

LEARNING TO COMPETE **NIGERIA SCOPING PAPER**

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Introduction

- Consists of basic import-substituting activities such as bottling, brewing, food and beverages, cement and building materials;
- Government's goal to increase manufacturing share to GDP from 4% in 2010 to 8% in 2015;
- To increase capacity utilisation from 54.67% to 65% in 2013;
- Reduce cost of doing business by 15% by 2015
- Increase access of 60% of manufactures to long term credit by 2015

History of Industrial Development in Nigeria

- Began with the first national development planning of 1962-1968
- the country embraced import-substituting industrialization (ISI)
- witnessed the commissioning of energy projects such as the Dams and Thermal Plants as vital infrastructural backbone for the nascent industrial sector.
- Other industrial infrastructure this period an oil refinery, a development bank and a Mint and Security company

History of Industrial Development in Nigeria

- ISI characterized by a high degree of technological dependence on foreign know-how
- Resulted in neglect of domestic factor endowments of the country.
- The Second National Development Plan (1970–74), attempted to address this limitations of the ISI strategy
- placed emphasis on the upgrading of local production of intermediate and capital goods for sale to other industries

History of Industrial Development in Nigeria

- first systematic effort to create an industrial structure linked to agriculture, transport, mining and quarrying;
- As oil boomed, the government embraced ambitious and costly industrial projects including iron and steel, cement, salt, sugar, fertilizer, pulp and paper among others
- witnessed a dramatic shift in policy from private to public sector-led industrialization.
- the limitation to industrial dev was not so much that of finance but dearth of human capital including techno-managerial capabilities and skills.

History of Industrial Development in Nigeria

- This birthed the indigenization policies of 1972 and 1977.
- The Third National Development Plan (1975 – 80) was launched in height of the oil boom
- Emphasis remained on public sector investment in industry, especially heavy industries.
- With easy access to foreign exchange, private firms chose investments in the light, low technology consumer industries which were heavily dependent on imported machinery and raw materials

History of Industrial Development in Nigeria

- The Fourth National Development Plan (1981 – 85) coincided with the onset of a global economic recession which sparked declining foreign exchange earnings, balance of payment disequilibrium
- As a result, the hugely import- based manufacturing sector was severely hit.
- Plummeting world oil prices and dwindling foreign exchange earnings left industries in need of foreign exchange to import new materials and spares.

History of Industrial Development in Nigeria

- This global recession exposed profound weaknesses in Nigeria's industrial structure and planning

Current Structure of the Industrial Sector

- The Nigerian economy experienced respectable growth in the first decade of political independence.
- In the period 1960-70, real gross domestic product (GDP) recorded 3.1 per cent annual growth.
- Similarly, real GDP grew by 6.2 per cent annually during 1970-78.
- Negative growth however surfaced in the early 1980s

Current Structure of the Industrial Sector

- More recently, real GDP grew by 6.27%, 7.57% and 7.38% respectively in 2009, 2010 and 2011
- The distribution of Nigeria's GDP shows the dominance of the primary sector, comprising agriculture and mining and quarrying (including crude oil and gas).
- At independence, the contribution of the primary sector to GDP was about 70 percent.
- This share however dwindled in subsequent years to 62.10 per cent and 55.68 per cent in 1977 and 1990

Current Structure of the Industrial Sector

- Indicating a sluggish transition from primary production to secondary and tertiary activities.
- The secondary sector comprising manufacturing, building and construction and manufacturing is least in terms of contribution to GDP in Nigeria;
- The contribution of the manufacturing sector over the period stood at less than 8 percent;
- In 2012, manufacturing contribution is about 4 %

Sectoral Group	1961	1966	1970	1977	1981	1987	1990	2003	2007	2009	2011
Primary Sector	70.54	69.68	66.99	62.10	58.40	60.25	55.68	68.36	61.92	58.44	55.30
Agriculture	68.88	66.95	49.45	30.10	28.37	29.24	22.99	34.62	42.02	41.69	40.2
Mining & Quarrying	1.66	2.73	17.54	32.00	30.03	31.02	32.69	33.74	19.90	16.75	15.1
Secondary Sector	9.67	12.55	16.15	13.05	12.14	12.60	9.04	10.51	9.24	9.05	6.2
Manufacturing	4.73	7.00	7.66	6.30	5.60	5.95	5.12	4.32	4.03	3.72	4.2
Building & Construction	3.30	4.95	7.77	2.90	2.83	2.87	1.78	2.70	1.72	2.01	6.2
Utilities	1.63	0.60	0.60	3.85	3.71	3.78	2.14	3.49	3.49	3.32	3.0
Tertiary Sector	19.79	17.77	16.86	24.85	29.46	27.16	35.28	21.13	28.84	32.51	39.0
Wholesale & Retail	19.36	15.40	13.56	14.21	14.17	14.19	8.68	12.92	16.16	18.14	19.4

Current Structure of the Industrial Sector

- In comparison, share of manufacturing in GDP: 27.5 per cent in Indonesia and Korea, 32.1 per cent in China, 17.5 in Egypt and 17.7 in South Africa in the period 2000-2010;

Foreign Ownership and Export Structure of the Nigerian Manufacturing Sector

Sector	% of firms	% of sales
<i>Foreign owned</i>	0.7	5.79
Textiles	0.00	0.00
Leather	-	-
Garments	0.00	0.00
Food	0.99	10.32
Wood & Furn.	0.00	0.00
Other Man.	1.47	7.43
Construction	0.00	0.00
<i>Exporting</i>	3.20	15.02
Textiles	14.29	8.66
Leather	-	-
Garments	4.93	10.81
Food	0.66	0.54

Table 3.4: Average Size of Firm

Sector	All firms	0-5 yrs	6-10 yrs	11-20 yrs	20+ yrs	Foreign owned	Exporting
Textiles	70	30	18	10	254		35
Garments	15	14	13	20	12		24
Food	31	23	29	30	64	54	69
Wood & Furn.	22	17	21	22	33		47
Other Man.	34	23	27	28	114	84	74
Constructio n	29	19	39	28	29		13
All sectors	27	20	24	25	67	70	50

Constraints to firm growth

- electricity outages, insecurity, transport bottlenecks, dearth of long term finance, crime and corruption constitute impediments to firm growth;
- Nigerian manufacturing firms suffers acute shortage of infrastructure such as good roads, portable water, in particular power supply;
- Electricity outages and voltage fluctuations are commonplace, causing damage to machinery and equipment.
- Consequently, most firms rely on self-supply of electricity by using generators, which escalates their cost of production and erodes their competitiveness relative to foreign firms

Table 3.8: Technology

Sector	Capacity Utilization	Email	Website
Textiles	67.29	21.43	14.29
Garments	66.75	14.00	1.79
Food	68.99	24.50	8.29
Wood & Furn.	66.14	15.44	5.15
Other Man.	67.18	29.67	12.09
Construction		26.42	9.43
All sectors	67.50	22.38	7.59
n	947	1,001	1,001

Table 3.9: Skills

Table 3.9:
Skills

Sector	Ratio of temporary to full time staff	Number of years of experience of top manager
Textiles	0.08	12.43
Garments	0.25	11.05
Food	0.14	10.06
Wood & Furn.	0.28	12.53
Other Man.	0.20	11.59
Construction	0.25	12.26
All sectors	0.20	11.18
n	1,001	1,001

Table 5.3: Labour Productivity

Labour productivity

Sector	All firms	0-5 yrs	6-10 yrs	11-20 yrs	20+ yrs	Foreign owned	Exporting
Textiles	6,875.42	5,300.88	5,804.72	12,133.06	5,144.80	-	7,750.00
Garments	4,057.15	4,332.93	3,770.24	4,203.23	4,422.74	-	7,776.41
Food	8,195.12	9,064.70	7,790.77	7,369.25	9,443.14	9,319.74	4,148.01
Wood & Furn.	5,509.95	3,516.15	4,687.69	7,121.76	7,213.07	-	14,358.5
Other Man.	8,547.93	6,544.65	8,251.15	9,664.62	11,290.19	22,063.1	17,745.99
Construction	15,058.42	9,969.51	19,219.17	10,636.61	21,806.84	-	30,046.15
All sectors	7,347.00	6,681.63	6,996.89	7,542.45	10,198.81	17,815.31	12,701.72

Table 5.4: Productivity Analysis in Nigerian Manufacturing Industry

Sectors	Value added (billin)	Capital productivity	TFP
Food	21.80	75.92	0.31
Garments	5.93	28.64	0.29
Textiles	26.20	34.98	0.33
Machinery and equipment	399.00	67.70	0.33
Chemicals	91.90	22.29	0.31
Electrical	424.00	65.05	0.30
Non-metallic minerals	71.90	53.38	0.34
Wood and wood products	37.90	52.31	0.31
Metals and metal products	18.80	31.59	0.30
Others	20.00	82.89	0.31

Emerging Policy Issues In Nigerian Industrial Policy

National Industrial Revolution Masterplan: Clusters

- The country is pursuing and promoting a comprehensive policy of cluster development in the manufacturing and processing industries;
- Industrial Parks are being created for large manufacturing companies to cover areas not less than 3, 050 square kilometres
- The Parks will be created based on geographical zones to focus on the development of resources in which each zone has comparative and competitive advantage

Emerging Policy Issues: Infrastructure

Power

- Simultaneous dev of hydro, thermal, solar and nuclear
- Unbundling of PHCN into 18 distribution coys,
- From 3,443 MW to rise 10,000MW in 2014 and 20,000 in 2016

Rail

- Rehabilitation of narrow gauge lines;
- Critical lines- Lagos-Kano; PH-Maiduguri have resumed passenger services/Haulage

Road

Construction of dual carriage ways, rehabilitation of major roads N120 billion spent in 2 years

I thank you