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YEAR 2000 BUDGET: POLICY SEMINAR

WELCOME ADDRESS

CHIEF (DR.) J. O. SANUSI GOVERNOR, CBN

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THE PERFORMANCE OF THE 1999 FEDERAL GOVERNMENT BUDGET: AN APPRAISAL

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MONETARY AND FINANCIAL SECTOR POLICIES IN THE YEAR 2000 BUDGET OF THE FEDERAL GOVERNMENT OF NIGERIA

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EXTERNAL SECTOR PERFORMANCE AND THE EXTERNAL SECTOR POLICY MEASURES IN THE YEAR 2000 FEDERAL BUDGET

PROF. MIKE I. OBADAN -

DIRECTOR GENERAL, NCEMA

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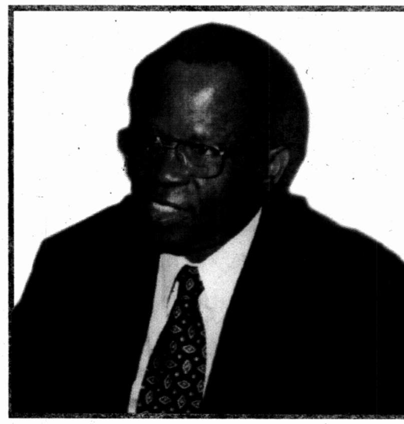
WELCOME ADDRESS

BY

CHIEF (DR.) J. O. SANUSI
Governor
Central Bank of Nigeria



CHIEF (DR) J. O. SANUSI

1. It is my honour and privilege to welcome you all to this years' policy seminar on the Federal Government Budget. The Year 2000 Budget seminar is the sixth in the series of inter-agency collaboration among the Central Bank of Nigeria (CBN), National Centre for Economic Management and Administration (NCEMA) and the Nigerian Economic Society (NES). Previous seminars had been timed to coincide with the release of the Budget, the objective of which was to provide an effective forum for interaction and exchange of ideas on the budget framework and implementation strategies among policy makers, academic, analysts and operators, captains of industries and the organized private sector. The organisation of this year's seminar is, therefore, in keeping with the tradition, although it is coming up almost six months into the fiscal year partly because of the delay in passing the Appropriation Bill by the National Assembly.

2. The theme for this years' seminar, "Appraisal of Macroeconomic Performance and Year 2000 Budget Provision", provides another opportunity for the public to be intimated with the objectives and strategies of the year 2000 Federal Government Budget. This forum, is hoped, will serve to critically appraise the provisions of the year 2000 Budget against the backdrop of the performance of the economy in recent year and, thus elicit useful suggestions and recommendations for the successful implementation of the Budget, particularly during the remaining part of the year, as well as provoke thoughts on the Year 2001 Budget.

3. It is pertinent to observe from the outset that, the Nigerian economy has, in the past year, responded positively to governments' economic policies. This development is encouraging when viewed against the background of poor performance of the economy, particularly the unstable macroeconomic environment of the previous years. In those years, the major factor that underlined the adverse movements in macroeconomic variables had been the rapid growth in government spending characterized by large fiscal deficits that we financed mainly through the CBN's Ways and Means Advances. The monetary expansionary impact of this development was manifested in the acceleration of inflation rate, persistent of exchange rate depreciation and rapid deterioration in the balance of payment position. We have, however, witnessed a significant improvement with respect to reversing some of the negative trends of the recent past. A review of recent macroeconomic performance shows that inflation rate has decelerated to a single-digit of 6.6 per cent in 1999, while output growth recorded a modest recovery to 2.7 per cent from 2.4 per cent in 1998. Similarly, interest and exchange rates were relatively stable thus, contributing to the renewed confidence in the Nigerian economy.

4. This success story was achieved by controlling the rapid expansion in monetary aggregates induced largely by monetary financing of the huge fiscal deficit amounting to 8.5 per cent of GDP with was further exacerbated by the transfer of public sector deposits from the CBN to the banks and discount houses in the second quarter of 1999.

interference in its conduct of monetary and financial policies. It has also enabled the bank to act more proactively in its policy-making process. At the end of our re-engineering efforts, we hope a more efficient and enduring Central Bank of our dream will emerge. The CBN will continue to rely mainly on market-based techniques of monetary management for the attainment of price stability and the orderly behavior of the financial markets.

12. Perhaps, I should take this opportunity to stress that, having made satisfactory progress in the resolution of bank distress, efforts will continue to be made to restructure the other financial institutions in order to ensure a healthy and competitive financial sector. Over the years, some of CBN's concern had been the need to effectively influence desirable movements in market interest rates with a view to narrowing the unacceptably wide spread between bank savings and lending rates. In this regard, the Bank will intensify efforts at nurturing a more competitive and efficient financial environment based on true market criteria.

13. Holding this seminar so late in the year, no doubt, demands that we should not shy away from appraising the performance of the budget so far against the set objectives and also thinking ahead on relevant policies for the 2001 National Annual Budget.

14. I am happy to announce that that so far inflation has been largely subdued. While investor confidence is returning, infrastructural performance is still sub-optimal, perhaps, due to the long period of neglect and delay. It is my hope that by the end of the year the gain from macroeconomic stability will be translated into improved economic performance.

15. Some of the important issues that readily come to my mind for your consideration for the 2001 budget include how to consolidate and maintain the gains so far made in economic liberalisation and macroeconomic stability. More importantly, we need to look ahead and develop long-term strategies for integrating the Nigerian economy to the emerging information technology-driven global economy. Finally, I urge you to come up with recommendations on how to improve the budgetary process, both in its quality and timeliness.

16. Distinguished Ladies and Gentlemen, I welcome you once again, to this important seminar and wish you very fruitful and successful deliberations.

I thank you for your kind attention.

that the delay in the passing of this years' budget is a blessing for the Nigerian people. In principle, at least, it is being established that budgetary process must carry people along. If the National Assembly does its work faithfully it is in a position of radically improving on the performance of the budget. This would ensure greater macroeconomic stability and greater impact of public expenditure.

The 2000 budget has to be seen within the context of the poverty situation in the country. The problem of poverty has for a fairly long time been a cause for concern to the people of Nigeria and the Government. Poverty in Nigeria is on the increase despite the country's position as a major oil exporter in the world. To address this issue the budget should induce rapid economic growth. Nigeria's GDP has up to this point, been charaterised by slow growth and little structural shift. The growth rate for the last decade has averaged around 3.0 per cent. With a population growth rate of 2.8 per cent the living standard of this constitutes the majority, it has declined drastically. The situation is more depressing when disaggregated between the urban and the rural sectors. In the last budgetary impacts, if felt at all, often benefits the urban economy more than the rural. Macroeconomic policies seem to be targeted at a small enclave modern economy to which the mass majority of Nigerians have no direct access but simply act as consumers to sustain this enclave economy. The balance of the wider economy hardly benefits from budgetary policies even when specific aspects are targeted at it. The 2000 budget needs to address this issue to make a difference.

The analysis of the performance of the economy reveals relative sectional stability and lack of any significance shifts. Most analysts, however, agree that there is a need for major structural realignment of the economy that invariably would result in significant sectoral shifts. This, amongst other factors, is responsible for relatively low growth rates experienced in the last two decades. To be of maximum relevance the 2000 budget should set the stage for re-engineering the Nigerian economy. The structural shifts necessary, within the context of globalization, should be identified and relevant policies articulated to achieve them. The 2000 budget is rather weak in this regard. The philosophy of the budget betrays an uncritical commitment to liberalization and deregulation without due regard to the level of development of productive forces in society and the imperfections within the economic system.

The 2000 budget needs to be accompanied by relevant and sound macroeconomic policies to make it successful. Policies to ensure the maintenance of appropriate exchange rate regime; policies to reduce the domestic interest rates; policies on both internal and external debts are necessary to compliment what is presented in the budget. While there seems to be some consensus on policies such as deregulation, privatization and commercialization, the modalities and extents of the programmes should be critically reviewed. A wholesale, unco-ordinated and poorly implemented privatization programme in Nigeria could be encounter-productive.

Real sector policy measures, complemented by fiscal, monetary and other policies, of the present administration, aimed at promoting the expansion and diversification of the productive base of the economy, through the stimulation of private investment growth from both domestic and foreign source should be enhanced by the 2000 budget if properly implemented. During the budget year, the inflow of foreign investment is expected to improve significantly, encouraged by the position of the budget on major policy issues. Budget implementation should ensure sustainable output and employment growth through shifts toward the development of the rural areas to encourage enhanced agricultural productivity and food self sufficiency. It should be noted that agriculture has been beset by long standing problems include insufficient farm inputs, inadequate rural infrastructure, inappropriate technical manpower, poor environmental management, relative neglect of the sector by the government, policies encouraging rural-urban migration and low productivity in the

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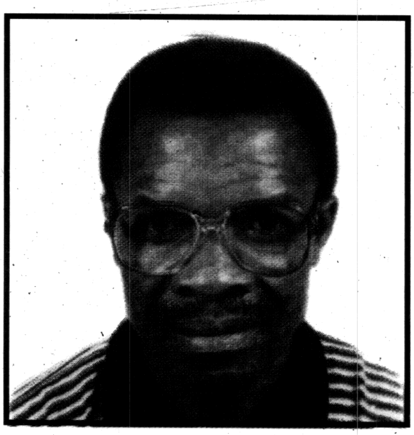
EDET B. AKPAKPAN, Ph.D.



EDET B. AKPAKPAN

This paper is organized in five short sections. In the first section we try to explain a few things about budgeting, especially the functions and approaches to it. In the second section we summarize the objectives and strategies of the 1999 Federal Government Budget. In the third section we attempt an appraisal of the achievements and impact of Budget '99. In the fourth section we try to explain why budget '99 performed the way it did. In the fifth and final section we draw lessons for the future.

1.0 Budgeting: Functions and Approaches

Budgeting, we understand, was designed initially to serve 'the purposes of legislative accountability'. It emerged from the efforts of legislatures to control the taxing and spending powers of monarchs; and became formalized by the legislative requirement that statements of expenditures and revenues be submitted annually (Premchand, 1989, p.35).

a). Functions of Budgeting
Initially, budgeting focused on the allocation of resources to agencies of government, and provisions for control of the agencies. Over time, and because of the changing needs of modern economies and societies, the practice of budgeting came to be used to serve other purposes. In particular, it was used, in addition, for planning the activities of government and for managing the economy and society. Thus, budgeting today serves the three main functions of **legislative accountability, planning, and socio-economic management**. We will comment briefly on each of these functions.

i). Budgeting as an Instrument of Legislative Accountability

This is about having to adequately inform the public about action taken by the government. It is a key factor in monitoring the performance of any management, and is of central importance in good governance. Accountability takes two main forms. These are **macro-level accountability** which is about administrative reporting, and **micro-lever accountability** which is mainly about decentralization of functions and greater involvement of the public in the activities of government. Both of these forms (of accountability) give the public the opportunity to gain useful knowledge about the activities of government, and the opportunity to influence those activities. Thus, legislative accountability helps to ensure value for money in the operations of government.

ii). Budgeting as an Instrument of Planning:

Planning, in one form or another, has been a feature of the operations of governments. Initially this took the form of budget planning or fiscal planning as it is more commonly described, i.e. specifying national objectives and the measures by which they would be pursued, working out the funding requirements of the measures, specifying the sources of funds, and allocating income distribution is particularly important in the achievement of macroeconomic stability. Unfortunately an improvement in the pattern of income distribution was not one of the objectives of the government.

b). **Strategies**

The government planned to pursue its objectives through a number of measures it termed 'strategies'. These were listed as follows:

i). Accelerating the privatisation of state - owned enterprises, economic liberalization and competition processes;

ii). Increase revenue generation through the effective implementation of Custom and Ports reforms, broadening the coverage of the Value Added Tax (VAT) by the widening of the VAT base and increasing the number of VAT collection offices, replacement of pre-shipment inspection with destination inspection to curtail diversion of imports and loss of revenue, development of solid minerals and gradual removal of subsidies;

iii). Provision of adequate infrastructural and operational equipment to the security agencies to enhance their performance in the maintenance of law and order;

iv). Supporting and promoting activities in the rural areas through FEAP, NDE and the Peoples Bank;

v). Encouraging and stimulating the growth of small and medium scale industries through soft loans and other incentives;

vi. Increasing food production through timely and adequate supply of inputs and maintenance of agricultural facilities;

vii. Reappraising and reprioritizing the completion of critical on-going projects and rehabilitating existing economic and social infrastructural facilities;

viii). Reviewing the embargo on external loans in favour of highly concessional facilities to support urgently needed projects in agriculture, social services, infrastructure, poverty - reduction schemes and other projects that are self-financing;

ix. Providing for sustainability of externally funded projects at the closing of the relevant loan facility;

x. Facilitating the completion of on-going export processing zones in order to encourage foreign direct investments;

xi. Providing incentives to the financial sector to give credit to projects with long gestation periods that have direct bearing on economic growth;

xii. Continuing the battle against the ills of society such as "advance fee fraud", money laundering and similar vices which have given Nigeria negative image.

Our concern about the 'strategies' is their adequacy. Did we have enough measures to promote growth and stability in the environment that was inherited by the government? An examination of the measures reproduced above would show that we had enough measures for the stimulation of growth but not enough for the promotion of stability.

The weakness here is the absence of measures for tackling the problem of income inequalities which, as we saw earlier, did not receive the attention of the government. Of course, we should not expect to see measures designed to deal with what the government did not see as a problem. But this simply shows that the government did not do a serious investigation of the problems it claimed it wanted to tackle. As for the growth objective that would appear to have been adequately provided for, much would depend on the implementation of the measures.

c). **Implementation Procedures**

The procedures by which the Federal Government intended to implement some of the measures planned for the Nigeria economy and society in 1999 are

iv.	Elimination of the dual exchange rate regime.	This was achieved	The problems and abuses that characterized the system were ended. But the expected stabilizing effects on prices and out put were not noticeable, obviously because of problems with other macro economic policies.
v.	To maintain appropriate fiscal, monetary, and exchange rate policies in order to achieve macroeconomic stability.	Several of the actions which defined the 'appropriate' policies were taken, but macroeconomic stability was not achieved. In the case of the exchange rate, the depreciation of the Naira continued.	The expected stability was not achiachieved. For instance, in its overview preparatory to Budget 2000, the government stated as follows: 'On assumption of office, this Administration found that some of the economic measures of the immediate past exacerbated the instability which had plagued the economy for quite some time'. And instability was still evident by the close of the year.
vi.	To enhance efforts in capacity building and utilization	We have no evidence that anything positive was achieved. An assessment by the government indicates a decline in capacity utilization.	Mainly falling output, rising unemployment, and increased external dependence. A review by thegovernment, as summarized in Budget Budget 2000, confirms these effects.
vii.	To reduce the level of unemployment.	We have no reliable data to to assess this. But the government itself admitted that that unemployment was rising.	Unemployment remained serious problem in the society by the end of the budget year.
ix.	To improve the purchasing power of the citizenry.	There were pay increase, particularly in the public sector. But, given the small size of public sector workers in the population, we doubt if the pay increases in the sector amounted to a general improvement in purchasing power.	There were still complaints about weak purchasing power in the system.
x.	To sustain single digit inflation rate.	This was not achieved. Inflation rate rose to over 10.5 per cent.	Even though the desire single digit inflation rate was not achieved, it remained fairly stable at about 10.5 percent.
xi.	To achieve at least 3.0% overall growth rate of the GDP	This was not achieved. Information available to us indicates a growth rate of less than 2.0%	This must be a factor in the growing unemployment and poverty in the society.

The assessment we have attempted in the in the foregoing paragraphs has been summarized as follows:

Despite the macroeconomic achievement of this Administration, basic structural imbalances persist. These include the lingering problems of import dependence, reliance on a single economic sector-oil, weak industrial base, low level of agricultural production, a weak private sector, high external debt overhang, inefficient public utilities, low quality of social services and unabating unemployment (Draft Budget 2000, P. Vi)

The present Administrative plans to use Budget 2000 to tackle these problems. But, to succeed, we need to have a clear idea of

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achievement of a minimum of 3 per cent overall growth in the non-oil Gross Domestic Product (GDP), maintaining a single digit inflation rate, as well as promoting employment growth. These targets were broadly in line with the stance of the Federal Governemnt Budget for fiscal 1999.

2.2 Review of Sectoral Economic Performance

Economic policy implementation went-off track during the first five months of 1999 largely because of the unexpected large fiscal deficit of the Federal Government arising from its determination to prosecute successfully the political transition programme of the new military administration.

This and the rapid implementation of the policy transfer public sector deposit with the CBN to the banks resulted in excessive growth of domestic liquidity and corresponding pressures in the economy. The CBN had, once again, to resort to the use of direct monetary policy instrument, notably, the mandatory issuance of special treasury bills (STBs) to banks and the requirement that banks should provide 200 per cent treasury bills cover for their foreign exchange demand at the Autonomous Foreign Exchange Market (AFEM), in addition to providing the initial cash backing. Increase in the Minimum Rediscount Rate, cash reserve ration and minimum liquidity ration were effected, but were not adequate to stem the growth of domestic liquidity. The gradual increase in the world price of crude oil coupled with visible discipline in the fiscal operations of the Federal Government in the second half of the year helped to maintain macroeconomic stability, notwithstanding the lifting of the direct monetary policy instruments in the latter part of the year by the Central Bank of Nigeria. Further developments in sectoral performance during the year are outlined below:

i. Broad Money (M_2) and narrow Money (M_1) increased by 31.4 per cent and 19.9 per cent, respectively, compared with the targets of 10.0 per cent and 4.1 per cent and the 23.3 per cent and 20.5 per cent recorded in 1998.

ii. provisional data showed that the fiscal operations of the Federal Government in 1999 resulted in an overall budget deficit amounting to 8.4 per cent of GDP compared with the deficit equivalent to 4.7 per cent of GDP in 19998. The bulk of the deficit was incurred in the first five months of the year.

iii. The estimated growth in real GDP was 2.7 per cent in 1999 as against 2.4 per cent in 1998. Agricultural production was estimated to have increased by 3.3 per cent compared with 3.1 per cent in the previous year, while the index of industrial production fell by 3.6 per cent, reflecting the lower performance of the mining sub-sector. Manufacturing capacity utilization edge up slightly from 34.9 per cent in 1998 to 36.0 per cent in 1999.

iv. The inflation rate assumed a downward trend from June until December when the rate was 6.6 per cent compared with 10.0 per cent in 1998. The reduced inflationary pressures could be attributed to the restoration of normal supply of petroleum products, increased food supply and complementary fiscal and monetary policies.

v. The overall balance of payments position showed a deficit of 3.1 per cent of GDP as against 7.8 per cent of GDP in 1998.

vi. Increase demand pressures in the foreign exchange market, due to the persistence of domestic and external financial imbalance, induced significant depreciation in exchange rates. However, the parallel premium which was 4.1 per cent in 1998 declined to 3.0 per cent in 1999.

vii. Nigeria's gross external reserve were estimated to be US $5,450 million at the end of December 1999, compared with US $7,1000 million at the end- December 1998. At the level in December 1999, the gross reserve could finance 7.6 months of current foreign exchange disbursements, compared with 9.2 months in 1998.

viii. Under the SMP ending in May 1999, all benchmarks were missed. In contrast, performance under the July -

introduction of alternative savings instruments at competitive rates in which the public can invest. In this regard, the Bank will continue to encourage investment in treasury securities by non-bank public and will also pursue initiatives to strengthen the community banks to attract savings and enhance credit delivery to micro-enterprises. These actions will tend to reduce the persisting wide-spread between bank deposit and maximum lending rates.

v). Abolition of Direct Monetary Instruments

The mandatory sale of Special Treasury Bills to banks and the requirement on Treasury Bill cover for banks foreign exchange demand which were dismantled by the CBN late in 1999 will not be reintroduced in 2000

3.2 Policy Measures for Medium to Long-Term Liquidity Management

In order to complement current efforts aimed at addressing the problem of excess liquidity in the economy and promote increased financial savings, the CBN will explore with the Federal Government the need to issue the National Savings Certificate, a medium-to-long term security of 3-5 years' maturity which was approved in 1998. Similarly, the bank will work with the Federal Government with a view to resuming the floatation of Federal government Development Loan Stocks suspended in 1988 to improve the financial environment for monetary policy and encourage the government to source its long-term financing needs from the capital market.

3.3 Improvement of the Financial Environment

As in the recent past, the CBN will promote a vibrant inter-bank market. To this end, commercial banks' liabilities that are subjected to cash reserve requirement will exclude the banks' collateralised placements (net) in the inter-bank market including the discount houses. Also, the CBN will sanitize the financial sector to eliminate the remaining pockets of financial distress.

3.4 Policy Measures to Promote Structural Changes in the Financial Sector

A number of structural changes have in the recent past been promoted by the CBN to improve the efficiency of the sector. These include the introduction of discount houses, fine-tuning of the functions of merchant banks and the conversion of merchant to commercial banks, among others. In continued pursuit of those objectives and in consonance with global trends, the CBN will allow merchant banks that meet the necessary conditions to convert to commercial banks. Also, the Bank has taken a clear position on the issue of universal banking. It has approved in principle the introduction of universal banking in Nigeria and the relevant guideline for its operations are being worked out

3.5 Policy Measures on the Credit Operations of Banks

As in the past, only banks which meet the specified criteria will be allowed to grant new credit facilities in 2000. While the abolition of sectoral allocation of credit and adherence to specified grace period on agricultural loans will remain in 2000, banks are enjoined to abide by the spirit that led initially to those guidelines.

There is an amendment to the Agricultural Credit Guarantee Scheme (ACGS). The Scheme's capital base is raised from N100 million to N1.0 billion to enhance effective management of the expanded Scheme. The loan limit under the Scheme is also raised from N5,000 to N20,000 for unsecured loans, and from N100,000 to N500,000 for secured loans to individuals as well as from N1.0 million to N5.0 million for corporate borrowers. A refinancing scheme is to be established to cater for the needs of medium and large scale borrowers.

3.6. Increase in the Minimum Paid-up Capital Requirement of Banks

While the minimum paid-up capital requirement for existing banks will remain at N500 million (introduced in 1990, the minimum paid-up capital requirement for new banks has been raised to 1.0 billion with effect from January 1, 2000.

itself expansionary as it puts pressure on domestic liquidity, external resources, exchange rates and domestic prices in the short-run. The increase in the minimum wage and pump price of will also induce inflationary pressures in the rest in the rest of the year. In the circumstances, monetary policy will be tightened up appropriately.

5. MAJOR CHANNELS FOR THE IMPLEMENTATION OF MONETARY AND FINACIAL SECTOR POLICIES IN THE SECOND HALF OF 2000

For the rest of 2000, a successful implementation of the monetary programme will depend on what the CBN does in its key areas of monetary operations, as well as developments in the rest of the economy. The main issues are discussed below.

5.1 Open Market Operations

There are three aspects of OMO that are vital for its effectiveness. The first is that the rates on OMO securities should be competitive relative to rates on other instruments in the sector. As a result of the increased dynamism of CBN's interest rate management in the past one year, which saw their treasury bill issue rate rise to record levels before the slight downward adjustment late in 1999, activities in the OMO market increased tremendously and helped to support actions to address the problem of the huge liquidity overhang in the banking system. This development was also a reflection of the increasing popularity of the Treasury Bill. The CBN will pursue efficient application of the instrument in the rest of 2000.

However, OMO is an instrument for day-to-day management of domestic liquidity and may not succeed in addressing the problem of an entrenched excess liquidity in the system. Hence, the CBN has made proposals, adopted by the federal government in the last three years, for the introduction of medium to long-term instruments to be used not only to reduce the excess liquidity in the economy but to mobilize savings for domestic investments. The instruments already proposed by the CBN are the National Savings Certificates and the resuscitation of the Federal Government Development Stocks. These would also enhance activities in the Capital Market. Similar instruments, other than government securities, could be introduced in the future. The CBN is hopeful that such instrument will be introduced as economic activities picks up.

The third aspect of the OMO instrument is the need to have an optimal regime of reserve requirements and discount window operations. Both the cash reserve requirement (CRR) and minimum liquidity ratio (MLR) are currently on the high side in spite of the recent reduction in these ratio. The CBN will adjust the ratios further downward when the monetary conditions are appropriate. When this happens, banks transaction costs would decline and should enhance credit operations for productive activities. In the same vein, changes in the Minimum Rediscount Rate (MRR) and volume of discount window operations will appropriately complement other short-term policy instruments to signal the direction of interest rate changes and help to forestall the emergence of excess liquidity situations. However, if reductions in the CRR, MLR and MRR are effected in an inappropriate financial environment, there will be sustained increase in the money supply which put more pressure on external reserves and the foreign exchange market, depreciate the naira exchange rate and ultimately result in higher domestic prices. This explains the cautious approach of the CBN to this issue.

5.2 INTEREST RATE MANAGEMENT

Interest rates are central to the conduct of monetary policy. Any instrument that is applied by the Central bank subsumes a particular interest rate for its success. As indicated earlier, the CBN has in the last one year employed the interest rate management as an active instrument of liquidity management and resources mobilization and allocation. In this regard, the Bank has made the MRR the nominal anchor for its interest rate policy by evolving an MRR, which is related to deposit and lending rates through the control of the supply of and demand for bank system and provide the enabling environment to enhance adequate supply response to policy actions. Measures are also needed to improve the utilization of installed industrial capacity.

(ii). External sector policy measures should be made to enhance our external competitiveness so as to increase foreign exchange earnings. This can be achieved through greater regional integration in the ECOWAS REGION, greater efforts at export diversification and promoting an increase in capital inflow, especially through increased foreign direct investment.

(iii). Fiscal operations of the various tiers of government should be rationalized and strengthened through non-inflationary financing of deficits, enhancing the revenue efforts of the state and local governments and particularly by strengthening the personal income tax administration.

(iv) There is need to strengthen data supply and dissemination to enhance efficiency in economic management. There is urgent need to enhance the capacity of key players in data generation and dissemination, such as the Federal Office of Statistics, National Population Comission and Statistical Departments of government ministries and parastatals.

6. THE PROPOSED STANDBY ARRANGEMENT (SBA) WITH THE INTERNATIONAL MONETARY FUND

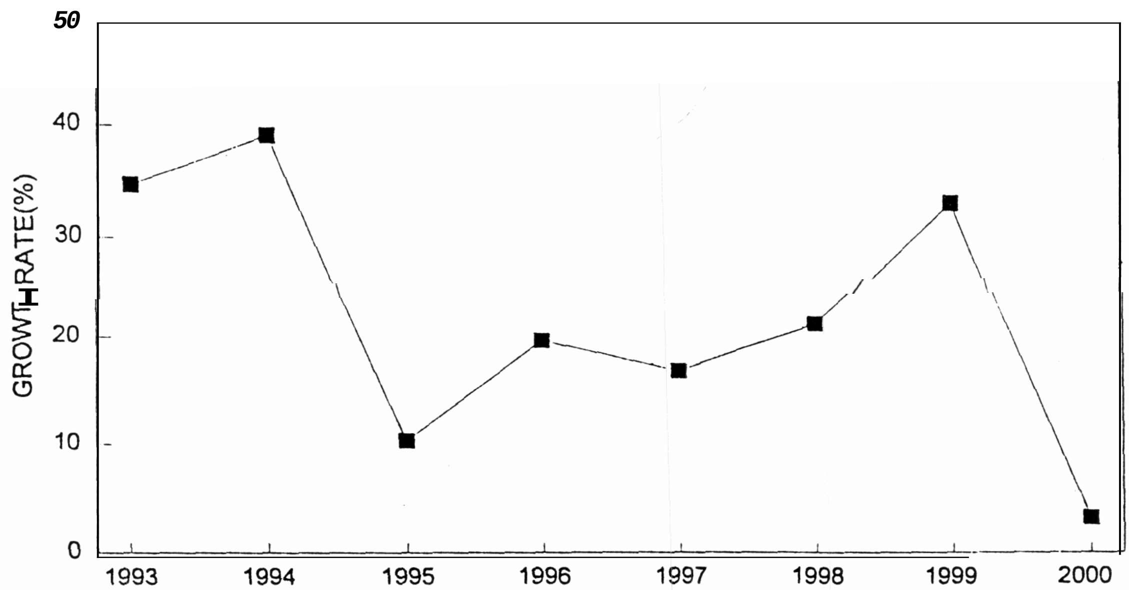
It is necessary to mention the current negotiations between Nigeria and the IMF as the agreed programme of economic policy will affect the monetary and other economic policy measures in the 2000 fiscal year. To Nigeria, the proposed SBA should be examined from both the historical perspective and the necessary conditions for sustainable economic growth to resume. For nearly one decade, the country has not had any formal relationship with the multilateral institutions, especially the IMF. Such formal relationship is a condition for reducing some of our economic difficulties especially the huge external debt overhangs and inability to attract appropriate volume of foreign capital inflow. The proposed SBA is, in this regard, a welcome development from which the country should maximize its net benefit in the interest of the economy. This will also enhance international confidence in the economy. The economic reform programme under the SBA is broadly in line with the main thrust of the Federal Government Budget for fiscal 2000 and the monetary programme already released by the CBN. The monetary programme under the SBA will attempt to reduce the growth of liquidity, but will ensure that real interest rates will decline to support increase in domestic credit the bulk of which will be extended to the private sector. Also, as already indicated in the CBN's monetary programme, the regulatory and supervisory services will be strengthened, while the stability of the foreign exchange market will be pursued.

7. SUMMARY AND CONCLUSION

This paper has reviewed the monetary and financial Sector policies of the CBN during the 2000 fiscal year. It also discussed the issues and problems of implementation of the policies. As in the past, the CBN's monetary and financial sector policies were designed to manage short-term and medium to long-term changes in liquidity, improve the financial sector, streamline the credit operations of the banks and strengthen their capital base. The macroeconomic environment remained stable in the first five months of 2000. As public sector activities increase in the second half, domestic pressures will increase necessitating tightening of monetary policy. The following are the concluding observations of the paper:

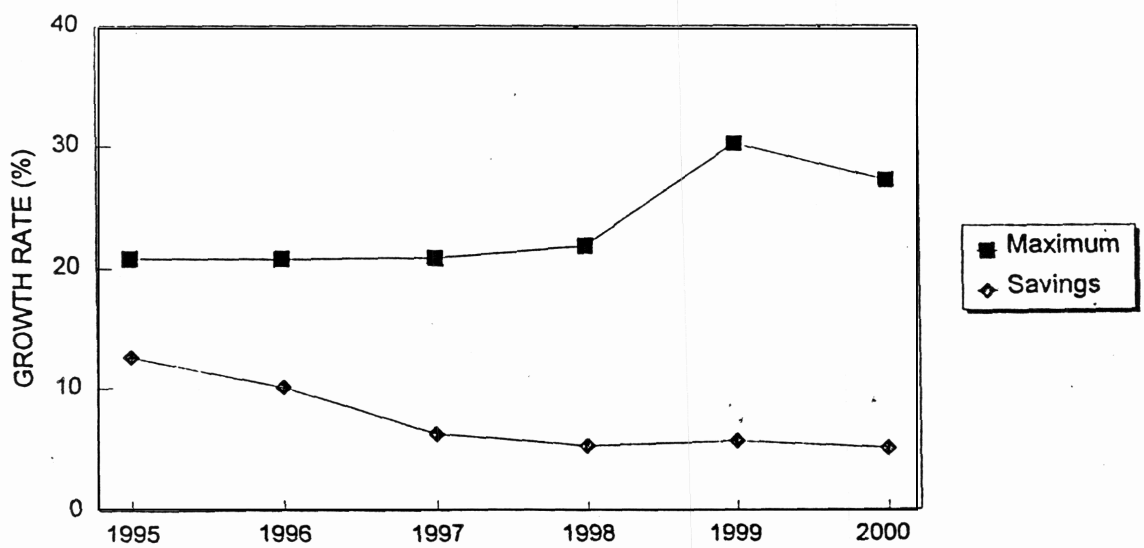
(I). In order to create the conducive environment for open market operations, there is a need for the introduction of medium to long- term securities to eliminate the persisting problem of excess liquidity in the economy. Also, there should be an optimal

FIGURE 1: GROWTH IN BROAD MONEY SUPPLY (1993-2000)



Note: Figure for Year 2000 is for end-May.

FIGURE 2: COMMERCIAL BANKS' MAXIMUM LENDING AND SAVINGS DEPOSIT RATES



Note: Figure for Year 2000 is for Mid-May.

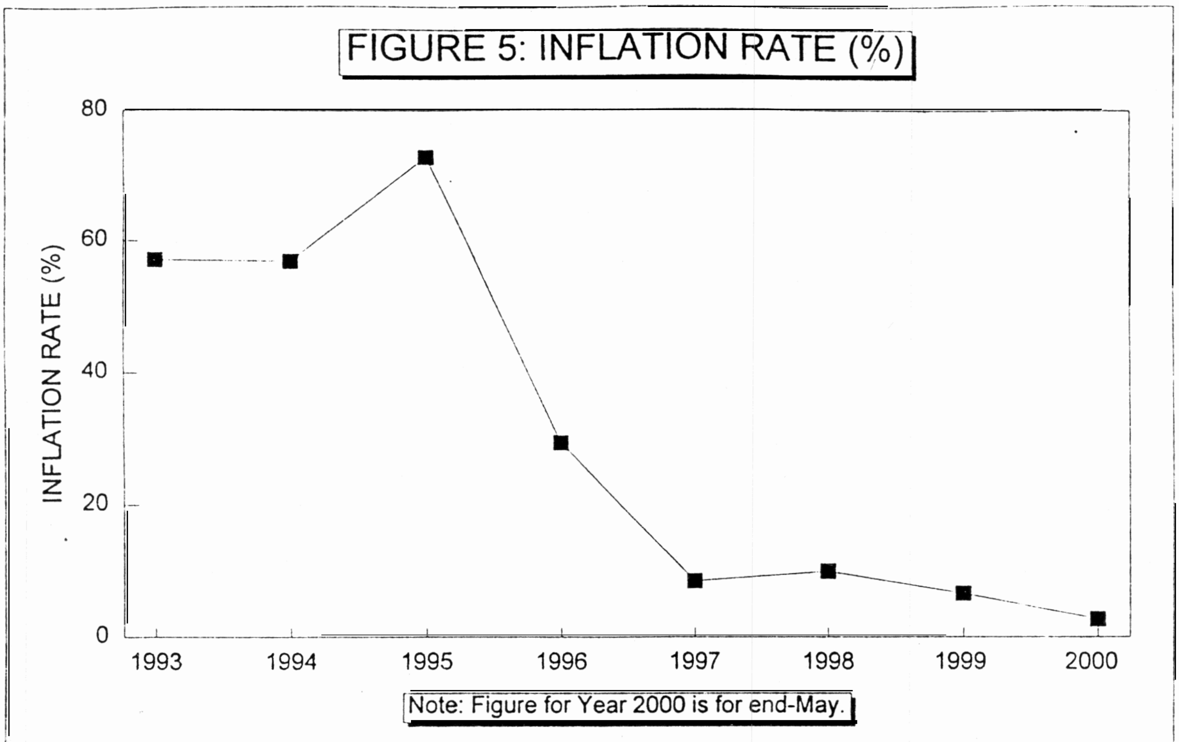


FIGURE 5: INFLATION RATE (%)
INFLATION RATE (%)
80
60
40
20
0
1993
1994
1995
1996
1997
1998
1999
2000
Note: Figure for Year 2000 is for end-May.

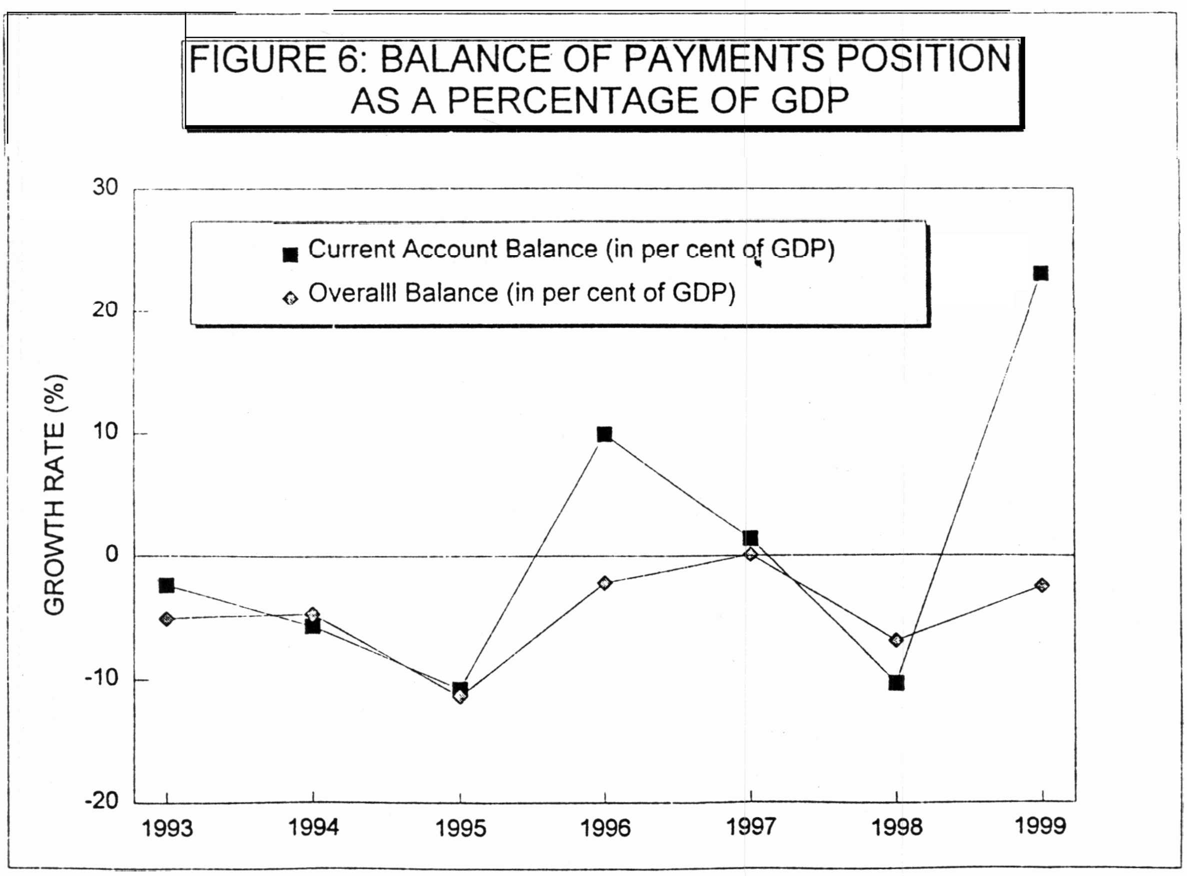


FIGURE 6: BALANCE OF PAYMENTS POSITION AS A PERCENTAGE OF GDP
Current Account Balance (in per cent of GDP)
Overalll Balance (in per cent of GDP)
GROWTH RATE (%)
30
20
10
0
-10
-20
1993
1994
1995
1996
1997
1998
1999

TABLE 2

OPEN MARKET OPERATIONS AT WEEKLY TRADING SESSIONS
(=N= Million)

Date	Total Bids	Amount Sold	Average Tenor (Days)	Average Yield (%)
1997				
January	66,849	35,184	25	5.0
February	2,015	1,615	10	3.0
March	10,028	7,328	37	8.0
April	24,284	20,933	43	9.9
May	12,765	12,215	36	11.2
June	4,580	4,520	42	12.0
July	8,332	8,182	42	12.0
August	7,208	6,229	48	12.0
September	1,200	1,200	49	12.0
October	4,675	4,675	49	12.0
November	1,736	1,736	49	12.0
December	7,966	7,716	21	11.7
Average	12,653	9,294	38	10.1
1998				
January	4,822	4,822	22	11.8
February	1,985	1,985	21	11.9
March	5,339	5,079	32	11.9
April	7,244	7,244	28	11.9
May	6,330	6,330	32	11.9
June	1,987	1,987	32	11.9
July	9,937	9,437	31	11.9
August	5,612	5,612	33	11.9
September	2,058	2,058	28	11.9
October	2,851	1,966	42	12.4
November	5,199	4,279	28	12.6
December	6,474	5,944	28	12.7
Average	4987	4720	30	12.1
1999				
January	4,748	4,322	35	12.7
February	4,207	4,207	30	13.5
March	10,051	9,791	30	16.1
April	39,134	37,939	36	18.6
May	1,813	1,813	32	18.6
June	44,089	37,389	40	18.6
July	8,939	8,939	36	18.6
August	4,266	4,266	35	18.6
September	7,474	7,174	42	18.6
October	14,796	14,796	36	18.6
November	10,357	10,357	42	18.6
December	31,901	26,602	36	16.6
Average	15,151	13,966	36	17
2000				
January	22,381	12,331	37	16.7
February	52,577	46,577	53	16.8
March	27,840	27,840	38	16.8
April	70,861	43,699	40	14.9
May	26,619	20,469	42	15.8
Average	40,056	30,183	42	16.2

Source: Central Bank of Nigeria.

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economic d'evelopment. The policy measures contained in the budget include:

- Low income tax rates, generous tax incentives and reliefs. In order to broaden the tax base government will strengthen the capacity of tax authorities with competent staff.

- The continuation of the flat rate *of* 5 per cent of VAT in year 2000. Fifty VAT offices embarked upon in 1999 will become operational and government will introduce VAT clearance certificates to all VAT payers.

- The review of existing incentives and set-offs as they relate to the oil and gas sector while the new memorandum of understanding will come into effect during the year.

- The enforcement of compliance with staff assessment by small and medium size companies.

- Review of port charges and levies.

- The operation of x-ray scanners at the ports on build-own -operate basis by private sector operators. This is a useful device for the detection of illegal drugs, arms and prohibited goods.

- Deregulation of the petroleum industry. Crude oil cost allocation to NNPC for domestic consumption will be at export parity.

PART II

3.0 REVENUE AND EXPENDITURE ESTAMATES

3.1 Federally Collectible Revenue

Total federally collectible revenue is estimated at N1, 686,000 million, which is N687, 600 million ore 68.9 pre cent higher than the revenue estimate for 1999. The bulk of the expected increases from oil revenue was reflecting the rise in the price of crude in the international petroleum market as well as the depreciation of the naira.

Revenue from the sector *is* projected at N1, 340,000 million compared with N759,600 million in 1999. The calculations are based on the price of $20.0 per barrel and output level of 2.04 million barrels a day. The sale of crude oil in the domestic market is expected to yield a revenue of N104, 300 million.

Receipts from non-oil is estimated at N345, 600 million compared with N238,800 million in the preceding year. Revenue from customs and excise is expected to rise by 31.6 per cent to N100,000 million in the year. Similarly, from Company Income Tax (CIT) and Value –Added Tax (VAT) are projected to rise by 113.1 and 62.5 per cent to N65,000 million each. Revenue from independent source is expected to increase by 257.1 per cent to N50,000 million.

3.2 **Allocation of** Federally Collectible Revenue

Of the total federally collectible revenue, N260,000 million is set aside as first charge for joint venture cash calls (JVC), N30,000 million for NNPC priority projects, N150,000 million for external debt service charge. The sum of N952,300 million would be transferred to federation account to be allocated among the three tiers of government and the Special Funds in accordance with the approved revenue sharing formula. Consequently , the federal government would receive N457,015.5 million or 48.5 per cent while the State and Local Governments would receive N226,152.0 and N188,460.0 million or 24.0 and 20.0 per cent respectively. Special Funds will be allocated N111,600.00 million. Following the approval by government, 13.0 per cent, of mineral revenue will be allocated on the basis of derivation to mineral producing states. In addition, VAT revenue of N65,000.00million will be shared in the ratio of N15:50:35 to Federal, State and Local Governments, respectively. Thus, the Federal Government will receive N9,750.00 million while the states and local governments will receive N32,500.00 million and N22,750.00 million, respectively (Table 1)

3.3 Federal Government Retained Revenue

Federal Government retained revenue is estimated at N556.5

at N129 billion in the budget may have been underestimated given the new minimum wage approved recently. If the approved salaries and wages were not adequately provided for in the Federal Budget, government fiscal deficit may exceed projections.

4.4, Financing the budget deficit

In spite of the expected drawdown on foreign loans to finance the deficit, it is important for government to persevere on the road to fiscal discipline in order to avoid severe macroeconomicconsequences. Firstly, persistent budget deficit may not be compatible with the maintenance of low inflation. Secondly, the budget is extremely vulnerable to international interest rates and prices crude oil. Hence, expected surplus from crude oil prices in excess of *$20* per barrel can vanish if **oil** prices decline. Thirdly, if the deficit is debt financed, the cost of domestic debt service, which is now market driven, will continue to pressure on the budget. This though non- inflationary can also crowd out private investment.

5.0 Concluding Remarks

If price of oil in the international market continue to rise above budget expectations and expenditure does not rise in tandem, finance is likely to constrain the achievement of most of the objectives of the budget. However, there is need to strengthen administrative capacity so that budget policies can be monitored. Real sector policy measures should also be faithfully implemented to remove the bottlenecks in the production system and to provide the enabling environment to ensure adequate supply response to policy measures.

TABLE 1
FEDERATION ACCOUNT OPERATIONS (BUDGET ESTIMATES) 1998-2000
(N'MILLION)

SOURCES:	1998 (1)	1999 (2)	2000 (3)	% CHANGE BETWEEN (1) & (3)	(2) & (3)	% SHARE OF TOTAL 1998	1999	2000
OIL REVENUE	257,000.0	759,600.0	1,340,400.0	421.6	76.5	60.6	76.1	79.5
Government Crude	0.0	437,000.0	718,360.0	-	64.4	0.0	43.8	42.6
Petroleum Profit Tax	216,000.0	140,700.0	242,950.0	12.5	72.7	50.9	14.1	14.4
Rent, Royalty	0.0	85,000.0	138,690.0	-	63.2	0.0	8.5	8.2
Domestic Crude	41,000.0	93,300.0	104,300.0	154.4	11.8	9.7	9.3	6.2
Upstream Gas Sales	0.0	3,600.0	40,000.0	-	1011.1	0.0	0.4	2.4
Estimated Excess Crude Receipts Jan.-June, 200	-	-	74,800.0	-	-	0.0	0.0	4.4
Other Oil Revenue	0.0	0.0	21,300.0	-	-	0.0	0.0	1.3
NON-OIL REVENUE	167,000.0	238,800.0	345,600.0	106.9	44.7	39.4	23.9	20.5
Companies Income Tax	25,000.0	30,500.0	65,000.0	160.0	113.1	5.9	3.1	3.9
Custom & Excise Duties	60,000.0	76,000.0	100,000.0	66.7	31.6	14.2	7.6	5.9
Federal Govt. Indep. Rev. 1/	12,000.0	14,000.0	50,000.0	316.7	257.1	2.8	1.4	3.0
Value – Added Tax. (VAT)	40,000.0	52,200.0	65,000.0	62.5	24.5	9.4	5.2	3.9
PSTF	0.0	8,300.0	0.0	-	-100.0	0.0	0.8	0.0
Privization Proceeds	0.0	5,000.0	20,000.0	-	300.0	0.0	0.5	1.2
Customs Levies	0.0	0.0	6,100.0	-	-	0.0	0.0	0.4
Education Tax	0.0	0.0	5,500.0	-	-	0.0	0.0	0.3
Deferred Customs Duty	0.0	0.0	4,000.0	-	-	0.0	0.0	0.2
Taxes on Imported Petroleum Products	30,000.0	52,800.0	30,000.0	0.0	-43.2	7.1	5.3	1.8
TOTAL FEDERALLY COLLECTED REVENUE	424,000.0	998,400.0	1,686,000.0	297.6	68.9	100.0	100.0	100.0
ALLOCATIONS:	424,000.0	998,400.0	1,686,000.0	297.6	68.9	100.0	100.0	100.0
(I) Joint Venture Cash Calls	55,000.0	182,600.0	260,000.0	372.7	42.4	13.0	18.3	15.4
(II) NNPC Priority Projects	0.0	23,700.0	30,000.0	-	-26.6	0.0	2.4	1.8
(III) National Priority Projects	54,000.0	0.0	0.0	-100.0	-	12.7	0.0	0.0
(IV) External Debt Service Charges	44,000.0	137,600.0	150,000.0	240.9	9.0	10.4	13.8	8.9
(V) Transfer to Petroleum Trust Fund	30,000.0	8,300.0	0.0	-100.0	-100.0	7.1	0.8	0.0
(VI) Transfer to Federation Account	189,000.0	566,800.0	952,300.0	403.9	68.0	44.6	56.8	56.5
(VII) Transfer to VAT Pool Account	40,000.0	52,200.0	65,000.0	62.5	24.5	9.4	5.2	3.9
(VIII) Transfer for 13% Derivation	0.0	0.0	117,100.0	-	-	0.0	0.0	6.9
(IX) Transfer to other Accounts	12,000.0	27,200.0	111,600.0	830.0	310.3	2.8	2.7	6.6
DISTRIBUTION OF REVENUE								
(I) Federation Account Allocations	189,000.0	566,800.0	952,300.0	297.0	68.0	44.6	56.8	56.5
(i) Federal Government	92,000.0	274,900.0	457,015.5	142.0	66.2	21.7	27.5	27.1
(ii) State Government	45,000.0	136,100.0	226,152.0	70.5	66.2	10.6	13.6	13.4
(iii) Local Governments	37,000.0	113,400.0	188,460.0	58.9	66.2	8.7	11.4	11.2
(iv) Special Funds	15,000.0	42,500.0	70,672.5	21.7	66.3	3.5	4.3	4.2
(v) National Judicial Council	0.0	0.0	10,000.0	3.9	-			
(II) Value Added Tax, Allocations:	40,000.0	52,200.0	65,000.0	4.7	24.5	9.4	5.2	3.9
(i) Federal Government	10,000.0	7,800.0	9,750.0	-0.9	25.0	2.4	0.8	0.6
(ii) State Government	18,000.0	26,100.0	32,500.0	3.2	24.5	4.2	2.6	1.9
(iii) Local Governments	12,000.0	13,300.0	22,750.0	2.5	24.3	2.8	1.8	1.3

1/ Comprises sources of revenue within the jurisdiction of FIRS and transfer of CBN surplus of the preceding year, and loans recovered from state governments

Sources: Federal Govt. Budget Estimates, 1998, 1999 and 2000

EXTERNAL SECTOR PERFORMANCE AND THE EXTERNAL SECTOR POLICY MEASURES IN THE YEAR 2000 FEDERAL BUDGET

BY

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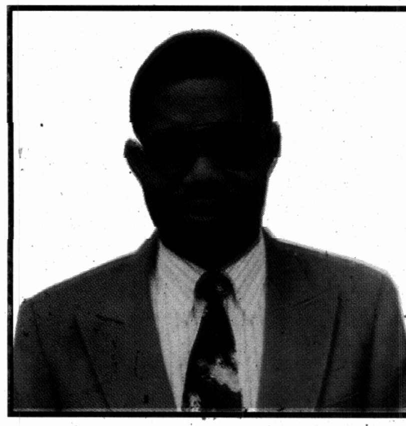

PROF. MIKE I. OBADAN

INTRODUCTION

This paper briefly reviews the performance of the external sector in the first half of year 2000 and then goes on to appraise the external sector policy measures in the Federal Budget for the year. To this end, the following policies and measures are examined in succession:.

- Full Trade Liberalisation Versus Guided Liberalisation;
- Patronage of Made-in-Nigeria Goods;
- Tariff Measures;
- Export Policy: and
- External Debt and New Loans

OVERVIEW OF EXTERNAL SECTOR PERFORMANCE IN THE FIRST HALF OF 2000

A comprehensive appraisal of external sector performance in the first half of this year is not possible because of unavailability of data for some items such as the balance of payment, while data for others are available, at best, up to April.

The most significant development was the sharp rise of the average crude oil price to a peak of $28.06 per barrel as at February compared to $11.4 for the period, January – March, 1999 (see Table 1)[1]. The increase in oil price was significantly reflected in gross foreign exchange inflow which summed up to $3,755.8 million from January to March compared to $1,662.7 million for January – March 1999. The receipts from crude oil.

FULL TRADE LIBERALISATION VERSUS GUIDED LIBERALISATION

For quite sometimes now, Nigeria's trade policy has been conducted within the framework of liberalization and the World Trade Organisation (WTO) rules. This, perhaps, takes cognisance of the arguments of the advocates of unlimited free-reign of market forces and liberalisation to the effect that globalization and liberalisation provide several benefits and opportunities. But then, the wholesale adoption of WTO rules has tended to pose a serious threat to the industrialization process in the country, according to the Manufacturers' Association of Nigeria (M.A.N) (n.d)

The full-throttle liberalisation of trade has given rise to massive Inflows of all manners of finished products from industrialized countries of the West and Asia. including second-hand and used products (textiles, footwear, automobiles and motor-cycles, fridges and airconditioners); substandard and fake products (e.g. pharmaceuticals. cosmetics and toiletries, electrical materials, and foods). The situation is not helped by rampant dumping, smuggling and under-invoicing through which the various products are brought into the country and necessary duties evaded. Some of the other goods (apparently) dumped into

1. The observation drop in the price of crude oil to $23.05 in April reflected the increase in Nigeria's oil production quote by 148,000 barrels per day, effective from April, 2000. This was in line with the increases in the production quotas of OPEC member countries in their attempt to increase aggregate supply and reduce prices from following pressures from Western consuming nations. If the price drop continues, it will definitely impact negative on the year 2000 budget implementation.

the Nigerian market include electrical appliances, candles, matches, R_{20} batteries, drinks and electronics.

Thus, the trade liberalisation policy has had a devastating effect on local production and employment, and discouraging further investment. Both the M.A.N and the Nigerian Labour Congress (NLC) have drawn attention to a number of industries and firms, that have gone under as a result of unfettered trade liberalisation. The NLC President was reported in March to have hinted at the Seventh delegates' Conference of the National Union of 500,000 in recent times. This may have been a little bit stretched. But, it certainly draws attention to the concerns.

One fact that policy makers has failed to recognise is that some developing countries (Nigeria included) as at now, are not equipped to participate profitably in the international competition of the global economy. The high level of trade liberalization is to prepare local industries for effective and profitable participation in the globalization and liberalisation process The government should invest heavily in infrastructural support services to enable industries produce at lower costs and enhance the competitiveness of their products at home and in the global market place.

It is, perhaps, in view of the above limitations of unfettered liberalisation that some of the fiscal measures in the year 2000 became very significant. One Of these is the directive to government ministries and departments to patronise Made-in- Nigeria goods. Another is downward review of tariffs generally in favour of imported raw materials.

PATRONAGE OF MADE-IN NIGERIA GOODS POLICY

Last May, the President of the Federal Republic of Nigeria directed that from henceforth and as a matter of policy, Made- in-Nigeria goods would constitute the first line Of choice'in government patronage. To this, end, all Ministries, Extra-Ministerial Departrnents, Agencies and Government-owned companies were directed to buy Made-in –Nigeria goods. These goods include textiles and footwear, building and construction materials, furniture, office equipment and electronics, stationery, toiletries, food, alcohol, and beverages, etc. Where imported goods must be bought because Made-in-Nigeria goods are either in short Supply or non-existent, the prior approval of the Secretary to the Government of the Federation has to be obtained. The background to this policy is the need to revive and grow the country's comatose economy and achieve the goal of sustained increase in capacity utilisation and production of goods and services by local industries, as well as improve employed and rising standard of living for the Nigerian people. This is a very significant and desirable policy directive in view of the pervasive and continued threat to local industries, employment, income generation and development of technical skills by unfettered liberalisation of imports that are apparently dumped on the Nigerian market. It is, however, hoped that monitoring mechanisms with Orientation agency should mount a systematic campaign to develop the national consciousness for patronising locally-made goods. The overall success of the policy should result in improved quality, lower costs and more goods.

TARIFF POLICY

The Customs and Excise Tariff Schedule which came into force early 1995 is still in force till 2001. It is within this framework that tariff changes have been made each year, especially through the budget statements. The tariff changes made in 1999 attracted the criticisms of manufacturers. The complaint was that duty rates were increased on a number of imported raw materials. The year 2000 customs tariff changes have largely addressed and redressed the concerns of the manufacturers. To this end, custom duty rates on major raw material inputs for the manufacturing of various products have been reduced in order to revitalise ailing industries, increase sectoral capacity utilisation, enhance their competitiveness and increase employment generation. Table 2 shows the average tariffs for broad categories of imported items. Each item has several components, largely inputs, whose tariffs were averaged to projects. In particular, funding from the World Bank is for social sector and poverty alleviation project, especially in agriculture, education, health, water and sanitation, rural electrification, SMEs and women and youth development. While $13.0 million is to be drawn from three new assistance projects, $77.9 million will be drawn cumulatively from the four on-going World Bank and International Fund for Agricultural Development Assisted Projects. Adoption has tended to pose a serious threat to the industrialization process and employment in the country. The enabling environment and infrastructural support for the wholesale compliance with the rules is lacking in the country. Therefore, trade liberalisation has to be implemented sensibly and in an orderly manner.

The Presidential directive on government ministries, departments and agencies to patronise home-made goods as first choice is commendable. It is to be hoped that monitoring mechanisms will be put in place to ensure full compliance. Private sector operators, individuals, should be encouraged to take a cue from government departments. The year 2000 customs tariff measures largely address the concerns of manufacturers in relation to the inadequacies of previous tariff review exercises. Raw material imports generally attracted reduced tariff rates. However, the few observed outstanding anomalies in the tariff policy should be redressed, and greater dialogue between government and the organized private sector on such matter is desirable. The export policy in the budget has followed the usual pattern of providing incentives, which erroneously assumed away production /supply constraints. The need to tackle these fundamental constraints cannot be overemphasized, as a basis for the effectiveness of the incentives. Finally, the government intends to resume concessionary borrowing this year from multilateral and bilateral sources, especially the World Bank. Borrowing for development should, however, be for projects with satisfactory social rates of return for social and infrastructural projects and export-increasing / import-decreasing features for economic projects.

economic performance with negative impact on the real sector whose output was significantly constrained. Capacity utilisation therefore recorded a drop to about 28% as against about 34% in the first half of the previous year. Extra-budgetary spending exacerbated the liquidity overhang resulting in further Naira depreciation to the Dollar by up to 8%.

President Olusegun Obasanjo presented the Year 2000 Budget entitled the "Peoples Budget" to the Joint session of the National Assembly on Wednesday, 24th November 1999. The Budget, like previous budgets by past governments, is coming with fiscal and monetary incentives geared towards the growth of the real sector. As a policy initiative, the Federal Government says that the Budget 2000 would achieve macro-economic stability and positive real interest rate through the curtailment of fiscal deficit and restrictive monetary stance. The inflation rate is expected to be reduced considerably.

The 2000 Budget has been accompanied by a protracted controversy between the presidency and the National Assembly before it was eventually approved. N598 billion was however signed into law with a resolution of the two party that the President could sign the bill while they both work towards a review of the areas of disagreement. A Supplementary Appropriation Bill is expected to be presented by the Presidency to the Assembly not later than 14 days of the resolution.

2.0 MAJOR THRUST OF THE BUDGET

2.1 Objectives of the Budget

Although the detail of the much awaited Budget are yet to be formally announced, the Budget is expected to usher in a new era of intensive capital re-injection and rejuvenation of the economy.

The specific objectives set out in the Budget as provided by the President are as highlighted below:

- The provision of necessary framework for divestment of government interests in economic activities, which are fit for private sector management.
- Laying a solid foundation for private led economic growth by providing the enabling legal, Fiscal and Monetary environment.
- Upgrading the performance of major infrastructure facilities.
- Paying adequate attention to education and poverty alleviation; and
- To continue with the policy of probity, transparency and accountability in order to reduce the cost of doing business in Nigeria.
- Reduce the inflation rate considerably.

2.2 Strategies for Achievement

To achieve the Budget objectives, the Government intends to employ the following strategies:

- Divestment of Government interests in companies quoted on the Stock Exchange, which is expected to be completed during the first half of this year.
- Hotels, Vehicle assembly plants and other manufacturing enterprises with Government Holdings will be actively prepared for privatisation during the year.
- The privatisation of utility intensive enterprises is to begin during the year with the establishment of regulatory framework for the sectors. The drawing up of modalities for effective private sector participation would follow this.
- Increase industrial capacity utilisation, by reduction of import tariff of raw materials and the rehabilitation and resuscitation of infrastructure facilities.
- Emphasis on aerial Geophysical surveys and exploration of solid mineral deposits in order to encourage private investment in the sector.
- Budget deficit to be kept at

exemption list with the exception of agricultural equipment and inputs. A boost to agricultural development and growth will be achieved.

(ii). **Petroleum Profit Tax:**

Government will continue to be committed to the provision of tax incentives necessary for the encouragement of investments in the Oil and Gas sector. This is however to be reviewed to ameliorate its effect on projected revenue from Petroleum Tax Profit.

(iii) **Investment Tax Credit:**

The administration of this tax is to be streamlined such that companies deriving the benefit of tax credit, equal to 50% of capital expenditure, may be restricted only to those that signed the Production Sharing Contract with the Government in 1993 to further enhance revenue.

(iv) **Companies Income Tax:**

Government to enforce compliance with the practice of self - assessment by small companies. This will enhance revenue and make marginal companies more serious. More revenue is also to be raked from insurance companies by harmonizing their tax responsibility to match developments in the industry.

(v). **Deregulation of the Petroleum Products Market:**

Deregulation of the market is to be implemented and domestic crude allocation to be paid at export parity. We are aware of the involvement of the Oil marketing companies in the importation of fuel. We also know of the recently resisted move by Labour to the NNPC's increase of the pump prices of petroleum products.

2.3.3 Other Relevant Policy Measures

A major policy strategy contemplated by government concerns the plan to empower the citizenry both in the rural and urban areas to produce by providing necessary socio-infrastructural tools. One of such tools is the Medium-term Poverty Reduction Plan. A N1.0 billion Fund has been created to prosecute poverty alleviation in the country through the funding of grass-root induced projects and programs. Such a policy, apart from opening up the rural areas, will check the influx of rural dwellers to the cities.

3.0 ASSESSMENT OF THE REAL SECTOR PERFORMANCE (January – June, 2000)

Without an approved Budget six months into the year, Nigeria's economy has been like a rudderless ship anchored midstream at the mercy of tempest. Over the last five months and even till now the final Budget is yet to be announced to Nigerians. With the benefit of hindsight, it may take a long time before funds under the approved 2000 Budget starts filtering into the system considering the time it takes to print and circulate the Budget to ministries, prepare warrants and secure the cash for spending.

Until the details of the Budget are made available, the real sector will continue to operate in a vacuum as a result of not having a clear direction from Government. This is taking cognisance of the fact that the Nigerian economy is still largely Government dominated and Government represents the biggest spender.

Unlike the advance economies of Europe and America where the private sector charts the economic course, Government transactions of over 70% of the total Gross Domestic Product (GDP) in Nigeria. Besides, because of the instability of policies, it is not easy to predict the possible policy direction any year without the Budget.

While the approved Budget is still being awaited, President Obasanjo was said to have in January 2000 directed all ministries and heads of government departments to return to the presidency balances of ministerial revenue allocations that were not spent as at December 31, 1999. The president was also said to have instructed that all forms of expenditure, except payment of salaries, should hence forth be suspended until the 2000 Appropriation Bill receives the assent of the legislature.

By implication, the economy has been further paralysed as economic activities are espected to dip following the directive from the presidency.

will continue to remain or even worsens.

v. **Job Creation/Poverty Alleviation**

Government has set aside N10 billion separately approved by the National Assembly, to finance its poverty alleviation programme in the country. The programme has been launched and been implemented in all states of the federation. It is expected to increase the disposable income of the populace through the setting up small-scale industries and enterprises with local advantages. This will boost the ability of the rural populace to purchase goods. Information emanating from the states and government do not tell a smooth story in that, as in previous similar programmes, the objectives are not being realised. it is good that the Government is already aware of this development and is taking corrective measures.

vi. **Increase in Prices of Petroleum Products**

An attempt by the government to achieve its Budget policy of attaining export parity for domestic crude allocation had been thwarted by labour. Even at the agreed levels of 10.5% for Diesel and about 8% for Petrol, the effect on user companies, who have to depend largely on private power generation will be substantial and in turn reflect in the prices of goods and services. Within the short time of its introduction, cost of goods and services went up astronomically.

vii. **Increase in industrial Capacity Utilization**

Through a publication on the year 2000 fiscal policy measures, the Government made public the review of port charges/levies and removal of some administrative obstacles at the ports. In line with the strategy of using reduction of duties to increase capacity building, a substantial list of items had their excise duty reduced including cigarettes, automotive battery components, textiles, pharmaceuticals, detergent raw materials, etc. On the other hand, excise duty for the brewery industry was re-introduced. These are already reflecting in the cost of the affected industries but the overall impact will be better seen in their financials of at the end of the year.

4.0 CONCLUSION AND SUGGESTIONS

From the foregoing, it is quite clear that an appraisal of the Budget and its impact on the real sector could only be substantially beneficial if the Budget had been approved in a timely manner and its provisions made public. Albeit, the machinery of Government, as could be seen, was not totally grounded during the review period as a few policies were implemented either with the necessary inputs being available or not.

It is important to mention that the year 2000 Budget was conceptualised within the framework of the overall projected economic policy targets of Government up to 2003. In this regard, it is expected that the provisions of the budget will run in line with such set targets which include, GDP growth rate of 10%, single digit inflation, 70% employment (formal & informal), household access to electricity of 60%, etc. by year 2003.

Although the Budget has now been approved and signed into law, a few suggestions concerning fits implementation, may suffice and I believe they will be included in the final recommendations to Government.

i. A quick release of the Budget to use users and making the details available to the Nigerian public will be useful and beneficial to the economy considering the length of time it has taken to get it passed into law. In addition, taking congnisance of the expenditure already carried out by Government, it will be informative to release details of the amount so far spent to aid in the proper analysis of its impact on the relevant sector of the economy.

ii. It is heart-warming that Government has constituted a new Committee to be headed by the Vice-President to handle the Poverty Alleviation Programme. We suggest that the inclusion of training programmes as part of the overall structure to assist the grassroot beneficiaries to have a good grasp of their respective projects. This will enhance the success of the programme.

THE IMPERATIVE FOR ENERGIZING THE INDUSTRIAL TRANSFORMATION IN NIGERIA

BY

PROF. D. OLU AJAKAIYE
&
PROF. A. 'SESAN AYODELE

Background Information

The primary focus of economic management either through economic regulation or deregulation, particularly, in a developing country, is effective economic development /transformation. Such an effective economic transformation is expected to reflect in the improvement of the quality and standard of living of the populace. Improving people's quality of life involves, according to Tadaro (1977):

i. "raising people's living levels so much so that their in come consumption level of food, medical services, education, utilities and social services expand through relevant economic growth processes; and,

ii. Creating conditions conducive to the growth of peoples self-esteem through the establishment of social, political and economic systems and institutions which promote human dignity and respect."

In order to expedite and reinforce the pace of the process of attaining the perceived level of improved quality and high standard of living, Boeninger (1991), proposed the need for government to provide for the prevalence of some socio-economic transformation conditions which involve:

> "increasing people's freedom to choose by enlarging the range of their choice variables, for example, increasing the varieties of consumer goods and services at reasonable costs".

Perhaps, against the background of these desirable conceptions and goals of economic transformation/development, industrialization is widely accepted by policy makers, economic planners, researchers and professionals, irrespective of their ideological disposition, to be one of the most reliable means of raising the standard of living of the populace. In this regard, successive governments in the country have usually accepted and pursued industrialization as a way of transforming the entire Nigeria economy. Thus, the country aspired in the 1960s industrially, hoping to use the proceeds from the commodity boom to energize the industrial transformation process. This aspiration became reinforced in the 1970s with the wind fall gains from the crude oil price explosions of 1972/73 and 1979/80.

The regulatory approach under which industrialization strategies were adopted in Nigeria up to the mid 1980s did not result in any desirable results. The near total collapse of the global crude oil prices and the subsequent economic crisis that followed it resulted in the accumulation of huge external and internal debts, chronic budget deficit with the attending inflationary pressures and serious economic decline in all its ramifications with the accompanying high unemployment rates. These created some transformation challenges which prompted Nigeria to adopt the World Bank/IMF endorsed Structural Adjustment Programme (SAP) in July, 1986, in order to among several objectives:

i. restru cture and diversify the productive base of the economy;

ii. achieve fiscal and balance of payments viability; and

iii. lessen the dominance of unproductive investments.

Towards these ends, there was a reversal of Nigeria's development approach to economic deregulation and liberalfacturing sector in Nigeria. Between 1981 and 1983, the sector witnessed stagnation and thereafter its performance decline and this can be attributed to two major factors viz:

i. a weak demand due to the sharp fall in real income arising from the economy recession and high product prices;

ii. low export market penetration due to poor quality control and the high cost of production due to the high cost of imported inputs (Iwayemi, 1994)

Perhaps, against the background of this development, low productivity growth became one major constraining features of the Nigerian manufacturing sector. Infact, the analysis in Chete and Adenikinju (1995) indicate that the sector recorded a negative growth rate of -0.57% in total factor productivity growth within the 1962/85 period. The analysis also indicate that the positive growth in manufacturing value added within that period was ascribed to the growth in factor accumulation in the boom period rather than an enhanced efficiency.

It is important to recognise that by the mid-1980s Nigeria had completely been transformed into a monolithic, inefficient and import-dependent economy. Thus, the need was created to evolve, from that structure, a diversified, dynamic and export oriented economy which constituted one of Nigerian's objectives of adopting the Structural Adjustment Programme (SAP)in July, 1986. The manufacturing sector was expected to play a central role in this process of evolution, hence, SAP proposed the enhancement of the productive of the manufacturing sector, particularly, against the backdrop of the declining oil revenue to reinforce factor accumulation and imports within the process of economic deregulation.

SAP initiated some comprehensive reform programmes which advocated minimal government influence in trade and other spheres of industrialization. These programme embodied several policies aimed at the enhancement of the pace of industrialization in the country. Whereas some of these policies were targeted at the macro-economy, others were primarily aimed at influencing the manufacturing sector. Such policies included:

i. Technical devaluation of the naira to alter domestic prices in favour of manufactured exports through the floating exchange rate system;

ii. The increase of capital allowances for plant and machinery;

iii. The introduction of the tax free dividends for foreign personal and corporate equity holders within the 1987/92 period;

iv. Special tax incentives of about 140% relief in respect of R&D expenses on raw materials development;

v. Tax holidays for entrepreneurs willing to invest in economically disadvantaged areas;

vi. The establishment of domiciliary accounts for exports to maintain export earnings in foreign denominated currency;

vii. The adoption of the privatization and commercialization policy for the enhancement of industrial productivity and efficiency;

viii. The promulgation of the Export Incentives Decree of 1986;

ix. The establishment of an Export Guarantee and Insurance Scheme to assist Nigerian firms to compete at the International market effectively;

In the area of cash inducements, an export expansion fund was created for the provision of cash inducements for exporters who would have provided a minimum of N50,000.00 worth of semi-manufactured or manufactured products. Recognising the need to facilitate and ease the processes of the incorporation, registration and supervision of industrial enterprises, the 1990 Companies and Allied Matters Decree was promulgated. On a final note on the incentives to put industrialization on its proper course in Nigeria, government provided some institutional supports via the process of industrialization to create incentivesto save and allow for the inflow of investible funds on the basis of efficient resource allocation within the on-going processes of globalization coupled with economic liberalization and deregulation paradigms.

Certain facts on the Nigerian manufacturing sector are apparent from the implications of the implementation of SAP policies in Nigeria as an externally dependent monolithic economy. These are:

i. The unstable political economy, particularly, during the protracted military rule did not allow for the inflow of large scale foreign investments;

ii. The weak base for competition at the international market for Nigeria's manufactured products had been further eroded by excessive cost of production and poor quality of its products

iii. Arising from the gross erosion of the naira value to the depreciating exchange rate is the decline in the demand for goods which has culminated in large inventory in the manufacturing sector.

These development in spite of the impressive market size of the economy coupled with its high industrial potentials, do not augur well for a conducive environment for industrialization. Thus, the imperative for energizing the industrial transformation in Nigeria lies in detecting the causes of the afore-mentioned anormalies and subsequently eliminating them in order to create a conducive industrial environment for effective industrialization.

In this regard, the issue is to find out the causes of the erosion of the naira value, the decline in peoples purchasing power and high production cost in Nigeria. Table 1 therefore presents statistical information on the inflation, exchange, savings deposit and lending rates respectively in Nigeria within the 1980/98 period. It is apparent from this table that:

Table 1 Exchange, Savings and Lending Rates in Nigeria: 1980-98

Year	Inflation Rate	Exchange Rate (N:$)	Savings Deposit Rate	Lending Rate	Capacity Utilization
1980	9.9	0.5464	6.0	9.9	70.1
1981	20.9	0.6100	6.0	10.0	73.3
1982	7.7	0.6729	7.5	11.75	63.6
1983	23.2	0.7241	9.5	11.50	49.7
1984	39.6	0.7649	9.5	13.0	43.0
1985	5.5	0.8938	9.5	11.75	38.3
1986	5.4	2.0206	9.5	12.0	38.8
1987	10.2	4.0179	14.0	19.20	40.4
1988	38.3	4.5367	14.5	17.60	42.4
1989	40.9	7.3916	16.4	24.6	43.8
1990	7.5	8.0378	18.8	27.7	40.3
1991	13.0	9.9095	14.29	20.80	42.0
1992	44.5	17.2984	16.1	31.20	38.1
1993	54.2	22.3268	16.66	38.1	37.2
1994	57.0	21.8861	12.61	21.0	30.4
1995	72.8	21.8861	12.61	21.0	29.3
1996	29.3	21.8861	10.11	21.0	32.5
1997	8.5	21.8861	6.10	20.25	37.2
1998	10.0	21.8861	5.2	21.40	32.4

Source: CBN. Annual Report and Statement of Accounts (Many Series).

could be attained through;

i. **Adequate guaranteed supply of utilities to all users;**

ii. **Establishment wage structure to raise effective demand for goods and services.**

iii. Creating a condition for sustain- able democratic government to user in a stable eco-political situation in the country.

In these regards the country's continuous dependence on a narrow range of primary exports make it very vulnerable to external shocks. Government should therefore put up prudent strategies to diversify Nigeria's export base. Policy efforts must emphasis the need to minimize the large currency **depreciation which could lead to a further decline in term of trade.**

Against this background, policy efforts must focus on accelerating the implementation of export diversification initiatives. In fact, such diversification strategies must be comprehensive. That is, such policy instruments must emphasise both the supply and demand sides of the production process. The supply side must focus for success on research and development, human capital development and effective marketing strategies that facilitate an expanded range and improved quality of exportable commodities. On the demand side, policy strategies must be directed at expanding domestic, regional and Western markets and thereby increasing market share. For, example the exploitation of the existing preferential access to European marketers and markets provided by the Lome Convention. This technically suggests that Nigeria must be greatly involved in the initial phases of the formulation of the aforementioned WTO agreements if it is to enjoy continued access to foreign markets.

All of these are reinforcement to the issue of the need to minimize the effect of the negative influence in the context of unfavourable macroeconomic environment. This relates to competitive production cost and quality of products, fiscal restraint, money supply growth that is consistent with the real GDP, increased productivity ad improvement in the supply of infrastructural services in the country.

DATA GENERATION IN THE NIGERIAN ENVIRONMENT: THE CBN EXPERIENCE

BY

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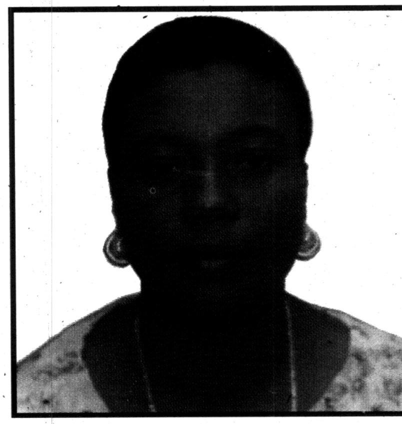
INTRODUCTION

The importance of availability of reliable data in various aspects of human endeavour cannot be overemphasised. Decisions not supported by facts, and facts not backed by relevant data hardly provide a firm basis for necessary action. Thus, data-based research is a pre-requisite for sound policy formulation. In general, good quality data is essential in socio-economic and operational research. Furthermore, an efficient and up-to-date database serves as a solid foundation for the application of statistical methods for achieving greater precision in planning activities and for forecasting.

Data, which meet the above requirements, have to be generated. Data generation has been known to be quite cumbersome and expensive, even in the best of environments. The problems of data collection multiply several-fold in our own underdeveloped setting where basic requirements for information acquisition, processing, storage and retrieval are difficult to meet.

The Central Bank of Nigeria (CBN) is involved in socio-economic and financial research to aid monetary policy formulation and other policy proposals to the Federal Government. Although the Federal Office of Statistics (FOS) is statutorily mandated by the Statistical Act of 1958 to generate socio-economic data in Nigeria, non-availability of some macroeconomic data for the Bank's purposes and gaps in some data series over the years have persuaded the CBN to delve ~~into~~ data collection exercise Moreover, the CBN Decree No. 24 of 1991 (as amended) mandated the Bank to embark upon the production of essential socio-economic data. Data collection has thus, become an important assignment in its schedule, especially with respect to information on national accounts, external, monetary and public sectors in order to satisfactorily perform its advisory role.

It has been observed that in recent times, there has been an increase in respondents' apathy to the supply of required data to interested or authorised government agencies, including the CBN. This problem seems to stem from the prevailing attitude of economic agents that they do not see how the provision or collection of data would benefit them and from lack of inadequate appreciation of their role as stakeholders in the effort



DR. (MRS.) A. A. SERE-EJEMBI

to develop the Nigerian economy. Thus, although it could be argued that a lot has already been said and written about the problems of data collection in Nigeria, it is considered topical, timely and advisable to revisit the topic and examine the forces militating against the smooth flow of data collection, collation and dissemination in the Nigerian economy. The objective of this paper is to examine the intricacies and problems of data generation in a seemingly statistically hostile environment with a view to suggesting measures capable of minimising the problems. The paper, focuses basically on the activities and experiences of a major data collecting and analysing unit of the Bank - the Research Department, especially its Statistical Services Division as a case study. Apart from the introducother statistical agencies.

II.2.1 Surveys

Primary data, generated through surveys, are collected directly from respondents for specific purposes. Some periodic survey exercises conducted by the Department include:

1. Price surveys of selected consumer items;
2. Business surveys of manufacturing, trading, building and construction firms, as well as core projects;
3. Agricultural production surveys;
4. Foreign private investment survey;
5. Insurance statistics survey; and
6. Wage statistics survey.

The Department also undertakes adhoc survey exercises on its own, as well as in collaboration with the FOS, other parastatals, institutions, government and non-governmental organisations.

II.2.2 Administrative Records

These are generated from routine/operational activities of the Bank, as well as from the records of government, private and non-governmental organisations. Some of these statistics include:

1. Money and banking statistics, e. g. assets and liabilities (balance sheets) of finance houses, merchant and commercial banks; sectoral distribution of banks' loans and advances; inter-bank placement statistics; interest rates; summary of dealings in discount houses, community banks and development banks; Central Bank balance sheets; etc.

2. External sector statistics - movements in Naira exchange rates; international reserves; etc.

II.2.3 Secondary Data

These are statistics compiled and published by other institutions, which are statutorily charged with the responsibility of generating such data. These data, as well as the institutions from which they are collected include the following:

1. The Federal Office of Statistics (FOS) - national accounts statistics, foreign trade statistics, composite consumer price indices, industrial production statistics and principal agricultural commodities, etc.

2. The Federal Ministry of Finance and Economic Planning, National Planning Commission, States' Ministries of Finance and Economic Development, as well as Local Governments supply data on current revenue of Federal and State Governments, recurrent and capital expenditure of both tiers of government, domestic and external public debt, local government finances, etc., as are relevant to each of them

3. Other ministries, government parastatals and institutions provide data on population, health, education, rural development and allied matters, railway services, communication, electricity, vehicle registration and road accidents, ocean shipping, evacuation of goods to the ports, etc.

II.3 Methodology Adopted by the Bank

The focus in this paper is essentially on data collection the activities of the Statistical Services Division (SSD) in collaboration with its Lagos Liaison Office (LLO), as well as the Zonal Research Units (ZRU), all which are constituent parts of the Research Department of the Bank. The ZRU and LLO are, among other things, the data collection outstations of the Division. They collect data from Ibadan, Enugu, Bauchi, and Kano Research Zones as well as Lagos State for onward dispatch to SSD in Abuja. These units contribute a significant portion of the data inputs of the Department. It is, therefore, necessary to analyse the survey methods applied by them.

II.3.1 Data collection processes

The primary strategy in the data collection process is the adoption of the most cost-effective, respondent-friendly, as well as result-oriented approaches. Apart from the use of postal (mail) questionnaire, the Bank undertakes mostly personal/direct contion rates and reduction in output, coupled with an increasing population pressure, have helped to fuel respondent's disillusion, disgruntlement and apathy to data generating activities of the CBN. In Statistical Surveys Reports, the perception of respondents that the positive effects of CBN policy formulation are yet to be significantly manifested on the Nigerian economy is usually highlighted. The respondents hold the belief that if their contributions are being put to adequate use over the years, the economy would have been on a speedy road to recovery. Hence, they often claim not to comprehend the rationale behind their continued participation in data submission. These and other factors, which militate against data collection exercises are discussed below.

(a.) *PREVALENCE OF OSCILLATING ECONOMIC CONDITIONS*

The data analysis covers the period 1980 - 1998, which marks an extended period of specific policy thrusts in the country. The period 1980 to 1985 was one of Austerity Measures; 1986 to 1993 was one of Structural Adjustment Programme (SAP), while 1994 to 1998 is termed the period of Guided Deregulation.

The effect of the devaluation of the exchange rate of the Naira has been of serious concern, as the economy is import-dependent. The real sector is more directly affected as a large proportion of its inputs is imported in various forms - raw materials, spare parts, components of animal feeds, pesticides, etc. The depreciation in the exchange rate over the years contributed to a steady rise in business operating costs. As seen in Table I, the FEM/AFEM rate of the Naira depreciated from N 0.55 to US $1.0 in 1980 to N 83.80 to US $1.0 in 1998.

The inflation rates during the review period more or less reflected the direction of devaluation of the Naira. From 5.40 per cent in 1986, the inflation rate rose to 40.90 per cent in 1989. The rate escalated further in the years immediately after the introduction of domiciliary accounts and bureau-de-change. Sharp rises in inflation rates were also noticed in 1992 and 1995 (44.50 and 72.80 per cent respectively) and this situation coincided with the depreciation of the exchange rate in the FEM from N 9.91 to US$1.0 to N 17.45 to US$1.0, and thereafter from N22.00 to US$1.0 in 1994 to N81.20 to US$1.0 in 1995. Even when the inflation rate fell to a single digit in 1997, respondents to data enquiries claimed not to have reaped the benefits, as other inhibiting factors continued to make their costs of operations very high.

Apart from concerns about exchange rate instability and inflationary pressures, respondents have warned about the effects of the poor performance of the real sector. Population has been increasing steadily from 1980 to date (at the rate of 2.83 per cent in recent times), while the growth rates of agriculture and manufacturing have been unsatisfactory (Graph II). From 2.2 per cent in 1982, the growth rate in the agricultural sector declined to -4.5 per cent in 1984. Agricultural growth of 11.0 per cent in 1986 (beginning of SAP), was off-set by a decline of -3.9 per cent in 1987. Growth in the sector, however, recovered to 10.7 per cent in the following year. From 1989 to the end of the review period, the oscillation reduced considerably, albeit the growth rates maintained at low levels.

Growth of the manufacturing sector has also depicted wide oscillations similar to the situation in the agricultural sector. From 12.9 per cent in 1982, it declined to -30.4 per cent in 1983 and -10.9 per cent in 1984. A sudden rise to 20.4 per cent was then recorded in 1985, followed by a negative value in the next year -3.4 per cent. In 1987 and 1988, the rates rose to 5.3 per cent and 11.7 per cent, respectively. This cyclical growth pattern continued with the rate falling to 1.5 per cent in 1989, increasing to 8.8 per cent in 1990 and declining to negative values from 1992 to 1994.

Since it is well known that growth in the manufacturing sector is fundamental to development in any economy, the oscillating movements in capacity utilisation rate, (Table III) is indicative of how poorly the sector has performed over time. Players in this sector constitute a good proportion of our respondents. During the period of Austerity Measures (1980 – 1985), capacity uti-

TABLE I

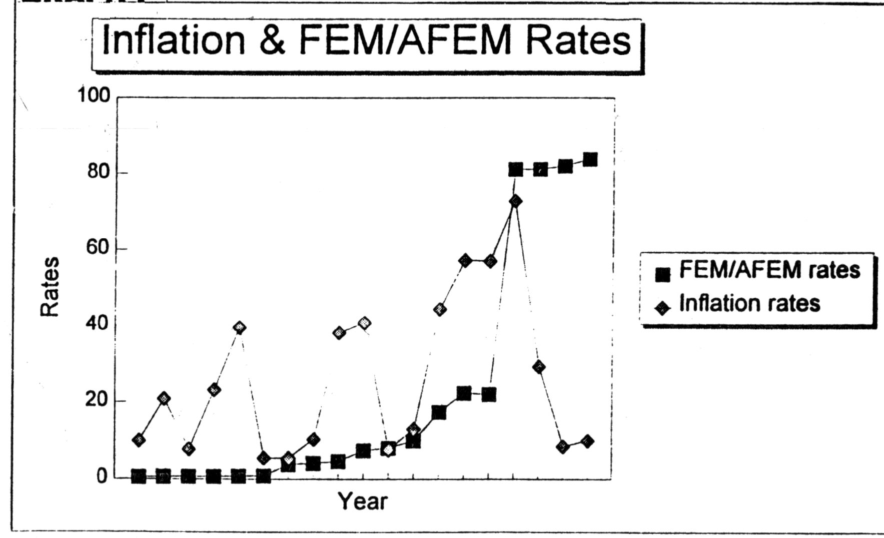
**MOVEMENTS IN
AVERAGE FOREIGN EXCHANGE RATES (=N= / $)
AND INFLATION RATE**

YEAR	EXCHANGE RATE			INFLATION RATE
	FEM/AFEM*	BUREAU DE CHANGE	PARALLEL MARKET	
1980	0.55	-	-	9.90
1981	0.60	-	-	20.90
1982	0.67	-	-	7.70
1983	0.72	-	-	23.20
1984	0.76	-	-	39.60
1985	0.89	-	-	5.50
1986	3.76	-	-	5.40
1987	4.08	-	-	10.30
1988	4.59	-	6.05	38.30
1989	7.39	10.13	10.53	40.90
1990	8.04	9.65	9.61	7.50
1991	9.91	13.52	13.45	13.00
1992	17.45	20.50	20.49	44.50
1993	22.41	36.78	36.46	57.20
1994	22.00	23.74	61.27	57.00
1995	81.20	79.53	84.16	72.80
*1996	81.20	83.82	83.59	29.30
*1997	82.00	85.76	85.34	8.50
*1998	83.80	88.93	88.89	10.00

* AFEM

Source: Central Bank of Nigeria

GRAPH I



lisation rate declined from 70.1 per cent to 37.1 per cent. A marginal increase was recorded during the first four years of SAP 1986 - 1989, from 38.9 per cent to 42.4 per cent. Apart from a marginal increase from 40.3 per cent to 42.0 per cent in 1990/1991, the capacity utilisation rate continued to drop and reached 29.3 per cent in 1995. Though it increased to 36.8 per cent in 1996, it has been declining since then.

(b.) *TECHNICAL PROBLEMS*

Poor record-keeping, or record-keeping in a format that does not conform with CBN questionnaire format in several instances has created problems in the supply of information. There is sometimes, the need to assist respondents to adjust their formats before compliance. Although our questionnaire are as user-friendly as possible, the technicalities of some formats, to which respondents are not familiar pose serious handicaps to proper completion and this creates bottlenecks. Often, where information is eventually provided, (after much pressure, persuasion and repeated calls), it is in piecemeal and completed haphazardly, in a way that would make it unusable. For such information to be useful for analysis, the on-the-spot checking and editing becomes inevitable. At times, if errors are discovered in the information supplied, delays in eventual collection arise when corrections have to be made or authorised by a more senior officer.

(c.) *MANPOWER PROBLEMS*

These problems have several dimensions. In the first instance, escalating operating costs have forced many establishments to reduce their staff strength drastically in recent years. Thus, the staff assigned to supply information has many other schedules that are ranked more vital. Secondly, to cut costs, a number of companies, especially small and medium-scale enterprises employ non-professionals or staff with minimum qualifications. Many such staff have difficulty understanding or appreciating the importance of data collection or its immediate benefits. Furthermore, some staff hardly comprehend how to complete the questionnaire, but would not like to divulge the fact that there is a major constraint. It takes several call-back visits and a vigilant field officer to perceive the problem and then know how to put the staff through completing the questionnaire. Thirdly, the rate of staff turnover in some establishments is quite high in recent times. This situation creates a problem in that the newly employed staff has to be put through appreciating the importance of questionnaire completion.

(d.) *SUSPICION FROM RESPONDENTS*

In spite of the clear statement of confidentiality on the covering letters of the questionnaire, indicating that the information supplied are published in aggregate form such that the identity of individual establishments would not be revealed, instances of data hoarding, emanating from suspicion, still abound. A number of respondents in this category have a natural apathy to divulging information. Another group surmises that the information could be made available to rival companies. This allegation is common among foreign-owned / partnered companies (especially those of Asian origin). A third group feels that the information would be used for tax purposes or witch-hunting. The problems created by suspicious respondents are often difficult to overcome. When information is eventually supplied, it is given in a distorted, conflicting and uncoordinated manner in the bid to cover-up. When the contradictions are discovered at the editing stage and the enumerator has recourse to reconfirm, the respondents often insist that the data are authentic, thus rendering the information useless. Sensitive data on operating costs, income, profit/loss and tax are sometimes omitted outrightly.

(e.) *THE NIGERIAN ENVIRONMENT*

Another set of problems is societal. Nigeria has a rather high functional illiteracy rate. These problems are even compounded in a situation where the literate supplies information, which may be faulty for policy formulation. Furthermore, it seems that some respondents feel that it is a taboo to ask certain questions, for example those that hinge on family status and ited supplies. Efforts should be made to serve all of them.

Furthermore, efforts should be made to ensure that some peculiar issues raised by respondents receive prompt attention. This will give them a *sense of belonging and contributing directly to national development.*

A *Clearance Certificate* akin to the tax clearance certificate should be issued to establishments, which respond regularly and promptly to questionnaires. This certificate should serve as a token appreciation of their efforts by the Bank.

Steps should be taken towards exploiting how to *call persistently defaulting respondents to order*, as they tend to have a negative influence on neighbouring establishments. There have been occasions when some respondents tried to find out whether other respondents in the vicinity complied. Letters of displeasure for non-compliance should be sent to defaulters from time to time.

Finally, it has been severally adduced that in developed countries, data is not collected serially and directly from establishments, but via *centralised electronic data banks*, to which respondents would have obligatorily inputted data. The creation of an electronic data bank should be a long-term goal of the Nigerian Statistical System, as this would invariably require computer networking with on-line communication link. These centralised electronic data banks produce data from records of operations. Effective record keeping has been proven the cheapest means of keeping consistent data.

Other recommendations to be considered include *review of the law and the penalty for non-compliance* and if need be, *foreign exchange utilisation be tied to compliance* by way of black-listing defaulters. However, the education of the policy maker is crucial in appreciating the use of statistics at all times. Hopefully, this will encourage their support of the statistical system for better economic management.

IV.2 Summary

The use of meaningful statistics and its timely generation cannot be compromised in the CBN environment. The origin of data collection activities of the Bank has been traced to their inadequacy or non-availability from secondary sources for it to undertake its research and policy proposal / monitoring duties. The data needs cover a wide range of relevant subjects: financial and socio-economic. The most fundamental problems inhibiting the smooth flow of data generating activities of the Bank include the oscillating nature of our economy, manpower problems of responding establishments, suspicion about the use to which the information will be put, and the overall lull in economic activities in the country, etc. Suggestions on how to alleviate the problems have been proffered.

IV.3 Conclusion

The task of easing data collection should be regarded as a continuous process. This is relevant even to the most developed economies with sophisticated technology for data collection and processing. Finally, with an improvement in the literacy level and overall appreciation of the role of reliable statistics in the country, it is believed that the public would embrace data generation and availability of relevant statistics will be accorded its proper place in our economy.

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