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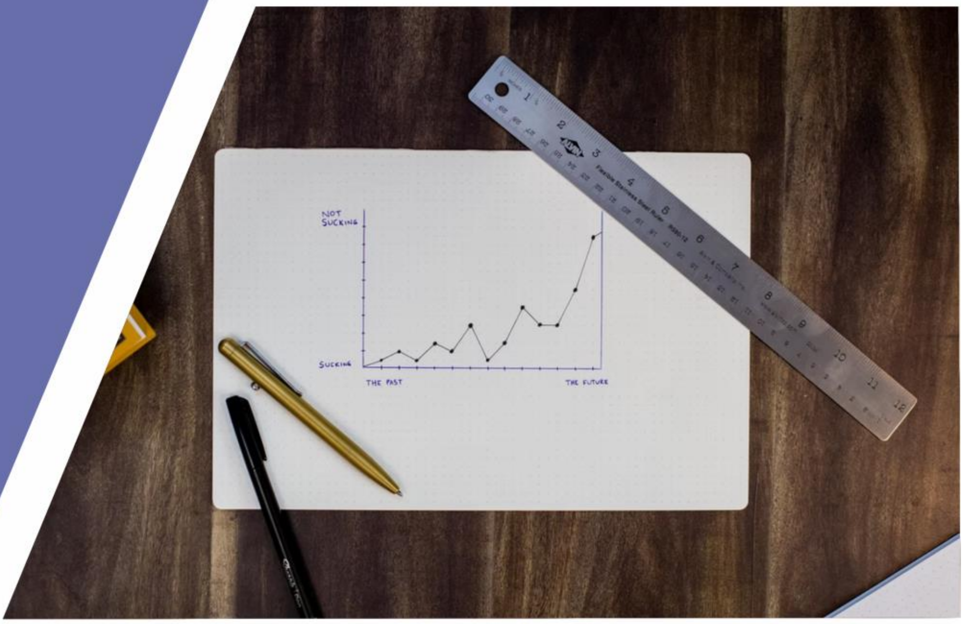

Public Analysis & Implementation

Module 5

MPA 842 Policy Analysis and Implementation Module 5

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Unit 1 Management by Objectives (MBO) and Planning-Programme Budgeting Systems (PPBS)

1.0 Introduction

This unit continues with the tools for policy analysis. Management by Objectives (MBO) and Planning - Programme Budgeting Systems (PPBS) are discussed, here. This will further enhance your understanding of techniques or tools of policy analysis.

2.0 Objectives

At the end of this unit, you should be able to:

- explain management by objectives
- discuss Planning - Programme Budgeting Systems (PPBS).

3 0 Main Content

3.1 Management by Objectives (MBO)

Management by objectives, often referred to as *MBO*, is a management technique that emphasises establishing and clarifying personnel within the organisational objectives, such that different sets of activities, operations and personnel within the organisation or programme could be directed and managed accordingly. However, *MBO* is not only a technique; it is also a philosophy or belief in subordinate *cum* manager participation in goals setting and management; and co-operation in the joint act of achieving effectiveness.

The implementation of *MBO* requires clarification and agreement by management as a purpose or intentions, accomplishments or results; these may be analysed in terms of their concreteness, attainability, desirability and measurability (Baker, 1971:194). This means that they should also be stated in quantitative and verifiable terms. On the bases of those analyses, the objectives are rated in terms of priorities. This process applies to both the entire organisation, and sub-units. However, there has to be overall consistency in objectives.

The second stage is budgeting; which consists of resources available to the list of prioritised objectives. Decisions as to which objectives would be given priority in resource allocations are then made. Planning follows this stage. This is the allocation of responsibilities and the design of programmes or actions to attain objectives of varying levels and units of the organisation. The control stage is that of decisions and activities to achieve unit goals. Under *MBO* techniques, managers and units are given autonomy to achieve set objectives in their own spheres.

MBO is also characterised by periodic, performance reviews. At unit levels, managers are expected to know accomplishments and initiate modifications, where necessary. Thus, there has to be feedback to the manager and where necessary, to top management. The technique also requires performance reviews at the expiration of each implementation period. A year's performance to the objectives is reviewed by management, and individual contributions are assessed and rewarded; on this basis, rewards are related to achievement. *MBO* can be applied to both private and public organisations (Ikelegbe, 1996:52-53).

Self-Assessment Exercise

What is *MBO?*

3.2 Planning – Programme Budgeting System (PPBS)

It is a policy planning, management and budgeting technique introduced in America, in 1963. In Nigeria, it was first adopted between the 1972-73 financial years. The purpose of *PPBS* is to enhance management of activity through a three pronged integrated system of planning, programming and budgeting, and thus equip management with a better framework for planning the administration of the organisation and its programmes.

For better understanding, planning in the *PPBS* is simply the determination goals and the specification of the best functions to attain them. The programming function consists of the specification and implementation of projects within each programme. The budgeting function is the allocation of resources to achieve the specified goals programmes and projects. *PPBS* specified that these activities should be integrated and coordinated within an organisation. The organisations budgeting must be integrated with its plans and programmes, such that the activities of the organisation and clearly organised, guided and appraised.

Self-Assessment Exercise

Describe *PPBS* as a management technique.

The characteristics of *PPBS* system include the importance attached to the examination and determination of objectives, the design of alternative programmes to achieve stated objectives, the choice of the best alternative and the design of projects with programmes and the allocation of resources to achieve the choice programmes and the emphasis on management on the basis of programmes. Furthermore, the emphasis is on projections and performance. Thus, the costs of programmes have to be projected into the years ahead and the year by the year programme achievement projected. Finally, the system is characterised by monitoring or appraisals- based on data generated on the programmes and projects. The purpose is to provide a basis for decisions on effectiveness, worth, appropriateness of operations, levels of activity and services and modifications of current programmes and projects (Akinyele, 1980:298).

4.0 Conclusion

Both *MBO* and *PPBS* are frameworks for decision-making, budgeting, management and evaluations. Their objectives are to promote efficiency and effectiveness in an organisation.

5.0 Summary

MBO, as a management technique, clarifies objective and personnel within the organisation or programme; while *PPBS* is a system that determines goals and the specification of the best performances to attain them, among other objectives.

6.0 Self-Assessment Exercise

In your own opinion, how does *MBO* enhances efficiency in an organisation?

7.0 References/Further Reading

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Unit 2 Game Theory, Zero-Based Budgeting, Decision Analysis and Decision Tree

1.0 Introduction

In this unit, you are introduced to another three tools and techniques in policy analysis. These are game theory, zero-based budgeting and decision analysis and decision tree. This will further improve your understanding of policy analysis.

2.0 Objectives

At the end of this unit, you should be able to:

- Discuss game theory
- explain zero-based budgeting
- discuss decision analysis and decision tree.

3.0 Main Content

3.1 Game Theory

Game theory provides a means by which strategic decision are modeled and analysed. Its assumptions are presumed on zero-sum politics the outcomes is dependent on choices made by each of two or more players. The players usually make rational choices as a way of maximising their benefits and minimise their worst possible outcomes. The benefits of various alternatives open to a player are weighed and employment of an optional strategy is referred to, by the game theorist, as rational behaviour. The game theory is useful to policy makers because it encourages thoughtful examination of options before any action is taken, in order to maximise gains and ameliorate the hardship of the target population (Olaniyi, 1998:74).

3.2 Zero-Based Budgeting

This is a budgeting technique that emphasises comprehensive, annual reviews and scrutiny in the allocation of funds to organisations and activities. It was introduced in the state of Georgia in the United State of America, in 1973; and has since then been a common technique in business and public organisations in many parts of the world (Horn & Meter, 1975:445).

Zero-based budgeting requires that the present budget should be an entirely new activity and not based on old estimates and activity. The basic assumption of zero-based budgeting is that the entire budget should be built up based on current goals, reasoning, operations, reviews and target accomplishments. This contrasts the traditional budgeting, which is based on increments.

Zero-based budgeting requires every department, programme or unit to justify the expenditure proposed, annually, in respect of goals, programmes or projects, operations and set accomplishment levels. Rather than justify only increases as in traditional budgeting, every proposal must be supported by a rational explanation. Budgeting ceases to be a mere routine, but a comprehensive qualitative and rewarding annual exercise (Ikelegbe, 1996:56).

Self-Assessment Exercise

What is game theory in policy analysis?

3.3 Decision Analysis and the Decision Tree

Decision analysis is used by decision makers to address uncertainties, probabilities, value pay-off to simplify and enhance decision-making. Decision tree is a decision-making tool that presents, graphically, the sequence in the decision process, to enable easier understanding, management and choice in decision-making. It is a diagrammatic model and a conceptual framework, which denotes, precisely, the flow or sequence, the structure, stages, tasks, activities and consequences in the decision-making process. It, therefore, enables a summary of essential information on a flow chart, relating to a particular decision problem.

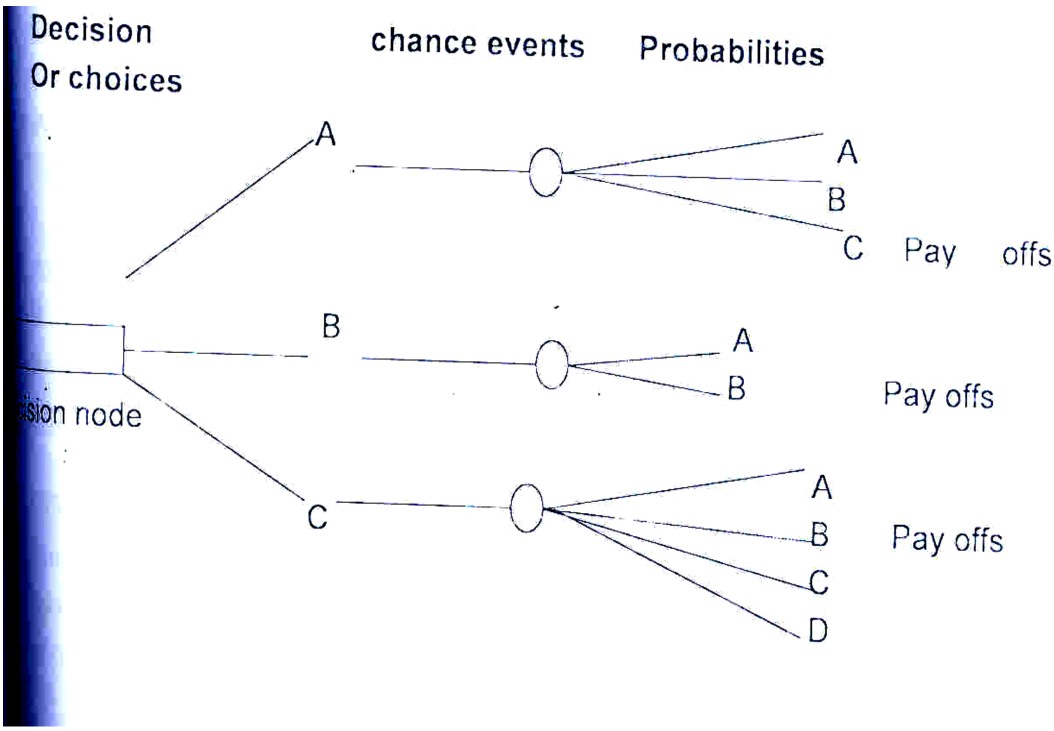

Fig 2.1:

The decision diagram shown in figure 4.1 consists of four components- namely, decision nodes, chance nodes, probabilities and pay offs. A decision node is a square that denotes the point of decision between courses of action; and from the decision node, flow alternative or possible courses of action. Chance events are intervening events or changes that determine the consequence or outcomes of alternative. The chance events are represented by circles in the flow diagram. Chance events actually denote uncertainties they face each course of action. It provides the decision maker the uncertainties to be resolved.

Probabilities are the possible outcomes or results of chance event. The probabilities are calculated, in terms of percent chances of each outcome. The probabilities are represented by branches from the circle (chance event) along with percent chances. Pay offs are the result of outcome of each alternative. It is the summary of the consequences of each possible combination of choice and chance. The pay offs are recorded at the end of each branch (alternative) (Stoky and Zeckhanser).

The decision tree, thus, presents the decision maker with the sequence, the choices available, the uncertainties and calculations of probabilities and outcomes. The calculated pay off and the percent chances of probabilities form the basis of decision.

Self-Assessment Exercise
Describe zero-based budgeting.

4.0 Conclusion

The tools and techniques are important in policy analysis. It is for this vital reason that you are being taught all of them for basic understanding.

5.0 Summary

The game theory, zero-based budgeting and decision analysis and the decision tree are discussed in this unit. The last three tools and techniques are discussed in subsequent units.

6.0 Self-Assessment Exercise

Decision analysis is used by the decision maker to address uncertainties, probabilities.

7.0 References/Further Reading

Horn, C.V. & Meter, D.V. (1975). The Policy Implementation Process: A Conceptual Framework". *Administration and Society, Vol. 6 No.4.*

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Unit 3 Critical Path Method, (CPM) Programme Evaluation and Review Technique (PERT) and the Delphi Method

1.0 Introduction

This unit discusses the last three of the tools and techniques of policy analysis. At the end of this unit, you should have understood very well how tools are used to analyse policies. This makes you a good policy analyst.

2.0 Objectives

At the end of this unit, you should be able to:

- explain critical path method
- discuss programme evaluation and review technique
- describe the *Delphi* method.

3.0 Main Content

3.1Critical Path Method (CPM)

CPM is a planning and control technique that is used based on network analysis. It is specifically used in the planning and control of programme/project operations and implementation. The CPM involves the management functions of the determination of what is to be done- such as designing programmes and activities to achieve planning. It also involves the determination of when each activity is best initiated, in relation to optimal achievement of programme activities. Furthermore, it involves the determination of a time frame or projection of completion times for the activities, events and the entire programme. Lastly, it involves the determination of critical activities and thus a frame of preference for allocation of programme resources and efforts.

CPM is, essentially, a graphic presentation of routes, activities, actions and events that are to be undertaken in relation to a terminus- the programme's completion. It is a flow chart or a diagrammatic model denoting a plan of action listing all activities and events in a programme and delineating linkages or relationships between the activities and events and the sequence of events and activities; this is in terms of what should precede or what should be done at the same time or done afterwards. Finally, it specifies a projection of completion times for the activities and the entire programme. These activities, events, linkages and sequence are presented in arrows and paths.

The anchor of the arrow diagram is the start of the initiation of the programme. The arrows are the linkages between events they actually represent- the activities that lead to an event or milestone, represented by nodes. The terminus is the programme completion or achievement. The scheduling activities in CPM are within a time frame. CPM helps in calculating the duration for achieving each event or activity related to programme achievement and for the entire programme. Under CPM, the earliest possible time that an event can be completed (EPO) is computed for each activity (arrow), as well as for the entire project. The amount of time (float) of an activity's time is also computed. Furthermore, the latest possible occurrence (LPO) or completion time, for each event (node), without negative consequence for programme duration is also computed.

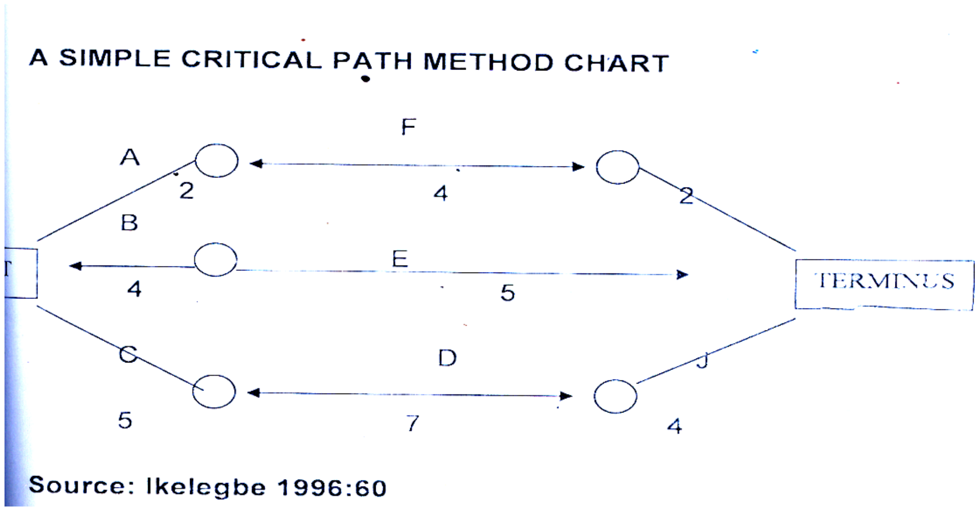

Figure 3.1

These time computations, lead to the determination for the critical path. First, the computation determine the activities with positive float or precisely those whose achievement can be shortened or lengthened without affecting the achievement of any other activity or the entire duration of the programme. Secondly, the computations determine the activities with zero float, or which the completion times control the entire programme.

Self-Assessment Exercise

Analyse Critical Path Method (CPM).

3.2 Programme Evaluation and Review Technique (PERT)

PERT is a planning and control technique based on network analysis. Like the CPM, PERT is a technique for planning and organising tasks and activities in relation to programme completion. PERT was developed in the late 1950's. It emerged out of the need to provide techniques for the planning and management of a huge, complicated weapons programme, the Polaris weapons system in the United States. PERT is a flow or diagrammatic model that denotes the tasks of a programme, the events, sequence, expected completion time and variance in completion times of events in a programme. PERT network is design in several stages.

The first is a flow chart, denoting all the events in circles, and the activities or processes with arrows connecting the previous events (statement of activities) with the pointed end, to the next events (completion of activity and thus of event.) The chart also denotes the terminal point, which is the completion of the entire project. The chart is a logical sequence of events and activities and in fact denoted a network of interrelated and interconnected events and activities from programme statement to termination or completion. In the second stage, the expected completion times and variance in the completion times are calculated for each activity. The expected time estimate is the most likely or probable time the event would be completed.

PERT accommodates uncertainties in its analysis, and therefore variance is calculated. The time (te) is calculated using three parameters- the most optimistic, the most likely and the most pessimistic. The formula $V = \frac{6 - a^2}{6}$ where. V is (variance)

(pessimistic estimate) 'a' is optimistic estimate and 6 is a constant. The expected time duration (completion time) and variance is put against each activity. The next stage is the determination of the critical path to programme completion. The procedure here is almost similar to that of the CPM technique. PERT is similar to CPM in several ways. Both are flow charts. Both calculate expected completion times. Both determine the critical path. In fact, CPM can be subsumed in PERT analysis, because PERT involves CPM.

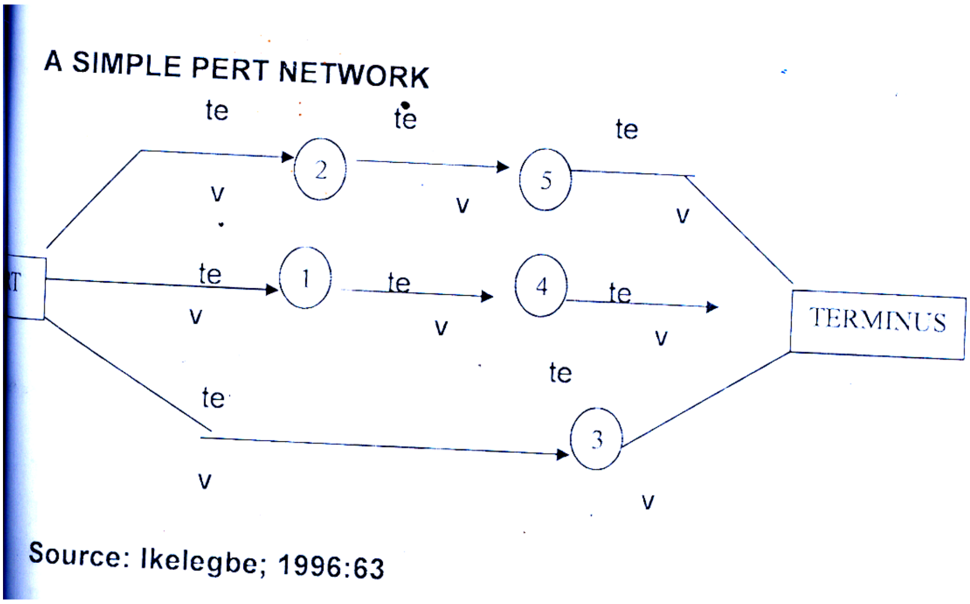

Figure 3.2

PERT is, however, different from CPM in some ways. First, PERT is concerned with events, unlike CAM which is more concerned with activities or jobs. Secondly, PERT enables the calculation of variances in the expected completion times. This is the most probable time for completing events- given uncertainty is determined. This is unlike CAM, which is only concerned with determining expected completion time. Thirdly, PERT is the more rigorous and sophisticated of the two techniques. In fact, PERT was designed as an approach to managing large-scale projects. It requires the aid of sophisticated computer programmes to manage and monitor requirement, calculations and charts.

The PERT technique, particularly, has advantage in handling large-scale programmes with high uncertainties. While CAM is more applicable to a well-defined programme, with single management, PERT can handle complex programmes with multiple and overlapping management, logistic problems and imprecise objectives. Like the CPM technique, PERT is useful in the planning, operations and management of programmes. As a matter of fact the advantages of CPM to planning, control and management, as well and applications and uses of CPM also apply to PERT. PERT has advantage over CAM because of its rigour and sophistication in handling large scale complex programmes and uncertainties.

Self-Assessment Exercise

Describe PERT.

3.3 The *Delphi* Method

The Delphi method is a technique of forecasting or prediction applicable in situations of inadequate database or analogy to provide empirical predictions about future events and relationships. In such situation, the other options for forecasting are intelligent and knowledgeable guesses of expert from relevant or related fields on the issues. This is precisely what the Delphi method is about. It was developed by Olaf Halrner, Norman Dalkey and Theodore Gordon, in the early 1960's.

The Delphi method is a technique for eliciting expert opinion and prediction of issues of interests. More specifically, it is a means of managing expert prediction to avoid common errors and disadvantages of expert committees. The purpose is to obtain the best unbiased, uninfluenced a true opinion of expert on the issues of interest. With Delphi method, experts interact on the basis of opinion, arguments, explanations and forecast. However, the experts do not interact personally.

The method involves first, the selection of a committee or panel experts by the agency or organisation that has jurisdiction over the topic, issues or policy in question. The second phase is the management of several stages of the Delphi; the third phase is the compilation of responses and analysis. The management of Delphi stages of operation is very important. There are four stages. In all the stages or rounds, personal contacts are avoided. In the first stage, unstructured questionnaires are presented to member to elicit open responses on predictions of events and their timing. In the second round, the opinions of participants are circulated without mention of source. Participants are presented with forecast, dates and arguments, such that they may react to the prediction estimates, timing of events or forecast, or to reveal their former prediction or opinion in the light of circulated opinion of others.

They are also requested to provide explanation as to their present opinion. In the third round, the participants are again presented with the predictions, events, dates and explanation in the second round, without disclosure of the source. Members are again given opportunity to reconsider their earlier forecast in light of general predictions and explanations of group members. Members who deviate, considerably, from the opinion and forecast of others are asked to explain their position. The fourth round begins with the circulated dates, arguments and explanations from the third round. Participants are then asked to make forecasts. These are then collated and analysed.

Some of Delphi requirements are meant to avoid some problems which often emanate in panels or committees. These include undue influence; eloquent, vociferous, tenacious and logical arguments; tendency of face saving; the inability to, and in fact, the pain associated with changing one's idea or opinion. Others include the tendency to associate with the views, opinion arguments of the topmost expert in the panel or even outside; and the tendency towards minimising disagreements and emphasising agreements or areas of agreements. Some of these problems arise from the group interactions (with and between members). The Delphi method, by avoiding personal interactions through its various rounds of forecast, eliminates these problems, to some extent.

The key advantage of the Delphi method is that it enables expert opinion or forecast, based on consideration and reconsideration of available expert opinion by participations. In addition, it avoids interpersonal interaction, which oftentimes blurs objectivity and individual contributions in committees and expert panels. However, the problems with the technique are the reliability of forecast. In Delphi, consensus or convergence of opinion enhances the reliability of forecast. The ultimate usefulness of the Delphi method, however, depends on accuracy of forecast or forecasting success.

4.0 Conclusion

The unit considered the critical path method, programme evaluation and review technique, and the Delphi method. This concludes the discussion on policy analysis. The final unit will treat industrial policy in Nigeria.

5.0 Summary

The unit considered the critical path method, programme evaluation and review technique, and the Delphi method. These tools are the last techniques in policy analysis to be discussed in this course.

6.0 Self-Assessment Exercise

Critically analyse the Delphi method.

7.0 References/Further Reading

Barry, B. (1979). *Public Management and Policy Analysis*. New York: St. Martin's Press.

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Unit 4 A Case Study of Nigeria's Industrial Policy

1.0 Introduction

The year 1986 was a significant year for the manufacturing industry in Nigeria. In July 1986, Nigeria embarked on a Structural Adjustment Programme (SAP) with major features that include substantial deregulation of import and export practices and easier access to foreign exchange market, where the exchange rate for the naira is determined by the interplay of market forces. Under SAP, the private sector was expected to play a vital role in the manufacturing sector.

In recognition of the vital role that the manufacturing sector has to play in the economic recovery and growth of the nation, government introduced significant changes in the legislation governing the manufacturing sector, to improve the investment climate in the economy Hence, the Federal Ministry of Industries produced a national industrial policy in 1986, which was aimed at ending the major barriers that had hampered industrial investment in Nigeria. However, whether the policy has achieved its objective or not will be left to you to determine, after reading the policy aims.

2.0 Objectives

At the end of this unit, you should be able to:

- state the objectives of Nigeria's industrial policy
- explain the institutional framework of the policy.

3.0 Main Content

3.1 Industrialisation in Nigeria: The Background

Throughout most of the post-independence era, Nigeria pursued an industrialisation strategy based on import substitution. As the economy benefited from increased foreign exchange earnings from petroleum exports in the early to mid 1970's, ambitious and often costly industrial projects were embarked upon by government. Private sector investment in manufacturing grew too, taking advantage of an array of government incentives such as the 'pioneer status and approved user's scheme'. By the late 1970's, a clear picture of the structure of the manufacturing sector had emerged. The sector was characterised by:

- high geographical concentration
- high production costs
- low value-added
- serious under-utilisation of capacity
- high import content of industrial output and
- low level of foreign investment in manufacturing.

Most of the problems of the manufacturing sector have often been attributed to inadequate infrastructure, lack of executive capacity, poor utilisation of available manpower and absence of a sound technological base. Many more reasons could probably be adduced; but by the early 1980's, as the country's foreign exchange earnings declined significantly, the high import dependence of the manufacturing sector became a serious liability on the economy.

By this time too, government had invested heavily in a diversified portfolio of industrial projects including salt, iron and steel, cement, sugar, pulp and paper and fertilizers. The poor returns on these projects, however, could not justify the enormous public funds that had been committed to their execution. In fact, many industrial projects, in which huge amounts had been expended, remained largely uncompleted.

Against the background of these problems, and after several exhaustive studies, it became clear that a restructuring of the manufacturing sector was required. To cope with the problems of this sector and the economy in general, Nigeria embarked on a Structural Adjustment Programme (SAP) in July, 1986. The major features of SAP include increased import liberalisation and easier access to Foreign Exchange Market (FEM), where foreign exchange rates for Naira are determined by interplay of market forces.

SAP has important implications for government and, industry alike. Among other things, it has brought about government's reappraisal for the regulatory environment, the structure of protection for local industries and the package of incentives available. For the private sector, and industrialists generally, it will demand a more serious effort to control costs, increase production efficiency and stay competitive. SAP, thus, marks a watershed in the evolution of the manufacturing sector in this country.

3.2 Policy Objectives and Strategies

Police Objective
The objective of government industrial policy shall be to achieve an accelerated pace of industrial development. In this regard, the industrial sector would become the prime mover of the economy. The elements of this objective include the following.

- Providing greater employment opportunities
- Increased export of manufactured goods
- Dispersal of industries
- Improving the technological skills and capability available in the country
- Increased local content of industrial output
- Attracting foreign capital, and
- e. Increased private sector participation in the manufacturing sector.

Employment generation
The social and political consequences of a high rate of unemployment made it imperative that the industrial sector should aim at creating job opportunities. This vital role has become even more crucial to the economy in view of the, large number of trained technical manpower for which the industrial sector is yet to find gainful employment.

Increased export of manufactured goods

To diversify the base of the nation's foreign exchange earnings and strengthen the manufacturing sector through exposure to international competition, government will actively encourage a more export-oriented approach by the manufacturing sector. As a substantial part of our foreign exchange earnings is used up by the industrial sector, is expected that industry should try to contribute more to foreign exchange earnings. This represents an important policy shift.

Promotion of nationwide industrial development through industrial dispersal
To discourage over-concentration of industries in a few industrial centers, and to promote national integration, the nation needs rational dispersal of industries. As a corollary, rural areas and other hitherto neglected areas of the country will, increasingly, begin to feel the positive impact of industrial development.

Improving technological skills
To create and maintain a modern industrial society, the average level of technological competence of the Nigerian population needs to be significantly raised. The quality and availability of technical education and industrial training, the content and level of industrial research being undertaken in the nation's industries and research institutes will all contribute to the achievement of this vital objective.

Increase local content
This will be achieved, mainly, through increased use of local raw materials and further backward integration by existing industries clearly, as local content of industrial output increases; this will affect the general level of economic activity and open up employment opportunities across sectors.

Attracting foreign capital
Attracting foreign capital into the manufacturing sector is crucial to the attainment of many of the policy goals of government. Indeed, government hopes that the restructuring of the economy through SAP and other measures taken would make the country more attractive to foreign capital.

Increased private sector participation
The realisation of government's objective of accelerated industrial development hinges, critically, on increased private sector participation in the manufacturing sector. Dwindling government financial resources, ever-increasing socio-economic responsibilities to a rapidly increasing population and past experience with many public sector industrial projects have all combined to make increased private participation an important policy objective.

Strategies and Policy Measures
In pursuit of the central objective of accelerated industrial development, government shall take a number of steps, involving:

- encouraging increased private sector participation in the industrial sector, and privatising and commercialising holdings in certain existing industrial enterprises
- playing a catalytic role in establishing new core industries
- improving infrastructural facilities

- improving the regulatory environment
- improving the investment climate prevailing in the country
- establishing a clear set of industrial priorities, and
- harmonising industrial policies at federal, state and local government levels.

Employment generation

The major policy tool through which government plans to enhance employment generation is the promotion of small scale industries. In the light of SAP economic realities, "small scale" industries are defined as those with total investment of between one hundred thousand naira (N 100, 000) and two million naira (N2, 000,000), exclusive of land, but including working capital. "Micro/cottage industries" are defined as those with total investment cost that does not exceed one hundred thousand Naira (N100, 000), including working capital, but exclusive of land.

Government, therefore, accords high priority to the Small and Medium Scale Enterprise (SME) projects which the main objectives are to develop in Nigeria, a broader base of entrepreneurial culture, a core of trained manpower and an effective institutional structure, capable small and medium scale enterprises. With different organisations working at different levels, government considers it necessary to set up a co-coordinating umbrella organisation called "Small Scale Industries Corporation" charged with the following responsibilities, among others:

- promotion of small-scale industries
- development of policies and programmes for small scale industries
- provision of extension services
- meeting the training needs of small scale industries
- provision of technical and management assistance, and
- provision of facilities for credit delivery.

A key government strategy for the development of this class of industries is helping more actively to meet financing needs of small-scale industries. Hitherto, the Nigerian Bank for Commerce and Industry had been the major medium for providing funds for small scale industries. The federal government shall evolve small-scale based mechanism of credit delivery, allowing small-scale industrialists greater access to credit facilities. To this end government plans to involve the following mix of financial institutions.

- Five (5) commercial banks
- Three (3) merchants banks
- The Nigerian Bank for Commerce and Industry (NBCI),
- The Nigerian Agricultural Co-operative Bank (NACB) and
- State development finance corporations

Government shall also strive to encourage the growth of small scale industries through the following:

- The establishment of industrial estates with appropriate infrastructural facilities; henceforth the federal government will assist states with matching grants in the establishment of industrial estates for the promotion of small scale industrial estates. The administration of such estates, however, will be left to the states.
- In addition, the ongoing Entrepreneurial Development Programme (EDP), the Working for Yourself Programme (WFYP) and the Train-the-Trainers Scheme will be further intensified and improved upon, as these are avenues for developing the corps of entrepreneurs needed in the economy.
- The Small Scale Industries Corporation will accord -high priority to industries engaged in the manufacture of basic needs including food processing and agro-industries, household equipment manufacturing industries, building material industries, industries for manufacturing low cost transport equipment, pharmaceutical industries, etc.

Increased export of manufactured goods
Government strategy for increased export of manufactured goods rests on making Nigerian exports more competitive internationally and export activities more profitable for industrialists.

The major planks for this strategy are:

- the regulatory environment
- promotion of export free zones
- liberalisation of access to foreign exchange and
- allowing a market-determined exchange rate for the Naira
- fiscal and financial incentives.

The Nigerian Export Promotion Council is the premier organisation responsible for the administration of various incentive schemes and measures aimed at encouraging exports. It is also responsible for administering the Export Development Fund.

Dispersal of industries
In pursuit of this objective Local Government Areas (LGAs) of the country have been grouped into three zones, as follows.

Zone 1- Industrially and economically developed local government areas;

Zone 2- Less industrially and economically developed local govern merit areas;

Zone 3- Least industrially and economically developed local government areas.

The criteria for such classification include:

- industrial production in gross and per capita basis
- social and economic infrastructures available and
- level of labour market development.

Through an array of incentives, including a programme of industrial layouts and development of craft villages, government at various levels plans to make all areas attractive to new investment.

Improving technological capacity

Meaningful industrial development will necessitate the widespread acquisition of technical know-how by Nigerians. Every effort will be made to acquire the level of industrial technology that would establish a self-reliant economy. Government shall, actively, support industry's research and development efforts and promote agencies engaged in industrial research and manpower training.

The Industrial Development Centers (IDCs) represent an important instrument or improving technological capacity. The *IDCs* were created to ensure that small and medium scale enterprises (SME) not, ordinarily, in a position to employ highly skilled manpower, such as managers, engineers and technical staff, are assisted to solve their operational problems. Specifically, the functions of IDCs are to provide:

- technical advice and assistance regarding the selection f the proper manufacturing process for the product in view, selection of the right machinery, equipment and raw materials for the purpose.
- assistance in the installation and operation of machinery.
- on-the-job training of artisans in the handling of machines and simple tools.
- assistance in the repairs of machinery and tools and tooling facilities of IDC's workshops.
- advice and assistance to resolve operational problems encountered by SMEs.
- advice and assistance to small scale industrialists to improve the design and quality of their products;
- training of, proprietor and supervisory staff of SME's in modern management methods and practices suited to their enterprises;
- marketing counselling regarding pricing, packaging, sales strategy, advertising and. marketing methods for the promotion of sales of their products, and
- feasibility reports for intending small scale industrialists.

Increased local content

Increasing the local content of Nigerian industrial output is a central objective of government industrial policy. Finding suitable local raw materials and promoting their use by industry is one element of the strategy by which government plans to realise the objective. The Raw Materials Research and Development Council will allocate resources to research and development of identified raw material.

Government will encourage new industries with greater linkages to the rest of the economy. Existing industries will be encouraged to pursue further integration. Assistance in the commercialisation of research results represents another strategy which government plans to adopt in order to raise the local content of manufacturing output.

Attracting foreign capital

Accelerating the pace of industrial development will require enormous capital investments. While government welcomes domestic private capital investments, it also recognises that such investment may not be available in the required volume. Government therefore welcomes foreign capital into the manufac-turing sector. Indeed, the Structural Adjustment Programme was embarked upon with the prospect of increased inflow of foreign capital.

The main component of government strategy for attracting foreign capital is the liberalisation of access to foreign exchange for individuals and companies provided through the Foreign Exchange Market (FEM). Easier capital and dividend repatriation through less cumbersome procedures is a by-product of recent changes in the regulations. Another clement of government strategy consists of amendments to the

Nigerian Enterprises Promotion Decree 1977 (NERD)- these amendments are designed to open up more areas for foreign investment. Thus, in the amended decree, only one list of scheduled enterprises, instead of three, have been retained; and the list contains businesses exclusively resolved for Nigerians, who are now free to own up to 100% equity, separately or in partnership, in, any unscheduled enterprises. Foreigners are welcome to invest in the scheduled enterprises with a minimum capitalisation of twenty million naira (N20, 000,000.00). Government will continue to cultivate and improve bilateral trade links with other countries as a means of encouraging foreign capital investment in the economy.

Increased private sector participation

The first main strategy by which government seeks to achieve increased private sector participation in manufacturing is the privatisation/commercialisation of public sector investments. In this connection, government has completely divested itself of holdings in 67 companies. In addition, while some companies will be fully commercialised, others-especially those considered strategic for the moment, will be partially privatised/commercialised. These arrangements are embodied in Decree No. 25 of 1988.

Role of the private sector

The various enterprises being privatised were set up when revenue accruing to government were considerable. In a few cases, however, the private sector, at that time, was slow in reacting to the investment opportunities that existed, either due to the heavy capital outlay involved or lack of technology and skill to close the gap and provide the goods and services to the public, government took the initiative to invest in those activities. Indeed, during the Third National Development Plan period certain economic activities were either, exclusively, reserved for government or for majority government interest.

The situation that gave rise to the predominance of government in some economic activities has, however now changed. What is more, the organised and even the informal sector have grown considerably over the years. There is need to release government resources for the provision and development of infrastructure etc. Government therefore welcomes and actively encourages a more significant role for the private sector in the restructuring of the economy and in improving the long term growth and development prospects.

Government has, in addition, opened up hitherto restricted areas in manufacturing to the private sector in defense industries; however, government shall establish regulatory mechanism guiding investment. Furthermore, government will maintain continuous contact and consultations with the private sector on issues of concern to industry. In view of the foregoing, government expects the private sector to seize the opportunity and play their rightful role in the economy.

Debt conversion programme

In addition to the privatisation / commercialisation exercise and in a determined effort to reduce the debt burden of the country and thereby improve the investment climate, especially in the critical areas of the economy, government has established a Debt Conversion programme (DCP). The objectives of the programme are to:

- improve Nigeria's external debt position by reducing the stock of outstanding foreign currency denominated debt in order to alleviate the debt service burden
- improve economic environment attractive to foreign investors
- serve as an additional incentive for the repatriation of flight capital
- stimulate employment generating investments in industries with significant dependence on local inputs
- encourage the creation and development of expert base of the Nigerian economy
- increase access to appropriate technology, external market and other benefits associated with foreign investment.

For the effective implementation debt conversion programme, government has set up a Debt Conversion Committee, with its secretariat located at Tinubu Square, Lagos. The Central Bank of Nigeria prospective participants in the programme, whether corporate or non-corporate, national or foreign, are to obtain the prior approval of the committee in order to qualify for participation. Guidelines covering rules and regulations as well as application forms are obtainable from the secretariat of the Debt Conversion Committee.

Self-Assessment Exercise

What led to the formulation of industrial policy in Nigeria?

3.3 Incentives to Industry

In order to induce greater support of the industrial development objectives outlined in this document and considering the need to promote a dynamic, efficient and balanced manufacturing sector, a package of incentives has been approved by government. These incentives are designed to promote investment, employment, product mix and various other aspects of' industry. In addition, the nature and application of these incentives have been, considerably, simplified. In general, the package of incentives can be grouped into five; these are:

- fiscal measures on taxation and interest rates
- effective protection with import tariff
- export promotion of Nigerian Products
- foreign currency facility for international trade
- development banking.

1. Taxation

Fiscal measures have been fashioned out to provide for deductions and allowances in the determination of taxes payable by manufacturing enterprises. The fiscal measures are targeted at aspects of industrial activity as follows.

i) Pioneer status

By the provision of the Income Tax Relief Act 1958, amendment by Decree No. 22 of 1971), public companies are granted specific tax holiday on corporate income. The object of the decree is to encourage the establishment for such industries that government considers beneficial to Nigeria. During the period of the exemption, the companies are expected to achieve a reasonable level of profitability. To benefit from the decree, the relevant company (or the product) is declared a pioneer industry (or pioneer product). The act is applicable to both public and private limited liability companies.

Furthermore, the relief covers a non-renewable period of five years for pioneer industries and seven years for such industries located in, economically, disadvantaged areas. Additional tax concessions are available to industrialists who take initiative in the following areas:

- development local raw materials
- addition of local value
- labour intensive processes
- expert-oriented activities
- in-plant training
- investment in economically disadvantaged areas.

Details on these concessions are embodied in a separate pamphlet on incentives to industries. *IDCD* is responsible for the administration of these and other incentives to industry on application.

ii) Tax relief for research and development

Industrial establishments are expected to engage in Research and Development (R & D) for the improvement of their processes and products. Up to 120% of expenses on *R&D* are tax deductible, provided that such *R&D* activities are carried out in Nigeria and are connected with the business from which income or profit is derived. For the purpose of *R&D* on local raw materials, 140% of expenses are allowed. Where the research is long term, it will be regarded as a capital expenditure-written off against profits. In administering this tax relief, the Federal Ministry of Finance shall consult the Federal Ministry of Science and Technology to determine the genuiness of such R&D activities. The results of such research can be patented and protected, in accordance with internationally accepted industrial property rights.

(iii) Companies income taxation act

This act has been amended in order to encourage potential and existing investors and entrepreneurs. Henceforth, the following reliefs and regulations shall apply:

- corporate tax rate is 40% from 1987
- penalty for failure to apply on due date is 10% per annum of the outstanding amount;
- section 49(3) of the Companies Income Tax Act requires companies to submit detailed tax computations along with their returns and audited accounts; and industrial inspectorate department acceptance certificate.

When a tax payer wants to appeal against a court decision, a disputed tax shall be paid. The bodies of appeal commissioners, as well as the courts have been empowered to impose a penalty of 10%- where an appeal proves to be frivolous or groundless. Power to obtain information by a tax authority on banks' customers which has been provided in the Income Tax Management Act is also applicable to Companies Income Tax Act 1979.

The amount of capital allowances to be enjoyed in any year of assessment is restricted, in Nigeria, to 75% of the assessable profits in case of manufacturing companies; and $66^2/_3$% in case of others, except that companies in agro-allied industry are not affected by this restriction. If the leased assets are used in agro-allied company, the full 100% capital allowance claimed will be granted. Moreover, where the leased assets are agricultural plants and equipments, there will be an additional investment allowance of 10% on such expenditure.

(iv) Tax free dividends

An individual or a company deriving dividends from any company as from 1987 shall enjoy tax free dividends for a period of three years, provided:

- the company paying the dividends is incorporated in Nigeria
- the equity participation is imported into the country between 1st January 1987 and 31st December, 1982; and
- the recipient's equity in the company constitutes, at least, 10% of the share capital of the company.

In addition to (a), (b) and (c) above, if the company paying (d) the dividends is engaged in agricultural production within Nigeria or processing of such Nigerian agricultural products produced within Nigeria or the production of petro-chemicals or liquefied natural gas, the tax free period shall be 5years; (e) tax relief for investments in economically disadvantaged local government areas.

Entrepreneurs who invest in economically disadvantaged local government areas are entitled to special income tax and other concessions. These include:

(a) seven years income tax concessions under the pioneer status scheme

(b) special concessions by relevant state governments- additional 5% over and above the initial capital depreciation allowance under the Company Income Tax Act (accelerated capital depreciation).

For the purpose of administering these incentives, the country has been grouped into the following zones.

Zone 1 Industrially and economically developed local government areas,

Zone 2 Less industrially and economically developed local government areas and

Zone 3 Least industrially and economically developed local government areas.

Less industrially and economically developed local government areas are defined in terms of inadequacies of:

- industrial production in gross and per capital basis
- available social and economic infrastructures
- level of labour market development
- double taxation (Income Tax Act 1979).

By Decree No. 4 1985 (miscellaneous taxation provisions) the income tax act of 1979 was amended. The effect of the amendment was to eliminate double taxation on investment income.

Group of companies' taxation

Companies can now pay interim company dividends without any double taxation since the amendment on franked investment income came into effect on 1st January, 1985.

2. Effective protection

Tariff levels provided a simple and straightforward measure of protection against imports, but may not provide the total effect anticipated. Government, therefore, puts in place other measures to ensure that locally produced goods are competitive in both domestic and export markets;

(i) Customs and excise regime

Pursuant to the trade liberalisation policies of the government, a new Customs, Excise Tariff etc. (consolidated) Decree has been published, which took effect from 1st January, 1988. The Decree (No.1 of 1988) which repeals those of 1984 makes provisions for the imposition of customs and excise duties payable on goods imported and manufactured in Nigeria, basing its classification on the new harmonised system of customs tariff. The essence of the review is to give effective protection to local industries and to promote further investments, competition and efficiency. Rather than outright prohibition, the new dispensation favours the use of tariff for the purpose of effectively protecting local industries, enhancing revenue generation, combating smuggling and encouraging exports.

(ii) Dumped and subsidised goods

The Customs Duties (dumped and subsidised goods) Act 1958 permits- when necessary, the imposition of a special duty on any goods, which are dumped in Nigeria or subsidised by any government or authority outside Nigeria. The provision of this act will be invoked, if the government is satisfied that:

(a) material injury will be threatened or caused to potential or established industries in Nigeria by the entry of subsidised or dumped goods into the country; and

(b) the imposition of a special duty will not conflict with Nigeria's obligations under any international agreement such as the General Agreement on Trade and Tariffs (GATT).

3. Export promotion

A variety of measures ranging from export insurance to outright grant to export oriented industries are applicable to manufacturers producing for export. These have been articulated in Decree No. 18 of 11th July, 1986.

Import duty drawback

Under the Customs (duty drawback), Regulations 1959, importers can claim repayment of import duty paid for materials used in producing export goods. Repayment will be made in full, if materials are imported for use in the production of goods which are exported. In the partly duty-paid ingredients, the customs and excise department may grant *bona fide* applicants a "fixed rate" drawback on proof of exportation of such goods or their disposal in an approved manner. The objective of the duty drawback is to encourage the production of various export goods as a way of diversifying the economy away from oil. To encourage non-oil export development and to enable exporters compete, effectively, on international markets, a duty drawback scheme involving and duty suspension for qualifying exporters-backed by bankers' guarantees, have been put in place.

Export license waiver

No export license is required for the export of manufactured or processed products. Also exports have been exempted from excise tax.

Export credit guarantees and insurance scheme

In order to make Nigerian products compete effectively in the international market, as well as to insure genuine exporters against some political and other risks including default in payment, government has approved the establishment of an export credit guarantee and insurance scheme. Exporters will also be in a position to grant their customers some credit facilities.

The **export development fund** shall be used to provide financial assistance to private exporting companies to cover part of their initial expenses in respect of export promotion activities.

Export expansion fund

The export expansion fund shall be used to provide cash inducement for exporters who have exhibited a minimum of N150, 000 worth or semi-manufactured or manufactured products.

Export adjustment scheme fund has been established to serve as a supplementary export subsidy. Proceeds will be used to compensate exporters for:

- high costs of production arising from deficiencies
- purchasing commodities at prices higher than prevailing world market prices as fixed by government, and other beyond the control of the exporter.

Rediscounting of short term bills for export

This facility will enable all exporters to rediscount their short term bills, under a scheme provided for in the Central Bank of Nigeria (CBN) (Amendment) Act 1967.

Capital allowance

Additional annual capital allowance of 5% on plant and machinery for "manufacturing exporters" (those that export at least 50% of their annual turnover); provided that the product has at least 40 percent local raw materials content or 35 percent value added.

Tax relief on interest income

The Companies Income Tax Act 1979 has also grant tax relief on interest accruing from any loans granted to aid investment in export oriented industries.

4. Foreign currency facility

A new trade and exchange rate regime has been adopted by government to ensure efficient and competitive local production. Adjustment in the exchange rate regime will provide greater access to external markets (than before) for industries relying extensively on local resource endowments. The facility also provides for easier movement of investible funds, goods and services in and out of Nigeria.

Foreign exchange market

The foreign exchange market came into operation in September 1986, resulting in the abrogation of import levy and import license. The market also provides manufacturers easy access to foreign exchange.

Repatriation of imported capital

An approved "status" permit for imported capital investment is conferred on companies with non-resident investment in cases where the original investment was imported in the form of equity either by way of cash and/or plant and machinery. The purpose of this "status" is to facilitate timely repatriation of remittances or other capital claims.

Payment of technology fees

In order to ensure effective assimilation and diffusion of foreign technology within a specific timeframe at a fair and equitable contractual and payment terms, the rate for payments in technology transfer transactions have been reviewed. Fees for technical services are based on net sales (rather than profit before tax). Furthermore, the rates applicable are as follows.

- Royalty- royalty in respect of know-how, patents and other industrial property rights shall now range from 1 5% of net sales.
- Technical/management services- fees in respect of technical assistance/management services shall also range from 1-5% of net sales.

The upper-level of the ranges above will be considered as incentive remuneration or compensations allowed to observing cases where:

- the local value added is not lower than 70 % or the products are intended for export market and the fees for these services can be serviced from the export proceeds, or
- the benefits derived by the enterprises are considered desirable in the national interest.

Foreign currency domiciliary account

Banking regulations in Nigeria make it possible for exporters of non-oil products to retain the proceeds of export in bank accounts denominated in foreign currency. Such accounts are operated at the owner’s discretion, for external transactions or conversion to Naira, but in accordance with existing guidelines of the Central Bank of Nigeria.

5. Development banking

Industrial development banks have been set up at both federal and state levels to offer specialised services to industries. Paramount among these services is the provision of soft loans and advances to large, medium, small scale and cottage type industries on concessionary terms. These concessions are reviewed, regularly, in line with policy objectives of governments. Development banks include (among others) Nigerian Bank for

Commerce and Industry (NBCI), and the Nigerian Industrial development Bank (NIDB), State Investment Corporations, etc.

Guidelines to investors and the institutional framework

This is designed to provide investors with information on government requirements for establishing businesses or industries in Nigeria and the relevant government institutions involved in the process.

Guidelines to investors

The main requirements for the establishment of business are:

- business permit including permit to employ expatriates
- approved status of ensure that imported capital can be repatriated
- investment guarantee approvals
- approvals covering pre-investment technical fees agreement.
- For investment in specific industries such as fishing, pharmaceuticals etc., additional requirement s are available in the guide to investors published by the investment, information and promotion centre of the Federal Ministry of Industries.

A new institutional framework has been established by government to administer the business/industry related approvals listed in paragraph 4.1 (a)-(d). The one stop approval agency known as the Industrial Development Coordinating Committee (IDCC) is located in the Federal Ministry of Industries and consists of seven ministers who are charged with the responsibility to ensure that all required approvals are given within sixty days. This new arrangement has removed the need to get required approvals from various government agencies as was previously the case.

Expatriate quota

The *IDCC* will ensure that expatriate quotas are issued. Businesses with a capitalisation of five million Naira (N5, 000,000.00) and above are entitled to a maximum automatic quota of two positions, while those with a capitalisation of ten million Naira (N10,000,000.00) and above are entitled to four automatic quota positions. All other requests for expatriate quota will be considered on merit.

Product standards

New companies, prior to importation of machinery, are required to lodge copies of the product standards, with the Standards Organisation of Nigeria (SON) for clearance.

The Federal Government of Nigeria has bilateral arrangements with some countries for the purpose of guaranteeing investments in Nigeria by citizens of those countries. The aim is to ensure that in the event socio-political changes affecting such investments, the repatriation of the imported capital investment is guaranteed. The conditions for such investment guarantee approvals are as follows:

- that the capital required for such investments had actually been imported into the country through the approved status in principle issued by the *IDCC*.
- evidence of compliance with the provision of the Nigerian Enterprises Promotion Decree.
- submission of a copy of the business permit issued by the *IDCC* and

- submission of a copy of the audited account of the company if already in existence.

Technical fees agreement
Applications for technical fees agreement are required to be made to the IDCC. Investors are advised to abide by the Guidelines on Technical Fees Agreement as published by the National Office of Industrial Property (NOIP).

Management of industrial waste
All existing industries should treat their waste effluents, at least, up to the secondary level, (i.e to the state where discharge will not pose danger to life and property), while those industries which produce toxic and hazardous waste should treat their waste beyond the secondary level. Toxic solid waste should be specially handled, collected; and disposal of toxic gases should also be specially handled.

New industries should have efficient treatment facilities incorporated into their systems right from inception. Industries should set up environmental quality controls. All major industrial projects should include an Environmental Impact Assessment (ETA) statement. This would be one of the conditions for permits for establishing such industries. Effluent discharges of industries will be monitored on a regular basis to ensure compliance with the waste disposal regulations. Emphasis will be placed on recycling of waste from industries, since the waste from one industry could be feedstock for another industry.

Self-Assessment Exercise

Mention 5 incentives provided by the policy to support, industrial development.

3.4 Institutional Framework

The initial authorisation of the Industrial Development Coordinating Committee (IDCC) for the establishment of new industries were, in the past, requested from several government ministries and agencies. The attendant chaos and delays inevitably slowed down the pace of establishment of new industries. Government has, therefore, established a new central agency known as the Industrial Development Co-ordinating Committee (IDCC) to oversee required approvals. The committee comprises ministries of finance, internal affairs, trade, science and technology, agriculture; industries, labour and productivity. The main objectives for setting up the committee are to:

- obviate the delays in granting approvals for the establishment of new industries
- create one approval centre, instead of the present situation where there is a multiplicity of approving centers, with unnecessary costs to prospective investors in terms of tine and financial resources
- obviate the lack of co-ordination among approving ministries
- remove the present conflicting and duplicated demands by ministries before approvals are granted
- advise on policy review proposals on tariffs, excise duties, various incentive schemes and commodity pricing, as they relate to industrial development
- ensure adequate co-ordination and objectivity in the nation’s industrial development efforts.

The functions of the new *IDCC* are as follows:

1. granting approvals for the commencement of new businesses and relevant expatriate quota for such businesses (expatriate quota approvals by *IDCC* will be limited, to new businesses only)
2. granting approved status in principle for imported capital in new ventures
3. approving technology transfer agreements as they relate to:

- assistance in procuring machinery, plants, equipments and components;
- engineering design services;
- plant installation and
- plant commissioning;

- advising on the administration of government industrial incentives
- making recommendations on pertinent policies including tariff and various measures aimed at ensuring the, industrial development of the country
- other relevant functions assigned to the committee from time to time to facilitate meaningful industrial development.

The IDOG Secretariat will function as a coordinating centre for receiving applications from prospective investors; channeling such applications to the appropriate ministries for their comments and recommendations; and collating information received for briefing and decision-making. The decree provides that every application shall be processes within two months.

The Policy Analysis Department (PAD)

Government has established an organ known as the policy analysis department within the Federal Ministry of Industries. The functions of this department are to undertake the collection of data, conduct economic research and policy analysis necessary for the evaluation of the effectiveness or otherwise of industrial policy.

Industrial Inspectorate Department (IID)

The Industrial Inspectorate Department of the Federal Ministry of Industries plays a pivotal role in certifying the actual values of capital investments in buildings, machinery and equipment of various industries. The department also certifies the date of commencement of production for companies that enjoy pioneer status, and the value of imported industrial machinery and equipment for the confirmation of approved status for non-resident capital investment. IID also provides in house technical services for the ministry, including negotiations, equipment selection and implementation of public sector projects.

It also plays a key role in the monitoring of the Comprehensive Import Supervision Scheme (CISS)- to ensure that the operations are in the spirit of the agreement. It is the intention of the government to indigenise pre-shipment import inspection, currently, being undertaken by foreign companies. The IID, which presently monitors the operations of the inspection agents, is expected to be, directly, involved in pre-shipment import inspection in due course.

Data bank

An industrial data bank has been established in the Federal Ministry of Industries to gather, store and retrieve data. The bank will provide information on existing industries in the various sub-sectors, their production capacities and expansion plans,, production costs, the state of the market, price movement, raw materials available in various parts of the country, etc.

Raw Materials Research and Development Council (RMRDC)

A Raw Materials Research and Development Council has been established and housed at the Federal Ministry of Science and Technology. The council will be the umbrella organisation for all the various efforts by public and private sectors in the research and development of local industrial input. The council shall work in close collaboration with the Federal Ministry of Industries which has the overall responsibility for the development of incentives pertaining to raw materials utilisation.

Investment Information and Promotion Centre

In practically all cases, whether the prospective investors are Nigerians or foreigners, it is advisable to contact the investment, information and promotion centre of the Federal Ministry of Industries for the latest information on procedural matters and the industrial climate in Nigeria.

The centre can advise and guide investors, free of charge, on most aspects of their investment proposals.

Industrial Training Fund

The Industrial Training Fund, established by Decree No. 47 of 1971, is the body responsible for promoting and encouraging the acquisition of skills in industry and commerce. In the areas of industrial training and development, the Industrial Training Fund will continue to generate indigenous trained manpower sufficient to meet the needs of the economy.

In this wise, the fund will provide facilities for training of persons employed in industry and commerce; approve courses and appraise facilities provided for training by other bodies, particularly in industry or commerce; consider, regularly, operational areas of industry or commerce that require specific man power training and development inputs and recommend kinds of training needed the standards to be attained, and ensure that such standards are met. It should also assist in finding facilities for training for employment industry and commerce and will conduct or assist others to conduct research into any matter relating to training in industry.

Standards Organisation of Nigeria

The Standards Organisation of Nigeria is the statutory body responsible for standardisation and quality control in the nation's economy. In this connection, it will provide standards for products and processes; ensure compliance with government policy on standardisation and quality of product- both locally manufactured and imported; undertake investigations, as necessary, into the quality of products in Nigeria and establish a quality assurance system including certification of factories products and laboratories. Also, the Standards Organisation of Nigeria is expected to maintain reference standards for calibration and verification of measures and measuring instruments and co-operate with corresponding national and international organisations with a view to securing uniformity in standards specifications.

With the semi-autonomous status now granted to the Standards Organisation of Nigeria (SON), it would henceforth strictly enforce the powers of seizure, confiscation and destruction of sub-standard goods and products and seal up factories which are regularly found to produce sub-standard or defective goods and products.

Equity structure in Nigerian enterprises

In the years preceding Nigeria's independence- and indeed up to the early 1970s, the predominance of foreigners in industrial activities in the country was very evident. There was a felt need to encourage Nigerians to get more involved in the economic activities of the country in order to maximise local retention of profit, increase the net industrial contribution to the national economy and avoid unnecessary socio-political problems of absentee control of the nation's industrial sector.

There was also an equal recognition of the need to ensure that greater Nigerian participation in industry should proceed, simultaneously, with attracting foreign investments on mutually beneficial terms. Consequently, the Nigerian Enterprises Promotion Decree (NEPD) was promulgated in 1972 (amended, 1977) to involve Nigerian in the ownership,' control- and management of certain enterprises. In the intervening years since the decree was promulgated, it was observed that total investment as a share of GDP had fallen due to several factors ranging from inadequate foreign capital flow to low levels of internal savings.

This situation has led government to review the investment environment, particularly, in the light of the fact that Nigerian entrepreneurs have come of age and are able to hold their ground in various types of enterprises. The review was also necessitated by the fact that demands of SAP impose the spirit of competition and efficiency in production and quality of goods and prices acceptable to consumers. There is no doubt that the long term prospects for growth in output and job creation entails a rise in the overall level of investment, especially, for purposes of exploiting out vast natural resources.

Therefore, in order to encourage foreign capital inflow, government has amended the Nigeria Enterprises Promotion Decree, 1977. With the amendment, there now exists only one list of scheduled enterprises, exclusively, reserved for Nigerians for the purpose of 100% equity ownership. All other businesses not contained in the list of schedules businesses are now open for 100% Nigerian or foreign participation, except in the areas of banking, insurance, petroleum prospecting and mining where the existing arrangement still subsists. Both Nigerians and foreigners are free to negotiate levels of equity participation in the unscheduled enterprises. Foreigners are also free to participate even in the scheduled businesses provided:

- such participation involves equity capital not below twenty million Naira (N20,000,000.00) and
- prior approval is obtained from the Industrial Development Coordination Committee (IDCC).

The objective of allowing for this special dispensation is to encourage large-scale production/operation in some scheduled businesses not only for the local market but for export. It must be emphasised, for the avoidance of doubt- that the new ownership structure, as detailed hereunder, applies to new investments only. This implies that the ownership structure in respect of existing enterprises as provided for in the 1977 Decree still subsists.

3.5 Relevant Laws and Regulations

To guide prospective investors, the laws and regulations related to industrial development in Nigeria are reproduced below.

- Customs and Excise Management Act 1938. No. 55 of 1958.
- Customs (Drawback) Regulations Legal Notice, No. 70 1959.
- Customs Duties (Dumped and Susidised Goods) Act No.9 of 1958.
- Income Tax Manageent Act 1961, No. 81.
- Factories Act Cap. 66.
- National Provident Fund Act 1961, No. 20.
- Workmen's Compensation Act, Cap 222.
- Merchandise Marks Act Cap. 117
- Registration of Business Names Act 1961, No. 17
- Trade Marks Act 1965, No. 29
- Immigration Act 1963, No. 6
- Exchange Control Act 1962, No 16.
- Companies Act No.51 of 1968.
- Patents and Designs Act 1970, No. 60.
- Industrial Inspectorate Act 1970, No. 53.
- Industrial Development (Income Tax) Act 1971, No. 22.
- Nigerian Standards Organisation Act 1971, No. 56.
- Industrial Training Fund Act 1971, No. 47.
- Wages Boards and Industrial Councils Act 1973, No.1.
- National Bank for Commerce and Industry Act 1973, No. 22.
- Trade Union Act 1973, No 31.
- Excise Tariff (Consolidation) Act 1973, No.7.
- Customs Tariff (Consolidation) Act 1973, No.6.
- Labour Act 1974, No. 21.
- Trade Disputes Act 1976, No.7.
- Trade Disputes Essential Services Act 1976, No.26
- Nigerian Export Promotion Council Act 1976, No 26.
- Nigerian Enterprises Promotion Act 1977, No.3
- Productivity, Prices and Incomes Board Act 1977, No. 30.

- Pre-Shipment Inspection of Imports Act 1978. No.36.
- Companies Income Tax Act 1979, No. 28.
- Industrial Promotion Act 1979, No. 40.
- Import Prohibition Order Ln. 10 Or 1979.
- National Office of Industrial Property Act 1979, No. 70.
- Securities and Exchange Commission Act 1979, No. 71
- The Electricity (Private Licenses) Regulations 1965, L.N. 76.
- Bankruptcy Act 1979, No. 16.
- Nigerian Export Promotion Council Decree (No. 26) 1976.
- Second-Tier Foreign Exchange Market Decree No.23, 1986
- Customs, Excise etc., (Consolidated) Decree ,1988
- Factories Decree No 16,1987
- Workmen's Compensation Decree No. 17, 1987.
- Industrial Development Coordinating Committee Decree 1988.
- Nigerian Export Credit Guarantee and Insurance Corporation Decree (No 15)1988.
- Privatisation and Commercialisation Decree. (No. 25)1988.

  (Source: Habibu, 1999: 264 -303)

4.0 Conclusion

A case study of industrial policy in Nigeria is cited in this unit to enable you understand what a policy is in reality and compare the policy intent with its implementation to see how far the policy objectives have been achieved after two decades of its formation. You should know better now that there is a wide gap between policy making and implementation.

5.0 Summary

The last unit of this course has a case study. If all policies are implemented accordingly, the issue of policy failures could have been minimised.

6.0 Self-Assessment Exercise

Mention four main requirements for the establishment of businesses in Nigeria.

7.0 Reference/Further Reading

Flabibu, A.S. (1999). *Public Policy Analysis: Theoretical and Applied Approaches.* Nigeria: Desmond Tutu Publishers.