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REPORT ON THE

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**SECOND  
NIGERIAN  
ECONOMIC  
SUMMIT**  
**1995**

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**Report on the Second Nigerian  
Economic Summit**

# **Report on the Second Nigerian Economic Summit**

**3 - 6 May, 1995  
Abuja**



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# Contents

<b>Background</b> .....	1
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## **Section 1: Second Nigerian Economic Summit**

Setting the Context .....	4
Wednesday, 3 May 1995 .....	4
Thursday, 4 May 1995 .....	6
Welcome Address .....	6
Keynote Address .....	6
Government Perspective & Briefings .....	7
Non-Government Perspectives & Presentations .....	15
Discussion Groups .....	21
The Indian Experience .....	22
Friday, 5 May 1995 .....	23
The Malaysian Experience .....	23
The Nigerian Challenge .....	25
Saturday, 6 May 1995 .....	27
Closing Address .....	27

## **Section 2: 1995 Budget Implementation and Immediate Reforms**

Maximising Oil Revenues .....	29
Banking and Insurance Reforms .....	32
Improving Investment Climate .....	35
Basic Social Standards (Improving Living Standards) .....	42

## **Section 3: Medium Term Reforms**

Financial and Monetary Systems .....	49
Capital Markets .....	54
Fiscal Systems .....	59
Partners in Progress (Civil Service, Public/Private Co-operation) .....	64
Infrastructure .....	67
Education and Skills .....	73
Creating an Enabling Environment .....	76

Customs, Exports, Imports and Tourism .....	79
Privatisation .....	84
Debt Management .....	88
External Image and Support .....	92
Women's Participation in National Development .....	95
Petroleum .....	98
Agriculture and Agri-Business .....	103
Manufacturing and Distribution .....	105
Solid Minerals .....	109

## **Section 4: Long Term Strategic Visioning Process**

Creating the Future .....	112
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## **Appendices** .....

A. Programme of Events at the Second Nigerian Economic Summit	121
B. Africa's Economic Development in the Global Context: Focus on South Africa and Nigeria by Dr. Morley Z. Nkosi	127
C. Welcome Address by Pascal G. Dozie	140
D. Keynote Address by the Head of State and Commander-in-Chief of the Armed Forces, General Sani Abacha, mni, GCON	144
E. An Overview of the Economy and the Attainment of Policy Measures for Moving the Economy Forward - a joint presentation by the Honourable Ministers of National Planning, Finance and the Governor of the Central Bank	149
F. Investment Prospects in the Petroleum Sector by Chief Dan L. Etete	161
G. Untapped Opportunities in Solid Mineral Resources Development in Nigeria by Alhaji Muhammed Kaloma Ali	171
H. Feeding the People and Industry - An Agricultural Perspective by Alhaji Muhammed H. Gambo (Jimeta)	185
I. The Promotion of Small and Medium Scale Enterprises (SMEs.) and Non-Oil Export Drive as a Strategy for Nigeria's Economic Development - a joint presentation by Lt. General M. B. Haladu and Rear Admiral Isaac Areola	194
J. An Economic and Moral Alternative to the Present Monetary System by Messrs Lawrence K. Freeman and Uwe Frieseck	207

K.	Nigeria's Current Economic Reform Program. A Good Start on a Long Road by Messrs Thomas Hutcheson and Gianni Zanini	216
L.	Maintaining Oil Exports by Neil Blackburn	224
M.	Natural Rubber; A Nigerian Challenge by Alastair Campbell	231
N.	India's Economic Development by Adit Jain	234
O.	A Decade of Economic Reform, a Generation of Economic Opportunity: Malaysia's Vision 2020 and its Antecedents by Dr. Noordin Sopiee	242
P.	Economic Opportunities Facing Nigeria by Professor F. S. Idachaba	251
Q.	Question and Answer Sessions	270
R.	Vote of Thanks/Closing Speech presented by Pascal G. Dozie.	281
S.	Closing Address by the Head of State and Commander-in-Chief of the Armed Forces, General Sani Abacha GCON, mni	284
T.	Press Communique	287
U.	List of Participants	289

# Background

The "oil boom" of the mid-1970s has proven illusory and destabilising for Nigeria. Our economy has been in decline for over 15 years with lower GDP per capita today than in 1980. This stands in stark contrast to the enormous growth and rapidly improving quality of life enjoyed by many emerging nations throughout the world. The imperative for Nigeria to get our economic act together and join the prosperity of similarly, or even lesser, endowed nations gave birth to the concept of an annual Nigerian Economic Summit.

The concept was the creation of Chief E. A. O. Shonekan who, as Chairman of the Transitional Ruling Council, initiated the First Nigerian Economic Summit in February 1993. After a year's lapse, the Head of State, General Sani Abacha has propelled the Summit process forward by strongly supporting the Second Nigerian Economic Summit in May 1995.

The First Nigerian Economic Summit brought leaders from both the public and private sectors together to discuss Nigeria's economic problems and to formulate new strategies which would stimulate sustainable economic growth so necessary to improving the quality of life of all Nigerians.

Prior to the First Nigerian Economic Summit, the Structural Adjustment Programme (SAP), introduced in 1986, had gone some way towards addressing problems created by the "oil boom". However, while some moves had been made towards deregulating the economy and improving macro-economic policies, the benefits had been largely negated by a lack of fiscal discipline and failure to create the sort of enabling environment which would encourage the private investment necessary to achieve Nigeria's economic objectives.

A major factor contributing to the lack of real economic development has been the general failure to implement what have frequently been well articulated policies. There can be little doubt that, if the policies of the late 1980s had been properly implemented and fiscal discipline imposed, the economic benefits of the SAP could have been significant. Nigeria's problems had, of course, been compounded by the declining oil prices of the 1980s allied to the failure to develop non-oil exports, reactivate the agricultural sector and at the same time develop Nigeria's vast store of natural resources. Looming large over this economic decline was the spectre of a population growth rate which has demanded a significant related economic growth just to maintain the *status quo*.

It was in the light of this gloomy economic perspective that the First Economic Summit aimed at establishing an on-going dialogue between the public and private sectors in order to define priority economic issues and to formulate an Economic Action Agenda for Nigeria. The Summit, undoubtedly, created a sense of partnership between the two sectors as participants recognised that, while they may hold differing views on just how the objectives were to be achieved, there was complete unanimity as to what those objectives were - the sustainable development of Nigeria's economy. The First Summit resulted in the production of a detailed Report followed by an *Economic Action Agenda (EAA)*. The Report covered the proceedings of the Summit together with the recommendations of twenty-four discussion groups. The EAA detailed specific measures for immediate implementation as well as measures for both short and medium-term reforms - all of which were prioritised.

The momentum established by the First Summit was sustained by government's invitation to core group participants to reassemble in Abuja to discuss the structure of the 1994 Budget. This Pre-Budget workshop centred on the recommendations published in the EAA, the main thrust of which was the development of a deregulated free market economy. Unfortunately, the change of Government in November 1993 resulted in a complete about-turn in policy direction as the 1994 Budget introduced tight regulatory controls on exchange and interest rates while aiming for a balanced budget anchored on fiscal discipline and the abolition of deficit financing. As a result, plans for a 1994 Economic Summit were dropped.

By the end of the first quarter of 1994, it was becoming clear that the aims of the 1994 Budget were unlikely to be achieved. Capacity utilisation was falling, infrastructure was deteriorating, investment in the petroleum sector was declining due to outstanding cash-call payments, the real financial sector was in disarray while the manufacturing sector was having to fall back on the foreign exchange parallel market to meet its import requirements. Unemployment was rising as was inflation. The quality of life was clearly deteriorating. Inflows of foreign exchange diminished while capital flight increased and investors were leaving for better opportunities elsewhere.

By the end of the first quarter, the effective exchange rate was about N31 to the U.S. Dollar since the formal private sector was unable to meet its requirements at the official exchange rate of N22 to the U.S. Dollar. Extra Budgetary expenditure had not been brought under control thus fuelling inflation and making the achievement of macro-economic stability impossible.

By September 1994, the economy had deteriorated still further and was in deep recession, with an effective exchange rate of between N75 and N80 to the U.S. Dollar and interest rates between 45% and 60%. Non-oil exports had virtually

ceased while disinvestment had increased amid a worsening security situation in the urban areas. All this, in spite of the fact that the world economy was enjoying a period of steady growth.

Faced with the clear evidence of the failure of the 1994 Budget, Government reverted to the 1993 Economic Action Agenda as the thrust of the 1995 Budget. Government then took a number of extremely bold steps in charting a new economic course for Nigeria. The repeal of the Nigerian Enterprise Promotion Decree and the Exchange Control Act sent a very clear signal of Government's intentions, as did the introduction of the Autonomous Foreign Exchange Market.

In his 1995 Budget address, the Head of State, General Sani Abacha, made it clear that the new economic strategy recognised that free enterprise was the bedrock of a democratic political system and that the private sector should be the "engine" of the new economic initiative. He stated that Government should act as a catalyst by providing the enabling environment in which private sector initiatives could thrive and that the aim could best be achieved by the public and private sectors working together as "partners in progress".

Following his 1995 Budget address, General Sani Abacha actively encouraged the Nigerian Economic Summit Group to work with Government officials in organising a Second Economic Summit. He was personally involved in much of the preliminary planning which was organised and co-ordinated by Alhaji Aminu Saleh, the Secretary to the Federal Government, who also acted as host to the Summit.

The Second Economic Summit built on the foundation laid down by its predecessor. The First Summit had looked at the specific problems facing each sector and sub-sector and had recommended appropriate reforms and policy changes. The Second Economic Summit took these reforms and changes largely as given. Discussion groups moved ahead to focus on short-term, medium-term and long-term strategies with heavy emphasis on implementation. The Second Summit looked particularly at the 1995 Budget and the measures needed for its successful implementation. It then identified those areas which should be essential input into the 1996 Budget as well as the reforms necessary to improve the overall investment climate and foster medium-term economic development. Finally, the Second Summit attempted to identify a structure which would enable all Nigerians to participate in the development of a long-term vision for Nigeria's future - a future which would meet the aspirations of every Nigerian and act as a focal point for Nigeria's future social and economic planning.

## Section 1:

# Second Nigerian Economic Summit

*The Second Nigerian Economic Summit was held at the Nicon-Noga Hilton Hotel, Abuja from Wednesday, 3 May, 1995 to Saturday, 6 May, 1995. The Summit provided the opportunity for a reunion of leaders of the organised private sector, top level public sector officials and policy makers, members of the diplomatic corps and representatives of private development agencies and international institutions who had converged for the first time through the medium of the First Nigerian Economic Summit held between 18 and 20 February, 1993. The following is a summary of events and proceedings held at the Second Summit.*

## Setting the Context

Wednesday, 3 May, 1995

Dr. Morley Z. Nkosi spoke to the Summit participants on "*Africa's Economic Development in the Global Context: Focus on South Africa and Nigeria*" at the opening dinner hosted by the Chief of General Staff, Lt. Gen. Oladipo Diya, represented by the Honourable Minister of Finance, Chief Anthony Ani. Dr. Nkosi stated that, while presently the developed countries dominate the world economy, he sees a future scenario in which they would be over-taken by the economic growth of developing countries, led by the East Asian countries.

Unfortunately, he also believes that Africa's contribution to this re-orientation of the global economy would be negligible. He highlighted that globalisation of economic activity came through multi-national and trans-national corporations, assisted by developments in the sphere of communications. Dr. Nkosi emphasised the influence these corporations had over many African States and noted they were based largely in member countries of the Organisation of Economic Cooperation and Development (OECD).

Dr. Nkosi then argued the need for greater co-operation among African States. He reviewed the development of the Economic Commission for Africa (ECA), the Organisation of African Unity (OAU) and the production of the "Lagos Plan of Action" for the implementation of a strategy for economic development in Africa. This strategy emphasised the need for economic cooperation leading to economic



integration as a means of overcoming the vulnerability of individual states. However, Dr. Nkosi expressed doubts as to the capacity and ability of existing regional groupings to achieve their goals - particularly the Common Market for Eastern and Southern African States (COMESA).

Another major concern identified was that Africa's population growth rate, when viewed against economic growth estimated by the World Bank as "a meagre 3%" in 1995, tends to result in little or no growth per capita.

Africa's problems are further compounded by the frequency of internecine wars, endemic political instability, the debt burden, mismanagement and corruption as well as the effects of drought in many parts of the region. Dr. Nkosi stressed the unavoidable relationship between economics and politics, at continental, regional and national levels.

Turning to South Africa, he emphasised the disadvantaged life style of the majority black population pointing out that the richest 5% of the population, almost entirely white, own 88 % of all private property. He raised the dichotomy where over half of the population live below the poverty line while most of the white population lived in what was virtually a "first world environment". He then discussed South Africa's Reconstruction and Development Plan, with its aim of developing human resources while meeting basic human needs, and the problems facing its effective implementation. These centre on a growing debt burden and pressure for urgent action to improve the living conditions of the disadvantaged majority .

Dr. Nkosi then turned to Nigeria taking as his starting point an extract from a speech made by Late Chief Festus Sam Okotie-Eboh in 1962 when he was Minister of Finance. Chief Okotie-Eboh talked then of a vision of a new and prosperous Nigeria which would take its rightful place marching with the rest of humanity. Dr. Nkosi then briefly looked at developments in Nigeria since the 1962 speech and went on to compare the most recent budget plans of South Africa and Nigeria. He concluded by highlighting the need for both Nigeria and South Africa to develop their economies and their relationship with a view to contributing jointly to Africa's economic development. He identified several areas, common to both countries, which needed to be acted upon if the aim was to be achieved. Among these were the articulation of a vision for the future and the mobilisation of all resources to achieve the vision while nurturing democratic institutions and systems and retaining indigenous cultures and values. Both countries need to strengthen bilateral relationships and help to revitalise regional economic groupings in order to contribute to Africa's development as a significant player in the world economy.



Thursday, 4 May, 1995

## **Welcome Address - Pascal G. Dozie**

The Summit participants were formally welcomed by Pascal G. Dozie who recounted the experience of the First Summit held in 1993 and subsequent developments in the Nigerian economy partially attributable to the Summit process. These included:

- increase in refined petroleum product prices
- repeal of both the Exchange Control Act, 1962 and the Nigerian Enterprises Promotion Act, 1989
- establishment of the autonomous foreign exchange market with minimum intervention by the Central Bank of Nigeria (CBN)
- proposal under the 1995 Budget for a major reduction, and indeed elimination of deficit spending coupled with completeness and transparency of the budget process.

Based on these developments, he provided insights into the Summit process in terms of the continuous reforms needed to attract investment flows, earn debt relief, open up the capital market, and eradicate distress and encourage competition in the banking industry. He enjoined the participants to build on the *Economic Action Agenda* (EAA) published in 1993 after the First Nigerian Economic Summit and the 1995 Budget message as reference points; to confirm the currency or otherwise of the recommendations in the EAA; to identify any new developments and matters arising; and to assess the level of implementation or non-implementation. The outcome of these efforts will be the development of an Economic Action Plan that will address immediate and medium-term reform measures and focus on achieving long-term development through visioning, long-term strategies and long-term investments.

## **Keynote Address - General Sani Abacha**

The Head of State and Commander-in-Chief of the Armed Forces, General Sani Abacha, GCON welcomed participants to the Second Nigerian Economic Summit which he considered to be another milestone in the efforts to develop public sector/private sector dialogue with the aim of reviving the national economy. The Head of State emphasised that his Administration recognised that free enterprise was the bedrock of a democratic political system and this had been confirmed by the removal, in the 1995 Budget, of numerous statutory constraints which had inhibited economic development.

General Abacha also reaffirmed that the private sector was expected to be the "engine" at the heart of Nigeria's new economic initiative and, for its part, Government intended to create the sort of enabling environment which would allow the private sector to flourish. A start had already been made through the repeal of the Nigerian Enterprises Promotion Decree and the Exchange Control Act, 1962. The need to sustain this momentum, to encourage both foreign and local investors, was acknowledged. To this end, the Second Economic Summit was expected to build on the *Economic Action Agenda* produced after the 1993 Summit to help to create a solid foundation for the development of medium and long-term strategies.

The need for the public and private sectors to develop mutual trust during the course of their dialogue was recognised as essential to the achievement of the common objective - namely, a prosperous society which would benefit all Nigerians and ensure that Nigeria plays its rightful role in the African continent and in the international community.

The need to exploit Nigeria's abundant natural resources, particularly in the solid minerals and agricultural sectors, was stressed and Government had already declared its intention to support the infrastructural needs of these vital sectors.

The Head of State made clear the resolve of Government to establish an enduring framework which would guarantee the political stability necessary for the nation's economic recovery and development - the first stage being the submission of the draft Constitution and the report of the Constitutional Conference.

General Abacha also stated that he "expects the private sector to respond by way of positive involvement through substantial investment and activities that will restore our international credibility. Our goals are the same, so Nigeria and Nigerians will be better off if we join forces, not only to talk, but also to act."

## **Government Perspectives and Briefings**

Briefings from Government Ministers started with a joint paper by the Honourable Ministers of National Planning and Finance and the Governor of the Central Bank. The paper, "*An Overview of the Economy and the Attainment of Policy Measures for Moving the Economy Forward in 1995*," was presented by Chief Ayo Ogunlade, the Honourable Minister of National Planning, who started by emphasising that the process of economic adjustment was a continuous process utilising the planning tools of annual budgets and rolling plans. He presented an overview of the economy and highlighted the fiscal and monetary measures, including the policy thrusts and modalities, for moving the economy forward in 1995 and beyond.

The unrealised hopes of the 1994 Budget were acknowledged with a decline in the rate of growth to 1.3% and an inflation rate exceeding 50%. A downward movement of interest rates affected the activities of the Open Market Operations (OMO) while fiscal operations resulted in a N70.8 billion budget deficit. The balance of payments deficit widened although the financing gap was narrowed by the deferment of some external debt obligations.

It was in the light of these problems that the 1995 Budget was based on objectives aimed at: reducing the fiscal deficit; eliminating or curtailing extra-budgetary spending; reducing inflation; improving capacity utilisation while expanding the productive base. All these are to be achieved by implementing a tight monetary stance and an intensive revenue collection drive while consolidating government revenue and expenditure to enhance accountability and transparency.

The Government's fiscal operations in the first quarter of 1995 gave a boost to the aim of achieving fiscal viability. A number of modalities to support the new economic thrust have been put in place. These include:

- monetisation of all dedicated projects
- accumulation of excess revenue resulting from price or exchange rate variation
- intensified revenue drive
- commercialisation/privatisation/contract leasing arrangements
- elimination of extra-budgetary expenditure
- attracting investment
- debt management
- restructuring government operations for better cost-effectiveness.

All dedicated projects have been monetised with proceeds paid into the Federation Account and national priorities including cash calls are to have first charge on the account. Excess revenue from differences in budget and official oil prices are to be utilised to boost foreign reserves, while Government's profit from intervention in the Autonomous Foreign Exchange Market (AFEM) is transferred into a special account. The revenue collection machinery has also been strengthened through the introduction of new measures and incentives while the developments in privatisation, commercialisation and leasing are expected to release government funds for use in socio-economic infrastructural developments.

The need to break the monopoly position of many parastatals has been recognised in order to improve the efficiency and supply of related goods and services involved. It is also recognised that the private sector should be the main "engine" for economic growth within the framework of a market economy. The repeal of the Exchange Control Act of 1962 and the Enterprise Promotion Decree of 1989 is

expected to improve the investment climate and other legislation hindering investments is also under review.

The need for an economic reform programme acceptable to the IMF and the World Bank has been recognised as a pre-condition for the much needed concessional debt relief. Government is developing such a programme aimed at reducing inflation and a guided deregulation of exchange and interest rates while developing the non-oil productive sectors. The aim is for an inflation rate of 15% and a growth rate of 3%. A variety of instruments will be used to achieve this aim.

Concern was expressed at the liquidity overhang but the use of stabilisation securities as a control factor will only continue as a temporary measure while the real cause is addressed. There was also concern at the possible consequences of freeing up interest rates. The intention will be for a gradual adjustment through specifying a maximum spread between maximum lending and deposit rates.

It was pointed out that the CBN and the NDIC were working hard to find solutions to the defaults and distress in the financial system with some measures already implemented.

In conclusion, it was emphasised that to be successful, the 1995 policy measures would require the full cooperation of all the players involved. For its part, Government would ensure that it strictly adhered to its borrowing requirement from the banking system and would also monitor the policy implementation to allow for appropriate fine-tuning in the course of the fiscal year.

The Honourable Minister of Petroleum, Chief Dan L. Etete, spoke on the *"Investment Prospects in the Petroleum Sector"*. He acknowledged the sector's pivotal role in Nigeria's economy and the need for foreign investors to maintain vigorous exploration and development programmes aimed at increasing oil reserves and production. Government also aims at developing the deposits of tar sand and expanding the use of natural gas.

The Minister outlined the incentives developed to encourage foreign investors and indigenous entrepreneurs and emphasised the increasing use of production sharing contracts. He also gave an assurance that Government would continue to make blocks available for exploration and highlighted the opportunities being created for investment in the service sector as well as in the development of tar sand.

Emphasis is also being placed on the development of gas as a fuel for the future and the incentives being put in place to encourage investment in that sector. It is planned that the Escravos-Lagos pipeline will be extended to the West African Coast to encourage gas utilisation and exploit commercial opportunities in the

sub-region through the cost savings offered by using gas as a fuel. These advantages could also be made available to the Lagos industrial community by the establishment of distributing companies.

The Minister went on to discuss progress in the Liquefied Natural Gas (LNG) project, following its take-off in 1989 - present estimates anticipate its coming on stream in 1999 when it should produce some 4.6 million tonnes per year for export. The project has provision for further development and will also create many subsidiary business opportunities.

The Butanisation Project aims at increasing domestic consumption of LPG in order to replace the use of firewood and free up crude oil and kerosene for export. LPG depots are being constructed in nine strategic locations to ease distribution problems. Private sector investment will be encouraged in a range of related activities including transportation, storage and the provision of necessary equipment. Government plans to establish guidelines to encourage investors while ensuring the standardisation of products.

The importance of development in the petrochemical industry was recognised. Once again, private investment will be encouraged and product fabrication will be left entirely to the private sector.

The use of natural gas as a substitute for gasoline as a vehicular fuel has been recognised. Investors will be welcomed in the production of cylinder manufacture and the establishment of filling stations. The utilisation of natural gas resources will be encouraged by the development of three Methanol/MTBE plants. Investors are being actively encouraged to take up the 34% equity still available in the first plant.

Developments in the refining, distribution and marketing of petroleum products were then discussed. He mentioned government's plans to lease the refineries and depots to private investors to eliminate annual cost of maintenance and enhance efficiency.

The Minister also highlighted investment opportunities in the transportation of Nigerian crude, after details to this effect are worked out by the Nigerian National Petroleum Corporation (NNPC) and the Nigerian Maritime Authority (NMA).

There are opportunities available for local industrialists to participate in the environmental elements of the oil industry generally and particularly in oil spill control.

Finally, the Minister re-emphasised the numerous investment opportunities in all the sub-sectors of the industry and government's determination to put in place a



conducive enabling environment to attract both foreign and local investors.

The Honourable Minister of Solid Minerals Development, Alhaji Muhammed Ali Kaloma, briefed participants on the "*Untapped Opportunities in Solid Minerals Resources Development*". He noted that out of the 34 minerals available in Nigeria, only 13 are currently being mined. These are coal (which has a 15 million tons p.a. worth at \$1 billion export potential), kaolin, barytes, limestone, dolomite, feldspar, glass sand, gemstones, gold, iron ore, lead/zinc, tin and gypsum. The other 21 minerals, though in high demand, are yet untapped. On this basis, Alhaji Kaloma identified the business opportunities in solid minerals in Nigeria as including:

- prospects for exports and use in domestic industries;
- emergence of new industries and downstream product development;
- provision of employment for Nigerians especially in the immediate community where the minerals are found;
- technology transfer and development; and
- infrastructural development in the rural areas.

According to the Minister, the main thrust of government policy on solid minerals development will be to facilitate and encourage both foreign and indigenous investors to enable Nigeria attain self sufficiency in mineral production and produce surplus for export. In this regard, Government will inter alia, review the obsolete mining laws and regulations to attune them to the realities of modern times.

The Honourable Minister of Agriculture, Alhaji Muhammadu H. Gambo (Jimeta) spoke on "*Feeding the People and the Industry - An Agricultural Perspective*". He pointed out that agriculture provides employment for 70% of the Nigerian labour force and over 38% of the gross domestic product. In recent years, the estimated growth of food production is of the order of 4% to 5% but projections suggest that, by the year 2000 unless a minimum growth of 5% is achieved, only 81.5% of the nation's food needs will be met. For this reason, Government has set a target growth of 7.5% under its Economic Recovery Programme.

The benefits of the increase in trans-border trade in agricultural products were acknowledged as a further stimulus to higher production, but the pressing need to reduce the food import bill in the African continent was also recognised. It was pointed out that some other countries invest as much as 30% of their national budgets in the rural sector.

The commitment of Government to its agricultural development programme was stressed as was its view that this development should be led by the private sector with Government merely playing a facilitating role. It is intended that appropriate

assistance will be provided to Nigerian farmers with the aim being to use intermediate technologies to save labour while improving productivity and reducing post-harvest losses.

Nigeria's food supply and consumption of animal products in kilo-calories of energy per day was considerably less than that in other developing countries, although the position was dramatically reversed in the consumption of starchy foods. There is a need to develop adequate food reserves and an effective warning system if large scale distress in periods of food shortage are to be avoided.

Although there are 650 major agro-allied industries in Nigeria, they are presently operating at less than 30% of installed capacity. Much of the backward integration in the sector encouraged during pre-SAP days has now virtually ceased although a number of manufacturers have embraced the "outgrowers scheme" and have also established links with Producers Associations.

Reference was then made to the *Economic Action Agenda (EAA)* and its guidance in the Agricultural Summit held in December 1993. The Minister was able to show many instances where the recommendations of the EAA had already been acted upon by Government. In particular, the National Agricultural Forum which was held in Abuja on the 23rd and 24th August, 1994, examined a number of incentives which would help to make agriculture profitable. Many of its recommendations were reflected in the 1995 Budget including, for example, the zero duty tariff rate on agricultural chemicals and a 5% tariff on a range of other agricultural imports. Action was also taken on the need for collaboration with private seed companies while the strategic grain reserve programme is also being actively pursued as is the commodity exchange programme. EAA recommendations on fertilizer procurement and distribution are also being considered by the Government following the completion of a report by international consultants.

A major study on the need to foster commercial agriculture has been completed and will be made available to investors. A programme for the promotion of eight industrial crops has also been produced.

The 1995 Budget and the Economic Recovery Plan aim to produce enough food and fibre not only to meet domestic needs but also to generate a surplus for export by inducing a growth rate of 7.5% in the 1995 cropping season.

The Economic Recovery Plan is to be private sector-led with Government creating an appropriate enabling environment to make investment in the sector profitable.

A paper was presented in two parts entitled "*The Promotion of Small and Medium Scale Enterprises (SMEs) and Non-oil Export Drive as a Strategy for Nigeria's Economic Development*". The Honourable Minister of Industries, Lt. General M.

B. Haladu discussed the promotion of small and medium-scale enterprises while the Honourable Minister of Commerce and Tourism, Rear Admiral Isaac Areola, covered the non-oil export drive as a strategy for economic development.

The Minister of Industries pointed out that experience had shown that industrial development provided the brightest hope for the generation of sustained growth, employment, improved savings and investments and economic development generally. Nigeria needs such development given that our per capita income remains less than the average for low income economies. A comparison between Nigeria's per capita income of \$340 and an average of \$21,050 in high income economies makes the point more than adequately. It is thus essential that policies and strategies are designed to ensure the development of an efficient, competitive and diversified industrial system.

In the 35 years since independence, the contribution of manufacturing and craft to the GDP has only moved from 4.8% to 11%. The structural defects inherent in the industrial sector were not evident until the end of the oil boom in 1982 after which the sharp decline in the availability of foreign exchange highlighted the import-dependence of the sector.

The introduction of the Structural Adjustment Programme (SAP) in 1986 recognised the role of the private sector in the industrial process and attention was centred on small and medium-scale enterprise development. This was done through the introduction of a number of processes and structures aimed at assisting the entrepreneur and private sector-led development. Credit lines were made available through World Bank assistance and the establishment of NERFUND while the mandate of the Nigerian Industrial Development Bank (NIDB) was expanded. Other measures included the establishment of the National Directorate of Employment (NDE) as well as Peoples Bank and Community Banks to assist cottage industries and small-scale enterprises. Commercial banks were also required to make available to SMEs 20% of loanable funds. Other incentives were provided to encourage training and extension services while the Raw Materials Research and Development Council (RMRDC) encouraged the development of local raw materials. Other measures were introduced to simplify investment procedures while a number of bilateral investment protection agreements were also signed.

While these measures did result in some improvements, much still remains to be done in the areas of information and data gathering as well as planning and access to credit. Infrastructural facilities should also be provided to assist in the establishment of SMEs.



The establishment of a Small Industry Development Agency of Nigeria and an Industrial Data Bank will go some way to encouraging such developments as well as increased assistance from the appropriate international agencies such as the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO).

The Minister of Commerce and Tourism, Rear-Admiral Isaac Areola focused on the role of Government and incentives being administered by the Nigerian Export Promotion Council (NEPC) to promote non-oil exports and to reduce the cost and risk of export activities in Nigeria. These are:

- Export Development Fund
- Export Expansion Grant Fund
- Export Adjustment Scheme Fund
- Duty Drawback/Suspension Scheme
- Pioneer status
- Capital assets depreciation allowance
- Tax relief interest income
- Rediscounting of short term bills
- Retention of exports proceeds
- Export Credit Guarantee and Insurance

Other measures being taken by Government to facilitate export activities include:

- The development and promotion of Nigerian export commodities. For this purpose, the Export Commodities Coordinating Committee (ECCC) has been reconstituted to encourage the formation of National Commodity Associations such as for cocoa, rubber, cotton, palm produce and ground-nuts and disseminate trade information from international commodity organisations' meetings.
- Establishment of Export Processing Zones Scheme. The Scheme offers highly favourable investment and trade conditions to promote export oriented industrial development and also stimulates local industries to engage in the processing of raw and semi finished products as inputs for firms operating within the zone.
- Establishment of the Nigerian Export-Import Bank to provide a combination of credit facilities and export facilitation services in support of the realisation of the overall objective of increasing the volume and value of Nigeria's non-oil exports.

Regarding tourism, the Honourable Minister noted the establishment by the Federal Government of the framework for effective administration of the tourism

industry through the Nigerian Tourism Development Corporation. The main thrust of the National Tourism policy is aimed at:

- generating foreign exchange and employment
- encouraging even development
- promoting tourism based rural enterprises
- accelerating rural-urban integration

The implementation of the policy through appropriate strategies and guidelines entailing the involvement of the private sector has led to the upgrading of the major tourist centres in the country and the internationalisation of some major Nigerian festivals.

The need for the full implementation of the Industrial Master Plan was emphasised in order to develop not only the domestic market but also the export market so as to increase our foreign exchange earnings. There is also a need to invest heavily in the Export Processing Zone (EPZ) in order to reduce Nigeria's debt burden and ultimately to enable Nigeria to attain membership of the Organisation for Economic Cooperation and Development (OECD) in the next 20 - 25 years.

In his concluding remarks, the Honourable Minister noted with regret the continuous decline in non-oil export receipts in spite of the impressive array of incentives and programmes in place. He therefore called on the private sector to rise to the challenge and exploit the available opportunities to ensure a sustainable export development and growth for the nation.

## **Non-Government Perspectives and Presentations**

*Four presentations were made by representatives of non-governmental organisations, multilateral institutions and private sector companies. These provided different perspectives on issues relating to the Nigerian economy.*

Mr. Lawrence K. Freeman of the Executive Intelligence Review presented a paper written by himself and Mr. Uwe Friesecke of the Schiller Institute on "*The Economic and Moral Alternative to the Present Monetary System*".

The paper argued that, for Nigeria to develop its full potential, it was necessary to study the deficiencies in the principles guiding the present monetary system. The argument was based on the premise that the global monetary system, dominated by Western banking systems, was in a state of collapse - the indicators being the dollar crisis and the problems facing Lloyds of London. It suggested substantive radical changes if immediate or near term financial disintegration, similar to that which affected Germany in the early 1920s, is to be avoided.

Whereas the USA was in a position to help Germany at that time, no such super-creditor exists today and thus the present crisis is even more dangerous.

Mr. Freeman suggested that the crisis originated with the death of President Kennedy and the introduction of policies which decoupled the monetary system from the "goods producing" economy. This resulted in a decline in per capita wealth even in developed economies which has brought the global economy to a point where it resembles a gigantic gambling casino. A quotation from a former British Labour Party Chancellor of the Exchequer suggested that only 2% of financial transactions are related to the production or the distribution of goods with the remainder financing speculation or debt. The speaker stated that only Lyndon La Rouche, the founder of the Executive Intelligence Review, had shown the willingness to address the full magnitude of the financial crisis which he compared to a cancer which has to be continuously fed until it has eaten all the healthy elements in the economy.

The recent problems in the derivatives market and in the Mexican economy as well as the bankruptcy of Orange County, California, in the United States, support the thesis of a monetary system in chaos. Particular emphasis was given to the Mexican problem and the impact of the Brady Plan as well as the failure of the IMF's Structural Adjustment Programme in Russia.

Reference was then made to Africa's debt problem, which more than doubled between 1980 and 1995 when some \$10-20 billion a year were paid in debt service. Debt service, when added to flight capital and negative trade balances, totalled some \$500 billion over the fifteen year period. Africa's debt service costs about four times the sum spent on health care in the continent.

Looking at the Nigerian problem, the paper argued that IMF conditionalities were at the root of the economic decline while the debt burden increased from \$7 billion in 1980 to close to \$30 billion in 1995. "Injustices of the world economic system" are seen as adding to Nigeria's difficulties. Urgent reforms are necessary including freezing of the existing debt structure; creation of national banks; investment in "hard" infrastructure projects including rail links, water resources for transport and energy systems. So also are massive technology transfers to the developing sector, including the peaceful application of nuclear technology and a revision of the world trading system to guarantee a "just" price for raw materials and a parity price for agricultural products. The resulting "New Just World Economic Order" must be based on respect for the sovereignty of the nation state which must have the ultimate responsibility for the welfare of its people.

The paper then argued the case for the 1994 Budget, the need for tariff protection to develop the domestic market and the warning not to concentrate on the export market at all costs. It supported the case for regulation and control of currency exchange rates and capital flows; a review of debt legitimacy leading to rescheduling and encouraging increased funding for the Petroleum Trust Fund. The case for funding infrastructure, social services and agriculture was also made together with a re-orientation of industry to internal and regional markets. The need for tight budgetary control and the return of flight capital were also noted. Caution was recommended when considering emulating the developments in the Asian economy, which it was suggested were developed on the basis of cheap labour and speculative capital and which have not, according to the hypothesis, resulted in a significant shift in employment from the rural-agricultural sector to the urban-industrial sector.

The paper concluded by reaffirming Nigeria is to develop its own economy based on the "New World Economic Order" postulated in the text.

The World Bank's Resident Economist, Mr. Thomas Hutcheson, in collaboration with Mr. Gianni Zanini, the Senior Country Economist, presented a paper on Nigeria's economic reform programme titled *"Nigeria's Current Economic Reform Program: A good start on a long road"*. They reviewed the position up to the 1995 Budget, then looked at the revised economic policy package before analysing the short and medium-term problems which need to be addressed if Nigeria is to receive the full support of the World Bank and related institutions.

As the emphasis on structural adjustment reforms diminished in the early 1990s and budget deficits increased, the Naira depreciated and inflation soared. As a result of this macro-economic indiscipline, World Bank support predictably reduced with no new adjustment operations and fewer projects. The problems were compounded by the Gulf War crisis and the resulting fiscal indiscipline and lack of transparency. Then, in 1994, instead of taking action to eradicate the root causes of the economic problems, a decision was taken to revert to a regulatory approach which resulted in a large year end budget deficit financed largely through Central Bank credits.

While the World Bank did continue with a small "core" lending programme in the area of poverty alleviation, other projects were being developed in the areas of health and education while implementation of a number of on-going projects continued. Indeed, some \$207 million were disbursed in the nine months to March 1995.

The Bank reacted favourably to the 1995 Budget, particularly with the introduction of the Autonomous Foreign Exchange Market and the repeal of the NEPD and the Exchange Control Act. However, concern was expressed at the maintenance

of negative real interest rates and the suspension of the privatisation programme as well as the limited progress in fiscal transparency and accountability. Nevertheless, there were encouraging signs at the end of the first quarter that macro-economic stability was possible although the short and medium-term reform programme would not be easy since the budget surplus was largely the result of deferred payments for work already completed. What was needed was a redefinition of priorities and the elimination of wasteful projects.

The issue of transparency has to be addressed by the publication of detailed information on economic performance and the cessation of dedicated accounts. In addition, the public expenditure programme should be rationalised with more emphasis on recurrent expenditures than capital projects. The public sector should also increasingly withdraw from those areas of the economy best left to the private sector while privatisation remains the preferred option - not leasing or commercialisation.

The constraints to private sector development need to be addressed, particularly erratic provision of infrastructure and mismanagement in the public sector. The real indication of an acceptable enabling investment environment will be the return of "flight capital" which will itself trigger other foreign investments.

Concern remains at the retention of the interest rate cap at a rate well below inflation and its effect on savings. Action is also necessary to resolve the issue of "distressed" banks and remove the "official" exchange rate to allow a competitive, unified market determined rate. There should also be consistency in macro-economic and structural policies - the proposed about turn on the privatised banks being a case in point.

The medium-term should aim at encouraging the private sector while improving the policy environment to encourage international support for the reform programme and the resumption of financial support. To achieve this, Nigeria will need to demonstrate a satisfactory track record in macro-economic stabilisation. The First Economic Summit resulted in an *Economic Action Agenda* which if implemented would do much to propel Nigeria into the ranks of the fast growing developing economies. The World Bank would be prepared to assist such an endeavour.

An address on the "*Major Issues in the Upstream Petroleum Industry*" was given by Mr. Neil Blackburn, the Managing Director and Chief Executive of Mobil Producing. It was emphasised that healthy sustainable growth in the oil sector could help Nigeria take its rightful place in the global economy. The oil sector is dominated by six major joint venture structures in which the Nigerian National Petroleum Corporation (NNPC) represented the Federal Government and Shell,

Mobil, Chevron, Agip, Elf and Texaco represented the private sector operators in the production of 97% of Nigeria's crude oil. Each joint venture operates under a Joint Operating Agreement (JOA) and a Memorandum of Understanding (MOU) with the JOA covering administrative arrangements, and the MOU, which was developed in 1986, the fiscal policy.

The decline in the industry since 1993 was then highlighted. The main reason for the decline was the failure of the NNPC to fund its share of agreed programme expenditure on the joint venture developments. The programme was aimed at expanding production capacity to 2.5 mbd and to achieve a reserve of 25 billion barrels of oil by 1998. The failure to meet the relevant cash-calls resulted in a decrease in development activities. While efforts to meet the current obligations were made following the 1995 Budget, payments have not yet been brought up to date and the confidence of the operators remains diminished.

A number of options to resolve the problem were discussed with the most easily implemented being to allow operators to lift crude oil to cover budgeted Joint Venture expenditures. An alternative solution would be for the establishment of Escrow accounts for oil proceeds from which NNPC Joint Venture expenditures could be met. It was also suggested that third party financing could be considered as a means of reducing Government's share of development costs - the financing to be secured through crude allocations after production had started.

The use of Production Sharing Contracts (PSC) and divestment were other options suggested to move the greater part of development costs to the private sector. It was pointed out that a reduction of only 9% in NNPC's equity interest in one company could earn \$2 billion and result in annual savings to Government of \$450 million while Government would still retain a 51% controlling interest in the company.

The welcome introduction of Petroleum Sharing Contracts (PSC) for new developments could be extended to some existing undeveloped blocks to Government's advantage since the PSC contractors would be responsible for costs which would only be recovered if the project proved successful.

It was also suggested that, while the introduction of the Reserves Addition Bonus had done much to encourage investment, improvements could be made to the MOU to ensure that guaranteed margins were not eroded by inflation and a plethora of taxes and levies.

Little incentive is presently provided by the 85% marginal tax rate but incentives could be introduced for companies reducing operating costs while cost savings



could also be made by allowing JV operators to lift and market all the crude with Government being paid on an agreed formula.

It was acknowledged that community disturbances resulted in significant loss of revenue and it was suggested that a possible solution could be to give the communities in the production areas a direct interest in maintaining production, such that the benefits of increased production were direct and obvious - perhaps through a direct royalty on every barrel produced.

Turning to the National Gas Policy, it was suggested that there was a need to extend the incentives to a range of gas based projects other than those currently in place for the NLNG and the NGL projects. This could be done within the framework of a more coherent national energy policy to encourage private sector involvement in all aspects of gas gathering, distribution, transportation and marketing in order to exploit this major natural resource.

In a paper titled "*Natural Rubber: A Nigerian Challenge*", Mr. Alastair Campbell of Michelin Nigeria Limited drew the attention of participants to Nigeria's great potential to be one of the world's leading producers of natural rubber. In 1994, Nigeria produced only 2% of worldwide rubber output (5.5 million tons) while 75% was produced by three Asian countries - Thailand, Indonesia and Malaysia.

The potential yield per hectare in Nigeria is greater than the yield in any other country in the world. Nigeria could take advantage of this potential foreign exchange earner by increasing the amount of land available for rubber production. Doubling the existing 250,000 hectares under cultivation is a reasonable objective. This would allow replanting of the trees and the replacement of older trees at a rate of 33,000 hectares per year for the next 15 years at the cost of \$50 million per year. The speaker projected that this investment (\$750 million over a 15-year period to the year 2010) would produce exports of 900,000 tons of rubber per year worth close to \$3 billion in foreign exchange earnings every year for ever.

To actualise this plan, the speaker urged Government to put the following imperatives in place:

- Make land more easily available with access made easier through upfront payment of compensation to landowners before land allocation is made to end users.
- Project financing schemes to assist small holders who have land, but no money.
- Market determined exchange rates and a stable macro-economic climate to assure investors of returns on their investments.

## Discussion Groups

After a brief introduction to the dialogue process by Mr. Adedotun Sulaiman, the Summit participants broke into 21 groups for brainstorming and discussions, which took all afternoon and into the evening.

The participants were divided into 21 discussion groups under the three broad classifications as follows:

- A. Short-term Actions required to successfully implement the 1995 Budget comprising groups 1 to 4 namely:
  - 1. Maximising Oil Revenues
  - 2. Banking and Insurance Reform
  - 3. Improving Investment Climate
  - 4. Basic Social Needs (Improving Living Standards)
- B. Formulation of a medium-term economic plan - groups 5 to 20:
  - 5. Financial and Monetary Systems
  - 6. Capital Markets
  - 7. Fiscal Systems
  - 8. Partners in Progress
  - 9. Infrastructure
  - 10. Education and Skills
  - 11. Creating an Enabling Environment
  - 12. Customs, Exports, Imports and Tourism
  - 13. Privatisation
  - 14. Debt Management
  - 15. External Image and Support
  - 16. Women's Participation in National Development
  - 17. Petroleum
  - 18. Agriculture and Agribusiness
  - 19. Manufacturing and Distribution
  - 20. Solid Minerals
- C. Definition of a long-term strategic visioning process.
  - 21. Creating the Future



## The Indian Experience

The day's programme was wound up by a dinner hosted by the Head of State, General Sani Abacha, who was represented by his deputy, Lt. Gen. Oladipo Diya, the Chief of General Staff.

Mr. Adit Jain of the India Economist Intelligence Unit spoke on "*India's Economic Reform*". He focused on the economic reform programme and the issues underlying its implementation. After independence, India's development followed socialist principles with public sector enterprises enjoying a monopoly position in core areas of the economy. The private sector was allowed to operate alongside Government in a "mixed economy" with the private sector also enjoying monopoly positions in some areas due to the system of licensing employed by Government. With over-emphasis on self-reliance, investment and trade were curtailed while the provision of health and educational services declined. Several import dependent industries were established in the expectation they would eventually reduce the reliance on imports. India borrowed extensively to fund its programme, resulting in a serious balance of payment problem by 1989. The economic difficulties were compounded by political instability and by the mid 1990s, economic growth was less than 1% while foreign exchange reserves were down to fifteen days.

Assistance was then sought from the IMF and the World Bank. A reform programme was agreed to move India from a command to a market-driven economy. The initial phase of the programme aimed at reducing Government interference while motivating the private sector in the areas of industry, commerce and finance. This was followed by the opening up of other key infrastructural sectors and the abolition of the former licensing policy, while at the same time, encouraging foreign investors who were allowed to take up to 100% equity in subsidiaries. This resulted in a dramatic increase in investment inflows which exceeded U.S.\$5 billion per year.

Government maintained these reform programmes in the face of a strong industrial lobby for protectionist policies. Indian companies were forced to restructure their operations in order to compete. Investment incentives made it easy for foreign companies to invest and India suddenly became an important destination for investment funds. The import and export policies were liberalised with import tariffs reduced from as high as 300% to an average rate of 30% to 35%. Meanwhile, licences were only required for consumer products but not for most capital goods, raw materials, intermediation and industrial products - even so the aim is to remove licensing altogether in due course. Exporters were encouraged through incentives and the trade deficit narrowed from \$4 billion to \$1 billion.

The withdrawal of trade barriers did not, as many sceptics predicted, cripple Indian industry. Indeed, the capital goods industry grew at more than three times India's overall industrial growth rate in spite of having to face the greatest competition.

India also moved to a market determined exchange rate following which the rupee has remained stable with the U.S. Dollar. The opening up of the communications industry has done much to change attitudes and values and to develop a consumer market. The overall reforms have created jobs and helped to develop a more diverse cross-section of skills.

India's new economic strategy has been sold to the urban middle class but must now be sold to the majority of the Indian people. It has, however, recognised that it is not enough just to produce the appropriate legislation to free a formerly regulated economy. A nation must have the will to implement the new policies and this requires a major change in the mind-set of the people. While India has identified what needs to be done and has made an excellent start in its reform programmes, it also recognises that much remains to be done if its ultimate goal is to be achieved. Nevertheless, given political stability and policy stability, economic reforms will be progressively put in place and government controls reduced such that a forecast economic growth of up to 7% per year should be achieved. During this period, increased attention will be given to the health and education sectors since sectoral development is imperative for sustained long-term growth, and foreign policy will be increasingly influenced by economic considerations.

**Friday, 5 May, 1995**

*The various discussion groups commenced presentations of their reports in the morning. This continued during the afternoon session after a presentation on the Malaysian experience by Dr. Noordin Sopiee. The group reports are contained in Sections 2, 3 and 4 of this Report.*

## **The Malaysian Experience**

Dr. Noordin Sopiee, the Director General of Malaysia's Institute of Strategic and International Studies, presented a paper on "*A Decade of Economic Reforms, A Generation of Economic Opportunity: Malaysia's Vision 2020 and Its Antecedents*". He stressed Malaysia's efforts to create a prosperous competitive economy through mobilising the Malaysian people behind ambitious, but realistic targets. In the 1960s Malaysia had a GDP growth rate of 5.1%. In the 1970s, which was the first decade of the new economic programme, the growth rate increased to an average of 7.8%. Although the recession of the 1980s saw the average fall to 6.3%,

the overall average for the twenty years following 1970 was 6.7%. The programme for the thirty years to 2020 aims at doubling the GDP every ten years so that by 2020, the GDP should be more than eight times greater than that of 1990. This calculation assumes a 2.5% annual population growth.

Dr. Sophee emphasised that Malaysia aimed at developing a competitive, dynamic, robust and resilient economy which could be sustained over the longer term. It should be diversified and balanced as well as being adaptable to changing demands. It should also be innovative, entrepreneurial and increasingly technology intensive while being sustained by the quest for quality and excellence. Its principal characteristic(s) should be low inflation and a low cost of living and be subject to the discipline of market forces.

Given that the Malaysian economy in the 1960s was in a far worse condition than that of Nigeria and, given that in the last six years Malaysia's GDP has averaged 8.7% with an inflation rate of only 3.6%, Nigeria could perhaps learn some lessons from the Malaysian experience.

Malaysia has now embarked on a thirty year programme (*Vision 2020*) to achieve full development but to do so according to its own values. This will involve all aspects of the economy as well as those socio-political factors which will encourage national unity and social justice. The plan envisages nine major strategic challenges: A united nation which is ethnically integrated; a nation proud of its accomplishments, respected by other nations and following the pursuit of excellence in all its endeavours; fostering a mature democratic society in a consensual, community oriented democracy; the establishment of a moral and ethical society, religiously and spiritually strong; a liberal, tolerant society uniting people of different cultural and religious beliefs; a scientific, innovative forward looking society; a caring society in a social system based on family values; an economically just society in which wealth is fairly and equitably distributed and, finally, a prosperous society with a dynamic and competitive economy.

Underlining all of Malaysia's economic development since the 1970s and remaining the bedrock of its future planning are the principles of a de-regulated free-market economy with the private sector acting as the "engine" of growth. It also assumes government's withdrawal from economic production and intervention and a commensurate downsizing of the bureaucracy. An accelerated industrial drive and continued privatisation linked to export led growth and the expansion of small and medium-scale industries are other key elements of the programme. The importance of both foreign and domestic investments is recognised by the emphasis on incentives and the creation of a welcoming enabling environment.

Other factors recognised as being part of the "winning formula" are the development of infrastructure and human resources - particularly the encouragement of

the entrepreneur - along with modern industrial and agricultural development, an information rich society with an active economic diplomacy programme and all Malaysians feeling part of Malaysia Incorporated. All of this to be underscored by tight control of inflation in a competitive exchange rate regime.

While Dr. Sopiie acknowledged that a direct comparison between Malaysia and Nigeria should be made with caution, he stressed that both countries had similar ethnic and religious concerns and both had essentially been agriculture dominated economies. He also recognised that the road ahead was not going to be easy but believed the developments in Malaysia during the past twenty years had been excellent preparation for the Vision 2020 plan.

## **The Nigerian Challenge**

The day's programme was wrapped up with a dinner at which Alhaji Aminu Saleh, Secretary to the Government of the Federation, was the Special Guest of Honour. Professor F. S. Idachaba, the Vice-Chancellor of the University of Agriculture, Makurdi spoke after dinner on the *"Economic Opportunities Facing Nigeria"*.

The need for socio-political consensus to support the basic thrusts of economic policy formed the basis of Professor Idachaba's thesis. He praised the Summit concept as a means of achieving this aim but acknowledged the problems created by political instability. He stated that the 1994 Budget had been a major setback but praised the 1995 Budget's acceptance of market principles and the need for private sector led growth with Government creating the appropriate enabling environment.

Professor Idachaba suggested there were two schools of thought on the approach to developing Nigeria's economic opportunities. The first of these believes that all that is necessary is the gathering of data and feasibilities on the investment opportunities and investors will clamour to come. The other argues that potential investors have already done their homework but are deterred by the political and economic constraints in the enabling environment. The Professor suggested that the latter case was, in fact, representative of Nigeria's present position and argued that Government should remove the political and economic constraints inhibiting investment rather than spend money developing "bankable investment proposals".

The priority of economic opportunities to be developed should be based on certain principles including; the need for national economic security; the maximising of value added; the development of local raw materials; job creation; the saving of foreign exchange; meeting basic needs; provision of national fiscal

security; environmental friendliness; human resource focused opportunities and the recognition of the potential of women.

He argued against government involvement in production and distribution activities which had encouraged layers of beneficiaries with purely self interests, who defend their position by arguing against the introduction of free market principles. There was praise for the repeal measures introduced in the 1995 Budget and emphasis on the need for the dismantling of still more laws and regulations constraining economic development. There was also a place for a relaxation of the regulatory controls in the capital market, particularly those affecting the movement of prices of securities, in order to encourage investment in the market.

The emphasis of Government should be on the provision and maintenance of infrastructural facilities both physical and social as well as the provision of macro-economic stability while creating an appropriate enabling environment to promote the efficient functioning of a free market. All these should be done while ensuring that basic needs for goods and services are satisfied and no geographic regime is disadvantaged.

Professor Idachaba then went on to look at the factors determining the delays in identifying an economic opportunity and its realisation. The conclusion is that there is a need for more public and private sector investment in research and exploratory technology. The delay factor resulting from the development of feasibility studies and the acquisition of finance were also recognised as well as delays in obtaining the various government approvals. The latter problem invariably presents the greatest delays, for private sector investments and urgent institutional action is necessary to remove the bottlenecks.

There is also a delay in the output of an investment and, in some cases, this could be many years. Thus, Government should divest from such projects which have utilised billions of Naira with no compensatory benefit to the development of the economy. Government should continue to pursue its privatisation programme while allowing the regulatory bodies to monitor its efficient implementation. In doing so, it should ignore narrow individual or sectoral interests.

Pervasive to economic development is the need for policy stability. This case is not helped when Ministers are changed with regularity - since 1993, there have been four Ministers of Agriculture, three Ministers of Finance, etc. while in Ghana, the Minister of Finance has been in his post for the past fourteen years.

Professor Idachaba concluded by arguing for a national consensus on an economic policy which could be generally sustained in spite of political instability. This would require the production of an Action Agenda which should be given mass circulation among all opinion leaders in the country.



**Saturday, May 6, 1995**

*Proceedings on the final day included four presentations by groups which focused on industries (see Section 3) and a presentation on Creating the Future by the last discussion group (see Section 4). They built on the Malaysian Experience and entitled their remarks - "Nigeria Plc - the Search for a Vision "*

*Mr. Pascal G. Dozie then gave a round-up of activities of the past two days and acknowledged the roles played by all participants, organisers, sponsors, support staff and all others who had contributed to the success of the Summit. This was then followed by the closing address by the Head of State, General Sani Abacha.*

### **Closing Address - General Sani Abacha**

In his closing address, the Head of State and Commander-in-Chief of the Armed Forces, General Sani Abacha, GCON congratulated Summit participants on their efforts to chart a viable course for Nigeria's future development and, particularly, for the spirit of "partners-in-progress" which had underscored the Summit proceedings.

He re-emphasised that government's role was the provision of a stable enabling environment in which the private sector could use its capital and know-how to move the economy forward to ensure optimum GDP growth while driving inflation down and generating investments to expand the productive base of the economy. It was also necessary to find solutions which would improve non-oil exports, upgrade all the country's social services and infrastructural facilities and, at the same time, ensure sustainable development.

General Abacha considers it obvious that we can learn from other countries and other success stories. But he believes Nigerians must come up with solutions that can work in Nigeria and for Nigerians. We need good, practical and workable ideas that Nigerians will support. Accordingly, we must build a vision and clear consensus among all competing interests to support programmes which improve the quality of life of our citizens. Our short, medium and long term vision must lead to concrete, achievable results.

While not wishing to prejudge the report of the Summit, he acknowledged that a consensus had already been reached on some critical issues such as: a thriving financial sector which would enhance industrial sector growth; an agricultural sector capable of supplying all the needs of the people and industries as well as an effective educational sector. Implementation of the Summit's recommendations would require bold decisions which would need to be understood and supported by all Nigerians as well as the international community. To this end, it was necessary that Government should analyse the recommendations carefully

if their implementation was to be assured and the real objectives achieved. The real work had, therefore, just begun and the initial focus would be on those measures necessary to the successful implementation of the 1995 Budget. The next steps would be the preparation of the 1996 Budget which should take care of the remaining recommendations of the Summit. Subsequently, the longer term issues would be addressed. Government was also determined to ensure that both time and resources would be committed to post-Summit activities to ensure that Nigeria and Nigerians derived maximum benefit from its deliberations. Given also the need for the private sector's support, he considers essential that frequent meetings should be held at all levels between both sectors to ensure the implementation of measures and the development of reform programmes.

In conclusion, he pointed out that Nigeria's economic development required the use of all available skills and energies. Participants were exhorted to ensure that their enthusiastic approach to the Summit was sustained such that the same zeal would be applied to the establishment and conduct of the next Economic Summit.

## **1995 Budget Implementation and Immediate Reforms**

*The 1995 Budget has been very positively seen by the private sector in terms of new concepts and a return to The Economic Action Agenda. Given past failures to implement sound policies effectively, there has been considerable interest in implementation and additional reforms.*

*This section therefore contains details of group reports/presentations focused on issues/recommendations relating to the implementation of the 1995 budget and immediate reforms based on issues identified and discussed during the group sessions.*

### **Maximising Oil Revenues**

#### **Introduction**

The group noted with serious concern the decline, in recent years, in activities needed to grow or even sustain oil producibility. Nigeria is on the verge of being unable to produce its OPEC quota allocation.

#### **Issues Discussed**

Five main issues were identified as crucially important and discussed extensively. The issues are as follows:

1. **Enabling Environment.** This issue centred on the plight of oil producing communities. The primary objective was to design programmes to ensure these communities genuinely believe they are stakeholders in Nigeria's oil exploration and production efforts. This process requires the best efforts of Government (at Federal, State and Local levels) and operators. A dedicated community assistance budget was proposed to develop oil-producing communities. Expenditures by operators for this purpose should be deductible expenses to encourage the process. Finally, the group agreed that environmental protection must become an important issue and serious efforts must be expended on preventing environmental pollution and degradation.



2. **Funding.** Funding of NNPC's share was identified as the most critical issue, today, in upstream operations. Timely and adequate funding will maximise on-going production capacity and facilitate increase in OPEC quota which is tied to production capacity.

To maximise revenue, it was agreed that the time between field discovery and production should be shortened and the range of well head products (such as NGLs, LPGs, and other downstream projects) should be commercialised.

3. **Efficiency/Cost Reduction.** Although the global competitiveness of the Nigerian oil industry was noted, the group felt upstream operations could benefit from more efficiency aimed at reducing production cost.

The issue of an optimal personnel input profile was discussed, especially the need to balance Nigerian and expatriate personnel.

It was agreed that surplus capacity should be encouraged in anticipation of an increase in Nigeria's OPEC quota allocation.

4. **Tax Computation/Accounting for Revenues.** The group emphasised the need for transparency in the computation of tax and accounting for oil revenues. It was felt that there was need to simplify the computation of Petroleum Profit Tax to ensure proper understanding. To ensure transparency, the group also emphasised the need for proper monitoring of the budgets and cash call claims of the oil producing companies by the appropriate government agencies. More importantly, there should be regular consultation between NAPIMS, DPR and Federal Ministry of Finance in respect of reconciliation of oil revenues. On the issue of crude lifting and pricing, the group agreed that there was need to ensure transparency in lifting to avoid the issue of alleged irregularities in loading and to consider other pricing options, the elimination of third party buyers in order to increase government revenue.

5. **Fiscal Policies and Agreements.** The group discussed the present fiscal policies and agreements exemplified by the Memorandum of Understanding, Joint Operating Agreement and Production Sharing Contracts. It was agreed that these policies and agreements have had substantial beneficial effects on the Nigerian upstream industry and should be maintained and allowed to run their full course to promote confidence and sanctity of duly signed agreement.

It was also noted that oil companies defined the economics of their investments based on existing policies/agreements and would be disadvantaged by random changes in policies.

Overall, the group felt increasing short-term revenues should not hinder long-term sustainability of production.

## Conclusions/Recommendations

On the basis of issues discussed, the group made the following recommendations:

1. **Enabling Environment.** Oil-producing communities should be involved in jobs and community projects. A community assistance budget, which is tax deductible to operators, should be approved. Finally, visible environmental protection programmes must be established and executed by operators.
2. **Funding.** The group called for timely funding of operations utilising, if necessary, cash call crude, escrow accounts or reduction in venture participation by Government.

The group also advised commercialisation of a wide range of well head products to provide a sound revenue base.

3. **Efficiency/Cost Reduction.** The group advised optimisation of production facilities by common utilisation and encouraged government to grant incentives to low cost producers. Finally, the group called for an optimal personnel input between Nigerians and expatriates to reduce operational costs.
4. **Revenue Accounting/Tax Computations.** The group urged NAPIMS and DPR to maintain the monitoring and reconciliation system in respect of budgets and cash call claims. This process will facilitate operational efficiency and prompt funding.

The group recommended simplification of Petroleum Profits Tax to allow easy understanding and computation.

Finally, it called for proper marketing of crude oil by Government to ensure optimal pricing.

5. **Fiscal Policies and Agreements.** The group advised that existing fiscal policies/agreements should be maintained and not changed because they have beneficially affected the upstream industry.

Finally, it advised that a long-term production strategy must be instituted to counter the risk of fixed OPEC quota.

## **Banking and Insurance Reform**

### **Introduction**

The group called for an urgent reform of the Nigerian banking and insurance systems because they have not met public policy objectives and have therefore not played a sufficiently important role in economic development.

### **Issues Discussed**

The six major issues discussed on this subject by the group are as follows:

1. *Inefficient financial intermediation by the banking system.* This has resulted in low level of deposit mobilisation caused principally by burdensome reserve requirement and inefficient customer services. There has also been over the years a decline in long-term lending and lending to priority areas whilst the payment system in the banking system remains inefficient due to poor communications and involvement of the Central Bank of Nigeria in clearing services.
2. *Instability of the banking system and consequent low level of public confidence.* This has been caused by the existence of many insolvent and illiquid banks. Moreover, the mode of entry into the banking industry is not orderly with an embargo on new banks and inability of foreign banks to set up wholly owned subsidiaries. Finally, interest and exchange rates are unpredictable because of frequent changes in policies.
3. *Inadequate protection against systemic risk and collapse.* This is due to a lack of authority given to regulatory authorities and the effectiveness of the agencies. The consequence is inadequate protection of depositors. The group also noted the high level of insider abuse in the banking system and the inability of regulators to deal promptly and effectively with these abuses. Finally, no level playing field for fair competition exists between commercial and merchant banks resulting in pressures on merchant banks.
4. *Underachievement of monetary policy objectives.* The group noted that inflation rate remains high, the exchange rate unstable with consequent adverse effect on Nigeria's balance of payments.
5. *Nonperformance of Development Financial Institutions in provision of long-term credit.* This is due to dependence on government guarantees, inefficient supervision and lack of professionalism.

6. **Underdevelopment and distress of the insurance industry.** This situation resulted from under capitalisation, ineffective regulatory/supervisory framework and poor management.

## Conclusions/Recommendations

To resolve the problems arising out of the issues discussed above, the group made the following recommendations:

1. **Inefficient Financial Intermediation.** To combat the low level of deposit mobilisation, the following were recommended:
- remove interest rate ceilings.
  - allow banks to determine level of investments in Treasury Bills and Certificates.
  - pay interest by CBN on cash reserve requirement.
  - improve customer service by banks.
  - reduce minimum liquidity ratio for merchant banks.

To arrest the decline in long term lending and lending to priority areas, the following were recommended:

- abolish selective credit allocation and put greater reliance on incentives to priority sectors.
- increase credit availability to private sector through avoidance of deficit spending.
- deregulate interest rate.
- lift ban on offshore guarantee for lending to priority sectors.

To strengthen the inefficient payment system, the following recommendations were suggested:

- private sector operation of retail banking and clearing services.
- improve communication facilities.
- enforce Dishonoured Cheque Act of 1977.
- rationalise letters of credit documentation.

2. **Instability of banking system.** To resolve the issue of insolvent and illiquid banks, the group made the following recommendations:
- effective enforcement of bankruptcy laws.
  - increase minimum paid-up capital for banks without recourse to Presidency.
  - remove restriction on maturity structure of merchant banks assets.

- trade stabilisation securities at market interest rates.

To ensure orderliness of entry into the banking industry, the group recommended the following:

- lift embargo on licensing of new banks.
- allow all forms of foreign direct investment in the banking industry.
- remove limit on percentage of ownership of bank shares by individuals and companies.

To ensure predictability of interest and exchange rates, the group recommended avoidance of frequent and unpredictable changes in monetary policies.

3. ***Inadequate protection against systemic risk.*** To ensure regulatory authorities have the ability to deal with systemic risk, the following recommendations were offered:

- grant significant autonomy to the CBN and NDIC.
- amend BOFID and NDIC Decree such that CBN retains the power to revoke bank licences and NDIC obtains all powers for bank distress and failure resolution management without reference to the Presidency.

To ensure adequate protection of depositors, the group recommended the following measures:

- strengthen regulatory / supervisory framework for all tertiary financial institutions.
- extend deposit insurance scheme to cover all deposit-taking institutions.
- intensify usage of information technology by supervisory authorities.

To ensure a level playing field between commercial and merchant banks, the group recommended lifting restrictions on the maturity structure of merchant banks' assets and prompt treatment of applications for conversion from merchant to commercial bank.

The group addressed the prevalent incidence of insider abuse in the banking industry and made the following recommendations:

- screen promoters before issuance of licences and periodically after commencement of operations.
- increase minimum paid-up capital.
- implement BOFID and the Failed Banks and Malpractices in Banks Decree strictly.

4. ***Under-achievement of Monetary Policy Objectives.*** To combat hyperinflation and ease balance of payment pressures, the group suggested that government should eliminate deficit spending financed by ways and means and deregulate interest rates.  
  
The group believes that instability of exchange rates should be tackled by reviewing the guidelines on foreign exchange risk management to relate open positions to capital base. The group also said private foreign exchange inflows from oil-related businesses should be sold to banks directly at market rate.
5. ***Development Finance Institutions.*** To address the non-performance of these institutions, the group made the following recommendations:
  - transfer responsibility for their supervision to either the Central Bank or the Ministry of Finance.
  - rationalise, streamline and merge operations of the various institutions.
  - operate development financial institutions as universal banks with minimal funding support by Government.
6. ***Insurance Industry.*** In order to revitalise this crucial industry, the group recommended better supervision by regulatory agencies and increase in share capital requirement. Furthermore, the group said the industry should be exempted from the value-added tax system with income tax relief on life policies increased substantially to encourage savings. Finally, it was recommended that foreign insurance companies should be allowed to invest freely in the insurance industry without any limit on equity participation.

## **Improving Investment Climate**

### **Introduction**

Investment is the cornerstone of the development of any nation. Major investments have eluded Nigeria in the past due to its adverse investment climate. The trend will continue unabated unless drastic steps are taken to improve the investment climate.

Investors, Nigerians and foreigners alike, are rational people who will invest only in an economy in which they have reasonable confidence and control over their investment returns. Investors are in business to make a profit and successful investors will contribute to the economic development of their host nation. By and



large, foreigners' enthusiasm and eagerness to invest in Nigeria will be influenced largely by visible evidence of investment by Nigerians in their economy, especially through the return of flight capital.

Investors consider a number of factors before making investment decisions, including:

- availability of a market
- stability of government policies (even if government changes)
- minimum bureaucratic interference
- ease of repatriation of dividends and legitimate earnings
- minimum investment risk (investment protection, agreements, country risk)
- legislation that facilitates business
- ability to control their investment
- tax considerations
- sound fiscal policies in terms of low inflation and stable exchange rate
- good infrastructural support
- security of life and property
- availability of skilled manpower

The globalisation of markets means that businesses are competing across international borders, especially with trade liberalisation. Nigeria could encourage investments, but only if it creates an investor-friendly environment.

## Issues Discussed

The key issues for improvement of the overall investment climate were identified as being:

- Legal Framework for Investment
- Incentives to Investment
- Nurturing Confidence
- Enhancement of Productivity

The issues were discussed against the background of the recommendations made at the 1993 First Nigerian Economic Summit, progress made so far in implementing the 1995 Budget and additional reforms required.

1. *Legal Framework for Investment.* The group acknowledged the repeal of the Exchange Control Act of 1962 and the Nigerian Enterprises Promotion Decree, 1989 but advocated the early promulgation of the replacement legislation or guidelines, the absence of which has created uncertainty in

the minds of would-be investors and other stakeholders in the economy.

The group also further identified other pieces of legislation which currently constitute impediments to foreign investment inflow:

- Exchange Control (Anti-Sabotage) Decree 1984
- Second Tier Foreign Exchange Market Decree
- Foreign Currency (Domiciliary Account) Decree
- Immigration Act
- National Economic Intelligence Committee (Establishment, etc.) Decree 1994
- Nigerian Enterprises (Issue of non-voting shares) Decree
- Industrial Development Co-ordinating Committee Decree
- Aliens Registration Act - which legislates against non-Commonwealth citizens
- Capital Gains Tax Act

2. ***Incentives to Investment.*** The discussion highlighted the need for urgent action in the following areas: improved port procedures, removal of bottlenecks in obtaining and renewing expatriate quota approvals, human resources development, revitalisation of the agricultural sector, provision of public utilities and operation of the Export Processing Zone (EPZ), improvements in security, increased incentives, reduced bureaucratic interference and a reduction in toll gates induced by legislative requirements.
3. ***Nurturing Confidence.*** The discussion of this issue focused on the need for Government to win investors' confidence (both Nigerians and non-Nigerians) in the Nigerian economy. This could assist a meaningful partnership between the private and the public sectors, by incentive policies properly implemented and by ensuring the security of life and property. The basic message to Government being to "get the investment climate right".
4. ***Enhancement of Productivity.*** The productivity of the public sector was considered essential to the enhancement of private sector productivity. Right sizing of Government would do much to achieve this aim when accompanied by effective public/private sector dialogue.

## Conclusions/Recommendations

The group emphasised that its discussions and recommendations were specifically related to issues arising from 1995 Budget and the immediate reform measures required to ensure its effective implementation. The recommendations are as follows:

## 1. Legal Framework for Investment

*Improve the legal framework for investment by taking the following steps:*

- repeal or amend all the laws/regulations which impede growth in inflow of investments to provide a liberal legislative framework for investments to flourish; and
- promulgate new law(s) to replace the repealed Exchange Control Act, 1962 and the Nigerian Enterprises Promotion Decree, 1989. The new law(s) must be consistent with the on-going economic liberalisation policies being pursued by the Federal Government.

### *Naira Convertibility*

- follow-up the repeal of the Exchange Control Act, 1962 by identifying and repealing other laws whose existence in our statute books militate against Naira convertibility; and
- increase the depth of the autonomous foreign exchange market, e.g. by allowing oil companies to channel their inflow of foreign exchange for funding overheads and administration directly to the market on an on-going basis. A market starved of foreign exchange will price US\$ high and CBN "intervention" will be less meaningful.

### *Fiscal Issues - Reduce Duties and Taxes.*

With the successful introduction of VAT and the creation of the autonomous foreign exchange market, Government should take a bold initiative to:

- eliminate Excise Duty.
- eliminate Capital Gains Tax.
- reduce import duties to no more than 5 % for industrial raw materials.
- eliminate State and Local government levies and other taxes which constitute a nuisance to business.
- reduce maximum Personal Income Tax Rate to 25 %; and expand the threshold and improve collection efficiency.
- reduce Corporate Income Tax rate to 25% and abolish miscellaneous taxes like Education Tax.
- improve revenue collection efficiency by gradually shifting focus from direct (i.e. income tax) to indirect taxes (VAT).

### *Remove bottlenecks in the acquisition of land.*

- accelerate the processing of title documents, e.g. Certificate of Occupancy which is essential for access to loan funds.

- review Land Use Act and amend, as appropriate, to facilitate access to land.

#### ***Expedite action on the Investment Promotion Council Legislation.***

The enabling legislation proposed to replace the Nigerian Enterprises Promotion Decree and the Industrial Development Co-ordination Committee Decree should be released with urgency. It should be emphasised that replacement legislation should not re-impose controls.

#### ***Remittance of Invisibles:***

- clarify the role of NOTAP under the proposed Investment Promotion Council legislation.
- clarify the exchange rate to be applied to outstanding dividends accumulated from years prior to 1995.

The Finance Minister's recent statement suggests that Technical Services Fees and Management Fees would no longer be "expected" once a foreign company owns majority shareholding in any Nigerian company. It should be recognised that normal commercial relationships accommodate such fees especially for tax and corporate services and it is important that this issue does not become a disincentive.

Offshore collateral guarantee standby L/Cs and other tangible security to support Naira loans should be re-legalised. There is no evidence that banning this form of collateral encouraged capital importation. On the contrary, it may have discouraged new business investment.

#### ***Capital Hedge.***

Currently, banks are not allowed to hedge their capital, whereas the productive sector can do so in fixed assets, real estate, etc. Foreign owned banks should be permitted to hedge their imported hard currency through acquisition of real estate or by acquiring dollar-denominated bonds, etc.

#### ***Incentives to Investment***

##### ***Streamline port procedures by taking the following steps:***

- continue/sustain recent improvements facilitating the reception accorded passengers at the Murtala Mohammed International Airport, Ikeja.
- privatise port operations and make port tariff competitive. Nigeria's reputation as having the highest port tariffs in the world should be

reversed to stop the current diversion of Nigeria's maritime cargo to neighbouring countries.

- reduce the number of security and government agencies at the ports from the current levels of more than 30 to a maximum 2 or 3.
- remove requirement for a non-Commonwealth citizen to hold an alien card.

***Simplify Expatriate Quota Approval Procedure:***

- use the size of investment (in terms of capitalisation) to determine the automatic expatriate quota entitlement and make the process automatic.
- request for expatriate quota positions in excess of the automatic positions should be subject to liberal approval procedures.

***Human Resources Development:***

- increase education funding at all levels.
- abolish 2% Education Tax but be transparently accountable to tax payers on the utilisation of any collection made to date.

***Offer real incentives to revitalise agriculture where returns on investments are inevitably long term by:***

- reducing corporate tax rate on agricultural business to 5 %;
- providing enhanced capital allowance to accelerate asset depreciation.

***Education Tax.***

The group noted there is need for open accountability in the management of the 2% Education Tax, and its judicious application should be demonstrable. As an immediate step, an account ought to be published of collection to date and its deployment. While not recommending its abolition, the group made the point that Education Tax is not consistent with the general need to reduce direct taxation and focus on indirect taxes.

***Public Utilities:***

- privatise public utilities such as telecommunications, electricity, water supply, or allow competition to improve efficiency in service delivery.

Effectively implement the Manufacture-in-Bond scheme, the Import Duty Drawback scheme and ECOWAS protocols to promote exports.

### *Operation and Management of EPZ:*

- attract foreign investors through realisable incentives.
- allow private sector to provide services required by EPZ.

### **3. Nurturing Confidence**

- consistency of public policy, even if government changes.
- ensure security of life and property by fully equipping and motivating the law enforcement agencies.
- encourage Nigerians to bring back flight capital so as to send positive signal to prospective foreign investors.
- encourage existing investors to re-invest additional funds in their business by providing necessary incentives.
- deregulate and completely open up the capital market.
- ensure Naira convertibility and further ease inflow and outflow of funds.
- cut down the multiple regulatory agencies performing overlapping functions, in most cases, at the ports.
- strengthen public sector/private sector collaboration and consider cross postings between the two sectors.
- harmonise levies and regulatory activities of FGN agencies and discontinue retroactive levies.
- make all non-distressed banks acceptable for receipt of duty and ratio payments.

### **4. Enhancement of Productivity**

- downsize the public service with a view to optimising its human resource deployment and reducing bureaucracy.
- increase the remuneration of public servants, and motivate to perform optimally.
- encourage incentive remuneration in the private sector, linked to productivity.
- reconsider the supervising Ministry for the Raw Materials Research and Development Council to make the Council more effective in the development of industrial raw materials.
- re-examine the reward system in the public service to ensure that contribution and productivity, rather than longevity are rewarded.



## **Basic Social Standards (Improving Living Standards)**

### **Introduction**

The role of Government should be to create a society where all the basic social needs are provided. It is felt that all economic activities should have this aim, i.e. the provision of adequate living standards for all Nigerians. Moving out of those economic activities that could be better carried out by other sectors of society through privatisation (or direct private involvement), would allow Government to focus better and to use its resources more effectively in catering for these basic social needs.

Government should, therefore, create the enabling environment through consistent policies and the provision of adequate infrastructural facilities to encourage private investment and to unlock the full potential of the private initiative of individuals.

In addition, the private sector should be made more sensitive to these social needs and be encouraged to contribute to the provision of better living standards by meeting their social responsibilities.

### **Issues Discussed**

Participants considered that the following key issues would have to be addressed to improve the living standards of all Nigerians.

- Employment
  - Food
  - Health
  - Education
  - Housing
  - Security
  - Quality of Public Service
  - Transportation
  - Role of Private Initiative.
1. *Employment:* The group unanimously agreed that the rate of unemployment especially amongst the youth was on the increase (although the group had no supporting statistical data).

It was further observed that in Nigeria, Government was the greatest employer of labour and this had often led to the unrestrained establishment of ministries and parastatals. The group would rather see a trend where the private sector would take the leading role in job creation, with Government creating an enabling environment. The factors that contribute to increase in unemployment are:

- Government projects are stationary.
- The present business environment does not encourage private sector growth due to inconsistency in government policies.
- Manpower training is deficient and inadequate.

2. **Food:** The group unanimously agreed that food was very critical and essential to the citizenry. In order to have a healthy nation, people must have access to food at an affordable price. Government should play a leading role in revitalising the once vibrant agricultural sector by giving incentives to both small scale farmers and large scale operators.
3. **Health:** Provision of health services has failed to meet people's needs. Public expenditure in the health sector has been on the decline. It was the general consensus that the Primary Health Care scheme should be resuscitated and the States and Federal Governments should finance and manage the scheme.
4. **Education:** The group observed that education at all levels is experiencing a profound crisis. The key issue for education is funding in an economy with huge commitments and expansion in the secondary and tertiary education sectors undertaken by Government. The result is poor quality of materials, equipment, teachers and the byproducts of our educational system. The group also observed that the payment of teachers' salaries is not regular and has a very low priority.
5. **Housing:** Like food, shelter was identified as a basic need of all individuals. It was further observed that housing and a hygienic environment are important in improving the living standards of Nigerians. The housing project started by this administration is very laudable, and must therefore be completed.

While some members of the group felt that more houses should be built, others felt that the Federal Government should concern itself with the provision of infrastructure such as roads, electricity, water and telephone, while plots should be allocated to individuals to develop their houses according to their needs and tastes. The question arose as to the number of housing units the Government should provide yearly. The group unanimously agreed that 5 million units of houses should be built by the year 2000.

6. **Security:** The group noted with concern the general insecurity of lives and property in the country. It further noted the ease with which criminal activities are carried out with law enforcement agencies unable to cope with the increasing sophistication of criminals. It was observed that the general welfare of the Police has not been properly addressed. They are not well housed, not well paid, poorly equipped and poorly trained.

It was unanimously agreed that the involvement of law enforcement agencies in armed robbery has compounded the security problem of the nation.

Overall, the group agreed that the security of life and property is a major factor in motivating economic development and investment and therefore must be given the highest priority by Government .

7. **Quality of Public Service:** The group identified that the quality of public service has declined over time. Most public service officers see their jobs as a transient phenomenon and therefore their sense of commitment and honest service has completely disappeared. The low remuneration has led public officers to establish agencies to offer the same services or demand monetary incentives to provide services.

The general feeling was that public service confers no reward and should be avoided. The group wondered how best the civil service could be made to respond to the needs of the public. The group further observed that the public service was over-staffed and its productivity was low. It was generally felt that the politicisation and militarisation of the public service over the years had reduced its commitment and efficiency. The group therefore called for a new sense of direction in the public service sector.

8. **Transportation:** The group noted with great concern the inadequacy of public and mass transportation systems in the country which had given rise to massive importation of "tokunbos" (fairly used cars) into the country.

Although Government had invested large sums of money in purchasing buses for public transport, the problem of poor maintenance and the deplorable state of our roads had led to the frequent breakdown and obsolescence of the buses.

The group further noted with regret the total neglect of the rail and inland water ways transport systems. It was suggested that transportation was a social service and must thus be subsidised by Government.

9. **Role of Private Sector:** It was generally felt that the private sector had an important role to play in the provision of basic social needs. As economic growth is made possible through a more stable economy, the private sector

should find ample opportunities to contribute directly to these needs. Examples abound of the roles that NGOs and voluntary agencies have played in the fields of education, health and other social services.

## Conclusions /Recommendations

The specific recommendations made with respect to each basic social need are as follows:

### 1. *Employment*

- Government is enjoined to encourage an increase in the number of Small and Medium Enterprises (SMEs) by implementing forthwith the incentives in the 1995 Budget; financing of SMEs within the framework of the Petroleum Trust Fund (PTF) and entrepreneurial training for SME owners.
- upgrade industrial capacity utilisation by ensuring availability of foreign exchange for raw materials importation (where raw materials are not locally available or to complement local supply) and promoting consumption of Nigerian made goods.
- provide additional funding for National Directorate of Employment (NDE) programmes.
- create an enabling environment for business to flourish so as to create employment opportunities.
- encourage technical training and vocational skills development by providing the right incentives for JSS graduates to gain admission to Federal Training Colleges (FTCs).

Overall, reforms by Government should be such as to transfer the burden of largest employer of labour from Government to the private sector.

### 2. *Food:* The objective here is to increase productivity and ensure national food security with a majority of Nigerians irrespective of social status, having access to the quantity and quality of food they require. It is against this background that the group made recommendation for Government to:

- resuscitate farm settlement;
- encourage private sector investment in preservation/storage facilities in line with their responsibility under the National Food Security Plan.
- provide to farmers in organised groups, such as cooperatives, rather

than through middlemen, improved varieties of seeds, seedlings, superior breeds of animals, fingerlings, pesticides, vaccines and drugs for animal husbandry, mechanical devices, farm implements and other input at affordable costs;

- provide access to results of agricultural research;
- promote dry season farming through irrigation facilities, grazing reserves and harvest rain water;
- promote fish farming;
- ensure strategic supply to make up for gaps between supply and demand levels and food scarcity in the event of famine or drought.

3. **Health:** Action plans recommended for implementation by Government are:

- make Primary Health Care the main focus of the national health policy and health delivery system .
- provide free medical consultation for maternal and child welfare, and in relation to the latter, intensify the Expanded Programme on Immunisation (EPI) in conjunction with UNICEF .
- fund and equip hospitals especially tertiary health institutions, acquisition and maintenance of medical equipment and upgrade training for medical and para-medical personnel.
- provide drugs, control quality and sale by encouraging local production, reverse the spate of divestment by multinationals from the industry, better manage the Drug Revolving Fund and sustain the "war" against fake drugs.
- implement the National Health Insurance Scheme in phases, and ensure direct payment of medical professionals by the agency.

No consensus was reached on methods of population control but the group agreed on the need for a larger and more equitable distribution of social facilities.

4. **Education:** It was noted that this was perhaps the best investment a nation can make for its people given the direct correlation between quality of human resources of a nation to the nation's economic growth and development. In this regard, the group called on Government to:

- provide compulsory and free primary education;
- encourage private sector ownership of educational institutions at all levels to compete with public sector owned institutions;
- improve teachers' welfare by increasing remuneration, prompt payment of salary and allowances, motivate with other incentives;

- provide educational opportunities for the less privileged such as the disabled, nomadic cattle rearers and the "girl child";
  - enforce discipline among staff and students in higher institutions;
  - make efficient use of the Industrial Training Fund and other Education Funds to achieve optimal results.
5. **Housing:** The group recommended the following government actions to meet the housing needs of the citizenry:
- complete existing housing schemes and ensure fairness in allocation;
  - provide infrastructure in terms of site and services such as roads, sewage, electricity, water and fire services funding of which may come from the Petroleum Trust Fund;
  - encourage development and use of local building materials such as bricks, clay blocks, bamboo roofing, etc. to make housing within the reach of the poor;
  - promote housing development by the private sector;
  - streamline the operation of the National Housing Fund.
6. **Security of life and property**
- accord due importance to the Police and reorganise to deliver results;
  - improve on the welfare of members of the Police Force through adequate remuneration paid on regular basis, provision of housing, insurance and career prospects, as well as other incentives through which their morale can be boosted;
  - provide necessary training and equip the Police with modern state-of-the-art equipment especially arms, communications equipment, motor vehicles, etc.
7. **Quality of public service:** Improve quality of the public service by:
- rationalising/downsizing;
  - pay adequate remuneration on regular basis, provide staff welfare facilities and improve career prospects, train and retrain to provide motivation for improved productivity and overall efficiency;
  - depoliticise and professionalise;
  - re-orientate to change work ethic;
  - restore powers of the Civil Service Commission in relation to employment, promotion and discipline.
8. **Corruption:** Noted to be an endemic, if not systemic, disease presently but could be reversed by doing the following:
- leadership by example;



- payment of economic wages to public servants;
  - transparency and accountability in public accounting.
9. **Transportation:** To improve the public transportation system, the group made the following recommendations:
- revitalise rail network and transport system;
  - provide ferry services over dredged rivers and inland waterways;
  - rehabilitate roads, provide urban mass transit vehicles at subsidised costs, sustain patronage of local assembly plant to enhance their capacity utilisation, introduce school bus system and curtail all statutory charges responsible for high prices, e.g. landing and handling charges, tariffs, import duties, etc.
  - maintain deregulation of the airline industry.

## Medium Term Reforms

*Medium term plans and economic reforms are needed to attract high levels of investment and to earn debt relief from external creditors. These reforms need to be addressed in the 1996 Budget and in Medium Term Economic Programmes.*

*Most of the groups (groups 5 to 20) focused on the medium term, since it will take one to three years to implement reforms which will start to produce sustainable economic development and even longer for this to be felt in terms of quality of life by all Nigerians.*

### Financial and Monetary Systems

#### Introduction

The group reviewed Nigeria's financial and monetary systems starting with the present structure. It also defined the objectives of the system and identified the factors that have accounted for the failure of the system to achieve its objectives as well as the consequences of its failure. It then recommended measures that will restore the health and efficiency of the system, including an action/implementation plan.

#### Issues Discussed

1. **Structure of the Present Financial System.** The financial system is made up of a vast number of players, including a multiplicity of specialised banks and other funding institutions. There are also several different legal and regulatory frameworks for the different categories of players.

The list of operating and proposed specialised lending institutions is growing and includes Urban Development Bank, Peoples Bank, Community Banks, Nigeria Export Import Bank (NEXIM), National Economic Reconstruction Fund (NERFUND), Nigeria Industrial Development Bank, Nigeria Agricultural Credit Bank, Federal Mortgage Bank, Post office

Savings Bank, finance companies, mortgage finance institutions, commercial banks, merchant banks, discount houses, insurance companies and pension funds. The proposed institutions include Transport Bank, Maritime Bank and the Education Bank.

Many of these specialist institutions are incapable of thriving in a competitive market place without indefinite government support. This multiplicity of specialist lending institutions supported by subsidies and levies is inconsistent with optimum resource allocation.

In addition, the existence of different legal frameworks governing the establishment and conduct of these institutions creates problems for monetary policy implementation and industry supervision. There are often overlapping roles and functions. The result has been poor performance, poor supervision and lots of distortion in the financial system.

Although the reason given for the establishment of these specialised institutions is the failure of conventional banks to provide credit to, and adequately serve other needs of, certain sectors of the economy, the solution does not lie in establishing an endless list of "specialised banks". What is needed is providing adequate incentives to conventional banks such that risk/reward considerations will allow for a self-sustaining flow of credit to even the supposedly "disadvantaged" sectors.

2. **Objectives of the Financial and Monetary System.** The major objectives of the financial and monetary systems are:

- effective mobilisation and efficient channelling of resources from surplus to deficit areas of the economy;
- protection of the real sector from domestic and external financial risks and shocks;
- evolution of an efficient payments system to facilitate financial and other commercial transactions;
- helping to achieve macroeconomic stability;

The financial and monetary systems have failed to achieve these objectives for many reasons among which are:

- economic and financial policy discontinuity;
- excessive monetary growth arising from incongruent monetary and fiscal policies;
- excessive reliance by regulatory agencies on direct rather than indirect controls;
- ineffective control over monetary policy as a result of the Central Bank's difficult supervisory role;

- poor co-ordination between the various regulatory bodies;
- existence of negative real interest rates;
- huge informal sector of the economy;
- cash-based economy militating against the evolution of an efficient payment system;
- high incidence of fraud and weak systems control;
- low entry and high exit barriers;
- poorly developed savings and investment culture;
- multiplicity of players pursuing ill-defined roles, objectives and special needs;
- lingering ownership problems;
- questionable legal and regulatory framework;
- imposition of inappropriate instruments, including even the denomination of Naira notes;
- low level of technology and automation.

3. **Consequences of Failure of the Financial and Monetary System.** The failure of the financial and monetary system to meet the objectives outlined above has brought with it many consequences, principal among which are:

- rising incidence of distress afflicting individual players and/or complete subsections;
- demise of the inter-bank market;
- multiple foreign exchange rates with high potential for exchange rate instability;
- shallow financial system with paucity of appropriate financial instruments;
- ineffective savings mobilisation from the informal sector of the economy;
- low level of public confidence;
- uneven development of various sub-sectors within the financial system;
- poor quality of service;
- poor prospects for internationalisation;
- high and rising transaction costs;
- mounting bureaucratic/documentation needs.

4. **Other Issues**

**Excessive Monetary Growth.** This has undermined the objective of achieving macroeconomic stability. Excessive money supply has been a consequence of financing huge government deficits by ways and means. Fiscal deficits arise from government's constant inability to fund expenditure

deficits arise from government's constant inability to fund expenditure from its revenue base. Furthermore, Government seeks to avoid high borrowing costs, and hence the market-place sanctions for excessive borrowing, by resorting to ways and means of financing through the Central Bank.

A strong Central Bank insulated from executive government control would be better positioned to conduct monetary policy much more prudently by resisting executive pressures without fear of sanctions. However, for the Central Bank to focus effectively on its core central banking functions, it must free itself from retail banking and other such functions better performed by other institutions.

**High Transaction Costs.** The existence of set tariffs and rates for financial services transactions precludes price competition that could reduce overall transaction costs to customers. Of note is commission on turnover (COT) which is still based on volume rather than number of transactions.

Although COT could be justified on the basis that it provides an avenue for banks to recoup some of the costs of providing certain services not covered by approved tariffs, there is a need to review the case for tariffs, with a view to eliminating them such that banks can compete freely on price for their services.

**Credit Defaults.** The distress in most financial institutions is caused mainly by huge credit defaults. The Nigerian credit culture is poor and, as a result, most credit defaults arise from outright fraud or unwillingness rather than inability of borrowers to repay.

## Conclusions/Recommendations

1. The Central Bank should be granted real autonomy in the area of monetary policy and supervision.
2. The Central Bank should immediately relinquish its retail banking functions, including direct foreign exchange dealings with private sector companies such as oil producing and service companies.
3. Market mechanism for allocation and pricing to be adopted to eliminate distortions in the money, foreign exchange and credit markets.
4. The financial system should not be burdened with a policing role due to deficiencies in other government agencies such as Customs and the National Drug Law Enforcement Agency.
5. The establishment of a credit *bureaux* will help in evaluating borrowers.

6. Fraudulent practices such as issuance of bounced cheques and wilful credit defaults should be attacked and stiff punishments applied.
7. Appropriate financial instruments, including higher denominations of the Naira, should be introduced.
8. Constant review of entry and exit barriers should take place with a view to allowing timely exit of failed institutions as well as allow for strong new entrants.
9. Manpower development and training should be emphasised.
10. Lingering bank ownership problems must be resolved immediately.
11. Full Naira convertibility should be achieved within the shortest possible time.
12. Encouragement of credit allocation to favoured sectors/special needs should be through incentives rather than mandatory limits. Accordingly, continued stipulation of mandatory sectoral limits and maturity structure of merchant bank assets should be scrapped.
13. Government should, as a matter of urgency, commission a study aimed at eliminating overlaps of financial system sub-sectors and streamlining of the overall regulatory framework.
14. Reliance on stabilisation securities as an instrument of liquidity control should be phased out. In the intervening period, such securities should be priced appropriately and not at a penal rate.

## Action/Implementation Plan

Beyond recommendations, the group proceeded to formulate the following plans for action and implementation in the immediate, and short to medium terms.

### Immediate

- scrap two-tier foreign exchange pricing to achieve single market-determined rate.
- deepen autonomous foreign exchange market by returning all private sector sources of forex to the banks.
- introduce higher denomination Naira notes.
- eliminate foreign exchange and import documentation requirements which are a carry-over from the highly regulated past.
- discontinue the issuance of stabilisation securities and price outstanding instruments appropriately.



- review regulations that unfairly threaten the existence of particular sub-sectors of the financial system.
- deregulate interest rates and introduce other indirect monetary controls. Simultaneously, abolish controls on mandatory sectoral limits and maturity of merchant banks' assets, small scale lending, etc.
- define a time limit for government support of unviable/failed institutions/sub-sectors and ease them out.

### **Short-Medium Term**

- review licensing of new banks with a higher entry hurdle requirement.
- establish functioning credit *bureaux*.
- internationalise the financial system.
- adopt balanced budgeting as a fiscal policy goal.
- commission study of the Nigerian financial system to delineate roles for self-sustaining institutions.
- provide incentives to encourage the channelling of loanable funds to priority sectors and/or disadvantaged sectors.

## **Capital Markets**

### **Introduction**

Starting with a brief review of the role and objectives of the Nigerian capital markets, the group identified key issues to be resolved for the objectives to be realised. Conclusions were drawn and recommendations made for the growth and development of the market.

The goals of the capital markets in Nigeria should be to develop a virile and efficient market which is capable of making a significant contribution to the rapid socio-economic development of the country; should compete efficiently and effectively with other markets in developed and emerging economies; and should engender the confidence of investors and other participants, both Nigerian and foreign.

## Issues Discussed

1. **Limited Number and Variety of Quoted Securities.** Only a limited number of securities relative to the potentials are currently quoted in the market. The variety of securities is also limited, mainly to equities. The result is that the market lacks breadth and depth.
2. **Lack of Liquidity.** The number of securities traded is very small. Market liquidity is therefore impaired and this impedes the growth of the market.
3. **Clearing and Settlement System.** The present system is inadequate. Concluded transactions still take weeks to clear and settle. The system is not automated and is inefficient.
4. **Professionalism.** The level of professionalism in the capital markets is low. There are only a few trained market operators. Even then, the skills level is still rudimentary.
5. **Awareness of Market Potential/opportunities.** Awareness of the potential and opportunities in the capital markets is still low among the public, including businesses that stand to benefit from raising capital through the markets. The potential of the markets is, therefore, under-utilised.
6. **Poor Market Facilities and Procedures.** Processing and approval of new issues, in particular, is slow. The same is the case with certification of trades and transfers by registrars. Lack of automation is largely responsible for delays in registrars functions.
7. **Foreign Participation.** Foreign investors and institutions are not currently participating in the Nigerian capital markets. Although the major legislative impediments have been removed, more still needs to be done to make the Nigerian markets as attractive to foreign investors as other emerging markets.

## Conclusions/Recommendations

1. **Measures to Increase Number and Variety of Quoted Securities**
  - (a) Incentives should be provided to encourage companies to seek quotation as well as for investors to participate actively in the market. To do this, Government was enjoined to:
    - reduce corporate tax for quoted companies.
    - reduce withholding tax on individuals.
    - abolish capital gains tax on quoted securities as has been the case in other emerging markets.

- allow State Governments direct access to the capital markets without seeking Federal Government approval.
  - amend the Lagos Stock Exchange Act of 1961 to end current practice of transacting securities business outside the stock exchange by the Central Bank and the Nigerian Social Security and Insurance Trust Fund (NSSITF).
  - make incomes of unit trust schemes completely tax-free.
  - make tax deductible the cost of going public.
- (b) The privatisation programme should be re-invigorated as a means of introducing new credible securities to the market. Such major utilities as water, electricity, and telecommunications should be considered for full privatisation.
- (c) Government's domestic debts should be scrutinised and sold as bonds through the markets. This measure will also help the Government to manage its debts.
- (d) The Federal Government should resume issuance of development stocks as a means of financing long-term projects. This will help to ease pressure on government budgets.
- (e) The capital markets should be utilised for funding housing projects rather than reliance on government sources.
- (f) Companies and Allied Matters Decree should be amended to permit issuance of modern instruments such as warrants and derivatives.

## 2. *Liquidity*

- (a) To improve liquidity in the market, major public funds such as NSSITF should be encouraged to trade their large stocks of shares from time to time on the floor of the stock exchange. Moreover, NSSITF's investment in the money markets should be restricted to no more than 10%.
- (b) Also, the stock exchange should review its administrative controls over price movements. The present limit on daily price movements based on absolute Naira value should be replaced with one based on percentage value.
- (c) The Trustees Investment Act is too restrictive in terms of permissible types of securities and portfolio composition for approved funds and should be amended to ease these restrictions.
- (d) Banks should be encouraged to participate in the corporate bond market through, for instance, provision of tax incentives.

- (e) The pricing of bonds and government securities should be done according to international bond tables.
- (f) Allocation of shares on the floors of the stock exchange should be eliminated.
- (g) Availability of long-term funds in the markets should be promoted by implementing existing legislation requiring every company with fifty employees or more to establish a pension fund. Such schemes must be fully funded. In addition, institutions such as NERFUND, NEXIM and NDIC should be allowed to invest in quoted securities.

The Government should change the current practice of charging staff pension costs to the annual Federation Account and instead establish pension funds to be fully funded and invested in the capital market.

Also, investors should be allowed to offset capital losses against capital gains within five years.

3. **Clearing and Settlement.** The establishment of a modern clearing and settlement system for the market is a top priority. Such a system should be operational before the end of 1995. The proposed body should be a private sector entity, independent of the stock exchange. The Government could participate in its financing either by way of grants or equity investment.

In order to ensure the economic viability of the system, it should, in addition, cater for other market instruments, such as CBN Treasury Bills, not traded on the stock exchange.

However, establishment of the settlement and clearing system should be accompanied by the repeal of the section of the Companies and Allied Matters Decree requiring possession of physical certificates as evidence of ownership of securities.

4. **Professionalism.** Qualification standards of market operators as well as standards of services provided should be raised.

The presence in Nigeria of strong global investment banks and other capital market operators will help to raise standards in the market. Incentives should, therefore, be provided to attract them.

There should be new guidelines which will clearly delineate the roles, powers and responsibilities of the Securities and Exchange Commission and the Nigerian Stock Exchange to avoid duplication and conflicts that tend to undermine standards of market performance.

In addition, the Council of the Nigerian Stock Exchange should be urgently reconstituted to consist principally of dealing members.

5. **Level of Awareness of Capital Markets Benefits.** Raising the level of awareness of the benefits of the capital markets among the public is a joint responsibility of the Government and market operators.

There should be local and international campaigns to sell the attractiveness of investing in Nigeria's stock market. At the same time, the awareness of the benefits of public quotation should be brought to potential issuers.

The Government should also encourage mobilisation of domestic savings into the markets through tax and other incentives.

6. **Market Facilities and Procedures.** Processing speed for applications in respect of new issues and other approvals should be accelerated. Both SEC and NSE should adopt a response time limit of maximum fifteen working days.

In addition to urgent automation of processing and delivery, the existing time-table should be revised such that delivery and settlement would occur latest by the end of the week succeeding the week of transaction. Also, a 48-hour time limit should be set for certification of trades by registrars.

7. **Foreign Participation.** In order to encourage foreign participation in the Nigerian capital markets, the Government should urgently articulate the procedures for foreign capital flows to and from Nigeria. At the same time, the procedures for quotation of foreign securities in Nigeria as well as quotation of Nigerian securities abroad should be authorised and published.

Another measure is to allow foreign stockbrokers to operate in Nigeria. This will open the Nigerian market to the clients of such stockbrokers.

It is important for Government to behave like any other responsible investor in cases where it holds shares in quoted companies. It must therefore limit its participation in the affairs of such companies to the extent of its shareholding only. Undue use of government's legislative powers to increase its holdings or vary its powers will only serve to weaken the confidence of international investors in the Nigerian capital markets.

## Fiscal Systems

### Introduction

The group acknowledged the significant progress made in Government fiscal systems since the First Economic Summit. Petrol prices have been increased to reflect market realities, and consumption taxes introduced. Furthermore, there has been better accountability and transparency with the results for the first quarter of 1995 showing an impressive budget surplus.

### Issues Discussed

The group discussed, first, some salient strategic issues in the design of fiscal systems. The main topic discussed was whether revenue maximisation or the raising of an optimal level of revenue should be the objective. In addressing this problem, the issue of the ultimate objectives of a sound fiscal system was also discussed.

Within the broad area of revenue issues, the main problems the group addressed were the need to continue and deepen the move from direct to indirect taxes and the on-going problem of appropriate petroleum product pricing.

In the context of the shift from direct to indirect taxes, specific changes in personal income tax, company income tax, petroleum profits tax, customs and excise duties, value-added tax (VAT), and the "nuisance taxes" were considered.

In relation to the appropriate pricing of petroleum products, the group considered both what the optimum pricing is and the ways of getting there.

The main spending issues addressed by the group were the determination of proper Government functions, and related to this, the need to simplify the machinery of Government, the need for transparency in spending, spending priorities, the appropriate use of non-budgeted windfalls, the need to capture comprehensively all Government revenue and expenditure under one budget, and several areas of concern in relation to the Petroleum Trust Fund and OMPADEC.

*Overview.* In relation to the objectives of the fiscal system, there was agreement that the proper objective is to increase the economic well-being of the people through both Government and the private sector concentrating on what each can do best.

An important consequence of this is that Government should not aim at maximising the revenue it collects, but at optimising it. Government should start by having a clear idea of what are the proper functions of government and then aim at raising the revenue needed to carry out those functions, keeping in mind that there is a level of fiscal pressure beyond which it is not wise to go, even if additional resources are needed to carry out legitimate government functions, as this will tend to remove incentives from the private sector and slow down economic growth, thus ultimately harming the well-being of the people.

Beyond the core areas of governance, defence and law and order, the group agreed that Government has a proper role in providing infrastructure and basic social services. The group, however, agreed also that it is often possible to bring in the private sector to provide basic elements of infrastructure and social services provided there are adequate incentives. When this is done, often large gains in efficiency can be obtained.

The group agreed that it is a proper objective to prevent erosion of current government revenue, as obviously there are still in Nigeria many areas of need that can best be satisfied through government action. However, the group also agreed that it is important to raise this revenue in ways that are efficient and that minimise economic distortions. Consequently, Government should continue to shift from direct to indirect taxes because of the latter's wider coverage, ease of collection, higher yield, and, in Nigerian circumstances, greater equity.

#### 1. Revenue Issues.

Specifically, the group endorsed significant reductions in personal income tax and company income tax to be matched by similar increases in the revenue raised by VAT.

In relation to specific taxes, the following main points were made:

- (a) *Personal Income Tax.* There is need to increase the personal allowance drastically so as to exempt altogether many low and middle income earners. There is also the need to widen significantly the tax brackets which at present are extremely narrow with the result that the highest tax rate applies at relatively low income levels. Finally, further progress should be made in the reduction of tax rates.
- (b) *Company Income Tax.* The group was informed that the present system of capital allowances and of limitations in some expenses (e.g. rent for employee accommodation, no group relief, etc.) results in unfairness to tax payers and in their paying tax at an effective rate that is often significantly higher than the nominal rate of 35 %.

It was, however, submitted that changes in the above areas would



result in a serious shortfall in revenue. But as it had already been agreed before that the general policy should be that reduction in these taxes could be compensated for by increases in VAT, in the end there was agreement to recommend that capital expenditures should be expensed when incurred and expenditure restrictions removed.

It was also unanimously agreed that there should be only one companies tax and that specialised taxes such as education tax and the national housing fund tax should be cancelled. Special areas of need should be addressed through the comprehensive budgets of Federal or State Governments or through the Petroleum Trust Fund.

- (c) *Customs and Excise Duties*. The point was made that as a general rule, when customs duties exceed 30%, a large increase in smuggling results.

On excise duties, the point was made that they make local manufacturers uncompetitive and need to be abolished. In the specific case of excise duties on tobacco, a complaint was expressed that the present level of excise duty (40%) plus VAT (5%) is resulting in large scale smuggling and loss of jobs in Nigeria. It was, therefore, suggested that excise duties on tobacco be reduced significantly to levels which will allow local manufacturers to remain competitive. It was argued, however, that that level of duties responded to public policy considerations which aimed at reducing tobacco consumption. Still, some members observed that that objective was not being attained and that all that happened was that indigenous producers were penalised. As this last point was contested, interested members were requested to provide relevant data which will help resolve the issue.

- (d) *Petroleum Profits Tax*. Reference was made to the recent change in the law which turned "Section 17 offsets" into deductions, thereby impacting seriously, without prior consultation, on the results of investment decisions that had already been made. The right of Government to change the law was appreciated, but it was emphasised that this type of unilateral action has negative consequences from the point of view of attracting investment.
- (e) *VAT*. Given the importance the group attributed to Value Added Tax and the fact that it recommends that it should be emphasised in the future, it recommends that the shortcomings of the present system of giving refunds should be adequately addressed.
- (f) *Nuisance Taxes*. This refers to the many levies, charges, fees and taxes which, often without appropriate legal backing, are imposed at

State and Local Government levels. They raise little revenue and cause huge inconvenience. Accordingly, decisive action should be taken at the Federal level to stop this proliferation, as these taxes pose serious obstacles to private sector activities.

- (g) **Pricing of Petroleum Products.** The group noticed that encouraging progress has been made since the last Summit. However, inflation and the devaluation of the value of the Naira have seriously eroded that progress. The group also recognised the political and social dimensions of petroleum pricing.

Appropriate pricing is required to ensure supply sustainability and to prevent wasteful consumption and smuggling. The group agreed that a lasting solution to this problem can only be found through moving to market-determined pricing. This can be achieved in stages. A first stage would be to free retail pricing while still maintaining uniform depot prices. However, the depot prices should be subjected to frequent and gradual adjustments, instead of large and infrequent ones.

A second step would be to decontrol also wholesale prices and move to privatising downstream operations and encourage private sector investment.

## 2. Spending Issues.

In the area of spending, the main points made were the following:

- (a) **Comprehensive Budgetary Control.** In the first place, all expenditures should be brought under comprehensive budgetary control.
- (b) **Withdrawal by Government from Business.** It is crucial that Government concentrates on its proper functions and stays out of commercial and other activities which can be handled more efficiently by the private sector. The present situation in which Government simultaneously carries on many commercial activities inefficiently and, at the same time, fails to perform properly its typical functions is most unhealthy.
- (c) **Civil Service Reforms.** The civil service has suffered long neglect. The group recommends that salaries, wages, and conditions of service in the public service should be improved as a matter of urgency. At the same time, there should be a reduction in the size of the machinery of Government wherever possible. In this regard,

attention was drawn to the convenience of reducing the number of ministries and parastatals and to the need to avoid the proliferation of States and Local Government areas which are unable to provide for themselves.

- (d) *Transparency.* The need to have transparency in spending was stressed. Towards this end, the group emphasised that the budget ought to be comprehensive.
- (e) *Utilisation of Non-Budgeted Windfalls.* Whenever there are non-budgeted windfalls (e.g. because of higher than budgeted oil prices or because of exchange gains), such windfalls should be devoted to reducing debts. When a small deficit has to be accepted, it should be financed through borrowing from the open market at commercial rates.
- (f) *Special Funds.* The group expressed serious concern over special funds like the Petroleum Trust Fund and OMPADEC. The group recognised the reasons which led to setting up the Petroleum Trust Fund but it was emphasised that this should not be a permanent feature of our budget process. The spending of the Petroleum Trust Fund should be governed by strict budgetary discipline with pre-determined criteria on spending areas and regular accountability.

Finally, the group agreed to keep meeting every three months in order to provide a regular channel of contact between the Government and the private sector on these vital economic issues.

## Conclusions/Recommendations

### Revenue Issues

#### 1. Taxation

- There should be a shift from direct to indirect taxation, particularly VAT.
- Personal income tax should be reduced by increasing allowances, broadening bands and reducing rates.
- The rate of company income tax should be reduced to 25-30% and first year capital allowances increased to 100%. There should be a single company income tax, without supplemental taxes for specialised purposes such as education or housing.

- The revenue shortfall resulting from reductions in personal income tax and companies income tax could be redressed by an increase in the VAT rate, possibly to 7.5%.
- VAT administration should be improved, particularly in the area of VAT refunds.
- Unexpected and unilateral changes in the tax rules, such as recently happened in Section 17 of the Petroleum Profits Tax Act, should be avoided because they discourage investment.

## 2. *Petroleum Pricing*

- There should be appropriate pricing of petroleum products through frequent and gradual adjustment of prices to recover costs.
- In the short term, there should be a move from uniform retail pricing to uniform wholesale prices at the depots.

## Spending Issues

1. All government expenditures (including Petroleum Trust Fund, OMPADEC, Intervention Fund, etc.) should be brought under comprehensive budget control.
2. Government should concentrate on governance, provision of infrastructure and social welfare and leave ordinary commercial ventures to the private sector.
3. The on-going civil service reform should improve public sector remuneration while downsizing government bureaucracy at all levels (federal, state and local).
4. The Petroleum Trust Fund should be a short-term arrangement with clear performance targets. In the medium-term, all revenue and expenditure should be captured under the Federal Government Budget.

## **Partners in Progress (Civil Service; Public/Private Co-operation)**

### Introduction

The group focused discussions on the vision of private/public sector cooperation and then defined the partners required for national progress.

## Issues Discussed

**Vision.** The group insisted that Government and the private sector should work in complete harmony, sharing the same vision for the country and complementing one another in the march towards the attainment of national objectives. Government should continue to encourage input from the private sector in the decision-making process. There should be gradual divestment by Government in business activities to enable it concentrate on governance and provision of infrastructural facilities. On the other hand, the private sector should play its complementary role by moving to areas where Government had divested to avoid a vacuum and the probable return of Government into such areas. Monopolies by either the Government or the private sector should be avoided.

**Definition of Partners.** The group identified the following as the partners covered by deliberations and seeking to work together to achieve set economic goals:

- Government and all its agencies - parastatals, government-owned companies as well as law enforcement agencies.
- The organised private sector like NACCIMA, MAN and NECA, the informal sector of the economy where a sizeable proportion of economic activities take place as well as Trade Unions.
- The citizens of the country who are the targets of Government in terms of provision of welfare facilities as well as the target of the private sector as consumer of goods and services provided by that sector.
- Donors of international aids and grants either governmental or otherwise and whether the aids are directed through the recipient government or not.

The group observed that the partnership should be in the form of cooperation either to achieve set goals or economic targets and to relieve economic stress where that becomes necessary.

## Conclusions/Recommendations

The group made the following recommendations:

1. **Creation of atmosphere of mutual trust between the public and private sectors**
  - Government intentions should be clear and unambiguous to facilitate understanding. As far as possible, public policies should be consistent to permit medium and long-term planning by the private sector.

- There is need for consultation and dialogue among the partners. Although Government should not be constrained in its bid to govern, it should, however, carry along the other partners as far as possible.
  - Both sides should have a change of attitude in relating to each other such that the private sector ensures success of government policies whilst Government makes policies that would be capable of being implemented.
  - There should be commitment and transparency in policy implementation to ensure that Government does not make sterile policies or policies that would generate the suspicion of private sector operators.
  - Overall, it is considered that although the process of making policies at present might have changed somewhat because of military governance, the situation should change in the medium to long-term with the restoration of democratic rule.
- 2. Increased private sector input and participation in the formulation and implementation of government policies**
- One way of ensuring this objective is the appointment of private sector operators to serve on Boards of government parastatals and government-owned companies. The appointees should enrich the policies of the institutions on whose Board they are serving.
  - Government policies should be based on the total views of the private sector rather than pressure groups of that sector to reduce the incidence of government policies that would only have limited application.
- 3. Compliance with government policies and regulations**
- Government policies should be complied with by government itself, together with all its agencies, as well as by the private sector as a matter of course in the overall national interest.
  - Government should, when making policies, specify sanctions for non-compliance.
- 4. Exchange of personnel between the Government and private sector**
- This should be encouraged as it allows for cross fertilisation, exchange of ideas and experiences and also permits enrichment of knowledge. The details of the exchange programme should be worked out.

## 5. **Clear definition and delineation of roles**

- The roles of the public and private sectors are clear. Whilst Government should concentrate on issues like provision of security, education, health, social welfare as well as the enabling environment for growth, the private sector should serve as an engine of economic growth and development.
- Although the private sector would be profit oriented, it should however not fail to discharge its social responsibilities as a good corporate citizen.

## 6. **Improved levels of compensation commensurate with responsibility for public officers**

- The present level of remuneration for public officers is considered poor. Public officers should therefore be adequately remunerated.
- Government should consider monetising the benefits in kind of public officers and consider to what extent they could be paid the monetised remuneration. The monetisation policy, when adopted, should be implemented in the right context.

## 7. **Continuous executive management training**

- All public officers should be adequately trained at all levels to enhance performance and such training should be adequately funded.
- Training should not be restricted to public officers in any institution but should be extended to private sector managers as well.

# **Infrastructure**

## **Introduction**

Infrastructure provides support for business. Infrastructural services whether in the form of electricity, transportation or telecommunications facilitates production and enhances productivity. The state of infrastructure in an economy determines the relative level of pressure on business to provide or complement these services. Business in Nigeria has been under intense pressure in recent times to bear the burden of generating its own electricity, provide water for itself and incur huge costs on telecommunications due to erratic supply of these services by government agencies. This state of affairs increases cost of production, reduces profits and turns off investment.



## Issues Identified

The group enumerated the following infrastructural facilities and reviewed their current status *vis-a-vis* the increasing needs of modern business and the entire society:

- Transportation system - road and rail network, air, sea and river ports;
- Communications - telecommunications, postal services, electronic and print media;
- Electricity;
- Water supply / sewage system;
- Health services;
- Recreational facilities;
- National Data Bank;
- Human resources;
- Physical Plan - Utility trunks for telephone, electricity cables and water pipes.

## Issues Discussed

### 1. Transportation System

- *The Road Network:* Roads were noted to be collapsing due to erosion, poor construction work, normal wear and tear, lack of maintenance and abuse of overloaded vehicles. The traffic situation, especially in cities like Lagos, was deplored due to indiscipline by road users and breach of road traffic regulations with impunity.
- *The Rail System* was noted to have deteriorated over the years due to neglect and improper management.
- *The Air Transport System* received positive appraisal due to deregulation and growth of private airlines, but improvement is needed in the area of airport services especially safety services.
- *Seaports* were noted to be generally adequate, but improvement is required on the expansion of the capacity of our river ports.

### 2. Communications

- Telecommunications coverage level in Nigeria is about 1 in every 200 people, which compares unfavourably with the minimum standard of 1 in every 100 people set by the International Telecommunications Union, a United Nations agency. Although deregulation was intro-

duced to the sector in 1993, NITEL's monopoly over the basic and crucial services was said to be undesirable.

- NIPOST's poor service gave cause for concern, although the existence of 24 licensed private courier companies in the country was noted to be a welcome development that should be sustained.

### 3. Electricity

- Incessant power cuts were noted to be the bane of public electricity distribution in the country. NEPA's poor service was attributed to its monopoly and insulation from competition. NEPA has capacity to generate 4000 MEGA WATTS. Distribution rather than generation was therefore noted to be the crucial problem.
- Uneconomic pricing and weak revenue collection machinery were noted to be responsible for NEPA's poor finances.

### 4. Water Supply/Sewage System

- Water supply is grossly inadequate in cities and towns, and non-existent in most rural areas.
- Sewage and solid waste disposal is not organised and this is unhealthy and dangerous to the environment.

### 5. Health Services

- The state of public health delivery system whether at primary, secondary or tertiary levels was noted to be deplorable due to lack/inadequacy of appropriate equipment, lack of or inadequate maintenance, as the case may be, lack of drugs and lack of high level manpower lost to brain drain.

### 6. Recreational Facilities

- Sports, youths and public facilities, including parks, are in some cases inadequate, but in most cases lacking. Although provisions were made for playgrounds during urban/town planning of some housing estates, many were noted to have been later converted to other uses.

### 7. National Data Bank

- National Data Bank providing requisite information on the social and economic environment is largely non-existent, and where available is inaccurate, belated and out of date. That the country does not

have the accurate figure of its population symbolises the enormity of the problems in this area. The need for maps, including geological and soil maps was also emphasised .

#### 8. **Human Resources Mobilisation**

- Human resources were considered to be the most important factor to drive the economic development of a nation. In this regard, the mindset and mentality of the average Nigerian worker was considered not conducive to high productivity.

#### 9. **Utility Ducts**

- The group was of the view that the lack of proper planning and construction of underground utility ducts for telephone, electricity cables and water pipes have led to uncontrolled and uncoordinated trenching in the urban areas. The result is inefficiency, excessive cost and delays in associated project implementation, as well as damage to infrastructure.

### **Conclusions/Recommendations**

#### 1. **Transport Systems**

##### *Roads*

- improve condition of roads through establishment of road camps to ensure proactive and preventive road maintenance, by filling pot-holes, clearing drainage channels, maintenance of road shoulders and bridge points;
- enforce discipline on the roads, especially in urban centres by penalising motorists for illegal stoppages, e.g. by transporters to pick or drop passengers without parking;
- enforce axle weight limits to prevent undue pressure on roads by overloaded vehicles;
- privatise roads, where feasible after detailed study;
- utilise revenue collected from toll gates and licensing permits to maintain roads rather than pay into Federation Account;
- recruit more traffic officers, and upgrade their quality through training.

##### *Rail System*

- repair and maintain rail lines while viable tracks and railway services and routes should be identified and commercialised or privatised;

- convert locomotive fuel from coal to oil/gas for efficiency.

#### *Air Transport System*

- instal/upgrade navigational aids at the airports;
- discontinue construction of new airports and leave such projects to the private sector;
- completely eliminate touts at the airports and strengthen security;
- improve on airport facilities such as air conditioning and conveyor belts, and flight information display service, waiting rooms and public address system;

#### *Seaports/Riverports*

- upgrade the capacity of river ports such as the Niger by dredging to facilitate the movement of heavy industrial materials and goods such as iron, coal, cement and steel, etc. to reduce the pressure of heavy trucks on the roads, and for cost reasons;
- dredge Calabar Port as part of EPZ development programme;
- strengthen security at the sea ports, and maintain (or acquire new) seaport handling equipment, or privatise port handling services, as the case may be.

## 2. Communications

#### *Telecommunications*

- Fully deregulate the sector;
- Privatise NITEL PLC, and break its monopoly to allow competition;
- Meanwhile, confine NITEL operations to public switches, trunks and international service; and gradually have NITEL divest from the provision of ancillary services, pay phones, cellular phones and other value-added services;
- Expand telephone network;
- Pursue and effectively utilise outstanding World Bank financial assistance to NITEL;
- Strengthen the Nigerian Communications Commission (NCC) with powers to control frequency management and allocation and to sign on INTELSAT and INMARSAT services;
- Improve NITEL's billing and revenue collection system.

#### *Postal Services*

- overhaul management;

- pursue commercialisation programme to a logical end, without losing sight of social service obligations.

#### **Electronic/Print Media**

- sustain on-going deregulation efforts;
- commercialise government print media, especially *New Nigerian* newspaper following the *Daily Times* example.

### **3. Electricity**

- privatise NEPA in the medium-term, especially its electricity distribution service end, but meanwhile obtain outstanding World Bank loan to finance acquisition/maintenance of equipment;
- NEPA should strengthen discriminatory pricing strategies in establishing tariffs for industrial, commercial, domestic and rural consumers of its services.
- allow periodic review of tariffs by NEPA to attain commercial pricing status before any divestment.
- properly manage NEPA's commercialisation/privatisation programme given possible social repercussions: loss of jobs by some of its 34,000 workforce; a monthly wage bill of about N300 million, etc.;
- excess capacities from private electricity generation should be integrated into the national supply subject to technical standard and commercial agreements.

### **4. Water Supply/Sewage System**

- seek financial assistance from World Bank and other international lending agencies;
- learn from the experience of other countries with privatisation experience in this area;
- allow private sector participation in urban centres within a framework that provides incentives, and regulates quality and standards. Rural areas should be primarily serviced by Government.

### **5. Health Services**

- implement policy of three regional medical centres of excellence in the North, East and West, and upgrade selected general hospitals;
- study and learn from the Dutch model of provision of infrastructure, equipment and nursing facilities while other expert, specialist, consultancy services and administration are contracted out;
- Government's primary focus should be on basic/primary healthcare delivery system;

- implement National Health Insurance Scheme, when feasible.
6. **Recreational Facilities**
- make/or enforce law to reverse the conversion of open spaces meant for recreation in urban centres;
  - provide incentive to the private sector to operate recreational facilities in the country.
7. **National Data Bank**
- intensify efforts to develop infrastructure for providing essential geological and survey maps necessary for mining and other economic activities;
  - seek multilateral assistance, where necessary to produce up-to-date maps, including geological and soil maps, accurate statistics on population and the economy;
  - encourage private sector participation in data bank services, where national security will not be jeopardised.
8. **Human Resources Mobilisation**
- embark on human/social engineering through public education and enlightenment campaigns and provide incentives to enthrone positive work ethics, discipline, and high level productivity;
  - emphasise merit, brain power, skills and diligence;
  - improve on quality skills acquisition and upgrade craft centres to upgrade quality of workmanship and finished goods.
9. **Utility Ducts**
- implement policy of urban and rural physical planning and enforce plans;
  - make provision for utility ducts during environmental planning especially in the urban centres.

## **Education and Skills**

### **Introduction**

The group asserted that education and skills development is the most important determinant of sustained economic growth. Unfortunately, over the past decade or more, Nigeria has been plagued with brain drain and a sub-par education

system. The result is a high illiteracy rate (49%) and severe imbalance in education and skills levels between different parts of the country.

### **Issues Discussed**

The group discussed five main issues:

1. **Deterioration in education services delivery.** It noted the substantial deterioration in the delivery of education services at all levels. Gaps exist between the quality of products of our educational systems and the needs of both business and Government. Another gap also exists between the quality of products of the tertiary institutions of our competitors / partners and the quality of products of Nigerian institutions. The deterioration in quality is caused by lack of funding, inadequate remuneration of teachers, poor management and the attitudes of political elites in different parts of the country.
2. **Educational funding.** Funding was described as grossly inadequate for all levels of the educational system. It is very evident that Government cannot provide the full funding for Nigeria's educational system. In addition, existing facilities have been poorly managed and spending pressures have resulted from duplication of educational institutions especially at the tertiary level.
3. **Imbalance in national educational development.** The group discussed the huge imbalance in the educational development of various parts of the country. This imbalance has created discrepancies in opportunities and thus occasioned economic inequalities.
4. **Mandatory minimum stay in schools.** The issue of mandatory minimum stay in schools was discussed. Whilst this is seen as desirable, the group also said cognisance should be taken of related issues such as funding, early marriage of girls, preference for male education, child labour in support of families, etc.
5. **Impact of economic deregulation**

The group noted the impact of economic deregulation which implies competition from all imported products and services. Our educational system must thus be ready to produce world class manpower to face intense competition.



## Conclusions/Recommendations

The group made the following recommendations to help move education forward:

1. Continuous realignment of remuneration and improvement in the total working environment for educators.
2. Greater private sector participation at all levels particularly at the tertiary level where the impact is presently minimal. The private sector should be encouraged to recognise its inherent interest/ability in setting up and operating educational institutions in support of its enterprises. This could be done through pooling of resources, cooperation with NGOs, or action by professional bodies, e.g. ICAN, Lagos Business School, etc.
3. Increased funding by Government to the educational sector. The group called for increased funding from 1.4% to at least 5.0% of G.N.P. and a restructuring in funds allocation to benefit more primary and secondary school levels and stressing more cost recovery at tertiary institutions. The effect of cost recovery will be reduced by re-introducing scholarship schemes based on merit. In addition, it was recommended that the mandatory minimum stay at school should be up to SSS 3.
4. The educational imbalance in the country should be redressed by providing equal access for everybody and by concentrating on "pulling up" rather than "levelling down". Elite groups in educationally backward states should be encouraged to invest in educational institutions, through appropriate tax incentives.
5. The encouragement of local publishing industry and increased support for local manufacturers of educational materials.
6. Greater cooperation between the private sector and the Industrial Training Fund and similar agencies contributing to manpower development.
7. Regular review of curriculum content to make them relevant to national needs. This is very crucial in the sciences and technologically driven disciplines in view of the constantly changing boundaries of scientific knowledge.
8. To foster interaction between private sector and tertiary institutions, e.g. by bringing professionals to governing bodies of such institutions, and by lifting the ban on consulting by professionals in academia.

## Creating an Enabling Environment

### Issues Identified

- Repeal of remaining laws and regulations that militate against enabling environment.
- Maintenance of law and order to ensure security of life and property.
- Provision of infrastructural services.
- Macro-economic stability.
- Protection of civil liberties and human rights.
- Role of international agencies
- Industrial relations
- Improve reception at ports of entry
- Land Use Act and the question of land use and ownership.

### Discussion of Issues

1. **Laws and Regulations.** All intentions should be backed up by enabling laws. The process of law making should be preceded by broad consensus-building between Government, labour, the private sector and other interest groups. The enforcement of the laws should be executed evenly. The legislative process should be within the framework of the constitution.
2. **Law and Order.** Although Police authorities have primary responsibility for maintenance of law and order, the public must be security conscious and alert so as to assist in the achievement of the nation's goal of improved security of life and property for all the citizenry. The performance of the Police since the last Economic Summit was found wanting due to poor appearance, attitude and level of education. The Police is considered to be a mirror of the society, therefore the image should be improved to provide the right environment for visitors, investors and the citizens. Accordingly, Government should provide adequate funding and logistics support for the law enforcement agencies. Training was also considered crucial to the efficiency of the Force.
3. **Infrastructure.** To achieve efficient provision of infrastructural services, monopolies should be broken up and fair competition encouraged. In this regard, it is considered appropriate for NEPA and NITEL to have competitors. A good road network is considered absolutely essential for the needs of an enabling environment. Government proposal to dredge the River Niger for ships to berth inland to decongest our seaports was considered necessary to reduce the traffic and wear and tear by heavy-duty trucks on

our roads. The group also endorsed Government proposal to improve on rail services by contracting them out to private organisations.

4. **Macro-Economic Stability.** Consistency in the application of fiscal and economic policies is essential to continuity and stability of business environment. The creation of a stable macro-economic environment is required for the investment climate in Nigeria to improve.
5. **Civil Liberties and Human Rights.** Although the issue of protection of civil liberties and human rights was considered to have a political undertone, nevertheless, it was considered important for Government to address it especially to avoid unpleasant consequences when visitors and investors have encounters with the various law enforcement agencies.
6. **Role of International Agencies.** International agencies such as the International Finance Corporation (IFC) and the United Nations Development Programme (UNDP) should be permitted and encouraged to deal directly with credible private sector organisations. In short, a policy shift from the previous operation of international agencies through the host government should be implemented.
7. **Industrial Relations.** In recent times, work stoppages have increased. Workers go on strike first before making their grievances known. Existing labour laws on trade disputes are not rigorously enforced. This creates a non-conducive atmosphere for foreign investment.
8. **Reception at the Ports of Entry.** The discussion of this issue was covered by a report on the improved situation at the Murtala Mohammed International Airport, Ikeja, a credit to the Airport Security Committee set up in 1994. Notable among the achievements of the Committee are reduction in the number of regulatory (Immigration, State Security, Customs, etc.) personnel at the airport, improved security and reduction in the number of checkpoints. Similar actions are required at the seaports where there are presently at least 30 agencies at the Lagos seaports only.
9. **Land Use Act.** There was consensus for review of the Land Use Act due to land owners' claim to land even after allocation by Government and issuance of certificate of occupancy. Victoria Island is an example of abuse of existing Town Planning Laws and zoning of physical development.

## Conclusions/Recommendations

### 1. *Laws and Regulations*

- shorten the time between announcement of repeal of laws and promulgation of the enabling laws and replacement legislation. This is especially the case with the repealed Exchange Control Act 1962 and the Nigerian Enterprises Promotion Act, 1989.
- accelerate action on bilateral agreements to give added comfort to foreign investors. Technical service agreements should be permitted and respected where the foreign investor does not have 100% ownership.
- repeal all laws and regulations which hinder investment and fund flow.
- Monetary Policy Guidelines prohibiting the IFC from providing local currency loan guarantees for the funding of projects should be removed.
- abolish the requirements of certificate of acceptance for fixed asset acquisition.

### 2. *Security of Life and Property*

- Government should give priority to this issue through adequate funding of the Police, training of policemen, provision of motor vehicles and communications equipment and improvement in the Police conditions of service to boost their morale.

### 3. *Infrastructure*

- emphasis should be more on maintenance of existing roads than construction of new ones.
- break NEPA and NITEL monopoly through privatisation and allowing fair competition.

### 4. *Macro-economic Stability*

- entrench/institutionalise policy reforms through legislative instruments to ensure they are not easily reversed.

### 5. *Civil Liberties/Human Rights*

- adherence of law enforcement agencies to the rule of law.

### 6. *Role of International Agencies*

- Government should remove any remaining barriers which hinder the international agencies from dealing directly with credible and viable private sector organisations.

- Organised private sector (OPS) to work with the international agencies to modify existing rules to remove the impediments preventing the international agencies from dealing directly with private sector organisations.

#### 7. *Labour Relations*

- enforce existing labour laws, if need be make additional laws to curb industrial disputes and unrests.
- encourage industrial peace by promotion of amicable resolution of industrial disputes between management and the unions.

#### 8. *Reception at the Ports et al*

- sustain the performance of the Presidential Task Force at the ports and the Airport Security Committee. Extend their activities to the seaports.
- equip the Murtala Mohammed International Airport with Flight Information Display System (FIDS).
- liberalise visa issuing procedures to ensure visas are issued within 48 hours of request.
- sustain Police anti-crime patrol at the airport.
- grant resident status to investors with 100% ownership.
- repeal Alien Registration Act and abolish the requirement of alien registration card for non-Commonwealth citizens.
- entry procedure for Nigerian citizens to be reviewed to reduce the queues at the arrival hall.

#### 9. *Land Use Act*

- revise/modify the Land Use Act based on input from lawyers, surveyors, and other relevant professionals.

## **Customs, Exports, Imports and Tourism**

### **Introduction**

International trade has played a prominent role in the nation's economic development and has the potential to be a major foreign exchange earner. This is known to the Government and a number of incentives have been instituted to promote

exports. However, the implementation of such incentives has been crippled by administrative lapses. Unnecessary documentation and cumbersome procedure has introduced a lot of corruption and inefficiencies to the nation's import and export activities. The current payment system which prohibits the use of bills for collection has greatly hindered Nigerian importers from utilising external trade credit. It was with this background that the group examined the following salient points.

### Issues Discussed

*Import, Customs and the Ports.* The group noted that a new tariff regime that would be in operation for the next seven years has just been introduced. However, the adoption of a new exchange rate calls for modification of the tariff structure. One of the arguments is that importers should be allowed to pay duties at the official exchange rate. The consensus was that ideally, there ought to be one exchange rate for the whole economy and as such, the official exchange rate should be done away with. Although a reduction of duties will discourage smuggling, there is a need to maintain a reasonable level of protection.

The services currently provided by Customs were viewed as inadequate, unprofessional and cumbersome for exporters and importers. Although a label of corruption has been stamped on Customs officials, it is however a reflection of the larger Nigerian society. It was observed that the impatience of Nigerian businessmen and tendency to jump laid down procedures has immensely contributed to the Customs predicament. The presence of multiple security posts in the ports is also hindering smooth operations at the ports. Key officers responsible for crucial operational and administrative decisions should be located in the ports as a way of eliminating delays and lapses. The group was, however, assured by the Sole Administrator of Customs that only policy issues are now being referred to their headquarters at Abuja.

The need to plough back part of the windfall from duties collected into the Customs department was considered and rejected by the group since this may encourage other government agencies to demand similar treatment. The number of documents required for goods clearance was excessive, often causing unnecessary delays with severe financial implications.

The group observed that the commercialisation of Nigerian Ports PLC brought with it decentralisation and some degree of autonomy which has led to creation of different administrative zones. The more important issue, however, is the optimal utilisation of all existing ports facilities and staff rationalisation as a way



of improving efficiency. The Ports facilities are very old and inadequate. As such, they should be refurbished and well maintained while planning for new infrastructures be undertaken.

It was also noted that prohibition of Bills for Collection was instituted because of sharp practices and round tripping by some unscrupulous operators. The use of this instrument, however, is a normal practice in international trade and it offers a very good opportunity of using trade credit by Nigerian importers particularly in the current circumstance of domestic credit squeeze.

The issue of the abolition of pre-shipment inspection for importers was considered. The consensus was that the circumstances prevailing when the regime was introduced has totally disappeared. In addition, the economy has been largely deregulated and the circumstances which necessitated the installation of this system have radically altered as a consequence. It is also worthy of note that the huge sums of money paid annually to external inspectors can be ploughed back for productive use. For the same reason, the proposed inspection of exports should be done away with it.

Lifting of the ban on prohibited imports was viewed against the policy of liberalisation and Nigeria's membership of World Trade Organisation (WTO) which discourage the use of quota and tariff barriers.

**Exports.** On exports, it was observed that the existing export incentives such as Duty Drawback Scheme, bonded warehouses, export grant, etc. are desirable and have the potential to produce a positive impact on Nigeria's export development. However, inter-ministerial involvement in incentive administration has discouraged export trade. In some cases, it takes up to two to three years to process such incentives to the extent that many exporters do not believe that such a scheme exists. Inadequate funding of incentives was also identified as a constraint to their implementation.

Another major constraint to Nigeria's export development is lack of medium and long-term finance. The existing short-term funding provided by Nigerian Export-Import Bank (NEXIM) is not adequate and cannot make any meaningful impact considering the seasonality of most of Nigeria's non-export commodities. The rate of interest on such loans is also considered high for Nigeria to maintain a high level of competitiveness in international markets.

**Tourism.** Finally, the Nigerian tourism industry was analysed and observed that Nigeria is not attractive now for tourism due to our bad image, lack of necessary infrastructures, attitude to visitors and lack of tourism culture among Nigerians. Although some level of individual tourism is taking place, what is needed for now



is the development and promotion of domestic tourism among Nigerians. Although no consensus was reached, a participant in the group raised the following salient points regarding tourism development in Nigeria:

- that a Tourism Development Task Force should be established under the auspices of the Honourable Minister of Commerce and Tourism with responsibility to review and implement the National Tourism Master Plan and Strategic Plan studies;
- the need to integrate tourism into the overall national budget for disclosure of monetary allocation for tourism development to further give credence to government's posture of accountability and transparency;
- that both the embarkation and disembarkation cards should be redesigned to improve the nation's tourism database, to save time and facilitate our future tourism development planning;
- that Nigeria needs an effective representation in all international tourism-related agencies such as the World Tourism Organisation (WTO) based in Spain, ECOWAS, ADB, UNESCO, ILO etc. so as to take the benefit of any available funds and technical aids for tourism development.

## **Conclusions/Recommendations**

Based on the issues discussed, the group made the following recommendations:

### **Import, Customs and the Ports**

1. Import duties reduction should be selective and not across the board. Essential goods, plant and machinery and raw materials that will affect the real sector should enjoy lower duty rates. This would allow Nigeria to maintain some level of protection, although an outright ban is not recommended.
2. The operations of Customs should be computerised with the aim of simplifying documentation and reducing paper work in clearing and forwarding activities.
3. A re-orientation programme should be developed for the Customs Service. This should include selective recruitment schemes and elimination of unscrupulous elements within the Service.
4. Considering the huge financial losses which Destination Inspection of imports can generate, it is recommended that Nigeria should discontinue Pre-shipment Inspection, while the scheme being proposed for pre-ship-

ment inspection of export should not be implemented. This will reduce the cash-to-cash conversion cycle and make trade sanctions more efficient.

5. The existing administrative structure of Nigerian ports should be maintained. However, a staff rationalisation exercise may be necessary to reduce waste and increase productivity.
6. In order to ensure a smooth flow of goods and services within the port area, the number of security agencies and security points in Nigeria's ports should be limited to those recognised in the statute establishing the ports.
7. In the light of the new exchange rate and the need for Nigerian importers to have greater access to the market, the ban on the use of Bills for Collection should be lifted.

### **Exports**

1. All post-shipment export incentives should be monetised and administered by the Central Bank of Nigeria as a "one-stop shopping" affair such that each exporter will enjoy a direct credit repatriation.
2. Pre-shipment incentives should be adequate enough to spur new comers into the export trade. This can be done by providing sufficient fund for the Export Development Fund (incentive) scheme. In this regard, NEPC should be well funded and strengthened to be able to carry out effectively all its functions, especially those relating to export promotions and incentive administration.
3. NEXIM should be made a risk-bearing export bank such that it would be able to provide low-interest medium and long-term loans to exporters instead of the existing short-term financing which has not produced the required impact.

### **Tourism**

Nigeria should embark on gradual development of her tourism industry, first by encouraging and cultivating the habit of domestic tourism among Nigerians. A tourism calendar should also be produced while security agents should be educated not to turn away foreign visitors through their attitude.

## **Privatisation**

### **Introduction**

The group started by examining the various definitions of privatisation and came up with both the narrow and wider definitions of the term. Narrowly defined, privatisation is simply the sale by Government of its interest in a publicly-owned enterprise to the private sector. But given the wider definition, privatisation is a term used to describe a variety of policies which are designed to transfer, fully or partially, ownership and control of public enterprises to the private sector to encourage competition and emphasise the role of market forces in place of statutory restrictions and monopoly powers.

Commercialisation, on the other hand, was defined as the re-organisation of enterprises wholly or partially owned by Government to ensure that such enterprises operate as profit-making commercial ventures without subvention from Government.

On the objective of privatisation, it was agreed that Government should disengage from all commercial activities as these are better performed by the private sector. The main role of Government should be to create an enabling environment for business through the provision of basic infrastructure and social services.

### **Issues Discussed**

*Benefits of Privatisation.* The benefits of privatisation are that it:

1. reduces government spending and enhances revenue;
2. enhances efficiency in resource allocation;
3. improves performance of the affected enterprises;
4. fosters a deepening of the capital markets;
5. enhances the scope for foreign direct investment; and
6. can be used to spread ownership of privatised enterprises.

*Review of Privatisation Programme.* The progress of the programme was reviewed, the methodology examined and the problems and constraints identified.

*Progress so far.* Out of the 111 enterprises slated by Government for full or partial privatisation, the Technical Committee on Privatisation and Commercialisation (TCPC) has so far privatised 88. The process raised N3.2 billion for Government from sale of investments originally valued at N655 million.

**Methodology.** The TCPC employed five approaches in privatising government-owned assets. These were:

1. public flotation on the stock exchange for enterprises that qualified for stock exchange listing;
2. private placement, used for enterprises in which government's holding was too small for a public offer or where the enterprises did not meet the listing requirements of the stock exchange;
3. sale of assets, where the companies had poor track records and, therefore, could not be sold as going concerns;
4. management buy-out. This was used by the TCPC in only one enterprise; and
5. deferred public offer, where it was felt that the enterprises required introduction of an investor/ manager for a certain number of years to raise the value of their shares so that adequate revenue could be derived from the sale of such enterprises. This method was used in the sale of hotels.

**Problems and Constraints.** The following problems and constraints were identified as having militated against the full realisation of the objectives of the privatisation programme as conceived:

1. Some assets of the privatised enterprises may have been undervalued in comparison to their realisable values.
2. A number of enterprises slated for privatisation could not attract buyers when put up for sale. These enterprises have continued to constitute a drain on treasury resources.
3. There were long delays in the processing of share applications. Applicants had to wait for long periods before receiving their share certificates and refunds, where applicable.
4. Foreign investment could not be attracted because of the prevailing restrictions on such investments in the Nigerian capital markets.
5. TCPC's mandate was restricted to enterprises already chosen for privatisation by Government and so many other enterprises that ought to be privatised were left out.
6. There was resistance to the programme from some people who were suspicious of it, probably because they did not understand it.

**Review of Commercialisation Programme.** The commercialisation option was adopted for enterprises the Government did not wish to sell. Some of these

enterprises were to be fully commercialised to enable them operate efficiently without government subvention. However, some enterprises were to be partially commercialised because Government felt that they would need capital injection and continuing government subvention to cover operating costs.

Nineteen out of the thirty-four affected enterprises have so far been commercialised and the performance agreements signed.

**Problems and Constraints.** On the whole, the results of the commercialisation programme have been most disappointing for the following reasons:

1. Commercialised enterprises have continued to experience political interference in their operations, including frequent management and board changes. This violates the operational autonomy granted to them under the terms of their performance agreements.
2. There have not been improvements in efficiency of most of the commercialised enterprises although they have been increasing their tariffs.
3. The Government has, so far, not been able to create effective regulatory bodies to oversee the operations of the commercialised enterprises.

**Contract Leasing.** The contract leasing option was recently adopted by Government for the reasons that Government did not wish to be rushed to dispose of the assets of the affected companies at an under-valued price and also it wanted to pause and take stock of the privatisation exercise.

Contract leasing is a difficult method of privatisation for the following reasons:

1. it is difficult to ensure maintenance of the leased assets by the contract lessees;
2. it may give rise to labour problems;
3. although it continues to own the enterprises, it may be difficult for Government to control the prices of the services being provided;
4. many of the affected enterprises have huge debts which must be paid by Government before any private investor would be interested in leasing the enterprises; and
5. the fear of continued government interference may discourage prospective lessees.

**Policy Reversals.** The group advised against any decision by Government to reverse the privatisation of some banks, as is recently speculated, as this would send wrong signals on government's commitment to its privatisation programme. Also, it would dent government's credibility and put to question the entire policy reform programme.

*Privatisation Programmes at State Level.* The privatisation programmes at the State level have been generally uncoordinated and unfocused. As a result, the momentum has been low. Many of the States that initiated their own privatisation programmes have either practically abandoned them or are implementing them in a lukewarm manner.

## **Conclusions and Recommendations**

### *Privatisation*

1. Government should ensure continuity and consistency in implementation of its privatisation programme in order to send appropriate signals to investors.
2. Once an enterprise is privatised, it should not be reacquired by Government.
3. Implementation of privatisation should be thorough and appropriately designed to address the peculiar circumstances of each affected enterprise.
4. The privatisation programme should be expanded to cover all enterprises that can be more efficiently managed by the private sector.
5. To ensure that investors/applicants are not frustrated, only capital market operators that have the capability for efficient processing of applications should be considered.
6. Existing laws and regulations should be reviewed to facilitate foreign participation in the privatisation exercise.

### *Others*

1. Commercialisation should be regarded simply as a method of preparing enterprises for ultimate privatisation rather than as an alternative to privatisation.
2. The policy of contract leasing should be reviewed and used only for carefully selected enterprises where no other mode of privatisation is appropriate.
3. Proper institutional arrangements, similar to those of the Federal Government, should be put in place at the State level to handle privatisation. The process as a whole in the States should be accelerated and made more transparent.

Furthermore, the Federal Government should assist the States in personnel training and skills enhancement.

4. Existing regulatory bodies should be strengthened and, where necessary, new ones created to ensure that Government as an impartial party, sets standards for and ensures compliance by all enterprises. Some such new bodies would include a Utilities Charges Commission and a Monopolies and Mergers Commission.
5. The Bureau for Public Enterprises should be strengthened to perform its expanded role.
6. The enlightenment campaign should be intensified and expanded to articulate properly and explain the need and benefits of privatisation to potential investors and the general public.

### **Action Plan**

Government should work together with the private sector to develop an immediate action plan to identify and prioritise the enterprises to be immediately privatised. These should include at the minimum NITEL, NEPA, Nigeria Airways, NNPC, Aluminium Smelting Company, Oshogbo Machine Tools Company, all the steel rolling mills and all the paper mills.

## **Debt Management**

### **Introduction**

Debt management was considered within the framework of external and domestic debt.

### **Issues Discussed**

*External Debt.* On the external debt, it was noted that this stood at US\$29.4 billion at the end of 1994. This is composed of multilateral debt (US\$4.4 billion or 15% or total), Paris Club debt (US\$18.3 billion or 62.3%), London Club debt (US\$2.05 billion or 7%), Promissory Notes (US\$3.17 billion or 10.8%), other debts (US\$1.45 billion or 4.9%).

While the London Club and Promissory Note debts have been adequately addressed, not much progress has been made with respect to Paris Club debt. In



fact, Nigeria is currently in arrears on its Paris Club obligations to the tune of approximately US\$7.5 billion. The year-end 1995 arrears are expected to grow to US\$8.5 billion.

**Accuracy of Debt Data.** There is still a question as to the exact size of Nigeria's external debt. The debt stock has continued to grow despite some repayments over the years. Reasons for this growth range from higher interest costs due to the floating interest rate structure of the debts, the subsequent capitalisation of past-due interest and exchange rate fluctuations to the bunching problem of rescheduled Paris Club debts.

**Negative Implications of the Debt Overhang and Debt Arrears.** The implications are serious and include:

1. deterrence to foreign investments;
2. reduced availability of short-term credit lines from banks and suppliers;
3. unavailability of critical development financing from multi-lateral lenders and Export Credit Agencies;
4. lack of financing for viable energy sector projects such as the NLNG;
5. loss of external credibility;
6. domestic inflationary pressures;
7. capital flight;
8. exchange rate pressures.

The stock of Paris Club debt, if not significantly reduced, will continue to be a burden on Nigeria's economy.

**Domestic Debt.** Total domestic debt as at March 17, 1995 was N262.7 billion. Of this amount, the Central Bank held over 75%, banks held 15% while the remaining 10% was held by the non-bank public. In terms of composition, Nigerian Treasury Bills accounted for N103.3 billion or 39.5%, Nigerian Treasury Bonds N118.7 billion or 45.2% while Treasury Certificates and Development Stocks accounted for the balance of N40.7 billion or 15.3%.

The disproportionate holding of the Central Bank has serious implications for monetary expansion as it now finances a large proportion of the Federal Government's budget deficit. This in turn fuels inflation and puts pressure on the exchange rate.

Interest rates on these instruments are not market-determined but are fixed at artificially low levels, making them unattractive to other investors.

Proper accounting and recognition of government debt remains a problem. Official debt figures are inaccurate as they do not include government's "hidden"

obligations to contractors, cash call arrears owed to the petroleum industry and outstanding Federal Government guarantees.

## Conclusions/Recommendations

### *External Debt*

1. Building credibility is important for Nigeria to attract the sympathy of its external creditors. This will come through adopting full transparency and accountability in all fiscal and monetary matters; consistency in policies, commitment and adherence to same; honouring debt obligations; constructive and continuing dialogue with the Bretton Woods institutions, the Paris Club and other creditors.
2. For Nigeria to obtain necessary debt relief, it has to put in place and adhere to an IMF/World Bank approved Medium Term Economic Programme (MTEP). The programme would entail a reordering of priorities, continuous restructuring and fine-tuning of the economy.
3. In adopting an appropriate debt strategy, Nigeria should consider rescheduling/refinancing on highly concessional terms such as the Enhanced Toronto Terms or Naples Terms. These cover the entire debt stock rather than just the maturing debt service obligations. However, qualification for these highly concessional terms would be predicated on adoption and serious adherence to the MTEP.

In addition, hedging against currency and interest rate fluctuations could be a viable strategy for managing Nigeria's external debt.

Also, the debt conversion strategy remains a viable means for reducing the debt stock and should be accelerated. Debt-for-nature, and debt-for-privatisation should be considered along with debt-for-equity.

4. If and when Nigeria regains access to international capital markets, the Federal Government should adopt clear and strict criteria for contracting new debt, which must be within affordable limits. Such debt should be limited to capital for infrastructural development and should not include guarantees for State, Local Government, Parastatal and private commitments.

The private sector should be allowed to enter foreign currency commitments and to service them out of their own autonomous sources without requiring approval from the Ministry of Finance or Central Bank.

### *Domestic Debt*

1. Pricing of domestic debt instruments should be at market rates to make them attractive to investors. This will serve the dual purpose of deepening the market as well as curbing monetary expansion inherent in CBN's holding of such instruments.
2. To address adequately the problem of proper accounting/recognition of government debt, a comprehensive accounting system should be implemented. This would reconcile and include all government obligations in official debt statistics.

The following measures should also be considered:

- proper budgetary allocations for the "hidden debt" so identified in order to minimise/eliminate extra-budgetary allocations;
  - rendition and publication of independently audited accounts for Federal, State and Local Governments and parastatals within three months of their fiscal year-ends;
  - prompt payment of bills by the Government in order to avoid accumulation of debts and to develop the image of a responsible obligor;
  - Government is to issue payment/performance bonds to contractors and suppliers in order to guarantee its commitments. It should also maintain a comprehensive documentation and audit trail for all obligations assumed, all contracts entered into, and for all payments made;
  - Government should institute effective and practical administrative procedures to enable its unpaid creditors obtain remedy expeditiously. These should include an effective Ombudsman.
3. Government should adhere to binding commitments. Change of individual officials or regimes should not result in repudiation of commitments entered into by predecessors.

## External Image and Support

### Introduction

In addition to identifying and discussing issues related to Nigeria's external image and support as well as making recommendations for improvement, the group also reviewed progress made on implementation of recommendations of the First Nigerian Economic Summit in this area.

### Issues Discussed

*Nigeria's Strengths and Weaknesses.* Strengths include a free press, abundant natural and human resources, existence of a large market, political awareness, friendly citizens and participation in peace-keeping operations around the world.

On the other hand, the weaknesses are many and include corruption, rampant financial and international crimes, inadequate security of life and property, problems with obtaining entry visas and at the points of entry, poor infrastructure, problems with clearing of goods through customs, unhelpful bureaucracy, drug trafficking, indiscipline, political instability, apparent lack of patriotism, human rights abuses, lack of transparency and accountability in government.

*External Image.* Nigeria's external image is poor and declining. It is a reflection of the country's domestic circumstances, amplifying mental images that foreigners have built up over the years. Issues that affect foreigners' perception of Nigeria can be grouped under three broad headings:

1. *Economic Issues.* The economic issues that affect Nigeria's external image centre around the country's poor management/ mismanagement of its abundant natural and human resources. This is more glaring when Nigeria is compared to other less endowed developing countries that have adopted progressive policies and are making giant strides towards developing their economies.

Poor management of the country's external debt has exacerbated the burden of such debt and constrained economic growth. Nigeria has also earned the image of a bad debtor.

In addition, the lack of will/capacity to deal with international financial and economic crimes such as advance fee frauds and credit card frauds has further tarnished Nigeria's image abroad.

2. **Political Issues.** Political issues range from undemocratic and uncivilised arbitrary political actions by leaders, and "endless" political transition programme, international contempt for military governments, failure to resolve the "June 12" issue, to holding of political prisoners giving rise to the international campaign for their release.
3. **Social Issues.** Inadequate security of life and property, with armed robbery and other violent crimes out of control, paints a picture of a country under siege.

Other social issues that have contributed to the country's poor external image include community disputes such as that in Ogoni land, drug trafficking, human rights abuses, corruption, general indiscipline and disregard for the rule of law including detention without trial and contempt of court orders.

**Press Publicity.** Proscription of sections of the media has adversely affected the country's erstwhile reputation for press freedom. It has also heightened media reaction, further fuelling cynicism and negative views of the country abroad.

Government's publicity machinery is ineffective, often adopting "fire brigade" tactics in response to bad foreign press, instead of a well thought out programme for international image management. It also ignores abundant local talent in its efforts.

**Infrastructure.** The poor state of the country's infrastructure, including electricity, telecommunications, water supply, roads and airports does not make for an enabling environment for foreigners to live and work.

## Conclusions/Recommendations

Several recommendations from the First Nigerian Economic Summit have either not been implemented at all or were implemented partially or with limited success. Among these are:

1. that 48-hour response to visa requests be guaranteed;
2. appointment of consultants to carry out worldwide image study for Nigeria;
3. breaking of monopoly in the telecommunications industry;
4. commissioning of public relations consultants to train civil servants in order to make them more co-operative;
5. restructuring and adequate funding of external broadcast agencies;
6. addressing the problem of frauds is in progress with the introduction of a new legislation and task force;

7. there has also been some effort at improving conditions at the nation's main airport, Murtala Mohammed International Airport, as part of preparations for hosting the cancelled FIFA Under-21 World Cup.

## **New Recommendations**

1. *Corruption.* Public officers should be adequately remunerated and in a timely manner too. The media should be used to propagate new values in society by projecting the right role models.
2. *Financial/Economic Crimes.* The new laws recently enacted should be strictly enforced and such enforcements given adequate publicity to show Nigerians and foreigners alike that the Government is serious.
3. *Social Remedies.* The Police Force should review its recruitment and training policies and practices to ensure a higher quality of recruits. The force should be adequately equipped, proper management systems introduced and its members well remunerated for better motivation and effective performance. On drug offences, severe penalties should be meted to offenders, the drug law enforcement tribunals adequately funded and NDLEA strengthened and decentralised for greater effectiveness.

All cases of people detained without trial should be speedily resolved and measures taken to raise the consciousness of Nigerians on the problems of human right violations.

4. *Transparency and Accountability.* Asset declaration by public officers, as required by law, should be strictly enforced and violations punished. In addition, the machinery for administering such declarations should be strengthened.

Government departments and agencies should hold regular discussions with their direct publics to obtain comments and feedbacks on their performance and problems.

5. *Political.* The Government should immediately announce a credible programme of transition to democratic rule. It should also release all political prisoners and embark on a programme of educating the populace on developing an appropriate political culture.
6. *Press and Publicity.* Government should set up a task force, comprising relevant government departments and the private sector, including public relations practitioners, to tackle the issue of Nigeria's external image.

In the long-term, there should be consideration to the establishment of agencies similar to the British Council and US Information Service to project Nigeria's image abroad.

7. **Infrastructure.** For improved infrastructural facilities, the monopoly currently enjoyed by NEPA, NITEL, water corporations, etc. should be abolished to ensure efficient provision of such services.

A strong maintenance culture should be enthroned through, for instance, enforcing timely reporting and response to breakdown of facilities.

8. **Entry Visas.** There should be instituted a maximum time limit of 14 days for visa referrals to Nigeria. Response time for regular applications should not exceed 48 hours.

## **Women's Participation in National Development**

### **Introduction**

It is clear that efforts in national development have consistently neglected the role of women.

Women constitute half of our national population and dominate the workforce of the agricultural sector but lack the basic support and services to enhance their participation in national economic schemes. Furthermore, development schemes for women are generally perceived to fall within the welfare context. This has long compounded the problem of integrating women in national development.

Historically, discrimination against women and other cultural practices have combined to make women comparatively less educated and less powerful in the decision making process. Endemic are such practices as son preference, early marriage, taking of dowries, female circumcision, negative attitudes to childlessness, widowhood rites and inheritance practices. Furthermore, women lack the resources necessary for effective economic participation. It should be noted also that women as mothers are first teachers. They provide the basic foundation for good leadership.

### **Issues Discussed**

1. How can we maximally tap the potential of women to enable them make commensurable input in national development?



2. In what ways do we re-orientate cultural practices which impede women's progress so as to project them as agents of development?
3. What adjustments could also be made in our formal systems to integrate women in national development schemes taking into consideration the psychological dynamics of women as wives/mothers and contributors to the gross domestic product.
4. How can we introduce power-sharing into the body politic?

**Women in Education.** Seventy per cent of women who live in the rural areas are illiterate. This situation is closely related to cultural practices that discriminate against girls education. Even where girls are sent to school, they are withdrawn for socio-cultural and economic reasons. Furthermore, the education curricula is stereotyped and the limited number of role models has inhibited the participation of girls especially in science and technology and other fields of endeavour. Other inhibiting factors contributing to women's low performance in education are peer pressure, male preference, change in value system, involvement in domestic chores, etc. How can women be developed if they do not have access to formal and informal education? Education for women is fundamental if they are to make maximum contribution to national development.

**Women in Agriculture.** Fifty per cent of the Nigerian population are women, 75% of whom are engaged in agriculture.

These women who are subsistence farmers face the following problems:

- lack of access to credit;
- ownership of land;
- discriminatory allocation of farm inputs and implements;
- lack of appropriate technology;
- cultural practices.

**Women in Entrepreneurship.** Nigerian women are very enterprising. They excel in petty trading, cottage industries, especially arts and crafts. They have boosted our exports by the promotion of non-oil export trading especially along the west coast in woven cloth, shea butter, beads, kola nuts, etc. Despite this contribution, their ventures have been limited largely due to the following reasons:

- access to credit;
- appropriate entrepreneurial techniques;
- socio-cultural impediments;
- mobility.

## Conclusions/Recommendations

The group advanced the following recommendations to make women's participation a potent force in national development:

1. establish data bank which will store information that affects women positive change to ensure equal opportunity for girls and boys;
2. provide career guidance and counselling;
3. provide enhanced scholarship schemes especially for girls from disadvantaged families;
4. develop catch-up mechanisms which will not make marriage and child bearing obstacles to pursuing education;
5. establish specialised institutions for girls to train in science and technology;
6. create special quota for girls in existing higher institutions to increase enrolment;
7. provide adult literacy classes;
8. encourage NGO's to organise courses to stimulate interest in scientific courses;
9. health education - family planning pre-medical consultation at grassroots level;
10. create co-operatives within communities to spread information;
11. enact a national policy for women;
12. deliberate efforts by Government to involve women in decision making, such that 30% of all key decision making positions are filled by women;
13. facilitate conducive working environment for mothers in public and private sector establishment;
14. acceptance as household heads where applicable and be given all the rights and responsibilities;
15. equal access to credit facilities;
16. provide soft loans and grants to enhance women's entrepreneurship development;
17. establish financial institutions for women development;
18. publicise Government's strong support for women to participate in national development;

19. sensitise Government and the private sector to women issues;
20. review discriminatory laws/regulations and practices against women, e.g. taxation, widowhood;
21. provide access to land ownership by women either by purchase, special allocation or inheritance.

## **Petroleum**

### **Introduction**

The group divided the industry into upstream and downstream components, concentrated on medium to long-term, and defined a vision for each part.

### **Upstream Oil & Gas**

*The Vision.* In the medium to long-term,

- Nigeria shall remain a major player in the world oil and gas market by being competitive.
- Nigeria shall endeavour to:
  - increase its oil reserve base from the current 20 billion bpd;
  - increase its producibility from the current 2.0 million bpd to 2.5 million bpd, thus maintaining its OPEC market share of between 7.5% and 8.0% and achieve full utilisation of its gas resources of over 100 trillion cubic feet reserve base thus reducing gas flaring to the absolute minimum.

### **Issues Identified**

- inadequate funding;
- fiscal policy;
- appropriate technology;
- gas utilisation;
- community relations;
- indigenous participation.

## Key Issues Discussed

The discussion focused mainly on the following two issues:

1. **Funding.** It is recognised that one of the major constraints to E&P activities in recent years has been the inadequate funding of JV operations and unless this is fully addressed, Nigeria may not be able to fully realise its hydrocarbon potential.

A system needs to be put in place that will enable E&P activities to be sustained. Issues discussed included the need to:

- divest part of government holdings to reduce its financial obligations;
- fully implement the Joint Operations Agreement (JOA) to enable the operator to access cash call crude to cover government obligations;
- limit existing JV arrangement to currently producing fields while all unutilised portions of OML, and all new acreages are covered by the PSC arrangement. Restructure NNPC as an integrated private/commercial oil company to enable it pay royalties, PPT, like any other E&P Company, and dividends to Government;
- merge all or some JV companies so as to realise synergies and prioritise projects by reference to expected return on investment criteria;
- ensure a fully commercialised NNPC to form Joint Venture partnership with existing joint venture partners and others, in a grand alliance, contributing finance and personnel to jointly run the operations;
- have NNPC take over joint venture shares and appoint the operators as service contractors.

2. **Gas Utilisation.** Utilisation is essential to profit from a massive, wasteful disposal by flaring. Since this is a highly competitive global market, it requires cooperation between both public and private sectors, especially given the magnitude of investments required. The following actions are required to energise the gas sector:

- review current gas incentives under the Associated Gas Framework Agreement (AGFA) to stimulate gas utilisation projects;
- integrate oil field development with projects for the utilisation of associated gas delivered thereof;
- develop appropriate gas policy that will promote and encourage investment in gas;

- introduce appropriate gas pricing arrangements to compensate producers and penalise oil companies that refuse/hinder access to their gas for potential investors;
- expedite the realisation of the LNG project;
- promote gas market development by:
  - preferential pricing for industrial users;
  - development by government of initial infrastructure;
  - encouraging private sector participation in gas transport, marketing and distribution;
  - extending gas supply to the West African sub-region.

## Key Recommendations and Action Plan

Consensus was reached on the following recommendations:

1. The PSC is ultimately the best solution to the problem of funding E&P activities in Nigeria - *Immediate*.
2. The existing joint-venture operations can best be funded by implementing the provisions of the JOA whereby cash call crude will be used to fund government obligations - *Immediate*.
3. NNPC could be restructured to enable it operate like any E&P company, paying appropriate royalties and PPT and declaring and paying dividend to Government - *Short Term*.
4. There should be a regular review of the fiscal environment to ensure competitiveness and induce adequate inflow of both foreign and domestic investment - *Immediate*.
5. Oil producing communities should be given sufficient stake in the fiscal arrangement to sustain their full cooperation and support for the smooth operation and growth of the industry - *Short Term*.
6. Develop a comprehensive gas policy that will promote and encourage investments in gas development including but not limited to:
  - review of AGFA;
  - appropriate pricing that provides adequate compensation for producers;
  - penalties for denial of access to gas to potential investors; etc - *Immediate*

integrating oil field development with projects for utilisation of associated gas derived thereof, etc. - *Short Term*.

7. Expedite the realisation of the LNG project; - *Immediate*.
8. Promote the growth of the gas market by introducing:
  - preferential pricing for industrial users;
  - tax credits;
  - provision of government funded infrastructure;
  - extending gas supply to the West African sub-region. - *Immediate*
9. Encourage private sector participation in gas transportation, marketing and distribution - *Immediate*

## **Downstream Oil & Gas**

*The Vision.* The Downstream sector of the Nigerian oil industry should be geared to operate efficiently in a competitive environment without monopoly, without subsidy, thereby ensuring uninterrupted availability of refined petroleum products to the Nigerian consumer.

### **Issues Identified**

1. Adequate funding to ensure effective maintenance and safe operation of facilities;
2. Deregulated pricing structure;
3. Elimination of government control;
4. Government ownership;
5. Leasing of refineries;
6. Management effectiveness;
7. Impediments and bottlenecks such as the Military Task forces, products allocation problems;
8. Imminent collapse of the refinery and distribution system;
9. Refineries to operate as commercial processing refineries with marketers supplying crude and paying the refineries a market-determined processing fee;
10. Subsidy to be initially limited to crude price;
11. Product evacuation bottlenecks;
12. Poor incentives for all parties;
13. Poor infrastructure and communication facilities;
14. Environment, health and safety issues.

## Key Issues Discussed

The discussion focused mainly on the following three issues:

1. **Funding.** It is recognised that a clear need exists for all operators in the downstream supply chain to recover all costs and make a reasonable margin to ensure sustained maintenance and asset replacement for the efficient and safe operation of facilities. A comparison of current margins illustrates the unsustainable situation, viz:

	Nigeria	WorldWide Average
Refining/Distribution Margin	<N1.70/ltr.	N6.30/ltr.
Marketers Gross Margin	N1.30/ltr.	N5.50/ltr.

In the medium term, the sector should aim to attain an import-point international parity pricing structure which should enable Government to generate a real positive income from the sector. The present situation which recognises revenue at the official exchange rate of N22/\$1 is affected by exchange rate fluctuations.

2. **Deregulated Pricing Structure.** It was agreed that the ultimate aim is to attain full deregulation and open up the sector to full competition without monopolies and without subsidies. In the interim, however, it is considered most desirable to set product prices at current import-parity levels, thus enabling supply source competition, to provide plentiful supply and compel refining efficiency.
3. **Government Control.** In the long-term, government withdrawal from the sector should be attained. The following options were considered:
  - leasing out the facilities on terms that would ensure sustained and efficient operation;
  - privatisation of refineries after the attainment of a fully deregulated market.

## Key Recommendations/Action Plan

1. **Funding.** Provide adequate funding to ensure full cost recovery and facilitate asset maintenance and replacement - *Immediate.*



2. **Pricing Structure.** Establish a pricing structure based on import parity and gradually withdraw all subsidies to ultimately attain full deregulation and open up the industry to competition - *Short Term*.
3. **Government Control.** Transfer control and, ultimately, ownership to private sector participants by :
  - first leasing out the facilities on terms that would ensure sustained, efficient and competitive market regime;
  - privatising the refineries and distribution facilities after attainment of a fully deregulated market - *Long Term*.

## **Agriculture and Agri-Business**

### **Introduction**

Agriculture is the backbone of the Nigerian Economy providing employment to about 70% of its population . Yet, this important sector has suffered from benign neglect since the oil boom days. Agriculture (both cash and food crops) has steadily declined since the early 1970s. Nigeria's export crops, such as ground-nuts, palm oil and kernel, have virtually disappeared and the country is a net importer of food crops.

### **Issues Identified/Discussed**

The group devoted substantial time to reach common consensus on two main issues, namely the vision of Nigeria's agricultural sector in the year 2005 and the objectives which must guide the development of the sector.

**Vision 2005.** The group's vision is that agriculture should be profitable and sustainable in the production of food and raw materials. Nigeria should be self-sufficient in food, in terms of quantity, quality, variety and availability. Exports should be a major source of foreign exchange earnings for Nigeria. The level of self-reliance on farm input production should be maximised.

**Objectives.** The group defined the following objectives for the agricultural sector towards the attainment of Vision 2005:

- implementation of modern agricultural practices, especially mechanised

- farming and utilisation of modern implements;
- increased earning power by the farming community. Without a substantial increase in farming income levels, the agricultural sector would not attract potential entrepreneurs.
- conservation of natural resource and protection of the environment. This is very critical to ensure sufficient arable land. Nigeria must address the issues of desert encroachment and soil erosion.
- improved rural infrastructure and maintenance. This is necessary to ensure efficient and timely movement of agricultural products.
- development of traditional and non-traditional agricultural export production to substantially increase foreign exchange income from agriculture. The group noted the immense potential in non-traditional exports such as fruits, flowers and vegetables.
- development of efficient marketing facilities. Marketing is crucial to ensure delivery of quality agricultural products to both domestic and export markets.
- establishment of an efficient funding system to assist rural farmers. Access to credit is the most important contributor to rural community development. This calls for creative solutions using both formal and informal channels.

## Conclusions/Recommendations

To achieve the vision and objectives described above, the group made the following recommendations:

1. Establish stable macro-economic environment involving stable exchange rate and low interest rate as a necessary condition for agricultural development.
2. The group urged immediate revitalisation and maintenance of existing and new infrastructure (roads, irrigation facilities, railroads, jetties, etc.).
3. Rationalise land ownership system in the country. Freehold land ownership and tenement rights for farmers are important requirements.
4. Remove all bureaucratic obstacles to export of agricultural products currently being experienced at the sea and airports.
5. Improve education of farmers through effective and action oriented extension services.

6. Establish a future's commodity market in which agricultural products are traded.

## **Manufacturing and Distribution**

### **Introduction**

The group commenced by describing the current state of manufacturing in Nigeria. Most industries are import-dependent with low capacity utilisation. Manufacturing has been adversely affected by an unstable macro-economic environment, poor infrastructure, inconsistent government policies, smuggling and a multiplicity of levies by State and Local governments. The result is a very low level of industrialisation which accounts for a negligible portion of gross domestic product.

### **Issues Identified/Discussed**

1. *New Investments.* Attracting new investments in the manufacturing sector:

- provision of appropriate incentives;
- removal of regulatory bottlenecks.

The following factors were identified as constraints to new investments:

- policy inconsistency;
- unstable macro-economic environment;
- difficulty in repatriation of dividends;
- lack of appropriate funding;

2. *Enabling Environment.* The issues that impact on enabling environment are as follows:

- political instability;
- industrial relations;
- fiscal and monetary policies;
- security measures at entry points

3. *Local Raw Materials Development.* Developing local sources of industrial

raw materials (minerals and agro based) are necessary for manufacturing activities.

4. **Exploiting Comparative Advantage.** Emphasis on areas where the country has comparative advantage, namely:

- petrochemical, including carbon black, polypropylene, and polyethylene;
- alloyed steel;
- LNG;
- fertilizers;
- aluminium smelting;
- natural rubber;
- sugar;
- cement;
- food processing;
- textile;
- solid minerals.

The following were identified as militating against the exploitation of the areas of comparative advantage:

- high turnover of managerial staff;
- political interference in management;
- lack of infrastructure;
- ownership structure;
- working capital and industrial culture.

5. **Diversification.** Diversification of manufacturing base away from assembly and packaging type of operations to manufacture of capital goods. Basic industries must be on stream for diversification of industries to take place. Therefore, a planned action should be taken to diversify manufacturing. This is a long-term objective and there is need to plan ahead.

6. **Increasing Capacity Utilisation.** This is hindered by difficulties in replacement and modernisation of obsolete equipment, lack of funding and infrastructural deficiencies.

7. **Promotion of Manufactured Goods for Export.** Incentives are available for manufacturers to take advantage of.

8. **Quality and Consumer Protection.** It was observed that there are too many regulatory bodies/laws. Therefore, regulatory bodies should be streamlined in the interest of the consumer. ISO,900 is now being explained to manufacturers for compliance to enhance the acceptability of their products in the world market.

9. **Smuggling and Tariff.** Tariff should be structured in such a way that it encourages local manufacturing. Tariff applied with high exchange rate will give rise to increased smuggling.
10. **Promotion of, and Support for, Made-in-Nigeria Goods.** There is need to promote and support made-in-Nigeria products. Nigerian manufacturers should strive to achieve highest quality standards and Government should take the lead in promoting made-in-Nigeria goods.
11. **Research and Development (R&D) and Training.** Most of the industries in the country do not have a well defined research and development programme. Industries should fund research. There should also be partnership between industry and the universities in funding research and training.
12. **Environmental Challenges.** Industries must take note of ISO 14000 which incorporates environmental standards. In addition, industries should undertake environmental impact assessment studies affecting their industry.
13. **Promotion of Small and Medium Enterprises (SMEs).** SMEs are the bed-rock of industrialisation, provision of employment at the grassroot level and a means of stemming rural urban migration.
14. **Distribution Infrastructure and Network.** Lack of cheap and efficient modes of transportation. There is need to regularly maintain the roads because it is the major mode of transportation in the country. Furthermore, the rail system should be modernised whilst maximum use of waterways should be made.
15. **Industrial Data Gathering and Dissemination.** The industrial data bank in the Federal Ministry of Industry should be improved and extended to major industrial centres in the country.

## Conclusions/Recommendations

1. **Attracting New Investments in the Manufacturing Sector.** To encourage the inflow of foreign capital into the country:
  - provide appropriate incentives;
  - minimise State and Federal Government levies;
  - remove regulatory bottlenecks;
  - stabilise the Naira exchange rate;
  - ensure quick repatriation of dividends and technology agreement fees.

2. **Enabling Environment.** To create an enabling environment, it was recommended that:
  - all rules and regulations should be streamlined;
  - the country's image should be re-orientated by all and sundry;
  - there is the need to have an industrial harmony;
  - the security agents at the various entry points should be re-orientated.
3. **Developing Local Sources of Industrial Raw Materials.** This is with a view to reducing the country's dependence on imports thereby leading to foreign exchange savings and self reliance.
4. **Emphasis on Areas where the Country has Comparative Advantage.** This is to enhance our international competitiveness and exploitation of our natural endowment.
5. **Diversification.** Diversification of manufacturing base away from assembly and packaging type of operations to manufacture of capital goods is imperative if we are to industrialise and enhance our productivity level.
6. **Increasing Capacity Utilisation.** This is to achieve economies of scale. To increase output and become internationally competitive, the following were recommended:
  - replace and modernise obsolete equipment;
  - provide appropriate funding;
  - provide adequate infrastructural facilities.
7. **Promotion of Manufactured Goods for Export.** Manufacturers should avail themselves of the existing export incentives and export their finished products.
8. **Quality and Consumer Protection.** The regulatory bodies should be streamlined in the interest of the consumers.
9. **Smuggling and Tariff:**
  - tariffs should be structured in such a way as to encourage domestic manufacturers;
  - steps should be taken to stem smuggling. This is especially in view of the exchange rate of the Naira.
10. **Promotion of and Support for Made-in-Nigeria Goods:**
  - There is the need to promote and support made-in-Nigeria goods,

and Government should take the lead in this regard.

11. ***Research and Development (R&D) and Training:***
  - industries should fund research and development (R&D) activities.
  - partnership between industries and universities should be encouraged.
12. ***Environmental Challenges:***
  - industries must take note of ISO 14000, which incorporates environmental standards.
  - industries should undertake Environmental Impact Assessment studies as they affect their activities.
13. ***Promotion of Small and Medium Enterprises (SMEs):***
  - The Small Industries Development Agency of Nigeria (SIDA) should take-off without further delay to co-ordinate the activities of SMEs.
14. ***Distribution Infrastructure and Network:***
  - Facilitate infrastructural development.
  - Dredge and make key inland waterways navigable.
15. ***Development of Cheaper and Efficient Modes of Transportation:***
  - maintain road network because the road system is the principal mode of transportation.
  - modernise the railway system.
  - make maximum use of the waterways.
16. ***Industrial Data Gathering and Dissemination:***
  - Industrial Data Bank in the Federal Ministry of Industry should be improved upon and extended to major industrial centres in the country.

## **Solid Minerals**

### **Introduction**

The issues discussed by the group were informed mainly by the new impetus in the solid minerals sector as a result of recent emphasis by Government which culminated in the creation of a Ministry of Solid Minerals Development.



## Issues Identified/Discussed

**Raw Materials.** Many mineral resources abound in the country, although about 34 were the most important. Out of these, 10 were considered for urgent development based on the raw material needs of local industries. These are:

- Kaolin
- Barytes
- Bentonite
- Gypsum
- Salt
- Coal
- Iron ore
- Phosphate
- Bitumen
- Talc

Importation of three of these minerals (barytes, bentonite and gypsum) is currently prohibited. Although it is hoped that the ban would create the incentive for local production of these minerals, there are still doubts as to the wisdom of the action since current local production cannot meet demand. In particular, the case of gypsum is recommended for review, due to the current large gap between local supply and actual demand from the factories. A deletion programme is recommended as a more realistic approach to achieving the objective of 100% local sourcing of this raw material by cement manufacturers.

**Role of Government.** Government's role in the sector should be limited to that of a facilitator, creating an enabling environment in which the private sector could flourish. Government has a major role to play in updating available data on the nation's mineral reserves. Available survey information is currently held in a variety of dispersed sources.

**Small-Scale Mining.** Illegal mining activities are rampant and could be difficult to eradicate completely. Large scale illegal mining could undermine efforts at developing the sector.

**Investment Opportunities.** Nigeria is richly endowed with abundant solid mineral resources which, for the most part, remain untapped. Investment opportunities in the sector are good and, mining being a labour-intensive activity, the employment potential is also high.

## **Recommendations and Action Plan**

1. The Ministry of Solid Minerals Development should establish a data bank drawing from all available sources of reliable survey information. It should also ensure faster processing of applications for licences and leases. The requirement of "Form K" should be reviewed.
2. Illegal small-scale mining should be legitimised through forming co-operatives of such small miners. Extension services should then be provided through the co-operatives.
3. The School of Mines and the Mining Institute should be reinforced and rationalised for greater effectiveness.
4. Importation of mining equipment should be made duty free. Also, private companies should be encouraged to lease equipment to the mining sector through incentives.
5. Private investors should be encouraged to establish a Mineral Resources Bank.
6. For proper and effective co-ordination, all institutions with a mandate for solid mineral development should be brought under one umbrella.
7. Review of existing Minerals Act and other regulations should be hastened.

#### Section 4:

## Long Term Strategic Visioning Process

*The single presentation in this section takes a look at the long-term future of Nigeria. It emphasises the need for a vision to guide future action and discusses the key elements of a vision for Nigeria in the year 2025. It goes further to recommend an action plan/process for developing THE VISION for Nigeria.*

### Creating the Future

#### Introduction

The task of this group was to come up with a framework for developing a long-term vision for Nigeria as a way of creating the future. The group's presentation arising from this effort was captioned "NIGERIA PLC - The Search for a Vision". Stakeholders in Nigeria PLC were identified as politicians, farmers, workers, students, academia, children, parents, women, professionals, public servants, foreigners, unemployed, handicapped, traditional rulers, media, armed forces, all ethnic groups, police, religious groups, organised private sector, informal sector, radicals, etc. Vision was defined as a mental picture of a future state of being which can be clearly perceived to be better or more attractive than the present state. It was also described as a desirable goal worthwhile to work towards; the destination for a journey, indicating the direction in which to move.

A vision is, however, not a grandiose dream; a pie in the sky. It is something achievable.

**Uses/Benefits of A Vision.** First, a vision would serve as a beacon. It provides a sense of direction to the nation, making it possible also to see the nation's current position in relation to its desired destination.

Second, the vision provides the basis and context for all political and economic actions. With a vision, it becomes possible to evaluate the rightness or wrongness of policies and actions, that is the extent to which they will lead to the desired destination.

Third, a vision would provide a basis for the selection and evaluation of political leadership. It is therefore possible to see leadership qualities as the ability to move society towards realisation of its vision. It would also then be possible to evaluate the performance of leaders based on the extent to which society has been moved nearer its vision.

A vision acts as a magnetic pull for diverse forces of a nation towards a common goal. It inspires and forges a common aspiration. It rallies the entire nation and captures the imagination of people as well as galvanising them into action.

### Issues Identified/Discussed

1. Nigeria's current reality, looking internally at ourselves, was discussed under the broad headings of political, economic and social. The current reality of the external (global) environment was reviewed in terms of current/future trends (or megatrends).
2. The *internal political environment* of Nigeria is marked by the absence of a democratic government. The country has been under military rule for the greater part of its years of independence. Recent attempts at a transition to democratic government were a failure. Political instability has caused discontinuity in policy implementation and management. The public sector is inefficient and Government is overcentralized to the detriment of individual initiative and involvement. The result has been absence of a shared, nationally articulated vision.
3. The *economy* is characterised by pervasive poverty with the majority of the populace living below the poverty line. Over-dependence on one commodity, oil, as the major source of revenue has left the country open to the vagaries of the international oil market. With a low level of industrialisation and excessive government control of business, the private sector remains weak and unable to play a significant role in the nation's economic development. The nation's economy also has to contend with the weight of a heavy debt burden (external and domestic) that saps its resources.
4. The *social sector* is engulfed in major crises on all fronts. Infrastructural facilities have all broken down. Educational and health systems have collapsed. Corruption is pervasive and endemic, coupled with a sharp decline in moral, ethical and social values. Insecurity of life and property has left citizens living in perpetual fear. Indiscipline and lack of respect for law and order threaten the system. Unemployment has taken its toll. Ethnicity continues to eat away at the fabric of society. The middle class that should serve as the

locomotive of social change is marginalised. Abundant natural and human resources are grossly under-utilised.

The picture of Nigeria that emerges from the past is one of gloom and hopelessness. It displays a Nigeria that has grossly under-performed relative to its endowment and potential. It paints a scenario where quality of life is poor and declining; where political instability has retarded the development of political traditions and institutions; where there is a breakdown of economic and social infrastructure. These conditions have all led to the country's loss of attractiveness, international competitiveness and respect as well as loss of stature and relevance in African and world affairs.

5. The *external environment* is changing rapidly on all fronts and these changes are having major impact on how the outside world sees and deals with Nigeria.

Economic philosophy and policies are now dominated by free market thinking. The message is the primary influence of market forces in economic affairs. Closely related to this is the growing emphasis on private enterprise as the engine of economic growth. Governments everywhere are retreating from direct involvement in economically productive activities and in the process, privatising government-owned enterprises.

One other megatrend is the tendency towards globalisation. Countries are embracing open and cooperative economic relationships with one another. Businesses are also becoming increasingly global in their markets, investments and other activities. Coupled with this is the emergence of trade and regional blocs as a way for countries to survive in an increasingly global and competitive market place.

In all these, information/knowledge based activities will continue to define the competitive landscape of the future.

Democratisation is the trend on the political front. This enshrines pluralism, human rights, the rule of law, press freedom, and transparency and accountability in government. Democracy is increasingly seen as the most effective form of government and pressures are brought against military/autocratic rule. Even the erstwhile countries of the communist bloc are now embracing democracy.

Finally, control of population growth is increasingly seen as a must for economic growth to translate to higher standards of living for the populace. Added to this is the concern for the environment, which is imperative to assure sustainable development.

## The Need for a Vision

The above internal and external analysis leads to several conclusions. First, our situation is serious when viewed from a global perspective. Second, we must face reality if we are to find the path to sustainable economic development. Lastly, we need a shared vision, which all Nigerians can support, if we are to live up to our potential and aspirations.

## Conclusions/Recommendations

*A Vision for Nigeria.* Nigeria needs to develop a vision of its future, to be adopted by the leadership and shared by all its citizens and stakeholders. The time horizon of the vision would be thirty years, or one generation.

What follows is a sample of what a vision of Nigeria in the year 2025 would contain, its key elements and principles. It is *not the* vision. A workable vision must be developed by a larger number of representatives of all stakeholders in Nigeria.

### Key Vision Elements and Principles

*Political.* The Nigerian political entity in the year 2025 will possess the following qualities:

- it will be united; all stakeholders will be marching and acting together towards the attainment of common objectives;
- policies and actions will be governed by consensus, incorporating all divergent views;
- justice and equity will prevail, with no individual or group being denied their rights or subjected to discrimination;
- the nation will be strong and resilient, and capable of withstanding any threats, internal or external;
- it will be truly independent and possess the capability to defend its national interests;
- it will be confident in its abilities and achievements and those of its citizens;
- the country will command the respect of its citizens and all the citizens of the world;

- above all, it will be a major player on the world stage, playing major roles in world bodies and at international forums; and influencing the course of world events.

The political philosophy that will guide this entity will be one characterised by:

- existence of suitable democracy, one that will be strong and entrenched but at the same time, take into account the peculiarities of the Nigerian environment and the Nigerian people;
- good governance that works towards the attainment of the common good rather than serve the interest of a narrow group(s);
- transparency and accountability in the conduct of government affairs;
- tolerance and accommodation of other citizens' / groups' views and ways of life;
- the pursuit by government of the attainment of a higher quality of life for citizens.

The Nigerian entity will be supported by a Federal structure/form of government. In this structure, however, the role of the central government will be redefined and streamlined to focus on common national matters such as defence and national security, foreign affairs, monetary and currency policy and citizenship/immigration/customs. All other matters will be devolved to the other tiers of government.

States will be regrouped into more viable economic entities to ensure their survival and to engender healthy competition among them that will lead to more progress. Each such new entity (by whatever name they will be called) will then be free to decide its own local government structure that will take into cognisance its own local conditions and peculiarities.

*Economic Philosophy/System.* The economy will be market-oriented rather than centrally controlled. Policies and actions will, however, be moderated for social considerations as needed to ensure that the less fortunate members of society are adequately taken care of. Business and economic activities will be private sector-led. Government will not be involved in directly productive activities. Its role will be largely supportive, ensuring the existence of an enabling environment for business to thrive.

The economy will be open to international participation by firms and investors from around the world, subject only to prevailing Nigerian laws and regulations.

Nigeria will build on its comparative/competitive advantages in its economic strategies. This will be based on its natural resource endowments in areas such as



agriculture and the gas and petrochemical industries as well as in high technology/knowledge-based industries.

Finally, the economy will be internationally competitive. The country's major political role on the world stage will be complemented by its strong competitive position in the global economy.

**Social.** Quality of life will improve significantly to a level comparable to those of the newly industrialised countries of today. Specifically, a literacy rate of 90% will be achieved, 80% of the population will be living above poverty line and per capita income will be US\$5,000. Security of life and property will be assured.

Quality of the educational system will reach world standards and a minimum standard of healthcare will be guaranteed with access for all citizens.

**Cultural/Ethical/Moral.** Vices such as corruption, drug trafficking and economic crimes will be eliminated or at least reduced to such levels that they will no longer be an issue. The society will be more caring and supportive to all its members.

These will all be achieved while maintaining society's culture and traditional values. Citizens will be proud of their rich culture which will be admired all over the world.

## **Nigeria in 2025: A Possible Vision.**

The summary of a vision of Nigeria in the year 2025 reads thus:

"Nigeria will be a *well ordered, well governed, just and prosperous* nation, united in *sustained endeavour*. The country will *continuously increase in wealth* for the benefit of *all* citizens and will be a country *highly respected* in the world comity of nations".

**Pre-conditions for Developing a Successful National Vision.** Leadership approval is key and must be backed by strong commitment to implementation. Without this, any visioning effort will be wasted. It is leadership that gives expression to the desire, development and realisation of a national vision.

The people must also follow good leadership. There must be a strong desire by Nigerians to improve their present condition. Their desire fuels the search for a vision, while leadership makes it happen.

**Overcoming Pitfalls.** The visioning process design must overcome pitfalls arising from certain deficiencies in the present Nigerian society. Principal among these are the divergent views of Nigerians on the need for national unity and related issues. The lack of continuity on policies and programmes, no matter how lofty; and the short-term view of things that could work against adopting a long-term vision. The Process/Action Plan for Visioning must rise above such obstacles to be successful.

### **Recommended Process/Action Plan**

- Leadership approval of the need for a national vision must be obtained immediately.
- A Core Vision Task Force made up of public and private sector members should be set up quickly to articulate and manage the process of visioning.
- A National Vision Conference comprising representatives of all major Nigerian stakeholders should be convened to develop the vision for the country. This process will have the commitment, full support and regular involvement of the Head of State.
- Upon completion of its deliberations, the Core Vision Task Force will synthesise the output of the conference for the Head of State who adopts The Vision on behalf of the nation.
- Implementation of the vision will then commence, after thorough planning and organisation, at all levels and in all facets of society. This should be backed by massive publicity campaigns, adoption of slogans and implementation of supporting reforms which create an overall enabling environment.

## **Appendices**

## Appendix A

### Programme of Events at the Second Nigerian Economic Summit held in Abuja from May 3 - 6, 1995

*Wednesday, May 3, 1995*

2:00 p.m.	REGISTRATION	All Participants
4:00 p.m.	LEADERSHIP MEETING	All Co-Chairmen and Co-Rapporteurs with Organising Committee
7:00 p.m.		PRE-DINNER COCKTAILS
8:00 p.m.	DINNER AND PRESENTATION	- Hosted by the Organisers
	Special Guest of Honour	- Lt. Gen. Oladipo Diya, Fss, mni - Chief of General Staff
	Guest Speaker	- Dr. Morley Nkosi Professor of Econs & Bus. Admin., Deputy President of South African and Adviser to the South African Government.
	<b>Theme:</b>	- "Africa's Economic Challenges in Global Context".

*Thursday, May 4, 1995*

- |  |                  |  |
|--|------------------|--|
| Master of Ceremonies:  | -                | <b>Alhaji Mohammed Hayatu-Deen MD/CEO, FSB International Bank Ltd.</b>   |
| 9:00 a.m. WELCOME ADDRESS  | -                | <b>Pascal Dozie</b><br>Chairman/CEO, Diamond Bank  |
| 9:30 a.m. KEYNOTE ADDRESS  | -                | <b>General Sani Abacha, GCON, mni -Head of State, and Commander-in-Chief of the Armed Forces.</b>                          |
| 10:00 a.m. PRESENTATIONS   |                  |  |
| • National Planning Commission<br>Federal Ministry of Finance<br>Central Bank of Nigeria | )<br>)<br>)<br>) | Joint Presentation on:<br><b>"Overview of the Nigerian Economy, the Thrust of the 1995 Budget and its Implementation".</b> |
| • Federal Ministry of Petroleum  | )                | - <b>"Investment Resources Prospects in the Oil Sector".</b>   |

- Federal Ministry of Solid Minerals - "The Untapped Opportunities in Solid Mineral Resources".
- Federal Ministry of Agriculture - "Feeding the People and the Industry - An agricultural perspective".
- Federal Ministry of Industry )  
Federal Ministry of )  
Commerce & )  
Tourism - Joint presentation on:  
"The Promotion of Small & Medium Enterprises (SME) and Non-Oil Export Drive as a Strategy for Economic Development".

11:15 a.m COFFEE BREAK

11:30 a.m. PRESENTATIONS

- Theme** - "An Economic and Moral Alternative to the Present Monetary System".  
- Mr. Thomas Hutcheson  
Representative of World Bank
- Theme** - "Nigeria's Economic Reform Programme: A good start on a long road".  
- Mr. Neil Blackburn  
MD/CEO, Mobil Producing  
on: "Maintaining Oil Exports".

- **Mr. Alastair Campbell**  
MD/CEO, Michelin Nigeria  
Limited on: "Promoting  
Exports" - Case for Rubber".
- 12:30 p.m. QUESTIONS & ANSWERS
- 12:45 p.m. BRIEFING OF DISCUSSION  
SESSION BY GROUPS - **Adedotun Sulaiman**  
Managing Partner  
Arthur Andersen & Co.
- 1:00 p.m. -  
6:00 p.m. DISCUSSION GROUPS SESSION  
Discussion Rooms  
(lunch, served in the discussion rooms)
- 7:30 p.m. DINNER - **Hosted by the Head of  
State, Commander-in-Chief  
of the Armed Forces,  
General Sani Abacha,  
GCON, mni.**
- Guest Speaker: - **Mr. Adit Jain**  
Managing Director,  
India Economic Intelligence  
Unit
- Theme: - **"India's Economic  
Development".**

**Friday, May 5, 1995**

- 8:30 a.m. -
- 11:00 a.m. FEEDBACK FROM DISCUSSION  
*followed by* QUESTIONS  
& ANSWERS - Each group to have 10  
minutes to present.
- 11:00 a.m. PRESENTATION  
*followed by* QUESTIONS  
& ANSWERS



- Special Guest of Honour** - **Lt. Gen. Jeremiah Useni**  
Minister of the Federal  
Capital Territory.
- Guest Speaker:** - **Dr. Noordin Sopiee**  
Director-General,  
Institute of Strategic &  
International Studies,  
Malaysia, (Close Adviser to  
the Prime Minister of  
Malaysia).
- Theme:** - **"A Decade of Economic  
Reform, A Generation of  
Economic Opportunity:  
Malaysian Vision  
2020 and its Antecedents"**

12:00 noon **FEEDBACK FROM DISCUSSION  
GROUPS, followed by QUESTIONS  
& ANSWERS (Congress Hall)**

- 1:30 p.m. LUNCH BREAK
- 3:00 p.m. -  
6:00 p.m. FEEDBACK FROM DISCUSSION GROUPS  
*followed by* QUESTIONS & ANSWERS
- 8:00 p.m. DINNER & PRESENTATION
- Special Guest of Honour - **Alhaji Aminu Saleh**  
(Secretary to the  
Government of the  
Federation).
- Guest Speaker: - **Professor. F.S. Idachaba**  
Vice Chancellor,  
University of Agriculture,  
Makurdi.
- Theme:** - **"The Economic  
Opportunities Facing  
Nigeria".**

***Saturday, May 6, 1995***

- 8:30 a.m. -  
11:00 a.m. FEEDBACK FROM DISCUSSION  
*followed by* QUESTIONS & ANSWERS  
**(Congress Hall)**
- 11:30 a.m. COFFEE BREAK
- 12:00 noon CLOSING ADDRESS - **By the Head of State,  
Commander-in-Chief of the  
Armed Forces, General Sani  
Abacha, GCON, mni.**

## Appendix B

### **Africa's Economic Development in the Global Context: Focus on South Africa and Nigeria**

By Dr. Morley Z. Nkosi  
(Morley Nkosi and Associates)  
(Sandton, South Africa)

#### Protocols

My topic has the following parts to it:

- The global context which refers to the global or world economy;
- Economic development in Africa;
- South Africa; and
- Nigeria as of 1995. Both cornerstones of the African Continent;
- Bilateral opportunities

#### Comment on the topic

Obviously, I will not be able to delve too deeply into each one of the foregoing topics within the time allotted to me. I will, therefore, attempt to highlight some salient issues in each one. These issues will then be bases for the views which I will propose at the end of my presentation.

#### The Global or World Economy:

The world economy comprises both the developed and developing countries. To-date, developed countries predominate in terms of the volume of output of goods and services, *per capita* gross domestic product, technology and other economic as well as social measures or indices of performance.

But just as we enter the next millennium, the developing countries, led by the East Asian countries, will overtake the developed countries in the output of goods and services and achieve higher rates of economic growth. Africa's contribution to this major shift of economic capacity is negligible.

The world economy itself has evolved out of the globalisation process. This process has been driven by the desire of firms to produce and sell goods and services in an increasing number of markets and to employ cheap labour. This desire has led to the spread of corporations across national borders through the following vehicles:

- International direct and indirect investments;
- Trade across countries' borders;
- International strategic alliances in:
  - research and development;
  - product development and design;
  - sourcing of inputs;
  - production; and
  - distribution.

The engines of globalisation are transnational or multinational corporations which are to a very large extent based in the industrialised world which consists of twenty-five member countries of the Organisation of Economic Co-operation and Development (OECD).

Internationalisation brought about by advances in telecommunications and transportation, coupled with increasing open markets, has effectively heightened competition among transnational or multinational companies.

These firms now tend to view markets from a regional and/or global view rather than national perspective. Whether they are resource based, export oriented, regional or truly transnational in character, these corporations exert tremendous economic and political influence over many African states. This is to merely introduce the global economy.

### **Economic Development in Africa:**

Africa consists of national-states which vary quite a lot in terms of land area, population, gross domestic product and other measures which are indicative of size. National and international accounting systems provide us with a wealth of information on the economic and social well-being of all these nation-states.

When each African state's socio-economic statistics are examined and measures of performance are determined, the results are not pleasing.

Aggregating these unflattering national economic and social data and measures of performance yields a large picture of a continent that is in deep trouble.

Pan-Africanism and shared experiences in the struggle against colonialism promoted the spirit of and need for cooperation among many African states. There are two continental organisations whose ideological, political and economic influence and reach were fundamental to the formation of cooperative structures across the continent. One is the Economic Commission for Africa (ECA), a regional commission of the United Nations' economic and social structure established in April 1958. The other is the Organisation of African Unity (OAU) founded in 1963, under the aegis of Ethiopia. Economic issues featured prominently for the first time on the OAU agenda at the Kinshasa Summit in 1967 when the OAU Administrative Secretary-General, Diallo Telli, submitted a detailed report on African economic cooperation and demanded action. In order to improve the economic conditions in the continent, the development of regional economic groupings and the establishment of an African common market were suggested.

The OAU summit in Algiers held in September 1968 explicitly recognised that "economic integration of the African continent constitutes an essential prerequisite for the realisation of the aspirations of the OAU."

The ECA played a pivotal role in African regional cooperation through its own policies and programmes. More directly, it served as a mid-wife, parent and concerned relative to many African regional initiatives, instruments and organisations. Illustrative of the productive relationship between the ECA and the OAU in economic matters affecting the continent is the "Lagos Plan of Action for the Implementation of the Monrovia Strategy for Economic Development of Africa." This plan was adopted by the Assembly of Heads of State and Government of the OAU in Monrovia, Liberia in July 1979.

The formation of sub-regional groupings across the African continent facilitated the harmonisation of views and policies on common problems relating to national liberation, racial equality, industrialisation and aspects of economic relations with the dominant industrialised countries.

Within the continent, economic cooperation leading to economic integration was perceived as a means of overcoming the vulnerability of each state especially if it had a small population, narrow resource base, low per capita income, etc. The advantages of economic integration regardless of the size of the state were seen as leading to increased economies of scale, greater rates of

economic growth and development, common front in international affairs and greater international bargaining power, to name a few significant benefits.

Between 1964, when the Central African Customs and Economic Union (UDEAC) was established by the Brazzaville Treaty, and 1995 when the Southern African Development Community (SADC) was formed, around eighteen other regional economic groupings of one kind or another were established.

The Common Market for Eastern and Southern African States (COMESA - formerly the Preferential Trade Area for Eastern and Southern African States - PTA) and the Economic Community of West African States (ECOWAS) are respectively, the first and second largest of these groupings. My personal involvement and knowledge of COMESA leaves me anxious about both its capacity and ability to achieve its goals.

Furthermore, the OAU summit held here in Abuja from 3 to 5 June 1991 adopted a new treaty establishing a timetable toward the creation of the African Economic Community (AEC) by the year 2025. At that meeting, ECA Executive Secretary, Dr. Adebayo Adedeji said:

"No African country, no matter how big it is, can really go it alone in the world we are entering in the 1990s. The economic integration of Africa is part of the solution to the crisis of Africa."

At the same meeting, Senegal's President Abdou Diouf, noting that Africa's efforts must be joined at both the economic and political levels, said that:

"It is necessary to create African common markets, to accept limitations on sovereignty and to achieve political federation."

The General Secretariat of the OAU would also be the Secretariat of the Economic Community - a reflection of the convergence between Africa's economic and political efforts.

Bearing in mind the very real difficulties of African economic integration - including established economic structures that are oriented more towards trade and other economic activities with the developed economies than with other African countries - the draft AEC Treaty envisages a gradual process through a series of interlinking stages.

The process of establishing the AEC was to begin within 30 days after the Treaty had been ratified by 2/3 of the OAU member states. The whole

process is envisioned to unfold over a period of 34 years, at most, passing through six stages, viz:

1. Strengthening existing *regional economic communities* and establishing new ones. (5 years);
2. Stabilizing tariffs, customs duties and other barriers to *intra-community trade*, strengthening sectoral integration (in trade, agriculture, finance, industry, transport, etc.), coordinating and harmonising activities of regional communities. (8 years);
3. Setting up *free trade zones* within each regional community through the removal of trade barriers and the establishment of customs unions. (10 years);
4. Establishing an Africa-wide customs union with a common external tariff by harmonizing regional tariff and non-tariff systems. (2 years);
5. Establishing an *African Common Market*, through, among other steps, the adoption of common policies in agriculture, transport, industry and other sectors; the harmonisation of monetary, financial and fiscal policies; and the application of the principle of free movement of people and the right of residence. (4 years);
6. *Finalising the AEC through the consolidation of the common market structures*; the establishment of an African Monetary Union, African Central Bank and single African currency; and the creation of a pan-African Parliament, elected by continental universal suffrage. (5 years).

The year 2025 is very far away. More importantly, the World Bank projects Africa's economic growth for 1995 at a meagre three per cent. This growth rate is below the rate at which our population is growing. Furthermore, given our internecine wars, endemic political instability, heavy debt burdens, frequent droughts, other national disasters, mismanagement and corruption which includes looting our treasuries, the three per cent could be elusive. We have here reviewed Africa's path in economic development.

Note the unavoidable relationships between economics and politics on Continental, regional and national levels.



## South Africa

The United Nations has outlined the following indicators for South Africa:

- The richest, 5% of the population, almost entirely white, own 88% of all the private property;
- White per capita income is almost ten times that of the Black majority;
- There are still huge disparities in the provision of basic services to different racial groups;
- Half the population, mostly Black, live below the poverty line;
- One third of the Black population is illiterate and another is functionally illiterate.

In the World Bank's words, these facts "confirm that there are really two South Africas – a First World society for the Whites and a Third world society for the Blacks." Some of the outstanding features of South Africa's First World environment were found to be its impressive infrastructure:

- 37 major and minor *airports*;
- 270,000 kilometres of *roads* carrying -
- 5 million passenger and commercial *vehicles*;
- 20 million kilometres of *rail track* - sophisticated port facilities.
- microwave-based *telephone* system serving 4.5 million phones and a rapidly expanding *Cellular* telephone network;
- electrical *power* system which generates, distributes and markets 50% of the electrical power of the entire African continent;
- *Television* beamed from approximately 460 transmitters with the imminent introduction of low cost international satellite transmission;
- direct linkages into the international *information* superhighway - *internet* is well established to government, business, educational and research institutions, NGOs and individual *malls* in and around residential suburbs;
- *Skyscrapers* and *hi-rise* flats in all major cities and commercial centres.

The First World economy is modern and parts of it are sophisticated. This part of South Africa generates around 90% or more of the country's national income. Naturally, the Third World part of the country only contributes 10% of national income.

Some of the salient characteristics of the Third World part of the country:

- 18 million blacks living in households which earn less than USD 220 per month;

- 9 million blacks who are completely destitute;
- 10 million blacks without access to potable drinking water;
- 15 million blacks lacking access to sanitation systems;
- 7 million blacks living in squatter-camps;
- 2 million black children without schools;
- 23 million blacks without electricity;

All this occurs in a country with a GDP of USD 139 billion, small by first world measure, but large by third world standards.

*South Africa's Reconstruction and Development Plan* attempts to provide, clear, realistic and achievable programme designed to:

- Meet basic human needs
- Develop human resources
- Build the economy
- Democratise the state and society
- Implement the RDP

The extent and scope of work involved in any one of the key programmes is massive. Take housing as an example. Housing will require economic and social infrastructure.

#### **Economic Infrastructure**

Drinking water  
Electricity  
Sewage system  
Roads

#### **Social Infrastructure**

Hospitals  
Clinics  
Schools  
Old age homes

#### **Economic Infrastructure**

Trains or railways  
Commercial sites  
Industrial sites

#### **Social Infrastructure**

Recreation parks and facilities  
Cultural centres, etc.

Who will supply all these and other needs? Government and Business.

Let us begin with what government has done. Then business as well as labour. Both since January 1992.

## SOUTH AFRICA'S 1995 BUDGET: A Snapshot

The cornerstones of the first budget of the government of national unity are:

- sustainable growth and development;
- an overhaul of government priorities;
- strict fiscal discipline;

### SOUTH AFRICA'S BUDGET

	<u>1994/95 Revised</u>	<u>1995/96 Projected</u>
<b><u>TOTAL</u></b>	R145.3 billion	R154.2 billion
<b><u>SOCIAL</u></b>	R62.2 billion (44%)	R72.1 billion (46,7%)
Education	21.2%	21.2%
Health	10.5%	11.0%
Welfare	9.2%	10.8%
Housing	1.1%	2.7%
Recreation/Culture	4.5%	4.1%
<b><u>ECONOMIC</u></b>	R17.8 billion (12%)	R15.7 billion (10,2%)
Water	0.8%	0.8%
Fuel/Energy	0.3%	0.1%
Agriculture	2.5%	1.8%
Transport	4.5%	4.1%
<b><u>GOVERNMENT</u></b>	R13.1 billion (8,9%)	R10.6 billion (6,9%)
Foreign Affairs	0.9%	0.8%
<b><u>PROTECTION</u></b>	R27.3 billion (18,4%)	R27.2 billion (17,6%)
Water	8.7%	7.2%
Fuel/Energy	6.9%	7.5%
Agriculture	1.7%	1.9%
<b><u>INTEREST</u></b>	R24.9 billion (16,8%)	R28.6 billion (18,6%)

This budget was developed under difficult conditions of:

- a burgeoning state debt now at about R250 billion.
- demands for urgent action to improve the living conditions of millions of poor people.
- merging of the six self-governing territories and so-called independent states.

- creating nine new provinces out of four old ones carved out by the previous apartheid regime.
- developing financial arrangements for nine provinces and local municipalities.

This budget of R154 billion comes with a deficit before borrowing of 5.8% of GDP, or R29 billion. GDP is around R500 billion. Last year, GDP grew by 2.5% and for this year, the estimate is 2.75%. Government will still borrow to finance current expenditure. Despite an increase of 41% (R15 billion) in capital expenditure, its growth has been limited to 9.5%. Revenue is expected to rise by 11.2%.

On the whole, the budget treads a delicate balance between improving the lot of the deprived majority and encouraging growth and investment.

## NIGERIA

On the 29th of March 1962, Federal Finance Minister of Nigeria, Chief Festus Sam Okotie-Eboh rose in the Nigerian Parliament to make his annual budget speech and said:

*"I can see a vision of a new and prosperous Nigeria, a Nigeria whose aspirations are fired by noble objectives. The sleeping giant of Africa is awake and determined to take (its) rightful place marching with the rest of humanity."*

Chief Okotie-Eboh named his budget "Mobilisation" because Nigeria was about to embark on its first National Development Plan effective 1st April 1962 and scheduled to continue for six years. He went on to say:

*"For the very first time in our history, an effort (is) being made to look at the resources and priorities from an — all Nigerian perspective"*  
(Quoted in Wolfgang F. Stolper, "The Development of Nigeria"  
*Scientific American*, vol. 22, no. 3, p.169)

A few things strike me about the above remarks. These are:

- First, a vision of a new and prosperous Nigeria;
- Second, a Nigeria fired by noble objectives;
- Third, a giant determined to take its rightful place in the world;
- Fourth, mobilising the resources Nigeria possesses;
- Fifth, setting priorities from an all Nigerian perspective;

All this was said when Nigeria comprised three regions, before the creation and accession of the Midwest Region. Nigeria went from four regions in 1963 to:

- 12 states in 1967;
- 19 states in 1976;
- 21 states in 1987; and
- 30 states in 1991 - and more are being talked about?

In this long arduous progression of cutting up a finite Nigeria, what are the limits?

- What is the vision of these mini-states?
- What are their noble objectives?
- What are their rightful places in the march with humanity?
- What resources can they mobilise for themselves?
- What growth and development prospects do they have individually?
- Collectively, to what Nigerian perspective do they contribute?

I will not be presumptuous by attempting to review the growth and development of Nigerian economy. You know your economy better than I do. In order to orient myself for this presentation, I have read a 1994 World Bank publication titled *Adjustment in Africa: Lessons from Country Case Studies*.

Chapter Six written by the co-editor, Mr. Rashid Faruqee is called: "Nigeria: Ownership Abandoned." In this piece, Mr. Faruqee examines Nigeria's transformation since independence in 1960. This transformation was from a subsistence agrarian society to a largely monetised economy fueled particularly by the discovery and exploitation of oil fields in the early 1970s.

The transformation consists of three periods:

1. 1973 - 78: An oil boom under military rule
2. 1979 - 83: An oil boom followed by a crisis under civilian rule
3. 1984 - 86: The Buhari regime

1986 saw the design of the structural adjustment programme first by Nigerians themselves and later in 1989 through pressure from the Bretton Woods institutions. You will recall the May 1989 riots against the structural adjustment programme. From June 1989 to the end of 1992, political reforms took the centre stage and economic reforms were relegated to the side. And now the National Rolling Plan (1995 - 1997) announced on 16 January, 1995.

Let me briefly compare key elements of your Budget with ours and then move to the final section of my presentation which deals with bilateral relations and opportunities.

## **An Overview of the Nigerian Economy**

This was done by Chief Anthony A. Ani (MON) when he gave the details of the 1995 Budget and the outline of the National Rolling Plan (1995 - 1997). Policy measures in the 1994 Budget were intended to:

1. Arrest the declining growth in agriculture and manufacturing.
2. Correct the disequilibrium in the balance of payments.
3. Check inflationary pressures.

But social dislocation and political problems subverted some of the policy objectives:

- Agriculture recorded a 2.6% growth rate (while the population grew at about 3.5%)
- Manufacturing recorded a - 5.0% growth rate.
- Inflation was up to about 70% compared to 57.2% in 1993
- Exchange rate was pegged at ₦22 to the USD, but the rate in the parallel market hovered around ₦82 - ₦85 to the USD.
- Maximum lending rate was also pegged at 21% per annum but the money market rate was over 40%.
- Fiscal deficit is estimated at about ₦81 billion (or 9% of GDP as at the end of 1994. GDP is ₦900 billion)
- Balanced budget could not be met because of dwindling government revenues.

The thrust of the 1995 Budget as detailed by Chief Ani are:

1. Guided deregulation of:
  - (a) the interest rate regime
  - (b) the foreign exchange market
2. Funding the expansion and growth of non-oil sectors such as agriculture;
3. Granting concession and incentives to the manufacturing sector;
4. Imposing tight monetary policy;
5. Eliminating or drastically curtailing extra-budgetary spending;
6. Consolidating all government revenue and expenditures (transparency and accountability);
7. Efficient and intensive revenue collection;
8. Reducing the fiscal deficit; and
9. Creating job opportunities.

## Highlights of 1995 Capital Expenditures

Sectors	1994 N		1995 N	
	Billion	Size	Billion	% Change
Health	0.975	.75	1.725	76.92
Education	2.417	.89	3.307	36.82
Agriculture	1.289	.31	1.600	24.13
Water Resources	1.390	.92	2.311	66.26
Solid Minerals	-	-	0.579	100%
Industries	1.608	.50	2.103	30.78
Power and Steel	1.840	3.16	5.000	171.74
Transport and Aviation	1.083	1.72	2.800	158.54
Highways, Bridges and Public Works	2.751	2.90	5.646	105.23
Defence	2.826	.86	3.688	30.50
Police	1.370	.03	1.400	2.19
	<u>17.55</u>	<u>12.61</u>	<u>30.16</u>	<u>71.85</u>

In 1995 Budget, Government proposes to spend N44.50 billion for capital development which in turn will create more jobs and employment in the areas designated above.

Comparing:	Nigeria (1995)	South Africa (1995)
Population	110 million	40.7 million
GDP/GNP	USD40.91 bn	USD139.0 bn
Real GDP Growth		2.1%
Inflation (CPI)	70%	9.0%
Total External Debt	USD29.45 bn	USD17.80 bn
You have:		We have:
- Minerals		- Minerals
- An industrial base		- An industrial base
- A maritime country		- A maritime country
		<i>Then we diverge</i>
Oil		We don't have oil
Impressive human resource		We don't
35 years of Independence		One year of democracy



### **What can we do for ourselves both in Nigeria and South Africa**

1. Articulate a vision that we need to achieve by the year 2000;
2. Concretise this vision with practical and realisable plans;
3. Mobilise human, financial and other resources to implement these plans;
4. Democratise our political and social institutions and systems;
5. Nurture these democratic institutions and systems;
6. Keep alive our culture and values that add value to democracy;
7. Get on with the serious and urgent task of development focusing on improving the lot of our people whose lives are sheer misery;  
*Let our people have food, shelter, drinking water, sanitation facilities, health services, education and jobs*
8. Develop strong bilateral trade, finance and technical links between our countries;
9. Help revitalise the regional economic groupings that we belong to;
10. Contribute to Africa's economic development as we become significant players in the world economy.

## Appendix C

### Welcome Address

by Pascal G. Dozie

#### Protocols

It is my honour and privilege to welcome you all to the Second Nigerian Economic Summit. The first Economic Summit held in 1993 was a unique experiment in national economic policy formulation. For three days, senior government officials including all the Ministers, dedicated their time to the exclusion of any other thing and worked through lengthy sessions of the various Discussion Groups. Even the President sat through the plenary session of the first day and the Head of Government sat through some of the sessions including all the plenary sessions.

At the end of the three days, despite the difficulty to reach unanimity in a summit of this nature, it is on record that broad consensus, which avoided extreme positions, was reached. The Economic Summit Group subsequently produced the Report of the Summit and the Economic Action Agenda. These were printed, beautifully bound and extensively circulated.

Despite the preoccupation of government in political engineering over much of the period after the first Summit, there have been notable successes in the implementation of many of the recommendations from the Economic Action Agenda.

Petroleum has become better priced with a fund set up into which the surplus has been retained for specific projects. The Exchange Control Act has been repealed and the Nigerian Enterprises Promotion (NEP) Act is no more. An Autonomous Foreign Exchange Market (AFEM) has been established with minimum Central Bank of Nigeria (CBN) intervention. The effort to depend less on the oil sector and diversify the economy has led to more emphasis on the export of renewable resources and the establishment of a Ministry for Solid Minerals, etc. Perhaps most importantly, the 1995 Budget promises to achieve a major reduction, and even elimination, of deficit spending and to introduce completeness and

transparency to the budget process. With tight fiscal policy and tight monetary policy now working together, 1995 appears set to witness a major reduction in inflation rates. All of these measures, if consistently followed in the year to come, provide hope for greatly increased savings and investment which are the major determinants of sustainable economic growth. For these, your Excellency, we commend your Government.

However, there is still much work to do. The agenda for the second Nigerian Economic summit is very heavy indeed. We have a great deal to do to cause investment inflows, debt relief and economic growth to become a reality. I am particularly concerned with the need to open up the capital market and increase competition within the Banking Sector which is engulfed in distress. Distress should be addressed as a matter of priority if only for the singular reason that a sick banking sector cannot support a healthy economy. In fact a sick financial sector can undermine economic renewal and growth.

As we go into the second Summit, I should acknowledge openly, the encouragement and support the Summit Group has received from the Head of State and Commander-in-Chief of the Armed Forces, **General Sani Abacha** and his senior colleagues who have seen in the Economic Action Agenda, a useful building block to achieve his goal for economic renewal as enunciated in the 1995 Budget. Your Excellency, I thank you on behalf of the entire membership of the Economic Summit Group.

The task of economic national building is not an easy one. In many cases, it involves difficult and painful choices. Sound economic policies may, particularly in the short run, conflict with what appears to be in the best interest of the people and the nation. It requires both statecraft and statesmanship to steer the correct path, to lead the ship of state through economic turbulence into the calm waters of economic prosperity. This calls for sacrifice, hardwork, dedication and courage. It also calls for all hands on deck, and the belief, not only in the oneness of this country, but an unflinching resolve to move the country forward and let Nigeria earn her rightful leadership position in the world.

The task before us is to take off, build on the Economic Action Agenda and the 1995 Budget Message. We must look at our earlier recommendations, confirm their currency identify new developments and matters arising (for instance the effect of a devalued Naira on fuel prices), and assess the level of implementation or non-implementation. Then, we must develop a new Action Agenda distinguishing between immediate short-term and

medium term. Finally, we must work together in partnership to achieve effective implementation of additional reforms.

Let me also thank the membership of the Summit and, in so doing, point out the uniqueness of this group not only for Nigeria, but the task on hand. These are captains of different industry groups, the real investors in our economy, Nigerian and foreign, united in their commitment to the economic rejuvenation and progress of this country. They are leaders who are not satisfied with the position of Nigeria in the world affairs given the abundance of resources at our disposal - material, human, etc.

I would also like to thank the Government Officials for their general support both in the last Economic Summit and in the preparation of this second Summit. I am sure we can count on their continued support and collaboration for the successful implementation of the recommendations of the Summit and sustained dialogue and co-operation between the public and private sectors.

In the past, the fear was lack of political will to take vital decisions. But the general thrust of the 1995 Budget together with some of the bold actions taken by Government within that Budget, confirm both the willingness and ability of Government to take necessary policy decisions in the interest of the country. Indeed, it can be said that we are at the threshold of a major economic breakthrough.

This economic breakthrough, however, will not materialise unless we establish a greater co-operation and partnership between the Private Sector and the Public Sector. Experience has shown that where this does not exist, not much can be achieved. But real co-operation and partnership can only exist where there is mutual trust, shared beliefs, aspirations and vision as to what we want our nation to be, not only today but in the medium term and indeed, in the year 2025.

Let us not therefore, see this Summit effort as either a private sector effort or a public sector effort. Rather, let us see it as a Nigerian effort, public sector and private sector solidly united in a joint collaboration for the economic renewal, progress and growth of this great nation and its people.

Once again, I wish to thank His Excellency, the Head of State and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, **General Sani Abacha**, not only for his support for this second

Summit but for his general interest in fostering dialogue between the public and private sectors of our economy.

Your Excellencies, Distinguished Ladies and Gentlemen, I wish all of us a successful Summit and thank you all for your attendance and listening.

## Appendix D

### **Keynote address by the Head of State, Commander-in-Chief of the Armed Forces, General Sani Abacha, GCON, mni, at the Second Nigerian Economic Summit at Abuja on May 4, 1995**

#### Protocols

It gives me great pleasure to welcome you to the Second Nigerian Economic Summit which marks yet another milestone in our on-going efforts to evolve an effective and purposeful relationship between Government and the Private Sector for the rapid rejuvenation and reflation of our national economy.

It should be recalled that in February 1993, the Chairman of the Transitional Government, Chief Ernest Shonekan, former Head of State, hosted the First Nigerian Economic Summit which studied and recommended immediate and short-term reforms to halt and reverse negative trends in our economy. While many of its recommendations are being addressed, it has, however, become clear that there is a need to project further to ensure that they are implemented in the context of a long term macro-economic policy.

In the 1995 Budget Speech, I emphasised that the economic strategy of this Administration draws inspiration from the recognition that Free Enterprise is the bedrock of a democratic political system and that in consequence, we place a high premium on the evolution of a dynamic economy in which Nigerians, who are known for their individualism and their industry, can optimally invest their productive capabilities. For this reason, the 1995 Budget contains incentives and liberalisation measures designed to free the economy from the many statutory constraints which have significantly inhibited its meaningful development.

The main objective of the 1995 Budget was to free the potential for development in our society, leading to a strong country, internationally respected, governed by the rule of law, respectful of tradition, open to opportunities and offering the hope of a bright future to the present and coming generations. We recognised that we should mobilise and redirect our energies to ensure that we maximise to the full, our vast store of human and material resources to ensure the future well-being of all Nigerians. We made it

clear that we expected the Private Sector to be the engine and the heart of this new economic initiative with Government acting as a catalyst by providing the necessary enabling environment which will allow private sector initiative to flourish.

As a demonstration of our resolve and determination in this regard, we repealed the Nigerian Enterprises Promotion Decree, 1989 and the 1962 Exchange Control Act in order to send a clear and unequivocal signal of this Administration's positive intentions. At the same time, we have shown a clear recognition that the momentum started by these actions must be maintained and vigorously sustained if we are to satisfy the aspirations of our people. We sincerely believe that the best way to achieve our aim is for the Public and the Private Sectors to be partners-in-progress, working together to ensure that we achieve our national goals.

I am happy that the Private Sector has thought it worthwhile and desirable that a Second Economic Summit involving the Public and Private Sectors should be held to assess the current economic situation with a view to furthering our objective of creating the enabling environment that will attract the much needed investment into our economy from both internal and external sources. Government expects this Summit to aim at building on the Economic Action Agenda produced after the First Summit and that its recommendations will help to improve the overall performance of our economy.

This Administration recognises that the achievement of our economic goals can only be attained through continuous dialogue and cooperation between the Public and Private Sectors. It is only through such dialogue and cooperation that all perceived barriers can be broken so that we can work together in the best interest of the economy. The mission of the Summit during the next three days should be to build a solid foundation for the construction of Medium and Long Term strategies. I sincerely hope that during the course of your deliberations, intimate economic relationships will develop which will help create unity of purpose and in the end serve our nation well. I also expect that during the days you will be here, you will get to know each other well and concretise the process of constant and continuous dialogue between the Public and Private Sectors. In that way, you will be reinforcing the well-being of the country and enhancing mutual respect for one another.

I am confident that as you discuss specific measures that have to be implemented to give our economy a new lease of life, you will set aside narrow sectoral interests and will identify those measures which will best



serve the interests of all Nigerians. I urge you all to remember as you go into your deliberations that we all have a common objective, the development of a truly prosperous society and a higher standard of living for our people.

I am informed that you will be working in groups that will discuss specific problems and hopefully proffer feasible and practicable solutions. We expect a clear and positive message to emerge from this Summit, which we believe will greatly help our work in Government and it is our intention that the "partners-in-progress" relationship between the Public and Private Sectors that has been cultivated since this Administration came into office should be nursed to maturity.

There is much to be done and we should not under-estimate the problems facing us. If we make the best use of all the resources at our disposal, both human and material, there can be little doubt that we will succeed. Indeed, it is imperative that we must succeed since the establishment of a sound economy will ensure that Nigeria plays its rightful role not only in the development of the African continent, but also as a major representative of our continent in the international community,

As you set out on your deliberations, I will like you to pay particular attention to specific areas of the economy that have direct effect on the livelihood of the ordinary Nigerian. Government will be interested to know what major obstacles there are to investments and trade and the most efficient and effective ways to demolish these obstacles. We will also like to know how you will capitalise on the institutional changes that we have introduced in Government in order to enhance efficiency and effectiveness.

I make particular reference to the establishment of a Ministry to take charge of the development and exploitation of the solid minerals that abound in the country. I hope that the action will be seen for what it really is: a positive act by Government to revitalise the development of the real sector of the economy through the encouragement of the procurement and utilisation of local raw materials.

The mining and the agricultural sectors are the real sectors that sustained the economy before the discovery of oil. Most regretfully, with the discovery of oil, we seem to have shied away from these sectors, an action which led to their neglect and near collapse. The Economic Recovery Workshops held recently in different zones of the country have identified how rich we are in mineral and agricultural resources and how self-sufficient we can be in both, if only we can pay more attention to their development.

I wish to assure you that Government will continue to give all the necessary support, including the provision of the basic infrastructure and the conducive environment needed for private initiative to thrive.

Government, however, expects the private sector to respond by way of positive involvement through substantial investment and activities that will restore our international credibility. Our goals are the same, so Nigeria and Nigerians will be better off if we join forces, not only to talk, but also to act.

Before ending this address, I will like to reaffirm to this distinguished audience that our Administration remains ever mindful of the fact that the best action plans and strategies for national economic revitalisation would come to naught if we do not move rapidly towards the establishment of a stable polity anchored on durable democratic structures of governance fashioned to suit our uniquely Nigerian circumstances.

There is no denying the fact that the cycle of failed political experimentation which our country has been caught up in since independence, has taken a heavy toll on our nation's economic fortunes. We have therefore resolved that as one of its major legacies, our Administration will do its utmost best to bequeath to our countrymen and women an enduring framework for civil democratic governance which will guarantee the political stability required for the actualisation of the nation's plans for economic recovery and development.

You are all, I believe, conversant with the steps we have already taken towards the attainment of this objective. The National Constitutional Conference which we initiated and organised in fulfilment of the pledge I made in my maiden address to the nation has successfully concluded its deliberations. We look forward to receiving the draft Constitution and other recommendations of the representatives of our people who assembled here in Abuja to participate in a commendable effort to forge a truly national consensus on the political future of our dear nation.

With the submission of the draft constitution and report of the National Constitutional Conference, the stage will be set for the next phase of our political programme. I seize this opportunity to reassure all Nigerians as well as the international community that our Administration appreciates and recognises the need to return the country to civil democratic governance as soon as possible. We must take care, however, to avoid rushing into the mistakes of the past and the transition plan which we will present to the nation in due course will be designed to establish a solid foundation for the entrenchment of genuine democracy in our country.

On this note, Ladies and Gentlemen, I have the honour and privilege to formally declare the Second Nigerian Economic Summit open. I wish you happy and successful deliberations.

I thank you for your kind attention.

## Appendix E

### **An Overview of the Economy and the Attainment of Policy Measures for Moving the Economy Forward in 1995. Jointly Presented by Honourable Ministers of National Planning, Finance and Governor of Central Bank**

Protocols

#### **Introduction**

There is no once and for all panacea for the economic ills of any country in a dynamic world. It is for this reason that the process of economic adjustment has been found, inevitably, to be a continuous one. Therefore any deviations from the path of economic adjustment will always necessitate another path of action in the form of Rolling Plan and annual budget.

In the process of continuous adjustment, a government budget is a major demand management tool, which focuses on planned resource mobilization, stabilization and allocation, in a given fiscal year. Too often, statements on government monetary policy usually feature in the budget document perhaps in recognition of the complimentary role of monetary policy in effective budget implementation. The budget thus consisting of fiscal and monetary elements exact impact on aggregate demand, inflation, balance of payments, e.t.c.

The purpose of this paper is to present an overview of the economy and highlight the fiscal, monetary measures including policy thrusts and modalities for moving the economy forward in 1995 and beyond.

#### **1. Background to 1995 Federal Government Budget**

The 1994 fiscal year can best be said to be another year of unrealized hope for the reversal of the negative trends in the Nigerian economy of recent years. The budget policy measures for that fiscal year were formulated against the background of economic ills of high and unstable interest rates, unsustainable fiscal deficit high inflation and

unemployment rates, fast depreciating Naira exchange rate and deteriorating balance of payments position, etc. These led to the slow pace of economic activities.

Gross Domestic Product (GDP) at 1984 constant factor grew at 4.1 per cent in 1992, but the rate of growth declined in 1994 to 1.3 per cent in 1993. This is against 8.3 per cent achieved in 1990. The inflationary pressures observed since 1991 remained unabated through 1994. The rate of inflation which rose from 13.0 per cent in 1991 to 44.6 per cent in 1992, further increased to 56.2 and 55.3 per cent in 1993 and 1994 respectively.

Monetary aggregates have shown phenomenally since 1991 through 1994 in contrast to the stated restrictive stance of monetary policy during the period. For instance, money supply narrowly defined i.e.  $M_1$  increased by 66.4, 54.4 and 47.8 per cent in 1992, 1993 and 1994, respectively, thus overshooting the maximum growth target of 21.4 percent. Broad money,  $M_{12}$  also increased by 39.1 per cent in 1994 compared with 49.8 in 1993. The major factor contributing to the increases in monetary aggregates was aggregate credit to the economy. aggregate banking system credit, at N-350,622.7 million at end-1994 by 29.2 per cent as against 91.4 per cent at end-1993 and the target of 9.4 per cent envisaged in 1994.

Interest rate moved generally downward in 1994 from the relatively high levels which prevailed in 1993, in line with the Federal Government's policy in fiscal 1994. The average rate on savings deposits fell by 4.5 percentage points from 16.7 per cent in December, 1993 to average rate of 12.3 per cent in 1994. Similarly time deposit rates at commercial banks averaged 12.7 - 14.2 per cent in December, 1994. At the merchant banks, the average rates on deposits of various maturities fell from a range of 29.0 - 39.8 per cent at end 1993 to 12.5 - 14.9 per cent in 1994.

The use of Open Market Operations (OMO) as a tool of monetary management was hindered by the downward movement of interest rates in line with the 1994 policy guidelines, particularly the fixed interest rate regime, which rendered the yield on Treasury Bills unattractive. Thus, OMO could not be effectively applied to exact pressure on the supply of bank reserves to reduce the growth in base money and money supply.

The fiscal operations of the Federal Government resulted in an overall deficit of N 70,818.5 million or 7.9 per cent of GDP in 1994 compared

with a deficit of N107,186 million or 15.4 per cent in 1993. The development in 1994 was, however, in sharp contrast to the balanced budget announced by the Government. The major problems in the fiscal operations have been attributed largely to slower growth in retained revenue, inability to reduce the rate of growth of total expenditure, persistence of substantial extra budgetary outlays and large debt service obligations.

The pressures on the external sector remained unabated. The overall deficit in both the current and capital accounts of the balance of payments widened from N41,736.8 million (\$1,893.1 million) in 1993 to N43,428.6 million (\$1,984.3 million) in 1994. However, the deferment of about N50,624.7 million (\$2,313.1 million) worth of some external debt obligations falling due in 1994, as a result of foreign exchange constraint led to the narrowing of the financing gap.

The foregoing developments provided the backdrop for the policy thrusts of the 1995 budget for moving the economy forward.

## **II. Fiscal Policy Measures and Programmes for 1995**

The Fiscal Policy Measures in the 1995 budget were formulated against the background of the economy highlighted in the preceding paragraphs.

### **Policy Thrusts of the 1995 Budget**

The fiscal policy thrust was focused, among others, on the following objectives:

- i. substantial reduction in the fiscal deficit through curtailment of wasteful expenditure;
- ii. elimination or drastic curtailment of extra-budgetary spending;
- iii. tight monetary policy stance;
- iv. intensive revenue collection drive;
- v. reduction in inflation rate;
- vi. adoption of guided deregulation of interest rate and foreign exchange market;
- vii. expansion of the economy's productive base and improvement in the level of capacity utilization in the manufacturing sector through concessions and incentives; and

- viii. consolidation of all government revenue and expenditure globally in the budget in order to enhance accountability and transparency.

### **Fiscal Operations of Federal Government**

The 1995 budget has a provision for a fiscal deficit of ₦ 12.814 billion or ₦ 3.21 billion pro-rated on quarterly basis. In terms of achievement, whereas the first quarter of 1994 recorded a deficit of ₦ 19.185 billion, it is gratifying to note that as at 31st March, 1995, the nation was about ₦ 8.41 billion in credit. However, this surplus position did not reflect the full impact of the capital expenditure programme budgeted but not disbursed for the first quarter.

### **Modalities for Achieving Fiscal Viability**

Among others, the following modalities for achieving the basic thrust of the budget have been put in place:

- i. Monetization of all dedicated projects;
- ii. Use of Excess Revenue Accruing From Price or Exchange Rate Variation;
- iii. Intensified Revenue Drive;
- iv. Commercialization, Privatization and Leasing Contract Arrangement;
- v. Elimination of Extra-Budgetary Expenditure;
- vi. Debt Management; and
- vii. Restructuring of Government Operations for Better Cost Effectiveness.

### **Monetization of All Dedicated Projects**

As part of the measures to achieve fiscal viability in 1995, all dedicated projects were monetized and proceeds from the sale of crude oil, petroleum profits tax, oil royalties and fees are now being paid into the Federal Government Account with the Central Bank of Nigeria. Thus payments for joint venture cash calls, national priority projects and external debts service were made the first charge on the account. Apart from fiscal transparency, the monetization of dedicated projects was to ensure that any excess revenue from price or exchange rate variation would accrue directly to the Federal Government.



### **Use of Excess Revenue Accruing from Price or Exchange Rate Variation**

The excess money accruing from price difference of \$15.00/barrel in the budget and the realized official selling price of between \$16.00 and \$18.20/b recorded during the first quarter of the year has been transferred to a reserve in order to boost the nation's foreign reserve. This will be a continuous process. Furthermore, the share of the Federal Government profit of N 11.64 billion arising from the change in exchange rate from the intervention in the Autonomous Foreign Exchange Market has been transferred to a special account. Such additional revenue will continue to be kept in this account wherever there is any intervention.

In future, two of the possible options or avenues for the deployment of the windfall earnings from oil referred to above, are, to swell accreditation to the nation's foreign reserves or to invest directly in high yielding international securities. The second option will complement the first being used now in that, at least, it will serve as additional avenues to diversify the nation's public sector revenue receipts as well as foreign exchange earnings from oil. They will thereby correct or minimize the persistent deficit in our income and external accounts.

### **Boosting Revenue**

In order to get more revenue, Government has strengthened the revenue collection machinery. For instance, duty collection on international trade will be based solely on the assessment of duty reflected on Import Duty Report (IDR) issued by the relevant inspection agent, and duty will be made through reputable banks. Besides, targets of revenue have been set with the Inland Revenue Service and the Nigerian Customs Service and excess collection over and above the target would be rewarded through incentive bonus. The Memorandum of Understanding (MOU) with the oil companies has been comprehensively reviewed with a view to increasing revenue from petroleum profits tax.

### **Privatization, Commercialization and Leasing Contract Agreement**

Lease arrangement has been highlighted in the budget. The arrangement involves contract leasing of the government enterprises to both foreign and local entrepreneurs. The rationale for this is for Government to disengage itself from activities that can optimally be carried out by the private sector. This is to free Government funds for utilization in its conventional areas of provision of socio-economic infrastructures. Government is working out a framework, modalities and guidelines for full implementation of this contract lease arrangement. Such framework/guidelines will include transparency of all transactions, the lease rental and share of export earnings, insurance and depreciation of the properties, social consequences, i.e. redundancies and retrenchment, training and transfer of technology.

A major policy concern for the future with respect to parastatals whether commercialized or privatized is the need to break their monopolies or monopsonies. This is because the services or goods they supply are universal intermediates to other economic activities. The inefficient and unreliable supply of such goods or services has become critical bottlenecks to economic growth and development. Given the vast resources which private individuals or companies and even the public sector are devoting to the provision of stand-by supply of such goods and services, it is imperative to allow some competition in such economic activity as a way forward.

One of the lessons from fully developed market economies of the West as well as the experience of former socialist countries of Eastern Europe in general and Nigeria in particular, is that successful economic recovery through adjustment, requires a viable private sector, capable of responding to policy incentives to increase production for both home consumption and exports. As most economic adjustment programmes are formulated within the framework of a market economy, private sector activity should serve as the main engine of growth. As a way forward, Government is giving more incentives in form of export stimulus, privatization of public enterprises, fiscal/tax reliefs, liberalization of trade, deregulation of the financial sector, etc.

### **Attracting Investment**

In order to ensure free flow of investments and investable funds into the country as well as improve investment climate, Government had repealed the Exchange Control Act of 1962 and the Nigerian Enterprises Promotion Decree of 1989. In addition, all laws, regulations and rules, etc. that hinder the free flow of investments and funds into Nigeria are being reviewed with a view to repealing or relaxing such regulations. Furthermore, a new decree will be promulgated to establish "Nigerian Investment Council" which will be private sector oriented as the majority of its members including the Chairman would be appointed from the organized sector.

### **Debt Management**

In order to alleviate the debt service burden, Government will as a matter of necessity, accord highest priority to seek highly concessional debt relief from the Paris Club as an integral part of the envisaged Medium Term Programme. As a pre-condition to the Paris Club debt relief negotiations, the Government is expected to put in place an economic reform programme supported by the IMF and the World Bank.

### **Medium Term Programme**

Government is already working on this programme, the policy framework of which embraces a strong commitment to demand management, a more market-oriented exchange rate policy, and structural adjustment policies aimed at improving the environment for the private sector.

### **Restructuring of Government Operations for Better Cost-Effectiveness**

The present concern of Government is to rationalize the operations of Government. This is to be accomplished through institutional reforms designed to eliminate wastage and duplication of functions.

### III. Monetary Programme for 1995

In the background review, the parlous state of the macro-economy in 1994 was quite glaring: the economy was "overheated" through explosive increases in monetary aggregates far in excess of optimal levels, consequential build-up of inflationary pressures and expectations and the depreciation of the Naira exchange rate, etc. Thus the objectives of monetary policy in 1995 include a reduction in the rate of inflation, guided deregulation of the foreign exchange market to narrow the gap between official and parallel market exchange rates, guided deregulation of interest rate and adequate funding of non-oil productive sectors of the economy, etc.

In order to realise the above objectives, and reverse the undesirable trends of recent years, the monetary authorities considered it prudent to build the monetary programme on a tight policy stance with the following assumptions: an inflation rate of 15%, a growth rate of 3 per cent and a modest accretion to external reserves. On the basis of these assumptions, and computed demand for money functions, the targets of monetary policy in 1995 were derived as follows:

- i. an increase in narrow money ( $M_1$ ) of 10.0 per cent;
- ii. an increase in broad money ( $M_2$ ) of 10.4 per cent;
- iii. an increase in aggregate domestic credit (net) of 16.2 per cent
- iv. an increase in credit to the private sector of 20.0 per cent;
- v. an increase in credit (net) to Government of 14.2 per cent.

The Central Bank of Nigeria will, as in 1994, use a mix of instruments to achieve these targets. The main instrument is the conduct of Open Market Operations (OMO) which will be supported with discount window and reserve requirement policies. The use of stabilization securities will continue although the instrument is still regarded as a temporary one by monetary authorities. The intended phased repayment of the securities outstanding shall continue to be kept in view, in the light of developments in the system's liquidity during the fiscal year. Other instruments of monetary policy in 1995 are:

- i. a more flexible interest rate policy which will allow financial institutions to maintain a maximum spread of 7½ percentage points between their deposit and lending rates subject to a maximum lending rate of 21%;
- ii. the continuation of efforts to deal with defaults and distress in the financial system to enhance confidence;

- iii. the continued use of credit ceilings for banks which do not meet the criteria specified since 1992. The criteria relate to specified cash reserve, specified liquidity ratio, prudential guidelines, statutory minimum paid-up capital requirement, capital adequacy ratio; and sound management; and
- iv. the continuation of the sectoral allocation of credit.

Most other policy measures in force in 1994 are also retained in 1995 as outlined in Monetary Policy circular No. 29.

### **Operational Modalities for Monetary Banking Policies**

The modalities for ensuring the achievement of the monetary programme, the thrust and various monetary targets stated in the preceding paragraphs can be identified as liquidity management, interest rate management, interest rate management and financial sector distress.

### **Liquidity Overhang**

The economy has been afflicted with a considerable degree of liquidity overhang especially since the reflationary package of 1988 designed, as it were, to give Structural Adjustment Programme (SAP) a "human face" as said earlier, liquidity defined as broad money,  $M_2$ , grew massively in response to excessive growth in aggregate domestic credit, which, in 1988 and 1991 - 1994 recorded an average increase of 49.9 per cent compared with the target rate of 11 per cent. The upsurge in credit to the economy in recent years has been due largely to rapid increases in government borrowing from the banking system.

Unless the overhang of liquidity is removed, monetary policy targets in 1995 may never be achieved. Thus, effective demand management resides with the Central Bank in collaboration with the Federal Government to clear the backlog. The monetary programme for 1995 has taken action to reduce the liquidity overhang through the issue of stabilization securities of N10 billion. This brings to N35 billion the existing stock of rolled over stabilization securities.

The CBN has to mop up the excess liquidity through the issuance of stabilization securities, however, only on episodic basis, and not as a regular mopping-up exercise. Considering that the securities are a

direct control instrument in a deregulatory environment and that the issuance is alleged to impact negative side effects on the interest rate structure and inter-bank operations, the CBN is now poised to apply the instrument only when necessary.

But the focus need not only be on the mode of mopping-up. The cause(s) of the liquidity overhang need to be addressed. Government is seeking to maintain fiscal viability by reducing its deficit/GDP ratio to a level consistent with the dictates of the monetary programme targets. This is the challenge. The transmission mechanism linking government fiscal deficit to monetary expansion cannot be over-emphasised.

### **Open Market Operations**

Assuming that liquidity overhang can be eliminated or reduced to the barest minimum, as discussed above, it becomes only necessary to check the day-to-day movement of liquidity for unnecessary growth in the course of the year. From mid-1993, the CBN has applied OMO as an instrument for managing liquidity on a weekly basis. This will continue in 1995 and will be conducted largely in Treasury Bills, a large proportion of which is held by the CBN. Discount Houses will also continue to be the main intermediaries for the conduct of OMO while they in turn will continue to engage in secondary market dealings with other dealers in the market.

The operations of OMO is aimed at influencing reserves in such a way as to maintain the desired growth path for the money supply. But the efficacy of OMO in the control of liquidity in 1995 will depend to a large extent on the success of interest rate management. There is need to recognise that the non-bank public may continue to shy away from increasing its holding on Treasury securities in an environment where interest rate is fixed and substantially negative in real terms. This calls for cautious management of the interest rate policy.

### **Interest Rate Management**

There is no doubt that interest rate management is a problematic area for the authorities. When in response to macro-economic distortions interest rates rose to uncomfortably high levels in 1992/93, authorities justifiably saw fit to pull the rates down and fix them administratively in 1994. It is feared that interest rates might soar again if completely

set free because macro-economic distortions, including high inflation, still hold sway. Therefore, it sounds reasonable for now, to free interest rates only gradually by specifying a maximum spread between the maximum lending rate and deposit rate, pending the emergence of the necessary conditions for total deregulation.

However, to sustain policy direction for 1995, all hands must be on deck to remove distortions and restore macro-economic stability. The modalities for achieving this goal have been outlined in the fiscal and monetary programmes in the 1995 budget -

- effective control of growth of domestic liquidity to bring down the rate of inflation;
- elimination or substantial reduction of the banking system's financing of the fiscal deficit;
- greater synchronization of interest rates, inflation and exchange rates to reflect macro-economic fundamentals; and
- application of moral suasion, effective monitoring and appropriate penalties for non-compliance with guidelines.

Thus, as soon as the above measures are reasonably achieved, the authorities could aim at progressively deregulating the interest rates in the medium to long term. Interest rates will then become positive in real terms, thereby ensuring the growth of savings and investment.

### **Financial Sector Distress**

The success of the monetary and banking policies in the 1995 Budget depends crucially on ability of the authorities to find solutions to the defaults and distress in the banking system to enhance confidence. The CBN and NDIC are working hard to address the problem. The two institutions are being considered by Government. In the Budget, the most cost-effective options have been identified for dealing with defaults and distress banks in 1995 and they include take over, restructuring and outright liquidation of terminally distressed banks. Recently, the issue of sanctions against directors, officers and borrowers whose actions resulted in the plight of banks had been addressed in a new Decree with provisions that will be implemented in 1995.

Furthermore, the CBN has continued to study the peculiar problems of the finance companies. A comprehensive framework for more effective supervision and optimal resolution of the problems of



distressed finance companies has been designed and would be implemented in 1995.

### **Conclusion**

This paper has discussed the overview of the economy and Policy Measures in 1995 Budget for moving the economy forward. In this regard, some areas that need full deliberation and searchlight have been identified in the paper. It is therefore necessary to seek the full co-operation of all economic agents, notably public, private, banks and non-bank institutions for attainment of policy objectives. In particular, Government through its fiscal programme, is supporting the monetary programme by ensuring that its borrowing requirement from the banking system is strictly adhered to.

The 1995 Budget marks a welcome departure from the control syndrome of 1994. Judged by the performance of the Budget in the first quarter of this year, the 1995 Budget constitutes a way forward towards economic self-reliance, sustained growth and development. Even so, vigorous implementation cannot be over-emphasised as much as does effective monitoring to allow for appropriate fine-tuning in the course of the fiscal year.

## Appendix F

### **Investment Prospects in the Petroleum Sector**

**Presented By Chief Dan L. Etete**

**Hon. Minister of Petroleum Resources**

#### Protocols

It is a great pleasure to be invited to this Second Economic Summit to address you on the Investment Prospects in the Nigerian Petroleum Industry. This invitation could not have come at a better time considering the vast investment opportunities in the petroleum industry as a consequence of Government's overall policy of diversification and deregulation of the Nigerian economy.

The Petroleum Industry in Nigeria has undergone significant changes since oil was discovered in commercial quantity almost four decades ago. The sector has become the mainstay of the overall Nigerian economy, pivoting other sectors, and accounting for about 90% of the country's foreign exchange earnings, about 20% of the Gross Domestic Product and about 85% of Federal Government collectable revenues. It is, therefore, not surprising that the industry has become very crucial to the economic development of the country.

The increasing importance of this sector to the national economy aroused Government's interest in the early stages of its development and Government eventually got involved in all the facets of the industry. As a result of change in economic policy in favour of market-oriented economy it is now government's desire to get the private sector to actively participate in the petroleum industry.

The Structural Adjustment Programme (SAP which was introduced in 1986 is still very much in place although with minor policy adjustments which are regularly reviewed to ensure that objectives of SAP are achieved. SAP emphasises diversification, deregulation, privatisation and market-oriented exchange rates and pricing. The recent repeal of Exchange Control Act of 1962 and Indigenisation Decree has created more favourable economic environment for potential investors now than any

other time. Government, apart from creating an economically conducive environment, has introduced various fiscal incentives to encourage private participation in all the various sectors of the petroleum industry.

To ensure continuing and orderly development of the petroleum industry, a petroleum policy has been put in place. The objectives of the policy include:

- Increasing oil reserve base and productibility through vigorous exploration and ensuring judicious exploitation of the resource;
- Allowing for private sector participation in all the facets of the industry through attractive fiscal measures;
- Acquiring reasonable market shares for the crude oil and its derivatives and achievement of domestic refining self-sufficiency;
- Expanding the utilisation of natural gas; and
- Developing the large deposit of tar sands in the country.

With a view towards achieving these objectives, the Nigerian National Petroleum Corporation (NNPC) became a commercial and integral oil company, presently with eight wholly owned subsidiaries and three partially owned subsidiaries both in the upstream and downstream sectors of the industry.

At this stage, it is necessary to go into details about specific areas of investment opportunities in all the subsectors of the petroleum industry.

We intend to increase our crude oil reserve base from its present level of 20.5 billion barrels to 25 billion barrels and productibility from 1.9 million barrels per day (mbd) to 2.5 mbd by 1999. Government has therefore put in place an attractive and liberal incentive package to attract investors in exploration and development.

A Memorandum of Understanding (MOU) was signed with the various oil companies operating in Nigeria. The MOU guarantees a profit margin of \$2.30 per barrel for companies that meet targets in terms of reserve additions. Performance above set targets attract a margin of \$2.50 per barrel. Differentiated tax credits are also introduced in the MOU which also has flexibility to compensate for investment risks in a volatile market. The current MOU has been in existence since 1991 and is expected to be reviewed this year to allow for further favourable investment atmosphere for investors.

All these are done in order to continue to attract continuous inflow of private capital investment in the petroleum industry. Private participation in exploration, development and production is therefore being encouraged to inject more capital, internalise the technology in the country and spread the risk of operation.

Indigenous entrepreneurs are also being encouraged to actively participate in the upstream sector of the industry. New blocks were made available to many Nigerian companies in the past and some of them have even struck oil in commercial quantities. Some of these companies would like to involve foreign partnership for technical and financial back-up.

With the increasing financial burden of the JV cash calls, emphasis is now being shifted to Production Sharing Contract (PSC). The PSC which is more equitable ensures that risks are balanced between the partners.

Our offshore zone is very prolific because of its ecologic formation, low sea bed, and relatively calm environment. This, of course, guarantees lower exploration costs than many other offshore zones line in the North Sea which is very deep, and hostile. Government wil continue to make more blocks available for exploration in this zone to interested parties as has been the case in the past. A lot of investment opportunities also exist for Service Companies which provide specialized services to the oil industry in Nigeria. The specialized services include seismic surveys, data acquisition, processing and interpretation, wire logging and core analysis.

### **Tar Sand (Bitumen) Development**

The first discovery of hydrocarbon in Nigeria in 1909 was on the tar sand belt in the Western part of the country close to the coast. Wells sunk on the deposit produced very heavy crude oil. However, the discovery of light-medium oil in the Niger Delta area caused the abandonment of the exploration of the sands. An estimate of the total deposit is about 30 billion barrels of bitumen. The development of this resource provides enormous investment opportunities for core investors local, and foreign.

## Gas Development

Nigeria, in some quarters is referred to as a gas province. Yet, our proven gas reserves remain relatively small, essentially because no deliberate search for gas has yet taken place. The time has come to begin a systematic search for gas because of the tremendous opportunities for gas business world-wide.

With the unpredictable nature of crude oil market and increasing environmental awareness, world attention is now focused on gas as a fuel of the future. Gas is expected to continue to increasingly displace crude oil and other forms of energy in energy mix.

The Federal Government has therefore realised the need to develop the gas industry as a means of diversifying petroleum industry base and increase the value-added in the industry. Government is poised therefore to increase gas utilisation of this resource through significant reduction of gas being flared which at present accounts for 75% of gas produced. Deliberate exploration and development of gas fields will also be embarked upon.

To encourage increased gas production and utilisation, institutional framework for the management of natural gas and co-ordination of its development as well as a gas pricing policy and attractive fiscal regimes have been put in place.

The fiscal regime presently in place for investors in the gas sector are:

(a) Gas Production Phase:

- Applicable tax rate under Petroleum Profit Tax (PPT) Act to be at the same rate as Company Tax which is currently 35%.
- Capital allowance at the rate of 20% per annum in the first four years, 19% in the fifth year and the remaining 1% in the books.
- Investment tax credit at the current rate of 5%.
- Royalty at the rate of 7% onshore and 5% offshore.

(b) Gas Transmission and distribution:

- Capital allowance as in production phase above.
- Tax rate as in production phase.
- Tax holiday under pioneer status.

(c) LNG Project

- Applicable tax rate under PPT is 45%.
- Capital allowance is 33% per year in the first 3 years with 1% remaining in the books.
- Investment tax credit of 10%.
- Royalty of 7% onshore, 5% offshore, tax deductible.

In addition to the fiscal incentives above, Government has established the following institutions to aid and co-ordinate gas development in the country.

- The Nigerian Gas Company - a subsidiary of the Nigerian National Petroleum Corporation with responsibility for gas gathering and transmission in the country;
- A Gas Division in NNPC (NAPIMS) with responsibility for co-ordinating gas investment and management of government interests in joint venture arrangements;
- The Nigerian Liquefied Natural Gas Company (NLNG) - a Joint Venture Company for export of LNG to Europe and America.

Thus, private investment opportunities exist in:

(a) Natural Gas Pipeline Network

The Escravos - Lagos Pipeline (ELP) project with a capacity for 2,073 billion standard cubic feet per day has been completed and in use. Government intends to extend the pipeline to the West African Coast to encourage gas utilisation and exploit commercial opportunities in the sub-region. Discussions on finalisation of this are at an advanced stage. Other gas pipelines are in various stages of completion. However, multilateral funding is required for the pipeline extension. The purpose of embarking on construction of massive pipeline network is to enhance domestic natural gas consumption, provide cleaner fuel for the environment and release more crude oil and petroleum products for export. Investors wishing to set up energy intensive industries such as Cement Factories, Iron-smelting and Foundries will have significant cost saving on total capital expenditure, if gas is used as fuel.

In order to further stimulate the natural gas utilisation, there are opportunities being opened up for the establishment of local distributing companies who will take the gas from the transmission line to consumers. An example of this is the gas supply to the Lagos

Industrial area whereby local distributors will be required to supply gas to the industry users from the city gate.

**(b) The LNG Project**

The Nigerian LNG Company was commissioned in 1989 as part of government's strategy to reduce reliance on crude oil export earnings through diversification within the petroleum sector. It is a joint venture in which Government, through NNPC has 49% equity participation. The project - a two-train plant which will process 750 MCF/D of gas consists of a gas transmission system, a gas treatment system, a liquefaction plant, storage tanks and a loading terminal and LNG carriers.

The plants which are expected to come on stream in 1999 will yield about 4.6 million tons/annum of high quality LNG for export. This volume has already been committed to sales through signing of Sale and Purchase agreements with companies in Europe and the USA. However, there is still room for expansion as there is provision for additional three-train plants in the second phase of the project.

The project also provides business opportunities such as for pipe-laying, pipe coating, inspection of numerous process related activities as well as maritime operations and civil works, to support the execution of the LNG project.

**(c) The Butanisation Project**

Plans are a-foot to increase domestic LPG consumption in Nigeria to discourage the use of firewood thus reducing problems of desertification, soil erosion and deforestation. An increase in the use of LPG will also free crude oil and kerosene for export. We embarked on the butanisation programme to boost LPG production, and improve its distribution through provision of infrastructures. A merox unit is already in place to boost production at the Kaduna Refinery. The construction of LPG depots in nine strategic depots across the country to ease distribution problems has been mechanically completed except for Lagos, Calabar, Enugu and Makurdi which are over 90% completed.

Private Sector investment is needed to acquire rolling stocks for bulk LPG transportation. Investors can also engage in the construction of storage and refilling facilities and provision of accessories - valves, regulators, filling heads and 'pig tail'.



Cylinder manufacturing, installation of filling plants and retail distribution will be left entirely to private investors as Government will only set guidelines, provide a conducive business environment and ensure products standardisation.

**(d) Petrochemical Plants**

The petrochemical industry perhaps more than any other sector holds the key to development in modern world. No meaningful agricultural/or industrial development can take place without massive inputs from this sector. Nigeria with abundant natural gas resources has therefore embarked on a three-phased petrochemical plant development. The first phase which produces Linear Alkyl Benzene, Carbon Black and Polypropylene has already been established. The second phase which is an Olefin-based complex is to be commissioned this year. The third phase which is still on the drawing board is aimed at producing advanced products of the Xylene type which will be used for a wide range of fibres and more sophisticated plastics.

Investors are welcome in the petrochemical sector as Government will not be involved in products fabrication and project financing which will be left entirely in private hands. Joint Venture partners are also welcome in the third phase as Government cannot fund the project alone.

**(e) Vehicular Fuel**

Natural gas is increasingly becoming important world-wide as a better substitute to gasoline as vehicular fuel in view of the increasing concern for the environment and in view of its relative cleanliness, cheapness and abundance. It can be compressed into cylinders and used as fuel by both petrol and diesel vehicles. Existing petrol and diesel can also be converted to run on either petrol, CNG or LPG.

A subsidiary of NNPC - the Nigerian Gas Company has carried out a pilot project in this regard by converting some saloon cars and diesel engines to run on CNG. Entrepreneurs can therefore take a cue from this and invest in CNG cylinder manufacturing and establish CNG filling stations across the country.

**(f) Methanol/MTBE Plants**

In view of world-wide concern for the environment, Government has decided to encourage the establishment of three Methanol/MTBE plants in the country. The plants will utilise the abundant natural gas

resources. The first plant - a methanol project is expected to provide 2,500 tons/day at a cost of \$442 million. It is a joint venture between NNPC (60%), Nigerian Investors (11%), a Consortium of Penspen Group, KTI Mannesmann and Berge (15%) and others 34%. The outstanding 34% has not been allocated. This is therefore inviting interested foreign and indigenous companies to take up the outstanding equity investment.

The second plant, which is a joint venture between NNPC (30%) and Standard Petrochemical Group (70%), has a design capacity of 687,000 mt/yr and 500,000 mt/yr of Methanol and MTBE respectively. The third project proposed by Mobil is the NGL Methanol-MTBE Plant which is expected to cost about \$653 million, offers opportunities for investors to joint hands in realising those gas-based projects.

### **Petroleum Refining and Marketing**

It has been the policy of the Government to put in place proper facilities in the downstream sector like refining, distribution and marketing of petroleum products so as to enhance the value-added of our petroleum resources. Presently, Nigeria has four refineries with total production capacity of 445,000 b/d to meet domestic consumption estimated at 300,000 b/d leaving a spare capacity of 145,000 b/d to cater for export demand. To ensure availability of products supply throughout Nigeria, NNPC built about 3,000 kilometres network of pipelines covering all parts of the country inter-connected to 17 petroleum products depots. To eliminate the perennial shortages of petroleum products in the country the construction of additional depots and connection of existing four refineries to each other has been completed through Pipeline Phase III and ready for commissioning.

In line with current trend world-wide whereby public sector participation in profit-oriented industries is being withdrawn or reduced, the Government intends to allow the private sector to participate in the development of the downstream sector of the petroleum industry. To eliminate the heavy burden of annual maintenance of the refineries and the depots, government in its new policy directive, is geared to lease them out to private investors. Leasing will also lead to efficient management of these facilities.

To maintain existing facilities and encourage private sector participation in the refining, distribution and marketing of petroleum products, there is a need to maintain appropriate pricing of petroleum products.

### **Crude Oil Transportation by Nigeria-Flagged Ocean Going Vessels**

Since the first shipment of Nigerian crude oil in 1958, oil shipments have been done in foreign flagged vessels. The freight elements were therefore earned by foreigners. The Nigerian crude oil sales contract provides that about 50% of the sales volume can be made on C&F basis. As a matter of government policy, a reasonable percentage of Nigerian crude oil would be freighted by Nigerian-flagged vessels. Nigerian National Petroleum Corporation, in conjunction with the Nigerian Maritime Authority, is working out the necessary details. When fully implemented, this approach will provide another lucrative investment opportunity for our business men in the shipping industry, provided they can present suitable tankers, offer competitive freight rates and comply effectively with the various stringent environmental regulations in the consuming nations.

### **Environmental Protection Services**

Since exploration and production activities commenced in this country, there has been many industrial accidents involving crude oil spillage. In addition to oil spills, other threats to the environment are drill cuttings which are brought to the surface with drilling fluids. It is usually the responsibility of an operator to ensure these cuttings are not contaminated with oil before being dispersed into the environment. Similarly, the drilling fluids which are composed of either fresh or sea water, with clays, muds and various chemical additives must not be contaminated with oil before disposal.

The oil companies commonly require the services of experts, in addition to inhouse staff, to train their employees regularly on oil spill prevention and control. Clean up of oil spillage are also needed to complement companies' efforts in responding to oil spills. Local industrialists should consider establishing factories for the manufacturing of the oil spill control equipment and materials such as booms and absorbents could be easily manufactured while dispersants could be blended from chemicals shipped into the country. Ancillary equipment such as storage tanks, hoses, couplings and valves could also be manufactured locally.

## Conclusion

Ladies and gentlemen, from the above, it can be seen that there are numerous investment opportunities in all the various sub-sectors of the petroleum industry in Nigeria. The Government has also put in place a conducive business environment as well as fiscal regimes which should attract both local and foreign investors in the industry. As we are in the process of laying a solid foundation towards democratic rule, the economy will surely continue to be liberalised to favour potential and genuine investors. It is therefore our fervent hope that the industry will continue to attract the required capital inflow and investments to enable the Nigerian economy recover and continue on the part of buoyant growth.

I thank you most sincerely.

## Appendix G

### **Untapped Opportunities in Solid Mineral Resources Development in Nigeria**

**By Alhaji Muhammed Kaloma Ali**  
**Hon. Minister of Solid Minerals Development**

#### Protocols

It is my honour and privilege to address you at the 2nd Nigerian Economic Summit on the topic "Untapped Opportunities in the Solid Mineral Resources Development in Nigeria".

To say that Nigeria is endowed with abundant solid mineral resources is stating the obvious. What is, perhaps, not so obvious is the enormous untapped opportunities which these mineral resources offer in our socio-economic life.

Mining is one of the oldest economic activities in Nigeria dating back to prehistoric times when man crudely exploited iron and clay, and perhaps other metals, for the production of his cosmetics and his crude implements and utensils. The early European explorers, mainly German, Spanish and British, located and mined tin, galena gold etc, for export to their home countries. Recorded organised exploration activities in Nigeria commenced in 1903 and 1904 with the inauguration of the mineral surveys of Southern and Northern Nigeria respectively by the Secretary of State for the Colonies. The mineral survey teams were charged with the responsibility of undertaking the reconnaissance of the mineral resources of the two protectorates. The principal mineral occurrences discovered by the survey teams included lignite deposits at Asaba, lead-zinc ores at several locations, tin and columbite in the South-east, monazite, limestones and lead-zinc ores at Abakaliki district. Others were coal at Enugu, the brine springs at Arufu and Awe, galena in Jos area, iron ore deposits in Niger and Kwara districts and marble deposits at Jakura. Mining activity in controlled form however commenced in Nigeria in 1915 with the commencement of production of coal at the Enugu mines.

Prior to the discovery of petroleum, this nation was impressively sustained by Agriculture and few solid minerals known at the time, namely coal, tin, columbite and gold. Coal, for example, met fully the needs of our railway system and electricity supply while tin yielded substantial foreign exchange earnings for the nation. In addition, employment opportunities were also offered by these minerals. The downturn in the economy of the nation and the introduction of the Structural Adjustment Programme necessitated a review of government thinking on economic activities.

The result is the crystallisation of the concept of diversification of activities and the promotion of privatisation and commercialisation in all aspects of the economy.

By the end of 1994, Government canvassed a private sector led economic revival programme in solid minerals, agriculture and manufacturing sectors as a way of diversifying the economy.

Beside the drawing up of action plans for promotion of economic investment activities in these sectors, the programme also recommended the establishment of a separate Ministry of Solid Mineral Development, the creation of which was subsequently announced by the Head of State, Commander-in-Chief of the Armed Forces in his 1995 Annual Budget Speech.

Improved geological data over the years has revealed that Nigeria is endowed with numerous deposits of industrial, metallic and non-metallic minerals as illustrated in the following table:

From the table, it can be seen that there are about thirty-four minerals that have been identified in the country. Of the thirty-four minerals listed in this table only thirteen are being actually mined, processed and marketed. They are coal which has a 15million tonnes per annum valued at \$1b export potential, Kaolin, Barytes, Limestone, Dolomite, Feldspar, Glass sand, Gemstones - Haphazard), gold (in small extent), Iron Ore, Lead/Zinc, Tin and its associated minerals and recently Gypsum. The remaining 21 minerals, though in demand are untapped! The volume of domestic trade deficit and foreign exchange losses resulting from this deficiency is colossal.

The availability of these minerals opens up opportunities in the following areas:

- (a) exports and use in domestic industries for generation of foreign exchange and internal revenue.
- (b) emergence of new industries and downstream products.
- (c) increased employment of many Nigerians particularly in the rural areas where the minerals are found. The multiplier benefits to the citizenry are enormous. In fact, the solid mineral sector can very easily be the largest employment sector of the economy, since mineral deposits exist virtually in every State of the Federation.
- (d) technology transfer and development.
- (e) development of infrastructure, especially in rural areas (roads, hospitals, rail, schools and housing).

The prospects in the Solid Mineral downstream industry can be illustrated with seven selected Minerals as tabulated below. From the table, it can be seen that local industrial demand alone by far outstrips the level of production and that there is therefore the need to step up production to bridge the shortfall. This strategy is expected to earn the nation up to N4.770b per annum, which is equivalent to nearly 100 million U.S. dollars in foreign exchange.



**The Table**

S/No.	Mineral	Presently known or Estimated Reserve	Local Demand for Processed Mineral	Present Local Production	Value of Imported Mineral
1.	Kaolin	2b tonnes	150,000 tonnes per annum	10,000 tonnes	N280m
2.	Barytes	2m tonnes	100,000 tonnes per annum	60,000 tonnes per annum	N720m
3.	Bentonite	1.5m tonnes	50,000 tonnes per annum	NIL	N500m
4.	Gypsum	1b tonnes	300,000 tonnes per annum	200,000 tonnes per annum	N3b
5.	Salt	1.5b tonnes	18,000 tonnes per annum	1,000 tonnes per annum	N265m
6.	Ball Clay	8m tonnes	8,000 tonnes per annum	NIL	N3m
7.	Feldspar	2.5m tonnes	100,000 tonnes per annum	10,000 tonnes per annum	N3m

Total            N4.770 billion

The example given above shows an estimated foreign exchange loss of N4.770 billion as a result of inadequate production of the minerals indicated. The reasons for low production may be attributed to:

- (a) inadequate facilities for local production. For example production of such minerals as Gypsum, Kaolin and Barytes is done with such simple implements such as hoes, picks and shovels;
- (b) poor interest by entrepreneurs in mining activities;
- (c) inadequate attention paid to mineral production by previous Governments;
- (d) manufacturers in most cases prefer to import rather than encourage local production of the minerals.

There are other minerals not covered by the above examples. The trend illustrated above will be reversed when the measures and policies now being put in place are implemented.

Prior to the creation of the new Ministry of Solid Minerals Development, enquiries and demands were being made for Nigerian solid minerals, especially coal. Since assuming office, I have received delegations from countries who are interested in investment in Nigerian solid minerals. To date orders to the tune of 15 million tonnes of coal have been received. My Ministry is currently holding discussions and negotiations with some multi-national energy organisations that have expressed serious intentions to invest in the production and marketing of coal.

As earlier mentioned, the current export demand for the Nigerian coal stands at 15 million tonnes per annum. When the necessary infrastructure is put in place and the abandoned mines reactivated and modernised, coal export can yield the nation about US\$1 billion per annum. The high demand for Nigerian coal is attributed to its low sulphur and moderate ash content. In order to increase coal production to meet the demand, Government is encouraging private investment in the coal industry by offering various incentives including joint venture. The Nigerian Coal Corporation is being reinvigorated and equipped and some of its obsolete equipment replaced to enhance increased production.

The Federal Government has embarked on formulation of well-articulated policy objectives and programmes, the implementation of which will avail the nation of the enormous opportunities offered by our mineral wealth. The focus of these programmes is the development of the solid mineral sector with a view to improving its economic importance relative to other sectors of the economy. They are also designed to facilitate favourable climate for foreign investors in all their ramifications. The policies and programmes include the following:

- (a) The obsolete mining Laws and Regulations are being revised to make them more responsive to present day realities;
- (b) Mining operations and activities in the mines fields are to be sanitised by posting experienced and trained Mine Inspectors and operatives to man and supervise operations in the mine fields;
- (c) Appropriate measures are being put in place to ensure the nation's self-sufficiency in strategic industrial minerals, especially those that are essential for the survival and un-impeded growth of our industries;
- (d) Suitable incentives are being put in place to enhance production by miners in the private sector. For this purpose appropriate price mechanism is being worked out;
- (e) Steps will be taken to stop illegal mining and ensure healthy and conducive environment for operators;
- (f) Steps will also be taken to stop smuggling of minerals. Measures to ensure this include encouragement of processing of raw minerals locally. In this regard, lapidiaries will be established for the polishing and treatment of gem-stones and other precious metals in designated areas, especially where these minerals are located;
- (g) Small, medium and large scale investors will be encouraged to jointly or severally explore, exploit and export solid minerals;
- (h) The main thrust of government policy, in this regard, will be to facilitate and encourage both foreign and local entrepreneurs to make this country self-sufficient in mineral consumption and produce surplus for export so that the nation can gain in two ways, viz:
  - i. by being self-sufficient and conserving foreign exchange; and
  - ii. surplus for export, to earn conserving foreign exchange.
- (i) Foreign investors will be encouraged and motivated by pursuing measures which will guarantee the safety of their investments. In this regard, joint venture options will be encouraged and pursued where desired; there will be opportunities to repatriate profits in accordance with the guidelines outlined in the 1995 Budget briefing by the Hon. Minister of Finance. Government will implement to the letter the repeal of the Nigerian Enterprises Promotion Decree 1989 as announced by the Head of State, Commander-in-Chief of the Armed Forces in his 1995 Budget Speech.

The successful implementation of the policies and strategies enumerated above for the development of our solid minerals resources will immediately culminate in the realisation of the following potentials and opportunities:

- (a) Accurate data on mineral reserves will be collated.

- (b) Our programme will encourage substantial investments in the solid mineral sector;
- (c) It will increase the GDP and export earnings and thereby improve the Nigerian economy and accelerate economic growth. It will also complement the oil sector and broaden the base of the national economy in a way that perhaps only the agricultural sector can do.
- (d) It will create substantial increase in the availability of industrial raw materials and increase domestic trade in mineral products to feed local industries.
- (e) Sizeable multiplier benefits will accrue from the programme which will result from increased employment, the multiple use of resultant infrastructure such as roads, railways, schools, hospitals and utilities.
- (f) The programme will generate and infuse foreign capital and technology as well as internationalise the minerals industry through the attraction of the big time minerals industry investors around the world.
- (g) The programme will promote geo-economic equity in Nigeria since solid minerals occur in all parts of the country.

In conclusion, it is pertinent to commend the present Administration for its foresight in creating the new Ministry of Solid Minerals Development and for the restoration of the pride of place to the solid minerals sector. The new Ministry will strive to justify the confidence reposed in it by Government and the nation. History will undoubtedly accord a place of honour to the Head of State, Commander-In-Chief, General Sani Abacha, for his foresight in establishing the new Ministry. I would wish to commend the organisers of this Summit for their initiative in creating this forum which has enabled me to unfold the plans and strategies of my Ministry for the development of Solid Mineral resources of this nation.

*Thank you and God bless.*

NIGERIAN SOLID MINERAL OCCURRENCE AND DEPOSITS:

/No	Name of Mineral	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
1.	Kaolin	Ozubulu Enugu Tede Maraba-Rido Katakara Umuahia Major Porter Darezo	Anambra Enugu Oyo Kaduna Katsina Abia Plateau Bauchi	Full Exploration and evaluation of most deposits Exploration of some of the deposits in progress.	14,200,000 50,000,000 1,500,000 5,500,000 3,400,000 5,000,000 752,690 12,800,000
2.	Gypsum	Potiskum Danboa Wazoo, Gada Shelling Oji, Olo Awka Gombe, Karawa Otukpa	Yobe Yobe Sokoto Adamawa Enugu Anambra Bauchi Benue	Partial exploration and evaluation. Small scale mining in Yobe and Sokoto.	Not fully evaluated.
3.	Barytes	Makurdi Alochi Ghunde Ibi Ighor Keasa-Akiri Akio-Waa Azara, Sheta Aleshi Akire Wase, Kansa Ghunde, Aleshi Akiri, Ibi Dungel, Lafin	Benue Plateau Sokoto Taraba Enugu Cross-River	Azara Deposit being mined by NMC	730,000 More work necessary to establish reserves
4.	Talc	Kumunu, Tegina Mara Shagamu Ilesha, Ife Iseyin, Okolom Zoniwa Ijoro-Ekiti Odogbe	Niger State PCT, Oyo Ogun Osun Oyo  Ondo	Partial preliminary investigation. Geological drilling, mapping laboratory analysis.	40,000,000      Others are not yet quantified

No	Name of Minerals	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
5.	Limestone and Dolomite	Mfamoring	Cross River	Most are being exploited	26,000,000
		Ubo	Kwara		20,000,000
		Igunmale	Benue		10,161,000
		Ogbolokute	Benue		5,080,000
		Yandev	Benue		20,000,000
		Jakura	Kwara		67,590,000
		Sokoto	Sokoto		101,605,000
		Nkalagu	Enugu		720,000,000
		Odomoku	Enugu		
		Arochukuwa	Abia		200,000,000
Ewekoro	Ogen	101,000,000			
				7,135,000,000	
6.	Glass and silica sand	Okitipupa	Ondo	Fully explored and exploration is going on.	16,000,000
		Igbokoda	Ondo		1,000,000
		Ijebu	Ondo		4,000,000
		Shabu	Plateau		2,540,000
7.	Feldspar	Gwoza	Borno	Partial exploration and evaluation. Exploration is taking place in some places.	Estimate of reserves in each of the deposits exceed 900,000
		Mada	Kaduna		
		Kafanchan	Kogi		
		Egbe, Okene	Kogi		
		Lokoja	Kogi		
		Oshogbo	Osun		
		Ijebu	Ondo		
		Olowo, Ilesha	Ogun		
Abeokuta	Ogun				
8.	Diatomite	Abakiri	Borno	Extensive exploration and evaluation but small scale exploitation	More detailed exploration required. Feasibility studies required in some places.
		Bularaba			
		Gujha			
9.	Trona		Borno Yobe Taraba Taraba	Reserves not yet determined	Complete investigation required.
		Gashua			
		Nguru			
		Balawa			
		Zumto			

No	Name of Minerals	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
10.	Coal	Enugu Ezimo Owukpa Okaha Ogboyoga Inyi Asaba (Lignite) Lafia-Obi (Cooking coal)	Enugu Enugu Benue Kogi Kogi Enugu Delta Plateau	Some of these deposits are already being exploited	58,000,000 56,000,000 57,000,000 73,000,000 107,000,000 20,000,000 250,000,000 22,000,000
11.	Decorative construction Stones	All over the Federation	All over the Federation	Fully explored and some are being exploited.	Very large
12.	Bentonite		Borno Delta Edo Imo Yobe Abia	Partial investigation	Not yet known
13.	Phosphate	Sokoto, Ema Valley, Ifa Oshosun Iaro Abakaliki	Sokoto, Ogun Enugu, Imo Bendel Ogun	Full exploration and evaluation in progress	Not quantified  20,000
14.	Salt	Awe, Abakaliki Okposi, Uburu  Oku Lake	Plateau, Enugu Abia Cross-River  Rivers, Benue	Partial investigation	Not yet known
15.	Gemstones	Keffi Jos Jos  Jem's Zaria, Dala Panamadina Balewa, Bui	Plateau Plateau Plateau Kaduna Kaduna Kaduna Kaduna Bauchi Borno	Scattered Mining going on	Not yet quantified but very large and in commercial quantities.



S/No	Name of Minerals	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
16.	Magnetite	Maska Oban Hills Taekasimta	Yobe Cross-River Adamawa	Partial Preliminary investigation	Not yet quantified
17.	Gold	Birningwari Kazai-beni (Izom and Mada area) Minna Iperindo Itagunmodi Egbe Area (Egbe Kabba) Ife-Ilesha District Zamfara Valley Malele, Malendo Facor Guram Mayanchi	Kaduna  Niger Niger Osun Kogi  Osun  Sokoto Sokoto Sokoto Sokoto	Fully explored. Some are being exploited.  More work required in various places	= do =
18.	Bauxite	Bukuru Orin Ekiti Mambila	Plateau Ondo Gongola	Partial investigation	Not yet quantified
19.	Iron Ore	Agbaja Plateau Iakpe, Okene Koton Karfi Agbado Odudu Nsude Hills	Kogi Kogi Kogi Kogi Enugu	Fully explored Iakpe Ore being exploited	Not yet quantified but assumed to be substantial at Orin Ekiti
20.	Lead, Zinc	Izom Kazara Wiriwai, Zuru Wase, Abakaliki Ohaozara Ishiga Gwona, Arufe Ibi	Niger Kano, Plateau  Enugu, Abia Bauchi, Benue Gongola	Full investiga- tion required.	Not yet quantified
21.	Tin Ore (Primary)	Jos	Plateau Niger Bauchi Ondo	Detailed Geological investigation and laboratory analysis required.	Not yet quantified

S/No	Name of Minerals	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
22.	Columbite  Gemstones	Bauchi, Benue Futsika, Zaria Kano, Ririwa Kaduna, Ilorin Jos Plateau Ijebu, Ogun	Bauchi, FCT, Katsina, Kwara  Ogun, Plateau Akwa-Ibom	Partial investigation	Most deposits not yet quantified
23.	Graphite	Alawa in Niger Birnin Gwari, Majo Cotado Gyam, Janro Jalo, Haya	Niger  Kaduna Tarahe Bauchi Sokoto	Partial investigation	Not yet quantified
24.	Kyanite and Sillimanite	Sabo Gwari Birnin Gwari Dutsin FRI Birnin Gwari Dutsin FRI Birnin Gwari Dutsin FRI Ibadan	Sokoto Kaduna  Niger Ogun, Kwara, Oyo	Partial investigation	Not yet quantified
25.	Nickel Cobalt	Jibiya, Kankara Ilesha Malam Tanko, Riba Shema Arcfu Suleja Abakakili	Katsina Ogun Sokoto  Benue FCT Enugu	Partial investigation	Not yet quantified
26.	Fluorspar	Zarara Hill Irom Kazara Jos Banki	Kano Niger Plateau	Partial Investigation	Not yet quantified
27.	Wolframite	Plateau, Kaduna, Kano Kwara	Kaduna	Partial investigation	Not yet quantified
28.	Limestone	Tudan Kudu Mallum Ayaba Birni Gwari			

S/No	Name of Minerals	Place of Occurrence	State of Occurrence	Level of Development	Reserves (Tonnes)
29.	Manganese	Gumti	Kaduna, Niger Cross River		200,000 Others not yet quantified.
30.	Molybdenum	Kigon Hills Nassaruwa Eggon, Dagon Deji Tibchi Hills Ikire Ekiti	Plateau Plateau Bauchi Bauchi Ondo	Traces to be further	Not yet determined
31.	Monazite		Plateau, Kaduna, Kano Bauchi	Full investigation required.	-do- -do-
32.	Pyrochlore		Kano, Plateau	-do-	Not yet quantified
33.	Wolframite	B Baeki	Kaduna	-do-	
34.	Zircon	Jos, Odegi Ekiti	Plateau, Kaduna Ondo	Traces. More Areas to be investigated.	

**Table II**

Mineral	Presently known/ Estimated Reserves	Local Demand	Local Production	Short fall that has to be imported	Loss due to inadequate production
a) KAOLIN	2b tonnes	150,000 tonnes p.a	10,000 tonnes p.a	140,000 tonnes p.a	N280m
b) BARYTES	2m tonnes	100,000 tonnes p.a	40,000 tonnes p.a	60,000 tonnes p.a	N720m
c) BENTONITE	N.A	50,000 tonnes p.a	Nil	50,000 tonnes p.a	N500m
d) GYPSUM	N.A.	300,000 tonnes p.a	10,000 tonnes p.a	290,000 tonnes p.a	N580m
e) SALT	N.A.	18,000 tonnes p.a	500,000 tonnes p.a	17,000 tonnes p.a	N265m
f) BALL CLAY	8m tonnes	8,000 tonnes p.a	Nil	8,000 tonnes p.a	N45m
g) FELDSPAR	2.5m tonnes	100,000 tonnes p.a	10,000 tonnes p.a	90,000 tonnes p.a	N2m
				TOTAL	<u>N2,350</u>

## Appendix H

### **Feeding The People and Industry - An Agricultural Perspective**

By Alhaji. Muhammadu H. Gambo (Jimeta)

Honourable Minister of Agriculture

at National Economic Summit, Abuja 3rd - 6th May, 1995

#### Protocols

Let me introduce this very important subject by expressing the profound appreciation of my Ministry to the Economic Summit Group and the entire Organisers of this Summit for their wise decision in choosing the topic: **Feeding the People and Industry - An Agricultural Perspective**, as one of the leading issues to be presented at the Opening Session of this Summit. It shouldn't be otherwise, given the crucial role of agriculture in the development process and in national security.

For countries like Nigeria, agricultural development is a necessity, if not a pre-condition for economic development. It employs about 70 per cent of the Nigerian labour force, provides a large and fast growing population with food and fibre and currently contributes 38.44 per cent to the Gross Domestic Product, which is more than the contributions of crude petroleum, mining and quarry, manufacturing, utilities, building and construction, transport, communication, hotel and restaurants, Finance and Insurance, Real Estate and Business and Housing, all put together. Agricultural Gross Domestic Product (GDP) in real terms declined at an annual rate of 0.4 per cent during 1960 -70, grew at an annual rate of 1.1 per cent between 1970 and 1980 and rose to 4.38 per cent during 1980-90. The performance of the sector in the recent past has been a substantial improvement, compared to the period of the oil boom.

While the oil boom of the 1970's permitted substantial investments in social and economic infrastructure, real appreciation of the Naira encouraged imports of manufactured goods and food stuff at the expense of local agricultural production and agricultural exports. These were the conditions that preceded new policy initiatives of Government which were

designed to revamp the national economy. The impact of these initiatives on agriculture, especially food production has been quite positive. Definitely for food crops such as yam, cassava, maize and cash crops such as cocoa and oil palm, encouraging results have been obtained. While estimates of the growth of the Agricultural sector tend to differ, because of the variability and paucity of data, various sources, including the World Bank and my Ministry have estimated the growth of food production in recent years at 4 to 5 per cent. This performance underscores the need to continue to pursue policies and enhance the productivity of land, make for more effective input distribution, enhance crop storage and processing and allow the farmer unimpeded access to market. It attests to the over-riding importance of macro-economic policies in inducing growth. Projections suggest that only about 81.5 per cent of the country's total food needs may be met by the year 2000, unless annual growth rate is sustained at a minimum level of 5 per cent. This gives credence to the target of 7.5 per cent growth rate set by Government for the sector under the Economic Recovery Programme. We must also not lose sight of the needs of neighbouring countries and the extent of movement of grains across our national boundaries. The growing trans-border trade in agricultural produce is a welcome development which should be encouraged as it is bound to create market for Nigerian farmers and stimulate higher production. Most African countries which fed themselves at independence and were leading exporters of several commodities have become food-import dependent. Some now even receive food aid to be able to feed their populations.

The FAO has estimated that by the year 2010, Africa should expect not more than US\$12 billion from agricultural exports, compared to its anticipated food import bill of US\$28.7 billion. There must be substantial increase in investment in agriculture and greater efforts in rural development, if this level of food import dependency is to be avoided. Although African Heads of States had agreed to commit 25 per cent of their national budgets to agriculture, it is not certain if they have achieved this target. In contrast, countries such as India which have achieved a good measure of food security and have become major exporters of agricultural commodities, invest a high proportion of their national budget in the rural sector, sometimes up to 30 per cent. The crucial role of agriculture in national security must also be stressed. Any nation that cannot feed itself cannot have a stable polity. The policy commitment of this Administration to agricultural transformation is unequalled in the annals of our development history. It is indeed worthy of emulation. The present level of resource allocation to agriculture is also a marked

departure from past trends. For the first time our country is getting its priorities right. I am convinced that if policy consistency is maintained in the years ahead together with the strict implementation monitoring that has become the mark of the 1995 Budget, Nigeria will not only attain sound food security, but become a major exporter of agricultural produce once more.

### **Agricultural Policy**

Our national policy on Agriculture places great responsibility for agricultural development on the private sector, with Government playing a facilitating role. This policy commitment was given new impetus in the 1995 Budget. More recently, the Head of State, Commander-in-Chief of the Armed Forces in his address at the inauguration of the new Federal Executive on 16th March, 1995 gave my Ministry the policy directive to make the productive capacities of the Nigerian farmers transcend subsistence production to one of commercialisation. Dialogue with the private sector, such as the present Summit, the Agricultural Forum organised by my Ministry last year and the pre-Budget meetings of Government with the private sector are important instrumentalities for agricultural policy formation and for the sensitisation of both sectors to their respective needs and objectives.

It is appropriate at this juncture to ask what direction Nigerian agriculture should take in the future. No doubt, high levels of food and industrial crops production are needed, if we are to feed ourselves adequately, produce raw materials for industry and generate exportable surpluses to diversify our foreign exchange base. In our quest for higher agricultural production and productivity, it is necessary to improve on the use of farm power, which is very low at the moment. It is however neither certain, nor appropriate to adopt the "mechanised" models of the developed countries. The use of intermediate technologies designed to save labour and drudgery, improve agricultural productivity and reduce post-harvest losses which presently account for up to 20 - 40 per cent loss of some produce must receive special attention. In this respect, Government will make available to Nigerian farmers, improved varieties of seeds and seedlings, superior breeds of animals, fingerling, and pesticides for crop protection, vaccines and drugs for animal production, mechanical devices such as animal drawn implements and work bulls, hand tools and appropriate farm implements at affordable costs as well as a more virile extension service and improved storage facilities at the village level under the Economic Recovery Programme.



## **Food and Nutrition**

The Food and Agricultural Organisation (FAO) of the United Nations estimated Nigeria's per capita food supply in 1986 - 88 to be 2104 kilo calories of energy per day compared to the world average of 2677 and developing countries average of 2442. Nigeria's consumption of animal products which stood at 62 kilo calories per capita per day was far less than the developing countries average of 226 kilo calories per capita. On the other hand, our high level of consumption of starchy foods is unequalled, 559 kilo calories per capita per year, compared to average of 142 for developing countries during the same period.

Our minimum requirement of cereals is approximately 25 million tonnes made up of 16 million metric tonnes for domestic consumption and 9 million for industrial use.

The growing problem of food poverty and malnutrition at the household level call for refinement of policy, to enable the nation respond more effectively to this danger. The major factor determining the food poverty at the household level is, of course, income. The problem which now transcends the traditional "hungry period" is no longer a phenomenon associated with the conventional vulnerable groups. The ad-hoc intervention measures of the past must give way to a more permanent strategy. To prevent large scale distress in periods of serious food shortage, we need to develop a sizeable strategic food reserve and establish an effective early warning system.

## **Agro-Processing**

The complementarity of agricultural production and industrial processing needs to be exploited more fully, if farmers are to be assured of markets and the needs of manufacturing industries for raw materials are to be guaranteed.

Presently, there are approximately 650 major agro-allied industries in Nigeria. They include textile industries, cotton ginneries, flour mills, oil mills, feed mills, leather and leather good industries tanneries, paper mills, breweries, soft drinks, rice mills, confectioneries, tomato processing, and timber industries. The total installed capacity for cereal processing alone is approximately 9 million metric tonnes annually. At present these

industries operate below 30 per cent capacity, like most other industries in the country.

The pre-SAP period saw several manufacturing companies integrating their operations backwards through direct farming. The prevailing economic environment which was characterised by high capital and production costs and very low returns on investment forced most of them to scale down their operations or even close down. A viable option which several manufacturing industries have taken to source their raw material needs is the outgrower scheme. Some have established effective linkages with Producers Associations, a relationship that has proved to be mutually beneficial to manufacturers and producers and which gives good cause for strong government intervention in the promotion of similar rural institutions.

### **Economic Action Agenda**

Let me now turn to the key agricultural issues in the *Economic Action Agenda* published in July 1993 and which subsequently guided the deliberations of the Economic Summit held on 14th and 15th December 1993. The issues related to the cost of funding agricultural investments, late arrival of fertilizer, preservation and distribution problems and supposedly inadequate attention to the production of tree and cash crops, such as rubber, cocoa and cotton. The need for appropriate government policies and incentives to benefit the target groups was also highlighted, while selective production of agricultural commodities on the basis of comparative advantage was advocated. The Action Plan also recommended dissemination of information and research findings to end users, and sought government grants to private companies to increase extension services. It called for an open policy on accessibility by private seed companies to new seed stock hybrids bred by public institutions. It recommended modification of the strategic grains reserve scheme, so as to encourage small-scale storage units at village level and an implementation strategy for subsidy administration that will ensure that intended beneficiaries are those that receive the benefit of agricultural subsidy and that cheap investment funds are made available to investors. It advocated modification of the Land Use Decree so as to make Local Government approve titles to land acceptable security. I am quite pleased to observe that my Ministry has given due attention to these and other relevant issues, as you can see from the follow-up action already taken.

## **National Summit on Agricultural Sector**

A separate Agricultural Summit has been organised by my Ministry, as recommended by the Economic Summit, to deliberate on the above and other issues peculiar to the agricultural sector which the Summit could not examine in detail, given the special needs of the sector. The Summit made far reaching recommendations after addressing a wide range of issues relating to agricultural production and investment, food and agricultural policy stability and implementation; imports and exports in agriculture and investment opportunities in irrigated agriculture.

## **Agricultural Forum**

The imperative of profitability of agricultural investment in a free enterprise environment made the Ministry to organise the **National Agricultural Forum** on 22nd and 23rd August, 1994 at Abuja. The Forum was designed to evolve a package of incentives that would make agriculture profitable. In the course of the two days of deliberations, participants thoroughly examined the existing incentives to farmers and investors in the agricultural sector and found that only a few incentives actually existed under legislations of general application such as pioneer status. They found further that supposedly subsisting incentives on tax free importation of agricultural machinery and certain types of raw materials covered under decrees 13 and 25 of 1992 expired on 31st December, 1993. Yet there was every need to encourage commercial agriculture concurrently with small-holder agriculture which had been the centre-piece of policy, more so when the age profile of the small-scale farmers was creating labour supply problems. The tariff concessions included in the 1995 Budget, which include zero duty tariff rate on Agricultural chemicals; 5 per cent tariff on all pre-mix components, vitamins, micro minerals and antibiotic preservatives; 5 per cent tariff rate on agricultural machinery/equipment; streamlining of grace periods on loans to agriculture and the review of the macro policy environment reflect government's thoughts on the recommendations made by the Forum.

## **Collaboration with Private Seed Companies**

Another issue from the Economic Action Plan which we have pursued quite vigorously is collaboration of the Agricultural Development Projects (ADPs) with private seed companies. We have placed the facilities of the

ADPs at the disposal of private seed companies. ADP farm service centres are to serve as outlets for the private sector. The ADPs and National Seed Service are also collaborating with private seed companies in conducting demonstration trials under farmers' conditions, with a view to improving the adoption by farmers of hybrid and other improved varieties produced by private companies.

### **Strategic Grains Reserve**

The Strategic Grains Reserve Scheme is being prosecuted with renewed vigour, with a view to enhancing our national food security. The private sector has a very important role in the National Food Security plan, given the 85 per cent grain storage which they are, by policy, expected to handle, compared to 5 per cent by Federal Government and 10 per cent buffer stock by State Governments. The commodity exchange programme which has been on the drawing board for very long is now a reality, as can be seen from the 1995 Budget. It is bound to create wider market for Nigerian agriculture.

### **Fertilizer**

Fertilizer procurement and distribution is one of the areas of concern identified in the Economic Action Plan. The report of the international consultants appointed by my Ministry to advise Government on the issue of liberalisation of the fertilizer sector including privatisation, procurement and distribution, and subsidy is receiving the attention of Government.

### **Commercial Agriculture**

Out of concern for the slow growth of commercial farming in Nigeria, the low productivity of subsistence agriculture and the needs expressed by the private sector at the last Summit, my Ministry recently completed a major study designed to foster commercial agriculture in the country. The report will be put at the disposal of investors when published. I believe that this report is timely, given the recent policy directive to promote commercial agriculture in the country under the Economic Recovery Programme.

### **Accelerated Production of Industrial Crops**

In order to meet the growing domestic demand for raw materials for industrial processing and to generate exportable surpluses for foreign

exchange, my Ministry and the National Planning Commission have packaged a programme for the promotion of eight industrial crops - oil palm, rubber, cocoa, cashew, gum arabic, cotton, groundnut and soya bean. Initial emphasis is on the production of seedlings and seeds of superior quality for subsidized sale to farmers, small and large scale alike. The implementation of the project started in 1994.

### **The 119 Agricultural Budget and the Economic Recovery Action Plan Programmes**

The objective of the agricultural programmes of the 1995 Budget and the Economic Recovery Action Plan is to produce enough food and fibre to meet our domestic needs and to generate exportable surpluses by inducing a growth rate of about 7.5 per cent for the identified crops and livestock in the 1995 cropping season from the present aggregate sector growth rate of 1.7 per cent. The specific areas of intervention to achieve the set target are the following:

- (a) Crops (selected arable and tree crops);
- (b) Livestock (meat, milk and poultry);
- (c) Fisheries (artisanal and aquaculture);
- (d) Forestry (forest production for industrial uses, and environmental protection).

The strategy for the implementation of the 1995 budget and the Economic Recovery Action Plan in the agricultural sector covers the following:

- (a) timely supply of inputs to farmers at affordable prices;
- (b) encouraging the organised private sector and foreign investors to go into production. The abrogation of certain limiting laws already announced by Government, i.e. the Exchange Control Act of 1962 and the Nigerian Enterprises Promotion Decree of 1989 as well as the new ones put in place in the form of incentives in the 1995 budget;
- (c) providing extensive publicity for the opportunities available to farmers and investors under the programme;
- (d) assigning specific production targets of crops to States which have the comparative advantage for their production;
- (e) provision of support services through agricultural extension information, soil and land management services, agricultural insurance cover and available market for produce;
- (f) organising a national agricultural show in furtherance of the objectives of the Economic Recovery Programme.

The Economic Recovery Programme is private-sector led. The role of the Ministries of Agriculture at Federal and State levels is to create an enabling environment for profitable private sector investment in agriculture through the provision of inputs and other support services as well as general planning and coordination, Monitoring and Evaluation.

I am convinced of the immense benefits with agriculture stands to gain from this Summit. I strongly invite the Senior executives of industry participating in this Summit to rub minds with us during the three days of discussion that lie ahead, so that we can work together and jointly find solutions to any obstacles that may still be standing against private sector investments in agriculture, with a view to getting the agricultural sector moving on the firm path of sustainable growth.

I thank you for your audience.

## Appendix I

### **The Promotion of Small and Medium Scale Enterprises (SMES) and Non-Oil Export Drive as a Strategy for Nigeria's Economic Development**

Being a joint paper presented by the Honourable Minister of Industry, Lt. General M. B. Haladu and Admiral Isaac Areola, Honourable Minister of Commerce and Tourism.

**Promotion of Small and Medium Scale Enterprises**  
by Lt. General M. B. Haladu

#### **Part I: Preamble**

##### Protocols

It is my honour and privilege to address this eminent assembly on the occasion of the Second Nigerian Economic Summit on this very important topic which is "The Promotion of Small and Medium Scale Enterprises (SMEs) and Non-Oil Export Drive as a Strategy for Nigeria's Economic Development". The theme is of particular relevance in view of the myriad of social, political and economic problems confronting our country today and the urgent need to articulate policies and measures that will ensure rapid and sustainable economic development of the country. May I at this juncture commend the organisers of this Summit for providing a forum like this where government functionaries and private sector operators meet to exchange ideas on how to improve the Nigerian Economy.

This paper will be presented by my colleague in the Federal Ministry of Commerce & Tourism and myself in ten (10) minutes. I shall thereafter, summarise and draw a conclusion on the way forward for the Nigerian economy through commerce and industry. The full text of my presentation will be distributed to you, but because of time constraint I will only present the highlights of the paper.



## Part II: Industry Presentation

Experience has shown that industrial development, in any country, provides the brightest hope for generating sustained growth, employment, improved savings and investments, and indeed economic development. Nigeria, like other developing countries with relatively low per capita income, looks unto industrialization to give her the quantum leap and structural transformation which are imperative in the quest for her development. For you to appreciate the differentials between Nigeria and developed countries, you may wish to know that Nigeria's per capita income at \$340 is below the average for low income economies which is \$350; compared to high income economies with an average of \$21,050 the difference is staggering. Consequently, one of the most critical development issues in Nigeria revolves around the need to design and implement policies and strategies for an efficient, competitive and diversified industrial system. This is particularly important when one considers the country's factor endowment.

In the 1960s, Nigeria was exporting agricultural produce like cocoa, groundnut, cotton, palm oil, timber, hides and skin which are basic raw materials for a wide range of manufactured goods, whilst manufactured goods consumed in the economy were imported. In the 35 years of our political independence, the contribution of manufacturing and craft to the Gross Domestic Product (GDP) moved from 4.8% to 11%.

Within the First National Development Plan period (1962 - 1968), manufacturing industry was private sector-led, based on the import substitution industrial strategy and dominated by the multinational corporations (MNCs). The period saw the then Regional Governments establishing Industrial Development Centres (IDCs) at Owerri and Zaria and industrial estates at Lagos, Port Harcourt, Kaduna and Kano. Consequently, valued added in manufacturing and craft grew at a compound rate of 10% per annum, with manufacturing alone growing by 12.2%. By the end of the decade, the contribution of manufacturing and craft to the Gross Domestic Product (GDP) had reached 10.6%.

From the Second National Development Plan of 1970 - 1974 to the early 1980s, the main strategies of the Industrial Policy were:

- Foreign exchange policies and trade regulation;
- Investment incentives;
- Direct public sector investments; and
- Special initiatives to provide credit and technical assistance to small scale industries.

With increased revenue from petroleum, the Federal Government invested directly in large-scale projects such as iron and steel, pulp and paper, petroleum refineries, cement, sugar, vehicle assembly plants and petrochemical complexes. Government, in addition, supported the private sector through the granting of import license, pioneer status, locational approval, and the approved user scheme. The incentives were, however, enjoyed more by large scale industrial enterprises owned by foreign multinationals. The contribution of the manufacturing sector to GDP grew at an annual rate of 12%. The structural defects inherent in the industrial sector were not made manifest until the golden era of the oil boom came to an abrupt end in 1982. The industrial sector suffered a sharp decline as foreign exchange was no longer available to import enough raw materials, spare-parts and even personnel. It became obvious that the economy could not sustain the import-dependent large scale industries. In 1986, the nation introduced the Structural Adjustment Programme. (SAP).

Under the SAP framework, a new Industrial Policy was launched in 1989 which de-emphasized direct government participation in industrial activities, and gave recognition to the role of the Private Sector in the industrialization process. For the first time, the nation identified Small and Medium Scale Enterprises (SMEs) as the main focus and strategy for the attainment of the goal of economic self-reliance. Government encouraged SMEs through the following measures:

- (a) making credit available to SMEs through:
  - i. a \$270 million World Bank loan for SME development;
  - ii. setting up of the National Economic Reconstruction Fund (NERFUND);
  - iii. Nigerian Industrial Development Bank's (NIDB) mandate expanded to cover SMEs to complement the Nigerian Bank for Commerce and Industry (NBCI) activities in the sub-sector;
  - iv. Central Bank of Nigeria (CBN) Guidelines to Commercial Banks to allocate 20% of loanable funds to SMEs, and
  - v. setting up of the National Directorate of Employment (NDE), Peoples Bank and Community Banks to aid cottage industries and the small scale enterprises.

- (b) training for entrepreneurship through:
  - i. the Entrepreneurship Development/Working-for-Yourself Programmes (EDP/WFYP),
  - ii. Empretec, and
  - iii. Industrial Training Fund (ITF).
- (c) extension services through the Industrial Development Centres (IDCs).
- (d) development of raw materials locally through the activities of the Raw Materials Research and Development Council (RMRDC) and by granting incentives to industries that either engage in Research and Development (R & D) activities or source raw materials locally.
- (e) Government divested its holding in enterprises to encourage private sector participation.
- (f) The Industrial Development Coordination Committee (IDCC) was set up to speed up the granting of pre-investment approvals.
- (g) the rest of the world was encouraged to invest in Nigerian industry by an active investment promotion drive e.g. the International Investors Forum held in Abuja in May, 1991; and the signing of Bilateral Investment Promotion and Protection Agreements (IPPA).

With these encouragements, Nigeria witnessed some achievements in SME development including:

- (a) over 1000 people trained under the EDP/WFYP many of whom are active in the manufacturing sector;
- (b) presently, many of our agricultural produce and mineral resources are being processed locally by small and medium scale industries which have enhanced the development of indigenous technology, and
- (c) SMEs currently contribute about 35% of industrial output i.e. 3.5% of GDP, employ 60% of non-farm labour and account for 10% of industrial exports.

When these achievements are compared to those recorded in the developed and Newly Industrialising Countries of the world, Nigerian SMEs still need to be improved upon in the following areas:

- (a) information and data gathering for planning;
- (b) access to and delivery of institutional credit;
- (c) provision of infrastructural facilities;
- (d) ancillarisation and sub-contracting arrangement with cottage and large scale industries, and
- (e) contributing to exports of manufactures.

These challenges are being addressed through the setting up of an Industrial Data Bank; an umbrella organisation for SME development (Small Industry Development Agency of Nigeria), the production of an Industrial Master Plan for the country, and the experience gained and assistance received from international bodies such as the United Nations Industrial Development Organisation (UNIDO), the World Bank as well as the Nigerian membership of the World Association of Small and Medium Enterprises (WASME).

From what I have said, it could be seen that Small and Medium Enterprises (SMEs) have been the catalyst in the economic development of Nigeria since independence. With the Organised Private Sector (OPS) investments, and the provision of an enabling environment by Government, the SME sub-sector will continue to be the bedrock for Nigeria's sustainable economic growth and development.

With these few comments, Your Excellency, Distinguished Ladies and Gentlemen, I now have the pleasure to invite my colleague, the Honourable Minister of Commerce and Tourism, to talk briefly on "Non-Oil Export Drive as a Strategy for Nigeria's Economic Development".  
Over to you, Admiral.

## Part III Commerce and Tourism Presentation

### Non-Oil Export Drive as a Viable Strategy for Sustainable Economic Growth

by Admiral Isaac Areola

#### Protocols

It is my honour and privilege to address this eminent assembly on the occasion of the Second Nigerian Economic Summit on this very important topic "Non-Oil Export Drive and the Importance of Small and Medium Scale Enterprises in National Development". The theme is of particular relevance in view of the myriad of social, political and economic problems confronting our nation today and the urgent need to articulate policies and measures that will ensure rapid and sustainable economic development for the nation. For an objective and critical appraisal of the various policy options put in place by the Federal Government aimed at diversifying the export base of the economy, I will briefly like to x-ray the Nigerian Economy so that government efforts can be better appreciated and issues put in their proper focus.

Before the discovery of oil, the Nigerian economy was predominantly agricultural providing the bulk of the foreign exchange earnings, employment and government revenue. The share of agriculture in the Gross Domestic Product (GDP) declined from about 40 per cent in the early 70s to about 20 per cent in 1980, while oil accounted for 22 per cent of GDP, 81 per cent of Government revenue and 96 per cent of export earnings. Agriculture therefore, remained the mainstay of the economy until the 70s when it was eclipsed by the "oil boom". This era brought with it profound changes in the Nigerian economy and with the large receipts of foreign exchange from crude oil export, there was excessive importation of finished goods, raw materials, food and services resulting in high import bills. In addition to this was the proliferation of import substituting manufacturing industries which depended heavily on imported inputs with very low local value added. This over-dependence of the country on oil and imported inputs rendered the economy highly vulnerable to external influences. In particular, the high revenue from crude oil export in 1974 and 1980 induced the country to embark on large investment programmes. It was under these circumstances that the catastrophic petroleum price fall by 60 per cent in 1986 wrought untold havoc on the economy. Arising from the sharp fall in the price of petroleum, the Government became particularly aware of the danger of the country being so

dependent on one commodity and introduced the Structural Adjustment Programme (SAP).

The Structural Adjustment Programme was aimed primarily, among other things, at diversifying the productive base of the economy, and through the promotion of non-oil exports, reducing the excessive dependence of the economy on crude oil as a major foreign exchange earner. The over-riding objectives of the Federal Government through the various policy options of SAP therefore, are to achieve economic development, healthy balance of payments, and other gains of international trade such as specialisation, market expansion, in-flow of foreign capital and technology as well as protection of infant industries. As a deliberate policy, Government has articulated measures aimed at promoting export of specially non-oil products by creating appropriate institutions, incentives, and programmes that will facilitate the rapid development of the export sector of the economy.

In this connection, the Nigerian Export Promotion Council, (NEPC), established in 1976 was strengthened by the Export (Incentives and Miscellaneous Provisions) Decree 18 of 1986 which empowers NEPC to aggressively promote Nigerian non-oil exports by participating in international Trade Fairs and organising Solo Exhibitions of Made-in-Nigeria products as well as administering various export incentives:

- (a) *Export Development Fund* - provides direct financial assistance to Nigerian exporting companies to cover part of their initial expenses in respect of export promotion activities e.g. export market research, export-oriented trade missions, etc.
- (b) *Export Expansion Grant Fund* - provides cash inducement to exporters of semi-manufactured and manufactured products to enable them increase their export and market coverage.
- (c) *Export Adjustment Scheme Fund* - serves as supplementary export subsidy for companies dealing with high costs of production arising mainly from infrastructural deficiencies and other factors beyond the control of exporters.
- (d) *Duty Drawback/Suspension Scheme* - provides for the refund of duties on imported raw materials including packaging materials for the manufacture of products destined for export.
- (e) *Pioneer Status* - the provision of Industrial Development (Income Tax Relief) Act of 1991 with respect to pioneer status shall apply to any manufacturing exporter who exports at least 50 per cent of his annual turnover.



- (f) *Capital Asset Depreciation Allowance* - provides an additional annual depreciation allowance of 51 per cent on plants and machinery to manufacturing exporters who export at least 50 per cent of their annual turnover provided that the product has at least 40 per cent local raw material content or 35 per cent local value added.
- (g) *Tax Relief Interest Income* - designed to stimulate and encourage banks to grant credit facilities to Nigerian exporters.
- (h) *Rediscounting of Short-Term Bills* - makes provision for an exporter of any product to discount bills of exchange and promissory notes with his banks in order to increase his liquidity and minimise cash flow problems before the realisation of export proceeds from overseas exporters.
- (i) *Retention of Export Proceeds* - this allows exporters to retain 100 per cent of their export proceeds in Domiciliary Accounts which they must open for that purpose with a bank in Nigeria.
- (j) Other major incentives include the Export Credit Guarantee and Insurance Scheme Decree No 15.

The resultant effect of this package of incentives is a reduction in cost and risk involved in export activities, the enhancement of confidence for Nigerian exporters to venture into hitherto unfamiliar export markets. I am glad to inform you of the satisfactory performance of Nigeria's export activities in the West African sub-region and efforts are being intensified to gain greater market access for Nigerian products in the world market.

Particular attention is also being devoted to the development and promotion of Nigerian export commodities. Towards this end, the Export Commodities Coordinating Committee (ECCC), an eight-member inter-ministerial Committee was reconstituted. The reconstitution was based on the support services and roles the member agencies play in the production, financing, insurance, shipment, marketing and quality control of export commodities. Accordingly, the Committee encourages the formation of National Commodity Associations and also disseminates trade information from international commodity organisations meetings. Five such National Commodity Associations, namely, Cocoa Association of Nigeria, National Rubber Association of Nigeria, National Palm Produce Association of Nigeria, National Cotton Association of Nigeria and Groundnut Association of Nigeria, have been launched. The Associations address all issues relating to international commodity trade such as demand and supply, quality control, pricing, packaging, transportation, etc. They also advise Government on any particular commodity issues requiring attention and action. This led to the streamlining of Nigeria's commodity export trade procedures and documentation, enhanced orderly marketing and conduct of the trade,



improvement in the quantity and quality of commodity exports, stabilization of commodity prices and general increase in the income producers.

Recognising the potentials of Export Processing Zones Scheme as a powerful economic weapon for attracting foreign industrial capital and technical know-how, the Federal Government of Nigeria enacted the Nigerian Export Processing Zones Decree 63 of 1992. The Decree also established the Nigeria Export Processing Zones Authority (NEPZA) to manage, control and co-ordinate activities within the Zones. The Strategic adoption of the Export Processing Zones Scheme by the Federal Government was predicated on the substantial success the Scheme has recorded in securing foreign direct investments in many nations where the Scheme has been successfully implemented, e.g. ROC (Taiwan), Singapore, South Korea, Malaysia, Hong Kong, etc. The broad objectives of the Nigerian Export Processing Zones is essentially to promote export-oriented industrial development, stimulate and encourage local industries in the processing of raw and semi-finished products as inputs for firms operating within the Zone by offering highly favourable investment and trade conditions. In order to ensure the global competitiveness of the Scheme, the Federal Government of Nigeria is committed to the provision of the following facilities at the premier EPZ at Calabar. These facilities include, among others, excellent internal road network, uninterrupted power and water supply, efficient digital telecommunication system, readily available pre-built factory space and serviced plots. This is also complemented by very generous incentives, such as, free repatriation of foreign capital and capital appreciation at any time, legislative provisions pertaining to taxes, levies, duties and foreign exchange obligations shall not apply, rent free land at construction stage, no import and export licences required, 100% foreign business ownership allowable, up to 25% of production may be sold in the customs territory and freedom to employ foreign managers and qualified personnel by Companies operating in the Zones. The Export Processing Factories Scheme (EPFS) introduced in this year's budget speech is to further diversify on the national basis, the benefits accruable from the Export Processing Zones Scheme. Now that we are at the threshold of completing and commissioning the Calabar EPZ, we call on this distinguished assembly to assist in creating the necessary awareness for the Scheme and sensitise the business community to invest in the Calabar EPZ.

In recognition of the key role financial institutions play in export promotion, the Federal Government established the Nigerian Export Import Bank (NEXIM) by Decree 38 of 1991 as an export credit institution to promote the growth and development of Nigeria's export sub-sector. The Bank provides a combination of credit facilities and export facilitation services in support of

the realisation of the overall objective of increasing the volume and value of Nigeria's non-oil exports. Specifically, the mandate of the Bank includes:

- (a) provision of credit in local currency to its clients in support of exports;
- (b) establishment and management of funds connected with exports;
- (c) maintenance of a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production;
- (d) maintenance of a trade information system in support of export business;
- (e) provision of domestic credit insurance in respect of external trade, transit trade and entreport trade;
- (f) purchase and sale of foreign currency and transmission of funds to all countries;
- (g) provision of export credit guarantee and export credit insurance facilities to clients; and
- (h) provision of investment guarantee and insurance facilities.

The performance of the above functions and other related services by NEXIM has greatly facilitated Nigeria's Export Trade particularly in the non-oil sector.

In recognition of the socio-economic importance of tourism if properly harnessed, as a means of generating employment and foreign exchange, the Federal Government has put in place the necessary statutory framework for effective administration of the tourism industry through the promulgation of Decree No. 81 of 1992 which established the Nigerian Tourism Development Corporation.

The National Tourism Policy which was launched in 1990 has as its main thrust: generating foreign exchange and employment, encouraging even development, promoting tourism based rural enterprises, accelerated rural-urban integration and cultural exchanges. To realise these objectives, Government adopted the following broad strategies:

- (a) encouragement of domestic and foreign private sector investment in tourism development by putting together a package of incentives to attract such investments;
- (b) identification and designation of tourism centres by the three tiers of Government for the physical planning and promotion of tourism in collaboration with the organised private sector groups; and
- (c) promotion of favourable tourism environment to encourage foreigners to visit Nigeria.

These guidelines, and policy measures have assisted in no small measure in identifying, developing and upgrading of a number of major tourism centres such as:

- |  |   |                            |
|--|---|----------------------------|
| (a) The Warm Water Spring at Ikogosi   | - | Ondo State                 |
| (b) Mambilla Holiday Resort            | - | Taraba State               |
| (c) International Youth Tourism Centre | - | Plateau State              |
| (d) Gurara Falls                       | - | Niger State                |
| (e) Kangimi Lake                       | - | Kaduna State               |
| (f) Yankari Game Reserve               | - | Bauchi                     |
| (g) Gorilla Sanctuary                  | - | Kanyang, Cross River State |

It also facilitated the inter-nationalisation of major Nigerian festivals:

- |                                  |   |               |
|----------------------------------|---|---------------|
| (a) The Argungu Fishing Festival | - | Kebbi State   |
| (b) Durbar Festival              | - | Kano State    |
| (c) Mmanwu Festival              | - | Anambra State |

The development of these attractions and the staging of these numerous cultural festivals have increased the country's receipts of foreign tourists.

On the international scene, our membership of major sub-regional and international organisations is evidence of the country's commitment to a free market economy based on fair competition in international trade. Nigeria's non-discriminatory posture in economic relations with all countries of the world, is the bedrock for achieving our objective of rapid and sustainable economic growth and development.

The Government of Nigeria is fully committed and determined to provide ample opportunities for both Nigerians and foreigners to harness the abundant natural resources available within the country.

## **Conclusion:**

Ladies and Gentlemen, permit me to observe at this point that the performance of non-oil exports remains a far cry from the desired level despite the impressive array of export incentives and programmes provided by Government as enunciated in this paper.

Non-oil export receipts showed a steady decline in our non-oil export receipts, the major factor is the composition of our non-oil export basket. Most of the products in this basket are essentially agricultural products and given the unfavourable characteristics of the World Commodity Markets with low income elasticity of demand, low price elasticity of supply, unpredictable and wide price fluctuations, growing competition from synthetic substitutes and adverse terms of trade, it is not surprising that the country has recorded declining receipts from non-oil exports since 1991. This trend has not shown any sign of near future reversal as the traditional markets for agricultural materials are becoming more unreliable particularly with the development of international clusters of economic cooperation commonly referred to as trading blocs in different parts of the world. The message here is clear, the country needs to diversify her export basket to accommodate new and non-traditional export products.

These notwithstanding, the Federal Government has laid a solid foundation and created conducive national and international export environment for a sustainable non-oil export trade development for the country. To realise the full benefits created in this sector, I urge the organised private sector groups to rise to the challenges and exploit all the opportunities that have been put in place in order to ensure a sustainable export development and growth for the nation.

## **Part IV Conclusion - The Way Forward**

In conclusion, your Excellency, Distinguished Ladies and Gentlemen, my colleague and I have shown that a lot is already in place in terms of installed capacity, manpower and infrastructural development, support and encouragement by the Government and the international community. The time is now ripe for us to actualise the potentials. For economic greatness which had always been our objective. for the industrial sector, let us faithfully implement the Industrial Master Plan, and provide goods carefully made in Nigeria not only for the domestic but for the international market. For commerce and tourism, we should invest heavily on Export Processing Zone (EPZ) projects and promote tourism so as to turn our economy into an export-

oriented one; thereby facilitating the industrial take-off of our great nation. The goal will be to emancipate the economy from the debt burden and move it to the path of growth and development at such a tempo that Nigeria should be a donor country and not a borrower. The ultimate will be to attain the membership of the Organisation for Economic Cooperation and Development (OECD) in the next 20 - 25 years. I believe we can do it.

Your Excellency, Distinguished Ladies and Gentlemen, thank you for listening.

## Appendix J

### **An Economic and Moral Alternative to the Present Monetary System**

By Lawrence K. Freeman and Uwe Frieseck

Executive Intelligence Review and Schiller Institute

#### Protocols

For Nigerians to develop the full potentials of this well endowed nation, it is important to examine the dynamics of the current world economic and financial crisis. I will briefly highlight the most serious systemic deficiencies in the principles guiding our monetary system. Then I will present the outlines of an alternative economic system premised on an axiomatically different set of principles.

Today, we can say with certainty that the global monetary system dominated by the western banking capitals in the United States, the City of London, and continental Europe, is in a state of collapse. The on-going dollar crisis is the most serious sign of this. With the prestigious Lloyds of London now sliding into insolvency, even the skeptics should conclude that we are in an unprecedented financial crisis. Unless substantive radical changes are made, which depart from the accepted assumptions underlying current monetary policies, there will be an even more serious phase of financial disintegration in the immediate to near term period ahead. The twentieth century model which approximates third disintegration phase is the 1991-1993 collapse of the monetary and financial system of Weimar Germany. However, the most important difference is, that unlike the period in Germany from 1992-1993, when the U.S. was still capable as a strong creditor to help restore Germany with the Dawes plan, no such super-creditor exist today that can bail out the bankrupt global monetary system. Therefore, we are facing a much more serious, and dangerous crisis today than we have faced at any other time in history.

We have documented, that the cause for this crisis began after the death of President John Kennedy, and especially after August of 1971, when we adopted the wrong headed policy of "decoupling" the monetary system from the real, goods producing physical economy. As a result, per capita wealth measured in real tangible goods has been declining not just in less developed

countries, but also in such an advanced sector country as the United States. Simultaneously, over the roughly same period of the last 30 years, the distinctively separate (from the real economy) set of money aggregates have undergone a fantastic expansion in their nominal paper values. This has brought us to the point, that the world economy today more closely resembles a gigantic gambling casino of pure monetary speculation, rather than the progressive economy we used to know back in the 1950's and the early 1960's.

This point has been emphasized by Dennis Healey, former Chancellor of the Exchequer of England, who said last year, that only a mere 2% of daily financial transactions are related to the production or distribution of goods, and 98% is spent on financing pure speculation, and debt. French Nobel Prize economist Maurice Allais has been warning of the same problem since 1988, and recently Robert Leuschel of the Brussels Lambert Bank has echoed similar concerns. However, only Lybdon H. LaRouche Jr., the founder of our magazine *Executive Intelligence Review* (EIR), has shown the willingness to face the full magnitude of this monetary crisis. He describes it with the following useful analogy. He compares the purely fictitious speculative financial growth of monetary obligations to a cancer eating away at its host—the real physical economy, which produces the wealth of society. As the cancer grows it must consume more and more of the healthy tissue of its host until the body dies from the spreading cancer. The analogy is accurate in that the financial bubble of speculation depends on a small flow of income from the real physical economy for its survival. So the cancerous-bubble must be continuously fed, even to the point of eating up whatever remaining healthy bone and tissue that still exists in the real economy.

Some may object that this is too harsh or inaccurate description. Not at all. The proof of the insanity of the policies governing the monetary system today is the explosion in derivatives, which is only the latest and most exotic instrument of speculation. The face value of derivatives was at \$1.1 trillion in 1986, it grew to over \$10 trillion in 1992, to \$16 trillion in 1993, and to an unbelievable \$45 trillion by the end of 1994 for a staggering annualized growth rate of 59%. Over the same period of time, world steel production per capita has been dead flat, and per capita gain production has dropped by 1.3%.

In December of last year, this derivative bubble exploded. It led to the infamous multi-billion bankruptcy of Orange County, California, one of the richest communities in the entire United States. A couple of months ago we witnessed the over night demise of Barrings Bank, one of the oldest established banking institutions in England, which was the result of the inability of the bank to cover its \$27 billion in derivative exposure. It should be no surprise to anyone, that the seven leading New York based banks are



hopelessly over exposed in derivatives, and are technically insolvent right now, yet they are still allowed to keep their doors open for business.

Sandwiched between the bankruptcies of Orange County and Barrings Bank was the blowout of the Mexican economy at the end of last year. The Mexican debt crisis rocked the global monetary system, and still remains completely unresolved today, even as we meet here in Abuja. Because so many foolishly praised the Mexican model as a success story for Nigeria to follow, it is important to show just how wrong they were.

Mexico's debt in 1980 was \$57 billion, it soared to \$141 billion in 1994, and when the so called relief package is added in, Mexico's debt now stands at \$191 billion. On closer examination, the "great" Mexican model shows that during this same period when the debt increased by over 300%, the standard of living for the Mexican population went in the opposite direction, as shown in these figures: per household bean production dropped 37%, milk by 22%, steel by 27%. Overall production of consumer goods dropped by 20%, and producer goods by 27%. In 1988 came the Brady Plan, which under the cover of "debt relief" imposed the following measures on Mexico:

a) total central bank autonomy; b) unrestricted opening to foreign banking and financial activities; c) elimination of all tariffs; d) full convertibility of local currencies with the U.S. dollar and e) massive privatization fire-sales of national assets.

The result of the Brady Plan was a worsening of the crisis, which resulted in a 40% increase in Mexico's debt. Do you still want to listen to the so called experts when it comes to Nigeria after you have looked at their record in Mexico? Even today some still foolishly maintain that Mexico is on its way to recovery while in reality the physical economy is shrinking, unemployment is rising, and the standard of living for all but the wealthiest is being driven down further.

Russia is another example of the devastating failure of the International Monetary Fund's (IMF) Structural Adjustment Programs (SAPs). In 1992 the Yeltsin/Gaidar government brought in Harvard "whiz kid" Jeffrey Sachs to teach the Russians the wonders of western capitalism with his "shock therapy" policy. The result several years later is a complete disaster. In January 1982 the ruble was at 70 to 1 US dollar, in 1994 it was devalued to 2000 rubles to 1 dollar, and now it is 5000 to 1. Productive capacity has decreased 60% over the last five years, and industrial production is less than 50% of what it was in 1989! Light industry has collapsed to 20% of 1989 levels. According to Russia government figures, half the population lives at or below the poverty level,

and life expectancy for males has dropped from 63.8 years in 1990 to 58.9 in 1994. Infant mortality has more than doubled in four years, from 14 death per 1,000 births in 1990 to 30 per 1,000 in 1994. Russia definitely suffered the shock, but never experienced the therapy.

Total African debt in 1980-83 was between \$20-140 billion, and in 1994-95 it is approximately \$300 billion. During this fifteen year period between \$10-20 billion a year was extracted for debt service, totaling approximately \$300 billion for that period. If one adds to this the loss of money due to unfair balance of trade, and flight capital, the almost \$500 billion was taken out of the African continent during this period. No amount of humanitarian aid can make up for this! To show just one effect of this massive debt burden on the continent's population: African countries pay four times as much in debt service than they do on health care for their over 600 million people, who desperately need these life saving services.

Nigeria is suffering today primarily because of the liberalization programs that were forced upon the Nigerian economy as "conditionalities" for IMF approval of new loans. Under the rubric of "free trade" Nigeria was ordered to: deregulate the banking sector; deregulate the currency-the Naira; deregulate interest rates; remove protective tariffs; and accept lower wage levels. From 1986 - 1993 these IMF "diktats" together with systematic efforts to prevent the development of large scale infrastructure, and the denial of the right to new technologies have adversely affected the Nigerian economy in the extreme.

As one should have expected, it was exactly the same period of time, that Nigeria found itself hopelessly indebted to these same financial institutions, the very ones which were prescribing what "was best" for the Nigerian economy. Nigeria's debt reached over \$7 billion by 1980, which then increased by over 400% during that decade to \$30 billion today, despite having paid off over \$10 billion. IMF math is unique: in 15 years you start off owing 7 billion, you pay over \$10 billion, and you end up owing \$30 billion.

## Ladies and Gentlemen:

There is just no country during the last 15 to 20 years, where the application of IMF/World Bank Structural Adjustment Programs have led to the advancement of the physical economy or an improvement of the standard of living of the population. These policies only adjusted the people's stomachs to hunger and their bodies to disease. Whether this was ill-advised or ill-intentioned, we can debate. But the sad state especially of the economies of Africa today reminds us of Shakespeare and the Merchant of Venice, where the creditor insists on payment from the debtor, even if it is the "pound of flesh".

As long as Nigeria is strangled by the injustices of the world economic system, and continues to be a victim of so called free-trading arrangements, whereby it is forced to sell its raw material at ever lowest prices and to buy machinery, spare parts, and other necessary import goods at ever increasing prices, there is no way out of the crisis, and no possibility for real development of the Nigerian economy.

But the world monetary system is collapsing and there are only two foreseeable alternatives. Either Governments, especially of the G-7 nations find political wisdom to put the Bretton Woods system through orderly bankruptcy reorganization, including measures to stop speculation, and instead promote rapid development of production of physical wealth around the globe, or we will see ever deeper disintegration and chaos of the world economy. This would uproot the political stability of regions of the world even further, and lead to many more violent military conflicts than we are already witnessing.

Thus faced with a dramatic crisis, can't we at least have enough courage to say, that the principles ruling our present economic and monetary system might be flawed? I say yes, we can face this tragedy, and find a solution to the crisis. Recently we have heard a growing number of voices asking for a review of existing monetary arrangements. This includes Japanese Finance and who, after the recent events feel very much vindicated.

Measures for a reform of the world economy must include:

1. Global bankruptcy reorganization, freezing of the existing debt structure (currently about \$2 trillion in 3rd world and former eastbloc nations debt). Sorting out the legitimate from the illegitimate debts, significant debt write offs, and conversion of the rest into new, long term paper. Resumption of

payments only after effective economic recovery of debtor nations has occurred.

2. Creation of national banks modeled after the effective national bank established by the first Secretary of the Treasury for the United States, Alexander Hamilton. These "Hamiltonian" national banks are to supersede central banking nationally, and internationally as instruments for organizing comprehensive currency reforms, and new credit for production and development.
3. New growth in the physical economy through investment in large scale hard infrastructure projects across continents; i.e. modern high speed rail lines linking Western Europe with Russia and along the old Silk Route with Central Asia and China; linking the Middle East and Africa to such rail systems, and developing west-east and north-south modern rail links throughout the African continent. Development of water resources for transport, irrigation and energy production; i.e. tapping the resources of the Zaire River for regeneration of Lake Chad.
4. Massive technology transfer from the advanced sector to the developing sector, including peaceful application of nuclear technology.
5. Re-regulation of the world trading system to guarantee especially a just price for raw materials and a parity price for agricultural products.

The "New Just World Economic Order" must be based on respect for the sovereignty of the nation state. Every nation must have the right to have access to science and technology, which it sees necessary for development.

It should be properly understood that the sovereign nation state has ultimate responsibility for the welfare of its population, and intervenes to protect and foster the growth of family households. Economics properly understood is the continuous generation, transmission and assimilation of new technologies, which demonstratively increases the per capita wealth of society, the longevity of life itself and the total members of the population living in that society. Thus, the responsibility for the welfare of the successful survival of all future generations lies uniquely within the domain of the nation state. A community of such sovereign nation states which, agree on their common concerns for development of their respective citizens will be a more effective instrument of policy than any of the existing international agencies.

It will be rightly argued that Nigeria needs an economic policy right now, before these global changes come into effect. The following should not be misunderstood as undue outside advice, but as a contribution to the fruitful debate about Nigeria's economic policy, that this administration has initiated with the 1994 budget.

1. The development of Nigeria's industry and agriculture must be protected through appropriate tariffs. The key to development is the real growth of the internal market, not export orientation at all costs.
2. Nigeria must control, and regulate its currency exchange rate and capital flow.
3. Nigeria should negotiate with the IMF/World Bank, and its creditors from a position of strength, demand a full review of the legitimacy of the debts, and reschedule significantly lower debt payments to make more resources available for internal development, i.e. through an increase of funding to the Petroleum Trust Fund.
4. Build up of hard infrastructure with modern technology in railways, water management, roads and energy production. Discuss a plan of 10 to 20 such national priority projects, including in particular a new, modern railway system.
5. The level of education and health must be brought back to the standards known in Nigeria 15 to 20 years ago. New science and technology centres should be built.
6. Agriculture needs a parity price support system to increase productivity and output and reduce the damaging role of the middle men.
7. Public sector investments in infrastructure will be the locomotive for the development of private industry and manufacture, which should increasingly be oriented towards the internal Nigerian and regional African market.
8. Tight budgetary control should guarantee the prudent application of financial resources to the national priorities. Incentives should be given to repatriate foreign wealth of Nigerian citizens.

We caution against too quickly rushing to emulate the model of the Asian Tigers. While several of these countries might appear to show modest improvement in their economies, the reality is quite different. It is true that there has been some improvement in their light consumer goods industries, but one of the primary attractions of these countries has been their cheap labour, and an open door to the influx of speculative capital including billions of dollars in derivatives. With the notable exception of Taiwan, very little investment has found its way into the area of capital goods production and infrastructure, which are the primary ingredients for increasing the productivity of such agricultural dominated economies.

We emphasize here again, that state directed investment in hard infrastructure projects, which increase the availability of usable water, power and transportation per capita, per household and per land area are primary, and represent the only pathway for developing countries to progress to the pre-



1964 level of the modern agro-industrial nation state. When a country has a large percentage of its labour force involved in relatively inefficient methods of farming, the only way to substantially increase productivity, measured in yield per hectare, is through investment in the targeted areas that we have identified. Over time, progress is made evident by slight, but significant shifts in employment from the rural-agricultural sector, which to date the Asian Tigers have failed to accomplish.

Ladies and Gentlemen:

Nigeria should raise its voice and join the growing chorus around the world to demand the fundamental reforms for a "New Just World Economic Order." Because, this is as much a fight for freedom and inalienable rights of all men today, as Nigeria's enduring fight for freedom and against apartheid in South African was until 1993. At the same time Nigeria must protect its own economy and chart a course of economic development to reach full industrialization and modern standards of agricultural production in the decades to come. This course of action is also the precondition for establishing meaningful, constitutional republican forms of democracy. Simply put, there cannot be democracy if we attach any significant meaning to the term, unless we have a process of economic development, which reaches into the pores of every village.

The axioms of such a new economic system are already well established in natural law. Since political economies organized as commonwealth exist for the successful propagation of the human species at qualitatively and quantitatively higher levels of existence, and this is only possible by creating a culture that concentrates on the nurturing of the innate creative potential of each newborn child, then the correct economic policy is obvious. We support those policies that help each individual to realize those divinely bestowed higher human qualities, that make each life sacred. Likewise any economic policy which leads to unnecessary loss of life, or otherwise harms, degrades, or causes needless suffering to any individual must be rejected as antithetical to the interests of the human race. We care nothing for so called market forces or free trade gobbledygook since the implementation of these ideologies have consistently failed to develop any nation or to help improve the well being of any people.

We should now proceed to embrace these NEW IDEAS, which we know with scientific certainty will finally lift up the African continent and enable its over 600 million people to regain their respect, dignity and justice that has heretofore been stolen from them. Let the great continent of Africa, with

Nigeria at its helm enter the twenty first century as an equal to the rest of the world. Finally, let us all support those profound and beautiful words written by Pope Paul VI back in 1967, "Let the new name for peace be development."

Thank you for giving me your time this morning.



## Appendix K

### **Nigeria's Current Economic Reform Program: A Good Start on a Long Road**

By Thomas Hutcheson, World Bank, Lagos and  
Gianni Zanini, World Bank, Washington DC, USA

Protocols

#### **Introduction**

We are grateful for this opportunity to share our views with this distinguished group of Nigerian and international stakeholders in the growth and social development of Nigeria at this Second Nigerian Economic Summit.

The World Bank and Nigeria have been partners in development for over forty years. The World Bank has supported Nigeria's economic development through investment project lending, technical assistance, economic and sector analytical work and policy dialogue. It has financed a large array of investment projects and in the second half of the 1980s extended two loans in support of Nigeria's structural adjustment program.

There is a clear relationship between the success and sustainability of investment projects and good economic and sector policies. Consequently, as reforms under the structural adjustment program faltered and large budget deficits emerged, World Bank lending assistance to Nigeria had decreased since 1990, with no new adjustment operations and fewer projects. The macroeconomic indiscipline led to predictable results: soaring inflation and a fall in the value of the Naira.

As you may recall, the last half of 1990 and the first half of 1991 saw a mini-oil boom due to the Gulf-war crisis. Although short-lived, that mini-oil boom raised government revenues and government expenditures. When it fizzled away, bringing revenues down to the pre-1990 levels, expenditure kept climbing, with most of them taking place off-budget. The Nigerian economy began experiencing large and growing fiscal deficit, mostly financed by inflationary borrowing from the Central Bank. The results were predictable: high inflation and strong downward pressures on the external value of the

Naira. Thus, lack of transparency and fiscal indiscipline had to be added to the list of economic ills, in addition to the unresolved structural problems of the late 1980s, such as a growing bank distress, a bloated and inefficient public administration and the persistence of large rent-seeking opportunities in the economy induced by government's intervention in the foreign exchange and credit markets, and large subsidies.

In 1994, instead of tackling the causes of the mounting economic crisis, Nigeria attempted to suppress its symptoms by insisting that all foreign exchange transactions be made at an increasingly overvalued official exchange rate, setting up committees to ration the artificially created scarcity, and capping interest rates significantly below prevailing inflation levels. Following the pattern of the previous three years, Nigeria ended the year with a large budget deficit, mostly financed through recourse to credit from the Central Bank (CBN). Off-budget expenditures, funded from both diverted oil revenues and the printing press, continued. Clearly, the economic policy framework of recent years did not provide an environment conducive to growth and development.

Nevertheless, a small "core" lending program from the World Bank is ongoing, focused on poverty alleviation, with a number of projects in health, education and nutrition under preparation. In the meanwhile, the current portfolio of 32 projects is being actively implemented - supporting investment in health, education, agriculture, water, roads and the environment. In FY94 (which ended last June), the Bank disbursed \$353 million to Nigeria. In the past nine months of FY95 (July 1, 1994 to end-March 1995) the Bank has disbursed \$207 million. The undisbursed balance of our portfolio now stands at \$1.7 billion.

We would like to emphasize that the World Bank, far from abandoning Nigeria, intensified the policy dialogue with the Government and attempted to reach outside the narrow circle of officialdom in an effort to help rebuild a broad consensus for a renewed reform program. This dialogue with the policymakers and the opinion makers was backed up by extensive analytical work, covering both macroeconomic and sectoral issues.

### **The 1995 Economic Policy Package**

The policy package announced last January, and currently under implementation, contains a number of positive measures. We have been greatly encouraged by the prospect of a small deficit or even a fiscal surplus, by the re-establishment of an autonomous foreign exchange market for all

except government and public sector debt service transactions, by the sale of foreign exchange by the Central Bank at market rates, by a more liberal environment for foreign investors, and by the intention of turning over the management of some public enterprises to private operators.

Nevertheless, the new budget offered no progress in other equally important areas. It maintained negative real interest rates and an overvalued official exchange rate, emphasized public investment at the expense of maintenance, called for a suspension of the privatization program and reaffirmed the past failed policy of commercialization for key public enterprises. Moreover, only modest progress has been achieved so far on improving fiscal transparency and accountability.

Although it is clearly too early for an evaluation of budget implementation, we are much encouraged by the government's announcement that a cash surplus has been achieved in its fiscal accounts in the first quarter although this needs to be interpreted with caution and by anecdotal, but visible, signs - a stable market exchange rate and a much reduced rate of inflation - that macroeconomic stabilization may be in sight. The Government deserves much praise for these early achievements. It remains our hope that they will be sustained in the coming months.

### **The Reform Agenda**

The reform agenda for both the short and medium term, however, remains large and daunting. To be frank, a shadow still hangs over the sustainability of the current tight fiscal policy, as the reported budget surplus has been achieved in part by deferring work or payments for work already executed, rather than redefining expenditure priorities and eliminating wasteful projects and programs. Clearly, the credibility of the current stabilization effort would be greatly helped by both a deep restructuring of the public expenditure program to match budgeted with actual allocations and full disclosure of all outstanding liabilities, ongoing commitments and actual revenue and expenditure flows.

This brings us to the next point of the remaining, unfinished reform agenda, as we perceive it. Transparency and accountability are not only important on moral grounds, but are crucial to the credibility of government policies and, consequently, to growth and the ability to attract foreign support. If expectations by market participants were to fall in line with official policy targets and official expectations of economic and financial performance, the

synergy of trust and common expectations would provide a powerful boost for a resumption of growth.

Since 1990, markedly increased off-budget spending and financing of non-viable investment projects out of the public eye have eroded fiscal and monetary discipline and have biased public expenditures away from the social sectors. To convincingly address the issue of transparency, the Government's stated good intentions need to be followed by publicizing comprehensive, detailed and consistent information on actual economic performance, such as on balance of payments, petroleum production, exports and prices, monetary aggregates, fiscal flows, operations of the Special Petroleum Trust Fund, and uses of the one-line "first charges" by the state oil company and the Central Bank for special projects and programs, which up till now appear to be a de facto continuation of the old dedication accounts.

A related necessary reform has to be rationalization of the public expenditure program. Following many years of neglect of the maintenance of existing public assets and deterioration in the efficiency of a demoralized, overstaffed and poorly paid civil service, priorities for public expenditures ought to be on recurrent expenditures, rather than on capital projects, subsidies that do not reach the intended beneficiaries and investments in commercial ventures. Similarly, sectoral priorities need rethinking, if the goal of helping the economy grow and reducing poverty is to be achieved: health, education, basic infrastructure and security of life and property should become the overarching priorities for the public sector. The alternative, especially continuing the public sector's involvement in commercial ventures better left to the private sector, is apparent for all to see: declining quality of education and health care, unreliable power supply, and even a petrochemical plant exploding before commissioning.

The new leasing policy for 1995 represents in our view a step backward from the earlier policy of privatization. For all enterprises in competitive, or potentially competitive sectors, full privatization (either immediately or after some restructuring) or liquidation is more appropriate. While leasing contracts may contribute to improving the management of some firms, privatization remains the best way for government to shed the burden of financing necessary rehabilitation and expansion plans. Moreover, bringing private sector participation to major enterprises such as the electric power and telecommunications utilities, and the railways, is the route out of the present predicament, rather than the reaffirmation commercialization plans, which have failed in the past.

In the last eight years, the government has taken substantial steps to encourage efficient private sector development. It has simplified the regulatory environment for private investment, reduced limitations on foreign investment, and introduced a debt equity conversion program. In the 1995 budget, the government has announced its intention to remove all remaining regulatory obstacles in the investment and foreign exchange laws and regulations. That the government is proceeding in close consultation with the private sector on the new laws is a welcome development, which, should it become a habit and spread to other sectors, may threaten many World Bank careers (possibly including ours) as economic advisers. Nevertheless, major constraints to private sector development remain unaddressed. These include deep-seated mismanagement at all levels of the public service and the erratic provision of critical infrastructure services, such as power and telecommunications. Regarding macroeconomic policies, the continued control of interest rates provides the wrong signal to private sector investors, in addition to impairing the Central Bank's ability to control credit developments through indirect monetary instruments.

In the end, the real test of the presence or lack of an "enabling environment" for private sector development will not be any organized group's or the World Bank's blessing, but the degree of return of flight capital. Only when Nigerians themselves begin voting for Nigeria with their foreign checkbooks can new foreign investors in substantial numbers be lured to the country. In this light, we hope that the new laws will facilitate the return of Nigerian financial capital kept abroad and not be aimed purely at foreign investors. Along the reform path, the opening of the capital account ought to be considered (meaning the granting of complete freedom for Nigerians to vote with their checkbooks on the Government's economic policies).

In the last 1980s and early 1990s, the government had initiated a fairly broad-based program of reforms for financial deregulation encompassing interest rates, sectoral allocation of credit, the phasing-in of open market operations and new legislation, which led to the adoption of Basle standards for new prudential guidelines, and to stricter supervision and provisioning requirements. The 1995 budget maintains the previous year's caps on interest rates, at levels which are well below market-clearing rates and negative in real terms, given the most recent inflation estimates and the strong inflationary expectations still present in the economy. The liberalization of interest rates, to assure real positive levels that would encourage savings and sound financial intermediation, remains an important item on the reform agenda. Credit ceilings have recently been phased out, but sectoral allocation guidelines remain. One could argue that, since these guidelines are routinely



circumvented, there is no need to make an issue out of it. But the recent communiqué of a seminar organized by the Institute of Chartered Accountants recommends the application of a very important principle: do not enact laws or guidelines that cannot be enforced and will not be obeyed. That, by the way, is a principle with applications to foreign exchange and interest rate policy as well!

Within the banking system, new entrants aiming to secure foreign exchange allocations from CBN at preferential rates mushroomed in the late 1980s, facilitated by low capital requirements. For a number of years, a free entry policy has not been balanced by an exit policy to ensure that only strong banks remain in business. Consequently, according to the most recent official public statements, financial distress has become widespread. Even so, the Government has taken limited actions towards a few small banks with non-performing loans and the eventual fate of the large number of distressed and problem banks remain unclear. The regulatory authorities need the support from both the political leadership and the private sector to adopt and implement a comprehensive strategy for distress resolution.

Let us now turn to probably the hottest topic of discussion last year, and still the number one topic of interest to most Nigerians: the exchange rate regime. In March 1992, the government adjusted the official exchange rate to within a small margin of the market rate. Subsequently, however, expanding fiscal deficit, monetary expansion and inflation intensified, pushing up the market rate, but without adequate adjustments in the official rate. As a result, by December 1994, the spread between the official and market exchange rates had widened to around 300 per cent.

The liberalization of the autonomous foreign exchange market, the abolishment of administrative rationing of forex sold by the Central Bank to the private sector at the official rate are major welcome developments. However, we remain concerned about the maintenance of a dual exchange rate system. Although the official rate is to be limited only to the Federal Government's transactions with the Central Bank, it is likely to exacerbate the bias within government's agencies in favour of imports and offers potential for abuse as it leaves the door open to lobbies for special allocations at the Government's discretion. What Nigeria needs is a competitive, unified, market-determined rate.

Finally, we must add that a necessary element of any reform package is consistency and steady progress in both macroeconomic and structural policies. Nigeria has experimented many times with a special kind of policy

change: two steps forward and one step back (and, at times, one step forward and two steps back). A repetition of this pattern of policy reform, as would be the case this year if the reported plans to re-nationalize (or for the government to re-acquire effective control of) the privatized federal banks pan out, would do immense damage to the Government's credibility at home and abroad. If problems have arisen in the specific case of the privatized banks, then they should be addressed with appropriate actions by the regulatory authorities.

### **Medium-Term Outlook**

For equitable growth after stabilization, Nigeria needs to rely on her resilient and dynamic private sector, and to put in place the conditions that would keep its mind and its energy off the chasing after rents. The list is not long:

- Good macroeconomic and sectoral economic policies;
- Good public administration;
- Poverty-alleviation programs;
- Foreign and domestic investment;
- Access to international credit markets;
- Debt relief and/or concessional lending terms.

To re-open the door to concrete support from the domestic private sector and from international investors, lenders, creditors and donors, Nigeria needs substantial improvement in both the policy environment and the efficiency of the public administration. These are good things on their own, and Nigeria should certainly not relent from pursuing its domestic reform effort, regardless of the response from abroad. But, as the last five years have clearly shown, it will prove fruitless to court international support on the basis of a half-hearted domestic policy effort.

Necessary step along the way is an agreement with Bretton Woods institutions on a Medium-Term Program, as this is the formal requirement for the resumption of financial support from multilateral agencies and creditor countries for all developing countries.

Positive first steps have already been taken this year, but more needs to be done. In the meantime, the policy dialogue with the Bretton Woods institutions will continue. The IMF is expected to send a mission soon for routine Article IV consultations. The World Bank is planning an economic mission for late June to discuss the issues raised in a Bank report on public expenditures. If the Government has completed its internal preparatory work on a Medium-Term Program and will put it on the agenda, we will be glad to take it on.



Formalization of a Medium-Term Program, however, will require not only agreement on its content, but will require some upfront actions that will demonstrate Nigeria's determination to move in the agreed direction and a satisfactory track record in macroeconomic stabilization and in the implementation of other policies announced last January, such as the new investment regulations. Only after such a policy framework is formalized (that is, endorsed by the Boards of both Bretton Woods institutions) will the world Bank be able to extend further its support to Nigeria.

### **Conclusion**

Let us conclude with a praise to the organizers and sponsors (inside and outside Government) of this and of the First Economic Summit for the impressive talent that they have managed to assemble (and re-assemble) in the search for a distinctive Nigerian way for economic and social development. Since the first Economic Summit, Nigeria has had already at hand a strong, bold, home-grown economic reform program, the Economic Action Agenda, that set out a vision and a pace for reform that, if adopted and faithfully implemented, would have propelled Nigeria into the ranks of the fast-growing developing economies and to the status of an example for the rest of the developing world. Nigeria cannot and should not waste this second opportunity that the current gathering offers. With an updated Economic Action Agenda, it is time for Nigeria to reclaim its place in the world economy. The World Bank is here to help you in that endeavour.

## **Appendix L**

### **Maintaining Oil Exports**

**By Mr. Neil Blackburn, Mobil Producing Unlimited**

#### Protocols

I want to first express my appreciation for the opportunity to address this gathering. The title of my address is "*Major Issues In The Upstream Industry*". Since crude oil plays such an important role in the national economy, the topic is very relevant to the government's and private sector's quest for a healthy sustainable growth of Nigeria's upstream sector, which in turn can be instrumental in bringing Nigeria to its rightful position in the world economy.

The major issues I will address are:

- Funding of the upstream Joint Venture (JV)
- Incentives for Investment
- Operational Efficiency
- Community Relations
- National Gas Policy

Before I get into these five major issues, let me start with a brief overview of the upstream sector of Nigeria's petroleum industry.

There are six major players in the industry: Shell, Mobil, Chevron, Agip, Elf and Texaco which serve as operators of joint ventures with NNPC. The Federal Government is represented by the NNPC as senior partner to these major operators.

These six ventures account for about 97 per cent of Nigeria's crude oil production and 90 per cent of foreign exchange earnings.

Each joint venture (JV) operates under a Joint Operating Agreement (JOA) with the NNPC and a Memorandum of Understanding (MOU) with the Federal Government. The JOA governs the administrative relations between the partners, including: budget approvals and supervision, crude lifting and sale by the partners in proportion to equity; and the funding of joint operations. The MOU provides an overall structure for allocating oil

income among the partners, including payment of taxes and royalties as well as the industry profit margin. Although somewhat unique in the international arena, the MOU has served Nigeria well. The industry has grown since the inception of the MOU in 1986. It is a classic example of a fiscal policy that has worked.

However, since 1993 the industry has been in a decline which has now reached a crisis stage. Now I would like to review the major issues and offer a few ideas that will get the industry back on track and contribute to a continuous growth of the Nigerian economy.

### **Major Factors Impacting the Industry**

#### **1. Funding the Joint Ventures**

Confidence in the funding process for JV operations is essential to the well-being of the industry and the attainment of Nigeria's petroleum sector goals. A credible funding program promotes confidence and a favourable climate for investment. Sporadic or inconsistent funding, however, creates uncertainty that discourages investment needed not only for maintenance but for planned and achievable expansion.

The government's funding obligation to the JV operations had been rising with the country's stated goals of expanding production capacity to 2.5 million barrels of oil per day and attaining 25 billion barrels of oil reserves by 1998. However, by the end of 1994, \$1.1 billion expenditures had been incurred by the industry on behalf of NNPC in accordance with agreed programmes in pursuing the country's goals for which no payments had been received. This funding short-fall developed largely over the previous two years and resulted in a marked decrease in industry activity, seriously threatening the country's goals on reserves and production.

In the context of the recent budget, the government is making an effort to pay off past funding short-falls and is near current on 1995 funding obligations. However, untimely and inconsistent payments, which the industry had earlier experienced this year, serve to dampen optimism for the new funding initiative.

There are, however, several options that the government could take to establish confidence in the funding process. The easiest way would be to permit operators to lift crude production to cover JV expenditures in accordance with approved budgets and terms of the

present JOA - Simply implement the existing agreement. This can be done with assurance that government will receive full value of crude sold on its behalf by the operators. Yet another way would be for the government to establish dedicated NNPC/industry escrow accounts for oil proceeds from which NNPC's share of JV expenditures would be funded.

In addition, ways should be sought to reduce the upfront financing burden for government share of development projects through third party financing. We believe such financing could be secured and served through arrangements which include an entitlement to equity crude after production starts.

Further to improving the procedure by which NNPC pays its share of JV expenditures, the government could reduce its funding burden by shifting a greater share of exploration and production costs onto the private sector. Options to accomplish this include both divestment and production sharing contracts.

(a) **Divestment**

The continued burden in paying 55 - 60 per cent of the joint venture costs can be reduced through divestment of government's equity. For instance, in Mobil's view a 9 percent reduction in equity taking NNPC interest to 51 percent would result in \$450 million reduction in government's cost requirements per year. Divestment also would provide immediate cash to the government for redeployment in other sectors of the economy. In the 9 per cent reduction case, about \$2.0 billion would be gained.

(b) **Production Sharing Contract (PSC)**

Recent government policy regarding the use of Production Sharing Contracts (PSC) as a means of transferring exploration risks and funding of exploration and development efforts on new acreage is welcomed and could be extended to certain existing joint venture blocks. Undeveloped blocks (where major capital investments have not yet been incurred) granted under joint venture terms could qualify for such conversion. Conversion would minimize upfront capital investment since PSC contractors would be responsible for initially funding the projects and would recover costs only on commercially successful ventures.

## 2. Incentives for Investment

Expansion in the upstream sector of the petroleum industry not only depends on a funding process that is certain and credible, but also on fiscal policies that are calculated to promote investment.

The MOU has provided an economic framework for the upstream petroleum industry in Nigeria since 1986 and has been highly successful in promoting the country's production and reserves goals. The MOU succeeded in raising Nigeria's production from a low of 1.4 million barrels per day in 1986 to the current level of 2.0 million barrels. In order to sustain performance and to meet government's objective of expanding both production and reserves base and ultimate increase in OPEC quota, the basic MOU framework should be maintained.

However, government must consider the following to improve the MOU:

- (a) Restore the margin to its pre-eroded level and protect it against erosion. The concept of a guaranteed margin has promoted investment and expansion even in the face of difficult market conditions and still competition from other investment areas of the world. This margin, however, is currently being eroded by inflation and new government taxes such as those new taxes and fees levied for Housing, Education, Nigerian Maritime Authority and Nigeria Ports Plc) - and they continue to come - I just recently received notification of a levy for the Agriculture Insurance Reserve Fund. The margin erosion reduces the effectiveness of the MOU and shakes the industry's confidence in the government's commitment to the sanctity of the MOU agreement.
- (b) Reserves Addition Bonus: This is one of the newly introduced incentives in the 1991 revision of the MOU to encourage capital investment and reward success in increasing the nation's reserve base. This incentive needs to be retained. It has played a major role in chalking up new reserves, so essential to any plan to ultimately achieve and increase OPEC quota for Nigeria.

### 3. **Operational Efficiency**

With an 85 per cent marginal tax rate, the current framework does not provide much incentive for aggressive pursuit of operational efficiency. Fiscal incentives could be introduced to promote a greater optimization of scarce funds and to reward efficiency improvements.

For example, just as the MOU grants a higher margin incentive for the high capital investor, MOU margins should be increased for companies that reduce operating costs so that the benefits of cost reductions are shared by both government and operator. The present MOU has little reward for efficiency improvement. That is not to say the industry is not efficient on a global basis. The majority of the oil in Nigeria is now produced at highly competitive rates on a global basis but incentives will encourage a more aggressive effort.

In addition to creating better incentives for efficiency, the government should reappraise its crude oil export and marketing process to ascertain its cost effectiveness. The present system used to market the government's share of JV crude production through third parties and middlemen may contain inherent inefficiencies. The government should consider all the costs, both external and internal, associated with marketing its share of crude oil. Allowing JV operators to lift and market all the crude and credit government account based on an agreed formula may be better.

### 4. **Community Relations**

Community Relation is a serious and growing problem. Community disturbances have and are seriously disrupting industry operations. These disruptions not only cause revenue loss but create a climate of uncertainty that discourages investment. An improved method must be found to ensure that communities production areas have a direct interest in maintaining and, not disrupting production operation. The current method of allocating the compensation fund in oil producing areas must be reviewed and restructured. Oil revenue should be shared in a manner that the local community benefits when production increases from its locality, and loses when production decreases. The arrangement must be one where the community and the operators are partners in production and the community considers itself a stakeholder in the operator's activities. The local community must have a vested interest in taking steps to ensure the smooth operation of its petroleum companies. This is not the case

now - there is no direct, transparent benefit to the community in supporting the industry.

For example, if the community impacted by industry producing operations were to receive a direct royalty payment - a set amount of Naira for each barrel produced and if the amount produced were made public, the community would feel they were a true stakeholder in the business. In like manner, the Local Government Area (LGA) would receive a royalty as well as the state, the total amount of which may not need to be greater than that now allocated. The point is to recognise those most impacted by the industry with a greater share of allocation, make it transparent and the proceeds more under their direct management.

Further, petroleum companies should be relieved of their role in providing many of the facilities they are now called upon by communities to provide. The provision of roads, schools, water works and other capital and infrastructural projects is a government function. Government should be the primary source of supplying these facilities. The government can therefore take credit for the facilities and free operators to concentrate on what they do best - exploring for and producing oil.

### 5. **National Gas Policy**

Nigeria is estimated to have gas reserves of over 100 trillion cubic feet that, at present, remain largely unexploited. Government has over the years provided some incentives for gas-based projects such as Nigerian Liquefied Natural Gas (NLNG) and the Natural Gas Liquid (NGL) project. These incentives should be extended and improved to promote other gas-based projects such as Methanol, MTBE, Urea, other petrochemicals, as well as power generation. Furthermore, a more coherent national energy policy is required to establish a commercial framework for promoting private sector involvement in gas gathering, distribution, transportation and marketing based on an abundant supply - not on a cheap supply of gas - because it is not cheap. This would help reduce gas flaring and improve environment conservation as well as generate revenue from the largely unexploited major resource.



## **Conclusion**

In summary, the engine of the Nigerian economy, the upstream industry, is not running very well at present, but it does not need a major overhaul just a little routing maintenance, and a tune up. The answers are clear and the solutions relatively easy.

The MOU and the JOA are good, sound documents. We must maintain the intent of the MOU margin, restore it to its original level and protect it from erosion. If the government is going to continue to participate in the joint venture arrangements, it must pay its share. In the last six weeks, much progress has been made. This must continue. If for some reason this is not possible, don't forget the JOA already provides the answer. We also need to "tune up" the MOU to promote efficiency. Once again, not a difficult task.

The bigger tasks are in the community relations and gas utilization areas. These are difficult areas, but not unsolvable.

On behalf of the upstream industry, I can promise that if the Nigerian government does what governments do best, that is provide an enabling environment and local infrastructure, private industry will do what it does best, that is to bring know-how, investment, and technology.

If we together work more on making the cake bigger, there will be bigger slice for all of us.

Thank you.

## Appendix M

### **Natural Rubber: A Nigerian Challenge.**

**By Mr. Alastair Campbell, Michelin Nigeria Limited**

Nigeria has the potential to be a leading producer of natural rubber in the world. It will not happen on its own: It needs a plan.

*The aim, therefore, of this presentation is to show this potential:- why it exists, and how Nigeria would benefit if it is realized.*

Last year, some 5.5 million tons of rubber were produced worldwide from about 10 million hectares of rubber trees. Three quarters of this were produced in three countries: Thailand, Indonesia and Malaysia. Nigeria produced only 2%.

Estimates indicate that by the year 2010, production of rubber will reach over 7,000,000 tons, but, with the existing planting programmes, West Africa will contribute little to this growth. Even with this growth, it is estimated that there will be a demand excess of 1.1 million tons per year in that year.

Nigeria can benefit from what we call "green gold" because it has:

- the right type of soil
- the right climate
- relatively cheap energy
- abundant labour for this labour intensive industry.

Asia is unlikely to fill the gap because, as their economies become more and more industrialized, fewer people are interested in growing rubber.

Michelin has achieved in the newly planted areas of its Nigerian Plantations a yearly yield of 2.5 tons per hectare - the highest in the world.

Prior to this, the highest on any industrial plantation was 2.2 tons/hectares, again achieved by Michelin (in the Ivory Coast).

Compare this to current yields in Nigeria and the rest of the world and you see the enormous potential. This potential can generate good profits, provided there is always a realistic market-led exchange rate. In 1980, though the rubber price was high, the business was unprofitable.

If the exchange rate is realistic, Nigeria will benefit from the expected increase in price, because of the demand/supply gap.

### **What then is the way forward?**

At present, there are some 250,000 hectares of rubber planted, about 100,000 tons of rubber. There is an area of 8 million hectares in the coastal belt of Nigeria suitable for growing rubber. Let us assume we reserve 250,000 hectares to grow rubber. In other words, we double the amount of the land presently under rubber cultivation. We would plant the new land first so as to continue production on the old land, then gradually replant the existing trees. The planting of 33,000 hectares per year for 15 years is a reasonable pace of expansion.

By the year 2020, Nigeria would be producing nearly 900,000 tons per year. Planting of 33,000 hectares per year costs about \$50 million. Compare this to the 1995 Federal Budget which allocated ₦1.6 billion or \$20 million to agriculture in total. However, this investment (\$750 million over 15 years), will produce annual forex earnings of \$2.7 billion. This compares with Nigeria's current annual oil revenues of \$8.5 billion. Unlike oil however, this can go on forever because rubber is a renewable resource and the industry will employ many people 100,000 jobs in total. Furthermore, there is a good market for rubber wood for the furniture industry. To achieve this, we need a plan, a plan formulated by government and to which it is totally committed over the long term.

Why do we need a plan when the profits are there? Why will investors not flock to invest in such a profitable business?

1. Rubber is a long term investment. Rubber trees need 7 years to produce and return on investment for rubber is 10 - 14 years.
2. Investors are reluctant to invest in Nigeria because of frequent reversals in economic policy. Free market one year regulation the next.
3. Experience in other parts of the world, particularly Thailand, shows that industrial estates will only form 5 to 20% of the hectareage. Small holders or peasant farmers provide the rest. The industrial estates provide the technology and the planting material.

### What then will be the focus of the plan?

1. Land: Land must be made available and accessible. It is not enough for government to allocate land to investors, government must devise a means of adequately compensating the traditional land owners before the land is allocated.
2. Capital: Smallholders have land but no money. A scheme must be devised to efficiently finance smallholder planting.
3. A market rate for the Naira and a stable economic climate because investors must be confident they will make a return.

### Remember:

- with a proper plan
- proper implementation

Rubber will earn for Nigeria almost \$3 billion *every year forever*.

## Appendix N

### **India's Economic Development**

By Mr. Adit Jain

India Economist Intelligence Unit

#### Protocols

It is a great pleasure to be present in Abuja at this important business summit. This is my very first visit to Africa and therefore I am very pleased to have had the opportunity.

It is always a difficult task to be an interesting dinner speaker. This difficulty is further enhanced when the subject concerns economic reform undertaken in a far off alien land. During the course of my presentation, I will share with you my perspective of India's economic reform programme and the way forward as I see it. I'll try and identify some of the critical issues that India faced which led to the implementation of economic reform.

India, since independence from Great Britain, adopted a socialistic model of development in which public sector enterprises were designated with an important role and served the responsibilities of "commanding heights" of the economy. The emphasis was on self-reliance - trade and investment policies were inward looking. The public sector enjoyed a monopoly status in infrastructure and core sectors. Resultantly, they were inefficient and served the dual purpose of providing a poor service coupled with creating false employment. A private sector, however, coexisted with state enterprise giving rise to what was called a "mixed economy".

The private sector likewise operated as virtual monopolies. The licensing system ensured this. A sinister conspiracy existed between business and government. The key to profits was more on managing Government and the environment rather than the strategic management of business.

The Government not only curbed investment and trade but also made a hash of things at which governments are normally very good and that is providing health and education to its people.

Two developments had taken place with far-reaching consequences. India borrowed capital at huge costs, leading to large fiscal deficits every year. Simultaneously, several highly import-intensive industries were set up in the belief that these would eventually reduce reliance on import. This, however, did not happen and foreign exchange reserves dwindled. By 1989, the country was in a serious balance-of-payments problem coupled with runaway fiscal deficits amounting to 8 to 9% of GDP. The situation only worsened with extreme political uncertainty with two general elections held in a space of 3 years, where four combinations of parties formed the Government.

By the middle of 1990, the situation precipitated into a crisis and the country was left with foreign exchange reserves amounting to only 15 days of import. Economic growth had reduced to less than 1% and inflation exceeded 17%. It was in the backdrop of this scenario that the previous Government sought assistance from the International Monetary Fund.

Apart from the IMF, the Government also took aid from the World Bank. The underlying conditions that they imposed were similar. These were primarily:

- Pursuing a strict monetary policy which implied that the rate of growth of money supply should be restrained.
- Exercising budgetary restraint which required monitoring of the fiscal deficit.
- Movement to a market-determined pricing system which called for freeing of the exchange rate, reduction in subsidies and removal of other distortions in pricing in the economy.
- Delicensing and deregulation of industry and commerce.
- Liberalisation of trade and reduction in import tariffs and other duties.
- Opening up of the financial sector.

The Indian Government went ahead with the reforms with reasonable political conviction and the economy responded well.

### **The Reform Programme**

The reform programme was essentially structured so as to take India, in cautious stages, from a command to a market-driven economy. It initially addressed the three economic ministries of industry, commerce and finance. Subsequently, the Government opened up other infrastructure areas such as power, telecommunications, roads, hydrocarbons, etc. The critical objectives were to reduce government interference in the flow of capital and goods coupled with motivating private sector investment in the creation and

provision of infrastructural necessities. Some significant areas of liberalisation are listed as follows:

**Industry:** Four years ago, it was not possible to even manufacture a widget in India without a licence from the Government. All manufacturing activity in the private sector was governed and regulated. The administration played God and a very poor one. Foreign investment was rarely allowed and indeed even import of foreign technology for manufacturing industry was carefully scrutinised. The objective was self reliance. A civil servant would show with great enthusiasm that everything you could see around was crafted with pride in India - a refrigerator, television, bulbs, scooter, cars, kitchen appliances and cement plants. He would argue foolishly with conviction that our technology may not have been bang on but it was Indian and that is what counted in the end. Frankly, there are not very many countries on the face of this earth where you can still buy a brand new 1950 Morris Oxford. This was the result of India's restrictive approach towards investment.

The Rao administration announced its reform programme with opening up industry and investment. The licensing regime was abolished and you could produce whatever you wished. Apart from a small list of industries which are still regulated, most products no longer require a licence from the Government to produce. Secondly, foreign investment has opened up and is indeed encouraged. The government's objective was to create investment which would generate employment and eventually economic growth.

Investment guidelines were amended and foreign companies were permitted to own 100% subsidiaries in India. The results were amazing. IBM and Coke, who left India in 1977, returned together with a host of multinational corporations from different sectors. Foreign investment inflows exceeded US\$4 - 5 billion per year. Although much of this came through the capital markets as institutional funds as opposed to corporate direct investment.

What worked in India's favour in driving foreign investment was this myth of a middle class consumer market of 200 million people. Following the announcement of reform and a substantial hard sell effort by the government, everybody seemed to want to join the bandwagon. All roads seemed to lead to Bombay.

There was some resistance from Indian industry which lobbied for protectionist policies but the government's conviction in the reform process sustained these efforts. Indian companies increasingly restructured their operations and developed strategic alliances with multinational entrants to



take on the increasing competition that is to come in the emerging industrial scenario.

Some of the steps that India took to reform its industrial policy were as follows:

- Licensing was abolished on products and capacities.
- Foreign investment was allowed on an automatic basis.
- Dividend repatriation, payment of royalty fees, technology fees, etc. were permitted without any approvals.
- Certain business sectors were identified and defined as areas of high priority where foreign investment was encouraged and invited.
- A special body called the Foreign Investment Promotion Board was established in the Prime Minister's Office to review and speedily approve foreign investment applications.

These initiatives had a positive impact. India suddenly became an important destination for investment in the Asia/Pacific Region. It was no longer China China, but India India. Whereas the consumer products companies were the first to enter to take advantage of the emerging middle class but then other industrial companies followed together with resource companies and infrastructure companies.

Coupled with industrial reform, the Rao administration reformed the trade policy. Earlier, few items were importable into India and the Government had exercised control both through tariffs and licensing. The new trade policy liberalised import and export trade and at the stroke of a pen most capital goods, raw materials, intermediates and industrial products could now be imported into India without a licence. Licenses are still required for consumer products but this too will be abolished in stages in a period of two or three years. Import tariffs which were as high as 300% were successfully reduced. Presently, the maximum tariff rate for most commodities and goods (barring some exceptions) is approximately 50%. The average tariff rate is in the region of 30% to 35%.

Coupled with trade liberalisation, the Indian government gave incentives to exporting companies in the form of tax, rebates, etc. Frankly, this had a major impact on increasing India's export and the trade deficit narrowed from approximately US\$4 billion to US\$1 billion. Exports and imports grew rapidly.

Trade reform was aimed at taking India from the status of a struggling self-reliant economy to a competitive market-driven trading zone.

Skeptics had believed that the withdrawal of trade barriers would cripple Indian industry, but this did not happen. Funnily enough, the capital goods manufacturing industry which has since the reform programme witnessed the worst competition, grew at approximately 25% per annum which is over three times the industrial growth in India.

Coupled with trade reform, India switched to a market determined exchange rate regime. The Indian rupee became convertible on the current account transactions with hints of capital account convertibility to follow. Strangely enough, in spite of interest rate differential in the foreign exchange market, the rupee has remained stable vis-à-vis the US dollar.

The third area amongst the economic ministries which the Government liberalised was finance. Different areas were addressed and some of the Government's initiatives are listed as follows:

- Capital markets were opened up to foreign investment and a body called the Securities Exchange Body of India constituted to regulate its functioning.
- Tax reforms were initiated to reduce excise and import tariffs.
- Investment banks and financial services companies were allowed to set up operations in India. Prominent foreign banks in India include JP Morgan, Morgan Stanley, Lazard, Schroeder, Kleinworth Benson, Goldman Sachs, etc.
- The Government more liberally granted licences to foreign commercial banks to set up and increase branch operations.

*Cultural change:* In step with economic liberalisation has been a marked change in the lifestyles and values of a vast majority of Indians. One of the singularly important vehicles of cultural transformation in urban India has been the sudden and prolific growth of the media, particularly the entry of foreign media. Indians had been living with a single television channel that was government-controlled. Economic liberalisation brought with it satellite television and a profusion of channels that now provide Indians with a window to the world. This has gone a long way in changing attitudes and values of all, particularly the younger generations of Indians.

The reforms have also led to a vast expansion of opportunities that were earlier non-existent. So there have been an increased availability of jobs in an increased and more diverse cross-section of skills. Increased and speedy

communication has now been made possible through satellites and other electronic devices. This has affected all aspects at work and leisure.

The drivers for cultural change will not be very different from those for economic reforms as these are complementary. Economic reforms will only further cultural transformation. Basically, the availability of products and services brings with it a desire to buy them. The creation of a consumer market will therefore go hand in hand with increased availability of consumer goods.

Satellite television's first impact will be the creation of market opportunities both in urban and rural India. However, over the years, it will affect the cultural values, beliefs and convictions of the Indian people. No other medium can on its own create such a striking influence on cultural aspects.

The Government in India reconciled to the belief that insulated economies cannot grow. Opening up of investment and trade would create employment and wealth and have a larger demand for all products and services.

But there can be no single formula for reform that can be adopted across national boundaries. Different countries have different social and political agendas, all of which will need to be taken into consideration. I can share with you what I believe are critical issues that are essential for bringing about trade and investment and these issues have a fairly universal application.

Firstly, investors need the comfort of political stability. It does not really matter what form of government exists as long as there will continue to be a stable environment which does not alter economic policy too often. China and India which are both hot beds of investment amongst multinational corporations are vastly different in their political systems.

Secondly, investors seek market which have the potential to grow. Vietnam for example is viewed as one such market.

Thirdly, business need the comfort of minimal restrictions in the flow of goods and capital. They require a helpful government which is pro-business and not anti-profits. Finally, business require an independent and efficient judiciary.

India has not as yet addressed all these aspects completely. But to be fair, it has taken the first step in the right direction.

Another important issue is the sustenance of reform. An idea can only succeed if it is accepted amongst a majority of people. In India, the Government is now trying to sell its economic policy on the heartlands of the country rather than to the urban middle class.

Finally, it is easy to amend policy, change the rules and guidelines. For all this can often be done at the stroke of a pen. What is difficult as we have seen in India, is implementation. It is a considerable task to change the mind-set of people and their attitude. Just as the benefits of a new economic system will take years to reach those who need it most, it will take a long time to alter values which are ingrained in a system through decades of practice.

I should like to share with you my perspective of the way forward as I see it in India.

Assuming political stability will be sustained, economic reform will progress in stages possibly with a cautious pace. In a period of five to seven years, the Indian economy will increasingly head towards being market-driven with reduced government controls and discretion. Trade reform will allow for the import of most products including consumer goods and tariffs will be the only means to regulate imports. The Indian rupee will become convertible on the capital account. Policy guidelines will increasingly ensure a reduced government role in investment in most sectors of the Indian economy.

Clearly, those sectors that have not had a history of private investment or are politically sensitive will be addressed in the next round of reform. Motivation to liberalisation in these areas will essentially be provided by private sector companies themselves and backed by lobbying efforts of alien government.

The Indian economy will grow between 6-7% per year and inflation will average about 8%. Foreign exchange reserves will remain stable although the rupee will devalue against a basket of currencies based on the interest rate differential. Investment in infrastructure coupled with exports will become the drivers of the Indian economy.

The Government will increasingly focus attention on health and education when the more pressing issues concerning liberalisation have been addressed. States will increasingly ensure this as they realise that together with the availability of infrastructure, social development is imperative for sustained long-term growth.

Foreign policy will progressively be drafted on economic considerations. Those countries with greater economic clout will get maximum access to markets and opportunities. India will align itself more closely to the rest of Asia and seek investment and trade from Japan. Eventually, it will obtain full membership of APEC and therefore reform its investment and trade barriers to suit entry requirements.

One question which I am often asked is will the Rao government be elected for a second term. Presently, its credibility is very low amongst the electorate. It is very difficult to make prediction on politics - which is a business where 6 months can change fortunes completely. As I say this, I am reminded of a story

## Appendix O

### **"A Decade of Economic Reform, a Generation of Economic Opportunity: Malaysia's Vision 2020 and its Antecedents"**

Dr. Noordin Sopiee, May 5, 1995, Nigerian Economic Summit, Abuja, Nigeria

#### **Preliminaries**

The 1991 - 2020 Growth Rate Target of Vision 2020: 7.168% per annum, An Income Doubling Plan. The Previous 20 years Growth Record: 1970 - 1990 - 6.7% average (therefore + 0.5% p.a. needed)

The record of the last seven years

1988	-	8.9
1989	-	9.2
1990	-	9.7
1991	-	8.7
1992	-	7.8
1993	-	8.3
1994	-	8.5
1988 - 1994		Average: 8.7% with 3.6% Inflation

The strangeness of Vision 2020:

- generational, 30-year plan (although now similar efforts in Malta, Botswana, Maldives, Western Europe, APEC, ASIC).
- pervasive, cast iron, rock solid consensus - it is for real.
- natural, not "created", stage managed.
- comprehensive.

#### **Vision 2020**

##### **1. One Ultimate Objective**

"The ultimate objective that we should aim for is a Malaysia that is, by the year 2020, a fully developed country".

2. **In Malaysia's Own Mould**

"We should be a developed country in our own mould". According to our own values.

3. **Comprehensively Developed**

"Malaysia should not be developed only in the economic sense. It must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally. We must be fully developed in terms of national unity and social cohesion, in terms of our economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence".

4. **Vision 2020 is not just an economic vision, but**

A. **A Political Vision**

- a united Malaysian nation
- a developed and mature democratic society

B. **A Social/Psychological/Cultural Vision**

- a psychologically liberated, secure and developed society with faith and confidence in itself,
- a fully moral and ethical society,
- a matured, liberal and tolerant society,
- a scientific and progressive society,
- a fully caring society

C. **An Economic Vision - With 2 Objectives**

- i) *an economically just society*, which has 4 targets:
  - a) Absolute eradication of absolute poverty
  - b) Non-identification of race with economic function
  - c) Non-identification of economic backwardness with race
  - d) Full partnership in economic progress - control, management and ownership of the modern economy,
- ii) *a successful economic system*, which itself has 2 goals:
  - a) "a prosperous society"
  - b) "with an economy that is fully competitive, dynamic, robust and resilient".



5. **Nine Central Objectives**

"There can be no fully developed Malaysia until we have finally overcome the nine central strategic challenges that have confronted us from the moment of our birth as an independent nation.

The first of these is the challenge of establishing a united Malaysian nation with a sense of common and shared destiny. This must be a nation at peace with itself, territorially and ethnically integrated, living in harmony and full and fair partnership, made up of one Bangsa Malaysia with political loyalty and dedication to the nation.

The second is the challenge of creating a psychologically liberated, secure, and developed Bangsa Malaysia with faith and confidence in itself, justifiably proud of what it is, of what it has accomplished, robust enough to face all manner of adversity. This Malaysian Society must be distinguished by the pursuit of excellence, fully aware of all its potentials, psychologically subservient to none, and respected by the peoples of other nations.

The third challenge we have always faced is the challenge of fostering and developing a mature democratic society, practising a form of mature, consensual, community-oriented Malaysian democracy that can be a model for many developing countries.

The fourth is the challenge of establishing a fully moral and ethical society, whose citizens are strong in religious and spiritual values and imbued with the highest of ethical standards.

The fifth challenge that we have always faced is the challenge of establishing a matured, liberal and tolerant society in which Malaysians of all colours and creeds are free to practise and profess their customs, cultures and religious beliefs and yet feeling that they belong to one nation.

The sixth is the challenge of establishing a scientific and progressive society, a society that is innovative and forward-looking, one that is not only a consumer of technology but also a contributor to the scientific and technological civilisation of the future.

The seventh challenge is the challenge of establishing a fully caring society and a caring culture, a social system in which society will come

before self, in which the welfare of the people will revolve not around the state but around a strong and resilient family system.

The eighth is the challenge of ensuring an economically just society. This is a society in which there is a fair and equitable distribution of the wealth of the nation, in which there is a full partnership in economic progress. Such a society cannot be in place so long as there is the identification of race with economic function, and the identification of economic backwardness with race.

The ninth challenge is the challenge of establishing a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient.

We have already come a long way towards the fullest fulfilment of these objectives. The nine central objectives listed need not be our order of priorities over the next three decades. Most obviously, the priorities of any moment in time must meet the specific circumstances of that moment in time. But it would be surprising if the first strategic challenge which I have mentioned, the establishment of a united Malaysian nation, is likely to be the most fundamental, the most basic".

6. **Vision 2020 Concentrates on the 9th Objective**  
*(the creation of a prosperous, competitive economy)*

**Goal 1: A Prosperous Society**

"With regard to the establishment of a prosperous society, we can set many aspirational goals. I believe that we should set the realistic (as opposed to aspirations) target of at least doubling our real gross domestic product every ten years between 1990 and 2020 A.D. If we do this, our GDP will be more than eight times larger by the year 2020 than it was in 1990. Our GDP in 1990 was 115 billion Ringgit. Our GDP in 2020 should therefore be about 920 billion Ringgit in real (1990 Ringgit) terms.

This rapid growth will require that we grow by an average of about 7 per cent (in real terms) annually over the next 30 years. Admittedly, this is an optimistic projection but we should set our sights high if we are to motivate ourselves into striving hard.

We must guard against "growth fixation", the danger of pushing for growth figures oblivious to the needed commitment to ensure stability, to keep inflation low, to guarantee sustainability, to develop our quality of life and standard of living, and the achievement of our other social

objectives. It will be a difficult task, with many peaks and low points. But I believe that this can be done.

In the 1960s, we grew by an annual average of 5.1 per cent. In the 1970s, the first decade of the NEP, Malaysia grew by an average of 7.8%; in the 1980s, because of the recession years, we grew by an annual average of 5.9 per cent. If we take the last 30 years, our GDP rose annually in real terms by an average of 6.3 per cent. If we take the last 20 years, we grew by an annual average of 6.7 per cent.

If we do succeed, and assuming roughly a 2.5 per cent annual rate of population growth, by the year 2020, Malaysians will be four times richer (in real terms) than they were in 1990. That is the measure of the prosperous society we wish and hopefully can achieve".

#### ***Goal 2: A Competitive, Dynamic, Robust and Resilient Economy***

"The second leg of our economic objective should be to secure the establishment of a competitive economy. Such an economy must be able to sustain itself over the longer term, must be dynamic, robust and resilient. It must mean, among other things:

- A diversified and balanced economy with a mature and widely based industrial sector, a modern and mature agriculture sector and an efficient and productive and equally mature services sector;
- An economy that is quick on its feet, able to quickly adapt to changing patterns of supply, demand and competition;
- An economy that is technologically proficient, fully able to adapt, innovate and invent, that is increasingly technology intensive, moving in the direction of higher and higher levels of technology;
- An economy that has strong and cohesive industrial linkages throughout the system;
- An economy driven by brain-power, skills and diligence, in possession of a wealth of information, with the knowledge of what to do and how to do it;
- An economy with high and escalating productivity with regard to every factor of production;
- An entrepreneurial economy that is self-reliant, outward-looking and enterprising;
- An economy sustained by an exemplary work ethic, quality consciousness and the quest for excellence
- An economy characterised by low inflation and a low cost of living;

- An economy that is subjected to the full discipline and rigour of market forces".

#### 7. Malaysia's "Winning Formula": 22 Key Economic Policies for the Foreseeable Future

The winning formula in summary:

1. the private sector must be the primary engine of economic growth;
2. downsizing of the public sector and governmental withdrawal from economic production and intervention;
3. continued productive de-regulation;
4. continued privatisation;
5. an "Accelerated Industrialisation Drive";
6. horizontal and vertical expansion of small and medium scale industries;
7. reliance on export-led growth;
8. on the imports side, liberalisation of the Malaysian economy;
9. continued emphasis on foreign investments;
10. a domestic investment initiative;
11. vigorous infrastructure development;
12. a determined human resource development emphasis;
13. dynamic entrepreneurship development;
14. the tightest control of inflation;
15. a competitive exchange rate regime;
16. industrial technology development;
17. modernisation of the services and the agricultural sector;
18. "a second rural development transformation";
19. sustainable development;
20. an information-rich society;
21. an active economic diplomacy programme; and
22. Malaysia Incorporated.

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\* The views and assessments expressed in these talking points are entirely the author's own.

## GAP Per capita Malaysia & Nigeria 1955-1994 (US\$)

### GDP Per Capital

<u>Year</u>	<u>Malaysia</u>	<u>Nigeria</u>
1955	234	255
1957	227	251
1960	276	283
1965	313	314
1970	381	348
1975	725	419
1978	1090	560
1979	1370	270
1980	1620	330
1981	1840	770
1982	1860	860
1983	1860	770
1984	1980	730
1985	2000	800
1986	1830	640
1987	1810	370
1988	1940	290
1989	2160	250
1990	2320	290
1991	2520	340
1992	2790	320
1993	3009	N/A
1994	3406	N/A

*Source: 1955 - 1975 IMF Financial Statistics (National Figures converted to LISS figures using market exchange rate.*

*1976 - 1992 World Development Report Various Years*

*1993 - 1994 Economic Report Ministry of Finance*

### **Questions and Answers on Dr. Noordin Sopiee's Presentation:**

#### **Comrade Godwin Erapu - Nigerian Labour Congress**

Dr. Noordin Sopiee, I want to know how EPZs have been implemented in your country and the safeguards in place to protect the right of workers.

**Dr. Noordin Sopiee**

EPZ was introduced in my country about 30 years ago and it has been successful. Foreigners and citizens are allowed to produce for export without tax liability in the EPZ. But they pay taxes on any part of their output sold in the domestic market.

Every worker knows his price. So if a worker is unhappy with his employer, it is a free market, and he can take up employment anywhere. Generally, best protection for workers is economic growth. However, Government does not allow unionism across the electronics industry. What is allowed are in-house unions.

**Chamberlain Oyibo - Nigerian National Petroleum Corporation (NNPC)**

How does Government treat PETRONAS, the Malaysian national oil company in terms of freedom to operate?

**Dr. Noordin Sopiee**

PETRONAS is a big organisation, which competes with Esso, Shell and Mobil, etc. It is completely independent and reports directly to the Prime Minister.

**Mrs. O.A. Demurin - CBN**

The level of inflow of foreign investments into Malaysia fluctuates, and has not been on the steady increase. Can you explain this?

**Dr. Noordin Sopiee**

A \$2 billion drop is good enough but it is not the best. The drop is attributable to the "China miracle". But we thank the USA for the fall in the USS and Japan for increase in Yen value. Japanese solution to the problem would be to relocate their investments in other countries. We expect Malaysia to have a fair share of this, and thereby have the investment level raised again.

**Dr. Olu Makinde - ARMTI, Ilorin**

Malaysia acquired palm fruits and seedlings from Nigeria in the 1970s. Now, you are one of the leading exporters of palm products in the world. How did you manage your agricultural commodity exchange system to make a profit?

**Dr. Noordin Sopiee**

I don't think this is particularly true, because palm trees were grown in large numbers in Malaysia since the last 50 years. However, we have the best technology in the world for producing seedlings. Malaysia is prepared to help any nation in need in this regard.

**Aliyu Yahaya - FRCN, Kaduna**

How has Malaysia tackled the issue of dishonesty in its reforms especially in the area of privatisation because the fear here is that if everything is privatised, a few privileged people will buy up everything?

**S.I.C. Okoli - NOLCHEM PLC**

What were the native (but actually practised) strategies that uplifted the moral and ethical standards of Malaysia thus providing the discipline and will for the people of Malaysia to achieve the key objectives enumerated by the speaker?

**Dr. Noordin Sopiee**

I will answer the last two questions together. Morality is based on society's practices and norms. It is the "software" that makes the society's "hardware" to function. Corruption exists in every society and Malaysia is no exception. The difference, of course, is in the degree. Recently, the Prime Minister revised the code of ethics for his ministers to raise the standard of integrity in public service.

**Faysal El-Khalil - Seven-Up Bottling Company PLC**

Our private sector has been blamed for being selfish, and not caring about the development of the informal sector and small businesses. Can you please expand on your remark on the growth of this sector in your country with no direct government involvement?

**Dr. Noordin Sopiee**

What we have done is to develop an "umbrella" concept. When bureaucrats help business, they always send a bill. We expect big companies to spur small ones, just as General Motors buys its components from about 5,000 suppliers scattered all over the world. We adopt Gramme Bank (a type of People's Bank) formula evolved in Bangladesh to develop small businesses. Capital financing is promoted through low interest rate (between 4% and 8%). Savings rate is 36%, one of the highest in the world.

**Sonny Allison - Red Star Express/FEDEX Courier**

Dr. Sopiee's speech should be aired fully on NTA nation-wide and several times over. We all have a lot to learn from Malaysia. Excellent presentation.



## Appendix P

### **"Economic Opportunities Facing Nigeria"**

By Professor F.S. Idachaba,

Vice Chancellor University of Agriculture

Markurdi

#### I. Introduction:

It is both an honour and a privilege to have the opportunity to address such a distinguished audience of dignitaries that are not only from the corridors of power but the bedroom of power and personalities that are not only the captains of industry but the moguls of industry. I think it is a little hazardous for our respected Secretary to the Government of the Federation, Alhaji Aminu Saleh, to invite a professor to give a dinner lecture. Though I always consider my lectures to be brief, many from my various captive audiences will dispute this. Truly, on an occasion like this, I must be compulsorily brief whether I like it or not.

I wish to congratulate the Head of State, Commander-in-Chief of the Armed Forces, General Sani Abacha, for sustaining organized dialogue and programming sessions between government and the private sector. This dialogue is significant for four reasons. First it demonstrates some measure of continuity in the face of our political and economic difficulties. I was privileged to attend the August 1993 and December 1993 follow up meetings on the economy summit concept. To realize the economic opportunities before us, there must be socio-political consensus on the basic thrusts of national economic policy over which the major strata and power groups are agreed. This is necessary so that national economic policy can achieve some measure of stability. Dialogue is necessary so that certain positions on national economic policy become irreversible. Efforts must continue to be made to disseminate the main elements of the Economic Action Agenda across the different power centres and interest groups so that we can achieve irreversibility on certain minimal (basic) policy thrusts. The challenge is how to achieve orderly economic growth even when confronted with political instability. Second, the Summit offers an opportunity to define new forms of relationships and roles in the alliance between government

and the private sector. Partly based on our experience and partly based on comparative experiences worldwide, government at all levels must disengage from direct involvement in those production and distribution activities that can be better performed by the private sector. Third, the Summit provides the opportunity to sensitize the private sector to the historic challenge and mission to rapidly develop the Nigerian economy. The private sector as the engine of growth must embrace its new responsibilities on the assurance that government will consistently and irreversibly disengage from those economic activities that are better performed by the private sector. Finally, this Summit is evidence to me that there is still life after the 1994 budget. The 1994 budget was a major setback in national economic management, both in spirit and substance. I do not see how this summit could have sensibly held against the backdrop of the 1994 budget. Your Excellency, the 1994 budget left many of us dumbfounded because we had thought, naively it turned out, that certain economic reforms and policies were so firmly in place that they only needed fine tuning, not complete reversals and drastic modifications of the major economic policy thrusts of the 1986-93 period. The 1995 budget has again provided refreshing hope that we can get back on track with respect to major policy thrusts: free markets, encouragement of private investment, creation of an enabling environment, effective governance, commitment to the rule of law, competition, the establishment of the economic foundation for democracy and a reliance on a market-determined prices in place of administratively determined prices.

In the balance of my presentation tonight, I shall present different facets of economic opportunities in Nigeria in Section II, to be followed in Section III by a specification of the outstanding issues in exploiting our abundant economic opportunities in Nigeria. This would be followed by a set of recommendations in Section IV after which I will make some concluding observations.

## II. Economic Opportunities in Nigeria:

How then might we approach our discussion? Let us proceed by posing the following questions. What Economic opportunities? How shall the economic opportunities be realized? Who will realize the Economic opportunities? Economic opportunities for whom? Who are the actual as contrasted with the intended beneficiaries of realized economic opportunities?

### **What Economic Opportunities?**

Two schools of thought can be identified. One school of thought believes that prospective investors are ignorant or ill-informed about economic opportunities in Nigeria. What is required, according to this view, is to provide necessary documentation in a long list of investment opportunities by Ministries with executive portfolio responsibility for the different sectors and their parastatals. The volumes on available raw materials for diverse investment prospects published by the Raw Materials Research and Development Council are along this line. Benchmark surveys, raw data generation and pre-feasibility surveys carried out by government agencies as generalized support for prospective investors are also in this spirit. The archival material on investment prospects in Nigeria now established by government is both mind-boggling and mouth-watering. Private sector operators have also built up an impressive array of feasibility studies and projects reports. Indeed, many of you in this august gathering will confirm that thousands of these rosy, mouth-watering investment proposals to realize economic opportunities in Nigeria are simply gathering dust on shelves in government offices and corporate offices in Nigeria, Europe, the USA and other countries, waiting to be dusted up and reactivated when the domestic conditions within our country are right.

The second school of thought posits that much is now already well known about economic opportunities in Nigeria, that the shelves are full of investment proposals to exploit these economic opportunities. The problem, according to this school of thought, is not so much the lack of knowledge about the economic opportunities waiting to be exploited but with the persistence of constraints within the political and economic environment that prevent the realization of these economic opportunities. The shelf of economic opportunities is, according to this view, not bare: it is almost overflowing. The search for economic recovery and the resumption of economic growth must therefore begin with identification of those political and economic constraints that

hamper the exploitation of economic opportunities. At the margin, greater social returns would be realized from the investment of national resources in the removal of institutional, political and environmental constraints that strangle and suffocate private investments than on building up more inventories of bankable investment proposals and economic opportunities. The primary purpose of a dialogue such as we have had is not so much an opportunity to throw up new economic opportunities, thousands of which are already well known by the private sector.

It would be boring to list even a sample of economic opportunities partly because they are already well known and partly because they are dynamic in nature depending on changes in the domestic and international environment. I think it more useful to emphasize certain principles that will guide the nation in the selection of the components of the portfolio of economic opportunities to exploit as a nation. These include the following among others:

(a) **Attainment of National Economic Security**

Let us define national economic security as when the majority of Nigerians have access to a decent quality of life all the time. The country should strive to exploit those economic opportunities that contribute to national economic security. It is important to stress the point that national economic security, to be meaningful and sustained, must be permanent rather than transient or temporary. There is an egalitarian or equity dimension to our definition of national economic security as it emphasizes access of the majority of Nigerians, not the select few with friends in high places, to a decent existence or quality of life.

(b) **Maximization of Value Added**

The exploitation of economic opportunities into the 21st century must de-emphasize the reckless mining especially of exhaustible resources and accord highest priority to those investment proposals with maximum value added. For the future, we must move away from enclave investment proposals to those that have significant multiplier effects and linkages within the domestic economy. This builds into private investments an internal dynamism that is self sustaining and mutually reinforcing.

(c) **Economic Opportunities that Utilize Domestic Raw Materials**

Conscious efforts must be made to support and exploit economic opportunities that utilize Nigeria's abundant raw materials. Much

of the loud complaining and criticism of the many government efforts to allocate scarce foreign exchange among competing users stems largely from the nation's dependence on borrowed production systems that have not been adapted to our needs and natural resource endowments. The success of Companies in the food and beverages sector in new process engineering works to adapt production systems to utilize local grains in place of the banned imports of malted barley is a revolution that needs to be replicated many times over. Most of us here are familiar with the revolutionary process engineering works in Cadbury, Nestle Foods, Nigerian Breweries, etc that have opened new chapters with cereal conversion plants, not to mention the spare parts industry at Nnewi. When companies in the Food and Beverages industry were faced with crisis of the ban on imported barley, they put in place teams that worked on new process engineering technology that utilized local grains together with appropriate market research on consumer tastes to conduct necessary acceptability tests. I am not encouraged by the corresponding response of the flour millers when wheat imports were banned. Half hearted efforts to mill maize and other grains and to bake composite bread were quickly replaced by campaigns of blackmail against the Federal Military Government until the ban on wheat imports was lifted and for a while, wheat imports came in at zero duty. There are therefore differential responses from companies and sectors in the private sector to the challenges of economic transformation based on Nigeria's local raw materials: some operators have aggressively adapted their production processes while others are so hooked on raw materials imports that they make only feeble efforts at new process engineering technology. Some responses to the challenges of economic transformation based on economic opportunities that utilize local raw materials have been so feeble and faint-hearted as to give the alarming impression that these Companies domiciled in Nigeria are more concerned about the economic fortunes of foreign-based Companies that supply the imported raw materials than in the survival of the Nigerian Companies. Technical agreements and operational modalities of companies need to be revisited to ensure that these are not skewed in favour of perpetual dependency on imported raw materials. The Honourable Minister of Industries, General Haladu, was complaining aloud recently over why cement manufacturers found it easier to import gypsum from Spain than from Yobe or Sokoto State. I too wonder. But the important point is that the gypsum case is the tip of the iceberg: there are thousands

of similar examples to illustrate our continuing raw materials import dependency.

**(d) Economic Opportunities that Provide Jobs and Employment**

Dependency on imported production process skews choices in favour of the latest, and usually labour-saving, technology. Yet the Nigerian economy is afflicted with high levels of unemployment that is posing a serious threat to the stability of the polity.

**(e) Economic Opportunities that Earn or Save Foreign Exchange**

With the increasing globalization of economic relations among nations, the imperative of export-promoting and import-saving investments becomes more compelling. A voracious appetite for imports of raw materials and finished goods that is not matched by corresponding export producing capacity is perfect prescription for malalignment of the foreign exchange rate. And the Manufacturers' Association of Nigeria (MAN), would be in the forefront of those complaining about the high foreign exchange rate or about Central Bank interventions in AFEM.

**(f) Economic Opportunities that Provide the Basic Needs of the Average Nigerian**

To uplift the quality of life of the average Nigerian, investment proposals must be skewed in favour of goods and services needed by the common-man. A definite slant must be provided in favour of the low income groups, requiring, where necessary, public sector support in the area of infrastructural facilities.

**(g) Provision of National Food Security**

Investment proposals that contribute significantly to national food security should be favoured. Let us define national food security to be attained when the majority of Nigerians have economic access to domestically produced food that is adequate in quantity and quality at all times. In the United States of America, the average American spends only 13.7 per cent of his personal income on food. In Nigeria, the low-income groups are spending at least 60 per cent of their annual incomes on food. There is much starvation in the land and it is not only students who have the 0-0-1 or 0-1-0 or 1-0-0 (or even the 0-0-0) formula but even working adults are trying out different permutations. When the people starve there is no national food security.



I am against food import dependency both in theory and practice, in the Nigerian case. The country is amply endowed with natural resources that can be exploited to our own economic advantage to provide the food we need. It amounts to a colossal waste of resources to abandon these and resort to food imports.

**(h) Economic Opportunities that are Environment Friendly**

Desertification, soil erosion, floods, wind erosion and industrial pollution are with us. Investment proposals need to be more closely screened for their environmental consequences. We cannot afford to leave environmental concerns for future generations.

**(i) Investment Proposals that are Women Friendly**

Some have referred to African womenfolk as the beast of burden. Conscious efforts must be made to identify how the other half copes with the consequences of new investment proposals. Otherwise we might, if we are successful, record substantial economic progress but with an ugly social face, or sexual face.

**(j) Economic Opportunities that Focus on Human Resources**

The quality of human resources is the key to the growth of nations. It is differences in the quality of human resources more than any other factor which explain the differences in economic growth rates among nations. Stated alternatively, it is not the quantity of oil, gold, timber and other physical resources that account for observed sustained growth of nations but the quality of the people. As we have painfully discovered, oil alone or hydrocarbons in general, cannot provide us with sustained economic growth without vast improvements in the quality of our people, including in particular the quality of the leadership, the embodiment of modern organizational and management techniques. This naturally leads me to the question: how?

**How shall the Economic Opportunities be Realized?**

It is important to stress what should now be obvious - that the bulk of economic opportunities in the form of investment proposals are best realized from the viewpoint of highest pay-off to society through private sector investments. The national economic system must wean itself from an inherited legacy in which good-intentioned government direct



involvement with production and distribution activities have almost always produced policy mistakes, unintended policy consequences and, what is more worrisome, created layers of beneficiaries of policy mistakes who constitute themselves into powerful vested interests. They couch private interests (for self or group) in elegant arguments such as the "evils of private monopoly", "no nation surrenders its economy to market forces", "the need to protect the common man", etc. The opposition of some pockets of the elite to free markets and their continued advocacy for government involvement in inappropriate roles must be demolished, and demolished for good.

The 1995 Budget shows evidence of conviction leadership to begin the demolition job of the control regime of the earlier era. I congratulate the Federal Military Government for boldly scrapping the Exchange Control Act of 1962 and the Nigerian Enterprises Promotion Decree (1977, amended 1989). It is a sad commentary that the Exchange Control Act remained in the statute books for so long, protected, as usual by elegant and purportedly patriotic arguments about "capital flights" when in actual fact it was an open secret who the real beneficiaries of foreign exchange controls were!

More generally, the movement to a free market economy must be accompanied by a dismantling of laws, rules and regulations that were designed for an earlier control era. My experience with policy reforms, from design to implementation, shows that there are severe limits to the help that the system can expect from many mainstream public bureaucrats, for obvious reasons. Much effort will be squandered in defence of the status quo and on the imagined difficulties and problems of the proposed reforms, sometimes including deliberately misleading references to absolutely non-existent similar reform precedents that did not work.

A major element of how economic opportunities will be exploited is the capital market which mobilizes private savings from long term capital investments. The high drama and theatrics of the money market coupled with what appears to be our rather short investment horizon have beclouded our vision of the capital market. While the self-regulatory authorities (the Nigerian Stock Exchange) and the statutory authorities (the Securities and Exchange Commission) have done a commendable job to ensure stability, it has almost been stability of the graveyard. The NSE and SEC are still to effectively disengage from their historical controls over the pricing of securities (primary and secondary);

there are sharp practices by issuing houses, registrars and other market operators who openly and recklessly cheat the Nigerian investing public and the Nigerian Stock Exchange has very little to show for its age (established in 1960) in terms of market vibrance, market turnover or market capitalization. The low capitalization is partly due to the rapid depreciation of the Naira but is almost substantially due to the crippling effect of controls on the prices of securities by the Nigerian Stock Exchange and the low volume of shares traded on the NSE. Compare the Ghanaian experience with the Nigerian experience: the much younger Ghana Stock Exchange is more vibrant and boasts of Ashanti Gold Mines being simultaneously quoted on the Ghana Stock Exchange and the London Stock Exchange. Yet, the foreign exchange rate has gone from C2.73/\$1 in 1982/83 to a dizzying C600/\$1 in 1995 while the foreign exchange rate has gone from N1/\$1 to N82 over the same period. The underdevelopment and dormancy of the Nigerian Stock Exchange must be traced to the stranglehold of the regulatory authorities on movement of prices of securities especially the obnoxious, unnecessary, arbitrary, bureaucratic and anachronistic ceilings placed by the NSE on the daily movement of prices of securities. These price controls have created artificial distortions in private investments as they have induced investors to move investment funds into other assets such as real estate, LPO financing, import-export, etc. where there are no regulatory controls on asset prices. It is little wonder that the Nigerian Stock Exchange has not achieved its great potential.

The challenges facing the private sector in assuming primary responsibility for exploiting economic opportunities are enormous. The impression must not be given that only public sector bureaucrats cause problems for the Nigerian economy. Far from it. For all the impressive and commendable performance of the private sector in keeping this economy going and preventing it from "collapse", there are reasons to be apprehensive: leakages from the official to the autonomous foreign exchange market; fraud in some banks; sharp practices of capital market operators who defraud investors of their dividend entitlements, receiving bankers and registrars who keep investors' funds for long periods sometimes without interest payments, etc. There are problems of management and organisation, especially with indigenous firms in addition to the short investment horizon.

While economic democracy is a good thing, some of the captains of industry are still to show the example: is it more coincidence that some moguls of industry who later became Presidents of the Nigerian Stock

Exchange did not bring a single company of theirs to the Exchange to be publicly quoted? This has always puzzled me. In what greater way does the President of the Exchange show leadership by example or faith in the Exchange?

The new dispensation calls for more, not less, from government but only in appropriate roles. Emphasis should be on:

- provision and maintenance of infrastructure facilities (physical, social and institutional infrastructure);
- formulation and implementation of appropriate rules, regulations and laws that will promote efficient functioning of free markets, protect private property and encourage competition and ameliorate the ugly face of market forces;
- promotion of macro-economic stability with particular emphasis on the stability of domestic prices and the foreign exchange rate;
- promotion and protection of free flow of goods across state boundaries and elimination of state and local government barriers to trade in the name of revenue drive by these lower tiers of government; and
- the creation and protection of an enabling environment as repeatedly emphasized in the course of this Summit.

Let me now turn to the question of beneficiaries of economic opportunities.

### **Economic Opportunities for Whose Benefit?**

It is necessary to determine intended and actual beneficiaries of the actualization of economic opportunities. With primary reliance on private sector investments, the beneficiaries are shareholders and consumers of goods and services.

Where there are major divergences between private and social benefits of private sector investments (externalities), state intervention is necessary to ensure socially optimal levels of production of goods and services. The goods and services must satisfy the basic needs of the majority and they must be affordable. The private sector must develop a longer investment horizon and make the necessary investments in market promotion even in marginal rural markets so that major segments or geographical regions are simply not left behind because they are not currently profitable. While it is expected that conflicts might sometimes occur between the interests of shareholders and

consumers, the promotion of competitive markets will minimize such conflicts.

Government will need to play a more active role in environmental monitoring to minimize environmental degradation especially where externalities cannot be internalized for a variety of reasons such as high transactions costs. A classic example is the perennial conflict, sometimes resulting in many deaths, between Fulani cattle herdsman and arable crop farmers in many northern states, where government intervention becomes inevitable. In the new dispensation in a deregulated economy, government machinery should be able to settle disputes between private parties as well as protect private property rights.

### III. Outstanding Issues on the Actualization of Economic Opportunities

Let me now briefly treat some outstanding issues that stand in the way of exploiting economic opportunities in Nigeria.

#### 1. Lags in Realising Economic Opportunities

There are three major lags that public and private investors must drastically eliminate to derive maximum private and social pay-off from the exploitation of economic opportunities as we approach the 21st Century.

First is the lag between the emergence of an economic opportunity and its discovery by prospective investors. What factors determine the length of this lag in the Nigerian economy? These include information; technology (as with new seismological techniques that speed up identification of hydrocarbon reserves that could not be so easily located with previous technology). The discovery of the suitability of the northern states for fertilizer-responsive maize production is a case in point; so is the case with the discovery of commercial quantities of solid minerals in Bauchi and other states. Both government and the private sector need to invest more resources in research and modern exploratory technology to reduce the economic opportunity lag.

Second is the lag between the discovery of an economic opportunity and its exploration. Factors determining the length of this lag include the set of pipeline activities that must necessarily be completed to determine economic viability of the project. These include pre-feasibility studies, feasibility studies and appraisal

studies leading to a decision based on the usual investment decision criteria and investment decision rules usually employed by private investors. Other factors determining the length of this lag include arrangement of the financing package, obtaining necessary approvals from government regulatory authorities. Sometimes, the lags can be long, as in the lag between the discovery of oil at Oloibiri (1958?) and commercial production and export (1971?) and the exploitation of solid minerals. For private investments, the usual bottlenecks are in those areas where prospective investors must deal with government agencies for necessary approvals. Efforts to set up a one-stop clearing house to accelerate the approval process has not yielded the desired results. When the length of this lag in Nigeria is compared with what obtains in other countries, it becomes clear why foreign investment, or any investment, is only flowing in trickles. Very urgent institutional and policy reforms are required to accelerate the government approval process and reduce the long investment lag.

Finally, there is the lag between the exploitation of an economic opportunity (an investment) and achievement of the desired impact through project output. Factors affecting the length of this lag include the gestation period of the project (e.g. cocoa, rubber, oil palm plantation; toilet roll production, LPO financing of Christmas hampers imports, etc. all have different gestation periods), and the underlying infrastructural facilities. Government investment projects are notorious for the unusually long length of this investment impact lag (e.g. Iwopin Paper Mill, Ajaokuta; Delta and Katsina Steel Projects, Car Assembly Plants, etc.). There are hundreds and possibly thousands of investment projects of government at the Federal, State and Local levels that have consumed billions of Naira but have little impact to show after decades of resource guzzling. The solution is for government to completely divest from these projects.

### **Privatization**

Government should be congratulated for the highly commendable record on privatization. One does not underestimate the political opposition and power of vested interests determined to derail the course of privatization. There are reports of abuses of the privatization especially in the banks, but the wrong conclusions have been drawn. It is not during privatization that you begin to

question long standing inequities in the distribution of personal incomes. Value judgements about personal incomes of individuals, unless criminal behaviours is evident, should not be confused with the merits of privatization. If there are statutory limits on individual shareholding, SEC should have monitored compliance together with the TCPC (BPE) and the Corporate Affairs Commission which has data on the companies that might have been used as fronts by some individual investors.

My recommendations: once it is proved that some individuals have exceeded set statutory limits on individual shareholdings in the bank, the surplus should be sold on the floor of the Stock Exchange. But I must quickly add that there should be no difference between the big (3) banks and all the other banks. It must be a comprehensive determination of violations of statutory limits on shareholding whether it is first generation or fifth generation. I am of the view, indeed the strong view, that our privatization has not gone far enough. And the problem is structural: public bureaucracies are fatally handicapped as business enterprise. It matters not whether the managing directors and boards of government parastatals are changed with every change in regime or whether, as has frequently happened, the same regime decides to change these MDs and Boards many times during its own life time. Neither does it matter how many probe panels are set up or whether probe reports or white papers on them are released by government or not. In my short life time as a policy analyst, I have seen enough recomposition of boards, management teams, removal and replacement of MDs with immediate effect and probes with or without white paper to make me a complete agnostic in parastatals. It is not this government that is to blame. It is the structure of parastatals engaged in commercial activities that are better performed by the private sector that is fatally flawed and should be scrapped. Those who criticize this government for instituting probes or for failing to release white papers merely attack the symptom but leave the disease to grow cancerously.

This Administration has demonstrated bold conviction leadership in the 1995 Budget. The nation requires further privatization for the economy to move forward. Vested interests would always dream up elegant arguments to protect their turf. Only some years back, they told us national security would be compromised if private airlines were allowed to operate or if courier service companies



were allowed to carry mail. It is difficult to imagine how much further our economy would have sunk if the national economy now depended on only Nigeria Airways or NIPOST. I used this analogy in advocating the establishment of private universities to break the unhealthy monopoly of the public sector in university education during the Inaugural Convocation of the University of Agriculture, Makurdi, on 9 March, 1991 with former President Ibrahim Babangida sitting right next to me. He not only agreed totally with my advocacy but followed it up by issuing the necessary directives to promulgate a decree and for the National Universities Commission to prepare the necessary guidelines. I am personally pleased that some progress, though rather slow, has been made towards the establishment of private universities in Nigeria. The privatization programme must be pursued with renewed vigour and it should display more courage and conviction than we have witnessed so far. I shall make specific recommendations shortly.



### 3. Policy Stability

Policy instability exists when there are frequent revisions and modifications in policy and quite often complete policy reversals. Changes in policy are sometimes rooted in changes in regime. A new regime introduces policy changes for any of three reasons. One, policy changes may reflect genuine changes in priorities where a new regime has a coherent policy of its own that differs from the inherited policy. The change from the control regime and the era of essential commodities in the Buhari regime to the deregulated economy and reliance on free markets in the Babangida regime is a fundamental change. Two, a new regime may introduce policy changes merely as a legitimizing exercise, to win legitimacy among skeptics and neutral observers as to whether the new regime will make any difference. Unnecessary policy changes are introduced to win legitimacy in the early life of the regime after which the difference between the new regime and the previous ones is as wide as the difference between one score and twenty. Our experience shows that it is not only changes in regime (political instability) which cause policy instability. Policy instability comes when in the same regime, Ministers are frequently changed. In the Babangida era, there were 8 Ministers of Agriculture in 8 years.

Since January 1993, Nigeria has had four Ministers of Agriculture in 28 months, giving an average of one Minister every 7 months. Since January 1993, Nigeria has had 3 Ministers of Finance, an average of 1 Minister of Finance every 9 months. Contrast this performance with Ghana: the Minister of Finance, Mr. Bochwey, has been on the same job in the last 14 years while Admiral Obimpe was Minister for Agriculture for over 8 years and Ghana has not had more than 2-3 Ministers of Agriculture in the last 14 years. It is true that while Ghana has had one Head of State in the last 14 years, Nigeria has had 6. The problem of frequent changes in Ministers for policy instability is exacerbated, indeed compounded, when either there is no coherent sector policy of the regime or where the regime is so preoccupied with other matters it does not pay due attention to some sectors with the result that each new Minister carves out his own agenda of priorities for the sector and implements it as he or she knows best.

It is in this context of policy instability that the 1994 budget must be regarded as a grave setback that should never be allowed to recur. The policy signals emitted by the 1994 budget were both confusing

and inconsistent. Much as we now applaud the Federal Government over the 1995 budget, some of us still continue to ponder how the 1994 budget happened and we tremble in fear whether it can happen again, in the near or distant future. The nation must move forward and we are happy that we are back on track with the 1995 budget.

4. **National Consensus on National Economic Policy Thrust**

Italy has had over 45 governments since 1945. If economic policies were to change at the dizzying rate that governments have changed, there would have been crippling policy confusion and an economy in ruins. But there has been impressive economic stability and progress in the face of political instability because of the substantial consensus within the polity on the basic thrust of national economic policy. The outstanding challenge in Nigeria is how to achieve national consensus, at least consensus among the main power centres and elites, on the fundamental thrusts of national economic policy that is invariant to changes in regime and changes in Ministers.

The second National Economic Summit is a major milestone in the quest for this national consensus. The proceedings should not stop at the publication of a Proceedings Volume (*Economic Action Agenda*) that is priced out of reach of all actual and potential policy makers and advisers. Information to assist in moving the country towards national consensus on the economy is of fundamental importance for future economic policy stability and it needs mass circulation and dissemination by government organs as one major contribution of governments towards future national economic stability. Assistance is needed from communications experts in the private sector on how the main conclusions and recommendations of the Summit can be widely disseminated among pockets of opinion leaders within the country.

IV. **Conclusion**

The Head of State, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, General Sani Abacha, Members of the Provisional Ruling Council, Members of the Federal Executive Council, Captains and Moguls of Industry, Distinguished Ladies and Gentlemen,

let me round my brief dinner lecture with a few concluding comments and observations.

First, dialogue between government and the private sector (organised and the unorganised) should be regularized to:

- serve as a clearing house for policy ideas, the regulatory framework and actual and potential constraints of the political and economic environment.
- entrench a national consensus on the fundamental guiding principles of state economic policy that remains invariant in its basic (core) elements to changes in regime and changes in Ministers and
- provide a forum for facing feedback linkages between the private sector and government.

I recommend that the dialogue should be broadened in a serious sense so that a triangular Summit of government, science and industry replace the present Summit that is largely between government and the private sector. Nations confronted with national challenges have always forged this triangular relationship. When Russian launched Sputnik in 1957, America was jolted into forging a triangular relationship between government, science and industry that produced the sprawling space industry in California and successfully landed the first man on the moon in 1969, on schedule as demanded by President Kennedy. India was the laughing stock of the world with its famines and mass starvation in the 1940s, 1950s and 1960s. To check the drift, India swiftly moved to rearrange its institutions for agricultural research, training and extension by establishing the first two agricultural universities in 1960; today in 1995, India has thirty-three agricultural universities. It was these agricultural universities that spearheaded the Green Revolution in India which can now boast of thirty million tons of surplus grain some of which it donated to some East African and Southern African countries during the 1991 - 93 period.

Much earlier, when The Netherlands (Holland) was confronted with huge bills for wheat imports at the turn of the last century into the beginning of this century, it established the world renowned Wageningen Agricultural University in 1918 which has revolutionized agriculture in The Netherlands and turned it into one of the major players in world agricultural exports. Take the United States of America which started the concept of agricultural universities with the establishment of the first (Michigan State University, my alma mater) in 1857; today the United States has 75 land grant agricultural universities in every State. These universities have created the world's strongest agricultural economy and turned America into the world's leading

agricultural exporter. Other countries that followed suit and established agricultural universities include Sweden, Norway, Denmark, (all with very productive agriculture), Hungary, Poland, Czech Republic, Bulgaria, Pakistan, Bangladesh, Thailand, Kenya, Tanzania and Morocco.

In all these success stories, it was the triangular, tripartite alliance between government, science and industry (agriculture) that focused national energies on the food problem, broke the constraints and turned agriculture around. The Federal Military Government established two Universities of Agriculture at Makurdi and Abeokuta in 1988 and a third in Umudike in 1992. They need sustained political and budgetary support of government to enable them realize the historic mandate as agricultural universities in other countries have done. After 7 years 4 months running the University of Agriculture, Makurdi, and with only a few more months to go, I am a stronger believer in the potential of agricultural universities than when I started in January 1988 and recommend continued support of the Federal Government for these agricultural universities.

Third, I recommend a bolder more courageous privatization programme. In my scheme, this country will know no economic peace and true sustained economic property until NEPA and NITEL are fully privatized. Archaic laws that confer monopoly powers on NEPA and NITEL should be repealed to allow new competitors to usher in a new era of provision of utility services. NEPA and NITEL could be rendered as irrelevant as Nigeria Airways now is by opening up to private sector operators. But this requires political courage, lots of political courage, something the Abacha Administration is amply endowed with.

Fourth, the private sector must institute its own cleansing mechanisms to minimize the ugly face of free markets and private property, as recent experiences in the finance sector remind us all. We go further: the private sector through spokesmen of its associations should balance its concerns over the foreign exchange rate with public admonishment of some of its members who are so hooked on raw materials and spare parts dependency that they have done nothing really serious and revolutionary in new process engineering technology that utilizes domestic raw materials. The companies that have invested heavily in new process engineering technology are doing well and are surviving the high foreign exchange rate regime. It serves little purpose to depend so heavily on raw material imports which in turn put pressures on the foreign exchange rate and then turn around to blame the Central Bank and the Government for the high exchange rate regime.

Fifth, the exploitation of economic opportunities must place primary emphasis on the quality of human capital, the quality of our people. The Summit must place appropriate emphasis on education, particularly the problems of university education which require urgent government attention. Finally, Head of State, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, Members of the PRC, Members of the Federal Executive Council, Captains and Moguls of Industry, Distinguished Ladies and Gentlemen, permit me to quote the warning in the Book of Proverbs in the Holy Bible that "Where there is no vision, the people perish". It is my prayer that God Almighty will continue to endow our leaders in the public and private sectors so that Nigerians, as a people, will flourish and prosper.

I thank you for your attention.

## Appendix Q

### Question and Answer Sessions

*Friday, 5 May, 1995*

#### **Dr. Michael Omolayole - Omolayole & Associates**

My comment relates to Capital Gains Tax (CGT). While one group recommended its abolition, another group recommended its reduction to 10%. I suggest we should abolish CGT completely.

#### **Henry Okolo - Aluminium Technologies**

My question is on Education. Government cannot, on its own, fund university education. The issue of free university education in Nigeria should be re-evaluated.

#### **Dele Sobowale - Vanguard Media Limited**

I think the issue of population control should have been more effectively handled. I think the group on Infrastructure should have come up with firm recommendations. Otherwise, any reform measure aimed at economic growth may be rendered ineffective if population growth is not controlled.

#### **Amar Khan - First Securities Discount House Limited**

Why didn't the group on Financial and Monetary Systems recommend elimination of value-based transfer charges such as Commission on Turnover (COT)? This is a major impediment to efficient transfer of surpluses to deficit units. This is a rent on savings. COT is an overhang from times when banks needed to be incentivised to undertake commercial banking activity. Given the growing and potential size of the deposit base, promoters are actively seeking commercial banking licences.

#### **Atedo Peterside - Investment Banking & Trust Company Limited (IBTC)**

We agree with Mr. Amar Khan, and we actually considered this issue in our presentation. The objective is to reduce transaction costs on payments, and free up the system to engender competition among banks and thereby promote efficiency.

**Dr. Remi Aribisala**

I agree with Group 5 on rationalisation of multiple specialised banks. At the same time, there are indications of the need for financial arrangement for women entrepreneurs and solid minerals development. In giving thought to these needs, what are your suggestions on implementation strategies to meet these needs in order to satisfy the requirements of agitators for banks for women and solid minerals, etc.?

**Atedo Peterside - IBTC**

Let us go to the root of creating incentives to lending rather than establishing special banks for special purposes.

**Chief Olu Akinkugbe - WAMCO PLC**

Did the Fiscal System Group consider the desirability to restore zero tax on franked investment income by corporate bodies as a further incentive to fresh investment?

**Oluseyi Bickersteth - Arthur Andersen & Co.**

We agree that there should be a zero tax on franked investment income.

**Yomi Akinade - Mutual Trust Savings & Loans Limited**

Is there a proposal or law to allow an effective or forcible takeover of distressed banks by NDIC without the consent of existing shareholders who already have negative networth in the existing institution *a la* FDIC?

**Atedo Peterside - IBTC**

There is a provision in the legislation for Central Bank of Nigeria (CBN) to buy up a distress bank for N1.00. The problem has always been with the interval between the occurrence of distress and disposal of the affected bank by CBN.

**John Ebohdaghe- Nigeria Deposit Insurance Corporation (NDIC)**

My questions are for Alhaji Ismaila Usman. Don't you consider that requiring upfront payment for imports would put inflationary pressures on the economy? Secondly, we have had records of both instability in government and policies. How is this problem proposed to be solved in future?

**Alhaji Ismaila Usman - Central Bank of Nigeria (CBN)**

Inflationary pressure occurs not because of upfront payment to suppliers but because of the debt overhang and inflation "imported" from country of origin of the imported goods. We agree that there is need for continuity in government. Succeeding governments have relished the practice of ignoring



commitments by their predecessors. But this is wrong, and we have recommended in our report that the practice should be discontinued.

**Anonymous**

Was re-nationalisation of banks not a topic of discussion by or interest to the group that worked on Financial and Monetary Systems?

**Atedo Peterside - IBTC**

We considered this at policy level and recommended that the issue of ownership needs to be resolved. What government must realise is that ownership and control are not necessarily coterminous. Government can control the banks through CBN without ownership in one form or the other.

**Binaisa**

Is any part of the external debt illegitimate? If so, what are your recommendations?

**Alhaji Ismaila Usman - CBN**

There is no illegitimate debt. I remember that at a time \$9 billion claims were submitted for payment. But after scrutinisation, only about \$4 billion was accepted and promissory notes were accordingly issued for that amount.

**Faysal El-Khalil - Seven-Up Bottling Company PLC**

I want to qualify the recommendation of the group that worked on Fiscal System. VAT rate should only be increased after abolition of other taxes.

**Director of Customs**

There is no reason for duty duplication on goods imported through Cotonou. There should be no duty paid on such goods in Nigeria.

**Mohammed Hayatudeen (Moderator)**

This question is not relevant at this stage as the time of the group (Group 3) to which it relates is over.

**Dr. O. P. Ifenkwe - University of Jos**

Did you make any specific recommendation on the revitalisation of the rail network or perhaps expanding them, as a means of salvaging the decay of our road network across the country?

**Vincent Maduka - LECCOM Associates**

We did examine the state of the railways and suggested ways to make the rail system effective for our mass transit needs. Additionally, we talked on utilisation of waterways as means of mass transit for cities along the coast, like Lagos and Port Harcourt, and roads in areas off the coast.

**Dele Sobowale - Vanguard Media Limited**

Will the group that worked on Infrastructure please comment on its recommendations for placing Nigeria on the global information super highway, which is rapidly bypassing the nation?

**Vincent Maduka - LECCOM Associates**

Information super highway is a combination of telecommunications and computers using latest technology like the satellite. It means that vast information are being moved around the world within a very short time. Through it, you can plug into global information network from your home. Beyond the large dish needed as the media, you do need such infrastructure as the lines to your telephone, modems (interface) and an entrepreneur who runs a network that will link you up. The Nigeria Communications Commission is the regulatory organ supervising the liberalisation of telecommunications in Nigeria. NITEL presently has excess capacity for external digital communications to provide these facilities. Private companies are also coming up with the same infrastructure due to on-going deregulation of the industry.

**Comrade Godwin Erapl - Nigerian Labour Congress**

What is the position, if any, of Group 16 (Women Participation in National Development) on the issue of women's right and abortion and the issue of child marriage?

**Mrs. Hamra Imam - University of Maiduguri Teaching Hospital**

This issue was not discussed by the group because we considered it unethical, especially in the Nigerian context. The matter has been discussed at many international fora, and there has been no consensus on it. It is a matter for each society to address, depending on its culture, religion and acceptability. On the question of child marriage, what is needed is legislation by Government on the minimum age which a girl must attain before she is given out in marriage.

**Prof J. O. Igene - University of Benin**

Group 10's recommendation urged Government to increase funding to primary and secondary level of education. In view of the call for the

deregulation of the economy and for the introduction of private universities, don't you think that the time has come to call for the payment of a reasonable tuition in the universities given the deplorable state of facilities in our universities?

**Chief Olu Akinkugbe - WAMCO PLC**

The group deliberated on this point and it was incorporated into our presentation. At the tertiary level, we should aim at cost recovery by having students pay for their education. Government can no longer bear the entire burden of funding education.

**Anonymous**

The Infrastructure Group needs to recognise the legal system as a key infrastructure element which needs to be upgraded. For the group that worked on "Partners in Progress", I think the emphasis should be on "service" as the role of civil servants/government rather than governance.

**F. C. Nnadozie - Interlinked Technologies Limited**

What recommendation did Group 10 make on the lingering issue of handover of schools taken over by government. In my view, you cannot fully address privatisation if this issue remains unresolved.

**Chief Olu Akinkugbe - WAMCO PLC**

Obviously, the environment which persisted when the schools were taken over by Government have changed tremendously. It is not automatic that the previous owners will take the schools back if Government offers to return them. Each institution that owned such schools would have to reassess its position and consider the desirability of recovering such schools from Government.

**Ray Sykes - Studio Press**

With reference to the skills aspect of education and the lack of facilities provided, did the group consider the setting up of company owned training schools and recommending tax concessions for those who do, *a la* Malaysian experience?

**Chief Olu Akinkugbe - WAMCO PLC**

It is possible to make a case for such company-established schools, but I suggest that enrolment in such schools should not be exclusive to children of employees of such companies. There should be about 5-10% of the available spaces reserved for outsiders.

**Dr. Suleiman Baffa - Nig. Security, Printing and Minting Co.**

So much has been said about instability of government and government policies as the bane of our society. However, I personally think that the blame should not be entirely on the leadership. The followership is also blameworthy for not speaking with one voice and for not supporting government, when government does right things.

**Adekunle Olumide - Lagos Chamber of Commerce & Industry**

My comment is on the recommendation of Group 12 (External Image and Support). It is my view that embarking on external publicity for Nigeria is not cost effective and indeed will be a drain on our foreign exchange reserves. This task should be left to our Embassies which are better placed to do the job. What we should do from here is to embark on remedial measures on matters which have direct correlation with our external image, e.g. improvement on reception at the airport, security of life and property, prosecution of advance fee fraud offenders, transparency and accountability by Government, etc.

*Saturday, 6 May, 1995*

**Engr. Charles A. Osezua**

Given our inability to evacuate and utilise the bitumen produced by the Kaduna Refinery, could you please explain the objective of Group 21 (Solid Minerals) in recommending the exploitation of bitumen at this time in the nation's history.

**Tuppy Owen-Smith - Mobil Oil Nigeria Plc**

I am not aware bitumen is being produced in any of our refineries.

**Duro Olatunji - CAP Plc**

What is the recommendation of Group 21 on the immense deposit of bitumen discovered in Ondo State which has not been exploited, even when this is desperately needed to develop our vital infrastructure?

**Alhaji Kaloma Ali - Honourable Minister of Solid Minerals**

The bitumen deposit in Ondo State and other parts of the country will be developed and exploited by Government.

**Abdulraman Yinusa - FSB International Bank Plc**

My comment is on the recommendation of the Solid Minerals Group. We do not need a Solid Minerals Bank to finance solid minerals development. Existing commercial banks and merchant banks can adequately handle financing of solid minerals projects, if their lending requirements are satisfied.

**J. O. Adeyemi - National Planning Commission**

There is presently a multiplicity of institutions in the agricultural sector (such as the ADPs, NALDA, River Basin Authorities and DFRRI). Would it not be appropriate to merge some of these institutions to avoid duplication of efforts and enhance the effectiveness of the programmes? For example, can NALDA and DFRRI not be merged with the ADPs to make the latter more effective?

**George Henni - Cargill Ventures Limited**

We do not need a duplication of functions by Government agencies. We would follow up on our recommendations by ensuring that proliferation of functions by Government agencies is avoided when such functions can be performed by one entity for optimal results.

**Comrade Godwin Erapl - Nigerian Labour Congress**

My question to Group 17 (Petroleum) is this: Should further increases in the price of PMS (petrol) be contemplated when incomes are currently grossly below world standards?

**Tuppy Owen-Smith - Mobil Oil Nigeria Plc**

Is it better to subsidise refined petroleum products and have government lose revenue or is it better to eradicate subsidies and have government and the industry prosper? I think the decision on market pricing has to be made for the industry and the nation to move forward.

**L. Sikand - Leventis Group**

Why is there a persistent shortage of LPG for industrial use? What recommendation is being made to overcome this problem?

**Tuppy Owen-Smith - Mobil Oil Nigeria Plc**

Shortages are attributable to malfunctioning of the refineries, and their inability to produce to full capacity. Shortages will only end when the refineries become operationally efficient.

**Vincent Maduka - LECCOM Associates**

I will like to know if the Solid Minerals Group discussed the environmental impact of mineral mining activities.

**Alhaji Kaloma Ali**

The group discussed this matter to prevent vandalisation of the environment by miners. Apart from the requirement that miners are required to close up the land to allow for agricultural use, Government also has a rehabilitation programme for mining fields that have been vandalised. I will cite for instance, a miner I saw in the Plateau during my recent tour. Even though the holes were not closed, the ducts were being used for fish farming and irrigation.

**O. A. Azubuike - Nigeria Customs Service**

How urgent is the need to incorporate the processing sector to add value to solid mineral products for export?

**Alhaji Kaloma Ali**

Government will encourage the growth of small firms to process solid minerals. Already in Jos, there is one big plant, there is a medium plant and there are about 15 small scale plants processing kaolin (gypsum). As far as precious stones are concerned, we do not have any set-up yet to clean up and process them for industrial use. But this will be addressed in future.

**Dr. Joe Ellah**

I have three comments to complement the recommendations of my group (Group 17 - Petroleum)

1. In order to terminate our cash call problem which is often associated with uncertain and questionable claims by JV operators, the JV partners should work as service contractors (to NNPC). This will induce competition among them, reduce cost of operations and increase efficiency.
2. In view of the difficulty encountered by investors in an attempt to obtain gas from JV partners, even when we have over 100 trillion standard cubic of gas reserve, any JV company that deliberately refuses to supply/provide gas to an investor should be severely penalised.
3. Nigeria should borrow a leaf from Malaysia and adapt NNPC to the Malaysian model - PETRONAS - thus operate commercially, pay PPT royalty and dividend.

**A. Olumide - Lagos Chamber of Commerce and Industry**

The political vision prepared for us by Group 21 is imaginative, especially the area on consensus building. However, I think we will only be able to attain this if we have power sharing. In doing current assessment, "the poor state of bureaucracy" in Nigeria was noted. However, solution to this was not mentioned in the vision. Without a virile and strong bureaucracy, the vision will be a mirage.

**Dr. I. P. Ojinnaka - Central Bank of Nigeria**

By the year 2025, what is your vision of the structure and role of the military establishment in the new Nigeria?

**Dotun Sulaiman - Arthur Andersen & Co**

I can only envision what their role will not be. They will not be in government. Their relevance will not transcend the role played by the military in all civilised societies.

**Dr. K. S. Adeyemi - Union Bank of Nigeria Plc**

The group on "Vision for Nigeria" has made a realistic dream for Nigeria in the year 2025. However, why has the group been silent on providing a strategic guideline as to how we get to Nigeria 2025? In other words, what type of economic planning regimes is the group recommending if Nigeria is to develop the capacity to arrive at this Utopian 2025?

**Brian Andersen - Shell Petroleum Development Company Ltd (Shell)**

We didn't have enough time to develop the strategies. That is why we recommended a National Vision Conference to complete our unfinished work.

**Chief Olu Akinkugbe - WAMCO Plc**

Did Group 21 consider the desirability to eliminate or de-emphasise the "Nigerian factor" in doing things and to substitute the "proper factor" in this place?

**Dotun Sulaiman - Arthur Andersen & Co.**

We said Nigeria will be well ordered, well governed, just and equitable, etc. This will take care of the "Nigerian factor". In fact, by then, Nigerian factor will be a positive attribute.



**Prof. Joe Umo - National Manpower Board, Lagos**

A scientific visioning efforts as reflected by preparation of National Perspective Plan had started at the National Planning Commission (NPC) over the last three years. How would the Summit visioning efforts be aligned with the on-going perspective planning effort at NPC? The country requires one coherent vision for success.

**Brian Anderson - Shell**

The concept of vision is different from the concept of planning. They do not mean the same thing. The plan is to be subsumed to the vision, since vision is a collective view of the people and provides the engine to move a nation forward.

**M. Ahmed - National Planning Commission**

Group 21 recommended the setting up of one central "Vision Task Force". Would it not be more realistic to have several task forces (perhaps co-ordinated by the Central Task Force) to develop the vision at several levels?

**Ken Orji - Diamond Bank Ltd**

By the time the vision is in place, all the conceivable interest groups in the nation would be brought together. We do not want to have an unwieldy process that will in the end make the vision ineffective.

**Ayo Ogunlade - Hon. Minister of National Planning**

Leadership evolves and a nation gets the leader he deserves. We have looked into the past and have found that our yesterday dictated where we are today. Nigeria of 2025 will not look at the pockets of the man to lead but his antecedents. The followership has to determine the kind of leader they desire. The followership will be knowledgeable enough and enamoured to say no to an undesirable leadership.

**Obinna Nwachukwu - *The Sunday Magazine*, Lagos**

Group 21 failed to clearly articulate the role and place of the media in the year 2025, especially its relationship with the Government. Will press freedom be ensured or hindered? Will the decision of the law courts be respected?

**Dotun Sulaiman - Arthur Andersen & Co.**

The issue of free press is well catered for because we mentioned that the nation will be well governed. The antagonism we have today between Government and the press will be a thing of the past, hopefully.

**Ayo Ogunlade - Hon. Minister of National Planning**

We also hope to have a press that will not look up to "brown envelopes" and a press that will imbibe the elementary rules of journalism. We will have a press that will be knowledgeable, virile, investigative, credible and internationally competitive.

**L. N. Dikedi - "Nigerian Citizen"**

Do you agree with the view that "bad people make democratic system of governance necessary, but good people make it work?"

**Fola Adeola - Guaranty Trust Bank limited**

Yes.

**Comrade Godwin Erapl - Nigeria Labour Congress**

The real threat to Vision 2025 is not the ordinary Nigerian, but the elite and the political class who are intolerant of each other's aspirations. For Vision 2025 to succeed therefore, there must be a *total* re-orientation and re-dedication of the elite and the political class, in line with the ideals of your vision.

## Appendix R

### **Vote of Thanks/Closing Speech presented by Pascal G. Dozie, on 6 May, 1995**

#### Protocols

It is indeed a pleasure for me to stand before you to give this vote of thanks. I am sure I am echoing the sentiments of each and every one of us if I say that this Summit has been, in all respects, very successful. It is now my duty, on behalf of the Nigeria Economic Summit Group, to give thanks to all those who have contributed to its success.

First to our Head of State and Commander in Chief of the Armed Forces, General Sani Abacha, I have to say thank you very much indeed for the concern and encouragement you have given to this Summit and for demonstrating visionary leadership.

Secondly, I will like to thank the Chief of General Staff and Vice Chairman of the Provisional Ruling Council - Lt. Gen. Oladipo Diya, and other members of the Provisional Ruling Council for their immense support.

Our special thanks go to:

- The Secretary to the Government of the Federation - Alhaji Aminu Saleh, for his support and wise counselling before and during the Summit.
- And to our landlord, The Honourable Minister of Federal Capital Territory, Abuja - Lt. Gen. J. T. Useni, for giving us his time as a Special Guest of Honour.

I will also like to thank The Honourable Minister of Finance, Chief Anthony Ani, for ably representing the Chief of General Staff as a Special Guest of Honour. Whilst so doing, may I also use this opportunity to thank all the Honourable Ministers and the Governor of Central Bank of Nigeria for their active participation and support.

To the Ministers who made presentations to the summit, we thank them for helping us understand the various dimensions of the Nigerian economic challenge and the aspirations of their Ministries.

Now let me give thanks to our Guest Speakers:

- to Dr. Morley Nkosi, who helped us understand that national unity is a necessary condition for successful economic development;
- to Mr. Adit Jain who spoke on Indian experience highlighting the need for a strong nation-wide support for economic reforms;
- to Dr. Noordin Sopiee, who spoke on the Malaysian experience, from which we could learn several things, particularly that a 6% to 8% real economic growth over a 30-year period can provide spectacular economic development, which is essential for social and political stability;
- to Prof. F.S. Idachaba for challenging us to embark on similar reforms with special emphasis on the development and use of our local resources to enable us join the ranks of the emerging "Tigers".

Our thanks also go to those who made presentations, as follow:

- to Mr. Lawrence K. Freeman, of the EIR, USA, and Schiller Institute, Germany, for making us stop and think and helping to provide a diversity which at times helps to build consensus;
- to the representative of the World Bank for helping us recognise that there are external constraints which we must manage in setting our own future economic direction;
- to Mr. Neil Blackburn and the OPTS for helping us understand how to keep the golden goose healthy and growing;
- to Mr. Jean-Claude Deltheil and Michelin, for opening our eyes to a major foreign exchange earner that can, if planned and executed right, add to our resources and move us away from over reliance on oil;

Now to others who contributed to the success of the Summit:

- to the 21 Groups (Leaders, Rapporteurs and Participants) we thank you for again demonstrating the power of candid and free dialogue. This has moved our agenda ahead again on all fronts. Next Summit, I hope, will move ahead again on even more fronts;
- to the media, for their excellent coverage and questions during our daily Press Briefings;
- to the staff of the NICON NOGA HILTON for their hospitality; and
- to our support staff from both the private and public sectors for working day and night to make us equally productive day and night.

Special thanks go to all those who have sponsored the Summit financially and otherwise, in particular, The Federal Government, Shell Petroleum, Mobil, Michelin, 7-UP, amongst others. We will make a complete list available to the press shortly.

We cannot end this vote of thanks without mentioning the efforts of the Director General, Economic Affairs, Office of the Secretary to the Federal Government, Alhaji Ibrahim Ida, who contributed with logistic support that helped to make the Summit successful.

In expressing my thanks, no doubt, I must have missed out some people who also contributed to the success of the Summit. The safest way to cover my sins and offences is to kindly request the audience to stand. Now, we can give ourselves a round of applause for a job very well done.

Let this round of applause be symbolic of our commitment to working as partners-in-progress towards moving this nation and its people forward.

Let the world know that we are now harnessing our immense potential. Let the people of Nigeria know that we are committed to improving the standards of living and quality of life of every single Nigerian.

May I now ask you to give our Head of State and Commander-in-Chief of the Armed Forces a resounding applause for his visionary leadership.

You may now be seated.

Long Live Nigeria.

Thank you very much indeed.

## Appendix S

### **Closing Address by the Head of State, Commander-in-Chief of the Armed Forces of Nigeria, General Sani Abacha, GCON, mni at the Second Nigerian Economic Summit on Saturday, 6th May, 1995**

#### Protocols

It is with pleasure and satisfaction that I congratulate you on the successful completion of the 2nd Nigerian Economic Summit which started three days ago. It is indeed a significant achievement on your part that you were able to implement in full, the extensive programme you drew up for the Summit.

In the last few days, you have been engaged in the task of putting heads together to examine the various sectors of the Nigerian economy, analyse its structures, strengths and weaknesses and in the end chart a viable course for its future development. As you will have noticed, government has taken active interest in the conduct and proceedings of the Summit. A clear attestation of this has been the very active and committed participation of senior public sector functionaries, who have been at hand all through the Summit to rub minds with their private sector counterparts. The hard work done together during these three days has truly shown the spirit of "Partnership-in-Progress".

Our support for the Summit has been predicated on the hope that the participants would benefit fully from the recognition that while the public sector has the responsibility of creating stability and providing the enabling environment, the private sector, on its part, has the responsibility to provide activities, capital and the know-how to develop the economy, which primarily include the problem of finding practical answers to such questions as how to drive down inflation and ensure efficient resource management leading to optimum growth of the GDP, and how to achieve stable exchange and interest rates. Others are how to generate more domestic savings and investments, and how to attract foreign investments to expand the productive base of our economy. Answers are also required on how to diversify our export sector to achieve the desired balance between oil and non-oil exports, how to upgrade the quality of our educational and infrastructural facilities such as electricity,

transportation system, telecommunications services and the provision of adequate and potable water to our community. Above all, we need to find acceptable ways of ensuring that the private sector plays its role as the engine of growth to ensure sustainable development.

From the submission made during the Summit, it is quite obvious that we can learn from other countries and other success stories. But most significantly, we do believe that as Nigerians, we have to come up with solutions that can work in Nigeria and for Nigerians. We need good and practical ideas, ideas which will work in Nigeria and will be acceptable to our peoples. We must have our vision towards the building of a clear consensus between conflicting interests in order to achieve and implement workable programmes that will visibly improve the quality of the lives of our citizens. What we need is a short, medium and long-term vision that will lead to concrete results which are also achievable.

I will not like to pre-judge the result of the Summit before you complete your various assignments and compile your Report. However, it is obvious that even at this stage, both the Private and Public Sectors are generally agreed on certain critical issues. These issues are the need for a financial sector that will thrive and enhance capacity utilisation in existing industries, and the need for an agricultural sector that will feed our teeming population and our industry. There is also the need for a purposeful educational system that will develop the minds and skills of our people. I am delighted that all these major areas have received thorough appraisal, which have led to extensive and far reaching recommendations. Some of your recommendations will require the taking of bold decisions and these decisions will need in-depth analysis and considerable attention to ensure successful implementation. In addition, we will need to build a support both domestically and externally as well as make bold moves to ensure that what we do is fully understood by Nigerians. I, therefore, call on you all to be patient and resilient in the pursuit of these objectives.

While the Summit has come to a close, you will appreciate that for Government the work has only started. We must first of all examine the issues you have raised and the conclusions of the Summit. We will then define an action plan and direct our attention to its implementation. Since the success of our work in that regard will be measured by visible results, we have much to do and so we have to start work immediately. First, we must make sure that all the recommendations that will enhance the attainment of the goals of the 1995 Budget are fully implemented in order to improve the investment climate. Then, we will commence work on the preparation of the 1996 Budget



which, we sincerely hope, will take care of the other recommendations of the Summit. Thereafter, we will look at the longer term issues, and I assure you that we shall do justice to what you have recommended.

I also wish to assure you that Government will be fully involved in making sure that the Post-Summit activities are both productive and timely, and shall commit all it will take in terms of time and resources to make sure that Nigeria and Nigerians derive the maximum benefit from the Summit. On the part of the Private Sector, Government will expect support both at home and offshore. The two sectors of the economy will thus need to meet frequently and at various levels to ensure that the direction of the country is right, that reforms are fully thought about and implemented, and that measurable results are achieved. In the final analysis, what we all want is a diversified and balanced economy with a mature and widely based industrial sector, active agricultural sector technologically proficient and able to fully adapt to changes. And as one of the Speakers at the Summit has said, Nigeria needs an economy that is driven by brain-power, skills and diligence and with high and escalating productivity with regard to every factor of production. An economy which is self-reliant, outward looking, enterprising, and sustained by exemplary work ethics, consciousness, and the quest for excellence. I am confident that we have all it takes to achieve that.

I will like to conclude this address with the expression of thanks and appreciation to all the participants for the time they have spared from their demand schedules to isolate three whole days to brainstorm on the fortunes of our country's economy. This country is grateful for this wonderful gesture. My appreciation also goes to the individuals in both Private and Public Sectors who have worked tirelessly to ensure the success of the Summit. I sincerely hope that by the time the next Summit comes up, the same zeal and enthusiasm will be exhibited both in its arrangement and in its conduct. To our foreign guests who have come to Nigeria either as participants or as speakers, I thank them for the interest they have shown in Nigeria. I wish you safe journey back and hope that in as much as you have put something into the Summit, you too have gained something from it.

Ladies and Gentlemen, it is now my pleasure to formally declare this very successful Summit closed.

Thank you and God bless.

## Appendix T

### Communiqué issued on the 2nd Nigerian Economic Summit

Distinguished members of the press, on behalf of the Nigerian Economic Summit Group, it is with great pleasure that I welcome you to this briefing on the 2nd Nigerian Economic Summit which came to a highly successful end this afternoon.

The objectives of this remarkable Summit were -

1. To continue open and frank dialogue between the key leaders in the economy encompassing both the Public and Private Sectors. The dialogue has focused on the task of national economic development. Our emphasis has been co-operation, consensus and collaborative teamwork.
2. To analyse and obtain feedback on the current state of the economy and current investment climate.
3. To define the priority economic issues, and generate practical, workable solutions.
4. To develop an implementation programme.

Ladies and Gentlemen, I am happy to say that we have fully achieved all of our objectives.

You will recall that the Head of State and Commander in Chief of the Armed Forces, General Sani Abacha, in his opening address stressed and I quote "Nigeria and Nigerians will be better off if we join forces, not only to talk but also to act."

In his closing remarks today, the Head of State has again demonstrated his exemplary leadership by not only supporting the "talking process" in its entirety but also leading the way in his call for immediate action.

He has kicked off the implementation process by announcing that fundamental reforms and continued partnership between the public and private sectors will serve to move our recommendations forward.

We intend to hold several press briefings in the coming weeks to fully cover the proceedings and results of the Summit, including the issuance of communiqués on all of the 21 Discussion Groups. We will be working hard to

summarise the proceedings, develop action plans and work with the public sector to implement our recommendations.

Ladies and Gentlemen, time is now of the essence. The work has only just begun. We are committed to getting it done.

Thank you very much indeed for your attention.

Now let's go to work!

## Appendix U

### List of Group Participants

#### *\*Co-Chairman and Co-Rapporteurs*

#### Government Leadership

General Sani Abacha

Head of State and Commander-in-Chief of the Armed Forces

Lt. Gen. Oladipo Diya

Chief of General Staff

Alhaji Aminu Saleh

Secretary to the Government of the Federation

#### Group I: Maximising Oil Revenues

Chief Dan L. Etete\*,

Hon. Minister of Petroleum Resources

Neil P. Blackburn\*

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### **Group 2: Banking and Insurance Reform**

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F.U. Ezeuduji,  
Central Bank of Nigeria

Chief Chilo C. Offiah,  
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### **Group 2: Banking and Insurance Reform (Cont.)**

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Central Bank of Nigeria

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Afribank Plc

C.C. Nwali,  
NEXIM Bank

Abba Ali,  
Bank of the North Ltd.

E. Okwor,  
N.I.S.B.  
Dr. Onyema A. Ocheoha,

Esan Ogunleye,  
Triumph Merchant Bank Ltd.  
Oba Otudeko,

Secretary, Enugu State Government

Ballama Manu\*,  
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J.U. Ebhodaghe  
N.D.I.C.

Central Bank of Nigeria

M.K. Ahmad,  
N.D.I.C.

B.A. Aladekomo,  
Chams

### Group 3: Improving Investment Climate

Lt. Gen. M.B. Haladu\*,  
Honourable Minister for Industry

G.O. Akajobi,  
Federal Ministry of Industry (IDCD)

Dele Sobowale,  
Vanguard Media

Mahmud Waziri,  
Nigerbras Shipping Line

Tim Welch,  
Nigeria International Bank

Karl Kummer,  
Rank Xerox

F. Scott\*,  
West Africa Committee

B.N. Amadi,  
Amadi, Eyo, Olagoke & Chiagozie

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Yomi Akinade,  
MTSL

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Bunmi Ori\*,  
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M.M. Sada,  
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W.J. Okowa,  
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Balogun, St. Mathew Daniel & Co.

O.A. Kayode,  
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#### **Group 4: Basic Social Needs (Improving Living Standards)**

Chief (Mrs.) V.I. Anisulowo\*,  
Honourable Minister of State for  
Education

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Tamin Nigeria Ltd.

Professor Albert Alos\*,  
Lagos Business School

Sam. I. Oluabunwa\*  
Pfizer Products Plc

Professor Jubril Aminu\*,  
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Federal Ministry of Finance

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Diamond Bank

Dr. Frank I.K. Nwabue,  
Nigerian Coal Corporation

Muhammed N. Abdurahman  
Commissioner for Finance,  
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#### **Group 5: Financial and Marketing Systems**

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Citizens International Bank

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Clive Carpenter,  
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James Jide Ayanda,  
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M.O. Yusuf,  
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Union Bank of Nigeria

Olaf Fiebag,  
Dantata & Sawoe

Alhaji Suleiman S. Baffa,  
Nigerian Security Printing &  
Minting Company

#### **Group 6: Capital Markets**

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Erastus Akingbola\*,  
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Femi Akinsanya\*,  
Hamilton Hammer & Co.

Bolaji Balogun,  
CSL Securities

Chike Nwanze,  
ICON Stockbrokers

H.F. Osobu\*,  
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*Report on the Second Nigerian Economic Summit* offers unique insights into the Nigerian economy.

Building on the foundation laid down by the First Summit, the Second Summit provided exceptionally frank dialogue between the private and public sectors, working towards a common goal: how to accelerate Nigeria's development.

The Report on this Second Summit provides an objective focus for Nigeria's future social and economic planning.

