REPORT ON THE FIRST NIGERIAN ECONOMIC SUMMIT
REPORT ON THE FIRST NIGERIAN ECONOMIC SUMMIT

18 - 20 February, 1993
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Background

Despite abundant natural and human resources, Nigeria remains a basically poor country. Up to the end of the '60s, the country was self-sufficient in food production and even a net exporter of agricultural produce. Since the early '70s, as oil became a major foreign exchange earner and contributor to Gross Domestic Product (GDP), other sectors of the economy, especially agriculture and manufacturing, were relegated to the background.

The end result is that the non-oil sector of the economy has stagnated, while crude oil revenues have not been managed effectively to stimulate desired growth levels and sustainable economic development. Major historical structural defects include:

- Agriculture has declined to where Nigeria has become a major importer of food items,
- Industry is still largely dependent on imported raw materials,
- Limited progress has been made in industrialisation since industry faces low capacity utilisation and generally cannot compete with cheap imported products, often of inferior quality and often imported without payment of the necessary duties,
- Infrastructure is decaying and does not meet the demands of a rapidly increasing population and a modern developing industrial sector,
- Human resources development has suffered from neglect as institutions and programmes have failed to keep pace with global competitive and technological requirements, and
- Macro-economic structures have deteriorated due to intractable inflation, a suffocating internal and external debt burden, continued and seemingly irreversible Naira depreciation, increasing import dependence, steadily increasing interest rates, and erosion of savings and investments, with a consequent industrial decline and increasing unemployment.

In order to address these structural problems, the Babangida administration introduced a Structural Adjustment Programme (SAP) in 1986 aimed at:

- restructuring and diversifying the productive base of the economy with a view to reducing dependence on the oil sector and imports,
- achieving fiscal balance and ensuring balance of payments viability,
- laying the basis for sustainable and non-inflationary growth,
- reducing unproductive investments in public sector operations, and
- intensifying private sector growth potential.

Although the full anticipated benefits of SAP are far from being realised, Nigeria has made a good start towards achieving economic recovery. Progress to date has resulted mainly through the process of deregulation of key economic activities and
privatisation and commercialisation of selected public sector enterprises. It is clear today that structural adjustment is a never ending process.

Beyond the Structural Adjustment Programme, there is a growing need for clear and definitive economic objectives and appropriate strategies which will permit Nigeria to attract major private sector investment and thereby accomplish sustainable economic development.

In the short and medium term, key priorities should be to correct distortions in the nation's economy and firmly entrench the market system as a solid foundation for building an industrialised society.

In the long term, Nigeria should become an industrialised nation. Locally manufactured output should account for the greater part of goods and services consumed in the country and constitute a significant percentage of exports and GDP. The economy should be characterised by a sustainable balanced growth and the Nigerian standard of living should steadily move towards developed country standards.

In view of the situation facing Nigeria at the start of 1993, Chief E.A.O. Shonekan decided to bring both the public sector and the private sector together to explore (jointly) our economic problems and to formulate new strategies to address them. The Nigerian Economic Summit objectives were to:

- establish an on-going dialogue with the private sector,
- obtain feedback on the state of the economy, the 1993 budget message and the current investment climate,
- define priority economic issues and formulate an Economic Action Agenda for Nigeria, and
- challenge the private sector to be pro-actively involved in Nigeria's economic development.

The task of national economic development was therefore addressed as a partnership between Government and the private sector.
Section 1: Nigerian Economic Summit

The Nigerian Economic Summit was held at the Nicon-Noga Hilton Hotel, Abuja from Thursday, 18 February, 1993 to Saturday, 20 February 1993. Participants were provided the opportunity to reflect on the following issues:

- the specific problems impacting each industry, sector and sub-sector of the economy,
- the reforms and policy changes required to resolve the problems in the short, medium and long term, and
- the implementation programme in terms of specific measures, time-table and public support.

The Summit was unique in bringing together, for the first time in Nigeria's history, key players in the private sector, top leadership of the public sector and representatives of private development agencies and international institutions to examine issues collectively and to identify the policy reforms necessary for Nigeria's economic development.

The key events during the Summit are detailed below.

Thursday, 18 February 1993

Setting The Stage:

After the opening dinner, Mr. Roger Rainbow of Shell Petroleum Company, (UK) discussed the global outlook and set the stage for a film titled "Global Scenarios - 1992 - 2020." The film analysed the direction in which the world is moving today and identified possible scenarios for the future. The film highlighted two alternative global scenarios - one of "Barricades", the other of "New Frontiers".

"Barricades" were characterised by inward looking economic and political systems. Such systems create impediments to development such as wars and social disorder, political instability, stringent laws and regulatory controls, lack of basic infrastructures, public sector dominance of the business arena and other negative forces. Such forces combine to scare away investments and to stifle economic growth and development.

"New Frontiers" stressed outward looking economic and political systems. While turbulent and conducive to dynamic change, this is a more positive scenario in which developing countries significantly improve their economic performance relative to the developed world. While hard choices are necessary, a progressive country would encourage investment and thereby attain the desired level of sustainable economic growth and development.

"New Frontier" priorities for governments are focused on:

- Education
- Stabilisation
- Privatisation
- Deregulation
- Infrastructurisation
- Democratisation
Scenarios are not forecasts. The future reality could fall somewhere between the two scenarios, or even be significantly different. But what is clear is that Nigeria must cope with global forces and the dynamics of unfolding realities which will require difficult and far reaching policy choices to be made.

Friday, 19 February 1993

Government Perspectives and Briefings

The Chairman of the Transitional Council and Head of Government, Chief E.A.O. Shonekan, welcomed participants with an address titled "The Challenge Ahead". He remarked that the Summit was a watershed in Nigerian economic history and the beginning of a national campaign to increase savings and private sector investment to levels required to fund sustainable growth of our economy at the rate of 5 to 10 per cent in real terms per annum.

Chief Shonekan set out the Summit objectives to guide and orient our economy towards intense, but fair competition; high levels of domestic savings and investments; high quality education, training and acquisition of technological know-how; stable macro-economic environment; strong and dynamic financial systems and a flexible or adaptable bureaucracy. The dual challenge before the Summit participants was set out as the need to:

- articulate the necessary issues in open and completely candid discussion, and
- define the necessary economic reforms and chart Nigeria's long term direction.

To achieve these ends and assist the Transitional Council in focusing its efforts during its short tenure of office, he urged the Summit participants to:

- identify investment constraints at the individual, corporate and industry levels,
- define economic issues for government to address, at both macro and micro levels, to create the enabling environment for private investment to thrive, and
- formulate specific reforms and incentives to attract investment either in new ventures or additional investments in existing businesses.

He stressed the need for the private sector to take its rightful place in our drive towards economic development while government provides the appropriate enabling environment for businesses to thrive. While acknowledging the relevance of ideas and experience from other nations, he enjoined Summit participants to find "a Nigerian formula for Nigerian economic problems". He further assured participants of the Transitional Council's commitment to good governance and the elimination of "the Nigerian factor" from our system. In his words, "the essential elements of good governance are:
transparency in the sense of openness to public scrutiny, full and complete disclosure of all financial matters, and as I demonstrated in my budget speech, there is need to bridge the knowledge or information gap in the activities of government,

- sense of duty which recognises that we all have obligations to perform as well as rights and entitlements that accrue to all Nigerians. Above all, we must pursue the national interest rather than narrow self-interest."

He noted that the so-called Nigerian factor has undermined our self-confidence and prestige as a nation. To replace the concept with the virtues of honesty and high quality work, he saw the need for good, honest and hardworking Nigerians to be mobilized to build a credible nation that is respected at home and abroad.

Finally, he acknowledged the relevance of all categories of Nigerians to the national economic development process. Although Summit participants were drawn mainly from the private sector and the international community, he assured the nation that future fora will reach out to academia, labour, consumer groups, traditional rulers, religious leaders, the media and the rank and file of Nigerians.

General Ibrahim Babangida, President and Commander-in-Chief of the Armed Forces, delivered the Presidential address titled "A Lasting Legacy." He told participants their mission at the Summit should be to chart an appropriate strategy and to help put in place reforms needed to fully restructure the economy. He stated that any credible economic strategy for sustained growth and development in Nigeria for this decade and beyond must include the following, among others:

- a stable macro-economic environment which brings down inflation to below 5%, stabilises the exchange rate of the Naira and moderates interest rates in line with changes in the price level,

- an external debt relief programme aimed at securing generous debt relief and curtailing debt service,

- the definition of appropriate public sector roles which assist the private sector to become the engine for economic development of the nation, and

- the provision of an enabling environment to attract private investments on a large scale.

He confirmed his administration's mandate to the Transitional Council to define a long term vision for Nigeria, to support this vision with a comprehensive and well thought out plan and to develop credible and realistic implementation programmes. He reiterated the objectives of the Structural Adjustment Programme and reform measures taken so far by Government including floating of the Naira, abolition of import licensing, elimination of commodity boards, reduction of tariffs across the board, privatisation and commercialisation of selected public enterprises and rationalisation of the public service. He enumerated other proposed policy reforms that will soon be implemented as follows:
• operation of the indirect approach to monetary management through Open Market Operation (OMO) to eliminate recourse to financing government deficit with ways and means advances,

• partial or full privatisation of already commercialised enterprises,

• encouragement of capital inflow through foreign investments in the economy by liberalising foreign ownership requirements for the remaining industries for which indigenous majority shareholding is presently mandatory, and

• simplification of the Industrial Development Co-ordination Committee (IDCC) and its conversion into a dynamic unit of Government with the responsibility to market Nigeria to foreign investors.

He concluded by emphasising his administration's commitment to deliver a lasting legacy on the economic front for our nation.

Briefings from government leadership at the Ministerial level started with a speech titled "Prospects for the Future of Transport Development in Nigeria", delivered by Chief Oluwole Adeosun, Honourable Secretary for Transport, Aviation and Communications. He gave an overview of transport development in Nigeria and the strategic importance of transport to national economic development. He noted that current problems in the transport industry, such as poor intermodal cooperation and a chaotic urban transport system, provide a great opportunity for foreign and local entrepreneurs to invest in transport development in the economy.

In the realm of telecommunications, Nigeria Telecommunications Plc's (NITEL's) responsiveness to changing user requirements and emerging technological developments in modern telecommunication service was highlighted. To ensure the national network delivers all the services required, the following strategies have been defined:

• the utilisation of new technologies to develop and introduce modern telecommunications services by which NITEL has started providing such facilities as:
  - personal telecommunications in the form of cellular mobile radio
  - corporate communications network
  - business services like tele-conferencing, voicemail, packet switching and electronic mail

• corporate organisational restructure of NITEL which started with its commercialisation in 1992.

Finally, to enhance customer confidence, NITEL plans to introduce on-line and real time billing services to ensure that customers receive their billing details on demand.

The Chairman of the National Planning Commission (NPC), Alhaji Mustapha Umar, briefed participants on the role of NPC and its relevance to public and
private sector efforts to improve the quality of life of our people. He gave an insight into the challenges facing NPC by reference to its responsibility to design a new social and economic order for Nigeria. He highlighted NPC's approaches to discharging its functions as follows:

- Gathering information and relevant data on the activities of various ministries and relevant agencies in the public and private sectors. This approach also includes:
  - review of our economic problem areas such as debt management, inflation, national integration, the depressed productive sector, low technological capability and low productivity.
  - information exchange and retrieval from the various sectors of the economy.
- forging of a national consensus by promoting and sustaining co-operation between the public and private sectors,
- co-ordination of the activities of Directorates of Planning, Research and Statistics in all the ministries to upgrade the quality of their inputs to the National Rolling Plan and Capital Budget, and
- improvement of the institutional framework for planning at state and local government levels.

He noted the proposed establishment of an Inter-Ministerial Committee to map out the revenue and expenditure profiles, the monetary and fiscal policy framework for the National Rolling Plan, the annual capital budget and the recurrent budget for an ensuing period. Finally, he noted NPC's intention to participate in the approval process for projects that require external finance to ensure that adequate provisions are made by the appropriate ministries for the funding of such projects through the budget process.

The Honourable Secretary for Industries and Technology, Alhaji Aminu Saleh, stated the objectives of Nigeria's industrial policy as the achievement of an accelerated pace of industrial development. To achieve these objectives, the government role has been:

- to encourage increased private sector participation in the industrial sector and privatising and commercialising holdings in certain existing industrial enterprises;
- to act as a catalyst for the establishment of new core industries,
- to provide and improve infrastructural facilities,
- to improve the investment climate prevailing in the country,
- to establish a clear set of industrial policies, and
- to harmonise industrial policies at Federal, State and Local Government levels.
He reiterated Government's desire to ease the approval process for start up activities of foreign investors by establishing IDCC in 1988 as a central approval agency. He listed IDCC's achievements to date as:

- issuance of 707 Business Permits authorising investments to the tune of N5.7 billion,
- grant of 2,635 expatriate quota positions, and
- issuance of Approved Status-in-principle to import foreign capital to 443 companies.

He also noted that 111 foreign investors have been granted approvals to own 100% equity in Nigerian companies. Among the existing incentives to industries are pioneer status certificate and capital allowances for purchase of fixed assets. Other incentives which Government has approved for implementation are:

- labour incentive mode for production which entitles any company, with high per capital ratio, to a maximum of 15% tax concession depending on the number of workers employed,
- minimum local raw material utilisation incentive which provides a tax credit of 20% to any company attaining the following minimum levels of local raw material sourcing utilisation:
  - agro-allied 70%
  - engineering 60%
  - chemical 60%
- research and development which makes deductible all the expenses incurred on research carried out in Nigeria and connected with use of local raw materials.

Alhaji Saleh further confirmed the conclusion of a Bilateral Investments Protection Agreement with United Kingdom, France and the Netherlands while negotiations with the United States, Spain and Switzerland are in progress. The agreement guarantees the payment of adequate compensation for loss of capital investment due to emergencies such as war, conflict, etc. He reported recent findings by the Raw Materials Research and Development Council on metallic and non-metallic pulp and paper and its availability to interested investors.

On small and medium scale industries, he informed participants of the establishment of industrial centers throughout the country to provide extension services to small scale industries. Other incentives to small and medium scale industries are credit schemes and World Bank assisted programmes providing facilities for restructuring and standardization of their operations.

In order to assist participants in their deliberations, Alhaji Saleh provided participants with copies of "Industrial Policy for Nigeria" and "Incentives to Industries".
The Honourable Secretary for Finance and Economic Development, Mr. Oladele Olashore, summarized the issues raised in the 1993 Budget Message on incentives to industries, reviewed 1992 foreign exchange developments and budget issues, and highlighted steps to improve external and domestic debt management including replacement of direct instruments with indirect monetary control measures. He stated his Ministry was implementing strict budgetary controls and curtailment of extra-budgetary expenditures. His Ministry resolved to prevent further accumulation of external debts by imposing stringent conditions for accessing external finance. Future external borrowing would be restricted to concessional sources and to self-liquidating projects of vital importance to the economy.

Alhaji Abdulkadir Ahmed, the Governor of Central Bank of Nigeria (CBN), briefed the participants on "Monetary Policy Issues" including debt management and foreign exchange flows. On the policy thrust for future monetary management in the economy, he stressed the replacement of direct by indirect monetary control measures. In pursuit of the indirect approach to monetary control, he restated the removal of credit ceilings for those banks which have met the performance criteria stipulated by CBN. Henceforth, the instruments of monetary and credit policy will be Open Market Operation (OMO) supported by cash reserve requirements, liquidity ratio and discount rate. This implies that government borrowing requirements will be sourced mainly from the private sector and CBN will consequently be relieved of the burden of financing government deficit spending.

As far as the exchange rate policy is concerned, he noted plans for the complete deregulation of the foreign exchange market. To this end, the burden of sustaining the market will be taken away from CBN so as to facilitate the emergence of a self-supporting market where CBN itself would be a participant like any other authorised dealer.

The Honourable Secretary of State for Petroleum and Mineral Resources was represented by the Chairman of the Nigerian National Petroleum Corporation (NNPC), Dr. Imo Isieu. In his briefing, Dr. Isieu re-affirmed the continued significance of the petroleum industry to our economic development. He stated the objectives of the upstream sector of the industry as follows:

* to increase our national reserve base from 20 billion barrels to 25 billion barrels and production capacity from 2.1 million barrels per day to 2.5 million barrels per day in the next 5 years, and
* to re-order our priorities with emphasis on investment in frontier basins such as offshore deep water, gas development and utilisation.

In order to overcome the existing constraints in the upstream sector, he highlighted the existing and proposed measures to overcome them. Among these are:

* replacement of Joint Venture arrangements with Production Sharing Contracts (PSC) which ensure the investor recovers his cost upfront before deduction of taxes and reflects the risks and long term nature of the investment,
adoption of fiscal policies which ensure that Memorandums of Understanding (MOU) are regularly reviewed to provide incentives for sustained growth in investment, and

establishment of a gas development policy which provides the framework for encouraging private sector investment in the distribution, conversion, reduction of gas flaring and substitution of natural gas for other energy resources.

In the downstream sector, he noted the key issue as ability to ensure adequate and uninterrupted supply and distribution of petroleum products nationwide. He explained the problems of the downstream sector in terms of:

- distribution bottlenecks,
- unrealistic demand,
- management of the long chain of distributors, and
- uneconomic pricing structure which makes it difficult to recover costs and maintain and replace assets.

He emphasised the need for the nation to have a new policy which aims at:

- setting an appropriate and realistic pricing structure to facilitate full cost recovery, assets maintenance, assets replacement and sustained capacity growth, and
- promoting enhanced private sector investment in the distribution network.

Lastly, the Honourable Secretary for Internal Affairs, Alhaji Abdulrahman Okene, expressed the view that internal security is crucial to the success of economic activities within a nation. He therefore emphasised the need for allocation of sufficient resources for the enforcement of law and order in the country. He acknowledged public complaints by both Nigerians and foreigners alike against harassment by immigration officers and other law enforcement agents. He attributed this to human frailty especially to distinguish between genuinely innocent and suspected offenders. Consequently, he pleaded for understanding by affected persons.

Industry Group Discussions:

At the end of the opening ceremony, participants were instructed as to how the Industry Group Discussions would work. Specific questions to address included:

- what are the major economic issues facing Nigeria today?
- what are the major economic issues facing your industry and company?
- did the 1993 Budget Message address your needs? If not, what more is needed?
- what specific reforms are needed to make your industry fully competitive and attractive for new investment?
what is necessary to make your company expand aggressively and/or make major new investments?
what is necessary to make you invest now rather than later?

Participants then joined their pre-determined groups for discussions along the following industry lines:

- Oil and Gas - Upstream
- Oil and Gas - Downstream
- Commercial Banks
- Insurance, Merchant Banks and Finance
- Agriculture/Agro-Allied
- Food, Beverages and Tobacco
- Chemicals and Pharmaceuticals
- Manufacturing and Assembly
- Trading, Distribution and Transportation
- Local Sourcing and Exports
- Small and Medium Enterprises
- Services

The issues raised and discussed in the groups as well as recommended reforms are summarised in Section 2.

**Group Reports**

At the end of group meetings, participants re-convened in plenary session to hear presentations by group Chairmen summarising discussions.

**The Mexican Experience**

Friday's programme was concluded by Mr. Jack Guenther from Citibank, New York, speaking on the similar economic experience of Mexico.

Mr. Guenther's remarks chronicled Mexico's recent recovery from the major economic crises it confronted in the 1980s. He attributed Mexico's economic problems to the following causes:

- excessive spending of revenue from oil
- large scale external borrowing (as much as $100 billion by 1981)
- excess of imports over exports (about $10 billion deficit in 1981)
- slump in oil prices
- 200% increase in interest on external debts
- inflation
- over-valuation of local currency and unrealistic exchange rate
Subsequently, Mexico has managed a substantial recovery, overcoming these problems by implementation of appropriate macro-economic policy reforms relating to fiscal matters, exchange rates, monetary management and wage increases. The major reform measures, included the following:

- reduction of inefficient subsidies on food and other items to the extent that gasoline prices in Mexico are slightly higher than in the United States,
- financing of public sector investments with savings from reduction in consumer subsidies,
- privatisation of state-owned commercial banks which yielded several billions of dollars in revenue,
- payment of domestic debt with proceeds from privatisation,
- keeping wage increases in any ensuing year well below inflation in previous year while at the same time inflation was kept as low as possible in subsequent years,
- devaluation of Mexican currency by an amount equal to the percentage difference between inflation rates in Mexico and the United States, and
- encouragement of savings in the economy by having short term interest rates at 3% - 4% higher than the United States.

Due to these measures, Mexico was able to eliminate capital flight and produce a steady inflow of capital such that $20 billion net funds came into the country in 1992. Inflation was reduced from a peak 100% in the 1980s to 12% in 1992 with between 8% and 9% projected for 1993. Budget surplus was about 1% of the Gross Domestic Product in 1992 and 1993.

Mexico has considerable relevance to Nigeria as a large petroleum exporter with a similar history of economic crisis. If anything, the Mexican experience provides optimism that there can be light at the end of the tunnel for Nigeria once the right policy reforms are in place.

Saturday, 20 February, 1993

Reform Group Discussions

The participants started the day in their meeting rooms to discuss assigned reform topics, as follows:

- Monetary Systems/Management
- Fiscal Management - Spending
- Fiscal Management - Revenue
- Debt Management
- Investment Climate - Petroleum
- Investment Climate - Non-Petroleum
• Capital Markets
• Public Sector Role
• Law and Order
• Human Resources and Technology
• External Image/Creditability
• Private Initiatives

Each group was asked to raise the following questions:
• what shall the nation’s long term objectives be?
• what is the current situation? and what key issues need to be addressed?
• what reforms and policy changes need to be implemented?
• how should implementation be accomplished, particularly in terms of specific measures, timetable and public education?

The issues raised and discussed in the groups and the recommended policy reforms are summarised in Section 3 of this report.

Group Reports
Participants re-convened in plenary session to hear presentations by group chairmen summarising each group’s discussions.

Question/Answer Session
After completion of the group reports, the Chairman of the Transitional Council and members of the Council plus the Governor of the Central Bank responded to questions from the plenary session participants.

The Way Forward
The Summit ended with after dinner remarks by Chief E.A.O. Shonekan titled, “The Way Forward”. In the speech, Chief Shonekan unfolded plans and strategies to guide our “long march towards economic success” and “to improve the quality of life for all Nigerians”. In doing this, he set out an underlying economic philosophy for Nigeria based on the following elements:
• commitment to free market economy,
• encouragement of private investment,
• creation of an enabling environment,
• governance in our national interest,
• commitment to the rule of law, and
• establishment of the economic foundation for democracy.

He pledged government commitment to implement policy reforms recommended at the Summit and highlighted the following reforms as priorities of the Transitional Council:
• the removal of administrative and legal bottlenecks that impede both the inflow of investments and general operating conditions,
• exposure of government actions to public scrutiny as part of the process of accountability and transparency,
• issue of law and order and security of life and property,
• active disengagement of government from all economic activities that can be better managed by the private sector,
• elimination of macro-economic distortions primarily through reduction of budget deficit and elimination of extra-budgetary expenditure,
• convertibility of the Naira
• accelerated improvement of infrastructure and encouragement of private sector participation in that sector, and
• removal of all other distortions including those related to pricing.

Chief Shonekan announced the following events scheduled to take place before the disengagement of the Transitional Council later in the year:
• a one-day follow up session with the Summit participants within a month from the end of the Economic Summit,
• a first quarterly review of the economy to be held by the end of April 1993,
• a mid-year review of the economy to be held at the end of July 1993, and
• an announcement of Nigeria’s Long-Term Economic Strategy for adoption by successor governments.

Before concluding, Chief Shonekan confirmed Government’s expectation that “this Summit would produce an Economic Action Agenda which will be an essential input into the development of a Nigerian economic blueprint.”
Section 2: Industry Group Discussions

Oil and Gas - Upstream

The group reviewed the various internal and external factors affecting the upstream oil and gas sector and then considered the related effects of macro and micro economic factors. Discussions covered specific government regulations and actions, adequacy of infrastructural facilities and technology, and other factors having both socio-economic and investment implications. Conclusions and recommendations were reached on the reforms necessary to ensure an attractive investment climate and sustained development of the upstream oil and gas sector.

ISSUES DISCUSSED.

Macro Issues

**External factors** Basic external factors influencing investment in the upstream sector include low credibility of Nigerian entrepreneurs as a result of the high incidence of fraudulent practices. Also inability of government to reach mutually acceptable long-term agreements with the London and Paris Clubs has resulted in large debt service obligations which have had adverse repercussions on existing and future investment potential.

**Internal factors** Internal factors contributing adversely to the growth of investment funds in the oil sector in Nigeria include the deplorable state of business ethics/corruption, bureaucracy barriers, insecurity and economic mismanagement, as well as lack of information, lack of continuity in governance, and the existence of subsidy for petroleum products.

**Continuity in governance** Frequent changes in governance and management of oil sector related institutions and parastatals have adversely affected continuity of policy implementation and planning horizons for participants in the oil and gas sector. In some instances, projects embarked upon or at the verge of being implemented have been delayed or cancelled with a resultant loss to the investor.

**Oil subsidy** In spite of Government's emphasis on deregulation, the existing subsidy on Nigerian petroleum products has resulted in their being the cheapest worldwide, resulting in smuggling across the borders and frequent fuel scarcity. The subsidy on petroleum products also has adverse implications on effective distribution and resource allocation. Low prices also inhibit natural gas development.

Oil and Gas Industry Issues

**Security** By its nature, the oil and gas industry operates in remote areas with poor infrastructural facilities. Recently, there has been an escalation in the incidence of armed robbery and theft of operational equipment resulting in substantial loss of revenue and astronomical facility replacement costs. Threats to lives of field staff have made it difficult to recruit experienced staff at some locations.
Community disturbances  Recently, increasing economic hardship has resulted in more frequent disturbances aimed at holding oil companies and their agents to ransom. Disturbances have caused substantial disruption to producing facilities with a consequent loss of revenue to the Joint Venture operators and government.

Inadequate Government funding  Government's equity contribution to joint venture operations is rarely received in good time to assure against the disruption of operations despite the industry being the main source of Government revenue. These inconsistencies apparently result, from the country's huge debt burden and its commitment to many capital intensive projects. The result has been to impose an additional strain on the financial resources of the foreign joint venture partners to ensure continuity of operations.

Legislation and bureaucratic bottleneck  Existing legislation is frequently outdated and bureaucratic bottlenecks tend to slow down the rate of progress of operations. The oil and gas sector worldwide is dynamic and demands the free flow of information for operational effectiveness and speedy response to resolve constraints to operations.

Oil industry control  The extent of the control of the oil and gas industry by the NNPC and Ministry of Petroleum Resources needs to be reviewed. Excessive control has included unnecessary bureaucratic bottlenecks with severe adverse implications on the operations and revenues of the joint ventures, particularly when controls limit the operators' flexibility.

Telecommunications  Remote locations necessitate good communication, through voice and data transmission, to improve operational effectiveness. Present telecommunication facilities leave much to be desired since major control lies with government agencies.

Operational problems  Problems inhibiting operations include non-availability of spare parts, difficulties in procuring spares and equipment and non-availability of specialist staff for operations at land, seaways or off-shore locations.

Reserves enhancement & fiscal terms  Given that the oil sector is responsible for a substantial part of government revenue, an average decline of 15% per annum in production requires the granting of better fiscal terms to encourage reserve enhancement, if the country is to attain a more comfortable level of projected reserves and production capability in anticipation of an increased OPEC quota. As a result, the need to encourage new technology should be given due and adequate attention.

Gas flaring  Gas flaring is of concern to all in terms of the environmental implications and loss of revenue. However, gas flaring is limited to associated gas which results from crude oil that must be produced to ensure the realisation of the country's mainstay income. Significant effort has been made to utilise gas for power generation, breweries, glass manufacturing, steel, etc. An efficient
distribution network and possible export of natural gas liquid and related products are being actively pursued.

CONCLUSIONS AND RECOMMENDATIONS

Security Concerted efforts should ensure security of life and property. Adequate patrols should check armed robbery and piracy on land and sea. Enlightenment campaigns aimed at discouraging pilfering should be vigorously pursued.

Community disturbances Since communities are now more aware of their rights, it is recommended that proper attention should be given to communities to avoid increasing disturbances, the 3% derivation funds for oil producing areas should be properly managed and operating companies be aware of issues relating to community disturbances and should discharge their social responsibilities accordingly.

Environmental pollution In view of the adverse effects of environmental pollution, oil sector participants should ensure appropriate control and preventive measures. Anti-sabotage campaigns relating to environmental pollution should be instigated by the relevant authorities to increase awareness among sector participants.

The task force, drawn from the oil industry, parastatals and agencies such as Federal Environmental Protection Agency, which is working on a national contingency plan to deal with any possible national disaster, should expedite production of its plan.

Inadequate government funding In view of the associated issues relating to the above, it is recommended that production sharing contracts be pursued since upfront investments are at the sole risk of the operator and the role of NNPC be reappraised vis-a-vis possibility of privatising the entire Corporation or privatisation of specific projects.

Frontier exploration The existing outdated legislation should be reviewed and immediate action taken to ensure benefits to Government as regards production sharing contracts which incorporate signature bonus.

Gas In view of Nigeria's vast gas resources and revenue potential, it is recommended that Government introduce a new gas policy to address incentives for non-flaring and to stimulate domestic and international demand for the product; determine an economic gas price to assure optimum returns to investors in this vital and relatively cheap energy source; and revamp the distribution network to ensure easy and undisturbed access to gas which will also stimulate domestic demand.

Indigenous companies Participation of indigenous companies in the oil and gas sector is fully supported since this will encourage technology transfer.

Legislation Government and its agencies should deal with the oil and gas sector in conformity with internationally acceptable practices in promulgating legislation.
Telecommunications  Licence and facility approvals for private networking should enhance communications between operational bases, thereby fostering efficiency and effectiveness.

Human resources  Participants recognised the importance of training, education and good quality staff to cope with industry challenges and recommended introduction of quota screening to control the calibre of expatriates.

Oil and Gas - Downstream

The group reviewed downstream oil and gas operations with a view to identify major issues affecting operations and make recommendations to increase investment in this sector, which is critical to Nigeria’s energy supply and distribution.

ISSUES DISCUSSED

Refinery management/operating costs  Although the country’s four refineries have more refining capacity (445,000 barrels per day) than required, the Product Pipelines and Marketing Company (PPMC) is limited by a supply of 300,000 barrels per day of crude for refining and distribution. The country has faced several product supply problems, notably shortages arising from refinery shutdowns due to equipment breakdown and excessive down times. The refineries consequently carry high operating costs due to operating inefficiencies and quality of operational staff. On average, the refineries operate at 80% capacity utilisation in comparison with the 95% minimum operating capacity utilisation existing in other parts of the world.

It would appear, however, that Nigeria’s true demand for fuel is unknown, a factor which ought to inform adequate planning for optimal utilisation of investment.

Distribution network/logistics  The pipeline distribution network is considered ineffective and uneconomic as products are not timely received at locations and depot facilities are grossly inadequate and poorly maintained, with loading facilities of a capacity grossly below requirement. Furthermore, equipment maintenance is lacking and there is little commitment/motivation of personnel. The situation is worsened by an inadequate number and ageing fleet of bridging trucks.

Distribution logistics  Inadequate infrastructures at the distribution sites or depots results in long waiting times. Some decisions on depot locations are arrived at subjectively, rather than being based on economic issues. Distribution is inefficient due to the use of smaller trucks than those utilised in other parts of the world, which increases per litre cost of product as does uncompetitive coastal shipping and uneconomic pipeline systems. Distribution logistics are also affected by unethical activities and favouritism which negatively impact optimal resource allocation.
**Product quality** Product quality control is generally poor, particularly in respect to aviation fuels and base oils. Far reaching effects could include loss of life as well as malfunctioning and damage to equipment. Inconsistencies in product quality specifications require action by regulatory authorities.

**Service quality/operational management** Delivery trucks are in a poor operational state and do not generally meet expected safety standards, causing frequent breakdowns, substantial loss of revenue and delays in product delivery. Service station quality is also below global standards and returns on investment are generally unattractive.

**Pricing structure** Under the current pricing system, PPMC secures crude oil at US$1.0 per barrel on a transfer pricing basis whereas the NNPC incurs US$6.5 per barrel. At the current exchange rate regime of N20.00/US$1.00, the cost of crude oil is N0.82 per litre, exclusive of refining and distribution cost, marketing cost and opportunity cost of exporting the crude at a higher world market price. Crude oil cost is therefore N0.12 per litre higher than the current pump price of N0.70 per litre of petrol. Industry data indicates an estimated total subsidy of N1.25/litre to consumers and a total loss of income to government of about N2.95 per litre.

Subsidy on petroleum products has encouraged smuggling across the borders to neighbouring countries due to product price disequilibrium. As a result of low margins allowed by government, oil marketing companies have a limited amount of revenue which is unable to assure provision for future asset replacement. Furthermore, returns have not kept pace with inflation, resulting in lower investment in the downstream sectors.

**CONCLUSIONS AND RECOMMENDATIONS**

**Complete deregulation of the pricing system** The downstream oil and gas industry should be considered vital to economic development as a major supplier of energy for industry and commerce. In line with on-going deregulation, Government should implement economic pricing of products based solely on market forces to enable investors achieve respectable investment returns while providing sufficiently for plant replacement and ensuring optimal resource allocation. Government should therefore embark on appropriate education of the general populace on plans to remove the subsidy. This campaign should be carried out by liaison with key public and private sector participants through the media.

To achieve full benefits of deregulation, there should be greater focus on expanded infrastructure for efficient distribution of products and encouragement of a good maintenance culture.

**Commercialisation of operations** Initial steps to achieve the complete benefits of deregulation, should include full commercialization of the operations of NNPC and PPMC through joint venture arrangements as this will encourage technology transfer. Larger term privatisation and phase out of Government operational
control is recommended. It is also recommended to commercialise the distribution network which may be achieved through a phased implementation in view of the huge capital outlay.

The existing distribution network should be reviewed to ensure effective distribution, i.e. receipt of products at locations where they are required at the right time. Maintenance of depots should be reviewed to ensure their modernisation and adequacy to achieve efficiency in loading. Also, product allocation should be carried out on the basis of economic requirement to avoid incessant product shortages at retail outlets.

Refining management By its nature, the operation of refineries is highly capital intensive. High operating costs at Nigerian refineries due to operating inefficiencies are a heavy constraint on the operational incomes of the refineries. It is therefore recommended that open competition be applied by appropriate tender as a safeguard for optimal pricing of parts and equipment. Refinery management should also ensure adequate personnel training for effective operations and reduction of breakdown and downtime.

Commercial Banks

ISSUES DISCUSSED

Recent reforms
The group acknowledged reform measures introduced by government since 1985, including foreign exchange market deregulation, liberalised licensing of new banks, introduction of prudential guidelines, removal of credit ceilings and interest rate deregulation. Although the reform measures have increased competition and vibrancy in commercial banking, full benefits are yet to be realised due to the existence of widespread distortions. These distortions, especially the steep devaluation of the Naira, have led to a significant dilution in the value of banking assets. Industry assets have, in fact, declined in real terms.

Fringe banks and related financial institutions
The phenomenon of finance industry overcrowding was highlighted. This raised the spectre of a bubble which could burst any time. Collapsed finance companies and money houses in Port Harcourt and, most recently, Benin and Lagos, serve as sad reminders of what can go wrong.

A regulatory vacuum has encouraged fringe banks to operate with minimum supervision and to take advantage of commercial banks. Lack of a level playing field has allowed fringe banks to contaminate interest rate regimes and increase industry systemic risk levels.

Commercial banks are not totally exonerated from fringe banks activities as some also engage in similar activities through subsidiaries and affiliates. Also, newly-licensed mortgage institutions routinely engage in non-mortgage banking activities.
Central Bank autonomy and other regulatory issues
Current regulatory actions lack sufficient "teeth". Consequently, non-compliance with banking regulations is the rule rather than the exception. Since fringe banks are not properly regulated, serious consequences are created for the industry as a whole.

Central Bank and Nigerian Deposit Insurance Corporation capacity to handle this systemic risk is doubtful given apparent inability or reluctance to handle the distressed bank problem.

Residual regulations of doubtful relevance and purpose still exist, such as bankers' tariff and sectoral credit allocation to agriculture and other preferred economic sectors. Such regulations put commercial banks at competitive disadvantage vs fringe banks which either are not saddled with such restrictions or ignore them, with no apparent regulatory sanctions.

Distressed banks
Distressed banks distort the market, especially contaminating interest rates, since they are willing to pay any rate to survive. As they become more and more integrated into the payment system, their eventual collapse could have severe systemic repercussions.

Legal environment and bank frauds
Legal requirements for State Governor's consent to mortgages or property foreclosures makes real estate lending and the process of security documentation in mortgage-secured lending long and cumbersome. The point was also made that the legal system does not fully support the banking industry in debt recovery situations.

Police support in banking fraud cases is relatively weak due largely to inexperience with banking procedures and practices. As a result and also to avoid rampant harassment of innocent bank staff (since identified culprits very often go scot free after limited incarceration by the police), most banks end up suppressing fraud incidents.

Privatisation of Federal Government-owned banks
While privatisation of Federal Government-owned banks is welcome, there is danger in the apparent lack of institutional arrangements to replace the Federal Government as the dominant shareholder in such banks. Since these banks collectively account for over 40% of the total industry assets, it is essential that their resulting ownership and post-privatisation control be carefully handled. Industry concern is that the banks' ownership would be substantially dispersed with no competent core-group of investors assuming the mantle of leadership. The resulting vacuum portends a great risk to payment system stability if their control falls into wrong hands.

Foreign ownership of banks
Absence of foreign-owned banks has adversely affected the skills and sophistication of Nigerian bankers. The non-attractiveness of the country to
foreign banks is traceable to the Nigerian Enterprises Promotion Decree (NEPD) which restricts foreign ownership to 40%, the lack of mechanisms to hedge capital investment against persistent Naira depreciation and restrictions on both dividends and capital repatriation.

CONCLUSIONS AND RECOMMENDATIONS

• While fringe banks are a natural consequence of deregulation, a robust regulatory framework is urgently needed to contain risks associated with their operation.

• Mortgage banks should be encouraged to concentrate their core business on mortgage banking by creating the enabling environment for sourcing long-term funds. However, the Housing Fund, though conceptually appropriate, should be re-assessed and repositioned to operate as a discount window for mortgage loans and securities.

• There is a need to control the "rush" for fringe banking licences. The practice of "opening and closing" licensing windows which promotes the "last box syndrome" should be discarded and replaced by a thorough pre-licensing screening of prospective sponsors and better supervision.

• Longer-term elimination of macro-economic distortions, especially existence of rents, would bring sanity since all participants would operate on an even basis.

• The embargo on further licensing of banks should therefore be lifted, with licensing requirements reviewed to ensure that only competent investors with impeccable integrity are allowed entry. Adoption of the free entry philosophy should be accompanied by free exit.

• Residual regulations identified earlier should be removed since they are not consistent with the spirit of deregulation.

• CBN should streamline banking supervision by simplifying reporting requirements and relaxing some regulations. For instance, requirements for CBN's approval on branch locations, advertisements and annual accounts could be eliminated.

• CBN should accelerate implementation of Open Market Operations (OMO). In order to provide some depth in the operation of the discount houses, the CBN should immediately license some big commercial banks to operate as primary dealers, with their number reviewed from time to time to improve competition.

• CBN's physical facilities should be enhanced to enable discharging banking functions efficiently. CBN should address the problem of persistent
settlement delays of up-country transfers and late delivery of statements of accounts. Clearing days for local and up-country cheques could be reduced from the existing five to three working days and from twenty-one to seven working days, respectively.

- CBN and NDIC off-site supervision capacities should be improved. Off-site functions could be complemented by external auditors' reports which are statutorily required under the NDIC decree.

- CBN should expedite action in reviewing the Foreign Exchange Market (FEM) to eliminate the existing practice of "cash, then carry" under which Nigeria makes advance payments for all its imports.

- Regulatory authorities should strive to remove the "Nigerian factor" in resolution of bank failures. "Rules of the game" should be clearly spelt out and be of universal application to all industry players. Uniform sanctions should be applied to all miscreant banks to promote market discipline and encourage depositor "flight to quality".

- The group acknowledged the assurance of the Governor of the Central Bank that regulatory intervention to address the problems of distressed banks was imminent.

- Non-performing public sector debt should be addressed both as a means of reviving some distressed banks and preventing some healthy banks from sliding into distress.

- Current requirements for State Governor's consent to mortgage or to foreclose property should be reviewed.

- CBN/NDIC data banks on frauds and forgeries and the proposed credit bureau should be put in place urgently to deter incidents of frauds and forgeries. There is, also, a need for new initiatives by the industry on fraud prevention and detection.

- Banks and the police should co-operate more closely in fraud investigations. It is also urgent to establish special courts to handle banking-related cases, especially enforcement of customer obligations.

Insurance, Merchant Banks and Finance

ISSUES DISCUSSED
The group examined key issues, both general and specific to each industry group and made recommendations aimed at improving their competitiveness and contribution to the national economy.
Insurance

The main issues identified are discussed under this category as follows:

Long-term funds/asset base  Insurance companies need long-term funds through, for example, larger pools of life and pensions funds. Also, their asset base is inadequate considering opportunities existing in the market.

Over-regulation  Insurance is over-regulated, operating under many restrictive guidelines such as the Trustees Investment Act and the Insurance Decree of 1992 which also restricts investment of non-life funds. The new National Housing Fund Decree also seeks compulsorily to appropriate customers' funds for on-lending, at very low rates, to poorly capitalised mortgage banks.

Merchant Banks

Interest rate and funding  The interest rate regime has remained high for quite some time. There has been so much distortion that there is now an inverse yield curve.

The distorted maturity structure in the market has forced merchant banks to resort to short-term sources, mainly the expensive inter-bank market, to fund long-term statutory lending obligations. Merchant banks are therefore not only subjected to high funding costs but also exposed to higher maturity risks.

Regulation  Merchant Banks are excessively regulated and subjected to high regulatory costs such as NDIC premium, National Housing Fund contribution, stabilisation securities and cash reserve ratio.

The idea of self-regulatory organisations was considered and the issue of how the merchant banks can organise themselves for self-regulation was discussed. Should self-regulation be through the Chartered Institute of Bankers or through the Issuing Houses Association or through the Bankers' Association?

Types of banks  Boundaries between financial institutions are no longer distinct. Commercial Banks now do leasing and serve as issuing houses whereas merchant banks are still not allowed into the clearing house system. Most CBN regulations punish merchant banks while giving concessions to commercial banks. To correct this, universal banking, where all types of banks are allowed to engage in all banking activities, was recommended.

Industry expertise  The unprecedented increase in the number of financial institutions over the last few years has resulted in an acute shortage of expertise in the industry.

Distressed banks  Merchant banking profitability has dropped to an alarming level. Even the best managed barely survive. Most merchant banks are now distressed due to the impact of adverse regulations. Many merchant banks, especially the State owned are carrying about N4 billion in Government debts which have been outstanding for years. This has pushed these banks into distress.
Frauds/legal system  Fraud has become rampant especially cases of self-dealing and diversion. Action is being taken by the authorities as mentioned in the last budget.

Recovery of delinquent debts through the judicial system is unduly cumbersome. Cases drag on far too long, thereby impairing bank liquidity and profitability.

Stabilisation securities  These instruments, issued by the CBN to mop up liquidity and deal with persistent budget deficits, has caused untold harm to the system by contributing to high interest rates. Severe liquidity problems have also contributed to pushing many merchant banks into the distressed category.

Finance Houses and Mortgage Banks

Finance houses  So many finance houses have been established within a very short period of time. As a result, a lot of disorder and abuses have been manifested. Some of these problems now threaten the safety of the entire financial system.

Mortgage banks  There has also been a proliferation of mortgage banks, which are expecting to receive funding from the National Housing Fund. This has not happened as contributions to the fund have not been forthcoming partly due to opposition from banks, insurance companies and labour. Most mortgage banks therefore find it difficult to raise funds for housing developments.

National Provident Fund (NPF)  NPF plays a vital role in mobilising savings from private sector workers for long-term investment. However, Government workers do not contribute to the Fund. Also the level of contribution per worker is still N4 (initial conversion of two pounds the rate fixed in 1960 at the commencement of the scheme). With the rate of inflation in the economy, the NPF has not been able to achieve its goal of providing income protection to workers on their retirement as well as providing social insurance.

CONCLUSIONS AND RECOMMENDATIONS

Insurance

• Incentives should encourage insurance companies to diversify investment portfolios.
• Life insurance should be encouraged as a matter of priority.
• Awareness of insurance services among the populace should be improved, for instance, by making certain types of insurance compulsory.
• The Insurance Supervisory Board should include enough insurance professionals.

Merchant Banks

• Tax incentives should encourage banks and others to undertake public lending.
• An agency should be created to monitor/identify and react to distressed banks urgently. There should also be an agency (a Debt Recovery Trust) to
take over and manage the bad debts of distressed banks. The Ghanaian example was cited.

- On-going privatisation of government banks should be total and complete if it is to rescue the banks from distress. Their Management and Boards should be fully revamped and appointed by their new owners. Shares should not be sold to State Governments but offered entirely to the public.

- The Banks and Other Financial Institutions Decree should be amended to give CBN more powers to deal with problems of bad loans owed banks by Government and its agencies.

- New special courts should be established and the Credit Bureau should take off immediately to address legal problems involved in recovering bad debts.

- Universal banking should be considered. All banks could collect retail deposits and be part of the clearing system, with those wishing to specialise still free to do so.

- Foreign banks should be allowed to set up wholly-owned subsidiaries. Their presence should help improve banking skills in Nigeria.

- The NDIC premium paid by individual banks should now become risk-weighted to ensure fairness. In addition, all companies that collect deposits must be required to pay premium to NDIC and obtain insurance cover from it.

- In view of its increased responsibilities, the CBN's structure should be reinforced. Its autonomy must be guaranteed and it must be insulated from pressures from the Government of the day. It is recommended that the appointment of the Bank's Governor and other key officials should be ratified by the National Assembly.

Other Financial Institutions and Mortgage Banks

- Stockbroking firms should maintain securities deposits for shares they deal in. This would be something similar to a Securities Investors Protection Corporation to protect investors in securities.

- The National Housing Fund should be scrapped. The need to provide funds to achieve the goal of housing for all by the year 2000 was recognised but it will be difficult to channel funds to the mortgage industry as long as market interest rates remained high. A task force should be set up to consider the optimal way to fund Nigeria's housing requirement.

- Real estate developers should be encouraged with adequate incentives to undertake real estate developments.

- Federal Mortgage Bank should undertake mortgage guarantees similar to the Canadian Home Mortgage and Credit Corporation which guarantees banks' mortgage loans in such a way that, if the mortgagers default, it will reimburse the affected banks and take over the property for onward disposal.
• On the NPF, the following recommendations were made: Government workers should be making contributions to the fund; the amount of contribution should be increased in line with inflationary trends; the activities of the NPF should be fully privatised by having the individual workers who contribute to the fund own and manage it independently of Government involvement.

Other Recommendations

• A constitutional amendment is needed to limit the level of Government borrowing from CBN, by whatever instrument, as a way of checking the fiscal indiscipline that has been at the root of the nation's macro-economic instability.

• Government must allow the market to reward and discipline its players and as such the financial industry has to earn its own confidence. Government's constant interference and cover-up of failures within the industry ultimately destroys professionalism and undermines the health of the whole financial system.

• There should be greater co-ordination amongst the regulatory agencies within the financial industry to limit the risk of regulatory arbitrage whereby players exploit the weakening of one or more of the regulatory agencies.

• NDIC should immediately be given the statutory autonomy to take over and liquidate failed banks without consultation with the Presidency, thereby avoiding the resultant political pressure.

• Given the exceptional quality of recommendations raised during the Summit, the group recommends that task forces be established to review in detail most of the issues that cannot be immediately addressed by Government executive orders.

Agriculture/Agro-Allied

ISSUES DISCUSSED

Role of agriculture  The overall role, which is primarily to provide food and industrial raw materials, has not been fulfilled over the years.

Agricultural investments  Agriculture investments are, by their nature, long-term and require a longer gestation period than most investments. Returns on agricultural investments are usually inferior to returns on other investments. Some of the major agricultural investors present confirmed that they would not invest in agriculture today. There is therefore a major need to address the question of improving the investment climate in agriculture.

Role of Government/policies  The role of Government is primarily promotional while providing certain inputs. There have also been subsidies in various forms.
However, Government's various policies on agriculture have not always worked as planned. Examples are the persistent high cost of funds, late arrival of fertilizer, preservation and distribution problems. The key problem being that Government policies and incentives do not benefit the target groups.

**Tree crops** Although this is a major segment of the agricultural sector, it has suffered considerable neglect over the years. There has not been any reasonable planting for over twenty years and this has resulted in the problem of inadequate supplies.

In the case of rubber, production is dwindling even though demand is growing. The problem has been due to cutting without replanting. Most of the existing plants have exceeded their production life cycle of thirty years.

For cocoa, the key issues are how to improve harvesting and local processing as well as replanting.

**Other cash crops** There are also major problems affecting other cash crops. Cotton has large potential, but there has not been any Government policy on such issues as cotton seed production and quality.

The question was raised as to why no licences were issued for maize importation as in the case of wheat. The result has been high cost of maize and other end user problems.

**Size and scale of farms** The question was asked "can Nigeria survive without large-scale farmers?" A review of the current situation reveals that agriculture is still dominated by small-scale farmers, with larger scale farms not being economic. This situation has been created by problems such as those relating to the introduction of mechanised farming, an important element in commercial farming. The large-scale commercial farmer has also suffered as a result of policy inconsistencies on the part of government.

**Other issues** The other issues raised were: the unwillingness of the new generation of young people to enter into small-scale farming; inadequate food production; inadequate production for export; poor quality of planting materials and the non-signing of the plant varietal rights agreement by Nigeria.

**CONCLUSIONS AND RECOMMENDATIONS**

- As a matter of greatest priority, an enabling environment should be created to encourage desired investment levels and participation in agriculture.
- Specific priority targets should be set and pursued for the production of various priority crops. The objective should be to exceed the targets, producing enough to meet domestic demand with surplus for export.
- Nigeria should concentrate on production of those crops/raw materials in which she enjoys comparative advantage and reduce efforts where there is no comparative advantage. There should be active promotion to exploit crops having comparative advantage.
• Government should promote consistent policies over longer periods to allow investors sufficient time to recoup their agricultural investments due to their long pay-back periods.

• Government investment should be increased in national research stations and training aimed at assisting small scale farmers to benefit from research results, hybrids use, etc. A more open policy should be adopted on access to new seed stock, hybrids and other international research results (subject to normal quarantine).

• As a matter of priority, the country should sign the plant varietal rights agreement.

• A tropical tree crops replanting programme should be embarked upon immediately. The programme should be backed with soft loans with moratorium periods at least equal to the gestation period of each crop financed.

• Further investment is required for storage and preservation. There is therefore a need for soft loans to large scale farmers while smaller storage units should be made available to small-scale farmers.

Food, Beverages and Tobacco

ISSUES DISCUSSED

Declining purchasing power The industrial group is currently characterised by declining purchasing power of consumers. This has triggered off a vicious circle of low capacity utilisation by industry, low return on investment, inability to re-invest, no new investment, no job creation and declining demand.

High operating costs The group has been subjected to high cost of funds arising from the high interest rate regime which has characterised the financial markets for some time.

Another major source of high operating costs has been the high levels of inventory the group has been carrying as a result of low demand.

Other contributors to high operating costs include cumbersome procedures (e.g. pre-shipment inspection, customs and other ports procedures and documentation, Federal Environmental Protection Agency (FEPA), Standards Organisation of Nigeria and Armed Forces personnel at the ports).

Infrastructural inadequacy and inefficiencies, as well as foreign exchange scarcity and the poor management of it, entail substantial operating costs to the group.

Public policy Public policy has been inconsistent and incoherent especially as it affects encouragement of local production. Examples are the high excise duties on tobacco and alcoholic drinks and import duties on sugar, raw materials for milk production and packaging materials, short excise credit period (21 days).
Exports  There are several obstacles to the exportation of products of the group even though the market exists for such products. Some of the obstacles arise from cumbersome export procedures, poor implementation of incentive packages and absence of good packaging materials.

Control of imported inputs  The continued prohibition of importation of certain raw materials is creating many problems and is inconsistent with Government's declared policy of using tariff rather than an outright ban as an instrument of import control.

CONCLUSIONS AND RECOMMENDATIONS

• The cost of funds should be reduced through better management of the system by the Central Bank.

• Measures should be adopted to stabilise the exchange rate of the Naira as a major priority.

• Export of manufactured goods should be stimulated by attacking smuggling, cutting bureaucracy at the Nigerian Export-Import Bank (NEXIM), improving the efficiency of the duty draw-back and other export incentive schemes, and giving effect to the various enabling agreements reached with ECOWAS and other African countries.

• Import duty on raw and packaging materials used by the group should be reduced to a maximum of 5%.

• Task forces should be set up immediately to liberalise port operations and to review and implement incentives for agriculture.

• Other urgent reforms include accelerated capital allowances, review of Nigerian Enterprises Promotion Decree (NEPD) to remove constraints on foreign investments, guarantee of free flow of funds in and out of Nigeria and removal of bureaucracy at the Ministry of Finance to ease remittances of dividends, technical, management and service fees.

Chemicals and Pharmaceuticals

ISSUES DISCUSSED

Rules and regulations affecting the sector  The sector operates within several laws, rules and regulations. Some of these are not well thought through in terms of their overall impact on all players in the sector. Furthermore, the sector is plagued with poor management of existing rules, poor enforcement of regulations and some of the rules are irrelevant. Some other rules tend to stifle investment, e.g. the Essential Drugs List (EDL) Decree of 1989. Rules are inconsistent, duplicated and change frequently.
There are inadequate facilities and manpower in the Federal Ministry of Health to ensure early evaluation, registration and approval of drugs. Laboratory facilities are inadequate due to poor funding.

Another major problem is the conflict in the responsibilities of the various Government agencies involved in regulating the sector. For instance, the control of chemicals is assigned to both the Pharmacists' Board and FEPA.

**Essential Drugs List (EDL) Decree, 1989** The EDL Decree that was introduced in 1989 restricts the manufacturing, importation and distribution of all drugs to those on the list. This list applies to both the public and private sectors.

Consequently, all drugs previously registered were deregistered. The industry protested against the Decree because of its punitive stance and disincentive to investment. Many companies incurred enormous costs to reformulate their products and modify their machinery. Those who could not cope divested and left the country. The result was that many prescribed drugs could no longer be obtained, smuggling, fake manufacturing of doctor and patient preferred drugs increased.

The EDL Decree was amended to exclude the private sector in March 1992 as part of the Tariff Relief Decree which expired on 31st December of the same year but was later extended to 31st December, 1993. Unfortunately, Health Ministry officials now insist that the amendment ceases to be effective after 31st December, 1993, thereby causing anxiety in the industry and stalling investment decisions by existing and new companies.

**Patent Law: Intellectual Property Decree** Existing law grants patent protection for pharmaceuticals but a proposed amendment would remove this protection. Industry has protested this planned amendment for several reasons. It could take about ten years and up to US$250 million investment in research and development (R&D) to bring a drug candidate onto the market. To disallow patent protection for such a product is to kill the company which has spent so much time and money developing it. Removal of patent protection for newly discovered drugs and processes will certainly drive away the remaining multinationals and research-based companies. It will also kill local R&D effort. New investment will certainly disappear. It is to be noted that most countries (including those that did not before) are currently embracing intellectual property protection.

**Fake and adulterated drugs** Fake drug incidence has remained high and is now a national disgrace. Legislation against fake drugs is adequate, especially with the Fake Drugs Decree 43 of 1989, but enforcement has remained very poor. Task forces set up to enforce the laws have performed dismally due to poor funding and crippling Government bureaucracy.

The government has recently established the National Agency for Foods and Drugs Control and Administration (NAFDCA) with effect from 31st December, 1992.

**Capacity Utilisation** Capacity utilisation in the sector is very low and currently stands at 40%. The low capacity utilisation currently being experienced is a result
of liquidity problems coupled with high interest rates that constrain working
capital availability, low Government patronage of locally manufactured products,
poor export potential, poor consumer demand, unfair competition from the
informal sector and tariff structures that favour importation of finished goods.

Lack of local primary manufacturing There is no primary manufacturing going on
in Nigeria today; what we have is only secondary and tertiary manufacturing. This
has resulted in our over-dependence on imported raw materials by the industry
and this has further exposed it to the adverse impacts of a continuing decline in the
value of the Naira. As at now, the aggregate industry demand is too low to sustain
primary production plants, such as for paracetamol and chloroquine phosphate,
that depend on economies of scale for survival.

Moreover, there will be no real competitive advantage for investing in these
primary plants until the petrochemicals industry is well developed, especially the
third phase of it.

Problems created by the informal sector As noted earlier, the activities of the
informal sector have created many problems for the major players in the industry.
Operators in the informal sector are mainly traders importing finished products;
manufacturing is the exception. They do not follow the rules and create problems
for the enforcement of regulations. They are the source of under-priced
adulterated/fake products and present an unfair competition to the formal sector.

Exchange rate stability Continuing exchange rate instability has made planning
very difficult and so has brought about delays in long-term investment decisions
while encouraging capital flight. In addition, product pricing has become a
difficult process to manage since, as a result of the constantly changing exchange
rates, manufacturers have to keep on re-pricing their products.

Investor confidence The problems of too much bureaucracy with regulatory
authorities, too much government intervention and frequent policy changes
together with the problem of political instability and delays in obtaining approvals
for dividend and other remittances, have all combined to weaken investor
confidence in the industry. Many of the major international companies have either
divested or are in the process of doing so to take advantage of opportunities in
other parts of the world.

CONCLUSIONS AND RECOMMENDATIONS

Rules and regulations

• A comprehensive review of all pharmacy laws and regulations affecting the
  sector should be undertaken to remove existing duplications and ambiguities.
• Laws which cannot be enforced at our present development level
  should be abrogated.
The Pharmacists' Board should be allowed to maintain its control on all chemicals while FEPA is left to concentrate on environmental issues. Alternatively, the FEPA should control clearly specified chemicals e.g. industrial chemicals only.

New laws and regulations should be thoroughly thought through and should be passed only after due consultation with the industry.

The authorities should use more carrots than sticks. Laws should aim at motivating good behaviour and should not always be punitive. This is the more important since existing laws apply mainly to the formal sector. The informal sector escapes the weight of those laws.

**Essential Drugs Decree**

Government should make a categorical statement to the effect that the amendment to the EDL Decree, which restricts its application to the public sector only, is permanent. In other words, this amendment does not expire on 31st December, 1993.

Government should use the drug registration mechanism to control drugs circulating in the country. Only drugs that satisfy the regulatory requirements would be registered and allowed to circulate in the country.

With the registration of drugs in place, the government should then draw up its list of "essential" drugs from the registered ones. Whilst the "essential" drugs are supplied to government hospitals, patients should be allowed the freedom to buy the drugs they may need from the private sector.

**tentative** law The proposed amendment to the law, which would remove patent protection from pharmaceuticals, should be stopped and pharmaceuticals should continue to enjoy patent protection.

tentative protection for new discoveries should remain for fifteen years as is the case with the existing law. Companies manufacturing generic products should then be allowed to produce or market those products for which the patents have expired as the practice in most parts of the world. Government should act fast on this issue to remove all existing anxieties and encourage continued new investments in the industry.

**fake and adulterated drugs** NAFDCA should be fully mobilised and properly equipped to perform. The agency should be given the power to arrest and prosecute as is the case with the National Drug Law Enforcement Agency.

The informal sector must be controlled. Also, border controls must be strengthened and intelligence units established to scout for the fake drugs manufacturing plants.

**capacity utilisation** Some protective incentives are required for local manufacturers. Discriminatory tariff in favour of local manufacturers would help increase capacity utilisation and make exports more competitive.
Interest rates will have to be modulated to enable the industry meet its working capital needs at reasonable costs.

It is very important for government to patronise locally manufactured products.  

**Lack of local primary manufacturing** To redress the lack of local primary manufacturing, it is recommended that the petrochemicals industry should be accelerated into the third phase to produce basic raw materials for the sector. Added to this is that the local petroleum industry, especially downstream, should be privatised.

As incentives to local primary manufacturers, they should be granted accelerated capital allowances and other tax concessions on a value-added basis.

**Problems by the informal sector** Reduction of customs duties will go a long way to discourage smuggling and allow fair competition. To go with this should be the removal of pre-shipment inspection requirements that cause undue delays in importation by the formal sector. It could take up to six to eight months sometimes to complete import transactions.

It must be noted that, with the liberalisation of the economy and deregulation of the foreign exchange market, pre-shipment inspection is no longer critical.

Urgent efforts must be made to check the sharp practices of the informal sector.

**Exchange rate stability** The exchange rate of the naira should not be fixed by the authorities but should be allowed a free fall until it bottoms out. This should help it stabilise.

In the spirit of deregulation, the Central Bank should use only indirect methods of intervention in the currency and money markets as is done by the Federal Reserve Board in the US and the Bank of England.

**Investor confidence** To bolster investor confidence, Government bureaucracy must be reduced, all the bottlenecks in respect of remittances of dividends, etc. must be cleared. It is also important to maintain stability in policies, continue unabated the march towards a free democracy and above all foster an investor-friendly culture. In other words, an enabling environment must be created.

**Manufacturing and Assembly**

**ISSUES DISCUSSED**

**High interest rates and inflation** The prevalent high interest rates have subjected the manufacturing sector to high funding costs that have impacted negatively on operations. This, together with high inflation, has meant an escalation in production costs.

On the other hand, inflation has brought with it a massive reduction in real income and purchasing power, thereby shrinking the market for manufactured goods.
The overall results have been a marked reduction in the level of new capital investments and a fall in employment levels in the sector. The latter has resulted in frequent labour disputes and disruptions.

**Smuggling and inconsistent policies** The activities of smugglers pose a major problem to local manufacturers who often cannot compete on the basis of price because of the high costs they are subjected to.

Government policies aimed at ameliorating the problem have been inadequate and often inconsistent. The example of inadequate duty protection differential (the difference between the duty paid by an importer of completely knocked down (CKD) components and that paid by an importer of fully built-up equipment) is illustrative. Another example is the high customs duties often imposed on raw materials that are not produced locally but which are critical inputs to other key industries.

**Capacity under-utilisation** Capacity utilisation in manufacturing industries has remained at very low levels for some time. It is observed that this problem is made even worse by lack of patronage from Government and its agencies which import, or cause to be imported on their behalf, large volumes of materials that could have been sourced locally.

**Infrastructural deficiencies** Absence of adequate and modern engineering infrastructure and core (basic) industries has constrained the development of the sector.

Furthermore, in order to overcome the short-fall and unreliability associated with public sector supply, many companies in the sector have had to make huge investments in provision of infrastructure for themselves and, sometimes, their immediate communities. Such infrastructural facilities include water supplies (boreholes and treatment plants), electricity generating sets, staff buses, security, roads, etc.

**Over-taxation/over-regulation** The manufacturing sector is saddled with many laws and regulations touching on all aspects of their operation. In addition, they have to pay a variety of taxes and arbitrary levies not only to the Federal Government but also to State and Local Government. Another hidden cost is the man-hours wasted in battling against bureaucratic red-tapism in government offices in a bid to comply with their myriad regulations and procedures. All these add to the cost of doing business and cause competitive disadvantage vis-a-vis importers of finished products who do not pay such taxes and levies.

**Foreign exchange problems** More than any other user group, manufacturers have been experiencing severe problems in sourcing foreign currency required for procurement of components, materials and equipment. The high cost of foreign currency threatens sustainability of manufacturing businesses. Erratic and unabating fluctuations in Naira value has made planning a nightmare.
Inadequate manpower supply  Industries face a severe shortage of skilled and qualified manpower. Although the labour market is saturated, manpower of the right skill and experience for manufacturing is scarce.

Industries are so stretched and have to contend with lower quality manpower with the obvious effects on total quality and productivity.

CONCLUSIONS AND RECOMMENDATIONS

• The following macro issues should be given immediate attention: exchange rate stabilisation, lower interest rates, consistency in Government policies, political stability. They are necessary for increased investments and growth of manufacturing.

• An immediate and far-reaching programme of infrastructural development must be embarked upon. This will help cut the cost of doing business as well as improve the efficiency and attractiveness of the manufacturing sector. Where companies provide infrastructure, such investments should attract tax reliefs.

• Components and raw materials not produced in the country should be imported duty free until such a time that local production grows to require protection. Also, adequate duty differential should be guaranteed to local manufacturers that import their raw materials and components.

• The market for locally manufactured goods should be expanded to create greater scope for growth of the manufacturing industries. The ECOWAS Trade Liberalisation Scheme should be made functional as the path into the West African market. Overseas markets could also be enlarged through bilateral agreements, improving south-south trade and adoption of off-set agreements.

• The Productivity, Prices and Incomes Board (PPIB) should desist from any form of price control. Rather, it should generate and encourage competition in all sectors of the economy.

• Soft loans should be made available to the preferred sectors of the economy such as agriculture, manufacturing and mass transportation.

• Pre-import inspection should be relaxed.

• There should be a review of the present restrictions on the restructuring of foreign equity participation in existing companies.

• Above all, the goal of creating a truly free-market economy must be vigorously pursued.
Transportation, Trading and Distribution

SUES DISCUSSED

Transport/Shipping

Port facilities The facilities provided at the ports by the Nigerian Ports (NP) are grossly inadequate and much of what is available is inoperative. As a result, the shipping lines and other port operators have to rent equipment despite the fact that the port charges they pay should cover the provision of such facilities, NP Plc.

Application of functions/poor co-ordination Shippers and other port users have to contend with a complex web of procedures from such bodies as the NP Plc, Nigerian Shippers Council (NSC) and Nigerian Maritime Authority whose actions overlap in many places. The existence of all these bodies has infused duplication and confusion to the operations of shipping lines and agencies particularly when there is duplication of levies and there is no dialogue between shippers and these bodies. These problems could lead to diversion of cargo to other ports in the sub-region.

Monopoly of NP PLC The monopoly position of NP Plc has contributed to the efficiency of the body and the attendant problems for port users. Again, NP Plc exploits the absence of competition to arbitrarily and unilaterally raise its charges even when there is no justification whatsoever in terms of the quality of service provided.

Cost of ship acquisition Shipping is highly capital intensive and so the financial requirements of establishing and running a shipping business are quite heavy. Lost indigenous entrepreneurs therefore encounter serious difficulties in trying to enter the industry. They are, moreover, at a big disadvantage vis-a-vis Europe and the Far East where shipping is highly subsidised.

The NMA is supposed to help indigenous shipping entrepreneurs overcome the financing problems, hence the 3% shipping tax it collects. However, nothing has been done in this regard so far.

Cargo sharing system The cargo sharing formula of 40/40/20 adopted by Nigeria as brought chaos and stifled competition in the industry.

Location of major projects Most major projects requiring shipping services are located either in the hinterland or in areas with limited shipping access. Examples are Ajaokuta Iron and Steel Complex, the other steel rolling mills and even the new luminium project at Ikot Abasi, Akwa Ibom State.

Ferry, coastal and inland services The potential for transportation of people and goods by ferry and coastal and inland waterways have not been tapped. This has been made effective means of transportation is still grossly under-developed. Only few ferries and boats are in operation.
Air Transport

Problems of government regulation/policies  The fixing of fares by Government is not in the best interest of the airline industry. In addition, some other actions or pronouncements by Government and its top officials have caused uncertainties in the industry. For example, deregulation followed by order to operators to fly on non-viable routes, banning and unbanning of certain types of aircraft and placing of life limits on some aircraft. All these tend to make planning and investment decisions more difficult.

Proliferation of airlines  There has been a proliferation of airlines due to the ease of obtaining an airline licence. Ownership of an airline has become a status symbol for some people who are not properly equipped to operate an aviation company. Their activities have caused problems for genuine operators particularly in the leasing of aircraft from overseas.

Bilateral air services agreements  These agreements between two countries give each of the parties involved the right to allocate the affected routes. Until now, the Nigerian Government has been allocating each international route to only one airline, regardless of the relative abilities of the airlines.

Safety  Safety is of grave concern. The industry is yet to obtain the required international safety standards. Airports lack essential and modern navigational and other safety facilities.

Terminal facilities  Terminal facilities at the airports are run down and even available facilities hardly function.

Rail Transport

It is acknowledged that rail services are essential to the survival of any country for the transportation of goods and services. No serious investments have been made to improve the railways since colonial times. The result is that the nation's rail system has continued to deteriorate to the point of becoming irrelevant to the economic life of the country. The damages to the roads is traceable to the heavy loads they are made to carry because of the inefficiency of the railways.

Road Transport

It is generally agreed that the problems of road transport are well known and so do not need recounting. However, the problems of replacement costs of vehicles, high spare parts prices, lack of maintenance of vehicles and roads, are some of the pressing issues deserving attention.

Trading/Distribution

The issues considered to be most important to the trading/distribution sector are the depreciating and unstable Naira exchange rate as well as smuggling, and corruption within Government agencies charged with regulating and monitoring trade. It is suggested that smuggling is encouraged whenever import duties reach 40% or over.
CONCLUSIONS AND RECOMMENDATIONS

Shipping/water transport

- The regulation of the industry should be rationalised, especially the responsibilities of the Shippers country and the NMA. The National Shipping Policy as contained in Decree 10 of 1987 should be scrapped. The Shippers Council should collect the 3% freight tax.

- Nigerian Ports PLC should be privatised and its monopoly broken. The various ports should be made independent and should compete for patronage through pricing quality of services rendered.

- The cargo sharing formula should be reviewed. It is recommended that 40% of all cargo coming into Nigeria should be left free to be competed for by all shipping lines.

- In addition, to encourage competition and bring down costs, the cheapest line should be allowed to take the cargo. There should be no subsidy.

- Nigerians should be allowed to bareboat charter vessels which would qualify them as ship owners. To further encourage indigenous carriers, all government cargo, Federal or State, should be carried by them.

- As a matter of urgency, the Rivers Niger, and Imo should be dredged to make them permanently navigable and to accommodate deep sea vessels as a way of meeting the needs of the major strategic industries located in the hinterland.

- Ferry, inland and coastal transport should be encouraged as a viable means of moving people and goods.

- Ferry services are vital to solving the transportation problems of Lagos. However, in line with the policy of deregulation and to ensure efficiency and continuity, ferry services should be taken over by private operators. The Government should only be involved in the provision of docking services and other infrastructure.

- The cost of acquisition of vessels and crafts can be reduced by encouraging local building by Nigerdock, etc.

Air transport

- Air fares should be deregulated, allowing the airlines to fix their own fares. This would engender competition in the industry.

- The proliferation of airlines should be checked by Government. As one of the conditions, required aircraft must be on the ground before license is granted. Also, prospective operators must show evidence that capability training has taken place and that they, in addition, possess the facility for spare parts storage.
- Bilateral Air Service Agreements should be renegotiated to allow more than one carrier to operate each of the routes. This will help bring more competition to the industry and also provide opportunities for more indigenous carriers to grow.

- Airport facilities should be upgraded urgently. For a start, every airport should be made to operate independently as a profit centre. Customer service areas such as duty-free shops and VIP Lounges should be privatised.

**Trading/distribution**

- Exports must be accorded high priority and exporting companies should receive every incentive to compete in international markets.

- In the light of this, the ECOWAS sub-region should be seen as a major market for Nigerian exporters.

- The group strongly advises against all forms of subsidy. Businesses must thrive on their own ability. Government parastatals must be privatised to the maximum extent.

- Competition and liberalisation must be the watchwords for the management of the Nigerian economy.

**Local Sourcing and Exports**

**ISSUES DISCUSSED**

Discussions in the group come under two main headings, raw materials and exports.

**Raw Materials**

*Information on available raw materials* There exists a body of information on locally available raw materials. However, such information is available in multiplicity of locations and agencies. This arrangement is inadequate for investors and users who require a central source giving information on location, quantity, quality and cost of locally available raw materials.

*Technology* The issue here is how to obtain relevant technology for the conversion/processing of local raw materials. Acquisition of appropriate technology can be expensive.

Local efforts at design and fabrication of processing equipment are acknowledged. Such efforts are hampered by lack of funds for acquisition of the modern equipment needed to improve the quality of local fabrication.

*Sources of financing* There is a dearth of local financing for raw materials development projects. Such projects are long-term in nature and so not usually attractive to local financial institutions. Even when local financing is available, it:
usually at very high interest rates. Because practically all required equipment is imported, project promoters face very high foreign exchange risks.

It is, however, noted that the recent emergence of concessionary project financing schemes has brought great relief to project promoters. Such schemes include the National Economic Reconstruction Fund (NERFUND), Nigeria Export-Import Bank (NEXIM), African Development Bank Export Stimulation Loan (ADB-ESL), the World Bank's Small and Medium Enterprises (SME) loans and the Risk Fund established under the aegis of the Raw Materials Research and Development Council (RMRDC).

**Product standards** How would the standard of locally produced raw materials be guaranteed to meet those required by users? This is important since the users have to maintain certain standards in their own production and also have access to competing imported materials.

**Sub-sectoral issues** Whilst some progress has been made in local sourcing by some sub-sectors, such as food, beverages and tobacco, others have not done as well due to the absence or low levels of local production of inputs, e.g. plastics. Even in those areas where progress has been made in local sourcing, there are often problems with guaranteeing steady supplies. More specifically, with regard to textiles, the non-availability of long fibre cotton has constrained the production of long yarn and this, in turn, limits the quality of cotton fabric that can be produced. The delay in the full take-off of the iron and steel and other base metal industries results in the total reliance on imports to meet the demands of local industries. The dependence of the chemical and pharmaceuticals industries and petrochemical projects are similar. The story is the same with the paper and pulp industries as long as the problems of the Iwopin Paper Mills and Oku-Iboku Newsprint Plant persist.

**Exports**

**Infrastructure** Available infrastructure is inadequate to meet the needs of the export industry. Required infrastructural facilities range from the basic ones such as power and water to others such as transportation, shipping and telecommunications.

Problems experienced at the ports by exporters are monumental. Policies and actions of Nigerian Ports Plc do not help. For instance, the company insists that goods for export must be containerised at the port and not at the factory or point of production.

**Incentives** There are available a number of well-conceived incentives which have not been properly implemented. The incentives are therefore not as effective as they could be in stimulating exports. An example is the Duty Draw-back Scheme where, because of the delays in effecting reimbursements, the scheme has been under-utilised by exporters.

**Regulation of exports** The export sector is currently over-regulated. The procedure for exporting from Nigeria are unnecessarily complex and serves as a
major disincentive to exporting. These regulations span the entire range of activities from procurement of materials, to finance, shipping and repatriation of proceeds.

**Export of primary products** Primary products such as cocoa, rubber, ginger and gum arabic constitute a very significant percentage of Nigeria's non-oil exports. This exposes the country's export sector to the vagaries of international primary commodity prices, often resulting in huge losses.

Primary product export also faces the problem of unreliable local supply. Most of the cocoa and rubber trees have aged and there is no major replanting programme in place. The industry's future is therefore not certain.

**The Ecowas market** This presents significant opportunities for Nigerian exporters, opportunities are not being properly tapped. The informal sector has made significant in-roads into the region and this initial success can now be built upon to formalise trade within the sub-region. Aside from the operational problems facing exports by the formal sector, the problem of payments in the sub-region is also a major obstacle.

**CONCLUSIONS AND RECOMMENDATIONS**

**Local sourcing**

- macro-economic environment should be improved to create the enabling environment for investment in domestic production to thrive. Foreign investment in the area of developing local raw materials sources should be encouraged.
- comprehensive information on locally available raw materials should be collected and efficiently disseminated through a centralised data base.
- positive incentives rather than subsidies should be utilised in encouraging development and use of local raw materials.

**Exports**

- export procedures should be simplified and all unnecessary bureaucracy scrapped. Export should be seen as a normal part of business without any special rules attached to it.
- trade groups should be utilised as leaders in pushing their products in export markets as was successfully done in Malaysia.
- Nigeria should encourage the establishment of export houses. The key advantage here is that such export houses would concentrate on international marketing and would therefore be able to develop the expertise needed to operate successfully in such highly competitive environments. This approach has been successfully used by the Japanese, Koreans, etc.
- capabilities of the Nigerian Export Promotion Council should be strengthened in terms of funding and adequate staffing. It should be re-shaped into an
aggressive marketing outfit, away from the public sector, working closely with the private sector and with a clear mandate of marketing Nigeria's products overseas as is the case with the Singapore Trade Office.

- proposed Export Processing Zones should be accorded very high level priority to ensure the projects are realised within the shortest possible time.

- potential of the ECOWAS market must be exploited and the government has to be fully involved by spearheading efforts to remove trade barriers. The objectives of the ECOWAS free trade policies must be realised within the shortest possible time.

- exporters must be allowed to retain the proceeds from their exports and have full discretion over the application of such proceeds. Fees payable in connection with export transactions should be eligible for deduction from the proceeds rather than being paid prior to exporting as is now the case.

**General**

- focus of efforts in developing local resources and exports should be in areas where the country has comparative advantages. Such areas would include oil, gas and petrochemicals and agricultural crops such as cotton, sugar, oil seeds, tree crops like cocoa, coffee, rubber, palm produce and food crops such as tubers.

- access to land should be guaranteed without hindrance. It is strongly recommended that the Land Use Decree should be abolished without delay.

- equity funding should be provided for new investments. The Risk Fund should be strengthened and made efficient and effective.

- other funding sources such as NERFUND, NEXIM, ADB-ESL, WORLD BANK - SME should also be strengthened and their activities publicised.

- foreign investments in both local materials development and exports should be encouraged through the use of incentives and creation of the appropriate environment.

- Nigeria must embark on a major programme of re-planting for tree crops to ensure continuity of supply and expansion of capacity.

**Small and Medium Enterprises**

This group covers enterprises whose capital costs do not exceed N42 million (current Central Bank definition). The sector is identified as one on which the country can build a strategy for rapid industrial transformation. SME's are known to possess the highest potential for employment creation, and to spread benefits of industrial prosperity wider through their geographical distribution and their adaptability to changing circumstances.
ISSUES DISCUSSED

Large market (local and export) Within the domestic market, it is agreed that the mass market segment is the more reliable and rewarding for SME's if price and quality are right.

Although potential exists in the public sector, there are risks since public sector organisations do not always adopt merit in their buying decisions and also because of their bad payment record. Many SME's have failed as a result of public sector debts.

Raw materials A wide range of raw materials exists in the country although there is usually a need for further processing and guaranteed availability to enable SME's to take advantage of this factor. Observation is made of the practice by Government parastatals and companies that have monopoly of supply of certain raw materials, who sell only through commission "agents". Existing mining laws also make it difficult for SME's participate in the into mining and processing of minerals.

Manpower There is a good supply of relatively cheap and educated manpower. This provides opportunities for the introduction of low technology/labour intensive projects.

Lack of information Information relevant to SME's is often not available or is difficult to access when it is available. This includes information on availability and location of raw materials, available technology and technical assistance and sources of funding, including venture capital.

Management and technical skills Are identified as key factors in the survival and growth of SME's. The dearth of managerial skills and non-adoption of modern management techniques and methods are largely responsible for the failure of most SME's.

Funding Equity funding is difficult to raise by SME's because of lack of trust by equity providers. Access to the stock market is virtually non-existent. Credit is not easy to reach either and where it is available, the cost is usually too high for small companies to bear and they also find it difficult to provide the collateral usually required by lenders.

Poor ethical values and lack of transparency This problem is now all-pervading in society. It appears that everyone cheats everyone else and this state of affairs gives the SME's in particular, a sense of hopelessness.

CONCLUSIONS AND RECOMMENDATIONS

• an on-going census should be carried out of the several mini and micro-enterprises all over the country to facilitate the designing of appropriate incentives and to address their problems.
• in the area of marketing, SME's should first target the mass market but they should also pay particular attention to quality and pricing.
• Government, on its part, should pursue its existing but neglected "BUY MADE IN NIGERIA" policy. Government and its agencies should also give as much attention to payments to local suppliers and creditors as they give to foreign creditors/suppliers.
• Standards Organisation of Nigeria (SON) should continue to be involved in determining quality standards and publicising them but its certificate should not be mandatory on manufacturers. SME's should, however, aspire to obtain SON approvals.
• SME's producing for export must make their goods to international standards in order to compete successfully. If possible, they should always aim at exceeding international standard benchmarks.
• emergence of export trading companies, as exist in Japan, South Korea, Taiwan, etc. should be encouraged as a matter of priority.
• comprehensive information on available raw materials should be compiled and made accessible to SME's.
• privatising Government-owned companies should be accelerated and priority given to those producing raw materials so that supply at competitive prices can be guaranteed.
• existing mining laws in the country to be reviewed so that SME's can go into mining and processing of minerals.
• SME's should focus on low technology/labour-intensive projects due to the relatively cheap labour available, to maintain competitiveness in international markets.
• to bridge the information gap, Small and Medium Industries Development Agency of Nigeria (SMIDAN) which was established in the 1993 budget, should include extension services on a zonal basis. Their function should include collection and dissemination of information to SME's in the area of feasibility studies, venture capital, sources of technical assistance, etc.
• private sector consultants should be encouraged to work for SME's.
• SME's should pay proper attention to management in their survival through appropriate recruitment, training and remuneration. They should take advantage of technical assistance offered by overseas consultants like VSO, BESO, etc. Likewise, retired Nigerian technocrats and managers should be encouraged to set up non-governmental voluntary service organisations, with government only providing take-off grants and, occasional subventions. The Centre for Management Development could mid-wife this organisation.
• above all, government should increase the funding of its universities and at the same time, allow the take-off of private universities so as to encourage healthy competition.
• as a way of overcoming their funding problems, the SME's should consider raising equity capital through private placements and thereafter, get onto the stock market through public issues.

• Government's fiscal and monetary policies should be geared towards reducing interest rates and stabilising exchange rates, both of which will have welcome effects on the working capital of SME's.

• there should be a review and overhaul of the process of perfecting documents for collateral for bank loans. Specifically, the Land Use Decree should be amended to remove the requirement for Governor's consent to mortgage. Also, the obstacles to the exchange of share certificates should be removed.

• Government should issue bonds in exchange for its established local debts with payment of accrued interest as was done for external creditors.

• in addressing the question of ethics and transparency, the political leadership should take the initiative by being seen to be transparently and consistently honest and fair in all its dealings.

• every organisation should have, at the top, a means of listening to complaints and a machinery for acting on such complaints promptly.

Services

ISSUES DISCUSSED

Perception of services

The general perception/image of services professions is poor. This has in turn informed the poor image of themselves that service professionals have.

The perception/image problem is traceable to the lack of Government recognition of the value of the service professional’s work. Also, the consuming public does not appreciate the worth of an intangible product like service and hence the unwillingness to pay a commensurate price for it.

Standards  There are no uniform service standards in Nigeria. The standard of professionalism does not measure up to internationally accepted levels in the great majority of cases. This is partly due to the fact that many Nigerian deliverers of services are not customer-oriented in their approach to work.

It is, however, observed that even where competent professionals are committed to high quality service delivery, a number of environmental constraints limit their ability to deliver optimally.

Support facilities  Continued absence of efficient infrastructural facilities and support services makes the delivery of services in Nigeria less than adequate. Examples include the dearth of statistical data, properly collected, collated and
catalogued; ill-equipped public institutions such as law courts and other
government offices.

*Ethics* Lack of business ethics in both the public and private sectors is another
major impediment to the proper delivery of professional services.

CONCLUSIONS AND RECOMMENDATIONS

- service professionals should change their attitude towards those they serve by
developing a client-oriented culture which puts clients first. They should also
encourage the continuous training and education of professionals to ensure
skills enhancement.

- total product approach should be adopted. In other words, services should be
provided as a total package that should include timeliness and "getting it
right, first time".

- standards for service delivery should be established. The aim is to work
towards making Nigeria internationally competitive to ensure that our
professionals can take advantage of the opportunities offered by the evolving
global economy.

- in order to help enhance standards, government should patronise Nigerian
professionals in all major projects, thus exposing them to otherwise
unavailable opportunities. Where foreign professionals have to be used,
Nigerians should be retained to work jointly with them.

- professional bodies should ensure conscious self-development for their
members and should champion the cause of professional excellence.

- both public and private sectors must at all times uphold policies and practices
aimed at achieving the goal of a vibrant economy that rewards creativity,
enterprise and professionalism.
Section 3: Reform Group Discussions

Monetary System/Management

The group determined that the central objective of our monetary system and management should be achievement of a stable macro-economic environment. The causes of macro-economic instability were identified as follows:

- fiscal indiscipline by Governments and their agencies.
- conflicting effects of various government policies.
- inability to trust market determined solutions.

The overall effects of our unstable macro-economic environment have crystalized in constant depreciation of the naira, volatile interest rates, chronic inflation, capital flight, low resource mobilization, budget deficits and low growth.

The group concentrated discussion on six main issues:

- Money supply.
- Inflation.
- Interest rate.
- Exchange rate determination.
- Credit policy.
- Role of Central Bank.

ISSUES DISCUSSED

Money supply  The main cause of excessive growth in money supply was identified as the government budget deficit. The 1992 deficit was about N45 billion and projected deficit for 1993 is estimated at N28 billion. Published Central Bank of Nigeria figures showed an increase in currency in circulation from N10.2b in 1988 to N25.3b in 1992. The aggregate net credit rose during the same period from N52.06b to N72.94. A significant amount of budget deficit results mainly from extra budgetary spending financed through ways and means and utilised by the public sector.

Inflation  The level of inflation has been consistently in double digit for the last decade. This is mainly demand pull inflation fueled by too much money chasing too few goods. The main culprit of inflation is government deficit spending which has increased significantly since 1988.

Interest rate  The group discussed the relatively high level of interest rate and its volatility. Interest rates have soared because of inflation and demand for foreign exchange. Recent Government policies, such as stabilisation securities, utilised to mop up banking liquidity have made interest rates unpredictable and led to "panic" rates by bank to generate liquidity and stay solvent.

Exchange rate determination  Since 1986, the exchange rate has been fairly deregulated but not made freely convertible. Different allocation methods have been tried by the CBN without any visible sign of success. The methods of
allocation have made planning difficult for foreign exchange consumers. Also, there has been substantial differences between official and market rates, creating distortions and abuses in the system. The group suggests not every bank should be a foreign exchange dealer.

**Credit policy** As a result of CBN restrictions on credit creation, the group noted that successful banks have been unduly punished. A side effect has been the unproductive imbalance in credit allocation and excessive growth in credit to the public sector. The productive sector of the economy has actually been starved of funds by bad loans and Government sectoral restrictions on credit. The result has been the emergence of credit creation by the myriad of finance house littering the financial sector.

**Role of Central Bank** In management of the monetary system, CBN has functioned as an arm of the executive Government, rather than as an independent body charged with rational management of monetary policy. As a result, the CBN is used to financing government deficit spending by printing money. A participant asked graphically "**when will the Central Bank bounce the first Government cheque?**". The group believed CBN independence is at the heart of rational monetary policy management.

**CONCLUSIONS AND RECOMMENDATIONS**

**Money supply** In financing the 1993 budget deficit, it was recommended that Government should de-emphasise domestic borrowings. Any domestic borrowings must be financed utilizing market based instruments rather than through ways and means.

The following alternatives to domestic borrowings were suggested:

- offshore borrowings - efforts should be made to draw on pipeline commitments, that is, approved facilities not yet drawn.
- revenue from petroleum subsidy removal.
- expenditure deferment, that is, not incurring all the expenditure stipulated in the budget thus reducing the deficit size.

**Inflation** The panacea for inflation is control of Government spending. Government should curtail spending and concentrate on productive investments. Government was also encouraged to transfer resource to the private sector for efficient and effective resources utilisation. Finally, the productive sector of the economy must be expanded to create the necessary supply required to dampen inflation.

**Interest rate** Only positive interest rates will encourage savings and investments and this require market determination of interest rates. To bring down interest rates requires an improvement in Nigeria's macro-economic environment and a reduction in deficit financing.
Exchange rate  Free markets should determine exchange rates. This means the Central Bank of Nigeria should only concern itself with occasional intervention in the market. To allow for free market operation, the Exchange Control Act of 1984 should be repealed. Accordingly, all documentation, such as "Clean Report of Findings" "Import Duty Reports", and "Tax Clearance Certificates" should be discontinued. These documents would not be required if the exchange rate is completely deregulated. To avoid excessive depreciation arising from deregulation, incentives should be given for foreign exchange generation. In addition, corporate entities should disclose in their annual reports foreign exchange generated annually.

Credit policy  Sectoral credit ceiling should be lifted and banks permitted to give credits based on rationality and the economics of projects. Government should support distressed but important sectors with other incentives, especially tax incentives.

Role of Central Bank  CBN should have full autonomy in monetary policy management. The CBN should be given full autonomy on such issues as supervision of financial institutions, licensing and revocation of bank licences, monetary policies and financing of Government spending.

The CBN Governor should be appointed by the legislative arm of Government and therefore report to the legislative and not the executive arm of Government.

Appointment of the Governor should be for a fixed tenure which transcends the term of the executive arm of Government. Moreover, members of the Board of the Central Bank should have staggered tenure to allow for continuity.

Fiscal Management - Spending

The group concentrated its discussion on four main themes which were:

- budgetary process.
- transparency and integrity of government expenditure.
- status of capital projects.
- deficit financing

ISSUES DISCUSSED

Budgetary process  Government budgetary processes are extremely flawed. The budget is basically seen as an opportunity to draw up a wish list of spending and is not linked with projected revenue for the period. The process also lacks rigour at both the preparation and review stages. The review process has often been rushed with consequent gross under-estimation of expenditures. The inevitable conclusion of this lack of rigour in preparation is that the budget has ceased to be a meaningful instrument for setting realistic estimates and controlling Government
expenditure. Therefore, the last three years have witnessed incessant cases of extra budgetary deficits. The group also noted that there is a lack of linkage between planning and budgeting. Since the budget is a monetary expression of the National Plan, it was considered important to restore the linkage between the two processes for effective medium and long term planning. Finally, the group discussed the practice of compulsory spending of all allocations within a fiscal year. This process gives the impression that the nation is not a "going concern".

**Transparency and integrity of government expenditure** Present Government budget estimates do not completely cover all expenditures. Extra budgetary spending has therefore become the norm and during 1992 represented about one half of Government spending. Participants decried this uncontrollable spending and felt the situation was aggravated by the complete absence of reference to such "hidden" expenditure in our debt ridden economy.

The pricing of Government projects and the purchasing process by ministries and parastatals came under intense scrutiny. It was unanimously agreed that Government projects and contracts are often over-priced. This is mainly because of excessive margins built into such projects and contracts for personal interests. Tender Boards are not effective and have been marginalised by Government officials.

The group examined the personnel cost element of Government expenditure and remarked that the size of Government has grown phenomenally. Another area of concern was overseas travel by Government officials, ostensibly for matters of utmost national significance.

The group commented on the erosion of the role of the Accountant-General in monitoring and implementing budget guidelines. The Accountant-General is only aware of extra budgetary allocations long after such allocations have been made.

**Deficit financing** This was singled out as the bane of the Nigerian economy over the past years. Excess money supply created mainly by deficit financing has put tremendous pressure on interest rates, price levels and the exchange rates. Since deficit financing has been mainly through ways and means by the Central Bank (i.e. money printing), the situation has steadily worsened.

**Capital projects** There are many abandoned projects. This ugly situation is attributable, in part, to the weakness inherent in the budget preparation process. The group also questioned Government's involvement in non-infrastructure capital projects that could be executed by the private sector. The issue is that Government executed projects have not been well managed and require major subsidies from Government to survive.

**CONCLUSIONS AND RECOMMENDATIONS**

**Budgetary process** The group suggested the budgetary process should start with projected revenue. This projected revenue must be conservatively estimated and
include various scenarios. The process must also include a mechanism for accounting for any positive revenue windfall and inclusion in the Federation Accounts. Expenditure estimates must be rigorously undertaken and complete. The group said the first spending priorities should be completing existing projects. Thereafter, spending on new projects can be considered. All expenditures (capital or recurrent) must be included in the budget and should not be part of any dedicated revenue. Participants agreed that the Argentine model of a cash-based budgetary process is sound and should be utilised in Nigeria.

Transparency and integrity of Government expenditure Government budgets should represent a complete and true coverage of all Government expenditure during the budget year or plan period. No expenditure should be excluded. Budget expenditure should be properly estimated or covered under a separate dedicated arrangement. It was proposed that an independent system of checking the reasonableness and propriety of costs of Government projects and contracts should be implemented. Furthermore, details of all major Government projects and contracts must be given full and adequate public disclosure.

It was recommended that Government needs an immediate downsizing by rationalisation of Government ministries and parastatals in the short term and by outright retrenchment of unproductive staff in the medium/long term. Also the number and frequency of overseas trips by public servants should be reduced to the barest minimum.

The group recommended that the accounts of all Government ministries and parastatals must be audited by independent external auditors and published within six months of year end.

Capital projects There is a need to review all existing capital projects. Government should undertake the following steps.
- arrange joint venture/management service contracts for completion and management of the projects.
- outright privatisation of economic capital projects.
- leasing of projects to interested operators.
- discontinuance of capital projects requiring substantial cash outlays without required social and economic returns.

The group advised Government not to embark on new capital projects that do not meet acceptable parameters of economic viability. Accordingly, it was reiterated that only new projects relating to infrastructures and social services should be embarked upon. The group specifically mentioned the development of the Federal Capital Territory urging the scaling down of Government resources and involvement of private sector investors.

Deficit financing This must be studiously avoided. Revenue should be realistically estimated and spending must be related to revenue estimates. The group frowned on the obvious lack of control of Government spending especially
through the use of ways and means. In accordance with the prevailing practice in some developing countries (e.g. Argentina), the group felt there is need for a constitutional provision which seeks to limit the extent of budget deficit to a percentage of G.D.P. Further, the constitutional provision should disallow Government from borrowing from the Central Bank.

Fiscal Management - Revenue

ISSUES DISCUSSED

The group identified and discussed the following issues: transparency and accountability in revenue management, pricing of petroleum products, shift from indirect to direct taxation, tax compliance and administration, spending linkages, investment incentives and expansion of the revenue base. The scope was all inclusive - Federal, State, LGA and parastatals.

Under transparency and accountability the group discussed the need to ensure that all items of expenditures and revenues are precisely accounted for and that the public has ready access to this data. The group noted with grave concern that at present there seems to be a serious problem of credibility in respect of revenue figures even among Government agencies or tiers of Government, and even more between the public and Government. The group also noted that the issue of trust and accountability has special relevance to issues like proper pricing of petroleum products and debt relief.

The issue of petroleum pricing faced the group with the need to determine what should be the appropriate objectives in determining prices and what should be the suitable mechanisms to attain these objectives.

Recent Government-appointed commissions entrusted with the study of tax issues have unanimously recommended a shift from direct to indirect taxes. The group explored the advantages and implications of such a shift.

Under the heading of compliance and administration the group studied all those issues which are related to the implementation of the ideal of rule of law in tax issues.

The expression spending linkages makes reference to the often-noted importance for effective revenue collection of the public perceiving that the money paid is responsibly and "transparently" spent.

The group also explored the investment incentives needed to generate the high level of private investment which is necessary if sustained growth rates of 5% - 10% are to be attained.

Finally, the group also addressed the need to expand the revenue base without increasing the tax rates and considered the measures necessary to attain that objective.
CONCLUSIONS AND RECOMMENDATIONS

**Transparency and Accountability** In order to attain the objective of a transparent revenue system able to develop trust both nationally and internationally, the group considered the following principles to be essential:

- Full and complete disclosure of all revenue
- Published, timely and audited accounts
- All actions taken in the field of revenue collection and disposal should have precise legal backing
- Nobody should be above the law

On the issue of transparency, the group stressed that it was essential that all proceeds of oil sales should go into the Federation or Stabilisation Accounts, rather than be used for funding extra-budgetary spending. The group also stressed that the rules guiding the use of the Stabilisation Account should be clear and precise.

It should perhaps be emphasised that the group considered the issue of transparency to be of fundamental importance.

**Petrol pricing** The view of the group was that a first objective was to achieve a full cost recovery, with the pricing of petroleum products fully covering the costs incurred by private companies (e.g. transport, distribution and similar costs), NNPC (e.g. full cost of refining oil, including full coverage of maintenance and similar expenses and provisions for replacement of the assets used in doing so), and the Government (e.g. extracting, and replacing the oil sold).

A second objective should be a phased recovery of the total international price reflecting the full opportunity costs of devoting oil to domestic consumption.

In connection with the above two recommendations the group emphasised the importance of the following factors:

- A vigorous campaign of public education
- The advisability of earmarking the funds obtained by a more realistic pricing of petroleum products for uses such as education, health, etc.
- The importance of transparency (operating inside a "glass house") in accounting for the revenues derived from a more realistic pricing of oil products and for the uses given to these funds.
- The importance of undertaking a vigorous programme of gas development.

**Shift from direct to indirect taxes** The group considered that this often-advocated change constituted a change in the right direction. As a long term line of development, an emphasis on taxes such as MVAT and sales tax and a relative de-emphasising of Companies Income Tax, Personal Income Tax, and other direct taxes is recommended as a general policy of taxing consumption rather than income generation to restrain consumption and stimulate savings. The group also
considered that, in the Nigerian environment, indirect taxes are less easy to evade and therefore more equitable.

In the short term, however, the group considered that this is a very inauspicious moment to introduce MVAT. Accordingly this new tax should be deferred. The three main reasons for deferral are that the necessary preparations for its introduction have not been effected yet; according to the Constitution, MVAT should be a State tax and it should not be pre-empted by the Federal Government; and, last but not least, at a time when an increase in prices of petroleum products is being effected it is inopportune to introduce a substantial new tax which will have an immediate effect on the cost of living. The increase in petroleum prices should have the priority and only after that has been accomplished should MVAT be considered.

**Administration/compliance** The group noted with deep concern the shortfall in revenue which should be collected if there was full compliance with the law.

In order to effect full compliance with the law by all parties, it is also essential to achieve the "level playing field" between the formal and informal sectors whose needs have been so often emphasised in this Summit. Revenue administration must also have in place better systems and people and better drafted laws.

Also leadership through example is especially needed. The leaders and the wealthier elements in society must be seen to pay. It is also essential that the Government itself be scrupulous in observing its own laws, for instance by taxing the allowances of civil servants as the law demands and as the Government expects private companies and individuals to do. In this area, anything that tends to develop credibility and trust will result in higher levels of voluntary compliance.

At the same time, it is not realistic to expect 100% voluntary compliance in even the best designed and administered system. Realistic sanctions which are effectively applied are essential.

Finally, in deploying their scarce resources, revenue authorities should focus on the high potential tax sources where significant revenue can be expected rather than wasting resources on marginal taxes and taxpayers.

**Spending linkages** The importance of responsible spending as a pre-condition for obtaining greater voluntary compliance cannot be over-emphasised. Towards this end the importance of the Medium Term Plan was emphasised to determine the level of spending needs. Only the revenue needed to satisfy those requirements should be sought. If there is a temporary surplus, it should be invested not spent.

In relation to any increase in the prices of petroleum products, the practice of earmarking the resulting revenues is recommended as a confidence-raising technique. However, it is important to recognise that such earmarking can result in less than optimal allocation of resources, the creation of a mentality of "entitlements" among the agencies and constituencies which benefit from them, and the multiplication of special taxes with considerable nuisance value. Finally, the group advocated the need for reduced/managed borrowing.
**Investment incentives**  The group considered the essential incentives to be the creation of the right macro-economic framework, political and policy stability, scrapping of the NEPD, drawing an industrial policy blueprint and the fostering of a positive external image. If these basic elements are not in place, more specific investment incentives are likely to be ineffective. Assuming that progress can be made in the above fields the group felt that the following incentives were needed: simplification of forex remittance requirements, convertibility of the Naira, reduction in the rates of Companies Income Tax, accelerated capital allowances, raising the threshold of Personal Income Tax and widening the brackets, reduction in Capital Gains Tax (perhaps most appropriately done by introducing indexation in order to avoid the taxation of purely fictitious nominal "gains"), reducing duties on raw materials and finished goods, reducing or eliminating transaction taxes such as consent fees for mortgaging or selling of land or stamp duties, and scrapping of the IDCC.

**Revenue expansion**  The specific actions which the group recommends in order to expand the revenue base include offshore investment of oil and gas revenue whenever it exceeds the budgeted needs, privatisation of NNPC, private sector development of natural gas resources, use of gas which is at present being flared, exploration of new mineral resources, increase of non-oil exports and promotion of tourism.

**Debt Management**

The group tackled issues related to the external debt, (the adverse effects of external mismanagement and proposed solutions) before discussing domestic debt.

**ISSUES DISCUSSED**

**External debt**

As a prelude to the discussion, the group was informed that the external debt crisis was essentially over for most Latin American countries - in particular, Chile and Mexico. However, while the crisis period may have passed, problems still persist in other Latin American countries such as Brazil and Argentina. In the meanwhile commercial banks have created large provisions to insulate themselves against their sovereign/country exposures. This process was triggered off by the $3 billion reserve taken by Citibank in 1987.

It was also recommended that the discussion on external debt issues should focus on Nigeria's Paris Club debt, given it's overwhelming importance in the country's debt profile (60% of external debt) and the fact that the 1992 London Club settlement had effectively resolved the issue of commercial bank debt - through the debt buy-back and par bond mechanisms. As a result, London Club debt has essentially been resolved, as long as Nigeria continues to meet it's nominal interest obligations of $100 million per annum. Given the small amount of debt servicing involved, it is expected Nigeria will make the necessary resources available over the 28 year life of the par bonds.
Discussions started off with reference to the previous day's disagreement between the Secretary of Finance and the Central Bank Governor on the actual amount of the country's external debt stock. It was agreed this confusion was created by varying opinions on accounting treatment for London Club par bonds and their collateralisation by U.S. Treasury Bill equivalent zero coupon bonds. A strong case was made for including the par bonds in the external debt aggregates through a flip chart illustration of the accounting flow of the transaction. As a consequence, it was considered advisable that the approximately $2.5 billion of London Club par bonds should, in reality, be classified as an obligation in the country's reported external debt stock.

Some concerns were also voiced on whether the debt figures included the 1992 arrears on Paris Club debt. A CBN participant authoritatively assured the group that the Paris Club arrears were included in the debt figures.

It was emphatically recognised by the group that the defaults on external debt had resulted in the creation of a number of major problems and impediments for Nigeria's economic development. Significant amongst these are:

- sharp decline in new foreign private investment in the country,
- significant drop in development credits, Export Credit Agency (ECA) credits and similar inflows for infrastructural development and project financing,
- complete withdrawal of short term trade credit lines by foreign commercial banks. Consequentially Nigeria has to cash collateralise/pre-fund LC's and trade commitments prior to confirmation of these commitments by overseas banks. This mechanism is unsatisfactory not only in terms of tying up scarce foreign currency resources but also in terms of it's cost impact,
- damage to external credibility in the eyes of foreign creditors and donators,
- capital flight and consequent severe pressure on foreign currency resources,
- lax fiscal management and discipline, resulting in inflationary pressures,
- rapid depreciation/devaluation of the Naira.

There was general agreement that mis-management of Nigeria's foreign debt has led to creation of a vicious and debilitating cycle. It was further recognised this downward spiral has limited the country's economic and political options, both internally and externally. The economic measures dictated by the sad state of the economy are of an extremely severe and politically sensitive nature. Similarly, the gravity of Nigeria's external debt crisis and therefore reliance on the goodwill of foreign creditors may also impinge upon our ability to operate an independent foreign policy.

The group focused on the management of the country's Paris Club debt. There was a majority view that Nigeria should aim to negotiate a concessionary debt relief package including significant debt write-offs by creditors - on terms similar to either the Toronto, Enhanced Toronto or Trinidad terms. It was pointed out that
the Trinidad terms had not yet been granted to any country and that it was
doubtful that Nigeria would be amongst the first and worthiest candidates for such
terms.

However, a basis for discussion for such debt relief could be established by the
adoption of an acceptable medium term economic reform program and successful
implementation over a period of one to two years.

Attention was brought to the fact that Nigeria has yet to derive the benefits of soft,
low interest and extended multi-lateral credit facilities from sources such as the
International Development Agency (IDA), African Development Fund (ADF), and
the International Monetary Fund (IMF). Group consensus was that the country
should make full use of such concessionary credits, regardless of a deliberate past
policy not to do so.

**Domestic debt**

Domestic debt discussions started with an attempt to understand better, the
various components of Naira denominated obligations of the Federal Government
of Nigeria (FGN). The Group was informed that the Treasury Bill and Treasury
Approximately 85% (N135 billion) of this total was held by the Central Bank of
Nigeria (CBN) - which meant that this portion of the debt had been monetised and
released into the monetary system. There was a general concern at the rapid rate of
increase in this figure over the years and it's adverse impact on the economy.
Budgetary indiscipline and fiscal deficits were identified as the root cause of this
growth in the FGN's Naira debt.

Another grave concern was growth of Government's, yet undetermined, liability to
suppliers and contractors. It was considered highly unacceptable for the FGN not
to have a satisfactory system for the accounting, monitoring, and approval of such
expenditures. The provision of N1 billion made in the 1993 Budget in this regard
was expected to fall far short of the actual obligations as they come to light over the
course of the current year. Similar concerns were expressed on the State
Government's debt and obligations to suppliers, contractors and the banking
system.

**CONCLUSIONS AND RECOMMENDATIONS**

**External debt**
- The Group was unanimous in its view that Nigeria needs to build up its
  credibility with the donor community and foreign creditors by ensuring the
  complete transparency of and accountability for external and domestic
  accounts.
- The need for fiscal policy discipline was emphasised with a proposal to put
  Constitutional limits on levels of deficit creation. The achievement of a
  budgetary deficit level of 3.5% of GDP or lower by 1995 was considered
  critical.
• The Privatisation and Commercialisation of the public sector was considered essential. It was recommended that proceeds realised as a consequence should be utilised for the sole purpose of reducing the country's external and domestic debt.

• The privatisation of NITEL, Nigeria Airways, Nigerian Railways, seaports and all industrial and commercial ventures was considered feasible. However, the privatisation of NNPC generated a great amount of controversy. A number of participants strongly opposed the privatisation of NNPC’s upstream operations. However, the suggestion to scale down NNPC’s equity participation in joint ventures from the present level of 60% to 51% was accepted by the whole Group - with a proviso to encourage the development of politically acceptable ways of further reducing NNPC/public sector involvement in this sector (e.g. Sale of NNPC majority to Private Nigerians). However, there was a ready consensus that downstream activities including refining, petrochemicals marketing, pipeline etc. should be completely privatised to promote efficient management of these resources. There was a body of opinion that these measures would also hasten and somewhat simplify the process of eliminating the petroleum subsidy.

• The need to adopt a comprehensive medium term economic plan acceptable to the creditors was also stressed. It was also emphasised that this program should be strictly implemented and complied with over the medium-term, in order to rebuild credibility and confidence amongst not only the multi-lateral and bi-lateral creditors but also the commercial banks. The continued payment of par bond interest commitments along with the above would serve as a first step for Nigeria's rehabilitation as a viable commercial borrower in the international financial markets.

• Financing of FGN debt through Open Market Operations (OMO) and market driven interest rates are considered key to determination of the real cost of debt service. It is also a more accurate reflection of opportunity cost of capital thus raised.

• The group was unanimous in recommending that all subsidies should be eliminated and/or reduced significantly in order to minimise budgetary pressures. Consequent elimination of market and price distortions would lead to the development of a more resilient, competitive, and viable industrial and agricultural base.

• The accelerated privatisation and commercialisation of the public sector was re-emphasised along with the need to ensure that the proceeds derived from this process are used solely for reducing the overall level of government's debt.

• Improved collection of all Government revenues is a pre-requisite to achieving fiscal discipline with a consequent decline in debt creation and debt service pressures.
Domestic debt

- As in the discussion of the external debt, the critical need for fiscal discipline was emphasised. A budgetary deficit target of less than 3.5% of GDP was considered to be an important milestone to be reached in the process of economic reform.

- Constitutional restraints on the fiscal deficit as a percentage of Government Revenues and the FGN's debt as a percentage of GDP were also recommended. Such institutionalised discouragement of debt and deficit creation would strengthen the hands of the more responsible players in future administrations.

- All projects embarked upon by the FGN should be self-financing and independently viable. Financing the construction of highways and road networks through toll collection, was given as an example of such an undertaking.

Investment Climate - Petroleum

The group examined the status of investments in the upstream and downstream petroleum segments and then examined the general enabling environment. Group discussions focused on:

- Upstream oil and gas
- Frontier Exploration
- Upstream support services
- Downstream oil
- Downstream gas.

Status of industry
The consensus was that upstream is in reasonably good shape but could utilise some reforms and incentives for optimal operations. On the contrary, downstream industry is in a very sad shape. It is financially weak and over-regulated. Downstream is close to collapse and is not serving the nation and customers. Urgent action is required to forestall chaos in this segment of the industry.

Enabling environment
On the general enabling environment, the group noted the importance of the following factors:

- Policy consistency/continuity. This has generally been the bane of implementa- tion with successive administrations reviewing and proposing new policies;

- Security. This has become a very important issue, especially in the upstream sector. To tackle this issue in the short term involves a modern, fully
- Equipped, well trained and remunerated police force. In the long term, social reforms must be instituted to combat joblessness and subsequent drift to criminal activities;

- Institutionalized dialogue. This dialogue must be encouraged to promote useful discussions in the area of taxation, incentives and general information flow;

- Administrative reforms. Urgent reforms are needed at the customs, ports, immigration departments as well as the land tenure system;

- Appropriate pricing. Appropriate pricing and the correct fiscal terms are required for optimal development of the industry;

- Deregulation/Privatisation. Further private involvement in the industry was encouraged as the most rational and effective means of development.

ISSUES DISCUSSED

Upstream - oil and gas

Several major business issues face the upstream oil and gas sectors. Firstly, the group noted worldwide competitiveness. There are new exploration frontiers notably in Russia. The realistic scenario is that real oil prices will fall in the future due to oversupply and the increasing usage of alternative energy sources. This means fiscal incentives to encourage exploration and production must be addressed constantly.

Security in oil producing areas is an issue. There have been severe attacks on producing companies and their contractors by oil producing communities because of basic dissatisfaction with their living conditions. Such attacks are becoming more frequent despite contributions of oil companies to the social and economic development of these communities.

The group also noted the late payment of government share of joint ventures which leads to delays in payments to contractors. Furthermore, Government has not provided adequate funding for the development of new fields and increments in oil reserves.

The group also mentioned lack of exploration acreage and protracted negotiations and delays in obtaining oil concessions. Even when oil concessions have been obtained, Government has been very lax in defining the agreements, accounting manuals and contracts required for effective possession and operations of such concessions. A production sharing contract for new concessions is lacking.

Members also felt environmental protection should be stressed to protect the people, plants and wildlife of oil producing communities.
Frontier exploration  On the very important issue of frontier exploration (mostly deep offshore concessions), the group commented on the protracted negotiations going on in this area in the face of global competition. There are presently no legislation, fiscal terms or incentives to guide the development of frontier exploration. Although this is where the greatest increment to Nigerian oil reserves will be discovered.

Upstream support services  The group believes that the issues involved in this important ancillary to upstream operations include: the streamlining of bureaucratic obstacles, including registration at the Department of Petroleum Resources; the clarification of legislation governing the oil service industry and what constitutes doing business in Nigeria by non-resident companies. The group also commented on withholding tax receipts and the difficulties of obtaining these receipts for tax credit.

Downstream oil
Crucial downstream issue is the appropriate pricing of refined products and deregulation of margin determination. Furthermore, the group noted that petroleum pricing must reflect geographical distances. Participants felt the downstream oil industry requires particular attention because low profitability has delayed needed capital expenditure necessary for operational efficiency and service delivery.

Downstream gas
Participants felt developing downstream gas industry is the most important issue. Gas is a cleaner energy alternative to crude oil and should be used for domestic and industrial purpose. The issue is appropriate pricing of refined petroleum to encourage gas utilisation.

The group expressed concern at the incessant delays in building an LNG plant. Participants noted that whilst Indonesia has built five LNG plants, Nigeria has yet to build one because of infighting among vested interests and unnecessary bureaucracy.

CONCLUSIONS AND RECOMMENDATIONS
Upstream oil and gas
Government should review fiscal incentives constantly to stay competitive. The current memorandum of understanding for joint ventures was commended. Government was also urged to finalize all agreements, manuals and contracts required under production sharing contract arrangement to facilitate exploitation of concessions. Tardiness in producing these documents has not cast Nigeria in very good light.
In view of inadequate Government funding, the group suggested reduction in Government investment in joint venture oil producing companies initially to 50%. The development by independent parties of marginal fields currently held by the majors was highly touted as a way to enhance productive reserves.

The group supported the setting of standards environmental and regulations, but such regulations must not be utilised by bureaucrats to stifle development.

**Frontier exploration**

The group urged Government to break bureaucratic log jams in frontier exploration and provide required legislation and incentives to develop these deep offshore fields.

**Upstream support services**

Registration at the Department of Petroleum Resources should be completely overhauled. Registration should be for statistical purposes only. The requirement for a permit to operate in the oil industry or a drilling permit should be abolished. The group urged clarification on the issue of non-resident companies doing business in Nigeria. It recommended that a non-resident company can enter into contractual relations in Nigeria and do business through a Nigerian subsidiary or agent. Finally, the group called for overhaul of the Inland Revenue Department to facilitate timely obtainment of withholding tax receipts.

**Downstream oil**

The group called for phased removal of oil subsidy and deregulation of the industry. It stressed that oil marketing companies should be free to set product prices. This is crucial to replacement of capital and equipment stock in the industry. The group stressed adequacy of supply through efficient distribution network and maintenance. It urged privatisation of refining and distribution facilities.

**Downstream gas**

The needs are for policies and procedures for distribution/utilization. The group urged a nationwide study on distribution network. It called for adequate incentives for consumers to convert from oil to gas. In the short term, government needs to deregulate the industry and execute the liquefied natural gas (LNG) project.
Investment Climate - Non-Petroleum Sector

The Group reviewed the present situation and then tried to identify the policy changes and reforms necessary to improve the investment climate.

In doing so, it was considered important to emphasise that investment incentives apply to both the on-shore and the off-shore investor. While clearly some incentives are more relevant to the off-shore investor, an effective enabling environment for investment will act as an incentive to any investor.

It was acknowledged that Nigeria's failure to encourage real investment over the past ten years or so, in spite of the numerous 'improvements' made in the investment climate, indicated a clear need to re-appraise the actions so far taken, establish why they have proved ineffective and then implement whatever measures are considered necessary to achieve the aim of attracting investment from both on-shore and off-shore.

It was recognised that a number of developing countries had been successful in attracting investments, in spite of the strong international competition for investments funds. The developments in Indonesia, South Korea and other countries in the Far East were particularly noted. Indeed, it was recognised that Indonesia had developed its economy, from a base little different to that of Nigeria, in a relatively short time-frame.

It was considered that, even when legislation was reasonable, there has been a consistent record of poor implementation which has, in itself, proved a major disincentive to investment and which has significantly affected the performance of the sector in general.

In order to assess the existing investment climate, the group tried to identify those factors which a potential investor would look for before making a decision as to where to make his investment. It was accepted that any investor would be looking for the best return on his investment and that, where two or more areas were providing an equivalent return, the investment would go to the area providing the best overall enabling environment for investment.

In essence then the investor will be looking for a number of environmental factors before making his decision. These will include:

- The presence of a market for his products.
- Stability of Government and Government policies.
- A minimum of bureaucratic interference.
- Ease of repatriation of dividends and technical fees.
- Minimum investment risk.
- Incentive legislation
- The ability to control his investment.
- Tax incentives and investment protection agreements.
- Sound fiscal policies.
- A secure environment in which to live and do business.
• Good infrastructural support - including power, water, communications etc.
• A trainable work-force.

The deterrent effect of corruption was considered pervasive to most activities. The greater the bureaucratic requirements the more forms to be completed, the greater the number of agencies to be satisfied - the greater the opportunities for corruption.

In structuring the discussion the group looked at: Legislation; Infrastructure; Incentives; Agriculture and Industry; Human and Material Resources and, finally Marketing.

ISSUES DISCUSSED

Legislation

The key organisation in the investment scene is the Industrial Development Co-ordinating Committee (IDCC). During the discussion there were arguments for its complete removal, its restructuring and for its replacement by some other body. In this respect, the group's attention was drawn to a Draft Decree produced by Dr St Matthew-Daniel when he was a Commissioner in the Lagos State Government, proposing the establishment of a Nigerian Investment Commission. In essence, it was considered that the IDCC was not the one-stop agency which it claimed to be since, on completion of the IDCC hurdle the investor was faced with a number of agencies both Federal and State before his investment could come to fruition.

It was considered that there was a need for an effective one-stop agency and the experience of those countries operating successful investment climates should be used as a guide in deciding what administrative structure would be most appropriate for Nigeria.

The Nigerian Enterprises Promotion Decree (NEPD) and its impact on investment - particularly re-investment - was the subject of heated debate. It was, however, generally considered to be a major disincentive to the very investors who are most likely to be prepared to invest; the existing investors. It was acknowledged that a satisfied existing investor will be more likely to encourage new investment.

It was, therefore, generally considered that the NEPD served no useful; purpose at a time of intense competition for investment funds and that it should be removed from the statute books.

There was discussion on the visa regime and its ability to act as a deterrent to investment from overseas. It was considered that multiple re-entry visas should be easily and speedily obtained by the visiting businessman. Similarly, visas for technicians required at short notice to maintain industrial equipment should be readily obtainable.

It was considered that export legislation should be simple and effective and that agencies involved should be reduced to a minimum.

On the subject of tariff changes - there was concern at frequent short notice changes and the subsequent delay in promulgating the necessary Gazette. This often
resulted in individual customs officers being unaware of the changes, with the result that clearance of goods could be delayed at considerable demurrage costs.

It was considered that the tariff regime should be reviewed with the aim of achieving the lowest acceptable tariff levels, which should favour the manufacturer rather than the importer of finished goods.

The need for stability in exchange rate management was recognised as being a vital element in encouraging investor confidence as was the need to control inflation and interest rates. The instability induced by the uncertainty of financial forecasting makes investment decisions virtually impossible. There is a need to make the Naira freely convertible as quickly as possible and to complete the deregulation of the financial system.

The land tenure laws induce significant problems for both the industrial and the agricultural investor. When an investor eventually obtains a lease he frequently finds that he has then to contend with traditional owners' claims which can result in protracted delays and considerable expense before he is eventually allowed to move onto his site.

**Infrastructure**

The availability of efficient infrastructural facilities is a key element in the investor's decision making process. It was recognised that the inadequacy of the existing infrastructure was a significant deterrent to new investment.

The lack of regular power supplies, the lack of water, the inadequacy of the transportation systems both road and rail and the poor communications all need to be addressed. It was considered that the private sector was better equipped to operate infrastructural services efficiently and, therefore, Government should vigorously pursue the privatisation programme while, at the same time, identifying those infrastructural services which should be given the highest priority for available funding.

**Incentives**

The availability of incentives, effectively implemented, can do much to encourage investment. There is a need to make the existing incentives, such as the duty drawback scheme, operate efficiently.

There is also a need to develop new incentives for those sectors which are considered to be of high priority but where the return on investment is longer term. This problem is particularly relevant to the agricultural sector where investment is negligible because of the long term nature of the investment. Consideration should be given to the provision of long term preferential funding in such cases.

Also in the agricultural sector, there is a clear need to carry out a survey of Nigeria's tree crops to identify the replanting needs. There has been much recent
emphasis placed on the establishment of processing plants without detailed information on the future availability of the necessary raw materials to supply those plants.

Consideration should be given to the provision of special incentives for those industries producing high value added exportable products. Such a scheme operates effectively in India where tariffs on imported raw materials are favourably adjusted according to the percentage of value added to the final product.

Agriculture and Industry

It was acknowledged that much needed to be done to revitalise a once vibrant agricultural sector. While the importance of the small scale farmer was recognised there was also a role to be played by the larger scale operator. Areas to be addressed were storage and transportation as well as the timely availability of the necessary inputs and, above all, the encouragement of a sound domestic demand.

As has already been pointed out, there are no quick returns on investment in agriculture. Yet the larger scale investor will frequently find that he will have to provide the necessary power, water and road facilities to make his investment viable. He will already have experienced difficulty in acquiring a leasehold on the land he needs and will almost certainly have found that, after obtaining his lease, he will have to negotiate with numerous individuals and groups with traditional title to the land.

One major investor in the Group was actually experiencing this particular problem. His company having obtained a lease found that, when land clearing commenced, his workers were harassed by claimants to the land to the extent that the employees had to leave the site.

It was suggested that the development of 'Growers Associations' would do much to bridge the gap between the individual farmer - the public sector and the buyers. Such associations work successfully in the Far East.

It was pointed out that Nigerian rubber crops can produce a higher yield per hectare than those of any other country in the world yet, an investor trying to develop his rubber plantations was experiencing great difficulty in acquiring additional land. In spite of the fact that the investor was prepared to provide access roads, schools, hospitals as well as work for the local population. The investor was also prepared to assist local entrepreneurs to develop manufacturing facilities for the production of inputs into the tyre manufacturing process - these inputs being presently imported.

There is a need to encourage the development of medium technology industries utilising the relatively cheap labour force. There is also a need to encourage the local manufacturer who is competing with imported finished goods.
Capital Markets

The important capital market issues were defined as follows:

- Deregulation of the capital markets
- Development of the capital markets
- Internationalisation of the capital markets
- Future role of the Securities and Exchange Commission (SEC)
- Reform of The Nigerian Stock Exchange

ISSUES DISCUSSED

Deregulation of the capital markets The group expressed pleasure that the Federal Government has embarked on a policy of deregulation. Deregulation was defined as a refocusing of the regulatory function away from price fixing to surveillance, enforcement, supervision, and discipline in the best interests of the economy and consistent with economic objectives. The group reviewed the preparedness of market operators, the adequacy of technical skills and infrastructure. These skills need to be built up and market operators were enjoined to invest more in acquiring the necessary skills and infrastructure to enable them to play their proper role in a deregulated environment. The problem with capital markets deregulation is that despite several announcements by government of its intention to deregulate, the enabling act has not been promulgated.

Development of the capital markets The group noted the primary problem is illiquidity of secondary markets. The Nigerian capital market is underdeveloped. The list of quoted companies is small and has not shown substantial growth since independence. Shares are rarely traded and prices do not often reflect the trading fortunes of the listed companies.

Internationalisation of the capital markets The internationalisation of the Nigerian capital market was deemed critical in its further evolution. The group said the introduction of foreign capital and institutional investors will introduce vibrancy into the capital market. Equity capital from offshore will aid development of manufacturing ensuring the cost of capital is not prohibitively expensive.

Future role of SEC The group welcomed the withdrawal of SEC from price setting of securities and urged immediate implementation. The SEC should also play an activist role consistent with our developing nation status, by setting out and publishing guidelines for the approval of new instruments and derivations. The Commission's main role should be as an overseer to check abuses and insider trading in the market.

Reform of the Nigerian Stock Exchange ("NSE") The group said the Nigerian Stock Exchange has developed considerably since inception and praised the opening of stock exchanges in major cities. However, the practices at the Stock Exchange have inhibited free trading of shares. The Exchange is more often an administered market rather than a forum for free and fair exchange of stocks.
Resources

Not enough is being done to develop and utilise the considerable range of raw materials available in Nigeria. The work of the Raw Materials Research and Development Council is not generally known and there would seem to be a need to make the available data more accessible to the business community. Special incentives should be given to those companies prepared to develop and process the raw materials available - particularly those which could replace imported inputs.

On the agricultural side, reference has already been made to the need for a tree crops survey.

Marketing

Nigeria's international image is a major disincentive to the potential investor. While there is a clear need to develop a long term strategy to improve this image it was agreed that the presence of high quality 'made in Nigeria' products in the international markets would do much to improve the present image. It was particularly recognised that satisfied existing investors remained Nigeria's best marketing tool and, thus, emphasis should be placed on encouraging this group not only to maintain their existing investment but also to re-invest.

RECOMMENDATIONS AND CONCLUSIONS

Deregulation of the capital markets The group recommended the following actions to facilitate deregulation of the market.

- delete Section 18 which preserves the old NEP Act classification of companies incorporated prior to the promulgation of the 1989 Act; and

- delete other sections which exclude foreign investment from participating in certain enterprises.

- allow bearer securities

- allow quotation of Nigerian securities abroad

- allow foreign portfolio investors to invest locally

- All public banks to be allowed to make rights issues - by amending SEC Act.

Development of the capital markets The group recommended that liquidity be improved by widening the CBN and other discount house windows to include eligible corporate securities.

It was also advised that Federal, State and Local Government should borrow from the capital market to finance viable projects rather than using ways and means advances. A sound macro-economic environment was recommended as the best
way to develop capital markets since money market instability negatively impacts the capital markets. Finally, the group recommended the following specific actions in developing the market.

- allow offset of capital losses against capital gains within five years.
- all costs and other expenses of making a public offer should be fully tax exempt.
- to encourage investment in the capital market, individuals should be allowed to set up individual retirement schemes or personal equity plans, which should enjoy tax incentives on the full amount invested up to a limit of N10,000 or 10% of taxable income per annum.
- income on all Government securities - Federal, State, Local Government or Municipalities, should be tax exempt.
- to encourage companies to quote shares on the stock market, they should be allowed to pay corporate tax at a reduced rate of 5% to 10% below the rate paid by unquoted companies.
- applicable laws should be amended to permit NDIC, NERFUND and NEXIM to invest in quoted securities in order to deepen the market.
- National Provident Fund (NPF) Act should be amended to restrict the NPF from dealing in the money market. Not more than 10% of their funds should be placed in the money market.
- repeal Lagos Stock Exchange Act of 1961 as this is now irrelevant, and this is the Act which enables NPF to deal directly with the CBN instead of dealing through the floor of the Stock Exchange.
- to ensure Nigerian workers are fully protected, every company which is required by law to set up a pension fund should do so. In this regard, the existing regulation that all private companies with 50 staff should set up pensions scheme must be implemented. Such schemes should be fully funded and optimally invested.
- pensions for Government staff which are now a direct charge on the Federation Account should be fully funded and invested in the capital markets.
- Amend the Companies and Allied Matters Act to:
  - make it possible for Companies to issue warrants
  - abolish the Allotment Committee of the SEC
- Government should set up a Stock Transfer Act to govern share transfers in Nigeria.
- broaden the Trustee Investment Act to allow more discretion to trust funds and to increase the number of eligible securities.
• Government should behave like any other responsible investor and limit its participation to the extent of its shareholding.

**Internationalisation of the capital markets** To facilitate internationalisation, the group urged that the following steps be taken:

• in order to encourage foreign portfolio investors to participate in the Nigerian stock market, the Exchange Control Act of 1962 should be amended.
• create framework to facilitate quotation of Nigerian securities abroad.
• create framework to facilitate quotation of foreign companies on the Nigerian stock market.
• repeal Section 18 of the 1989 Act.
• ensure convertibility of the Naira through repeal of Exchange Control Act.
• allow foreign stock-broking firms to operate in the Nigerian Stock Market.
• price all bonds and Government securities according to international bond tables.

**Future role of SEC** The group suggested the Securities and Exchange Commission be reformed by appointing full time Directors/Commissioners with staggered tenures for individual commissioners to ensure continuity. The SEC should be headed by an executive chairman whose appointment is subject to confirmation by National Assembly. The SEC should assume an overseer role and not be actively involved in valuation and administration of the securities market. It should set out clear guidelines and concentrate on checking abuses and insider trading.

**Reform of the Nigerian Stock Exchange ("NSE")** The group urged repeal of the Lagos Stock Exchange Act since NSE is now the new licensing authority. It suggested the Council of the Stock Exchange be reformed to consist principally of dealing members. On pricing of stock, the group urged elimination of price administration and the allocation of shares together with the requirement for brokers to explain reasons for their prices. Finally, stock brokers and finance houses should be allowed to trade treasury bills in the secondary market.

**Public Sector Role**

The issues raised by the group can be broadly classified as follows:

• Desired role of Government in the economy
• Public enterprises
• Accountability and transparency
• Planning

**ISSUES DISCUSSED**

**Role of Government** The group deliberated extensively on what the public sector role should be in the economy. The issue was whether Government should be the
engine of growth or an environment enabler for private sector initiatives. In the Nigerian context, it was noted that Government has grown explosively over the years. Government has invested considerable resources in projects that should really be undertaken by the private sector. In most cases, Government's rationale for such investments is either that these investments are social projects or that the magnitude of investments surpasses private sector capacity. The record of Government's investments has however been very poor. Virtually all Government corporations need substantial subsidies to survive, either because of uneconomic pricing or bad management. The group noted that resources invested in such projects would have been better spent in improving basic infrastructure.

Public enterprises As noted above, the group concentrated discussions on the relevance and performance of public enterprises. The main issue was whether there are socially desirable but economically less profitable services that can only be performed by the public sector. Some participants felt the profit motivated private sector would not invest in infrastructural development or projects with long payback periods. These projects should be executed by public enterprises. The group debated the poor performance of public enterprises. Members said poor performance sometimes resulted from the inability to charge economic prices as well as bad management. In Nigeria, the situation is further complicated by ethnic diversity and vested interests which encourage corruption.

Accountability Accountability was cited as the bane of public enterprise. The group remarked that most public corporations are run without regard to public accountability. This situation is worsened by job insecurity in the public sector. Since employees are often changed for no rational reasons, there is no real security of tenure. The result is a need to loot public enterprises whilst in employment. Most public enterprises do not prepare accounts of their activities. Examination of financial statements by independent auditors takes several years and the results are not made public. In most cases, the public has not received a single dividend from these investments.

Planning The group examined the planning process by Government and said it was faulty. It was noted that the planning process falls short of private sector standards and require a radical upgrade. Planning is often done in general terms and does not utilise previous plans as a basis. Some participants wondered whether Government should plan for the economy. The group felt Government's role should be to encourage healthy competition and ensure fair access to opportunities.

RECOMMENDATIONS AND CONCLUSIONS

Role of government The group unanimously agreed that the desired role of Government is to create an enabling environment which guarantees the welfare and development of its citizens and the economy. On the enabling environment the following were addressed:
• Infrastructure
• Social Services
• Security, Law and Order
• Pricing Policy
• Political and Policy Stability
• Policy Implementation
• Good International Relations
• Openness and free flow of information

On infrastructure, the group was of the view that much still needs to be done with our infrastructure. The group, however, noted the efforts of the Government in this regard. On social services the group agreed that the Government should continue to render these services and improve on them. Communities and private organisations and individuals should be encouraged to contribute their quota. The group frowned at the poor state of security, law and order in the country and urged Government to take immediate step to arrest the situation. The group was not happy with the present pricing policies and recommended deregulation of pricing of all goods and services. Frequent changes of Government policy and poor implementation of policy were considered undesirable for healthy economic growth. On international relations the group was of the view that much needs be done to improve our international image. The group believe that excessive secrecy by Government, particularly on the state of the economy, was undesirable and Government should be more open.

Public enterprises It was resolved that non-commercial (social) enterprises should continue to be owned and managed by the Government. All commercial enterprises with no security implications should, as soon as possible, be privatized and money made from the privatization exercise be used to improve the enabling environment. Those commercial enterprises with national security implications should continue to be owned by the Government but be commercially managed.

Accountability The group was concerned at the extent of corruption in the public sector and the extremely poor state of accountability among top public officials. The group recommended that institutionalized measures to stem corruption and enhance accountability should as a matter of urgency be set up. Auditing system should be reviewed to encourage accountability, and leadership by example should be the measure of governance. Public officers should give an annual account of their agencies/corporations and good performance should be rewarded.

Planning Government should plan more effectively. Goals should be measurable to ensure effective monitoring. The group fully supported Government in the setting up of a high powered committee to monitor budget and project implementation. Economic summits are recommended as annual events.
Law and Order

The law and order group discussions focused on five main issues, namely:

- Corruption
- Quality of public service
- Economic Crime and Court Systems
- Security, and
- Investment Laws

ISSUES DISCUSSED

Corruption  The general consensus was that corruption is a terrible bane. The group defined corruption as including: sharp practices, favouritism, and activities outside the regular process of the law, inhibiting good business.

Corruption has created a social culture that applauds wealth regardless of source. A whole generation of Nigerians now believes that the key to success lies in being commission agents, 419 operators etc. rather than in hard work. The social costs for society has been enormous. Violent crimes are frequent occurrences in our daily life and the incidence of white collar crimes has soared. The economic costs of corruption have also been high. Contracts are executed at perhaps the highest costs in the world. Uncompleted and abandoned projects litter the country. In some cases, projects are not even executed.

Corruption has also conferred on Nigeria an unsavoury international reputation. Foreign investors perceive Nigeria as a country to avoid when placing their capital because of rampant crime, general insecurity of life and the greedy, uncaring behaviour of the regulatory agencies.

The group felt the key contributor to corruption, especially in the public sector, is the myriad of rules and regulations, which constitute toll points for extracting gratification from users.

The group also cited the concentration of economic activities in the hands of the public sector. This has made public posts and appointments a life and death matter.

Quality of public service  The group commenced discussion on this sub-topic by pointing out that the quality of public officers was greatly affected by insecurity of tenure, especially in relation to purge and retirement by successive Governments. The quality of public services has declined significantly over time. Delays and corruption bedevils the system. Public officers have set up parallel agencies to offer the same services or demand monetary incentives to provide those services. The general feeling is that public service confers no rewards and should be avoided. Since most public officials see their position as a transient phenomenon, the sense of commitment and honest service has completely disappeared.

Economic crimes and court system  White collar crimes, bank frauds and 419 crimes have risen considerably in recent times. A significant factor is the adverse macro-economic environment. This environment has encouraged criminal
activities as a way of coping with the attendant high cost of living. The partial deregulation of the financial system has also created opportunities for abuse and fraud, especially since enforcement by supervisory agencies is weak.

Economic crimes are a new but increasingly potent factor. The group also discussed drugs and drug trafficking. Nigeria has become a significant transhipment centre for hard drugs to Europe and North America. Drug trafficking has also introduced disfunctional social norms to society, including ostentatious living.

**Security** The group decried the general insecurity of lives and property in the country, especially in urban areas. Members narrated their experiences with police and other law enforcement agencies in our ports, on highways and other locations. Security has become a very important issue in the last five years and many participants perceived Nigeria to be an armed camp. The group decried the ease with which criminal activities are carried out with law enforcement agencies unable to cope with the increasing sophistication of these criminals. The most significant problem is the inability of the police to obtain facilities and equipment to enhance their ability to move quickly in combating criminals. Participants noted the police force is not well trained and is poorly remunerated.

**Investment laws** The group considered that our investment laws are outdated, not only for promoting investments but also as a tool for regulating the economic environment. Most of our investment laws are relics of our colonial past and have not changed to meet the dynamism of our own environment.

**CONCLUSIONS AND RECOMMENDATIONS**

**Corruption** The solutions recommended for dealing with corruption by the group are as follows:

Transparency in our leadership and leadership by example. The business of governance in both public and private sectors should be open and above board.

Establishment of an independent confidential agency to examine corrupt practices of public officers be it abuse of office or other types of corruption. At this juncture a co-chairman, Justice Eso informed of a report presented on corruption and economic crimes. The group agreed that the recommendations of the report be considered and implemented.

Accountability was stressed as a way of combating corruption. All public sector ministries, agencies and parastatals must submit an annual account of their activities on a regular and timely basis and audited by a reputable independent body.

The group called for a professionalised civil service system that is well remunerated. These professionals should operate without interference and advancement should be based on merit.

The group also called for media contribution, through investigative journalism and fearless reporting in combating corruption.
Finally, the group said the rules and regulations governing economic life in Nigeria must be drastically reduced. Obtaining approvals, licences, permits should be made more automatic and not be dependent on the whims of some officials. In the long run, a significant shift in resources to the private sector will ensure better accountability in our economic lives.

**Quality of public service** The group recommended that efforts should be made to match quality with Federal character. Emphasis should be on merit to avoid improper placement of officers.

The process of selection should be standardised. Training and re-training programmes should be established for civil servants to achieve the professionalism that will enhance business issues.

The group called for rationalisation of the public sector in line with our national needs. It noted that an over-bloated public service cannot offer quality service.

The group called on Government to provide necessary equipment for the Nigeria Police Force. The group also called for the active operation of Police Public Relations Committees and their establishment in all Local Government areas of the country.

**Economic crimes and court systems** The group examined economic crimes and courts and agreed that the courts are not well equipped with judges versed in economic crimes. A call was then made for the establishment of Separate Courts with special procedure for economic crimes and a special division of the court to deal with commercial crimes. There should be specific economic crime law. These special courts with specialist judges will treat such cases to a conclusion. In general, the group recommended improvement in the quality and quantity of judges through training and better remuneration. The entire court system should also be revamped to discourage unnecessary adjournments and delays. This is an unsavoury feature of the Nigerian court system. It not only leads to an unnecessary increase in costs but also denies justice.

**Security** The solutions put forward by the group include: a review of procedures at the Ports to reduce the number of security agents meeting foreigners at the point of entry. Improvement of police procedures to facilitate prompt treatment of reported cases; establishment of vigilante groups and implementation of the Enabling Environment Seminar co-chaired by Chief Shonekan.

The Honourable Secretary to Police Affairs suggested that on security, the group should adequately examine the problems of the Nigerian Police Force and suggest ways of removing impediments to the proper functioning of the Police. It was recommended that even though community and private participation assists the Police Force, Government should also shoulder its basic responsibility of ensuring the safety of lives and property. The police force should be well trained and remunerated. Very importantly, the police should be provided with the equipment required to become a mobile detective force.
**Investment laws**  The group examined our investment laws and called for rationalisation of foreign exchange and investment law agencies. In addition, efforts should be made to avoid conflicting laws between Federal and States especially in the area of tax laws. Government should also stop laws by announcement instead of by publication.

The group also said Government should abolish or re-draft some of our laws which are obsolete. Amongst these are laws on -

- taking of photograph in our ports and other important tourist locations by aliens;
- request for alien cards which started in this country after Second World War, etc.

**Human Resources and Technology**

The group identified the salient developmental issues in the human resources and technology area as follows:

**Human Resources**

- Education
- Training/Management Development
- Industrial Relations
- Ethical Values
- Health and Welfare

**Technology**

- Technology acquisition and development
- Research and development, including the commercialisation of results
- Training and education for technology

**ISSUES DISCUSSED**

**Education**  The group observed that education is experiencing a profound crisis with quality at its lowest ebb. The key issue for education is funding in a recessionary economy given the huge commitments and expansion in secondary and tertiary education undertaken by Government. The result is poor quality in material, equipment, teachers and the products of our educational system.

**Management development**  The group identified the major obstacles facing management development as follows:

- lack of appreciation of importance of management training.
- absence of standards in the training industry

Most industry and public sector leaders have little or no management training and often do not see the need for training. Management is therefore based on hunches
and not on facts and rigorous analysis. The result is a severe strain on existing
management resources and their ability to manage in a changing external
environment.

**Industrial relations** On industrial relations, the group noted the frequency and
length of industrial disputes (especially wildcat strikes). This was attributed to
lack of rules and procedures recognition by the various parties. Also, the group
noted that in the public sector, responsible officials have not been properly trained.

**Ethical values** In view of widespread fraud and corruption, the group considered
that ethical education becomes a salient issue. Nigerians must adopt the right
attitude to work. The socio-cultural environment should stress the importance of
hard work and honesty. A lack of ethical value is at the heart of corrupt practices
in our national economic life.

**Health and welfare** Finally, the group discussed health and welfare. This is
essential in developing a productive labour force. The group focused especially on
"Acquired Immune Deficiency Syndrome" (AIDS), and concluded this epidemic to
be a growing threat to the sustenance of skilled manpower.

**Technology** Relevant and adaptable technology is the key to rapid
industrialisation. The group noted that technology appreciation is very low in
Nigeria. Government believes technology can be simply stolen and is reluctant to
pay for relevant technology. The group deplored the neglect of basic sciences which
constitutes the foundation for technological advancement. Participants believe
there is a lack of linkage between research institutes and industries. Research
institutes operate in a vaccum and are not focussed on solving practical problem in
agriculture and manufacturing. In most cases, these institutes are merely
administrative centres without adequate equipment or funding.

**RECOMMENDATIONS AND CONCLUSIONS**

**Education** After intense discussions, the group recommended the following:

- a retreat from centralisation and uniformity in the administration of our
  education system. The group called for three types of schools:
  - fully public
  - grant aided by government but privately owned
  - fully private
- the definition of minimum standards by Government in the administration of
  schools.
- the improvement of compensation for teachers and adoption of defined career
  paths.
- a review of existing national policy on education
- the utilisation of external resource assistance in educational development.

The group concluded that funding education confronts us with difficult but
important decisions. Nigeria needs to obtain more funding from the users of the
system and education must also receive a higher allocation of Governments' (Federal, State, Local) resources.

Management development The group suggested the application of mandatory training requirements, especially in the public sector, and the setting up of minimum standards for manpower development institutions and agencies.

The group also endorsed well organised and equipped management schools as essential in bridging the present training gap.

Industrial relations The prescriptions offered for the turbulent industrial relations environment are enforcement of rules and procedures and adequate training for operators. In the end, industrial relations will also benefit enormously from a conducive economic environment.

Ethical values The group said civics should be taught at all levels in schools. Character training should also be taught in primary and secondary schools. At university level, business ethics and values should be taught. Finally, the group noted leadership by example from our leaders would serve as a useful role model for the younger generation.

Health and welfare The group considered that our health care delivery system need radical refurbishment to ensure effective and affordable care. The emphasis should be on primary health and prevention of disease. To combat AIDS, the group urged AIDS education and stronger Government commitment to AIDS control.

Technology The group stressed the importance of acquiring technology. However, specific and relevant technology for competitive advantage is the key to development. Nigeria should be prepared to pay competitive prices for acquired technology. The group called for development of indigenous technology and the capability for adopting and adapting imported technology. Because of the importance of research and development, the patenting of local inventions and cooperation between researchers and manufacturers was necessary. The group called for venture capital funds for pilot plants.

On education and training for technology, the group emphasized basic science education to create a technology oriented culture. Nigeria needs linkages between industries and educational institutions at all levels to develop practical and relevant technology.

Finally, the group advocated utilisation to the optimum of United Nations (UN) initiatives to acquire technology and skills. These initiatives include:

- transfer of knowledge through expatriate nationals (TOKTEN) funded by UN and available to all developing countries free.
- United Nations International Short-Term Advisory Resources (UNISTAR) for sourcing technical expertise required relatively free to the private sector.
- South-South Cooperation under Technical Cooperation among Developing Countries (TCDC). This is available to both public and private sectors.
Nigeria's External Image/Credibility

The group agreed that Nigeria has a bad image not only in the developed world but even in Africa. It was also agreed that Nigeria's credibility is low and that Nigeria's poor image and low credibility are in part deserved but also due to factors external to the country. The group then proceeded to identify the country's weaknesses and strengths.

STRENGTHS

- Abundant Manpower
- Large Market
- Oil Reserves
- Relatively Free Press
- Good Judiciary
- Rich Culture
- Political Awareness
- Self-reliant/Enterprising people
- Friendliness
- Tourism Potential
- Nucleus of highly educated and articulate Nigerians

WEAKNESSES

- Fraud, drug trafficking and forgery
- Difficulty in obtaining visa
- Poor infrastructure
- Lack of exemplary leadership
- Poor orientation of external affairs personnel, especially those in missions abroad
- Unco-operative civil service
- Warped sense of values
- Problematic ports of entry
- Low productivity
- Lack of commitment to national goals
- Indiscipline
- Inadequate patriotism
- Political instability
- Corruption
- Social problems - tribal and religious
- Inadequate security of lives and property

ISSUES DISCUSSED

The group agreed Nigeria's objectives in the area of external image and credibility should be as follows:

- Create an enabling environment to foster goodwill, justice, fairplay and confidence.
• Position Nigeria as a global nation by improving external image and credibility.
• Create the image of a nation that is the largest market in Africa and is potentially one of the largest in the world.
• Position it as a stable nation striving hard to correct the distortions in its economy through firm entrenchment of a market system that would guarantee optimum exploitation of its rich natural endowments.

The target audience for achieving these objectives are:
• Key trading partners
• Capital exporting countries
• Identified potential investors
• Nigerian public
• Foreign missions in Nigeria
• Nigerian missions abroad. This group was the subject of the most bitter complaints. Officials were said to be highly indisciplined, corrupt and hostile.
• The Media, both local and international.

RECOMMENDATIONS AND CONCLUSIONS

The group agreed a key element to be the establishment of financial credibility through:
• attaining macro-economic stability
• debt servicing as agreed with creditors.

The group concluded that considerable effort must be spent in marketing Nigeria to the world community. This effort would include the following actions:
• internal defects such as hostility to foreigners, indiscipline, fraud, corruption, etc. should be tackled through nationwide attitudinal education such as was propagated by the defunct War Against Indiscipline and expected to be done by the Mass Mobilization for Social Justice and Economic Recovery (MAMSER).
• the private sector must be involved in marketing Nigeria. To this end, a Task Force of private sector communications (PR, advertising, mainstream marketing, etc.) practioners should be constituted as soon as possible.
• The establishment of a Serious Fraud Office should be accelerated to demonstrate seriousness about tackling corruptions and fraud.
• A 48-hour response to visa requests should be guaranteed and effected. This means a complete overhaul of the external affairs ministry and by implication of its missions abroad.
• ports of entry personnel should be re-orientated through organised training. This group attracted as many complaints as missions abroad and the complaints were similar (corruption, indiscipline, etc.). Also, facilities at ports of entry must be overhauled and properly maintained.
Finally, Nigeria's external broadcasting agencies must be re-organised and focused to improve our external image.

Private Initiatives
The group defined private initiatives as including actions driven by either profit or non-profit motives. However, all such initiatives lead directly or indirectly to economic development. Private initiatives are usually aimed at filling social and economic gaps left by Government. The group acknowledged that historically Nigeria was developed to a large extent by the contributions of private initiatives, particularly at the rural grass-roots levels. It was at this level that voluntary initiatives led to the education of many Nigerians. It was also recognised that private business enterprises are not by their nature concerned with philanthropy but with profit maximization. Otherwise they would simply cease to exit.

ISSUES DISCUSSED
The group determined the two crucial issues to be:

- how to create an enabling environment for private initiative for private investment
- how to sensitise the private sector to its social responsibilities

Enabling environment The group discussed the issue of an enabling environment and identified the following factors as conducive to private initiatives:

- security of life and property
- stable democratic institutions
- consistency of Government policies
- a corruption-free society
- systems encouraging and rewarding integrity and accountability whilst penalising offenders.
- adequate manpower with relevant skills
- a well oriented civil service that:
  - appreciates the viewpoint of the private sector
  - sees entrepreneurship and entrepreneurs as partners in progress rather than adversaries.
- appropriate incentives that promote private investment

Creation of a positive enabling environment is the responsibility of Government. This is mainly manifested in good and transparent governance. Private initiatives thrive in an environment where the rules are clear, the playing field is level and where incentives through the price system are available to everybody.

Social responsibilities The private sector should not be guided solely by profit considerations. The group agreed private enterpreneurs and corporations have important social responsibilities to society. When the private sector complements Government's social efforts, the result is usually greater efficiency and effectiveness.
In Nigeria, private initiatives have been very evident at the community level. Donations, grants and contributions have been responsible for development of schools, hospitals etc. The challenge is getting the private sector to do more and recognising that this is an essential social function.

RECOMMENDATIONS AND CONCLUSIONS

Enabling environment The most crucial first step is accountable and transparent governance. Government should also ensure a sound macro-economic environment based on the free market system.

The group then articulated specific incentives which it sees as crucial for accelerating private initiatives in the current environment. The specific incentives identified are as follows:

- reduction in corporate tax to 30%
- improvement in security of investments by facilitating the remittance of dividends and technical service fees for both Nigerians and expatriates.
- scrapping of locational approvals in both law and practice
- scrapping of the need for a certificate of acceptance for fixed asset purchases by the Inspectorate Division of the Federal Ministry of Industries and Technology.
- scrapping of the Nigerian Enterprises Promotion Decree

Social responsibilities The group recommended that voluntary organisations, and groups should be encouraged to provide social goods and services complementary to Government's efforts. The areas identified were schools, hospitals, water services.

Private initiatives could also provide social goods and services whilst reaping economic profits in the provision of infrastructure such as roads, electricity. The key is for Government to set out clear rules on pricing and regulations for these services to ensure recovery of capital and reasonable profits.

The group said Government should welcome private initiatives in the provision of social goods and not view private efforts as competitive.
Section 4: Conclusions and Next Steps

CONCLUSIONS

Major issues and conclusions which were pervasive throughout the Summit include:

- **Public sector role** should focus on creating the enabling environment which would stimulate the private sector to occupy centre stage in Nigeria’s economic development. The public sector would, therefore, divest from economic enterprises and concentrate its efforts on providing those goods, services and infrastructure which it is best placed to provide. Government policies and action will therefore be aimed at creating an appropriate macro-economic framework, building an attractive investment climate, assuring good governance in the national interest, and otherwise maintaining an effective enabling environment.

- **Macro-economic framework** should build on and develop the economic restructuring started by Structural Adjustment Programme, since the right macro framework is a necessary condition for a private sector-led development. The Summit particularly focused on:
  - fiscal spending and revenue mobilisation reforms (particularly petrol pricing and spending controls) which steadily reduce public sector deficits and inflation.
  - monetary measures closely co-ordinated with fiscal policies and focused on complete deregulation of banking systems and foreign exchange markets; indirect regulation of monetary systems; and further autonomy for CBN.
  - encouraging trade, through imports and exports, by reducing bureaucratic processes, customs and logistic costs, and other impediments to trade. Stimulating exports and local sourcing are essential to improving non-oil trade balances.
  - seeking debt relief and reducing debt service burden through medium-term economic programmes and complete transparency, thereby obtaining concessions from external creditors.
  - stimulating savings, investments, economic growth and employment creation.

- **Improved investment climate** should be accomplished through Government implementing privatization and leaving economic activities to the private sector, further liberalization of foreign ownership and regulatory requirements, introduction of tax and other incentives for savings and investments, and generally encouraging foreign investment and return of flight capital.

- **Good governance in the national interest** which signifies reform and re-orientation of Government bureaucracy; improved professionalism through highly trained and properly rewarded civil servants selected on merit; simplified and consistent systems and policies which operate with complete
accountability and transparency; and provision of steadily improving education, health and other Government services as well as infrastructure fully adequate and supportive of the private sector and Nigerian public.

- **An attractive enabling environment** would also require Government and private sector collaboration to implement law and order, ensure security of property and individuals, and create a positive external image/creditability.

In the discussions, it was also stressed that reform and future development should increasingly evolve through private initiative and the private sector should increasingly practice good citizenship and business ethics.

**NEXT STEPS**

In his closing speech titled "The Way Forward", the Chairman detailed specific future activities and invited private sector initiative in support of Government.

The Summit leadership will finalize an Economic Action Agenda based on final papers from each Group. Deadline is the Post-Summit Meeting with participants to be held on 2nd April, 1993 in Lagos.

The Economic Action Agenda will outline reforms to be implemented and provide inputs into the long term Economic Blueprint which the Transitional Council will present by end of August, 1993 to guide successor administrations.

The Transitional Council will also report on its activities and the state of the economy on a quarterly basis -- by the end of April and July 1993, respectively. Plans are underway for visits to UK, France, Germany, and the US to solicit offshore support as well as to conduct negotiations with external creditors for debt relief.

The private sector is urged to play a key role in realizing Summit objectives and implementing reform initiatives. Particular emphasis should be placed on encouraging increased investment and economic activity and in supporting worthwhile community activities. The private sector will be invited to assist Government to meet its timetables and to define and implement policy, through joint task force participation.

The Summit process will be extended to encourage dialogue with many other stakeholders including traditional rulers, labour leaders, chambers and trade associations, media, academic groups, other private sector groups, and the general public. The sessions will provide further inputs into Government planning process as well as build further support for long term economic programmes.

We have articulated our problems and identified "the way ahead". It is abundantly clear that the only way we can achieve our goal is for Government and private sector to work together in a partnership for progress. If we can achieve this partnership, we can ensure sustainable economic development and better quality of life for all Nigerians.
Appendix A

Keynote Address by Chief E.A.O. Shonekan, CBE Head of Government and Chairman of Transitional Council, at the Nigerian Economic Summit on 18th - 20th February 1993

- Mr President and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, General Ibrahim Babangida
- Members of the Transitional Council
- Eminent Guests
- Distinguished Ladies and Gentlemen

The Challenge Ahead

1. Let me first of all on behalf of the members of the Transitional Council, formally welcome you to this Economic Summit. It is my honest belief, Ladies and Gentlemen, that today marks the start of Nigeria's campaign to increase savings and private sector investment to levels required to fund sustainable growth of our economy at the rate of 5 to 10 percent per year in real terms.

2. We believe that real growth in excess of 5 percent is both attainable and necessary for us to steadily improve the living standards and quality of life for all Nigerians. In addition, we believe that consistent economic growth is the key to us becoming a major player on the global level, thereby leading Africa's development.

3. Our major priority must be to increase private sector investment. Growth and employment come from investments. Investment is also necessary for us to compete in an increasingly competitive and technologically advanced world. Additionally, high levels of investment create strong economic performance which in turn helps democracy to flourish.

4. Our objectives in the Nigerian Economic Summit are to lay down a blueprint for sustainable economic development and to foster major private investment to the levels required to fund growth at over 5 percent per year indefinitely into the future. This Summit, therefore marks the opening of an on-going dialogue between private and public sector leaders around the central theme of investment and growth. This administration would wish to know specifically:

   - the constraints to investment in your particular industry and for your company;
   - the economic issues we must address at both the macro and micro levels to create the enabling environment for private investment; and
• the specific reforms and incentives that can attract investment either in new venture or additional investments in existing businesses.

5. Your responses to all the above will help the Transitional Council to be properly focussed in our effort to redress current problems and lay the foundation for sustained growth and development in the future. To this end, the Transitional Council is determined to effect fundamental reforms to create an attractive investment climate both for local and foreign investors.

6. As we move closer to the end of this century, developments on the global scene increasingly convince me that we cannot opt for a closed economy in our country. As we all know, and from the video recording we saw at last night's session, the world has become one global market, hence, there is a need for us to promote an open economy which will guarantee an improvement in the living standards of our people for the rest of this decade and beyond. To me, this is the viable option for accelerated growth and development.

7. It is clear that the journey will not be easy since the future is not easily predictable. But we believe in Nigerians and our capacity to actualise our potential. We, therefore, would not shy away from the hard choice, knowing fully well that the rewards will be worth the sacrifice and effort. This is the only way to accomplish sustainable economic development, and guarantee a higher quality of life for all Nigerians.

8. While this Summit will help us develop a private sector Action Agenda, certain relevant issues are easily identifiable and these must guide our deliberations in this Summit. It is instructive to note that we need to take a cue from current global events. There is no gainsaying that free market forces are the rule of the day worldwide. Countries previously under command economies have now fully embraced market oriented systems. Worldwide, it is the private sector that constitutes the engine of growth in a free enterprise economy and I do not see any earthly reason why it should not be the case in our beloved country.

9. In line with our commitment to free enterprise system, we need to guide and orient our economy towards:

• intense, but fair competition;
• high levels of domestic savings and investment;
• high quality education and training as well as acquisition of technological know-how
• others include: stable domestic macro-economic environment, a strong and dynamic financial system and a flexible or adaptable bureaucracy together with impartial application of the rule of law and a crop of responsible corporate citizens.
10. I hope these themes will be thoroughly explored in the group discussions that will feature prominently in this Summit. As we strive to understand the workings of our economic system and chart our future direction, we must keep in mind the need to find a Nigerian formula for Nigerian economic problems. I must emphasise that there is nothing really wrong with borrowing ideas and adapting them to local conditions. Indeed, this has been the tradition in human history. While we can learn from the experiences of other nations, we must, however, invent our own solutions to our peculiar problems. This is the only way to carry the Nigerian people along with the decisions that would be reached in this Summit.

11. Permit me, Mr President, distinguished Ladies and Gentlemen, to reflect a little further on the relationship between the private and public sectors in our post-independence history. To the best of my knowledge, this is the first time that private and public sectors of our economy are coming together in a concerted effort to examine and 'find solutions to the problems of the economy. This is the distinguishing feature of this Summit.

12. This Summit is taking place at a crucial period of our history when we are about moving from a military administration to a democratically elected government. Furthermore, our country is at present developing a medium-term strategy. Therefore, our decisions in this Summit can be integrated into the medium term strategy.

13. Next, I intend to touch on two topical areas. These are the need for good governance and the so-called Nigerian factor. For us in the Transitional Council, our short tenure makes it imperative for us to be properly focused.

14. The essential elements of good governance are:

- transparency in the sense of openness to public scrutiny, full and complete disclosure of all financial matters, and, as I demonstrated in my Budget Speech, there is need to bridge the knowledge or information gap in the activities of government.

- sense of duty which recognises that we all have obligations to perform as well as rights and entitlements that accrue to all Nigerians. Above all, we must pursue the national interest rather than narrow self interest.

There is no doubt that these are not easy tasks to accomplish. But we must start now and our plan is to establish a clear direction for our successors to follow.

15. Let me now turn to the Nigerian factor. We hear a lot about it and it is what is normally used as an excuse to justify policy failures or low standards of performance in our country. There is no denying that the so-called Nigerian factor undermines our self-confidence and prestige as a people and nation. Let me say that I do not believe in the Nigerian factor - and I will work to
eliminate it from our vocabulary. I see good, honest, hardworking Nigerians who want to and can build the Nigeria of our dreams.

We must start with them to build a Nigeria respected by the world and with self-respect at home. Our objective is to make Nigerians proud of our nation and proud of ourselves. We must replace the Nigerian factor with pride in honest, high quality work.

16. This administration believes that Nigeria's future economic success would depend heavily on the efforts of the private sector. The private sector must therefore take the initiative while the Government concentrates on providing an appropriate enabling environment for businesses to thrive. Beyond investing and operating profitably, the private sector needs to act responsibly by operating more in accordance with the law of the land.

17. My challenge to you in this Summit will be twofold. First, we need to get the issues out in the open through completely candid discussion. Second, we need to begin to define the necessary economic reforms and chart the future direction which we need to take. Needless to say that both dimensions need to be explored within the context of our declared intention to assign a leading role to the private sector in the development of our economy.

18. The success of this Summit will depend on the extent to which we can accomplish these twin challenges at the end of our deliberations. I would add that this will be an important step in our effort at laying the foundation for sustainable growth and development in our country.

19. Before I end my address today, I would like to thank you all for joining Government in this most important event - our first National Economic Summit. As you would have noticed, participants are high level technocrats in many fields of human endeavour. I would implore you to candidly raise the issue on your mind and to offer realistic solutions to identifiable problems. I want to assure you that the present administration is a listening one, and we believe very much in continuing dialogue with private sector leaders.

20. This Summit has brought together an impressive array of executives in many sectors of our economy and the international community. Those who have been left out in this one should not feel neglected. Future fora will reach out further to other segments including the academia, labour and consumer groups, our traditional rulers and religious leaders, the media, our many friends offshore, and, most importantly, the rank and file of Nigerians. We must all be partners in progress as we work towards a better quality of life for all Nigerians. I wish us all very fruitful deliberations. In order to set the example for keeping this Summit on schedule, I will serve as Chairman throughout. I thank you for your kind attention.
Appendix B

An Address by General Ibrahim Badamasi Babangida, CFR, FSS.mni, President, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria at the Nigerian Economic Summit held from 18th - 20th February 1993

Members of the National Defence and Security Council,
Chairman of the Transitional Council and Head of the Federal Government,
Honourable Secretaries,
Distinguished Ladies and Gentlemen.

A Lasting Legacy

1. It is a great pleasure for me to welcome you to this novel Economic Summit. It is my sincere hope that your deliberations in the Summit will be of immense benefit, to our great country. This administration believes very much in the power of ideas, and this is why we have worked tirelessly for an effective dialogue with the private sector over the years. This Summit is therefore a most important dialogue at a critical period in our nation's history.

2. It is perhaps not an exaggeration to say that we are living today in times of great changes on the global environment. As you are aware, these changes are in many dimensions including political, economic and social. Our ability as a nation to appropriately respond to these changes will determine our position in the world. There is no denying the fact that this summit is part of our continuing search for a credible way forward for our economy. It is, simply put, an attempt to fashion out an appropriate development strategy that will lead our country to the 21st century.

3. This Economic Summit is historical for some reasons. The participants combine the cream of leaders from the Nigerian private sector working together with officials from the public sector, private development agencies and international institutions to collectively examine issues and identify policy reforms necessary for our economic development. The overall goal being to create an appropriate environment necessary to stimulate investment both from within and outside, as well as chart our nation's strategy for sustained growth and development.

4. This administration welcomes and supports your efforts with regard to this Summit in recognition of the fact that it is rare feat to make a successful transition to democracy with a declining economy. We believe your efforts could go a long way in reviving our economy. It is our determination to leave
behind a legacy of a healthy economic structure for our beloved country. You can therefore count on our support in your deliberations. We all share the same vision of a strong and self-reliant Nigerian economy in this decade and beyond.

5. Your mission in this Summit is to chart an appropriate strategy and help to put in place other reforms which are still needed to fully restructure our economy - a task which this administration began with the launching of the Structural Adjustment Programme in 1986.

Our original objectives were sound then and they still remain so today. Our intent then as now was to:

a) restructure and diversify the productive base of the economy in order to reduce the dependence on the oil sector and on imports,

b) achieve fiscal balance and ensure balance of payments viability,

c) lay the basis for a sustainable and non-inflationary growth,

d) enhance efficiency of public sector operations, as well as lessen the dominance of unproductive investments in the public sector; and

e) enhance the growth potential of the private sector.

So much water has passed under the bridge since we began this reform programme.

As you will recall, we have taken number of tough and necessary decisions including floating the Naira, abolishing import licensing, eliminating commodity boards, reducing tariffs across the board and especially on machinery and spares, privatising and commercialising a number of public enterprises as well as rationalising the public service.

6. Evidently, the economy seems to have responded positively to these initiatives despite some negative tendencies. What we now need is a strong commitment to implementation, and to keep faith with the reform programme. It has become clear that structural adjustment is a continuous process. The Nigerian economic situation and our aspirations are continually changing, therefore, structural adjustment becomes a never-ending task.

7. What we have now mandated the Transitional Council to do is to define the general direction of Government Policy, and more specifically in the economic sphere, define a long term vision for our nation and support this vision with a comprehensive and well thought-out plan as well as develop credible and realistic implementation programmes for the action plan. Given the experience of our nation, I would say that we need to place particular emphasis on the appropriate implementation of these programmes.

8. Distinguished Ladies and Gentlemen, permit me to state that any credible economic strategy for sustained growth and development in our country in
the 1990s and beyond must of necessity include the following, although I cannot be exhaustive:

a) **Stable Macro-economic Environment.** We need to make special effort to bring down inflation to a level not exceeding five percent; we need to stabilise the exchange rate of the Naira at a realistic level and also, moderate and stabilise interest rates in line with changes in the price level.

This can be accomplished through an appropriate mix of fiscal and monetary policies. We must pay primary attention to the need to reduce and possibly, eliminate burgeoning budget deficits and consequently, reduce our national debt.

b) **Debt Relief Programmes.** Such programmes must be put in place to facilitate effective dialogue with our external creditors, the goal being to secure generous debt relief and consequently, contain debt service.

c) **Define an Appropriate Role for the Public Sector.** We need to re-orient Government towards effectively performing its traditional role, particularly as to the infrastructure and service required by the private sector. The private sector can then be clearly mandated and assisted to be the engine for economic development of our nation.

d) **An Attractive Investment Climate.** Lastly, and perhaps most importantly for the representatives of the private sector here present, we need to continuously create an enabling environment to attract private investment on a quantum scale.

9. Growth and employment come from investments and to achieve real growth rate in excess of five percent which should be our target in the 1990s, we need to attract both local and foreign investors and also reverse the outflow of capital from our country.

10. Distinguished Ladies and Gentlemen, six months - from now to August - may seem a short time-frame to accomplish what is clearly a gigantic task. However, it is not too short to make major leaps forward. We can put in place the needed framework and develop the momentum necessary to provide the next Government with a commanding head start. Put simply, we can lay the foundation for a more buoyant economy for the 1990s and beyond. This is the main challenge before you and the Transitional Council now.

11. Although I do not intend to pre-empt this Economic Summit, however, I am pleased to inform you that there are specific reforms which are either ongoing or which will soon be implemented. First, the Central Bank of Nigeria (CBN) is being directed to accelerate the operation of the indirect approach to monetary management through Open Market Operations (OMO). This is designed primarily to eliminate recourse to financing government deficit with Ways and Means advances. As you all know, this had been a source of intense pressures on prices, exchange rate and interest rates in recent times.
The main approach is to price government securities competitively or at market rates so as to make them attractive to banks and other financial institutions as well as the general public. In this way, there will be less pressures on money supply and other macro-economic variables.

12. Second, we are accelerating the privatisation and commercialisation of government corporations with special focus on the need for affected enterprises to generate increased return on investment as well as improve the quality of the goods and services they provide. Government will also in the near future look into the possibility of privatising, either partially or fully, enterprises that are currently commercialised based on our country's national interest.

13. Third, appropriate Government agencies are being directed to explore the possibility of further liberalising foreign ownership requirements for the remaining industries for which indigenous majority shareholding is still mandatory. The goal being to further open up our economy and encourage the inflow of foreign investment.

14. Fourth, we intend to simplify IDCC process and convert IDCC to a dynamic unit of the Government with the responsibility to market Nigeria to foreign investors. The details are still being worked out and I would like to assure you that your views in this Summit will be taken into consideration in finally effecting this transformation.

15. These policy reforms in addition to those already announced in the 1993 Budget should be seen by all and sundry as a sincere attempt to earn the confidence of investors - both local and foreign - and clear the way for the inflow of investment. Our overriding objective is to ensure accelerated economic growth and development of our economy with the private sector acting as the principal driving force.

16. I would hope that this Summit will turn out to be a watershed in our effort at fashioning out durable and credible development strategies for our beloved country. Accordingly, I would encourage you to engage in frank and candid dialogue, and exchange of views or ideas and ultimately reach a consensus on the way forward for our country.

17. I would advise that you should speak Frankly and responsibly with your minds set on the need to evolve workable solutions to our economic problems which as you all know, are immense. It will also serve a good purpose for you all to have open minds in listening to competing viewpoints. This I believe is the only way to reach a consensus that would enable us to chart the strategic direction needed to actualise our aspirations.

18. Our plan is to leave a worthy and lasting legacy and this can only be so if we are able to complete the necessary foundation for our country to realise its undoubtedly great economic potentials. As the Head of Government has
repeatedly emphasised in recent times, there are no quick fixes to our problems. The road will be rough and we would need to make some hard choices.

We are, however, encouraged that with the full support of the private sector, particularly through this Summit, the task before us will be accomplished. Let us build on this spirit of partnership in the overall interest of our great country.

19. We look forward to receiving the report of your deliberations as soon as possible. Let me emphasise once again that we are determined to put in place A LASTING LEGACY on the economic front for our great country.

Appendix C

The Mexican Experience - Remarks by Jack Guenther at Nigerian Economic Summit February 19, 1993

I am pleased to be here. The last time I was in Nigeria was almost four years ago when the NIB had the formal opening of its branch in Kano. And this is my first visit to the new capital. Other introductory remarks.

But my topic tonight is not Nigeria, but Mexico. Chief Shonekan asked me to talk tonight about that country, particularly the relative success Mexico is having in recovering from the crisis of the 1980s. As you know, the 1980s were a difficult decade not only for Nigeria but most of Latin America, including Mexico: low growth, in most countries negative per capita growth, high inflation, and a series of balance of payments and financial crises. But during the past five years, countries such as Mexico and Chile have been a pleasant surprise, with the beginnings of what seems to be a sustained recovery. And Mexico is particularly interesting because as a large petroleum exporter it has many similarities with Nigeria.

I want to talk tonight mainly about how Mexico is getting out of its problems. But first, let me remind you briefly how it got into the difficulties of the 1980s in the first place because that will help in understanding how it is getting out.

During the 1970s, you will recall there was great optimism about Mexico, in fact, about any country which was lucky enough to have petroleum. Mexico had discovered petroleum on a large scale, just as the oil price was rising in the mid-1970s, and the volume of output was increasing rapidly. As a result of both price and volume growth, Mexico's total exports in U.S. dollars increased by 10 times in eight years, from $2 billion in 1973 and $20 billion in 1981, and over three-fourths of the exports were petroleum.

This rapid growth in exports in the late 1970s did not, of course, improve Mexico's balance of payments or prevent a subsequent crisis, because they immediately spent all of the money. In fact, since creditors were also optimistic about Mexico's future, the Government not only spent its current income but also was able to borrow large amounts abroad in the late '70s, so that imports rose even faster than exports. By 1981, when exports were just over $20 billion, imports of goods and services had grown to over $30 billion per year and the country's foreign debt was nearing $100 billion.

Three things happened in the early 1980s which brought this optimism to a sudden end, as you know well. (1) Oil prices fell to about one-half the previous level. At the same time, (2) U.S. dollar interest rates doubled, and it is one thing to have $100 billion of debt with interest rates at 6 percent and a completely different matter to have $100 billion of foreign debt with interest rates at 12 percent. Most
of Mexico's foreign debt was to commercial banks unlike Nigeria where by far the largest portion is to official lenders and the interest rate on the debt fluctuated with LIBOR. So after 1979, the interest burden on the foreign debt rose sharply, just at the time when the export earnings to pay the interest were being cut in half. Finally, (3) and this is what I mainly want to talk about, the policies Mexico followed to deal with these changes were relatively poor.

This policy failure came as a surprise to most of us who were familiar with Mexico because Mexico had been a relatively well run country after the Second World War, in the 1950s and 1960s. It had a respected Central Bank, and inflation in Mexico was the same as in the U.S. from the mid-'50s to the mid-'70s. But in the late 1970s and early 1980s, countries such as Indonesia adjusted to the change in oil prices and interest rates much better than Mexico did.

So you had three things going on: Summary, a) three developments b) economic laws are unforgiving if you don't adjust

What do I mean by saying that Mexico did not adjust and that Mexican policies were bad in early 1980s?

Briefly what Mexico did after 1981 was as follows: When oil prices went down, this led to a sharp reduction in budgetary receipts. But the Government adjusted very little and kept spending almost as if nothing had happened. This led to a rapid rise in domestic inflation.

As the workers suffered from inflation, the Government tried to protect them by additional large wage increases. But this didn't add to the real goods available to workers, it only added further to the inflation. In fact, the resulting inflation damaged the economy so much that even fewer goods were available. As a result, the large nominal wage increases probably ended up making real wages even lower than before. At the same time, despite the inflation, the Government was slow in adjusting the exchange rate. The peso became over-valued. As Mexicans would go to the U.S. on vacation or to work, with the overvalued peso everything in the U.S. looked cheaper than in Mexico, so Mexican savings went into buying apartments in Houston or Miami or any place else they visited. This was particularly true because the interest rate they could get on funds kept in Mexico was also far below the inflation rate.

This is a rather long description of how Mexico got into the problems in the 1980s. But I wanted to go through it because it makes it easier for me to explain how they are managing to recover. The secret to their recovery is not that they suddenly got more lucky. As you well know, petroleum prices still are far below the level which existed when they got into the problem. The secret to the recovery is rather that they have got the macro-economic policies right during the past six to eight years - fiscal, exchange rate, monetary and wage policies - the way they did earlier in the '50s and '60s. In addition to better fiscal, monetary, exchange rate policies, the new
generation of politicians in Mexico which came in after 1983 has also lost its fear of competition from the U.S. and, therefore, is trying to open up its economy to create jobs and efficiency. Now it seems that U.S. producers fear competition from Mexico almost more than the other way around.

When I say Mexico has recently been getting the policies right, let me explain by starting with the fiscal area.

The Mexican budget has been under relatively good control since about 1986 and particularly during the past year or two. In both 1992 and in the new budget just released for 1993, the overall budget has a surplus of about 1 percent GDP. This relatively strong budget was not achieved easily. Inefficient subsidies on food and other items were sharply curtailed. Also, despite being a large petroleum exporter, gasoline prices in Mexico are now about $1.40 per gallon, which is slightly higher than in the U.S. This reduction in consumer subsidies has made it possible to finance at least a minimum level of public sector investment while maintaining overall public finances under tight control.

I should add that this budget surplus has been achieved without counting the proceeds from privatization as regular budgetary receipts. Mexico has recently sold its state-owned commercial banks for several billion dollars. The funds from privatization of the banks and other entities have gone directly into reducing the Government's outstanding domestic debt to about one-half the level of two years ago. Of course, this reduction in outstanding debt has provided relief to the budget in later years by sharply reducing domestic interest payments.

This solid fiscal position in 1992 - '93 together with a firm credit policy has made it possible to reduce inflation from a peak of about 100 percent in the 1980s to 12 percent in 1992 and a projected 8 to 9 percent in 1993.

Wage policy also has played a role in reducing inflation. At the beginning of each year, instead of providing wage increases equivalent to the previous year's inflation, the Government has granted increases less than the previous year's inflation but with the promise that inflation during the coming year will also be less. The Government fortunately has gradually gained the credibility to convince labour that this policy and the resulting decline in inflation was in its own best interest.

The exchange rate policy has also been a great improvement over the policy of the late '70s. For several years now the value of the peso relatively stable in real terms, by devaluing each year by an amount equal to the difference between Mexican and U.S. inflation. This year, for example, the Central Bank has announced that the peso will be gradually depreciated by 5 percent during the year, which is roughly equal to the difference between Mexico's inflation of 8 percent and U.S. inflation of 3 percent. This is designed to maintain the competitiveness of Mexican producers by compensating them for the extra increases in their costs compared with those in the outside world.
The confidence that the exchange rate will be managed to keep real price of U.S. dollars more or less stable has encouraged businesses to make investments in the export sector and to compete with imports.

Short-term interest rates in Mexico have been kept relatively high, currently about 17 percent, or 6 to 7 percent over the inflation rate. In real terms, this is 3 to 4 percent higher than in the U.S. and has helped to keep Mexican savings at home. When the Mexican Government borrows abroad in Euro-dollars, of course, it also has to pay a premium of 3 to 4 percent above the U.S. Treasury borrowing rate.

This combination of good economic policies of recent years, particularly the realistic exchange rate and relatively high interest rates, have not only eliminated the capital flight out of Mexico but also produced a strong return flow of capital into the country. Over $20 billion of net funds entered Mexico in 1992, including loans, purchases of Government paper, and investment in the local stock market. A major portion of this inflow represents the return of Mexican capital that had previously left the country because of the overvalued peso and fears of inadequate returns. Of course, as explained above, the risk premium caused by the poor policies of the 1980s still is relatively high, and Mexico still has to pay interest rates for funds, which are two or three percent above those paid by countries such as Thailand or Indonesia.

Let me make a brief detour here and say a few words about some of the other large Latin American countries, such as Argentina and Brazil. Recovery in those countries has been slower than in Mexico, I think for two reason: First, they do not have comprehensive economic and financial policies which are as good as Mexico's. And second, those countries treated capital, both domestic and foreign capital, much more harshly than Mexico in the 1980s so it is going to take longer to attract capital back into Argentina and Brazil.

Argentina and Brazil, for example, ran up large arrears on interest payments to foreign commercial banks in the 1980s, while Mexico, despite its problems, never missed an interest payment. Also, both Argentina and Brazil, in the effort to halt hyperinflation in the late 1980s, confiscated large portions of the domestic savings of their own citizens which had been deposited in banks or invested in Government paper. As a result, capital has been slower to return to Argentina and Brazil, despite domestic interest rates which in Brazil are 40 percent per year in real terms. In fact, about the only capital which these countries are receiving at this time is trade finance and short-term bank credits at interest rates of about 5 percent over LIBOR.

But to continue with Mexico, in addition to following good policies in the fiscal, exchange rate, monetary and wage areas, the Mexican Government in recent years has gone a long way toward opening up its economy to competition and modernization. Mexico joined GATT in 1985 and promptly began to reduce multilateral tariffs and trade restrictions. Then two or three years ago, they began negotiating with the U.S. and Canada to join the North American Free Trade Area.
Almost all tariffs have now been eliminated between the U.S. and Mexico. The main effect of the new Free Trade Agreement, therefore, will not be to reduce tariffs - this already has been done - but to give investors the confidence that these tariffs and other restrictions are not likely to be re-introduced in the future.

Before closing or opening up to a general discussion, I want to say a word about Mexico's debt agreement with the commercial banks. As you know, Mexico was the first country to reach such an agreement, and this clearly contributed to restoring confidence and the feeling that this problem was now behind them was in my view more important than the actual debt relief which was achieved by the agreement. As you know, the U.S. dollar interest rates have declined so much in the past five years that Mexico has obtained more relief from the market decline in rates than from the debt package. On its par bonds, Mexico is paying interest rates of 6.25 percent, which seemed a low rate when the agreement was negotiated, but LIBOR is now so low that, for the moment, they are actually paying a higher rate of interest than would have been paid without the agreement. Still, the agreement with the banks was important in order to normalize the relations between Mexico and the world financial markets and open up the possibility of the new capital movements.

Finally, I would not want to leave you with the impression that Mexico has solved all its problems. Almost every country in the world has problems these days, including the U.S., Europe and Japan, to say nothing of countries in the ex-Soviet Union, Latin America, and Africa. Running a country is a difficult task. And Mexico has a number of serious problems in the area of job creation and financial management which will come back to haunt them from time to time. Economic growth in Mexico is now running at only about 3 percent per year, which is less than they would like. And the current account deficit on the balance of payments is uncomfortably high. So they have concerns about the future as all countries do.

Nevertheless, relative to most other countries, they have done quite well. And as I have tried to explain, there is nothing mysterious about this relative success. They have simply put together several consecutive years of good policies, and these policies have resulted in a renewal of sustained economic growth, lower inflation and capital inflow despite continued low prices for petroleum.

Thank you.
Appendix D

Question and Answer Session held on Saturday, 20 February 1993

Chief O. I. Akinkugbe

Excellent work has been done in the last two days. However, a gap in the discussions that I have identified is in the Health Sector. Healthy manpower is required to implement the changes and reforms discussed at this Summit.

One of the first questions asked by foreigners coming to work here is "if I get knocked down by a car in Nigeria, will I get prompt and adequate hospital care?" Nowadays, it is not easy to give a satisfactory answer to this question. This is an issue that requires urgent attention.


Thank you for allowing me this opportunity. I support the suggestion made by Mr. Akinola Williams yesterday regarding the possibility of discounting future oil revenues and using the funds to make sound investments now.

Second, I am mandated to let you know the conclusions of the recent National Council of Women Societies (NCWS) conference. The basic thrust is that women and issues of women's development should be accorded their due and proper consideration as an integral part of national economic development, as all aspects of the economy are affected by gender issues. I will make available to the rapporteurs a copy of the communique of the NCWS conference.

I plead with the Chairman of the Transitional Council and Head of Government that women's issues be put on the agenda for the next Nigerian Economic Summit.

The trend all over the world is to recognise the potential and the contributions of women. Women want to contribute from an independent standpoint, and not as an appendage to their male partners, spouses, etc.

Mr. Adams Aliyu Oshiomhole - Nigerian Labour Congress

Thanks for invitation to attend. This gathering is a good idea. It makes for far more serious interaction than has been achieved in previous Presidential Post-Budget Dinners.

The economy seems to be run with management and shareholders while those who should be the focus of development are ignored. Each person has a tendency to be selfish, therefore more of a balance is needed between the social classes, that is the privileged and the under-privileged. The role of Government should be to balance the interests of the different social classes.
For example, the conclusion of one of the groups was that the new 2% education tax on corporate profits be abolished; but education has to be funded better.

Likewise, virtually all reports presented by the groups asked Government to reduce taxes, but at the same time they are asking for more incentives, and for Government to do more for them by way of provision of infrastructure, etc.

On petroleum subsidy, my group was dominated by powerful oil executives and the debate was too technical. The overall problem is one of reconciling economic suggestions with the social imperative. The Government cannot afford to be conscious of only the profit motive at the expense of social issues as this attitude will lead to policy mistakes and intolerable social consequences.

My plea is that Government should listen to all sides. Only the corporate sector has spoken. The people to be affected have not been heard.

Thank you and God Bless.

Chairman's Response

We will listen to all sides. But we will not shy away from taking appropriate decisions. We must be able to compete in world markets, but not at the expense of our social responsibilities to the populace.

Otunba Lateef Owoyemi - Lateef Owoyemi and Partners Limited

This is a Government of professionals. The process of reform and changes should be two sided. For example cement tariffs were lowered last year but prices doubled. Business managers should say at the next Summit what they will provide by way of increased employment, foreign earnings, etc if the incentives that they are asking for are given. Audited accounts should be expanded to show companies' performances in terms of foreign exchange earnings, foreign exchange savings, employment generation, etc.

Creditors should be kind to us as we too can be creditors tomorrow.

Chief Bode Ogunlana - S.C.I.B.

In response to the NLC's representative's remarks on removal of education tax, etc.; what business entrepeneurs are saying is that taxes should be consolidated. Nobody is saying that funding should not be provided for education, but that the imposition of ad hoc/special taxes should be avoided.

Chief Bode Emmanuel

The cost of Government is too high. Each State and Local Government has Chairman, Speaker, Secretaries and other officials; how much do all these cost? Furthermore, there is agitation for and talk about creation of more Local Government Area (LGAs). If we are talking of reducing the budget deficit then this issue should engage our attention.
Assembly Plants: As a member of G15, I visited Malaysia. There you can import anything in component form and assemble it where you want.

Environment: This is deteriorating, everywhere, including Abuja. This issue should be looked into as it is an element of economic well-being.

The cost of doing business with Corporate Affairs Commission is prohibitive. N5,000 to come to Abuja and file a document. The Commission or aspects of its functions should be transferred to Lagos.

Alhaji Aminu Saleh - Secretary for Industries

On the Assembly plants issue raised by Chief Emmanuel, 2 representatives of PAN and VW, Steyr and other vehicle plants were invited to listen to the relevant Committees and Briefing Sessions. The representatives must have made their points in the committees.

The Chairman of the Transitional Council transformed Federal Motor Industries (FMI) and General Motors Company Ltd. (GMC) and a lot can be learnt from his experiences. For your information, 100,000 used cars (tokunbo) were imported into the country in the first six months of 1992.

Chairman's Response

Chief Emmanuel’s points on cost of Government are noted.

Mr A. Singhvi - NES Group

I had association with Leyland for 3 years. My message is that the only way to increase GDP is through job-creation. There must be incentive to add value. The economic model in Nigeria today favours consumer driven trade. Artificial flowers can be bought in the markets, despite the fact that the agricultural potential for growing them is there. Meanwhile, hospital equipment is hard to obtain.

South Korea and Japan are not resource-driven economies; they are skill-driven economies.

A skill-driven system allows for both imports and exports as long as there is value-added.

Investors (whether foreign or Nigerian) will not invest in facilities to assemble products if it is cheaper to import them.

Incentives should be given to local producers to import based on the degree of value-addition they achieve.

Chairman's Response

A written report has been submitted and this will be considered.
Mrs M.R.A. Adeleke - Tate Industries Plc.

On the issue of sugar - what will happen to the report on National Sugar policy? There is inconsistency. A 40% tariff and 10% levy was announced in the budget, but the tariff has now been withdrawn, so what incentive will there be for local sugar production.

Automobile Industry: There are 3 indigenous vehicle assembly plants but we are making it difficult for them to survive. It has been rumoured that N1billion is being paid to import NISSAN buses; Japan cannot supply that much worth of buses in 5 years. What will happen to the local auto industry?

Alhaji Aminu Saleh - Secretary for Industries

The National Sugar Policy report was presented on 4 January, 1993 and the general overview was accepted. The report recommended bringing back the 1990 level of duty before SAP relief. (The SAP relief package of 1990 had dropped duty to 5%). So Government increased duty back to 40% and added a 10% levy based on Cost, Insurance and Freight (CIF) value, for placement in a pool to be used to develop sugar estates. Now the 40% duty has been dropped to 5% but the levy remains.

An officer in the Ministry of Industries has been designated to liaise with the Ministry of Finance to ensure the levy reaches the Ministry of Industries. A Sugar Commission will soon be set up.

Assembly Plants: Under the current open door policy there is no longer any prohibitive duty. Furthermore, duty is low due to the SAP relief measures. However, Completely Knocked Down (CKD) parts are duty free and so a differential is maintained between duty on finished vehicles and CKDs.

PAN has started to develop locally. It has 40 sub-contractors and the hope is that it can increase its local content and become more competitive.

Alhaji Shehu Malami

The open door policy discussed by the Secretary for Industries is questionable. If we focus on SAP, we find that it has not brought the promised investment to Nigeria, but rather what we see is disinvestment.

We are also told to liberalise imports as part of SAP but this is contradictory to the aim of promoting the development of local industries. Companies are closing down or operating at low level of capacity utilisation. This is leading to more unemployment will all the attendant social consequences. Therefore, we should look at whether or not SAP has succeeded. Professor Adepoju has said that nowhere in the world has SAP succeeded.

Alhaji Abdulkadir Ahmed - Central Bank Governor

The same subject was raised last night in the discussion on the Mexican experience. The turnaround under SAP is not automatic. SAP has not worked because it has
not been allowed to work by interest groups which have terrorised Government into not taking the needed measures, with forecasts of doom.

In 1987 the economy was stable. In 1988 the economy was reflated in response to complaints, forgetting that complete change, and control was taking place. People today still believe that such a transformation cannot happen. Agencies of Government that have no business discussing topics such as the exchange rate are scaring foreigners away. Anywhere else in the world if a Minister speaks, people take what he says seriously assuming that he is talking for the Government. How can SAP work overnight? Remember Ghana - its people are no longer to be found here in such numbers.

Despite all the talk of Mexico's success, some people there are still eating from the dustbin. Nigerians are impatient. They want quick returns. SAP has to be allowed to work. There must be problems but we need to give it time. I hope this dialogue gives this opportunity.

Mr. Jimi Lawal - Alpha Merchant Bank Limited

I was not going to speak because I am one of those who arranged this event. Some of us are benefitting from SAP. Banks contribution to GDP has risen from 3.6 to 8% of GDP between 1987 and 1992. This is a good result of SAP. The problem is that there is no consensus. In the US, no Democrat or Republican will say the free market is bad. Let us have consensus.

Dr. Titus Adeboye - New Decade Consultants

I am taking the Governor of Central Bank to task. He says Nigerians are impatient, but Nigerians invest according to the environment. They are acting as rent collectors because that is what the environment calls for. We have not created an environment for productive investment and SAP won't do it the way we are going.

Industry: The country is sitting on World Bank, ADB money for funding industry because people don't want to make such investments as they don't pay. Even in a free market economy there must be rewards and sanctions to guide the economy. People are saying that there should be no subsidies. Even Japan subsidises agriculture 70%. This means that food is a security item. Nigeria cannot afford to import anyhow. At Balogun market, anything can be bought. We should discriminate.

Agriculture: Nobody in their right mind would invest in agriculture. Only peasant farmers with no other option invest. If they were aware enough to place their funds in Finance Houses instead of in extra acreage, they would. We in Nigeria have created this situation. We must look at what type of subsidy is required. The World Bank is against subsidies but its ADPs provide subsidised extension services. The ADPs buy cars but they should spend less on such items and more on mechanised farm equipment. Peasant farmers produce 80% of agricultural output, therefore we should try and help them move from peasant agriculture to commercial agriculture. This matter should be studied.
Alhaji Abdulkadir Ahmed – Central Bank Governor

There is no disagreement with Titus Adeboye on SAP.

You talked about rent collecting. Rents arise from controls. With subsidies, the issue is where and how they are applied.

Alhaji Garuba Ja' Abdulkadir - Secretary for Agriculture

It is true that agriculture is subsidised everywhere including Japan. Nigerian authorities have never withdrawn subsidies from farmers. Even removal of subsidy of fertiliser is not being discussed. What the Chairman of the Transitional Council announced in the budget is deregulation of distribution.

The National Policy on Agriculture is in place. Small scale (peasant) agricultural output is growing by 4% p.a. compared with the food requirement which is growing at 3.5% p.a.

Indian agriculture is based on peasant farmers and the people of India are not hungry.

Peasant and commercial agriculture are both possible in Nigeria.

Government cannot dispossess peasant farmers in favour of big commercial farmers, but it will support such farmers who can obtain land to farm.

Mr. Nigel Wilson - Glaxo Nigeria Ptc.

An offer previously made and repeated here is that the private pharmaceutical manufacturers offer sabbaticals 3 or 6 months to bureaucrats so they can study how the private sector works.

I am currently doing our Company’s five year plan and forecast. Can the CBN Governor say what the exchange rate will be and when is he going to bounce the first government cheque? We have addressed the issue of deficit financing in the last 2 days. The budget came late partly because it was addressing some of the core problem areas. If all these efforts fail, what will happen?

Chairman

The offer of sabbaticals will be seriously considered.

Ms Abiola Tilley-Gyado - Ministry of Health

The offer of sabbaticals will be reported to Ministry of Health. I support Chief Akinkugbe’s comments. A basic assumption in an economic development programme is that the beneficiary will remain healthy. However, we are a very diseased nation, physically and mentally. There are endemic diseases due to the environment and climate such as guinea worm, tuberculosis, etc. Also, executive diseases such as cancer and hypertension are present. There is not the wherewithal to cope with these diseases of development (i.e the executive disease) as well as those of underdevelopment.
The worst threat is AIDS. We are trying to sensitise people's thoughts to the fact that this can derail all other development plans. Nigeria is no longer in the pre-epidemic stage, it is in the endemic stage. Three days ago in a rural area, I came across a man and his three wives who had AIDS, and a woman and her two children who had AIDS. There are 500,000 HIV infected Nigerians and this is still relatively low. There will be 4 million by 1996. It is now present in most of the States.

They say if one knows the enemy one will know what to do. I don't want to scare people. In other African countries, AIDS has decimated the workforce. In Zambia 30% of copper workers are infected.

The time has come to recognise the problem and to have a stronger commitment to fighting it on a multi-sectoral front.

Chairman

Thanks for drawing our attention to the AIDS problem.

Dr. Ndi Okereke-Onyuike - Nigerian Stock Exchange

I would like to direct a message to the Honourable Secretary for Justice. We need enabling laws for accepted changes to be implemented. Apart from CBN, agencies do not follow Presidential announcements with prompt guidelines, laws, etc.

For instance, capital market deregulation was announced by the President two years ago. The announcement of the guidelines effecting the changes has only been promised for Monday, 22 February, 1993.

The problem is that the Ministry of Justice does not have draftsmen. Agencies should be ready with draft changes in the law to be vetted by the Ministry of Justice draftsmen and the Ministry should employ more draftsmen.

The Ministry of Justice should stand ready to churn out changes in the laws, as about 50% of the changes recommended by this Summit will be accepted by Government.

Alhaji Abdulkadir Ahmed - Central Bank Governor (providing answers to written questions of participants who had left)

Debt Management Committee: Mr. Paul Ogwuma said capital flight caused exchange rate instability but what he described was round tripping. Capital flight is when a person takes his money out because he doesn't like the environment and/or the returns on his money.

Debt Relief: Nigeria should follow appropriate policies; draw up a medium term plan and show its financing gap, and submit this to creditors, in order to obtain requisite amount of debt relief that is commensurate with growth rather than ask
for Trinidad terms or Toronto terms per se. Let us make our case and ask the creditors to look at it.

Capital Market: The recommendation on lower tax for quoted companies needs re-examination. The tax incentive should not be just for quotation but it should be related to other criteria.

SAP: Policies are not allowed to work. While others are complaining some are benefitting under a system where there is no longer a need for patronage.

There is conflict in the recommendations of some of the sub-committees. Some are calling for subsidies and some for controls while the majority want relaxation and opening up of the economy. Therefore, the rapporteurs need to harmonise the recommendations and get consensus.

Lack of national consensus has been a major hindrance to progress in the area of economic policy. Losers have complained against policy reforms. Others have benefitted. No examination of policies such as has occurred in this Summit has taken place since 1986.

I appeal to the Chairman that the sub-committees should be made standing committees so that we will call on them as we go along the road to reform.
Appendix E

Closing Remarks by Chief E.A.O. Shonekan, CBE, Head of Government and Chairman of Transitional Council at the Nigerian Economic Summit held from 18th - 20th February 1993

Hon. Secretaries
CBN Governor
Your Excellencies
Distinguished Ladies and Gentlemen

The Way Forward

1. It affords me immense delight to address you tonight at this closing ceremony of the Economic Summit here at Abuja. As I indicated in my opening address to you, this Summit is unique in several ways. Least of all, its distinguishing feature is that it is the first of its kind in our country when a genuine effort is made to bring the private and the public sectors of our economy together in a serious dialogue on the ways and manner of fostering growth and development in an increasingly competitive and constantly changing world.

2. That this historic endeavour has the full support of government was most eloquently demonstrated by the participation of no less a person than Mr. President himself in the whole of the morning session yesterday. You will equally agree with me that Mr. President's speech aptly titled "A Lasting Legacy" was most befitting of the occasion. I want to ask Summit participants to go over the President's speech, once more, when they return to their destinations. It is a statement of genuine intentions of government and a spirited rendition of the worthy legacy of this administration.

3. I cannot but make another gratifying observation. This relates to the enthusiastic participation of many Ambassadors of friendly nations in this Summit over these past three days. Let me make a confession that throughout my adult working life in this country, I have never witnessed an occasion when such foreign dignitaries were actively involved to this extent in searching for solutions to our national problems. This reassures me that our efforts will not be in vain.

4. In the same vein, representatives of development agencies have participated in this Summit. All of this goes to convince me that we can count on a good measure of understanding and international backing in our future campaigns at mobilising investment and seeking debt relief.

5. The way forward involves coping with a constantly changing world. The way forward requires hard choices and a willingness for us to experiment with new ideas. The way forward involves continuous dialogue among all
stakeholders interested in Nigeria's future. This must include accountability to them as leaders of the public sector, private sector and private development agencies we represent. The way forward will be to explore new frontiers courageously and to innovate in the national interest. Our dream will be to create a Nigerian strategy for economic development which will lead us to reach our full potential as a nation.

6. The Nigerian Economic Summit participants have joined the Transitional Council to be among the pioneers who will chart and explore the way forward. We will be charting the long term direction for our economic success. We will also be launching reforms on multiple fronts at the same time. Your efforts, together with those of the Transitional Council, are but a first step in a long match. It is a long march towards economic success and quality of life for all Nigerians.

7. We can provide the economic platform for successful transition to civilian government. We can help democracy take root and grow. We can help hold a democratic Government accountable for economic success and a quality of life.

8. But our economic task must be seen as a continuous challenge. A challenge which we must commit ourselves to on behalf of future generations of Nigerians if we are to succeed.

9. My purpose tonight is to describe the broad outline of the way forward, particularly as to the economic philosophy and strategy I believe we must pursue. I will then try to sketch out the steps the Transitional Council plans to take in the months remaining. Finally, I will challenge each participant to continue what we have started at this first Nigerian Economic Summit.

10. We must begin our economic philosophy and strategy with the Nigerian people. It is their well-being and quality of life which is the aim and end result of our economic systems.

11. We Nigerians are strong people. We are assertive and we are natural capitalists. Trading and deal making are in our blood. At the individual and family level, we are honest, caring, helpful, and trustworthy. We have no trouble in economic dealings between ourselves. And our economic systems at the grassroot level, therefore work effectively.

12. Our economic philosophies and strategies at the national level must be built on these fundamental individual and family strengths. Our economic systems can only be successful if they are fully supported by the Nigerian people.

13. Our economic systems must also strengthen the democratic process and help fortify our resolve for good governance through leaders who work in the national interest. Politically, we must be free to pursue our own economic interests and our chosen callings in life. The basics of freedom of religion, speech, education, and equal opportunity all depend on a sound economic foundation which in turn supports a viable political process.
14. The mission of the Transitional Council is primarily an economic one. We have a threefold purpose. We seek to:

- chart the long term direction for our nation,
- implement fundamental and sustainable reforms in our economic systems, and
- mobilise the private sector - in all its dimensions - to fully support and foster our future economic development.

15. Our future economic success is primarily in the hands of the private sector. Government's main role is to create an enabling environment. Such environment will cause the private sector to invest and to operate successfully, and for the benefit of all Nigerian people. The priority of the Transitional Council will be to transform government into the role of fostering an enabling environment for private sector-led development.

16. This is a new role for Government. It is an active, not a passive role. It is a demanding role which requires professionalism and dedication of the highest type throughout our civil service, academia, education, health systems and similar public institutions. We are therefore, truly committed to a similar enabling environment in which the entire public sector can return to the high standards of performance and pride in their work which was our hallmark in earlier years.

17. We must forge a partnership between public and private sector so that we work together towards our long term economic success. And we must include in the partnership the thousands of private development agencies which are equally important to our national success. In many ways, they provide the glue which binds our partnership efforts together. This is a three-legged approach which I have seen work so successfully in the Enabling Environment Forum, I would now like to see this approach applied on a nationwide basis.

18. This national partnership must also be linked strongly with external supporters. In today's inter-dependent world, we find our desire for exports, new products, technology and capital inextricably linked to the outside world. Our partnership linkages must therefore extend to bringing in those external resources in a way which serve our national interests while meeting the terms and conditions which are acceptable to the outside world. In true Nigerian tradition, we must learn to deal successfully with our external supporters in our own enlightened self-interest.

19. With this partnership spirit in mind, let us now focus on the economic philosophy and strategy we intend to pursue.

20. Our economic blueprint will take several months to develop. It will build considerably on the good work accomplished at this Summit. But we were
mainly able to raise the fundamental issues and to advance preliminary ideas as to solutions. We have made a good start. Our work at the Nigerian Economic Summit will be recorded in the Summit report. I intend this report to have wide public distribution and to be the input for future action by the Transitional Council.

21. We also expect this Summit to produce an Economic Action Agenda which will be an essential input into the development of a Nigerian economic blueprint. This economic blueprint will be announced before we leave office and will form a central part of our handing over notes to the next government.

22. The Economic Action Agenda will also help us chart fundamental and far reaching reforms which will be implemented for the most part during the next six months. These reforms will be designed to be sustainable and they will link to our long term economic vision for the nation. Our vision is to be anchored on basic Nigerian values and on our understanding of what creates economic success in the world today. Put simply, our underlying philosophy consists of six main elements -

- Commitment to free markets - which encourage the efficient allocation of resources to meet Nigerian consumer demands. The consumer should be King in our economic systems.
- Encouragement of private investment - which provides the engine for Nigeria's sustainable economic development. Investment in turn is the source of employment and baking of a larger national cake.
- Creation of an enabling environment - which focuses government on its traditional role and on creating the conditions necessary for the private sector to take the lead role in our economic development. In this sense, the best government will govern less and encourage all Nigerian people to do more to build our economy.
- Governance in our national interest - thus concentrating on good governance in the first place and more importantly, enabling the public sector to work professionally and honestly for the good of all Nigerians.
- Commitment to the rule of law - which concentrates on protecting property rights, individual safety and security, predictability and fairness in our laws, regulations and legal systems. Rule of law must be reinforced by a private sector that practices good citizenship and good business ethics.
- Establishment of the economic foundation for democracy which recognises that our economic system must provide the means to make democracy work. We can only have a stable democratic system if we are able economically to provide improving quality of life for all of our
• People. We need to bake a large cake but we must work to slice the cake fairly for all.

23. These six elements of our economic philosophy are built on Nigerian values that I believe will stand the test of time. They are also consistent with the best economic practices which are working successfully at the global level. These six elements therefore will provide useful criteria to evaluate decisions we will be called to make during the next six months - and will provide the framework for developing our economic blueprint for the future. We plan to involve Summit participants - as well as a broader cross section of your counterparts - in the rigorous process of charting the long term economic direction for our nation.

24. Let me now turn to the second purpose of the Transitional Council - that of immediately implementing fundamental and sustainable reforms in our economic systems.

25. We must first recognise the enormous progress in structural adjustment of the Nigerian economy achieved thus far under the Babangida administration. You can see by his remarks yesterday that there is a clear commitment to leave a lasting economic legacy for this nation to build upon.

26. The primary mission of the Transitional Council is therefore to substantially complete the economic foundation.

27. We must carry out this mission with deliberate speed once we are sure we are right. Some reforms will fine-tune the systems already in place. Others will break new ground and truly explore new frontiers. All reforms must be consistent with our overall guiding philosophy and they must get the economy moving in the right direction - a direction that should be sustained by our successors in their pursuit of our national interest.

28. Many reforms have been suggested during this Summit. They will be given my immediate attention to implement. Many are typically fine-tuning, thus leading to incremental benefits by making existing systems better. In some cases, it will be best to abolish procedures and practices which simply slow down or discourage private sector investment and efficient operations. Among my main priorities to address these problems will be attention to the following reforms:

• the removal of administrative and legal bottlenecks, that impede both the inflow of investments and general operating conditions.
• again from now on, Government and government actions will be more open to public scrutiny in the spirit of full accountability and transparency in the management of government revenue which has been emphasised in almost all the presentations at this Summit.
• Government will take immediate steps to address the issue of law and order and security of life and property.

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29. Many other reforms must be more far reaching. They must be studied in depth. Some, but not all, will be implementable during our term in office. Moreover, many of these fundamental reform must be accepted by the Nigerian people. Thus, these reforms may take considerable dialogue and public enlightenment to accomplish. For each reforms we may largely be planting the seed for future breakthroughs which future governments must water, fertilise and nurture until harvest time.

30. Again, many such major reforms have been raised by this Summit. At this point, I see our priorities to be the following:

- active disengagement of Government from all economic activities that can be better managed by private sector,
- elimination of micro-economic distortions, primarily through reduction of budget deficit and elimination of extra-budgetary expenditure,
- actively aim at the convertibility of the Naira through appropriate economic measures,
- accelerate the improvement of infrastructures and put in place policies to encourage private participation in that sector, and
- removal of all other distortions including those related to pricing, which discourage investments.

31. My first challenge to you deals at the individual, company and industry level. I challenge each participant to thoughtfully put pen to paper. Please, write to me candidly about the problems and constraints each of you face, tell me exactly what bottlenecks or issues need to be addressed, and set out specifically what reforms, or enabling environment must be put in place to cause you to invest and/or expand your businesses and institutions, both immediately and continuously for the longer term. If you are able to do so, please, also set out any specific projects, or investment proposals, that you intend to undertake if conditions are right.

32. I can assure you each letter and proposal will be read thoroughly and you will get my prompt reply. I will then work directly with the appropriate Secretary, or other members of government, to take appropriate and timely action.

33. Please, also take initiative in your companies, your chambers, your private development agency activities and any other civic roles you play. In these activities, further dialogue and debate along the lines of what we started at this Summit would be most useful. Please, continue the process in your daily lives and help support others to do the same.

34. May I give you two examples from my own experience. Each Transitional Council member and each Summit participant could do the same if we had
time tonight. My two examples are the Enabling Environment Forum and the Lagos Business School.

35. My great interest in the Enabling Environment Forum is because this non-partisan group fosters the continuous dialogue between public sector, private sector, and the private development agencies. It therefore serves as a catalyst for building consensus and support for the enabling environment we have pursued at this Summit. In fact, the dialogue process used at this Summit was largely inspired by the Enabling Environment Forum (EEF). The EEF will sponsor a major international conference along the same lines to spread the concept to West Africa. They will meet in Abuja in November and they deserve the complete support of Summit participants.

36. My second example is the Lagos Business School (LBS). LBS is a completely private sector effort which seeks to develop a graduate level school of management. LBS seeks to reach international standards while simultaneously fostering management education which is completely relevant to our Nigerian environment. It is my belief that our greatest challenge in Nigeria is to better manage our resources and our economy. LBS represents a major step towards meeting this challenge and hence it also merits your full support.

37. My challenge therefore is for each Summit participant to become pro-active within your circle of activities and friends to spread the concepts and approach we have set out at this Summit.

38. We particularly welcome support from chambers and business groups in the immediate future. Your Seminars and Workshops which continue the dialogue and the debate on Nigerian economy would be particularly useful - both now and on a continuing basis. Specifically, I can use all your support for upcoming trips and negotiate debt relief programmes with the IMF and Paris Clubs, and to stimulate investor interest in major capital export countries such as the UK, France, Germany and the United States. Your goodwill and support can be a long way towards building their trust and confidence, thereby laying a groundwork for new investment.

39. Here at home, we will also enlist your active involvement in task forces which address the more fundamental reforms we must make and the longer term strategy we must quickly define. We visualise these task forces as being made up of public, private sectors, and private development agency members, thereby perpetuating the Summit dialogue process and arriving at specific and realistic solutions. While I must digest this Summit further, one of my first priorities will be to articulate and begin the process of selling to a wide cross-section of Nigerians a medium to long term vision for Nigeria and the overall philosophies that will govern how we manage our economy toward the realisation of that vision.

40. In the immediate short-term, my next tasks will include, as part of our economic management strategies, the following:
• Overseas visits to the USA, UK, France, Germany, etc to sell Nigeria,

• Leading discussions with the IMF/World Bank/Paris Club to seek debt relief, and

• Holding meetings with various sector of Nigerians including:
  Traditional rulers, labour leaders, chambers of commerce and other representatives of the organised private sector to seek their inputs to and support for the programmes of the government.

• Further meetings with the Summit participants as follow-up to decisions, recommendations and establishment of task forces to further develop key reforms which require more articulation before implementation.

41. These task forces will work directly with the relevant arms of government to define, to implement and to monitor our successful achievement of our fundamental reforms. The task force teams will be kept small and in view of our timing, held to very tight deadlines.

42. The recently announced Budget/Control and Monitoring Committee are good examples of small, but effective task forces. Each consists of four individuals, carefully chosen for their credentials and ability to contribute, and they have been empowered to act effectively.

43. My last remaining initiative is to reach out beyond the private sector to dialogue and work with all other stakeholders in this great nation of ours. Many of these stakeholders have been with me at this Summit but their members were far too few due to circumstances. We must now reach out to combine forces with academia, labour, media, etc. and thereby reach out to the Nigerian people. Again, I encourage private sector support - both now and continuously in the future. Your support and involvement with them can make a major difference in their success.

44. Before concluding, I must pledge one further thing to this audience. We intend to exceed your expectations as to transparency and accountability.

45. In the first place, we expect to fully disclose our activities and to continue this dialogue in full public view. Just as importantly, we will report back to the public and to leadership groups like this one we have assembled for this Summit.

46. In this regard, I expect to schedule four future events, as follows:

• a one-day follow-up session with Summit participants in approximately one month. Details will be provided as soon as possible,

• a first quarter review of the economy by the end of April,

• a mid-year review on the economy by the end of July, and
• an announcement of Nigeria's Long Term Economic Strategy before the end of our term in office.

47. All Summit participants can help this reform process enormously by not only furnishing your inputs but also feeding back what we are doing through your companies, institutions and civic activities. Please, do so candidly and extend this process by each of us making sure we dialogue in-depth to at least 10 of our closest friends and associates. Good governance and confidence in our nation are built at the grassroots level. I urge each and everyone of us to do his or her part.

48. I have a dream for Nigeria. You have shared this dream intensely during this Summit. It is now your dream and I want you to help share it into a national dream which all Nigerians support. Our visions, our economic philosophies, our economic strategies, our future actions must be aimed at sustainable economic development and better quality of life for all Nigerians. We have jointly taken the initial step towards this dream. I now challenge you to carry on your good work and assure you the Transitional Council will fully support your efforts through creating the right enabling environment.

Thank you for your efforts and your support.

Long live the Federal Republic of Nigeria.

Information Regarding Funding of Summit

The funding of the Economic Summit is a true demonstration of the new spirit of co-operation between the public sector and the private sector. The Summit was funded by NNPC (public sector) and the private sector companies.

In addition, all private sector and government enterprise including external supporters who participated paid a fee to attend the Summit.

Again, all the time dedicated to the presentation of the Summit by all those involved were voluntary and at no cost. As you know, the National Planning Commission and the National Centre for Economic Management and Administration worked closely with the Summit Organising Committee. Their inputs, I am also happy to say, were at no direct cost to Government.

Thanks to Organising Group

At this juncture, I would like to ask the people who took part in the preparation of this Economic Summit to stand up. I would like to do it in the spirit of the grass root approach - bottom up - when I ask you to stand, please remain standing. Now all the Secretarial and support staff - please give them a round of applause - please remain standing. Now could I have group leadership - all the Co-chairmen and Co-rapporteurs. Now could I have the Members of the Organising Committee, both public and private - please give them a round of applause.
Now could we have the sponsors stand up - another round of applause.

Finally, may I have all the participants who are happy with this Summit stand up and let me give all my round of applause.

(Is any body not standing?)

Thank you ladies and gentlemen.
Appendix F

List of Participants and Organisers

*Co-Chairmen and Co-Rapporteurs

Transitional Council/Ministries/Regulatory Agencies

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position/Department</th>
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<tbody>
<tr>
<td>1.</td>
<td>Chief E.A.O. Shonekan</td>
<td>Chairman</td>
</tr>
<tr>
<td>2.</td>
<td>Chief Dele Ollashore</td>
<td>Ministry of Finance</td>
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<td>3.</td>
<td>Alhaji A. Okene</td>
<td>Ministry of Internal Affairs</td>
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<tr>
<td>5.</td>
<td>Chief Francis Orji</td>
<td>Ministry of Police Affairs</td>
</tr>
<tr>
<td>6.</td>
<td>Chief Oluwole Adeosun</td>
<td>Ministry of Transport &amp; Communication</td>
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<tr>
<td>7.</td>
<td>Alhaji Mustapha Umara</td>
<td>National Planning Commission</td>
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<td>8.</td>
<td>Alhaji Aminu Saleh</td>
<td>Ministry of Industries and Technology</td>
</tr>
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<td>9.</td>
<td>Alhaji A. Ahmed</td>
<td>Central Bank of Nigeria</td>
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<td>10.</td>
<td>Chief Inang</td>
<td>Central Bank of Nigeria</td>
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<td>11.</td>
<td>Mr. G.O. Akajobi</td>
<td>Industrial Dev. Co-ordination Committee</td>
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<td>12.</td>
<td>Mr. John Ebodaghe</td>
<td>Nigeria Deposit Ins. Corp.</td>
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<td>13.</td>
<td>Mr. Ballama Manu*</td>
<td>Nigeria Deposit Ins. Corp.</td>
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<td>15.</td>
<td>Mr. Sola Akingbohongbe</td>
<td>Securities &amp; Exchange Commission</td>
</tr>
<tr>
<td>16.</td>
<td>Mr. Farouk Abdullahi</td>
<td>Corporate Affairs Commission</td>
</tr>
<tr>
<td>17.</td>
<td>Mr. J.K. Naiyeju</td>
<td>Federal Board of Inland Revenue</td>
</tr>
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<td>18.</td>
<td>Mrs. Bimbo Ojomo*</td>
<td>Nigeria Police Force</td>
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<td>19.</td>
<td>Alhaji Aliyu Attah</td>
<td>Nigeria Police Force</td>
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<td>20.</td>
<td>Mr. Segun Akinsanya</td>
<td>Ministry of Foreign Affairs</td>
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<tr>
<td>21.</td>
<td>Chief Senas Ukpanah</td>
<td>National Planning Commission</td>
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<td>22.</td>
<td>Mr. Sola Atere</td>
<td>Press Secretary, Transitional Council</td>
</tr>
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<td>23.</td>
<td>Dr. Bello Mohammed</td>
<td>Director General, Dept. of Customs</td>
</tr>
<tr>
<td>24.</td>
<td>Prof. J.S. Odama*</td>
<td>National Planning Commission</td>
</tr>
<tr>
<td>25.</td>
<td>Mr. Archibong Nkana</td>
<td>Nigeria Police Force</td>
</tr>
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<td>26.</td>
<td>Alhaji G. Ja'Abdulkadir</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>27.</td>
<td>Alhaji I. Mohammed</td>
<td>Ministry of Agriculture</td>
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Parastatals

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<tr>
<th>No.</th>
<th>Name</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>1.</td>
<td>Dr. Edmund Daikuro</td>
<td>Nig. National Petroleum Corp.</td>
</tr>
<tr>
<td>2.</td>
<td>Alhaji Mansour Ahmed*</td>
<td>Nig. National Petroleum Corp.</td>
</tr>
<tr>
<td>3.</td>
<td>Mr. Funso Kupolokun</td>
<td>Nig. National Petroleum Corp.</td>
</tr>
<tr>
<td>5.</td>
<td>Mr. Afolabi Oladele*</td>
<td>Nat. Pet. Inv. &amp; Mgt. Services</td>
</tr>
</tbody>
</table>
6. Chief P. Grant
   Nigerian LNG Ltd.
7. Engr. A. Otiji
   Nig. Telecommunication Plc
8. Engr. Hamza Ibrahim
   National Electric Power Plc
9. Captain Joji
   Nigeria Airways
10. Mr. Ogalu Osoka
   National Insurance Corp. of Nig.
11. Alhaji Dangana
    National Provident Fund
12. Alhaji Mohammed Kari
    Nig. Reinsurance
13. Engr. Ozobia
    Niger Dock Ltd.
14. Dr. Onoboh Isokariari
    National Fertilizer Co. of Nig. Ltd.
15. Dr. B. St. Matthew-Daniel*
    Nigerian Export Promotion
16. Dr. (Mrs) O. Aribisala*
    Raw Materials Research & Dev. Council
17. Prof. Mike Obadan
    National Centre for Economic Mgmt. & Adm.
18. Dr. Gene Ogiogio
    National Centre for Economic Mgmt. & Adm.

Enabling Environment Forum

1. Dr. David H.L. Jack
   The Enabling Environment Forum
2. Alhaji A.S. Mohammed
   The Enabling Environment Forum
3. Dr. (Mrs) Mary Lar*
   The Enabling Environment Forum
4. Mrs Kate Hoomkwap*
   The Enabling Environment Forum
5. Mr. F. Scott*
   The West Africa Committee

University Vice-Chancellors/Representatives

1. Prof. D.U. Saror
   Ahmadu Bello University
2. Executive Secretary's Representative
   Nigeria Universities Commission

Senior Statesmen/Advisors

1. Dr. M.O. Omolayole*
   Omolayole & Associates
2. Dr. (Mrs). N. Okereke-Onyuike*The Nig. Stock Exchange
3. Mr. Akintola Williams*
4. Chief Olu Akinkugbe
5. Chief Rasheed Gbadamosi*
   Nig. Industrial Dev. Bank Ltd.
6. Dr. Ademola Banjo*
   Nigerian Forgings & Bolts Co. Ltd.
7. Mr. Paul Ogvuma*
   Regency Financing Ltd.
8. Alhaji Shehu Malami
   Sarkin Sudan of Wurno
10. Alhaji Mohammed Kyari*  
11. Mr. Bode Emmanuel  
12. Alhaji A.O.G. Otiti  
13. Chief Sonny Odogwu  
14. Chief E. Iwuanyanwu  Champion Newspapers Ltd.
15. Hon. Justice Kayode Eso*  
16. Alhaji Kola Balogun  
17. Mr. Oba Otudeko*  Honeywell Group

Embassies

1. H.E., William Lacy Swing  Embassy of the United States
2. H.E., Christopher Macrae  British High Commission
3. H.E., Eric Kwint  Embassy of Netherlands
4. Representative  Embassy of China
5. H.E., Brian M. F. Neele  Embassy of Brazil
6. Mr. Ohlsen  Canadian High Commission
7. H.E., The Ambassador of Ethiopia  Embassy of Ethiopia
8. Mrs. Mustapha Sahadi  Embassy of Niger
9. H.E., The High Commissioner of Zambia  Zambian High Commission
10. Mr. Giovanni Di. Girolamo  Commission of European Communities
11. Mr. George Trail*  Embassy of the United States
12. Mr. Fred Gaynor  Embassy of the United States
13. Mr. Jean Phillipe Quercy  Embassy of France
14. Mr. Francisco J. Alfonso  Embassy of Spain

External Supporters

1. Mr. Peter Gerrard  Commonwealth Development Corp
2. Mr. Gerald Flood  World Bank
3. Mr. Gianni Zanini  World Bank
4. Mr. James Sackey  World Bank
5. Mr. John Kendall  World Bank
6. Mr. Mohan Wikramanaik  International Finance Corp.
7. Mr. Fre-Hiwet  United Nations Dev. Progamme
8. Mr. Eric Agunanwe  African Development Bank
9. Mr. Balduin Zimmer  European Economic Community
### Overseas visitors

1. Mr. Roger Rainbow  
   Shell Petroleum, U.K.
2. Mr. Henry De Ruiter  
   Shell Petroleum, U.K.
3. Mr. Jack Guenther  
   Citicorp N.A.
4. Mr. Victor Lobley  
   Coca Cola, West Africa Region
5. Mr. Percy Wilson  
   Coca Cola, External Affairs Group Africa
6. Mr. Phillipe Bossard  
   ING
7. Norbert R.E. Furnon Roberts  
   ING

### Oil & Gas - Upstream

1. Mr. Neil P. Blackburn*  
   Mobil Producing Nig. Ltd.
2. Mr. T.I. Oji  
   Chevron Oil Co. Ltd.
3. Mr. Rene Bucaram*  
   Texaco Overseas Petroleum Co.
4. Mr. M. Comtet  
   Elf Nigeria Ltd.
5. Mr. Brad Fischer  
   Ashland Oil (Nig.) Ltd.
6. Mr. Idar G. Johnsen  
   BP/Statoil
7. Dr. Ebi Omatsola*  
   Consolidated Oil Co. Ltd.
8. Mr. Phillip Watts*  
   Shell Petroleum Dev. Co. of Nig. Ltd.
9. Dr. Uduimo Itsueli  
   Dubri Oil Company Ltd.
10. Mr. Godwin Omene*  
    Shell Petroleum Dev. Co. of Nig. Ltd.
11. Mr. C.F. Williams  
    Shell Petroleum Dev. Co. of Nig. Ltd.
12. Mr. P. G. Turberville  
    Shell Petroleum Dev. Co. of Nig. Ltd.

### Oil & Gas - Downstream

1. Mr. Jean Verlet  
   Total Nigeria Limitd
2. Mr. S. I. C. Okoli  
   National Oil & Chemical Mkt. Co.
3. Alhaji Isa Yusuf Ali  
   Unipetrol Nigeria Ltd.
4. Alhaji Umar Abba Gana*  
   African Petroleum Ltd.
5. Mr. J. Owen-Smith*  
   Mobil Oil
6. Mr. Toyin Abass*  
   Mobil Oil
7. Mr. William Spenser  
   Wilbros Nig. Limited
8. Mr. Francis Ogboru  
   Offshore Pipelines Nigeria Limited
9. Mr. H. Hendry  
   Pencol

### Commercial Banks

1. Mr. Amirapu Somasekhar*  
   Nig. International Bank Ltd.
2. Mr. Odunayo Olagundoye*  
   Chartered Bank Ltd.
3. Alhaji Shehu Mohammed  
   Allied Bank of Nig. Ltd.
4. Alhaji Mohammed Sheriff
5. Mr. Pascal Dozie* 
6. Mr. Samuel Kolawole*
7. Mall. M. Hayatu-Deen*
8. Chief Klaus Philippi
9. Mr. Naveed Riaz*
10. Alhaji Mohammed Yahaya
11. Mr. L. Alabi
12. Mr. David Johnson
13. Mr. Ken Orji

Nigeria Arab Bank Ltd.
Diamond Bank Nig. Ltd.
Trade Bank Nig. Ltd.
FSB International Bank Plc.
Universal Trust Bank of Nig. Limited
N.I.B. Limited
Savannah Bank Nig. Plc.
First Bank of Nig. Plc
Ecobank Nig. Ltd.
Diamond Bank Nig. Ltd.

Insurance, Merchant Banks, Finance

1. Mr. Dennis Odife*
2. Alhaji Sulaiman Umar*
3. Prince Lekan Fadina*
4. Mr. Jimi A. Lawal
5. Mr. Femi Akingbe
6. Mr. William Mello
7. Mr. Biodun Adebo
8. Mr. Oye Hassan-Odukale
9. Chief Kingsley Ikpe
10. Mr. Isaac Fatade*
11. Mr. Atedo N.A. Peterside
12. Mr. Olabode Ogunlana*
13. Alhaji Mohammed Kari
14. Mr. Austin Ometoruwa*
15. Mr. Femi Akinsanya*
16. Mr. Emmanuel Ocholi
17. Mr. John Oyetan
18. Mr. Joe Uwagba*
19. Mr. Olawale Edun
20. Mrs. Morin Olu-Akindele
21. Chief (Mrs) Olayiwola Aina

Centre-Point Merchant Bank Ltd.
Continental Mer. Bank Nig. Ltd.
Equity Securities Ltd.
Alpha Merchant Bank Plc.
Ventures & Trusts Ltd.
AIICO Nig. Plc.
Nigeria Merchant Bank Plc
Leadway Assurance Company
Thomas Kingsley Securities
Liberty Merchant Bank Ltd.
Investment Bank & Trust Co. Ltd.
S.C.I.B.
Nigeria Reinsurance
Nig. American Merchant Bank Ltd.
First City MerchantBank Ltd.
Rims Merchant Bank Ltd.
Int'l Merchant Bank Nig. Ltd.
Prime Merchant Bank
IBTC Ltd.
Mortgage Bankers
Sentinel Assurance

Agriculture & Agro-Allied

1. Mr. Tunde Folawiyo
2. Mr. Abdul Bayero
3. Mr. Philip Woodhouse

Folawiyo Farms Ltd.
A. G. Leventis
E.D. & F. MAN (Nig) Ltd.
4. Mr. Rodney Okpu-Hecksher* Rodco Nigeria Ltd.
5. Dr. (Mrs) J. Kehinde Ladipo Lisabi Mills Nig. Ltd.
6. Mr. John Lee GABSA
7. Mr. Vinod Chanrai AFCOTT Plc
8. Mr. Thad Goff* Cargill Nigeria Ltd.
9. Mr. Hugh Thorley* Quarterhouse
10. Mr. Edmund Young E.D. & F MAN (Nig.) Ltd.
11. Mr. J. Onigbinde Nigerian Associated Best Food Ltd.

**Manufacturing/Industrial Products/Textiles**

<table>
<thead>
<tr>
<th>1. Mr. Joseph Makoju</th>
<th>West African Portland Cement Co. Limited</th>
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<tr>
<td>2. Chief C.O. Williams*</td>
<td>International Paints (W.A.) Plc</td>
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<tr>
<td>3. Mr. Fabian Nnadozie</td>
<td>Interlinked Technologies Plc</td>
</tr>
<tr>
<td>5. Mr. G.A. Armstrong</td>
<td>Rank Xerox Nig. Ltd.</td>
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<tr>
<td>6. Mr. Don Coldrick</td>
<td>Minnesota Nig. Ltd.</td>
</tr>
<tr>
<td>7. Mr. Dayo Lawuoyi</td>
<td>Dunlop Nig. Indus. Plc.</td>
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<tr>
<td>8. Mr. V. Varghese</td>
<td>John Edge &amp; Co. Nig. Ltd.</td>
</tr>
<tr>
<td>9. Chief A.B. Adebowale</td>
<td>Adebowale Electrical Ind. Ltd.</td>
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<tr>
<td>10. Mr. J.C. Deltheil*</td>
<td>Michelin Nigeria Ltd.</td>
</tr>
<tr>
<td>11. Chief Gilbert Uzodike*</td>
<td>Cutix Plc</td>
</tr>
<tr>
<td>12. Engr. Babajide Soyode</td>
<td>Aranla Industries</td>
</tr>
<tr>
<td>13. Chief (Mrs.) Nike Akande</td>
<td>Assan Ind. Nig. Ltd.</td>
</tr>
<tr>
<td>14. Dr. (Ms) Owunna</td>
<td>Eziama Industrial Complex</td>
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<tr>
<td>15. Engr. C.A. Aladewolue</td>
<td>Teco Stork Nigeria Limited</td>
</tr>
<tr>
<td>16. Chief E.I. Lawale</td>
<td>Farbest Industries Ltd.</td>
</tr>
<tr>
<td>17. Mr. G. A. Sangosanya</td>
<td>Van Leer Containers Nig. Ltd.</td>
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<tr>
<td>18. Mr. Ajit M. Singhvi</td>
<td>N E S</td>
</tr>
<tr>
<td>19. Mr. Jean P. Lamarque</td>
<td>Brosette</td>
</tr>
<tr>
<td>20. Mr. Ravi Aswani</td>
<td>Aswani Industries Plc.</td>
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</tbody>
</table>

**Breweries & Soft Drinks/Tobacco**

<table>
<thead>
<tr>
<th>1. Mr. Maxwell F. Oteri*</th>
<th>Guinness Nigeria Plc.</th>
</tr>
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<tbody>
<tr>
<td>2. Mr. Kolapo Lawson</td>
<td>Lawson Corporation</td>
</tr>
<tr>
<td>4. Mr. Felix O.A. Ohiwerei*</td>
<td>Nigerian Breweries Plc</td>
</tr>
<tr>
<td>5. Mr. Faysal El-Khalil*</td>
<td>7-Up Bottling Co.</td>
</tr>
</tbody>
</table>
6. Mr. O.A. Baptist Nigerian Tobacco Co. Plc.
7. Mr. Steve Heath Coca Cola Nigeria Ltd.
8. Mr. Charles U. Oba Coca Cola Nigeria Ltd.
9. Mr. Luc R. Laforge 7 Up Bottling Company

**Chemicals and Pharmaceuticals**

1. Mr. Peter M. Palm Hoechst Products Nig. Ltd.
2. Mr. Steve Osai* Pharmadeko Plc
3. Mr. Nigel Wilson* Glaxo Nigeria Plc
4. Mr. John Egri-Ogwaji* A.J. Seward (Div. of UAC)
5. Mr. S. Ashton Unicam Nig. Ltd.
6. Prince J. Adelusi-Adeluyi Juli Pharmacy & Stores Plc
7. Mr. Govind Agrawal Sterling Products Nig. Ltd.
9. Mr. S. Ohuabenwa* Pfizer Products Ltd.
10. Mr. J.W. Fischer Swiss Nigeria Chemical Co.

**Communication & Computers**

1. Mr. John Jackson IMNL Nigeria Limited
2. Mr. Don Etiebet Data Sciences Nig. Ltd.
3. Engr. Vincent Maduka* Nig. Society of Engineers
4. Mr. Sunny Allison Red Star Express
5. Mr. Demola Aladekomo Chams
6. Mr. Jose Ferreira N C R
7. Chief Eric Nwobi* Niger Holdings
8. Mr. S.D. Macleod ICL
9. Mr. L.J. Knight ICL Africa & Middle East
10. Prof. A.O. Seriki Electro Technologies Limited (SIEMENS)

**Food & Household Products**

1. Chief Olusegun Osunkeye Nestle Foods Nig. Plc
2. Mr. Garry Moore West AfricanMilk Co. Ltd.
3. Mr. Attia Nasreddin Nasco Group Nig. Ltd.
4. Mr. C. Pedersen Dani Foods Limited
5. Chief Rufus Giwa Lever Brother of Nig. Plc.
6. Dr. Christopher Kolade* Cadbury Nigeria Plc.
7. Chief Kola Jamodu* PZ Industries Plc
8. Mrs. M.R.A. Adeleke* Tate Industries Plc
Trading and Distribution

1. Mr. Pierre Vandeventer*  
   SCOA Nigeria Plc
2. Mr. Ramesh Valecha  
   Churchgate Nig. Ltd.
3. Alhaji Aliko Dangote  
   Dangote Group of Companies
4. Chief Chris Ezeh*  
   John Holt Plc
5. Otunba (Mrs) Kuforiji-Olubi*  
   Bewac Limited
6. Mr. Bassey Ndiokho  
   UAC of Nig. Ltd.
7. Mr. J.M. Chanrai  
   Aflon Nigeria
8. Mr. S. Chellaram  
   Chellarams Plc
9. Dr. J.U. Aire  
   A.G. Leventis
10. Mr. Isaac Aluko-Olokun  
    UAC of Nigeria Plc

Transportation

1. Mr. Henrik Andersen*  
   Maersk Nigeria Limited
2. Mr. Jacques Manlay  
   Peugeot Automobile of Nig. Ltd.
3. Dr. Pat Utomi*  
   Volkswagen of Nig. Ltd.
4. Captain Augustine Okon  
   ADC Airlines Ltd.
5. Chief A.E. Ilodibe  
   Ekene Dilichukwu Nig. Ltd.
6. Mr. Peter Igbinedion  
   Okada Airlines Limited
7. Mr. Rudi Kornmeyer  
   Anambra Motor Manufacturing
8. Chief Felsingner  
   Steyr Nig. Ltd.
9. Alhaji S.O. Alatishe  
   General Motors Ltd.
10. Mr. Didier Belot  
    Alraine Nig. Ltd.
11. Mr. R.M. Currie  
    Elder Dempster Agencies (Nig.)
12. Mr. Jean Claude Simon  
    Umarco Nig. Ltd.
13. Captain Biu Adamu  
    African Ocean Lines
14. Mr. Gerald N. Chidi  
    Nigerian National Shipping Line
15. Chief A. Afolabi  
    Ayo Afolabi Ventures
16. Capt. Ulf Bergman  
    Gulf Agency Company
17. Captain Osah  
    Flour Mills of Nigeria

Construction

1. Mr. Etienne De Seynness  
   Spibat
2. Mr. Ronald Chagoury  
   C & C Construction Co. Ltd.
3. Mr. Haussman  
   Julius Berger Nig. Plc
4. Mr. Elie Zard  
   Kopec Construction Ltd.
5. Chief Newton Jibunoh  
   Costain
Lawyers/Accountants/Consultants
1. Mr. Udo Udoma*
2. Mr. Demola Akinrele
3. Mr. George Etomi
4. Dr. Ahmed Abdulai*
5. Dr. Konyin Ajayi*
6. Mr. Chris Okeke*
7. Bashorun J.K. Randle
8. Mr. Femi Oguntoyinbo*
9. Mr. J.J. Engels*
10. Mr. Ike Nwokolo
11. Mr. Ayo Oni
12. Mr. Richard L. Kramer*
13. Mr. A. Sulaiman*
14. Dr. Herbert O. Orji
15. Mr. F.G.A. Cole
16. Dr. Kalu I. Kalu*
17. Mr. Aret Adams
18. Mr. Emmanuel Ijewere
19. Mr. Udo Uwakaneme*
20. Mrs. Myma-Bello-Osagie
21. Mr. F.R.A. Williams (Jr.)
22. Mr. O. Bickersteth*
23. Otunba Lateef Owoyemi
24. Mr. B.E. Oni
25. Mr. Toyn Munis*
26. Mike Okereke*
27. Mike Agbakoba*
28. Barrister G.M. Onwuchekwe

Udo Udoma & Bello Osagie
F.O. Akinrele & Co.
Etomi & Partners
Abdulai & Taiwo & Co.
Olaniwun Ajayi & Co.
Ajumogobia & Okeke
Peat Marwick Ani Ogunde & Co.
Coopers & Lybrand
IPTC (West Africa)
Akintola Williams & Co.
Ernst & Young
Arthur Andersen & Co.
Arthur Andersen & Co.
Churchill Communication Ltd.
Colnig Nigeria Ltd.
Dakal Services Ltd.
Multinational Expertise
Ijewere & Co.
Ujamaah Consultants
Udo Udoma & Bello Osagie
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The Pharmacists' Board should be allowed to maintain its control on all chemicals while FEPA is left to concentrate on environmental issues. Alternatively, the FEPA should control clearly specified chemicals e.g. industrial chemicals only.

New laws and regulations should be thoroughly thought through and should be passed only after due consultation with the industry.

The authorities should use more carrots than sticks. Laws should aim at motivating good behaviour and should not always be punitive. This is the more important since existing laws apply mainly to the formal sector. The informal sector escapes the weight of those laws.

**Essential Drugs Decree**

The government should make a categorical statement to the effect that the amendment to the EDL Decree, which restricts its application to the public sector only, is permanent. In other words, this amendment does not expire on 31st December, 1993.

The government should use the drug registration mechanism to control drugs circulating in the country. Only drugs that satisfy the regulatory requirements should be registered and allowed to circulate in the country.

With the registration of drugs in place, the government should then draw up its list of "essential" drugs from the registered ones. Whilst the "essential" drugs are applied to government hospitals, patients should be allowed the freedom to buy their drugs they may need from the private sector.

**Patent law** The proposed amendment to the law, which would remove patent protection from pharmaceuticals, should be stopped and pharmaceuticals should continue to enjoy patent protection.

Patent protection for new discoveries should remain for fifteen years as is the case with the existing law. Companies manufacturing generic products should then be allowed to produce or market those products for which the patents have expired as is the practice in most parts of the world. Government should act fast on this issue to remove all existing anxieties and encourage continued new investments in the industry.

**Fake and adulterated drugs** NAFDCA should be fully mobilised and properly equipped to perform. The agency should be given the power to arrest and prosecute as is the case with the National Drug Law Enforcement Agency.

The informal sector must be controlled. Also, border controls must be strengthened and intelligence units established to scout for the fake drugs manufacturing plants.

**Capacity utilisation** Some protective incentives are required for local manufacturers. Discriminatory tariff in favour of local manufacturers would help raise capacity utilisation and make exports more competitive.
transportation, Trading and Distribution

SUE DISCUSSED

Water Transport/Shipping

Port facilities The facilities provided at the ports by the Nigerian Ports (NP) are grossly inadequate and much of what is available is inoperative. As a result, the shipping lines and other port operators have to rent equipment despite the fact that the port charges they pay should cover the provision of such facilities by NP Plc.

Application of functions/poor co-ordination Shippers and other port users have to contend with a complex web of procedures from such bodies as the NP Plc, Nigerian Shippers Council (NSC) and Nigerian Maritime Authority whose actions overlap in many places. The existence of all these bodies has infused complication and confusion to the operations of shipping lines and agencies particularly when there is duplication of levies and there is no dialogue between shippers and these bodies. These problems could lead to diversion of cargo to other ports in the sub-region.

Monopoly of NP PLC The monopoly position of NP Plc has contributed to the efficiency of the body and the attendant problems for port users. Again, NP Plc exploits the absence of competition to arbitrarily and unilaterally raise its charges even when there is no justification whatsoever in terms of the quality of service provided.

Cost of ship acquisition Shipping is highly capital intensive and so the financial requirements of establishing and running a shipping business are quite heavy. Most indigenous entrepreneurs therefore encounter serious difficulties in trying to enter the industry. They are, moreover, at a big disadvantage vis-a-vis Europe and the Far East where shipping is highly subsidised.

NMA is supposed to help indigenous shipping entrepreneurs overcome the daunting problems, hence the 3% shipping tax it collects. However, nothing has been done in this regard so far.

Cargo sharing system The cargo sharing formula of 40/40/20 adopted by Nigeria has brought chaos and stifled competition in the industry.

Location of major projects Most major projects requiring shipping services are sited either in the hinterland or in areas with limited shipping access. Examples are Ajaokuta Iron and Steel Complex, the other steel rolling mills and even the new aluminium project at Ikot Abasi, Akwa Ibom State.

ry, coastal and inland services The potential for transportation of people and goods by ferry and coastal and inland waterways have not been tapped. This cap and effective means of transportation is still grossly under-developed. Only a few ferries and boats are in operation.
Air Transport

Problems of government regulation/policies  The fixing of fares by Government is not in the best interest of the airline industry.

In addition, some other actions or pronouncements by Government and its top officials have caused uncertainties in the industry. For example, deregulation followed by order to operators to fly on non-viable routes, banning and unbanning of certain types of aircraft and placing of life limits on some aircraft. All these tend to make planning and investment decisions more difficult.

Proliferation of airlines  There has been a proliferation of airlines due to the ease of obtaining an airline licence. Ownership of an airline has become a status symbol for some people who are not properly equipped to operate an aviation company. Their activities have caused problems for genuine operators particularly in the leasing of aircraft from overseas.

Bilateral air services agreements  These agreements between two countries give each of the parties involved the right to allocate the affected routes. Until now, the Nigerian Government has been allocating each international route to only one airline, regardless of the relative abilities of the airlines.

Safety  Safety is of grave concern. The industry is yet to obtain the required international safety standards. Airports lack essential and modern navigational and other safety facilities.

Terminal facilities  Terminal facilities at the airports are run down and even available facilities hardly function.

Rail Transport

It is acknowledged that rail services are essential to the survival of any country for the transportation of goods and services.

No serious investments have been made to improve the railways since colonial times. The result is that the nation's rail system has continued to deteriorate to the point of becoming irrelevant to the economic life of the country. The damages to the roads is traceable to the heavy loads they are made to carry because of the inefficiency of the railways.

Road Transport

It is generally agreed that the problems of road transport are well known and so do not need recounting. However, the problems of replacement costs of vehicles, high spare parts prices, lack of maintenance of vehicles and roads, are some of the pressing issues deserving attention.

Trading/Distribution

The issues considered to be most important to the trading/distribution sector are the depreciating and unstable Naira exchange rate as well as smuggling, and corruption within Government agencies charged with regulating and monitoring trade. It is suggested that smuggling is encouraged whenever import duties reach 40% or over.
Report on the First Nigerian Economic Summit is a stunning, incisive and frank appraisal of the Nigerian condition covering politics, the economy, law and order and accountability. The Nigerian factor is discussed in the clearest possible language. The book is the most objective assessment of the Nigerian economy ever published.

It is a blue print for Africa's largest, and most dynamic nation, provided it can produce effective leadership to public and private sectors to assist in the resolution of the country's complex economic problems.