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PUBLIC POLICY AND INDUSTRIALISATION IN NIGERIA

By
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I. Introduction

In modern times, most economists (if not all) agree that industrialisation process is essential for rapid economic growth. Rapid industrial development has become the main focus of economic development because of its potential benefits. Consequently, many economies, particularly East Asia, have attempted to accelerate industrial development through the use of public policy. However, most economists are of the view that the real question is not how fast an economy can industrialise but how its industrial sector can be structured to sustained growth over time. This relates to ways of achieving optimal industrialisation in an

economy (Rajapatirana, 1987). Public policy plays an important role in the quest for optimal industrialisation and hence sustained economic growth. Economists and policy makers in the developing countries have long agreed on the role of government in providing infrastructure, promoting market efficiency, and maintaining stable macroeconomic policies that have enabled countries to attain high growth and develop their industrial potential (Rajapatirana, 1987).

Industrialisation has been an integral part of many Sub-Saharan Africa (SSA) countries development strategy over the years. Industrial progress was expected to transform low-productivity and low-growth economies into dynamic and modern high productive and growth economies. The rise in industrial activities, particularly manufacturing, would bring along modern technology, expertise skills, foreign investment,

managerial ability, economies of scale that would result in structural change and sustained economic growth. Industrial activity in SSA is dominated by local processing of natural resources and simpler consumer goods industries. Apart from primary resources based industries, the linkages with local industries remain minimal and superficial. The level of technological efficiency in industry remain very low. Over the years, the poor performance of the industrial sector, particularly manufacturing, in terms of low manufactured export and investment trends leave much to be desired. SSA has suffered the most serious 'de-industrialisation' in recent times in the developing world (Lall and Wangwe, 1999).

In Nigeria, the persistence of economic recession has prompted a re-evaluation of current public policy and search for alternative policies to improve the

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nation's economic performance, particularly the real sector. One of such option is a public policy that would identify important industries and assist them by providing subsidised credit, protection from foreign competition, and export subsidies. The past inappropriate policies have dislocated resources and created a loss of industrial competitiveness in both domestic and international market. Therefore, there is the need for a target industrial policy where government can correctly identify industries of future importance and devise policies to speed their growth, as well as easing structural adjustment and strengthening market competitiveness.

In broad terms, Nigeria like many SSA countries, has failed to achieve its industrialisation dreams and structural transformation of its economy. Consequently, this paper is concerned with evaluation of government policies on industrial development in Nigeria. In other words, the paper intends to examine the effects of public policy on Nigeria's industrialisation. Following this introduction is section two

that is concern with the conceptual and theoretical issues. Section three is the review of public policy and industrial policy in Nigeria. Section four focuses on policy evaluation and comparative analysis of experience of other countries. Section five provides the concluding remarks and recommendations.

II. Conceptual and Theoretical Issues

Industrialisation can be regarded to involve extensive technology-based development of productive system of an economy. Hence, the process of industrial development represents a deliberate and sustained application and combination of suitable technology, management techniques and other resources to move an economy from the traditional low level of production to a more automated and efficient system of mass production (CBN, 2000). The industrial sector of an economy is often defined in terms of manufacturing, mining, utilities, and construction. According to Adejugbe (1995), the major determinant of the stage of industrialisation or real growth of the

economy is the manufacturing sector. Industrialisation has the potentials to propel economic growth and hasten the achievement of structural transformation and diversification of economies. It enables an economy to use fully its factor endowments, gain from international specialisation and raise the standard of living of the people.

According to Lall and Wangwe (1999), public policy comprises of all government policies directed toward industrialisation such as industrial, trade, education and training, labour, macroeconomic and technology policies. It also revolves around general issues of policy making such as credibility and sustainability. They argue that apart from poor policies, much of poor industrial performance in SSA lies with exogenous shocks of various kinds: droughts, wars, internal conflict, political instability, adverse terms of trade and so on. Poor public policies carry much of the blame.

According to Lall and Wangwe (1999) industrial policy is of two forms: *functional* and *selective policies*, are formulated to affect resource allocation.

The former aims at improving markets in a generic manner, such as improving education, infrastructure or capital markets, while the later promotes specific industries or economic agent. Selection of industries is guided by concern for technology, education, export-oriented firms, etc. Functional policies are termed 'market friendly', while selective policies are generally termed 'market unfriendly' policies (World Bank, 1993). For instance, industrial policy in East Asian context took the form of a strong export orientation and import-substitution, and was geared to overcoming specific market failures in technological learning, with capable governments and close involvement of the private sector. Therefore, the success of the Asian Tigers was due to market forces and the near-lack of selective government interventions (World Bank, 1994).

At the empirical level, the experience of the Asian Tigers has demonstrated that both selective and functional interventions are essential to successful industrial growth and deepening and that a wide range of alternative strategies are possible Lall (1996). In other words, there is no

single optimal industrialisation path but a range of possible paths. The one that works best in a country depends on the nature and initial conditions of the economy, the capabilities and objectives of the government, and the political economy within which it functions. In support, (Rajapatirana, 1987) observed that there is no single path to industrialisation rather it revolves around the interaction of technology, specialisation, and trade. Thus bringing about structural change within the economy and leading to high investment and employment.

The case for a targeted industrial policy, according to Krugman (1983) falls on the issue of criteria for selecting industries to be targeted. Criteria usually come from two sources: popular discussion and economic theory. The criteria most often advocated in popular discussions include the amount of value-added per worker or sector, the magnitude of linkages to the rest of the economy, the prospects for future international competitiveness, and targeting undertaken by foreign governments. Krugman (1983) found that applying the first

criterion would likely result in slower growth and higher unemployment, while the last would result to direct investment into industries with excess capacity and depressed rates of return. According to him, the other criteria are less obviously counter-productive and they are not unequivocally beneficial. Economic theory suggests that industrial policy can succeed by addressing or removing market imperfections. For instance, economies of scale, imperfect competition, external economies and government programmes are market imperfections that industrial policy could address. Krugman (1983) observed that economic theory provides no ambiguous criteria for formulating targeted industrial policy and he pointed out that after-the-fact evaluation of the effectiveness of industrial policy is difficult. He stated that the Japanese targeting of steel may have actually lowered Japan's national income and that this targeting may not be crucial to current American-Japanese competition. He concluded that industrial policy could be simply ineffective.

The economic rationale for any policy intervention by a government is to remedy market failures. Standard economic theory recognises market failures (deviation from a competitive equilibrium where all markets are 'efficient¹') caused by public goods, externalities and monopolistic/oligopolistic elements. New information and evolutionary theories suggest a wider and more fundamental set of market failures that revolve around the nature of technological activity and linked to industrial policy (Lall and Wangwe, 1999). In support, Stiglitz (1996) argued that standard economic models ignored changes in technology and for a variety of reasons market economies under-invest in research and development (R&D) which call for government interventions. Similarly, developing countries have under-developed markets and imperfect information, and because the development process is associated with acquiring new technology (new information, machinery, etc.), intervention would be necessary to make everyone better off (Stiglitz, 1996).

Market failures in developing countries had been outlined as follows: weak and non-existent markets, diffuse and extensive technological externalities, marketing spillovers, returns to scale, coordination failures, and strategic negotiations. Also, the suggested remedies which involve selective interventions were: guiding capital markets, encouraging difficult technology acquisition, promoting export marketing, protecting infant industries, coordinating linked industries with technological potential or scale economies, overcoming risk and improving bargaining positions (Stiglitz, 1996). Lall and Wangwe (1999), observed that the argument for government intervention in technological change ignores the process of learning and technological efforts (mastering existing / new technologies) required for manufacturing enterprises to become efficient. They view that taking the learning process into account provides more compelling arguments for selective interventions.

According to Rajapatirana (1987), the history of

industrialisation reveals five factors that have shaped the process. These factors include:

(i) initial conditions: a country with a larger domestic market (population and size) can begin industrialising earlier than one with a smaller domestic market. Since distance between countries in many cases confer advantage or natural protection to domestic firms. However, as shown by United Kingdom and Japan, size is not the only factor in industrialisation. A rich endowment of natural resources may provide a country with the financial means to import foreign technology and its' high income level may support a large domestic market for industrial products.

(ii) domestic and foreign trade policies: the movement from a primarily agricultural and trading economy to an industrial economy, particularly in early stage of industrialisation, require an increase in the skill of the labour force that goes beyond general education (literacy level). State support for technical education made significant contributions to French and German industrialisation. The United States government

followed the German system by providing financial support for research in universities. Private industry also maintained research laboratories that sometimes received public support. In the earlier stage of industrialisation, the Japanese government helped to promote technological change by setting up demonstration factories that were later passed on to the private sector.

(iii) transport and communications: this factor integrates domestic and foreign market thus making it easier for exporters to compete effectively. However, transport and communication networks are very capital intensive and expensive during the early stages of industrialisation. They require direct or indirect government support as been the experience of most advanced industrialised countries.

(iv) a stable institutional and macroeconomic environment: a stable macroeconomic environment encourages domestic savings and foreign investment. Industrialisation, especially in its early stage requires large investment

in new machines and infrastructure. Foreign investment accelerates acquisition of new machines and technological innovations. Well-defined property rights, standardised weights and measures, patent laws, personal security, etc. have also helped to promote efficient industrialisation.

(v) the role of government: Government intervene in the market because of market failure and to achieve an efficient outcome. Government must state the 'rule of the game' to define the use, ownership, and conditions of transfer of physical, financial, and intellectual assets. The more they are well defined and understood, the more smoothly the economy can function and vice-versa. When the rules are unclear, they raise the cost of doing business, profit are not predictable and thereby discourage business/financial transactions including foreign investments. Government also intervene indirectly in the economy by creating a policy environment. For instance, the main instruments available to government include: trade policy, fiscal incentives, price controls, investment regulations, and financial

and macroeconomic policies. Capital market failures and externalities are justifications most often cited for direct government intervention. Rajapatirana (1987) observe that government should be the main provider of the following services to facilitate industrialisation:

- (i) All governments play a dominant role in education, especially in providing the basic skills of literacy and numeracy
- (ii) Most government provide the physical infrastructure of industry; transport, communications, and power systems
- (iii) Most governments provide economic information and regulate such standards as weights, measures, and safety at work
- (iv) Governments in the industrial economies promote scientific and technological research.
- (v) State-owned enterprises are often established to carry out some of these tasks.

Rajapatirana (1987) argued that the quest for efficient industrialisation relates directly to foreign trade. This is because foreign trade allows countries to realise gains by subjecting domestic production to foreign competition and by

providing their export access to a wider market to achieve economies of scale. Apart from allowing countries to specialise between industry and sectors, trade has also provided access to critical inputs, including technology for countries incapable of producing them. According to Lall and Wangwe (1999), in a globalised economy, international competitiveness depends increasingly not so much on resources and raw labour costs, but on the quality of human resources and the capacity to absorb, use and improve on new technologies. One implication of globalisation is that traditional industrial policies such as firm or industry subsidies may need revision or scrapping so that firm can attain competitiveness. This is because capacity of firms must be able to meet world best practice (benchmarks) levels of technical efficiency.

Trade policy can also help cushion the effect of economic and political shocks on domestic industries, whether the shocks are domestic or international in nature (Richardson, 1983). However, economists have disagreed on trade

strategies that have enabled countries to attain high growth and rapid industrial development. Trade policy can be characterised as outward oriented and/or inward oriented (Rajapatirana, 1987). An outward-oriented strategy provides incentives that are neutral between production for domestic market and exports. The essence of this strategy is neither discrimination in favour of exports nor bias against import substitution. An inward-oriented strategy, on the other hand, is one in which trade and industrial incentives are biased in favour of domestic production and against foreign trade. This approach is often called import-substitution strategy. The later strategy involves overt and high protection, thus raising cost of production. Similarly, industrial incentives are usually administered by an elaborate and extensive bureaucracy. Outward-oriented policies favour tariffs over quantitative restrictions. This is usually complemented by production subsidies and provision of input at free trade prices. Overall, protection is lower under an outward-oriented strategy. Evidence from World Bank studies show

that outward-oriented economies have performed better than inward-oriented one. The study also showed that there was no strictly discernable relationship between trade orientation and economic and industrial performance. This is not surprising, since factors other than trade strategy influence economic and industrial performance (Rajapatirana, 1987).

Richardson (1983) observed that governments more frequently assist domestic industries improve their competitive positions. Consequently, he advocated a more active U.S. trade policy, that is, a policy that is predictable, non-discretionary, and contingent on certain behaviour. He argued that strategic trade policy could help counter the distortions of an imperfectly competitive world system (oligopoly) and help capture a larger share of profit. He asserted that if the U.S. could limit foreign government market intervention by using an active policy the world market might become more competitive. That, in turn, would be more likely to provide U.S. gains from trade. However, he stated

that an active trade policy has several shortcomings. It is difficult to manage, it gives the appearance of aggressiveness, and its costs can be high. He suggested that other approaches might be better to aid domestic industries. Among these are: better macroeconomic policy making, stabilisation of exchange rates, programmes to ease shifts in labour and capital use, and greater reliance on market forces. Some economists cited the misalignment of the dollar (overvalued) for loss of U.S. competitiveness and pointed to the huge federal budget deficits as the major source of the problem. Without prompt budget action, he opined that sterilised intervention in exchange markets will be needed, along with greater policy coordination with trading partners.

Hall (1983) stated that structural changes should be kept in mind in developing macroeconomic policy. Targeting the growth of nominal GNP was Hall's choice for the most satisfactory monetary policy rule. As an alternative, Hall (1983) proposed a 19 per cent flat-rate consumption tax. He saw its advantages as

providing the revenues for running the government, thus, eliminating the tax preferences that now distort capital investment decisions, and encouraging investment over consumption. Some view that a large financial market would offer adequate support for funding socially viable projects. He advocates targeting of macroeconomic variable say over 5 year period and aim openly at announced growth paths. The path should be reconsidered annually. For example, a nominal GNP target, although fixed for a year, would be consistent with the five-year goal. He also proposed an income policy in the form of wage and price guideposts with tax-based inducements for compliance.

Bosworth (1983) argued that investment was down in U.S. not because business lacks funds to invest but because financial and monetary policies have led to high interest rates and an appreciated dollar. He believed that enough idle resources exist to finance increased investment in short term. Over the longer term, the government should reduce the federal budget deficit and increase public pension programmes to

expand the pool of available capital. The long gestation period and high social returns on spending for research and development justify more government involvement. Market economies often under-invest in civilian technology because firms do not benefit enough from their own research efforts. Bosworth (1983) proposed, however, that increased public support for basic research should take the form of direct government expenditures, instead of tax incentives for private investment. He view that American firms have received tax credits for increased spending on research and development. But evidence from U.S., Canada, and Sweden indicates that tax incentives have little effect on R&D spending. To others, government spending is most effective when it goes for long-term basic R&D, which has a disproportionately large effect on productivity. An industry's rate of productivity increase and a firm's rate of innovation are positively related to spending on long-term R&D. Others are in support of Bosworth' conviction that direct government support for long-term basic R & D should be preferred over

tax incentives for research.

Busari(2004) viewed that the post-colonial industrialization in Nigeria has been pursued with less than admirable vigour leading to dismal performance in the industrial sector. Therefore, to reverse this trend, policy measures must be put in place to: attract, direct, and effectively utilize appropriate foreign capital; produce sound macroeconomic environment and pursue macroeconomic stability. Inflation, currency value, interest rates, and fiscal balance are key variables that need to be well managed. The government should implement policies that will enhance the industrial productivity and competitiveness of the manufacturing through the combination of appropriate economic instruments and technological supports services. In a recent study, Adeoye(2004) examined the extent to which Nigeria has restructured her industrial and trade systems within the context of on-going trade globalisation. He found that the Nigerian economy has not changed its export and import structure over

the 1970-2002 period. There is need for enough incentives for efficient resource allocation in order to promote manufactured export. A mixture of the invisible hand of the market with the visible hand of the state should guide the process of industrialization. In a related study, Alege and Ogun(2004) found that openness to trade and increased technology has significant influence on the level of manufacturing output in Nigeria.

2.2 Review of Public Policy in Nigeria

In this section, we discuss the aspects of public policy, i.e., exchange rate, privatization / commercialization, fiscal, industrial, interest rate policies that are germane to industrialization process in Nigeria.

The discovery of oil in the 1970's provided more foreign exchange for industrial development and the economy. The revenue from oil was used to finance import needs of industry in the context of growing oil exports and declining agricultural output (Olukoshi, 1993). The oil windfall saw the growth of government expenditure and fiscal deficits. Public expenditure increased

greatly and also the oil export boom led to 'Dutch disease' effect. The windfall from oil led to tremendous rise in wages, prices, and imports. Most investment incentives provided by the government were targeted at achieving higher production and greater revenues in the medium to long-run. The expansionary macroeconomic policies implemented facilitated Naira appreciation which encouraged importation by industries. Selective or directed credit policies for preferred sectoral investment programmes were implemented which provided subsidised credits to industries, particularly multinational corporations who were larger in number at that time.

The oil boom encouraged the government to venture into virtually all types of economic activities, such as banking and insurance, oil production, refining and marketing, communication and energy services, etc. As was later discovered, there were a number of problems associated with some of these public enterprises. They include: misuse of monopoly powers, over-reliance on government subvention, mismanagement, ill-

conceived investments, political interference, corruption, nepotism, etc. A survey of the reports of Presidential Commissions on public parastatals, by the government identified over 1500 public enterprises that needed to be privatized.

As the import substitution strategy for industrialization developed, it became clear that the sustainability of the policy depends largely on more foreign earnings (revenue) from the state (economy) for the importation of raw materials, spare parts and machinery. By and large, the policy could not be sustained due largely to the collapse of crude oil prices in the international oil market in the early 1980's. This triggered major crises in the industry and the entire economy. About 50 percent of manufacturing industry in Nigeria were affected negatively. In April 1982, the economic stabilization act was enacted as a temporary provision, the act was aimed at countering government spending and reliance on imports. Regrettably, the measure failed to achieve the desired goal. It was on this note that the next government toward the end of 1983 enforced

much more tougher austerity measures, ranging from strict monitoring of import license, cutting down of foreign travel allowances, major retrenchment exercise was carried out, placing embargo on employment, changing the colour of the currency, etc.

Nigeria continued to experience macroeconomic instability until 1986 when the introduction of Structural Adjustment Programme (SAP) took the center stage of the economic recovery programme of the government. The privatization of public enterprises started in 1986 as an integral aspect of SAP. Under SAP, 110 companies and 35 others covering all the sectors of the economy were scheduled to be privatized and commercialized respectively. The privatization policy was influenced to a large extent by the persistence of fiscal deficits and the need to reduce inflation. Similarly, the urge to lessen the dominance of unproductive investment in the public sector in the light of dwindling oil revenue and excruciating external debt also justified privatization. Privatisation was also in

conformity with the resurgence of "economic liberalization" philosophy under SAP. The economy achieved little as the SAP programme raised many questions than answers, ranging from the appropriateness or otherwise of the policy for economic development and recovery, the implementation process of the policy, etc. Consequently, the economy was overburdened with huge debt, rising unemployment, inflation, decay of infrastructural facilities, large budget deficit, and declining capacity utilization. Average exchange rate depreciated significantly during this period, thus showing relative exchange rate instability.

Although promulgation of the Privatisation and Commercialisation Decree No.25 of 1988 was in 1988, the Technical Committee on Privatization and Commercialization (TCPC) became operational and effective in 1989. The government gave a list of 135 enterprises that were to be privatized or commercialized. Government outlined the objectives of the privatization to include: (i) improvement of the efficiency and reliability of

the operations of the companies

(ii) reduction of their dependence on the national treasury for operations

(iii) promotion of the share ownership by Nigerian citizens in productive investment which hitherto were wholly or partially owned by the federal government and:

(iv) to broaden and deepen the Nigerian capital market.

The TCPC was transformed to the Bureau of Public Enterprises (BPE) by decree 78 of 1993. In 1998, the government resolved to commence further privatization of public enterprises because government has been investing in projects that were exclusively meant for the private sector. In July 1999, the present civilian government inaugurated the National Council on Privatisation to carry out a privatization programme aimed to move substantial ownership, control and operation of certain key economic enterprises from the public to the private sector. Furthermore, to attract the private investment necessary as a catalyst for economic growth and to acquire new technology as well as

expose the economy to international competition.

The stages identified for the privatization programme are as follows:

(i) Phase I - (to be completed by December, 1999) include commercial and merchant banks and cement plants that are already quoted on the stock exchange;

(ii) Phase II - to include Hotels and Motor and Vehicle Assembly Plants;

(iii) Phase III - (privatization to commence in 2002/03) to include NEPA, NITEL, NAFCON, Nigeria Airways; and Petroleum Refineries. So far enterprises in Phase I and II have been fully or almost fully privatized while privatization of Phase III enterprises have begun and is expected to be fully privatized by next year or 2007.

This review has shown that government fiscal policies were propelled by developments in the oil sector. Expansionary macroeconomic (fiscal and monetary) policies featured prominently during this period. Selective and subsidized credit, privatisation/commercialisation policies were also used to spur industrialisation. Other policies experimented were import substitution strategy,

exchange rate devaluation/depreciation, deregulation, etc. The high inflation, high interest rates, huge budget deficit, and persistent depreciation of the Naira exchange rate in the last few years could be described as having constitute serious disincentive to industrialisation in Nigeria.

III. Overview of Industrial Policy in Nigeria

Immediately after independence, the government embarked on import-substitution as an industrial strategy in order to reverse the deteriorating trade balance and hasten industrialisation, among other reasons. In this regard, foreign private capital was encouraged and credit to the private sector was increased. During the early years, a larger contribution to gross investment came from the private sector relative to the public sector. This was an offshoot of the colonial economic investment strategy where government only concentrated on transportation and other infrastructural facilities that made the exploitation of natural resources easier. Given the lean

resources of the earlier period, government encouraged multinationals to establish manufacturing plants in Nigeria. Another policy stance of the 1960s was that of government direct government intervention in industrial activities mainly through equity ownership in foreign-owned companies and expansion of infrastructure (Adejogbe, 1995). The defect of the import-substitution approach was that it merely substituted importation of finished goods for intermediate goods.

Right from the first national development plan (1962-1968) to the fourth national development plan (1981-85), rapid industrialisation received priority in Nigeria's development objectives. The government allocated substantial part of the budget to the industrial sector. For instance, the allocation of 16.2 percent of the budget plan to the manufacturing sector during the third National Development Plan (1975-80) was the highest. The general industrial policies and strategies of the development plans were: adoption of import-substitution strategy; expansion of indigenous

equity participation in foreign owned enterprises; provision of industrial incentives; expansion of the intermediate and capital goods and agro-allied industries as well as greater integration, linkages and diversification of industries; increased domestic resource content of industrial products and provisioning of financial and manpower resources in promoting industrial research and adaptation of technology; encouragement and establishment of small and medium-scale industries; and public sector participation and control of some large-scale industrial projects such as the iron steel plants, petro-chemical and petroleum refining plants, and motor vehicle assembly units (CBN, 2000).

Nigeria's industrialisation strategy has been largely influenced by her economic fortunes. Nigeria industrial strategy changed by the beginning of the 1970s. The Nigerian Enterprises Promotion Decree (NEPD) was promulgated in 1972 to enable Nigerians take equity shares in foreign owned business enterprises. The substantial inflow of petrodollars provided the

much needed finance require for development projects. For instance, during the third national development plan, the government contributed N5.3 billion or 72.7 per cent of total investment devoted to industry (CBN, 2000). The state or government took the commanding height of the economy. However, the policy was terminated in the early 1980s aftermath the falling price of oil and world-wide economic recession. The country returned to the industrial policy of the 1960s, when foreign investors were encouraged through various incentives such as considerable liberalisation of the percentage of equity that they could own in their respective enterprises.

The Structural Adjustment Programme (SAP) introduced in July, 1986 witnessed several industrialisation policies, while some were targeted at the macroeconomy, others were targeted primarily at the industrial sector (Adenikinju, 1996). At the economy-wide level, the policies introduced were: devaluation of the Naira to encourage export, partial deregulation of foreign exchange market to provide access to private firm, abolition of the import license

scheme, simplification of the tariff protection and adoption of various export promotion schemes. At the industrial level, certain incentives were put in place to promote investment. Corporate tax rate was reduced from 45 per cent to 40 per cent in 1987. Capital allowances were increased for plant and machinery. Tax free dividend was also introduced in 1987. Furthermore, special tax incentives were put in place to encourage local Research & Development (R&D). Tax relief granted with respect to R&D expenses on raw material development was up to 40 per cent. Domiciliary accounts were allowed to enable exporters maintain their export earnings in foreign denominated currency. The government also initiated the privatisation and commercialisation programme to enhance industrial efficiency.

Other incentives for promotion of manufactured export were spelt out in the Export Incentives Decree of 1986, such as Export Guarantee and Insurance Scheme, Export Adjustment Scheme, Export Expansion Grant, and the Nigerian Export and Import Bank (NEXIM). All these incentives were to

facilitate manufactured exports in Nigeria. The development of Small and Medium Scale Enterprises (SMEs) during the SAP era is another dimension to industrialisation in view of the failure of the heavy and large import-substitution industries. Apart from stimulating entrepreneurship, the SME has the potential of establishing linkages with agriculture, reducing poverty, and accelerating the development of rural areas, hence mitigating rural-urban drift. It constitutes about 70 per cent of industrial establishments, account for 70 per cent of industrial employment and 10-15 per cent of manufacturing output (CBN, 2000). Unlike the large-scale enterprises, the SMEs have experienced expansion in post SAP period. However, the main problems of SMEs are they have been starved of financial needs, poor implementation and monitoring of projects, time and cost-overrun, non-repayment of loans and harsh economic conditions, among others.

In order to achieve an accelerated pace of industrial development, a new industrialisation policy (NIP) was launched in 1988. The NIP identified

the problems of industrialisation in Nigeria to be: excess capacity, high production costs, low value-added, imported input intensive processes and a high concentration of spatial industries. The broad objectives of NIP are:

- (i) providing greater employment opportunities
- (ii) increased export of manufactured goods
- (iii) improving the technological skills and capability available in the country
- (iv) increased local content of industrial output
- (v) attracting foreign capital
- (vi) increased private sector participation in the manufacturing sector

In addition, the Companies and Allied Matters Decree of 1990 as amended was designed to facilitate the process of incorporation, registration and supervision of companies by the appropriate government agency. The aim was to remove the cumbersome delays and bureaucracy associated with setting up a business in Nigeria. In 1995, the government repealed NEPD and replaced it with the Nigeria Investment Promotion Commission Decree (NIPCD) 16 of July

14, 1995. The decree removes the restrictions placed on foreign investors as to which sectors of the economy and the extent they could invest. Similarly, the Foreign Exchange (Monitoring and Miscellaneous) Provisions Decree 17 was promulgated to replace the Exchange Control Act of 1962 repealed. The decree provides the necessary legal backing to the Autonomous Foreign Exchange Market (AFEM), liberalises substantially foreign exchange flows, stipulates the instruments and sources of funds for the market and specifies the role of the principal actors in the AFEM, among other provisions.

The production and trade structures that could transform import substitution into export substitution failed to evolve with SAP. The failure of SAP was partly due to the lack of tools for realignment of production structures (Adejogbe, 1995). To this end, export of manufactures was very low. The proportion of export of manufactures and semi-processed agricultural products to total export declined considerably in the post-SAP period. The low price elasticity of exports and

lack of comparative advantage meant that Nigeria's share of foreign market can not appreciate despite the numerous incentives. Other factors that can be adduced for failure of SAP to transform the industrial sector were: the frequent breakdown of infrastructural facilities (e.g. power outages), increased production cost associated with market determined exchange and interest rates, low income and ineffective aggregate demand resulting in huge stocks of unsold inventory, escalation of cost resulting from substantial devaluation, high budget deficit, inflationary pressure and high cost of doing business (CBN, 2000).

In order to facilitate adequate supply of funds to the industrial sector, the erstwhile Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) and National Economic Reconstruction Fund (NERFUND) were recently merged to form the new Bank of Industry (BOI). The rationalisation and streamlining of their activities is to make them efficient and effective (Olorunshola, 2002). The government also provides institutional and research

support to the industrial sector through the following institutions: the Industrial Development Coordinating Committee (IDCC), the Industrial Data Bank, the Raw Materials Research and Development Council (RMRDC), the Project Development Agency (PRODA), the Federal Institute of Industrial Research, Oshodi (FIRO), the Nigerian Institute of Economic and Social Research (NISER) and an Export Processing Zone in Calabar, among others.

This reviews has shown that the industrial policies implemented over years include: the ISI strategy, policies to attract foreign investment, increase credit to the private sector, indigenisation policy, emphasis on capital intensive project, encouraging SME and medium scale industries, liberalization and openness policies, R&D support and assistance, privatisation and commercialisation, export promotion and oriented adjustment strategy, foreign and private sector led initiatives, among other. Despite these policies the Nigerian industrial sector is still characterized by high-import dependence and export incapacity, low production base, inward

production orientation, high cost of production, low degree of backward linkages, low technological development, protectionism, low attraction to bank credit and dualistic structure.

IV. Policy Evaluation and Comparative Analysis

Industrial performance is usually assessed in terms of the share of manufacturing contribution to GDP, increase in manufacturing value added, replacement of imports with locally produced goods, innovativeness and skills acquisition, capacity utilisation rates, industrial financing and employment generation. Others are: changes in aggregate output (GDP), manufactured exports growth and diversity, level of local raw materials utilisation, education and manpower development, and foreign exchange saving, among others (Krugman, 1983; Adejugbe, 1995; CBN, 2000). For this analysis, the indicators used to assess the Nigerian industrialization include: growth of manufacturing sector, manufacturing contribution to GDP, capacity utilization rate, import replacement and export generation. Others are credit to the manufacturing sector, diversification of the

sector, nature of goods produced and employment generation capacity.

In order to evaluate the effects of public policy on Nigeria's industrialization, it would be profitable to do this in terms of Pre-SAP, SAP, Post-SAP and 1999-2003. By so doing, policies during these periods and their outcomes could be discussed distinctly.

The Pre-SAP Era

In the pre-SAP era, the government at various periods has promoted industrial activities through its various budgets, development plans and strategies. Starting from the first National Development Plan (1962-68) to the fourth plan (1981-85), the government had allocated substantial part of the overall budget to undertake investment in the industrial sector. Industrial performance during this period shows that the average annual growth of industrial sector between 1960 and 1970 was 5.3 per cent. While between 1970 and 1980, it grew by 10 per cent but fell by 4.8 per cent between 1981 and 1986 (see table 2). The manufacturing sector recorded a modest average growth rate of

between 1970 and 1980 of over 10 per cent (table 2). This growth performance could be attributed to oil boom, restrictive trade policy stance of government, active participation of government in industrialisation process, improved infrastructural facilities, attraction of multinational corporations and the small base of the manufacturing sector (Soludo and Adenikinju, 1996). The early 1980s witnessed a decline in gross investment in the manufacturing sector because of lack of foreign exchange rate for importation of inputs and spare parts. Capacity utilisation was high in the 1970s, and fell in the 1980s due mainly to foreign exchange constraint to import raw materials. There is a persistent imbalance between export capacity and import dependence in the manufacturing sector. The sector uses more foreign exchange earned for manufacturing inputs than it generates from exports, hence no foreign exchange saving from the sector. For example, its share in total export hovered around 7 per cent in the 1970s and 1980s, however, the share of manufacturing in total imports was more than 70 per cent in 1970s and above 60 per cent in 1980s (CBN, 2000).

In terms of structural composition, the Nigerian industrial sector is dominated by consumer goods. The consumer goods industries account for about 70 and 75 per cent of value-added and employment in the manufacturing sub-sector. In terms of relative sizes, about 65.2 are small scale and micro-enterprises while the medium and large scale industries represent 31.3 and 3.5 per cent of total manufacturing units, respectively (CBN, 2000). The dominance of consumer goods production is often reinforced by the structure of incentives which certainly is against the capital goods sector. Similarly, the exchange rate misalignment (overvaluation), particularly in the 1970s and early 1980s makes the importation of capital goods favourable, and against local production. At the same time, the position of final consumer goods is entrenched by higher tariffs. According to Okigbo (1983), this cycle tends to perpetuate the need to import raw material and intermediate products and to maintain the existing structure of import substitution in favour of non-essential industries beyond the

limit of exhaustion of substitution possibility and indeed beyond the limit of rationalisation.

In terms of employment generation in the industrial sector, the manufacturing sector was the second largest employer in the 1970s, and third largest in the early 1980s and 1990s, coming after agriculture and distribution. The limited contribution of the sector could be attributed largely to import-substitution industrialisation strategy that did not take into cognisance the relative factor endowment of the country. In 1971/72, the sector contributed 75 per cent of Manufacturing Value Added (MVA) and 70 per cent of manufacturing employment. Nearly two decades later, the picture remained unchanged even though the sector experienced a marginal decline in MVA and employment. In contrast, the intermediate good sub-sector contributed between 15 and 30 per cent, and between 22 and 30 per cent of MVA and employment respectively over the period 1970-1990. The capital goods sector, in 1980, recorded 21.5 per cent of MVA, thereafter, the sectors' contribution has been

relatively very low in terms of MVA and employment.

The SAP Era

With the introduction of SAP, the industrial policy was aimed at promoting investment, stimulating non-oil exports and providing a base for private sector-led growth. Among the industrial policies that were implemented under SAP were those that were meant to promote efficiency and effectiveness of the Nigeria's industrial sector such as the 1988 new industrialization policy. The objective of the policy was to raise the level of technological capability and skill efficiency in the industrial sector, among others. Furthermore, the privatization and commercialization programme initiated by the government under SAP was intended to promote industrial efficiency. Government also encouraged both domestic and foreign investment in Nigeria by promulgating a new decree in 1989, to replace the indigenisation decrees of 1972 and 1977. Therefore, the restriction that were placed on ownership structure of companies were relaxed except in some sectors including banking, oil prospecting, insurance

and mining. Moreover, trade and financial liberalization policies were implemented to foster competition among the domestic and between the domestic import competing firms and foreign firms with a view to promoting efficiency and increased income.

Table 2 show that the industry sector recorded improved performance during the SAP era compared to the 1981-86 period performance. For instance, average annual growth of the sector was 5 per cent, while for the period 1981-86, it recorded negative growth of 4.8 percent. Similarly, the manufacturing sector recorded average annual growth of 5.1 per cent, while for the period 1981-86 it recorded negative growth of 1.1 per cent. The recovery of growth rate in the manufacturing sector during the SAP era did not continue after 1993 as the growth rate of the sector dropped by -2.8 per cent between 1993 and 1997.

The improvement recorded during SAP may be as a result of more efficient allocation of foreign exchange through SFEM (Adejube, 1995). Manufacturers access to foreign exchange improved, but the Naira depreciation raised cost of

production considerably, so did the rising rate of interest. The gain from SAP (1986-93) was negligible in terms of capacity utilization. Capacity utilization which was 37.1 per cent in 1985 move up marginally to 39 per cent in 1990 (see table 3). It was reported that overall employment in the manufacturing sector declined by about 1 per cent between 1986 and 1992, while the share of formal manufacturing in total employment fell from 18.2 per cent in 1985 to 10 per cent in 1990 (World Bank survey, 1992). Several companies were reported to have shed as much as 25 per cent of their labour force.

The Post-SAP Era

This corresponds to the period of guided-deregulation when both the invisible hand of market and the visible hand of the state combined to manage economic affairs. In post-SAP era, the industrial sector's performance decline marginally by 0.2 from the SAP period performance(see table 2). The manufacturing sector continues to account for a small share of national output, for instance, between 1996 and 2000, it average 6.72 per cent. The share of manufacturing in total

export rose to 67.7 per cent in 1990. This situation has continued to date. In terms of diversification, manufactured exports such as textiles, tin metals, precious metals, scrap metals, chemicals, motor vehicles/machinery, soap/detergents, beer/beverages, urea/amonia, and processed skin, began to feature consistently in total non-oil exports from mid-1980s. These manufactured exports as a percentage of total exports rose from 0.04 per cent in 1986 to 0.92 in 1991(CBN, 2000). Total manufactured and semi-manufactured exports reached a peak of US\$1580 million in 1994 rising from US\$91 million in 1985. Even though manufactured exports performed dismally during the period under review, as the share of manufactured export in total export remained below 1 per cent, manufactured export base broadened in variety.

Nigeria's financial reforms of the 1990s notwithstanding, credit to manufacturing as a proportion of total banking credit has not improved significantly, averaging 15.7 per cent between 1990 and 1994 and 25.8 per cent between

1995 and 2000 (Table 4). The low patronage of bank credit could be adduced to high lending rates. For instance, since 1990 average lending rates have been above 20 per cent, sometimes rising to 26 per cent. In addition, the restrictive monetary policies pursued since introduction of SAP reduced credit to the productive sector and also hampered growth in effective aggregate demand. Many manufacturing firms in the country have continued to rely heavily on internally generated funds, which has reduced their productive capacity (under-capacity utilisation), thus operating below their installed capacity.

1999 – 2003 Era

The democratic regime that assumed power in 1999 focused on industrial strategy that depended on foreign capital. The mobilization of domestic and foreign resources has become problematic due to several years of dictatorial misrule. Hence, the government tried to solicit for capital and competent management skills to revive the comatose industrial sector. The focus was to return foreign investors and international community

confidence to the economy. Tariff incentives, and telecommunication services were improved upon. Public expenditure on energy and infrastructure rose significantly. Large-scale import ban were placed to conserve foreign exchange and protect domestic industries. The average annual growth of the industrial sector continued to decline, as it recorded 4.2 per cent during this period as against 4.8 per cent during post-SAP era (table 2). In recent times, the manufacturing sector performance improved marginally as it has been able to reverse the negative growth to a positive growth. For instance, between 1998 and 2002, the growth rate of the manufacturing sector averaged 3.8 per cent (table 2). In 2002, the manufacturing sector share peaked at 7.8 per cent, while agriculture has 53.5 per cent and mining recorded 13.1 per cent (Table 3). Manufacturing capacity utilisation which stood at 34 per cent in 2001 and moved to 36 per cent in 2002 (FBN, 2003). On other hand, average capacity utilisation was 39.6 per cent in 2001 and rose to 41.3 per cent in 2002 (table 3). This implies that the manufacturing sector operated at about one-third of their feasible

capacity. This has made manufacturing value-added to be low while the share of manufacturing in GDP has not changed significantly.

The low productivity of the sector is also associated with high production cost related with high tariffs, increased cost of energy, rising cost of imported inputs as a result of continuous depreciation of Naira exchange rate, and rising rate of inflation. The net import requirement of the manufacturing sub-sector grew rapidly, as more than 60 per cent of the raw materials consumed in the sub-sector is imported (CBN, 2000). Table 1 shows that import grew radically over the review period, thus averaging 10.1 between 1998 and 2002. Failure to achieve significant improvement in local sourcing of raw material is due to: lack of economies of scale, difficulty in obtaining technical expertise, inadequate research into local substitute, and high cost of production of locally sourced materials (Adenikinju, 1996). The implications of high dependence on imported inputs is high production cost and incessant disruption of manufacturing

production capacity when there is foreign exchange constraint, external shocks and political hostility.

The analysis has shown that public policies have failed to produce a dynamic industrial sector. Manufacturers' inward orientation and their inability to sustain increasing import of inputs, difficulty in replacing obsolete machinery and equipment, high interest rate, have combined to depress production. Consequently, the sector is experiencing a relatively low productivity and output growth. This could be attributed to inefficiency that has been concealed during the period of the implementation of import substitution industrialisation and which has not been significantly removed with the subsequent economic reform programmes.

4.2 Comparative Developments in Industrialisation

It is important to assess industrialisation performance in Nigeria vis-à-vis other countries and highlight the factors/policies responsible for such outcome. The import of this would then serve as of lesson of experience for

Nigeria. As earlier noted, industrial performance can be assessed by changes in output or GDP growth, growth in manufactured value added, manufactured export growth, among others. The performance of the Nigerian economy show that average real GDP growth rates between 1995 and 1998 was 3 per cent, it grew marginally between 1999 and 2002 period to about 3.29 per cent. When we compare Nigeria's growth performance with other African countries, it is observed that she lags behind. For instance, between 1995 and 1998, real GDP growth in Botswana was 5.7, Cape Verde: 7.4, Mauritius: 5.2, and Uganda: 7.6. While between 1999 and 2002, real GDP growth in these countries were: Botswana: 5.6, Cape Verde: 6.0, Mauritius: 5.1, and Uganda: 6.3 (World Economic Outlook, 2003). Nigeria's GDP per capita in 2001 of US\$840 was the least among some African countries. For instance, Mauritius had US\$10,800, Cape Verde: US\$1500, Equatorial Guinea: US\$2100, Botswana: US\$7800 and Uganda: US\$1200 (World Factbook, 2002). In 1987, Korea's GNP per capita was US\$2600. In 1995,

GNP per capita in Nigeria was US\$260, Cote'd'Ivoire: US\$660, Ghana: US\$390, Indonesia: US\$980 and China: US\$620. This trend shows that Nigeria's economic performance has been poor and she need to put her act together and join the club of achiever countries.

In Nigeria, the growth of manufacturing value-added was 2.7 per cent in 1992, down from 4.4 per cent in earlier year. The corresponding figures for the growth rate in the manufacturing sector for other countries in 1992 are: China, 20.8 per cent, India, 4.2 per cent and Indonesia, 5.5 per cent. Apart from its relatively low performance, the share of manufacturing sector in Nigerian GDP in 1990 was 8.1 per cent, lower than the corresponding value of 10.7 per cent in 1985, and a few percentage points higher than the 1970 value of 7.2 per cent. The share of manufactured export in total export accounted for less than 1 per cent during period under review. Its share of manufactured export in non-oil export averaged 6.5 per cent between 1993 and 1997 and moved to 2.4 per cent during the period 1998-2002 (Table 1). The contribution of the

manufacturing sector to export in Nigeria is also very poor when compared to what is obtainable in other countries. For instance, manufacturing sector contributes 94 per cent of exports in Korea, 96 per cent in Hong Kong and 34 per cent in Indonesia (Soludo and Adenikinju, 1996). The low performance of manufactured export is explained by low technological base, sub-standard export products, un-economies of scale, lack of diversification of export goods and price uncompetitiveness (CBN, 2000).

Human development indicators such as school enrollment and teacher-student ratios provide useful information on the quality of labour force in the industrialization process. In Nigeria, gross primary school enrollment ratio, which was 32 % in 1965, rose to 84 % in 1993. Gross primary enrollment in 1993 in Ghana was 74%, Kenya: 97%, Zambia:104%, Indonesia:115% and China:121%. Gross secondary school enrolment in Nigeria rose from 5% in 1965 to 20% in 1990 and rose to 29% in 1993. This ratio for other countries in 1992 are: South Africa:74, Singapore: 107,

Malaysia:60, South Korea: 96, Canada:88. The teacher-pupil ratio in Nigeria was 1:41 in 1988 improved to 1:36 by end of 1995. This contrasted with the situation in Ghana where the ratio stood at 1:20; South Africa 1:23; Malaysia, 1:20 Indonesia, 1:23, China 1:22 and industrial countries 1:18 in 1993. The ratio was above the maximum of 1:25 stipulated by United Nations, in Nigeria. In the case of secondary schools, teacher-student ratio moved from 1:22 in 1988 to 1:25 in 1992 and further to 1:28 in 1995 (Olaniyi and Adam, 2002). Teacher-student ratio in Ghana was 1:43, Kenya, 1:17, Zambia, 1:28, Indonesia, 1:16 and China, 1:15 in 1993. SSA has the lowest educational enrolment in the world at all levels of schooling, worker training and higher education (Lall and Wangwe, 1999). In developing countries, enrolments rates at the tertiary levels in technical subjects show that South Africa has 16 %, Ghana 1%, Kenya 2%, Zimbabwe 2%, Korea 55%, Taiwan 55%, Chile 27%, Argentina, 36% in 1994. South Africa is the only SSA country whose ratio has approached the levels reached in Asian and Latin American countries.

In Nigeria, available statistics on inflow of foreign private capital suggest that there was marginal increase in capital inflows particularly in terms of FDI and portfolio equity flows, since the economic reform started in the mid-1980s. Policy to attract foreign investment in Nigeria has not been active, which may be due to the fear that FDI is competitive with local ownership and control of investment. However, the experience of East Asian countries and a few African countries (South Africa and Mauritius) has demonstrated that domestic and foreign investments can be complementary. Singapore deliberately targeted and attracted foreign firms, but then used various policies and incentives to guide them into more complex activities and encouraged the technological upgrading of existing activities. The Asian Tigers were also dependent on FDI to drive export growth. It is important to encourage technology imports especially via FDI, to improve and deepen the industrial structure, and induce domestic firms to upgrade their skills.

Many policy analysts have examined the policy factors responsible for the rapid industrialization of East Asian countries. Apart from historical factors, the critical factors are: macroeconomic stability, rapid accumulation of physical and human capital, successful agricultural development from the outset, and competent bureaucracies. Other factors are selective intervention to promote infant and export oriented industries, openness, among others. Busari (2004) argued that the efficacy of export-led industrialization in the hyper-successful East Asian economies depended in no small measure on the forces that drove globalisation. He viewed that these forces fuelled transfers of technology in unprecedented volumes. Sound and satisfactory policy research capabilities contributed to East Asian high industrial and economic performance. Considerable resources were devoted to economic planning and research. New research units that focused on policies that lead an economy by price-employment signals were established. The outcome of reliance on policy research has been a

flexible but consistent and need-oriented regime of public policies. The situation in Nigeria is different and problematic which is partly the outcome of poor policy research. Policy failures in Nigeria cannot be separated from poor commitment to policy research but the problem ranges from the absence of research infrastructure to government's disinterest in basic research (Essia, 2003).

Korea is a typical example of a successful East Asian country, where for over three decades, the trade and industrial policies have evolved in response to changing internal and external economic conditions. The Korean economy rebounded from the recession of 1982-1984 to economic prosperity and moved from debtor to creditor status in 1989 (Essia, 2003). By 1989, Korea has moved from a poverty ridden underdeveloped economy, to the status of a highly industrialized economy. The decade of the 70s saw the emergence of large-scale industrial conglomerates, the attainment of economies of scale and technological progress that has propelled it to a new level of international competitiveness.

However, one of the costs of rapid industrial growth in Korea was the neglect of small and medium-scale enterprises that later resulted in structural imbalances in the economy.

The Asian people have a sense of national consciousness, discipline, ethno-centralism and believe in hard work. This has strengthened their self-confidence, patriotism and productivity. In contrast, African societies in general and Nigeria in particular, are highly fragmented and dependent on external influence including resources, with multiple languages, and lack national unity. The entire political economy of Nigeria was shaped, during the colonial era to be highly dependent on sale of primary goods and mineral resources. On the other hand, Japanese colonies like Taiwan and Korea, even though were relatively small societies with labour surpluses and poor natural resources in the early period of growth, had conscious development model of their territories. Moreover, the strong moral and religious culture of Japanese people that encourages hard-work

and piety was imbibed in the people (Essia, 2003).

This review has revealed some of the public policies that led to successful industrialisation in some countries. Some of the policies identified were: macroeconomic stability, conscious industrial development effort/model, rapid manpower development, technological and infrastructural upliftment, providing incentive to encourage FDI, capable policy research programme, conscious economic planning and research. Apart from a dynamic trade and industrial policy and national consciousness, other policies include good orientation qualities such as: high discipline, creativity, ethno-centralism, hardwork, patriotism, good moral and religious culture as well as self-confidence. These public policies should serve as lessons and policy options for Nigeria.

V. Conclusion and Recommendations

The paper has examined the role of public policy in industrialisation process in Nigeria. The central focus of public policy as regards the industrial sector has been the rapid

growth of manufacturing production, promotion of manufactured exports, manpower and infrastructural development, development of local raw materials to replace imported inputs, wooing of foreign investors and opening up the domestic market for foreign trade. The paper found that the industrial sector is still suffering from low investment, deficient infrastructural facilities, low production and manufacture export, weak raw material base, high cost of production, low employment generation, lack of innovativeness, obsolete machinery and equipments, inadequacy of skilled and poor human capital development, low linkages and integration, consumer goods dominated, among others. The causes of poor industrial performance in Nigeria are due to poor public policies, political instability, adverse terms-of-trade, under-investment in R & D, inward orientation, high import content, low supply of credits, etc.

The paper has shown that government has a role to play in the industrialisation process by providing infrastructures, help overcome market failures,

assist develop money and capital markets, make economic information available and formulate sound public policies. Public support for industries should be in form of basic research and establishment of demonstration factories, as well as promote scientific and technological research. Similarly, it should encourage technological acquisition and the learning of technology for the industrial sector to be efficient. Better macroeconomic policy making, stabilisation of exchange rate and greater reliance on the market will also help. Macroeconomic stability will help attract foreign direct investment that would facilitate technological acquisition. There is need for a strong export orientation combined with import substitution. This is because empirical evidence has shown that economies with outward oriented trade strategy have performed better. In this respect, globalisation should improve competitiveness, widen market, facilitate technological acquisition and technical efficiency. Industrial policy will need to address the problem of shortage of skills so that industrialisation is based on the creation of the

appropriate skills necessary for the build-up of the competence required to attain international competitiveness. In this respect, the government should promote human capital development through increase in technical education and provide adequate incentives for development of educational sector. Similarly, restructuring the educational systems to de-emphasise mere literacy and give premium to accumulation of technology-using skills at all levels of education as well as heavy investment on the building of a strong policy-research capacity would help. In addition, government should reduce its budget deficit and corporate and/or capital taxes, increase pension programme in order to increase pool of investible fund and pursue moderate interest rate regime. Finally, for increase productivity and economic growth, there is need for value reorientation where Nigerians will imbibe the culture of hard work, creativity, discipline, patriotism and believe in themselves.

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(Footnotes)

¹ Efficiency requires the fulfillment of certain stringent assumptions: perfect competition, absence of externalities and existence of a complete set of markets including all future or capital markets and those covering all risks(Lall and Wangwe, 1999).

APPENDIX**. Table 1: Economic Indicators on Performance of Nigerian Economy, 1980-02**

Year	R. GDP Gr. %	FD/GDP, %	INF. Rate %	ED/GDP %	INV/GDP %	UNE MPR %	EX.R	RES. (N' Bn)	SNOE XP
1980	5.4	-4.1	9.9	14.6	14.3	18.6	0.9	10	Na
1985	9.4	-3.9	5.5	21.8	6.4	6.1	3.8	1.64	1.6
1990	8.2	-8.5	7.4	114.8	6.3	3.5	9.6	3.88	9.0
1991	4.6	-11	12.9	112.8	5.8	3.1	13.4	4.48	14.0
1992	3	-7.2	44.6	99	5.7	3.4	20.3	0.7	1.9
1993	2.6	-15.3	57.2	79	6.2	2.7	36.2	1.33	6.9
1994	1.3	-7.9	57	71.1	5.8	2.0	59.9	1.66	6.0
1995	2.4	0.1	73	131.7	5	1.8	83.7	1.44	0.2
1996	3.4	1.6	29.3	95	5.2	3.4	83.1	4.07	7.4
1997	3.8	-0.2	8.5	83.7	5.7	3.2	84.9	7.6	11.9
1998	2.4	-4.8	10	103.3	5.3	3.2	87.9	7.10	1.8
1999	2.7	-8.4	6.6	93.1	4.9	3.1	99.2	5.45	1.5
2000	3.8	-2.9	6.9	85.4	5.4	4.7	111.1	9.91	2.3
2001	3.9	-4.0	18.9	81	6.2	3.8	132.6	10.42	1.3
2002	3.3	-5.1	12.9	74.2	7.0	4.1	136.8	9.98	5.1

Source: CBN Statistical Bulletin (Various Issues)

Note: R. GDP Gr. – Real GDP Growth, FD/GDP – Fiscal Deficit to GDP ratio, INF – Inflation, ED/GDP – External Debt Stock to GDP ratio, INV/GDP – Investment to GDP ratio, UNEMPR – unemployment rate, RES – Reserve, SNOEXP – Share of non-oil export in total export, IMP. Gr. - Import Growth, ME/TE – Manufactured Export to Total Export Ratio

Sector	1960-70	1970-80	1981-86	1987-92
Agriculture	0.02	8.0	0.6	3.5
Industry	5.3	10.0	-4.8	5.0
Mining	21.1	6.0	-6.0	4.9
Manufacturing	7.4	12	-1.1	5.1
Services	8.1	6.0	0.3	7.9
GDP	4.5	4.7	-1.8	5.4

Source: FOS and CBN(1998)

Note: Growth rates based on value added at factor cost in constant 1987 prices while the period 1998 –02 figures are based on 1984 factor cost.

Table 3: Economic Sectors Share in GDP and Capacity Utilisation Rate in Nigeria

Year	Manufactur'g. Share in GDP	Agric. Share in GDP	Mining Share GDP
1960	3.2	58.2	1.2
1965	4.9	49.9	4.6
1970	7.2	41.3	10.1
1975	5.5	25.5	21.7
1980	5.4	23.4	26.9
1985	8.3	40.3	15.6
1990	8.2	39.6	13.2
1995	6.7	38.6	12.9
1996	6.5	39.0	13.4
1997	6.3	39.4	13.1
1998	6.7	45.4	13.8
1999	6.9	47.6	12.8
2000	7.2	48.9	14.26
2001	7.5	50.8	15.1
2002	7.8	53.5	13.1

Source: CBN Statistical Bulletin and Annual Report (Various Issues)

Note: Mining include Mining & Quarrying plus Crude Petroleum

Table 4: Bank Credit to Manufacturing Sector(1970 - 2001)

Year	Total Credit (N'Bn)	Credit to Manufactur'g	Percentage Share
1970	1.14	0.66	57.89
1975	0.98	1.56	62.82
1980	10.56	6.15	50.23
1985	31.43	9.34	29.71
1990	57.6	11	19.1
1995	394.2	71.7	18.2
1996	340.8	87	25.5
1997	331.2	102.2	30.9
1998	513.7	120.6	23.5
1999	592.6	134.1	22.6
2000	485.7	159.7	33.8
2001	848.9	545.3	64.30
2002	1329.4	754.9	56.78

Source: CBN Statistical Bulletin and Annual Report(Various Issues)