

**NIGERIA'S INDUSTRIALIZATION:
UNLOCKING THE POTENTIAL**

PRESENTED BY

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AT THE QUARTERLY BUSINESS LUNCHEON

ORGANIZED BY

**LAGOS CHAMBER OF COMMERCE & INDUSTRY
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CENTRE, PLOT 10, NURUDEEN OLOWOPOPO
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Mr. President of the Lagos Chamber of Commerce and Industry

Distinguished Captains of the Economy – Investors

Ladies and gentlemen

Members of the press

A: Introduction

1. I am grateful to the leadership and the esteemed members of the LCCI for inviting me to be part of this gathering of the captains of the Nigerian economy. I am particularly happy to be here, because this is the first meeting I am having with the movers and shakers of the economy since my arrival in the country. I have consulted with some of you to understand the landscape of the Nigerian industry and constraints to the sector.
2. I am equally happy and humbled to be appointed the UNIDO Representative to this great country and Regional Director after serving as Senior Adviser to the UNIDO Director-General, Head of the Financial Institutions Partnerships Unit, and lately Chief of the Agribusiness and Agro-Industries Unit at the Headquarters, in Vienna. It is for me an exciting moment to be in Nigeria – after the elections that are widely claimed both locally and internationally to be one of the best in the history of Nigeria. It is a moment when Nigerians have geared up to transform their economy as well as the social and political conditions for the better. As the UNIDO Representative, I see myself as part of this process of wealth creation through sustainable industrial development.
3. In the invitation letter I received, it is noted that the topic of discourse at today's Business Luncheon is: ***“Industrialization in Nigeria: Challenges and Opportunities”***. Though an important topic, I did not feel very qualified to talk about the “Challenges” you as captains of the private sector face - as businessmen, women or industrialists on a regular basis – such as insufficient power,

competition with inferior imported products, counterfeiting, high cost of finance for capital investment, etc. etc.

4. In my conviction based on our analysis and projections by leading experts that Nigeria will transform into an industrialized economy, I rephrased the title of my speech to read: ***“Nigeria’s Industrialization: Unlocking the Potential”***. Therefore, my address will not dwell on “challenges”- factors you all know too well, but will focus on how to turn the challenges to possibilities and how we can achieve industrialization in Nigeria within the next decade or two.

B: Future outlook of the Nigerian Economy

1. At UNIDO, we are confident that Nigeria will emerge as an African industrialization success story in the next decade or two. Jim O’Neill, Chairman of Goldman Sachs Asset Management and a member of the board of the Bruegel think tank also thinks along these lines. In his recent publication in Project Syndicate/Europe’s World 2011, he projects that beyond the BRICs, among the likely top ten contributors to global GDP growth this decade are South Korea, Mexico, and Turkey. From the so-called developed world, only the US is guaranteed a place on this list – and the top 20 could include Iran, Nigeria, the Philippines, and Vietnam. The same report forecasts that within the next 20 years Nigeria, home to around 20% of Africa’s population, could account for 1% of global GDP. This projection is underpinned by the fact that Nigeria’s economy has almost doubled in size over the last 13 years. It is presently growing at 7.4% and inflation below 10%.
2. Conservatively, if the Nigerian economy maintains this progress, before 2030 it will no longer be an “emerging economy.” However, strategic policy choices have to be made and maintained to allow this transformation. This is an excitement the Nigerian political elites and private sector must deliver for the country.

C: Poverty reduction strategy vis-à-vis wealth creation

1. Nigerians must be aware that poverty cannot be eradicated by solidarity and charity alone. It requires wealth creation and the building up of productive capacities. I arrived in Nigeria at the height of the just concluded elections. At least every political party was concerned with unemployment, the high level of poverty, among other issues – these are genuine concerns as

they affect people and families – and must be addressed with the utmost vigor and commitment.

2. Mr. Chairman, ladies and gentlemen, let me remind you, no country has become rich and moved a huge number of its citizens out of poverty by exporting raw materials and foodstuffs alone without having a modern industrial sector supported by a vibrant service. Of course this means shifting from trading commodities to higher value products. It means a refocusing on manufacturing and on natural resources. Above all, it means looking objectively at the concept and aims of international development cooperation – and taking the route of wealth creation to reduce poverty. Anything else, is a “missionary approach to poverty reduction”, which has kept about half the Nigerian population poor, despite decades’ long interventions. Manufacturing is undoubtedly the principal propellant in transforming human and natural resources.

D: The Youth and Unemployment

1. In March, I was in Algeria to attend the Conference of African Ministers of Industry (CAMI). CAMI is one of the three ministerial groupings under the umbrella of the African Union Commission. Just a few months earlier, African Heads of State had also met in Tripoli for the EU – Africa Summit. It is in this same region (North Africa) and the Middle East that we are witnessing the youth-led revolutions unfolding, in most cases demanding for more freedom and employment. The International Labor Organization (ILO) estimates that the unemployment rate for 15 to 24 year olds in the Middle East is 25 percent. There are lessons we can learn as we pursue economic and social development in Nigeria, where the percentage jobless youth is believed to be even higher.
2. The question that comes to mind is: “are these youth-led revolutions a precursor to more instability further south”? Nigerian Universities, polytechnics, vocational institutions and other educational institutions graduates several thousands of young persons every year, with some finding no jobs. Without a strong industrial base, youth employment will remain a major challenge to the country.
3. All of these people want jobs to live their dreams. As they watch CNN, BBC or football matches of Manchester United, AC Milan, Bayern Munich and Barcelona, etc on satellite television, they see their European peers living well. I wonder what goes on in

their minds as they watch the “good life” in Europe. Well, the aspiration of several young Nigerians to live the shores of Nigeria to Europe in search of futures and better life is well known. We can be ahead of the game, by developing a proactive plan for youth employment/employability, while providing economic opportunity for every Nigerian within the context of well articulated and implementable industrial modernization strategy.

E: Increasing food prices – what role for industry?

1. Results from a new study published by Oxfam in the Guardian.co.uk on Tuesday, 31 May, suggests that the prices of staple crops such as maize could rise by 180% by 2030. The study predicts that the average price of staple foods will more than double in the next 20 years, leading to an unprecedented reversal in human development. According to the National Bureau of Statistics (NBS), Nigeria spends about ₦300 billion on food imports alone (food, beverages and processed combined).
2. The implication of such unprecedented price increase is that the Nigeria's poorest people, who spend up to 80% of their income on food, will be hit hardest. The same publication concludes that the world is entering an era of permanent food crisis, which is likely to be accompanied by political unrest and will require radical reform of the international food system. We can transform this challenge into opportunity.
3. We at UNIDO have taken a critical look at how African countries can avert such high prices and create wealth and prosperity from Agriculture, through targeted investments and promotion of agribusiness and agro-industries. Results of the study are contained in a book just published titled **“Agribusiness for Africa’s Prosperity”**. I encourage you to download advance copy from the UNIDO website: www.unido.org, while print copies will shortly be available on sale.

F: Energy, poverty and industrialization nexus

1. Nigeria’s aspiration for industrialization cannot be achieved or poverty reduced significantly without a reliable source of cheap energy. Let me provide a simple illustration here between Nigeria and Austria. Electricity consumption in Nigeria is estimated as 73 kwh per capita, compared to 8,094 kwh per

capita for Austria, according to data from the World Bank. The Gross National Income per capita for Nigeria is US\$1,190 compared to US\$32,330 for Austria.

2. Overall, countries without reliable power supply per capita happen to be the poorest countries in the world. Clearly, there is a correlation between poverty and energy access. Thus, an energy sector development policy must facilitate industrialization and promote use of energy for productive purposes, and not just shining electricity on the poverty.

G: Need for a Rapid Transformation

1. What is needed to transform the Nigerian industrial development landscape? We need a major structural change. By structural change, I mean implementing actions that constantly lead to improving existing activities and generating new ones, moving from one sector to another and absorbing surplus labour, increasing the contribution of individual workers, and promoting the integration of production sectors within the domestic economy, i. e. strengthening domestic economic linkages. Investment, technological change and innovation are key determinants for structural change.
2. We need to look at old products and non-performing industries and replace them by new or better ones supported by novel technologies, fresh marketing approaches or efficient organizational structures or processes. In this process, technologies from established producers abroad are acquired or learned and adapted to domestic conditions by local entrepreneurs. Industrialization has been all about transformation or change, and in particular about transforming natural and human resources into economic value. That was the industrial revolution in a nutshell.
3. Nigeria should also learn some lessons from industrial development history. According to the Norwegian Economic Historian – Erik S. Rainert (2007) and the South Korean economist – a professor at Cambridge University in the UK, concludes that the industrialized countries of today, achieved their goal of industrialization, because for decades, often centuries, their ruling elites, set up, subsidized, and protected dynamic industries and services, as national policy. They did not leave anything to chance or wait for God to do it for them as most African countries tend to do these days (see article published in the NewAfrican, April 2011).
4. While I am not advocating for a protectionist policy, it is only sensible to craft new industrial development policies within the

context of the present realities in the global economy and adapt or support local industries in the face of crisis as was done in the United States of America, during the so called financial crisis.

H: Let's look at some examples.

1. Structural change in Malaysia has been driven by strong political commitment. The vision for agriculture-led industrialization has been consistently and rigorously applied by successive governments for three decades. Of critical importance has been the government's determination to experiment and craft whole "reform packages" instead of single sequential policies. Targeted policies have promoted the transformation of an economy dependent on natural resources into a diversified economic structure based on processed natural resources, high value manufacturing industries – such as consumer electronics, industrial automation and heavy industries – and services.
2. Mauritius – a tiny Island country; has made admirable progress in intra-industry structural change – upgrading within the same industry and improving the industry's domestic and international position. Other countries have also been trailblazers in building on what they have and moving up the value chain – the difference between simple, low-value textiles and Egyptian organic cotton fibre is another example.
3. Most of you are aware of the story of Nigeria and Malaysia regarding palm oil value chain development. How 30-35 years ago the Malaysians came to Nigeria - looking for new products. They took some oil palm seeds, and applied science and technology to it. At that time, Nigeria, Ghana and Côte d'Ivoire were among the top five palm oil exporters in the world. With science and technology, and sound management, today the Malaysians produce more than 30 products from oil palm and tree, and are exporting a refined version of palm oil as bio-fuel.
4. We also know the story of cassava: Brazil and Thailand are among the largest producers of Cassava in the world, but Nigeria tops them. But whereas in Nigeria and the rest of Africa we consume 90-95% of our cassava production in semi-processed or raw form, in Thailand and Brazil they use it for industrial purposes and only use about 10-20% for immediate consumption. We can only make meaningful and economic gains from the so-called cassava revolution in Nigeria, if we

promote industries that transform cassava into value-added products.

5. In my previous work as economist with the International Institute of Tropical Agriculture, a leading Nigerian manufacturing company contracted my team to carry out a feasibility study for the establishment of a factory to produce ethanol from cassava. We concluded that while it was feasible to establish the plant, the entire cassava supply chains dominated by smallholder farmers needed to be transformed completely to attain economic viability and sustainability.
6. In addition, we must apply science and technology. In the transformation process, we must create synergetic linkages between research and industry and challenge our scientists and Universities to prove themselves as their counterparts in Brazil, China and India have done over the past 40 years or so. However, we must be ready/committed to provide similar research facilities and working environment as done in those countries or elsewhere.

I: How to unlock Nigeria's industrial potential?

1. There is no single key or bullet to unlocking the potential. However, what Nigeria urgently needed are policies and institutions to foster rapid business development across key priority sectors. This means targeted policies and strategies applied consistently to promote enterprise revolution that accelerates sustainable growth while simultaneously helping alleviate poverty, creating jobs and improve living standards.
2. All of these must take place within a more holistic concept of sustainable development. We need to continue striving for access to education – but education should also emphasize skill formation and entrepreneurship development. We should bring food security to the starving – but we can't ignore commercialization, agribusiness development, and the consumption and trade of higher-value food products.
3. To make this approach a reality, we also need to work on lowering the cost of doing business. Nigeria has an ease of doing business index of 137, fighting corruption, improving the rule of law, investment in infrastructure and energy and investing natural resource revenues in enhancing competitiveness and diversifying the economy.

J: What role for Government?

1. Leadership that builds strong institutions to support industrial development: The political elites of this country must genuinely set goals and targets to transform the country from a lower middle income country into a modern industrial nation that would provide a decent way of life for its citizens. This would require the design and implementation of a vigorous program of economic development. Priority industrial sub sectors must be identified and vigorously promoted.
2. Investment in education and infrastructure to provide a solid foundation for industrial modernization and economic growth. In particular, investments in engineering, vocational/industrial training are needed to support targeted industrial sub sector development. This should be done in tandem with a program for the modernization of industries and infrastructure such as power supply, water, modern road networks, improved communications network, etc. Without a well-educated work force (for industry) and a modern infrastructure our hope for industrialization would be delayed.
3. Strong support to the private sector through targeted and result oriented incentives. This requires supporting and strengthening public institutions and private sector industrial/business service associations to support an industrial modernization and trade promotion programme. A strategic element of this support to private sector must be built on public-private partnerships, within a free enterprise development environment. Especially for priority industrial subsector or commodities. For example, the private sector could also be supported through a series of export and production targets utilizing special credit facilities, and other monetary and fiscal policies.
4. Investments in science, industrial research and technology: - Investment in science and technology are the backbone of modern industrial development. While the private sector should also invest in research, synergies between public research institutions and industry must be established. Most industrial technologies are available in developed countries and could be acquired and adapted locally. It is therefore imperative to take advantage of existing technologies to become competitive in

areas where other advanced industrial nations had already achieved success rather than attempting to re-invent the wheel.

K: What role for the Organized Private Sector Organizations?

1. Work close with the political elites to re-design an industrial modernization strategy and programmes for the country, working only on priority sub-sectors with targeted markets
2. Galvanize the membership to work closely with the public sector for the success of the programme, while monitoring progress and proposing adjustments and advocacy to promote interests of the private sector.
3. Provide the necessary technical and business services required by enterprises to enhance their competitiveness, market access and expansion, where necessary.

L: What and how can UNIDO assist?

1. As the UN specialized agency that promotes sustainable industrialization in developing countries and countries in transition, UNIDO has prepared a robust Country Program (CP) for Nigeria covering the period 2009 to 2012. The CP focuses on three thematic areas which consist of separate but linked programmes/projects. These are (a) Poverty Reduction through Productive Activities, (b) Trade Capacity Building; and (c) Energy and Environment.
2. The objective of the CP is to support Nigeria in the achievement of her vision to become one of the 20 largest economies in the world by the year 2020 (tagged the Vision 20-2020) which the Government aimed at achieving through the 7-point Agenda. As the present CP comes to an end by next year, we have already started preliminary consultations to redefine a new Country Programme.
3. UNIDO will continue to work closely with the government through the Federal Ministry of Commerce and Industry, other related Ministries, State Governments and parastatals as well as the OPS to support the industrial development aspirations of Nigeria. Of interest to this gathering, we have already started negotiations with HQ to design a Technical Assistance project for institutional strengthening and human capacity building in support of the OPS. This we believe will enhance the provision

of technical and business support services to your members and improve on your advocacy role. This is an outcome of consultations I recently had with the NACCIMA, LCCI, NECA, LBS-Pan African University, NASME and Dangote Group.

M: Conclusion

1. Nigeria's aim to become an industrialized country in the next two decades and achieve fast sustained and equitable growth, is not a mirage; it is attainable! However, the "right mix of policies and strategies" for trade and industrial promotion are required.
2. Equally important is a crop of visionary political elites and business men and women who are committed to achieving industrial development. These should be able to capitalize and take advantage of opportunities in the domestic, regional and from the global economy (e.g. preferential market access). They must be supported technically to know about the levels of incentives and public investments that are necessary for private investments to take off and ensure the long-term diversification of the economy and its integration in the global economy. This must be complemented by economic diplomacy.
3. Democratic framework and rule of law provides investor confidence. Nigeria must continue along the path of democratization and modernize its institutions to sustain the gains made so far and to break new grounds.
4. Economic and social stability and well developed banking sector. We have seen progress in the reform of the banking sector spearheaded by the CBN.
5. Strong public-private sector partnership with accent to the private sector as the engine of growth and nurturing an entrepreneurial culture.

Thank you for your attention.