment was characterised by persistently high fiscal deficits in the face of rapidly declining government revenues and escalating costs, and in some instances by financial recklessness on the part of the government. The financing of the high and persistent fiscal deficit profile resulted in high internal, and particularly, external debts accumulation. The import bill has also been significant and even more so in recent years/periods.

Consequently, high levels of deficit of the balance of payments was posted for most years. There is also persistent inflationary trend, mainly arising from cost-push factors, including the significant decline in the exchange rate and high interest rates. Despite all of these, the economy experienced decent growth between 2000 and 2014. However, the recorded growth was non-inclusive as unemployment rate has worsened. Other aspects of the poor macroeconomic environment include a huge backlog of uncompleted projects, especially in the public sector, factory closures in the manufacturing sector and acute shortage of essential commodities and services, particularly infrastructure. Of significant importance also are the perennial fuel shortage and epileptic power supply that forced many businesses to incur huge man-hour losses arising from absence of workers from work, raw materials spoilage, extra investment in fuel, fall in production and lay-off of the work force.

**Table 6: Selected Macroeconomic Indicators 1960-2015**

| Indicators/Period | 60-64 | 65-69 | 70-74 | 75-79 | 80-84 | 85-89 | 90-94 | 95-99 | 00-04 | 05-09 | 10-15 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Real GDP Growth Rate (%) | 6.92 | -0.16 | 3.76 | -1.51 | -3.96 | 4.70 | 3.02 | 0.75 | 9.35 | 7.32 | 5.33 |
| Inflation Rate (%) | 10.29 | 1.92 | 6.21 | 20.32 | 20.26 | 20.06 | 35.84 | 25.44 | 13.54 | 10.92 | 10.42 |
| Prime Lending Rate (%) | 7.00 | 7.00 | 7.00 | 6.50 | 9.60 | 16.11 | 22.93 | 18.61 | 20.20 | 17.25 | 16.77 |
| Official Exchange Rate (US$/Naira) | 0.71 | 0.71 | 0.67 | 0.62 | 0.66 | 3.77 | 15.84 | 36.05 | 119.58 | 130.82 | 161.80 |
| Unemployment Rate (%) | N/A | N/A | 5.08 | 4.68 | 5.70 | 5.64 | 3.34 | 5.82 | 14.52 | 14.30 | 8.32 |
| Import/GDP (%) | 16.54 | 16.47 | 19.00 | 21.39 | 5.82 | 0.10 | 0.62 | 3.57 | 5.40 | 9.50 | 16.17 |
| External Debt/GDP (%) | 2.88 | 4.51 | 4.12 | 2.68 | 1.24 | 0.65 | 2.49 | 4.70 | 13.46 | 2.33 | 2.03 |
| Overall Budget Balance/GDP (%) | 9.36 | 10.47 | 0.92 | -2.65 | -3.90 | -4.00 | -5.76 | -1.75 | -2.44 | -1.14 | -1.53 |

***Source:*** *Author's Calculations. Underlying data are from the CBN Statistical Bulletin 2008 and 2015*

[5]The Nigerian Textiles Manufacturers Association 2009 report shows that 38 textiles firms closed down: 19 in Lagos, 9 in Kaduna, 3 in Kano and 7 in other states. More instructive is the relocation of Dunlop (Nigeria) Plc. and Michelin (Nigeria) Plc.

[6]The statistics for 2016 are worse. The economy has slipped into recession having posted negative growth successively in the first two quarters (-0.36% and -2.06% in Q1 and Q2, respectively); lending rate averaged 26.9%; official naira exchange rate further depreciated to ₦305/$1; unemployment rate increased to 13.3% (at 2nd quarter, 2016), and inflation rate stood at 17.6% as at August. More instructively, oil price fell drastically thereby leading to significant decline in foreign exchange earnings, government revenues and difficulty in implementing the budget. Summarily, the macroeconomic environment generally worsened further in 2016.

## Part Four

# THE CHALLENGES OF ECONOMIC AND INDUSTRIAL POLICIES

The general poor macroeconomic environment and performance, and the unachieved expectations of industrial development, particularly, the manufacturing sector contribution to the economy, point to the failures of economic/industrial policies over the years. Why have the various economic policies and particularly in this context, industrial policies failed? Phillips (1997) defines policy failures generally in Nigeria to include the chronic failure of socio-economic development policies to (i) achieve their stated objectives; (ii) sustainably attain the ultimate goals of an economy, which is to constantly improve the economic welfare of the vast majority of the people in terms of incomes, jobs, supply of wide-ranging basic goods and services, economic equity, etc.; and (iii) institute and sustain durable solutions to Nigeria's basic socio-economic problems.

Before and now, policies have failed at virtually every stage of the policy management process in the following areas: (i) identification and articulation of the problem; (ii) specification of objectives and targets; (iii) design of strategies and policy instruments; (iv) implementation;, (v) evaluation; and (vi) feedback. Failures in all these areas are generally ascribed to (i) poor policy formulation, (ii) inadequate financial resources, (iii) poor sequencing, (iv) frequency policy shifts, (v) top-down (instead of bottom-up) approaches, (vi) multiplication of policy process on the same matter, (vii) interagency jurisdictional disputes, (viii) pervasive system-wide corruption, and (ix) weak political will.

According to Phillips (1997), the causes of economic policy failures and indeed all other associated and/or sector policies (industrial policies in this instance) are largely non-economic, multidimensional and interrelated. The list includes (i) non-accountable governments- the most significant, (ii) preoccupation of rulers with tenure and security, (iii) unstable polity, (iv) over-centralisation and forcible uniformity, (v) infallibility syndrome, (vi) decision makers' love for “There is no Alternative” (TINA)-resulting in impatience and intolerance of other policy views, (vii) untimeliness-considerable haste or considerable delay, (viii) abhorrence of systems, (ix) square pegs in round holes, (x) scant attention to the ultimate goals of the economy, (xi) often inappropriate ideological/theoretical base, (xii) relative lack of holistic and multidisciplinary approaches, (xiii) inadequate data, (xiv) foreign debt burden and the consequential lenders impositions, (xv) culture of escapism, (xvi) policy instability, and (xvii) ethnic divisiveness and distrust.

All of the foregoing identified challenges are rooted in the political economy of policy formulations and implementations over the years. Accordingly, the next section discusses the political economy of economic and industrial policy formulation and implementation.

## Part Five

# THE POLITICAL ECONOMY OF ECONOMIC AND INDUSTRIAL POLICIES FORMULATION AND IMPLEMENTATION

### 5.1. Ideological/Paradigm Shift

Ideas rule the world. In the economic management realm, different epochs of dominant economic management ideas/ideology were recorded. Nigeria is not immune to this development. Indeed, she has been influenced by external and internal forces, both overtly and covertly in the choice of operational economic management ideologies and/or approaches over time. The country has by and large gone full circle in the adoption of economic management ideology. Unfortunately, the country never made success of any of the approaches so far. Even now, the new economic management ideology of the “Developmental State”, which characterised the success story of the Republic of Korea is generating a lot of attention and interest in the academic and policy making circles. Likewise, the government has tried out different approaches to industrial development usually based on the fancy of those in the helm of affairs at any given time, and those who advise them. The result in most cases is policy corruption, favouring rent seeking. The absence of a consistent and coherent strategy for industrialisation is telling on the country's poor industrial output in the face of enormous capacity for industrialisation, given the abundance of natural resources, human capital, and a relatively large market both domestically and regionally, at least.

## 5.2. Regional/International Trade Relations

Nigeria is a member and signatory to a number of regional and international trade relations, both bilateral and multilateral. These relations are guided by distinct provisions and regulations which the country must factor into its policy choices, formulation and implementation. For example, as a member of the Economic Community of West African States (ECOWAS), the determination of fiscal policy measures must be in tandem with the Common external tariffs (CET) provisions and regulations of the ECOWAS. The same thing applies to trade policies and industrial development policies, as well other sectors of the economy.

## 5.3. Leadership and Governance Issues

Following political independence in 1960, Nigerian leaders and their regimes (both military and democratic) have been deeply engrossed in excessive acts of corruption and bad governance. All available means have been employed by Nigerian political leaders to 'grab' power including the blatant rigging of elections, manipulation of census figures, violence, thuggery, arson, vandalism, gangsterism, corruption, religious bigotry, regionalism, tribalism, ethnic sentiments and acts of brigandage. All these have precipitated social dislocation, insecurity, violence, abject poverty, socio-economic and political instability. National integration has been elusive, yet it is needed to achieve the universal goal of development, i.e., the pursuit of people's material welfare and wellbeing. Despite the flow of enormous financial resources from crude oil over time, nothing tangible in terms of development was achieved. Since the return to civil rule in 1999, some measures were taken to address the twin challenges of corruption and bad governance in the country.

These include public service reform such as monetisation (to reduce waste and reduction of over bloated personnel), reform of public procurement; establishment of anti-corruption enforcement agencies such as the Economic and Financial Crime Commission (EFCC), Independent Corruption and other Practices Commission (ICPC) etc.. Despite these measures, the situation remains unacceptable as corruption, poor leadership and bad governance continues to pervade every facet of national life. More worrisome is that in spite of popular anger against corruption and bad governance, which have robbed the collective wellbeing of the people, there remains a lack of national consensus on repulsion against the perpetrators irrespective of their ethnicity, religion, class and gender. Leadership and governance challenges are, no doubt, rooted in the institutional framework of the country. Even under democratic governance, leadership quality remains low and perhaps worse with no perceptible dividends to the citizenry.

## 5.4. Institutional Framework

Institutions represent rules that govern values, beliefs and norms, thereby regulating behaviour through socially approved instruments and mechanisms, and hence the channels through which ideas are transformed into policy, and where new problems are considered as being a social issue with the need for political attention. Thus, they are a medium for ideas to become a policy issue which in the end might evoke enough political pressure to even affect the institution's own structures (O'Riordan's & Jordan's 1996: 68). There are formal institutions such as public law and there are informal institutions, for example customs and practices. According to Rayner and Okereke (2007:120-129), institutions perform five essential functions with respect to public governance. These are: framing a problem, defining policy commitments, setting of levels and scales of governance, choosing modes and instruments of governance and finally implementation and enforcement. Thus, institutions are pivotal for structuring the governance process: Institutions and similar basic structures provide a system of rules, decision-making procedures and programmes, which are the skeleton of any governance framework. Instructively and certainly unfortunately, the country is characterised by very weak institutional framework.

## 5.5. Policy Making Process, Actors Involved, Implementation and Coordination Framework

### 5.5.1. Policy making Process

The dominant feature of the policy making process is the principle of federal supremacy which is a constitutional conditionality. Under the constitution, the federal government is required to provide the overall direction and leadership in the planning process from the formulation stage through the implementation and evaluation stage. Decision making under this framework requires the National Economic Council (NEC) to advise the president concerning the economic affairs of the federation, and in particular, on measures necessary for the coordination of economic planning efforts or the economic development programmes of various states governments. The institutions that are involved at the early stage include the Federal Ministry of Finance (FMOF) and Ministry of National Planning and Budget (MNPB). A number of other interdepartmental and intergovernmental agencies and institutions also participate in the decision-making process. The most notable among them are (i) the Joint Planning Board (JPB) and (ii) the conference of Ministers and Commissioners for National and Economic Planning.

## 5.5.2. Actors Involved in Policy Making

The policy making cycle in Nigeria is characterised by the interface of three set of actors. These include the academics/technocrats, government actors and non-government actors. The government actors include the legislature, executive (chief executive, cabinet, top political officials, advisers and assistants), bureaucrats (the civil servants, the administrative functionaries who are professionally trained for the public service and who enjoy permanency of tenure, promotion within service-partly by seniority and partly by merit) and judiciary, while the non-government actors are the political parties, interest groups (organised private sector, labour unions, civil society organisations, non-governmental organisations, development partners, elite class, powerful business club, etc.) and citizenry.

The policy making cycle often commences with the academics/technocrats (most times of foreign extractions) making predictions and prescriptions to both the government and non-government actors based on their knowledge, experience and ideological leanings. These predictions and prescriptions shape the interactions between the government and non-government actors, and thereby the final policy choice(s) and implementation. A very striking observation is that government is not composed of platonic guardians acting benevolently in seeking public interest. Rather, the Nigerian State has become more of a leviathan-bureaucratic-factional (or class) one - a predator state that seeks profits and rents from governmental activities and preys on its citizens for the economic benefit of autocracy, policy elite and/or bureaucracy; engages in budget maximisation and builds a large public sector and numerous state-owned enterprises; and acts in principal-agent manner and redistributes income or wealth from one faction or class to another. Little wonder, the citizenry and public opinion do not essentially matter in policy making process even under the current democratic dispensation. Rather, public policies have often been designed to promote and protect the class interest of those who control the Nigerian State. In 1986 for example, there was a public opinion survey on whether or not loan and assistance should be sought from the IMF. While the popular opinion was a rejection, the military government then despite this went ahead and secure the IMF loan and the associated conditionalities. Similarly, the national currency has been severally devalued and subsidy on fuel removed against public opinions. The extreme poverty and illiteracy which pervade the society have emasculated and disempowered the majority of the people and made them inconsequential observers in the policy making process.

### 5.5.3. Policy Implementation and Coordination Framework

Economic policy in Nigeria like any other country is composed of fiscal policy, monetary policy, trade policy, exchange rate policy and sectoral policy. Industrial policies instruments include trade, investment (domestic and foreign), tax, finance, labour market, and technology policies. Fiscal policy is formulated and implemented by the FMOF. On a yearly basis, the FMOF issues fiscal policy measures that must be followed in line with regional and international trade relations. The issuance of these fiscal measures is sometimes associated with delays. The determination and review of fiscal policy measures is undertaken by the “Tariff Technical Review Committee”, with membership drawn from the Office of the Secretary to the Government of the Federation; FMOF; FMITI; Federal Ministry of Agriculture; Raw Materials Development Council; Nigerian Customs Service; Central Bank of Nigeria (CBN); and the MAN.

The CBN formulates and implements monetary/credit policies and exchange rate policy through its Monetary Policy Committee. Industrial and trade policies are anchored in the FMITI, while other sectoral policies are handled by Ministries in charge of respective sectors. In this context, though industrial policies are anchored by the FMITI, however, some of the component policies of industrial policies like tax, labour market and technology policies are anchored in other Ministries. In the FMITI too, several departments and units are involved.

A major drawback in the policy implementation phase is the lack of coordination framework in policy directions, which underlies policy conflict, as well as the ensuing absence of proper coordination among MDAs and their respective sub-units. Persistent conflicts have characterised fiscal and monetary/exchange rate polices over time. When fiscal policy is expansionary, monetary/exchange rate would be restrictive or tight. Recently, we have seen high interest rate stance (high monetary policy rate) and tight exchange rate accompanying obviously expansionary fiscal disposition by the government.

In respect of coordination among MDAs, for example, in 2016 while the FMOF granted a number of manufacturing firms some fiscal reliefs as a way of boosting their operations and contributions to economic growth, the CBN on the other hand listed 41 items associated with these manufacturing firms as critical inputs as not qualified for foreign exchange. A clear case of working at cross purposes. There is also the problem of multiplicity of agencies involved in implementing particular policies thus leading to conflict of interest and confusion. Sometimes policies are completely not implemented and when implemented not according to the intents and letters of the policies. In other words, policies are either miscarried or out rightly aborted.

Thus, over the years, there have been so many beautiful policies formulated by successive governments covering industry, agriculture, health, education, poverty reduction, etc. but not properly implemented or out rightly abandoned by successive government. It is instructive to note, therefore, that the problem is not much of policy formulation but that of proper implementation. This is rooted in the conflicting interest of the elite class who differ sharply in ideological orientation, self-serving interest and manipulation of the instruments of policy making to their advantage(s). Thus, constituting the gap or missing-link in the structure of public policy formulation and implementation in Nigeria.

## Part Six

# STAKEHOLDERS VIEWS ON ECONOMIC AND INDUSTRIAL POLICY FORMULATION AND IMPLEMENTATION

The academics opined that the 1st, 2nd, 3rd and particularly the 4th development plans, laid the cornerstone of Nigeria's industrial development. It was during these periods that the ICPs and assembly plants with deletion programmes were created. The ISI that constitute the first approach to industrial development was considered appropriate except that it started from the top (assembly) instead of the bottom (manufacture of components), and more so, given the institutional external politics of discouraging Nigeria into going into heavy industries. Even at that, the governments did not faithfully insist on and implement the deletion programmes. A major truncation of the development process and industrialisation was the abandonment of development programmes for prodigal privatisation (between 1985-1990), leading to the emergence of individualised policies in isolation of National Development Plans. It was said that sectoral policies do not work on their own. Thus, the abandonment of rigorous national and regional development planning was considered the bane of economic development and industrialisation in the country. This explains why despite recourse to alternative economic development ideology/strategy and approaches to industrialisation, the economic development and industrialisation agenda remain a mirage. The ideological leaning and/or approach to economic and industrial policy formulation is not the real issue, but being pragmatic and committed to a course. Accordingly, there is the conviction that there is no longer need for classical economic and industrial policies but rather a properly aligned and coordinated National Development Plan rooted in industrial management is what is required.

The call was, therefore, made for the amendment of the Fiscal Responsibility Act (2007) to make medium term planning replace the Medium Term Expenditure Framework (MTEF). It was argued that the MTEF is not a legislative act but an endorsement, which may and may not be implemented spiritedly by one administration and out rightly abandoned by another. The enactment of medium term plans and in a rolling plan system can make for stability and continuity which is a major attribute that is lacking in the policy formulation and implementation cycle over the years.

The **organised private sector** believes that economic and industrial policies formulated over time have good intentions and sense of economics in them, but only exist on paper and always reversed by powerful influential people, i.e. state capture by vested interest groups. Example was given of the instances of the 35% tariff on tyres but suddenly dropped, which made nonsense of the tyre industry and led to the forced relocation of both Dunlop Plc. and Michelin Plc. from the country. Other issues seen as challenges include the over bearing focus on oil business and less on agric-business, manufacturing, solid minerals mining, entertainment, information technology and others; disruptive technological development which change the ways things are done too quickly and frequently; the poor and unfavourable macroeconomic environment and the huge infrastructural deficits; heavy import dependency; conflicts among major policies categories – fiscal, monetary, forex, trade, investment, technology and labour market policies; seemingly lack of coordination among policy implementing MDAs;

regulatory bottlenecks arising from conflicts of mandate among MDAs, particularly, with respect revenue generation drive - in the process jeopardising standards and quality; smuggling of sub-standard manufactured goods into the country and counterfeiting problem; and too much focus on protection (imposition of bans and adjustments in tariffs) instead of promoting competitiveness amongst manufacturing firms in the country. Specifically, it is felt that the trade policy is not exactly what it should be because rather than concentrate on building competitiveness in the economy, there is a lot of emphasis on import restriction and exclusion from foreign exchange market on goods, but it has not been effective," the source said. So, there is a call for a review of the trade policy, particularly the import duty regime. In addition, it is advised that government should also relax some of the import restrictions; in that while it is considered good to put emphasis on locally made goods, but it should be a gradual move, otherwise the shock will be too much on the citizens in terms of the scarcity and costs of products.

There was agreement of opinions that the organised private sector groups are usually consulted (though not sufficiently) in economic and industrial policies formulation, but are never part of implementation. The MAN agreed to being deeply involved in the drafting of the NIRP, 2014 as well as membership of the Tariff Technical Review Committee. However, there was the admittance of limited quality and capacity on the part of the organised private sector to engage effectively on issues of policy concerns.

The ***bureaucrats*** attributed the failures of economic development and industrialisation, despite over 5 decades of general economic, sectoral and particularly industrial policies formulation and implementation, to the absence of political will by the leadership to implement policies (due to political interest conflicts), and systemic corruption in the system. It was stated that "there are good policies on ground but no political will to achieve intended national development objectives". Owing to these two factors, policies inconsistency and instability have become very pervasive as policies of a previous administration is easily jettisoned without critically looking at the underlying rationale. Other areas of failures, particularly with respect to industrial policy, include not looking at issues in a holistic manner; not critically examining the entire value chain; lack of continuity in policies; improper connection of industrial policy to trade policy and other sectoral policies- agriculture, technology, finance, solid minerals, etc.; and poor coordination among government agencies.

It was disclosed that the present administration has, unlike the previous experiences, decided to adopt the NIRP, 2014 of the previous administration, and it is making efforts to develop policies that would be aligned with it. However, a number of persistent set-back to industrial policy implementation that must be addressed were indicated. These include (i) the infrastructure challenge-power, transportation, roads, etc.; (ii) availability of raw materials; (iii) unnecessary influx of sub-standard goods from Asian Countries; (iv) competition policy to facilitate the growth of domestic firms, particularly, the SMEs; and (v) enforcement of intellectual property rights. To facilitate the formulation and implementation of a competition policy, it was advised that the contemplated Nigerian Trade and Competition Commission be established without further delay. Similarly, the establishment of Intellectual Prosperity Right Enforcement Commission be ensured to see to the enforcement and promotion of intellectual property rights.

The ***legislature*** is quite aware of their critical role for economic growth and development, and that the promotion and achievement of economic growth and development in a country is a product of both process and content of legislation. There is the awareness also that legislation facilitates accountability, transparency, certainty, competitiveness, continuous improvement, efficiency, innovations, integration, evidence-based decision making, and responsibility. They know that their influence over policy emanates from the functions of representation and expression of popular opinion, law making, control and oversight of the executive (including MDAs), and control of expenditure to ensure that government is held accountable to the people from where it derives its sovereignty. And when necessary enact bills emanating from the citizenry, its members or the executive into law or policies. Against the background of the impressive awareness of their role in enhancing the economic growth, development pace and path of the nation and the industrialisation agenda, the question was asked as to why they have not acted accordingly over the years. Instructively, leadership problem, political and selfish interests over national interest and corruption were indicated as the inhibiting factors. However, it was said that a lot of reforms and changes in the operational procedures, rules and regulations are being effected towards making the legislature contribute better and expectedly to the process of economic and industrial policies formulation and implementation in the country. Attention was particularly drawn to the fact that the current Assembly has refused to be a rubber stamp one, and hence the close scrutiny of proposals (MTEF, budget, policy stance, etc.) from the executive. In addition, public opinion is increasingly influencing the activities and actions of the Assembly.

The ***labour unions*** linked the inability to develop nor industrialise despite over 5 decades of economic/industrial policies formulation and implementation to a number of factors. These include policy inconsistency, lack of synergy among the different institutions of government, infrastructure (particularly energy), high interest rates on lending, inconsistent and unfavourable tariff regimes/smuggling/counterfeiting, low patronage of made in Nigeria goods, insincerity on the part of our leaders and lack of government support for industrialisation. It was observed the little gains recorded with the ISI in the post-independence era up till the early 80s were squandered by the devastating impact of SAP, and the unprecedented surge in foreign exchange rate at a time when the bulk of inputs of local industries were imported. The backward integration that resulted which would have released the industrial potential of the country was not sustained. Approaches adopted do not totally support industrialisation, and are without consideration for small and medium enterprises. Also, export led strategies of the 90s have not produced the desired results with unstable macro-economic environment, poor infrastructure and other operating challenges for local industries.

Specific successes that have been recorded with respect to economic/industrial policies over time include (i) the development of Nigeria Industrial Revolution Plan; (ii) the development of the Cotton, Textile and Garment (CTG) revised plan as well as other policies like the auto policy, but whose implementation has been a huge setback; (iii) establishment of Bank of Industry (BOI) and provision of single digit interest rate (though the funding capacity has to be expanded); (iv) patronage of made in Nigeria goods, and (v) suspension of Economic Partnership Agreement (EPA) as a step in the right direction. The specific failures are the abandonment of planning as a vehicle for development and the wholesale adoption of neo-liberal economic framework which has created serious setback for industrial development. Shortfalls in economic policy generally and industrial policies being pursued currently with regards to contents, formulation and implementation comprise weak involvement of critical stakeholders, lack of synergy between agencies of government, policy inconsistency and poor/weak policy implementation framework.
The labour unions have worked with other unions in the private

sector and CSOs over the last decade and half on policy campaigns and advocacy- campaign against smuggling and other trade vices, as well as engaging government and relevant agencies in suggesting possible ways of resolving economic crisis. Also, they have carried out sensitisation programmes to attract government's attention to the crises in the industry and suggested ways of addressing them. And in the present circumstance and dispensation, labour unions are convinced that their input as stakeholders is imperative in policy formulation and review. It is the opinion of the labour unions that the right economic and industrial policies directions to follow in the current circumstance should be to create a stable macro-economic framework, ensure the full implementation of the NIRP 2015 and CTG policy (2015), provide a structured regime of incentives for manufacturing industries, address the infrastructure gaps particularly electricity supply to industries, and ensure effective control of smuggling, counterfeiting and faking of made in Nigeria goods.

From the foregoing perspectives of key stakeholders and analysis conducted so far, and in summary, the spoilers of economic development and industrialisation agenda are the elite/interest class, political leaders and the bureaucrats through (i) state capture and policy process corruption, (ii) lack of political will, (iii) systemic corruption, (iv) inconsistent policy- the absence of a consistent and coherent strategy, (v) policy coordination problem among government agencies, and (vi) improper and ill motivated implementation of policies.

## Part Seven

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 7.1. Summary

The study has shown through historical cum evidence-based analyses that the quest for economic development and industrialisation in Nigeria remain yet unattained despite over five and half decades of attempts. The picture is clear, the causes of the failures are known and the political economic considerations that have shaped and defined economic, industrial and other sectoral policies formulation and implementation have been explored. The gap or missing-link in the structure of policy formulation, implementation and coordination have been highlighted. Very instructive too is the convergence of perspectives among key stakeholders on the spoilers of economic development and industrialisation agenda and the channels of spoilage. All of these offer important lessons for further efforts.

### 7.2. Conclusion

Based on the foregoing, the conclusion from this study is that to make success of the attempt towards economic development and industrialisation agenda of the country requires a renewed, pragmatic and disciplined approach. The next section contains some suggestions for consideration.

## 7.3. Recommendations

On the basis of the analysis and the conclusion reached, the following recommendations are proffered:

**To the Nigerian Government:**

(I) Create a stable macro-economic framework/environment;

(ii) Direct the economy along the line stipulated in section 2(a) of the 1999 constitution as amended by returning the country to the path of conscious planning.

Necessary legal initiatives for the amendment of the Fiscal Responsibility Act (2007) to make MTDP replace the MTEF (which is not per se a legislative act but a mere endorsement) are required. This legal initiative will henceforth insulate present and future development plans and policies from changes in political leadership at all levels as well as eliminate the prevalence of abandoned projects;

(iii) Facilitate the establishment of the contemplated Nigerian Trade and Competition Commission (NTCC) and the Intellectual Property Right Enforcement Commission (IPREC);

(iv) Institute and promote public-private interface to prevent the manipulation and undermining of the economic development/industrialisation agenda.

Public-private interface will help ensure that henceforth government/state interventions of whatever modes are the products of the consensus reached through an inclusive process of intensive formal and informal consultations, discussions and interactions among the socioeconomic groups/interests and/or stakeholders' in an atmosphere of mutual trust, respect and sincerity of purpose. By this, interests and institutions will be aligned and industry will get promoted;

(v) Make strategic and pragmatic state investment in people, science and technology- to promote and support the development of world-class indigenous private and public sector operators, organisations and institutions which are able and ready to partner with their foreign counterparts to their mutual benefits and complementthe national development agenda;

(vi) Demonstrate necessary political will and commitment to good governance (responsible, responsive, transparent, participatory and accountable, etc.) towards maximizing the welfare of the citizenry as a matter of high priority;

(vii) Create and maintain a competent, highly motivated and professional bureaucracy- to develop the ability and have necessary authority to carry out all development policy activities, including formulating sound policies and programmes and vigorously and pragmatically implementing them;

(viii) Encourage the character of the arrangement and framework for Cement and Fruit Juice productions in other areas/sub-sectors;

(ix) Provide a structured regime of incentives for manufacturing industries on a sector- specific basis and allow each sector to run its course under an institutionalised arrangement;

(x) Address the infrastructure gaps particularly electricity supply to industries;

(xi) Ensure effective combating of smuggling, counterfeiting, faking of made in Nigeria goods and other trade malpractices;

(xii) Promote tripartite collaboration among the government, industry and academics

(xiii) Enact laws to commit government to policy continuity;

(xiv) Repeal extant industrial policies and laws that violate provisions of the constitution, and similarly all laws inhibiting industrial policy implementation should be subjected to regular review;

(xv) Ensure adequate security for lives and investment;

(xvi) Use the institution of cooperative societies to facilitate industrial development through access to low interest funds;

(xvii) Ensure the alignment of industrial policy formulation and implementation across national and sub-national levels of government;

(xviii) Promote the establishment of industrial clusters across the economy for shared infrastructure, idea incubation, innovation, start-ups, and overall industrial development;

(xix) Promote the patronage of made in Nigeria goods by giving locally produced goods preference and entrenching it in the National Procurement procedure and process;

(xx) Institute proper monitoring and evaluation mechanisms incorporating all interest groups for the implementation of policies on regular basis;

(xxi) Aggressive development of key selected mineral resources through backward integration especially those with high inter-industry linkages such as iron ore, zinc-led, bitumen, lime stone and coal; including selected agricultural produces for more industrial input supply from other sectors;

(xxii) Develop framework to capture businesses operating in the informal sector and transit them into the formal sector;

**To the organised Private sector:**

(i) Develop the capacity and raise the quality of their members and leaders to more effectively engage in issues of policy concerns;
(ii) Facilitate the accumulation of technological capability to improve their competitiveness for export production;
(iii) Participate actively in public-private partnership and investments in infrastructure;
(iv) Active involvement in policy formulation and review, as well as implementation.

**To Labour Unions:**

(i) Sustain and deepen collaborations with the public sector, private sector, labour organisations, CSOs and other interest groups in policy campaigns and advocacy;
(ii) Involve more strongly in policy formulation and review, as well as in the monitoring of the implementation.

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# APPENDIX I

**Table 1: Phases of Economic Development Ideology/Strategy in Nigeria**

| S/No. | Period | Economic Development ideology/Strategy | Thrust | Key Policy Focus |
|---|---|---|---|---|
| 1. | Pre-Independence | Capitalism | Promotion of the enabling environment for private commercial activities | • Liberal/Open Door Policy<br>• Private ownership of means of production<br>• Promotion of monopoly of the means of production by expatriates<br>• Commodity production and valorization (initial processing of raw materials with the object of removing waste matter, improving the quality, and converting the produce into a form that is easier to export)<br>• Monetization<br>• Facilitation and promotion of commercial banking<br>• Development Planning<br>• Industrial development |
| 2. | 1960-69 | Mixed Economy - Active Government Involvement with Soft Control | Transformation of the country into a modern industrial economy with high priority on rapid industrialization | • Fixed term Development Planning<br>• Industrial planning and programming for public sector development<br>• Government involvement in production activities<br>• Promotion of indigenous entrepreneurship<br>• Stimulate indigenous ownership and management of industries<br>• Fixed exchange rate/exchange control regulations |
| 3. | 1970-85 | Paternal State-Command and Control | Controlling the commanding height of the economy | • Fixed term Development Planning (1st National Development Plan (1962-68), 2nd National Development Plan (1970-74), 3rd National Development Plan (1975-1980) and the 4th National Development Plan (1981-1985)<br>• Integration of industrial development policies in the national Development Plan.<br>• Nationalization of the economy<br>• Indigenization of businesses<br>• Skill acquisition programme<br>• Government dominance in production activities<br>• Fixed exchange rate/exchange control regulations<br>• Investment in heavy industries-oil refineries, petrochemicals, liquefied natural gas, fertilizer, machine tools, aluminium smelting, textiles, iron and steel and motor assemblies-the so called Industrial Core Projects (ICPs) |

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| 4. | 1986-1999 | Structural Adjustment Programme | Reforms predicated on demand-management as a measure for curtailing fiscal and external imbalances with a restrictive monetary policy. | Rolling Plans<br>Abolition of the import licensing system in favour of a market-based foreign exchange allocation system<br>The level of fiscal deficit was not to exceed 3.5% to 3.7% of GDP per annum; to be backed by a restrictive monetary stance;<br>Deregulation of the interest rate<br>Rolling back the public sector and shrinking government involvement in production through privatization and commercialization of several public enterprises<br>General reduction in the level of import tariffs<br>Adoption of cost recovery measures in health care delivery and educational services.<br>Industrial Development<br>Flexible/floating exchange rate regime/ Guided deregulation |
| 5. | 2000-2015 | Free Market Capitalism/Liberalism | Promotion of private sector development | Privatization of public enterprise<br>Deregulation and Liberalization<br>Investment in infrastructure for development<br>Massive campaign for foreign direct investment<br>Focus on agriculture, industry/SMEs, services, oil &gas, and solid minerals sectors.<br>Promotion of Small and Medium Scale Enterprises (SMEs)<br>Industrial Development |
| 6. | 2016* | Free Market Capitalism/Liberalism | Promotion of private sector development | Economic Planning<br>Diversification of the economy through agricultural and industrial sector development<br>Import Restrictions<br>Devaluation and Forex Restrictions<br>Treasury Single Account (TSA)<br>Zero-based Budgeting Approach<br>Fiscal discipline and control<br>Widening the tax net<br>Improvement in institutional strength-war against corruption, improve government effectiveness and promotion of rule of law<br>Rebuilding of financial buffers sufficient to shelter the economy against prolonged period of oil price and production volatility.<br>Bailout funds for state governments<br>Encouraging foreign investment. |

**Source: Author**. *- A new party is in control of government after 16 years of unbroken rule by the previous party.

# APPENDIX II

Table 2: Chronological List of Industrial Development Policies 1952 to Date

| S/No. | Industrial Development Policy and Year/Period | Aim | Objectives | Contents and Implementation |
|---|---|---|---|---|
| 1 | Aid to Pioneer Industries Ordinance (1952) | To stimulate the establishment of modern industries | eliminate poverty; and create employment | Permitted the establishment of certain industries characterised as pioneer industries and offering income tax relief and protection for investments. Implemented till 1957/58 before it was replaced by Industrial Development income tax relief. |
| 2 | Industrial Development (income tax relief) Ordinance No. 8 of 1958. | Same | Same | Publication of a list of pioneer industries given a five-year tax-free holiday (counted in respect of only the years in which the company earned a profit). The exemption of tax on dividends distributed to shareholders during the tax holiday period. Repealed by an Act enacted in 1971 but with an effective date of April 1, 1970. Thereafter, it had only been amended once (in 1972) although over the years its implementation has tended to vary significantly. |
| 3 | Import-Substitution Industrialisation Policy (ISI) (First National Dev. Plan 1962-1968) | Protect local industries and stimulate indigenous entrepreneurship. Lessen over-dependence on foreign goods. Save foreign exchange | Increase local production of manufactured goods; Generation of employment; Preservation of the country's foreign exchange; Expansion of the Country's domestic market for goods locally manufactured. | Use of trade policy to provide effective protection to local manufacturing industries, through such measures as quantitative restrictions and high import duties. Many items were accordingly placed on import prohibition. Particularly, all |

This was never implemented by the immediate past administration that launched it. However, the present administration has adopted it for implementation. Operational policies/strategies are said to be under articulation.

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| | | | Lessen over -dependence on foreign trade; and<br>Save foreign exchange by producing those items that was formerly imported. | imports from Japan were placed under import license. Machinery and spare parts imports were restricted and exchange controls on the repatriation of dividends and profits were enforced. Restrictions were also applied on capital goods, spare parts and non-essential imports. |
| 4 | Import-Substitution Industrialisation Policy (ISI) (2nd National Development Plan, 1970-1974) | Protect local industries and stimulate indigenous entrepreneurship.<br>Lessen over-dependence on foreign goods.<br>Save foreign exchange | Promote even development;<br>Promote fair distribution of industries;<br>Ensure diversification;<br>Establish heavy industries; and<br>Design and promote indigenous manpower development in industry | Trade policy assumed a less restrictive stance, ostensibly because of demands necessitated by the post-war reconstruction. Thus, only items that were regarded as non-essential consumer goods were restricted, while tariff rates on raw materials were reduced and quantitative restrictions on spare parts, agricultural equipment and machinery were relaxed. Also, the |
| | | | | reconstruction surcharge on imports was initially reduced and later completely eliminated, while exchange controls and profit repatriation were also relaxed. |
| 5 | The Nigerian Indigenisation Policy 1972 and Nigeria Enterprises Promotion Act 1977 | Give Nigerians the opportunity to demonstrate the ability to assume ownership, control and management of a greater part of the nation's economy. | The transfer of ownership and control to Nigerians in respect of those enterprises formally wholly or mainly owned and controlled by foreigners;<br>create opportunities for the | There were 3 schedules. Schedule I comprises of enterprises exclusively reserved for Nigerians (advertising, public relations, assembly of radios and Televisions, bottling of alcoholic drinks, etc.). Schedule II specifies at |

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| | | | Nigerian indigenous businessmen;<br>maximise local retention of profits;<br>increase the level of intermediate and capital goods production;<br>ensure increased participation of Nigerians in the wealth of their nation; and<br>Create employment opportunities for Nigerians to ensure increased level of self-reliance in the supply of industrial output. | least 60% equity interest by Nigerians (banking, basic iron& steel manufacturing, beer brewing and clearing &forwarding). Schedule III stipulates at least 40% equity interest by Nigerians (fertilizer production, manufacturing of basic industrial chemicals, tobacco and alcohol). Establishment of the Nigerian Bank for Commerce & Industry (NBCI) and Nigerian Industrial Development Bank (NIDB) to provide the necessary financial support and encourage indigenous investors. The policy succeeded in creating confidence in Nigerian investors and increased Nigeria/Nigerian share of total western investment share, and comparatively the highest in Africa. Implementation challenges include administrative recklessness, mismanagement, corruption, policy reversal, favouritism, lack of proper monitoring and absence of strictly defined measures to deal with non-compliance. |
| 6 | Structural Adjustment Programme (SAP) 1986 | Overcome the weaknesses of and ineffectiveness of the earlier industrial policies. | Promote investment;<br>Stimulate non-oil exports and providing bases for private sector | Currency devaluations;<br>Real cuts and reorientation towards agriculture in the government budget |

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| | | | led development;<br>Promote efficiency of the Nigeria's industrial sector;<br>Privatisation and commercialisation of the economy towards the promotion of industrial efficiency; and<br>Develop and utilise local technology by encouraging accelerated development and use of local raw materials and intermediate inputs rather than depend on imported ones. | Reorientation of public expenditures in the productive sectors towards rehabilitation and maintenance;<br>Increased taxes on consumer goods;<br>Holding nominal wages fixed and/or raising them by significantly less than required to make up the effects of inflation;<br>Liberalisation of the import regime;<br>Substantially raising nominal producer prices for agricultural cash crops to limit real declines;<br>Reduced price controls;<br>Increased competition and flexibility in agricultural marketing;<br>Privatisation of government-owned assets and concentrated efforts to raise efficiency in remaining government institutions.<br>The implementation had controversial economic and social consequences. While the conditions imposed by the IMF caused a sharp deterioration in living standards, the developmental impacts of the SAP were slow. The impact on the productive sectors of the economy was mixed. Industry had to cope with the new regime as well as a slump in |

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| | | | | effective demand. Tariffs were cut on finished goods more than on intermediate inputs and raw materials, thereby reducing rates of protection and increasing competition with foreign producers. Industries with less dependence on imports (e.g. textiles) were less adversely affected. There were new investments in industries that relied on local raw materials such as the tanning of hides and skins and soya milk processing. Increase in the cost of imports and pressure by government had resulted in the rise of local raw material sourcing by industry from 38 per cent in 1985 to 50 per cent in 1988. The impact of the SAP on the export of agricultural produce was also remarkable. Cocoa exports rose significantly as producer prices soared. The tanning industry in Kano received new export-oriented investment, and the export of rubber also increased. |
| 7 | New Industrial Policy (NIP)1988 | To make industrial sector the prime mover of the economy | Provide greater employment opportunities through industry; Increase export of manufactured goods; ensure dispersal of | Promote increased private sector participation in the industrial sector; privatise and commercialise government holdings in existing |

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| | | | industries;<br>Improve technological skills and capability available in the country;<br>Increase local content, attract foreign capital; and<br>Increase private sector participation in the manufacturing sector. | industrial enterprises; serve as the catalyst in establishing new core industries; provide and improve infrastructures; improve regulatory environment; improve investment climate; establish a clear set of industrial priorities; and harmonise industrial policies at the federal, state and local government levels. Very instructive, this policy operated within the general framework of the Structural Adjustment Program (SAP), as such its implementation seized with the abandonment of SAP policy. |
| 8 | Trade And Financial Liberalisation Policy (1989) | Foster competition and efficiency in the financial sector | Foster competition among the domestic firms and between domestic import-competing firms and foreign firms with view to promote efficiency;<br>Reduction of levels of both tariff and non-tariff barriers;<br>Scraping of commodity marketing boards; and<br>Marketing determination of exchange rate as well as deregulation of interest rate meant to foster efficiency and productivity | Reduction in both tariff and non-tariff barriers, scrapping the commodity marketing boards and market determination of the exchange rate, easing of the conditions for licensing banks as well as the deregulation of interest rates. The NERFUND was set up in the same year, with the objectives of reversing some of the provisions of the Nigerian Indigenisation Policy and opening up the economy for foreign investors. It sought to address the financial constraints experienced by small and medium-scale entrepreneurs, provide the required resources to merchant |

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| | | | | and commercial banks to lend to small and medium-scale firms, and provide naira or foreign-denominated loans to firms. However, relaxing the conditions for licensing of banks and other financial institutions led to the proliferation of banks. This scenario brought distress into the financial system. Between 1994 and 2000, a total of 33 banks were liquidated (2 in 1994, 2 in 1995, 26 in 1998 and 3 in 2000). Most of the banks were liquidated as a result of fraud mismanagement, undercapitalisation and the country economic crises. The implication is that credit flows to the private sector declined, and the banks were forced into employing tighter control in their lending activities to the private sector. Also, trade liberalisation under SAP caused massive inflows of all sorts of finished foreign products (second-hand or sub-standard) into the country resulting in low patronage of local products. |
| 9 | Bank Of Industry (BOI) 2000 | Accelerate industrial development through the provision of term loans, | Making a considerable impact in terms of long term loans; assist in employment generation; | Provision of long-term loans, equity finances, and technical assistance to industrial enterprises. The BOI has |

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| | | equity finances and technical assistance to industrial enterprises. | Industrial dispersal and promotion of indigenous-entrepreneurship. | been commended for provision of single digit interest rate but the funding capacity has to be expanded. |
| 10 | Small And Medium Industries Equity Investment Scheme (SMIEIS),2000 | Promotion of small and medium enterprises, as vehicles for rapid industrialisation, sustainable economic growth and development, poverty alleviation and employment generation and acceleration of industrial development by radically increasing value-added at the value chain. | Increasing per capita income / output and initiating /constituting changes in the structure of business and the society through growth, increased output and employment opportunities;<br>Enhancement of Regional economic balance through industrial dispersal;<br>Easily adaptable to local technology;<br>Promotion of effective resource utilisation; | 10 per cent of the profit before tax (PBT) of banks to be set aside annually shall be invested in equity in small and medium industries. This will eliminate the burden of interest and other financial charges expected under normal bank lending. The scheme also includes the provision of financial, advisory, technical, and managerial support from the banking industry. It is still being implemented but with limited impact yet. |
| | | | Facilitate the flow of funds for the establishment of new small and medium investment (SMI) projects;<br>Develop and package viable industries with Nigerian entrepreneur;<br>Provide venture capital and management that would spearhead the restructuring and financing of the small and medium scale industries (SMI); | |

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| | | | and<br>Stimulate economic growth, develop local technology and generate employment. | |
| 11 | Nigeria Industrial Policy (NIP), 2003 | Accelerate the pace of industrial development | Radically increasing value-added at every stage of the value-chain, as government pursues knowledge and skill intensive production on the basis of available best practices. | Partnership with the private sector to sort out the problems of funding.<br>Bank of Industry (BOI) to lend to the industries,<br>Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) was set up to facilitate the availability of primary industrial inputs through the provision of medium to long term funds for agriculture and agro-allied industries. |
| 12 | National Economic Empowerment And Development Strategy (NEEDS) 2004 | The private sector was identified as the engine of growth. The private sector is the executor, investor and manager of businesses. While the government is the facilitator and regulator, helping the private sector to grow, create jobs, and generate wealth | Accelerate the pace of industrial development by increasing value added at every stage of the value chain;<br>Encourage forward and backward linkages in a few niches;<br>Provide enabling environment for private sector leadership;<br>Promote the establishment of efficient small and medium size enterprise sector to enhance sustainable economic development; and<br>Facilitate the development of an | Gradual liberalisation of the trade regime. Tariff rates were widely dispersed, ranging from 2.5 per cent to a maximum of 150 per cent, with a total of only 19 bands applied. Overall picture reveals mixed escalation, attributable to the high tariffs on agricultural commodities-which indicate a policy bias in favour of agricultural protection. A number of industries were also protected through positive tariff mechanisms, while several industries benefited from tariff exemptions and |

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| | | | industrial sector that is internationally competitive. | concessions on imports of inputs of raw materials.<br>Establishment of the Nigeria Investment Promotion Commission and establishment of Technology Business Incubation centres – to provide conducive environment for nurturing the start-up of and growth of new SMEs that are engaged in value-added and technology related manufacturing, etc. |
| 13 | National Integrated Industrial Development (NIID) 2007 | Address the problem of infrastructural decay and to focus efforts in addressing needs in the four industrial cities of Lagos, Kano, Aba and Port Harcourt. | Strengthen industrial governance and public private sector partnership;<br>Strengthening industry's institutional support base;<br><br>a cluster development initiative to grow the small and medium enterprises (SME's), using common facilities;<br>Environmental and energy;<br>addressing the challenges of low power generation and utilisation through rural renewable energy; and<br>Rural private sector agro-industrial development. | Industrial governance and public private sector partnership; Strengthening industry's institutional support base; a cluster development initiative to grow the SMEs, using common facilities: Environmental and energy; addressing the challenges of low power generation and utilisation through rural renewable energy; and Rural private sector agro-industrial development.<br>The Lagos, Kano, Aba and Port Harcourt industrial action plan was developed to address the problem of infrastructural decay and to focus efforts in addressing the needs of these four industrial cities. The framework also made a provision for the construction of one park in each of |

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| | | | | the six geo-political zones of the country to boost the development of SMEs. On-the-spot assessment of this policy has shown that it has not achieved much success. One of such failures is bureaucratic bottleneck in terms of policy implementation. For instance, the slow pace of work at various National Integrated power project sites is a clear testimony to the policy failure. Also, some proposed sites have become fallowed, prompting trespasses by local residents. Another problem is slow pace in the disbursement of loans meant for small and medium scale enterprises by banks. Lastly, the "cluster concept" conceived by this policy is only operational on paper. The designated industrial parks lack operational facilities such as adequate power supply; lack of good transport network; inadequate water supply for both human and industrial uses; lack of sewage system and so on. |

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| 14 | Industrial Park Development Strategy (IPDS) 2009. | A 'cluster concept" strategy aimed at driving non-oil growth through the creation of industrial parks and special economic zones. | Facilitate the development of industrial parks in designated areas with basic infrastructural facilities needed for establishing an industry; and<br>Make investment in the park areas more friendly and attractive. | Industrial parks were designed in areas with basic infrastructural facilities needed for establishing an industry, thus making such areas more investment friendly. Where the park is near the sea port, it can be made an export processing zone, thus allowing tenants to bring in machinery and raw materials free of duty, provided a certain percentage of the output goes back into export.<br>As fascinating as the 'cluster concept' seems to portray on paper, it is also beset by a number of possible challenges. One of such problems is the bureaucratic bottlenecks in the provision of basic physical infrastructures in the areas where industrial parks are located. These delays have obstructed both the taking-off process, as well as, the operational activities of such parks, which in turn overturned the intended objective of industrial development. Poor electricity generation and distribution is another problem that has strongly hindered industrial development in the country in recent times. The erratic power supply situation in Nigeria is far from being over, despite several efforts by the governments to solve it. |

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| 15 | The National Policy on Micro, Small and Medium Enterprises (MSMEs), 2010 | Provide support systems for improved access to credit information and technology transfer as well as capacity development towards fast tracking the industrial development of the country based on its endowed resource base | Enhance global competitiveness for Nigerian manufactured goods;<br>Expand gainful employment in the manufacturing sector;<br>Promote entrepreneurship and development of technical skills in the manufacturing sector;<br>Attain rapid and sustained growth of the economy and broaden the nation's productive base;<br>Encourage the development of innovative financing strategies that will facilitate manufacturers easy access to affordable long-term funds;<br>Promote geographical dispersal of industries, patronage of made in Nigeria products and increased sourcing of local raw materials; and<br>Encourage industrial processes that will promote environmental sustainability. | Create, nurture and promote the necessary conditions for the growth and development of MSMEs. The Policy is based on close partnership and cooperation between the various levels of government and community organisations on the one hand and private enterprises and business organisations on the other. It encompasses seven broad policy & programme areas as follows: Finance, Institutional, Legal and Regulatory Framework, Skills Development, Technology, Research and Development, Extension and Support Service,. Marketing and Infrastructure and Cost of Doing Business. Still being implemented but with limited success recorded yet. |

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| 16 | Nigeria Industrial Revolution Plan (NIRP), 2014[7] | Build Nigeria's competitive advantage, to broaden the scope of industry and to accelerate expansion of the manufacturing sector. | The objectives are to make Nigeria:<br>The preferred manufacturing hub in West Africa;<br>One of the top 2 manufacturing hubs in West Africa; and<br>The preferred source for supplying low and medium-technology consumer and industrial goods domestically and regionally. | A focus on labour intensive low and medium technology manufacturing; Building up core base industries that are essential for other more advanced industries to thrive later; Using the large Nigerian market demand to deepen industrial capacity of local firms, as a first step, before going regional and global; and Strategically using key manufacturing sectors as technology drivers of the economy. Not implemented yet. |
| 17 | National Enterprise Development Programme (NEDEP), 2014 | Create one million jobs annually by strengthening the existing MSMEs in the country, and making them employers of labour; and creating new and sustainable enterprises in the country. | Create 3.5 million direct jobs in 3 years;<br>Increase contribution to GDP to 54%;<br>Increase MSME export by 100%;<br>Reduce the formal–informal sector gap by 50%; and<br>Increase youth participation in enterprise | Strengthening Institutional Framework; Developing a revised national Policy on MSME;<br>Implementation of a robust delivery and monitoring structure; Increasing access to affordable finance;<br>Increasing access to markets;<br>Developing business development skills; Developing technical skills;<br>Promoting Youth Inclusion; and<br>Reducing High Operating costs. Not Implemented yet. |

[7] This was never implemented by the immediate past administration that launched it. However, the present administration has adopted it for implementation. Operational policies/strategies are said to be under articulation.

**Source: Author**

## AUTHOR'S PROFILE

Dr. Omo Aregbeyen holds a combined honours bachelor's degree in Educational Management and Economics, First Class, M.Sc. Economics and Ph.D. Economics all from the University of Ibadan, Ibadan. On account of his academic brilliance, he was a recipient of the Departmental and Faculty Prize for the Overall Best Graduating Student of his set during his undergraduate degree programme, and a visiting scholarship to the International Monetary Fund (IMF) between October-November, 2003, after his master's degree and before the completion of his Ph.D. Prior to the completion of his Ph.D., he commenced his career in academics and has taught/conduct researches in a number of leading universities and institutions in the country. Presently, he is an Associate Professor (Reader) and the Director Post graduate academic programmes in the Department of Economics, University of Ibadan, Ibadan.

Dr. Aregbeyen has taught courses at both undergraduate and post graduate levels in theoretical, quantitative and applied aspects. However, his teachings and research activities have focused more on Development/Public Sector Economics, Organizational Economics and Management. Many of his researches outputs have appeared in learned journals both locally and internationally. He has also served as a consultant/resource person in a number of commissioned studies/projects nationally and internationally, as well as national assignment(s). The major ones include: (i) Consultant to the National Institute for Legislative Studies, Abuja, Nigeria. January, 2016 till date; (ii) Preparation of the Bayelsa State Industrial Development Policy Document, commissioned by the UNIDO Regional Office, Abuja, Nigeria. 8th October, 2015-15th February, 2016; (iii) Review of 2016 Budget, commissioned by the National Institute for Legislative Studies, Abuja, Nigeria. January, 2016; (iv) Review of 2015 Budget, commissioned by the National Institute for Legislative Studies, Abuja, Nigeria. January, 2015; (v) Production of Oyo State Profile, Action Plan and Measurable Deliverables for the Ibadan Urban Flooding Management Project, commissioned by the Oyo State Government. November 2012 to September, 2013; (vi) Assessment Study on Counterfeiting and Smuggling of Manufactured Products in Nigeria, commissioned by the UNIDO Regional Office, Abuja, Nigeria. 1st August to 30th September, 2010; (vii) Assessment Study of the Impact, and Effectiveness of Girls' Education Project (GEP) in Nigeria, commissioned by the UNICEF (Education Division), Abuja, Nigeria 21st May – 27th June, 2008, (viii) Monitoring and Evaluation of Health System Development Project phase two (HSDPII) (co-funded by the World Bank and the African Development Bank) in the South West and South East of Nigeria, commissioned by the Federal Ministry of Health, Nigeria. 2006-2008; (ix) Training and Supervision of Officers of Federal Tertiary Health Institutions in Nigeria on preparation of a 5–year Strategic Plans for their institutions, commissioned by the Federal Ministry of Health, Nigeria. 2006; (x) Training Needs Assessment Survey for the National Bureau of Statistics, Nigeria. 2006; (xi) Awareness Survey on the Millennium Development Goals (MDGs) in Nigeria, commissioned by the UNDP, Abuja Office. 2006; (xii) Impact Assessment Survey of Enterprises that Benefited from UNDP Micro Credit Assisted Scheme in Nigeria, commissioned by the UNDP, Abuja Office.2006; (xiii) Niger State Millennium Development Goals (MDGs) Report Preparation Workshop, ccommissioned by the UNDP, Abuja Office and the Niger State Government. 2006; (xiv) Member of National Technical Working Committees for the drafting of the Vision 20:20:20 document for Nigeria; and (xv) Study on Economic Growth Drivers in Nigeria conducted by the Nigerian Economic Society (NES), commissioned by the National Planning Commission (NPC), The Presidency, Abuja, 2010.

He is a member of several professional organisations notably the African Economic Research Consortium (AERC), based in Nairobi, Kenya (served and still serving as a resource person on its research and training programmes), and the NES (served as a member of Council and the Business Manager and Training Programmes Coordinator).

**FES Nigeria**

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