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Full Length Review Article

A REVIEW ON THE CURRENT EFFORTS GEARED TOWARDS INDUSTRIALIZATION AND SME'S DEVELOPMENT IN NIGERIA

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ABSTRACT

The work x-rays the current efforts made by government to promote industrialization, micro, small & medium scale enterprises (MSMEs), and foster local and foreign direct investments (FDI) in Nigeria. Programmes such as NIRP, NEDEP, NISDP and NCCN have been introduced to establish Nigeria in four key areas of Industry, Trade, Investment, and MSME development. The work further highlights on bilateral negotiations, both past and present, and the rejection of the controversial ECOWAS – EU Economic Partnership Agreement (EPA), aimed at increasing global markets for locally-produced goods and encouraging local production respectively. The findings obtained affirm the conscious efforts being made by the present administration to foster industrialization and job creation. These efforts, when sustained and complemented with positive activities of other stakeholders, especially the organized private sector (OPS), would be key towards achieving sustainable development of the nation's industrial sector and global market share.

INTRODUCTION

Trade and investment in the present economic environment has never been as critical as it is today. For over 54 years, Nigeria has almost been entirely dependent on oil as the main source of income. This situation has, for decades, hampered our nation's ability to create jobs, increase wealth and accelerate growth. It is apparent that as we look ahead, Nigeria must now be redefined economically for her to meet the expectations of the world, and the cravings of her citizens. In this regard, the present government embarked on bold economic reforms to move the country beyond oil, so as to create more jobs and other opportunities for the people. At the very centre of these economic reforms is the role of the National Council on Industry, Trade and Investment (NCITI) which today, incorporates matters of industrialization, trade, investment and small business development. The council has roles to play in restructuring the Nigerian economy in order to attract more local and foreign investors; increase value-addition; promote inclusive growth; eradicate poverty and create more jobs for the jobless populace. Its collective agenda, both at the federal and state levels, should remain to strongly establish Nigeria in four key areas of Industry, Trade, Investment, and MSME development.

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Industry

There is no gainsaying that no nation has ever become prosperous by relying only on exports of its raw material endowment without putting in place a vibrant manufacturing and service sector. Nigeria cannot become rich, if we only focus on producing and exporting raw materials; she must deepen her industrial capacity and manufactured goods, for her to grow and develop. For instance, approximately 45% of foreign direct investment (FDI) all over the world goes into the manufacturing sector; therefore, for Nigeria to attract quality investment, she must build a strong manufacturing sector. Only 8% of FDI goes into producing raw materials. Furthermore, over 70% of the worlds US $20 trillion in annual trade are manufactured goods. In 2010, the manufacturing's share of GDP of the top 15 manufacturing nations ranges from 10% to 33% as shown in Fig. 1; while that of Nigeria stood at less than 4%. Consequently, without a robust industrial sector, Nigeria cannot have a reasonable share of the world's wealth. These emphasize that industrialization is key to the nation's relevance in the global economy. To position Nigeria as a leading industrial hub in the world, Nigerian Industrial Revolution Plan (NIRP) was launched by the present government, as a flagship programme to rapidly industrialize Nigeria. The plan is a strategic, holistic and integrated roadmap that would fast-track the industrialization of the country, and bring along job opportunities, wealth creation and sustainable development.

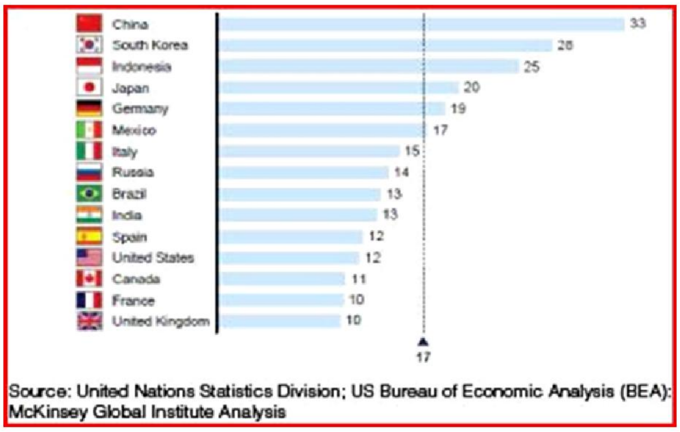

Fig 1. Manufacturing share of GDP, 2010 of top 15 manufacturing nations

Under the NIRP initiative, industry groups that have comparative advantage, and can become No. 1 in Africa, or top ten globally over a period of time were identified. These industry groups included: Agro-Allied and Agro-Processing; Metals and Solid Minerals Processing; Oil and Gas Related Industries; and Construction, Light Manufacturing, and Services, as shown in Fig. 2.

commenced vehicle-assembling in Nigeria. These are Nissan, Hyundai, Peugeot; existing local players such as Innoson in Nnewi has attracted new partners from china, to expand their capacity and output in Nigeria. Over ten other companies have shown interest, and have commenced plans for assembly operations in Nigeria. In the Sugar Sub-sector, since the implementation of the Sugar Master Plan of the NIRP was commenced; Nigeria has recorded over US $3 billion of investment in over 15 projects across seven states of the federation. In next few years, these projects would make Nigeria self-sufficient in sugar, and employ over a million Nigerians directly and indirectly; while generating about 411.7MW of electricity with US $565.8million savings annually. For years, the Petrochemical sector was small and dormant, despite being a major oil and gas producer. Since the new Industrial Agenda was launched; in just one year, there have been investment commitments of over US $12 billion in petrochemicals, fertilizer and refining. In addition, the largest Gas Industrial City in Africa, in Ogidigbem Delta State is under construction, to support gas-based manufacturing. This project, when completed, would support another US $50 billion extra investments in this sector. In Cement, for the first time ever in history; last year, Nigeria became a net exporter of cement.

Fig 2. Nigeria Industrial Revolution Plan

The NIRP is set to address the numerous issues that have held back the Nigerian non-oil sector for years. It addresses the high cost of funding and lack of long-term finance in Nigeria; it builds up infrastructure and power for industry; provides industrial schemes; links innovation and industry; improves investment climate; strengthens products standards and promotes patronage of locally-manufactured products. Within a short period of existence, the progress of NIRP has indeed been remarkable, with some transformational achievements in some specific sectors. For instance, in Automobiles, Nigerian can once again proudly boast as being one of the auto-manufacturing centres of the world. Since the Auto Policy was launched in October 2013, three leading global brands have

A country that produced barely two million metric tonnes of cement in 2003, today has capacity for 39.5 million metric tonnes. These are clear indications that Nigeria is truly on the part of industrialization. These reforms should be sustained and introduced to other sectors of manufacturing, including textiles, food processing, leather, aluminium, steel, housing supply, chemicals, etc.

Small and Medium Enterprises Sector

The administration has made the growth and development of Micro, Small and Medium Enterprises (MSME) a cardinal pillar of the economic policy. Small businesses are the heartbeat of any economy. As shown in Fig. 3, they employ the highest number of people, about 98% of the workforce, and ensure that economic developments get to the vulnerable in the society. However, without a clear agenda to support small businesses, they will not be able to effectively play their vital roles as key drivers of job creation, wealth generation and economic diversification.

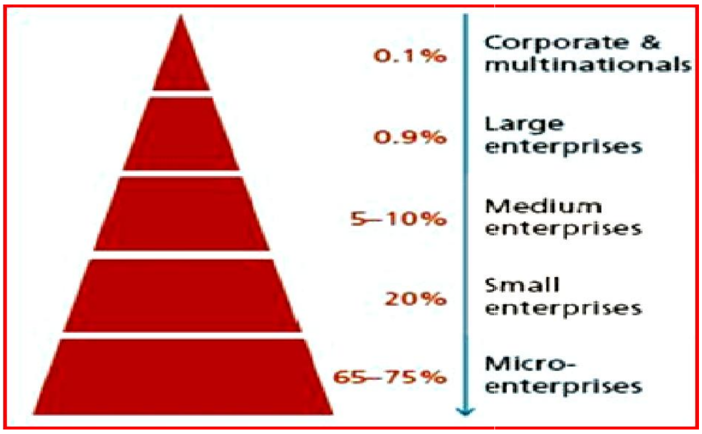

Fig 3. MSME's contribution to the nation's workforce

The survey conducted by the National Bureau of Statistics (NBS) and Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) 2010 showed that Nigeria had 17.5 million small businesses employing 32 million Nigerians. Despite the huge economic potentials of MSMEs in Nigeria, only about 8% of them today have access to formal financing channels. This has significantly hampered their ability to grow, expand, or modernise. However, holistic measures are currently put in place to address this and other numerous challenges facing MSMEs across the country. In response to the needs of MSMEs, the National Enterprise Development Programme (NEDEP) was commissioned by the present administration, as a national platform to comprehensively address the constraints small businesses face in Nigeria. Under NEDEP programme, Nigeria has created a series of interventions to sustain small businesses in areas such as; access to finance, access to markets, support to formalize their businesses, improved skills and technology acquisition, business support services and MSMEs infrastructure. The cross-cutting approach ensures that all critical issues affected small businesses are resolved. As part of NEDEP, the Nigerian government has also commenced "One-Local Government, One-Product" programme, which identifies one product in each local government of Nigeria that can be competitively produced for domestic consumption or exports. This is a key initiative sponsored by SMEDAN. To directly support Nigerian youths with skills needed in industrial sector, the industrial training fund, has embarked on the National Industrial Skills Development Projects (NISDP) by specifically training youths in each local governments, in areas complementary to the advantages of the locality.

Also, NEDEP is consolidating various initiative targeting MSMEs, to ensure that structure and focus on how the Nigerian government intervenes within the small business community is provided. Currently, the programme is unlocking new sources of capital for small businesses; addressing regulatory issues that have constrained lending to small businesses, and supporting informal businesses to formalize operations. Till date, over 40,000 small business co-operatives have been created under NEDEP, and are now been supported with schemes to increase better access to finance and markets. In line with this initiative are the activities of the Nigerian Export Promotion Council (NEPC), charged with the responsibility of promoting non-oil exports. The council, in its quest of growing the Non-oil Export sector through diversification of the nation economic base, has keyed into the NEDEP/NIRP initiative, targeted at industrializing Nigeria.

The NEPC is advocating the development of the One-State-One-Product (OSOP) initiative which is geared at developing one non-oil export product per state as well as the Federal Capital Territory (FCT). This initiative will be a collaborative effort between all the stakeholders in the local, state and federal establishments, including the organised private sector (OPS). The implementation would take into cognisance, existing products that States have comparative advantage in terms of production and commercialization. Special efforts would be directed at value-addition; as well as, enhancing supply base and value chain as a means of employment generation and wealth creation. In this regard, establishment of Common Facility Centres (CFCs) to enhance value-addition would be a priority. This indicates a new paradigm shift to ensure export of value-added product, rather than raw materials. Similar schemes have been adopted by developed and developing countries such as Japan, Taiwan, Malaysia, Cambodia, Thailand, Malawi, Kenya, etc., to diversify and develop their economies.

Trade Sector Developments

A new "National Trade Policy and Strategy" has just been completed by the Ministry Of Trade and Investment, which would soon be presented to the Federal Executive Council (FEC). For the first time in over ten years, the country's trade policy has been reviewed; and for the first time in Nigeria's history, there would be a trade policy that integrates with industrial and investment priorities of the Nigerian people. Nigeria's priorities for trade would facilitate job creation, and boost export of non-oil products to the new market. Some objectives of the proposed trade agenda include; achieving non-oil exports to ECOWAS from the present 9% to 20% by 2015. The ultimate goal of increasing the value of Nigerian recorded export to ECOWAS from US $276.5 million to US $706.1 million in 2015. To increase the recorded non-oil exports to other African countries from the current 3% of global exports to 10% by 2015; to increase the Nigeria's non-oil exports as a proportion of total exports from current 5% in 2011 to 20% by 2015, and 40% by 2020; and penetrate the non-traditional market with high value-added export products. These trade commitments being made have shown some remarkable progress. The value of the non-oil products from Nigeria rose to US $2.97 billion in 2013, as compared to $2.561 billion in 2012. These trends continue in current times. Also, there has been a noticeable pivot in Nigeria's trade links, towards the Eastern Hemisphere, as Asia plays an increasing role in Nigeria's economic dynamics. An action plan has been initiated on aggressive diversification through an action plan for accelerated implementation of the Nigerian National Export Strategy and Women in Export Development Programme (2012-2015) and Nigeria's first Diaspora Export Programme, which taps into the vast network of Nigerian around the world.

Be that as it may, Nigeria has entered a number of Bilateral Trade Arrangements to enhance market access for Nigerian products, and further boost bilateral trade and investment cooperation between Nigeria and her respective trading partners. These arrangements include:

- Nigeria – USA trade and investment framework agreement (TIFA) signed in 2000.
- Respective bilateral trade agreements with Kenya (2014), Cameroon (2014), Chad (2012), Cote d'voire (2013), etc.
- Respective memoranda of understanding (MOU) on trade and economic corporation with Spain (2006), Greece (2008), Poland (2013), France (2013), International Trade Centre (ITC) USA (2010), China (2006), etc.

Furthermore, some BTAs and MOUs negotiations are currently ongoing with some countries which include: United Arab Emirates, India, Kuwait, Qatar, South Korea, Jamaica, Trinidad and Tobago, etc.

These trade arrangements establishes a framework for structured dialogue on bilateral, multilateral, and regional trade issues, intellectual property rights (IPRs), investment flows as well as partnership for corporation and collaboration in a wide range of economic sectors. These issues are constantly been reviewed at respective bilateral councils established for the implementation of these e agreements and MOUs. These councils meet periodically to address specific trade and investment matters and work towards removing impediments to trade and investment flows. Furthermore, bilateral business and investment forum are regularly been organised to showcase Nigerian businesses and Investment opportunities to foreign and domestic investors with a view to attract investment.

Investment Promotion

Nigeria remains a leading Investment destination in the world. From a survey of some of the world's leading multinationals and global investors, The Wall Street Journal rated Nigeria as the best Investment destination in Africa. These investors stated emphatically that despite the nation's recent security challenges, she remained the most interesting prospect for business on the continent. To further improve the investment climate, some key initiatives to make doing business in Nigeria easy has been implemented. These include a 60% reduction in the cost of business registration for small businesses in Nigeria, the establishment of the National Competitiveness Council of Nigeria (NCCN) to mobilize the private sector with initiatives which simplify doing business in Nigeria, the full implementation of the Inter-ministerial Doing Business Committee of the Nigeria Investment Promotion Council (NIPC), mandated to remove administrative and regulatory bottlenecks to doing business in Nigeria. No doubt, efforts on Investment Climate Reform are broad, encompassing and essential to attracting and retaining investors in Nigeria.

ECOWAS-EU Economic Partnership and Agreement

Negotiations on ECOWAS – EU Economic Partnership Agreement (EPA) began on 6th October 2003. After several unsuccessful attempts to reach an agreement on various issues that include: market access; EPA development program: rules of origin; most favoured nation clause; non-execution clause and agricultural subsidy, the Authority of Heads of States at their meeting in 2012 mandated the ECOWAS chief negotiators to exercise flexibility in the negotiation with the European Union (EU). Based on this directive, the senior officials of ECOWAS agreed on all outstanding issues in the EPA, at their meeting of 24th January, 2014. This was followed by the chief negotiators' endorsement of the agreement in Brussels on 6th February 2014. However, The ECOWAS Ministerial Monitoring Committee (MMC) met in Dakar on 17th of February 2014 at the insistence of Nigeria, who had raised strong objections as to the potential negative impacts of the provisions of the EPA as endorsed, and decided that the member states should conduct country-specific analysis of the potential impact of the EPA on their respective economies; and further, to consult with organised private sector, civil society organisations and other stakeholders to secure their buy-in before the next ministerial meeting. In line with the MMC decision, two measures were taken as follows:

- Engage the services of reputable consultants to access the potential impacts on EPA on the Nigerian economy;
- Organise a broad stakeholders consultations on the EPA to enable the determination of Nigeria's response to the EPA endorsement.

The consultant's report was presented at a stakeholder's consultative forum on 17th March, 2014. It outlined the results of a Computable General Equilibrium Modelling of the impact of EPA on Nigeria's economy. A similar study undertaken by the United Nations Economic Commission for Africa (UNECA) showed similar impact trends on Nigeria. These studies indicate that the implementation of the EPA, in its current form, will have significant revenue and economic cost impact on Nigeria. These negative impacts are likely to be more pronounced between 2026 and 2035 when a large number of EU products would have access to the Nigerian market. Specific findings of the analysis include the following:

- Significant tariff revenue losses from the 75% market access and fall in real GDP, estimated at about U.S $1.3 trillion.
- Deterioration of the current account balance due to surge in imports.
- Contraction of the GDP by up to 3% in 2035.
- Rise in unemployment due to decrease in demand for labour result from fall in output and supply in affected sectors.
- Negative impacts on investments arising from reduction in government savings and loss of ECOWAS market.
- Fall in domestic output prices, and a bigger fall in domestic sectoral output in an EPA scenario compared to no EPA scenario.

Consequently, the recommendation of the organised private sector, the economic ministries and other stakeholders was that Nigeria should not sign the EPA until her concerns are addressed.

The recommendation the ECOWAS AdHoc ministers of trade meeting of 10th May, 2014, held in Accra Ghana, which formed the basis of decisions taken during the 45th ordinary session of the authority of the heads of states and governments of ECOWAS on the EPA is not in Nigeria's economic interest. Paragraph 16 of the heads of states and governments communiqué stated that the summit "decisively approved" of the EPA as endorsed, "and taken due account of the technical concerns". On its own, the present administration has expressed its strong opposition to the EPA agreement.

Conclusion

The role of Industry, Trade and Investment in the present economic environment can never be over-emphasized. It is obvious that serious efforts are presently being made to promote industrialization, trade, investment and MSME development. The government must embark on bold economic reforms to move the country beyond oil, by building a Nigerian economy based on Industry, value-addition, enterprise development and strategic trade policies. Also, more collaboration between the government, its agencies, organized private sectors, development partners and other stakeholders is required. Nigeria must be redefined economically to meet the expectations of the world and the yearnings of her citizens.

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