BEHIND THE SCENE

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INTERSTATE ECONOMIC CO-OPERATION: ISSUES AND OPTIONS

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INTRODUCTION:

Despite the oil boom of the early 1970's and the constant inflow of foreign exchange from oil export, Nigerian economy has remained basically underdeveloped. The economy is characterized by low industrial development, predominantly poor population and low agricultural production.

In order to transform the economy it will be necessary to expend vast amount of resources so as to achieve a significant acceleration in growth as opposed to recent trend. The resources to do this are beyond the reach of any one state in the country. Furthermore, technological advancement in modern industries require the use of expensive equipment, which may also be beyond the financial capacity of individual state. Under these conditions the most effective way of enhancing economic development and setting the economy on the path of self-sustained growth is through co-ordinated efforts among states.

Economic cooperation among states involves the consolidation of states' economies into more viable economic units. The main attraction of such cooperative effort is the possibility of expanding domestic markets and increasing industrial opportunities, since no state in Nigeria working in isolation can achieve the desired economic growth and development. The joint ownership of some industrial, commercial and financial establishments by some states in Nigeria is a good example of interstate economic cooperation. The Odua Group of Companies is jointly owned by the states that formerly made up Western Region of Nigeria, while the Northern Nigeria Development Corporation (NNDC) is jointly owned by states in the old northern region.

The main objective of this paper therefore, is to present a brief discussion of issues and policy options involved in interstate economic co-operation in Nigeria. To this end, the rest of the paper is organised as follows: Section II presents the rationale for economic co-operation among states while section III discusses issues in economic co-operation. The fourth section examines policy options available to state governments. The final section concludes the paper.

II. RATIONALE FOR INTERSTATE ECONOMIC CO-OPERATION

- Economic cooperation among regions and states is not new in Nigeria. Some economic cooperation came about as a result of historical experience while some were as a result of common political or geographical factors. The benefits of such cooperation are the ability to pool resources together in order to embark on projects that are adjudged to be beyond individual states or regions. It also allows the cooperating states to reap the benefits of economies of scale, thereby improving the welfare of the people. The ultimate goal of co-operating states should be to achieve acceleration in the rate of economic development by being able to mobilize finance on a large scale to undertake industrialization. Due to the absence of manufacturing industries, large portion of the population still depend on agriculture for their livelihood. Agriculture in most states is still characterized by low productivity with regard to both labour and capital and vast amount of natural resources remain untapped. Consequently, low income, poverty, unemployment and ignorance persist in all the states of the federation. The level of savings is generally low leading to

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low level of investment in the states. Under these conditions, the need for co-operation at all levels become important to ensure that resources are exploited in the best interest of the co-operating states.

- Between 1980 and 1995 revenue accruing to states in Nigeria declined from 7.5 per cent of GDP to 3.5 per cent. The decline in revenue accruing to the state has resulted in low level of economic and social infrastructural development among the states. Thus, the private sector is not encouraged to invest in industrial sector because of the high overhead costs. States can come together and provide the necessary infrastructural facilities that will be beneficial to them and thus attract private investment to their areas. Joint ownership of means of transportation like waterways and railways is encouraged. Regionally, coordinated investment in physical, social and institutional infrastructure among cooperating states can lead to large cost savings and the provision of facilities which individual states cannot provide. This can make the region more attractive to foreign investors.

- Since agriculture constitutes the backbone of the Nigerian economy, co-operative effort in the area of agricultural production can provide the necessary push towards self-sustained growth. The establishment of agricultural, manufacturing and other agro-allied industries will increase export earnings from other developing countries and developed nations as well. States can jointly own irrigation scheme that will be beneficial to all.

- One other benefit derivable from interstate economic co-operation is the ability of the co-operating states to attract direct investment into those areas in which they have comparative advantage on the basis of their resource endowment. Such specialization can enable the group to produce goods cheaply and develop the required infrastructure and technology for the selected range of activities. One specific example is the joint ownership of mining companies by states that are endowed with mineral deposits.

III. ISSUES IN ECONOMIC CO-OPERATION

1. Policy Co-ordination and Harmonization

Economic co-operation is a political issue, as co-operation normally involves a conscious pooling together of a small measure of the sovereignty of each state in policy formulation and execution. Cooperation will involve the harmonization of states socio-economic policies, development plans and industrial development policies. However, it takes a lot of political will to give up any element of sovereignty and suspicion of co-operating states with different political views and economic strategies does not help matters. Similarly, a state may be reluctant in giving up its economic competence or having the group's economic strategies imposed on it.

2. Redefining the role of public sector

In Nigeria the public sector still plays a dominant role in the economy, with the government being involved in every aspect of economic activity of the nation. There is need to redefine the role of government away from direct involvement in production to the provision of infrastructure. This is essential if interstate economic co-operation is to succeed.

3. Distribution of benefits

It is important for states wishing to co-operate to be absolutely certain as to what they want and how to achieve their goals. The institutional arrangement for such co-operation will be influenced largely by the objective of the co-operation and the perceived costs and benefits derivable from the union. It is also important to determine the distribution of benefits of economic co-operation. If a member state is dominant in the area or is on higher stage of development it is likely to reap the greatest benefit of cooperation, which may be of concern to other members. Hence, the issue of benefit distribution must not only be fair to all parties, it must be perceived to be fair by all parties. It is therefore, important that cooperations must observe the principle of equity, mutual benefit and interdependence in the issue of distribution of benefits so that while the group as a whole gain, individual states are not worse off. It is important to note that benefits may not necessarily be in cash but could be in terms of general economic well being of the people living within the cooperating states. The cooperating states, therefore, must look beyond financial benefits.

IV POLICY OPTIONS

There are three major policy options for states wishing to co-operate.

1. The project-by-project Approach

Efforts toward co-operation can be directed at a single project. Under this approach the co-operating states agree to adopt a joint action on a single project in transport, agriculture, industry or any other sector. The advantage is that member states retain their freedom in other areas but work together for the success of this project. This method of co-operation does not involve high level of political consideration and does not require any elaborate institutional arrangement.

2. Sector by Sector Approach

The sectoral approach to economic co-operation involves the co-ordination of policies and efforts in respect of one sector at a time such as trade, agriculture or industry. The main advantage of this approach is that states can co-operate in a single sector while maintaining their freedom of decision in other sectors. It is also possible that the development of this single sector can lead to growth in the remaining sectors through forward and backward linkages. For example if there is co-operation in industrial sector the increase in income of industrial workers can lead to increase in demand for agricultural products.

3. The Multi-sector Approach

States may wish to co-operate on more than one sector at a time. This implies that states can decide to adopt common policies in key sectors of the economy. The argument is that if these sectors are developed together, states can accelerate the level of development. The problem with this approach is the difficulty in harmonizing states development plans, which is an essential feature of this approach. Another difficulty is that politicians may find it difficult to accept the idea of an economic institution making decisions, which is binding on all members. Co-operation in a wide area of economic activities may be difficult to achieve because of the problem of geographic location, political considerations, ethnic and cultural conditions which may serve as obstacles.

V. CONCLUDING REMARKS

Economic development of any state or group of states can be improved if they take advantage of economic intergration. The relatively low level of economic development and the less internationally competitive industries should encourage states to intergrate in a way that will assure the highest benefits to their economy. Interstate cooperation can be beneficial if the parties to the union have both political and economic incentives to cooperate. When both factors are present a mutually beneficial cooperation will emerge.

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COMPARATIVE ADVANTAGE IN PRODUCTION AND TRADE IN NIGERIA

Mr. Emmanuel U. Ukeje

1. INTRODUCTION

The Nigerian economy is generally large and very diverse. The country is endowed with a highly productive agricultural base and generally favourable climatic conditions, which provide the potential for intensive production, both for domestic consumption and for exports. Of the total land area of 98.3 million hectares, 71.2 million hectares is cultivable and these are spread across all the ecological zones of the country. The country is also endowed with enormous mineral resources, including oil and gas, the commonest feedstocks for petrochemicals. The reserves of these two commodities are approximately 21 billion barrels and 100 trillion cubic feet, respectively. There are other solid minerals with proven reserves beside oil and gas. The abundance of these basic raw materials confer on Nigeria some measure of comparative advantage in the production of primary and intermediate products in the agricultural and manufacturing sectors.

The objective of the paper is to review the production and trade pattern in Nigeria with a view to identifying major structural changes with regard to the relative comparative advantage enjoyed by the sectors. The rest of the paper is divided into five sections. Section 2 focuses on some theoretical and conceptual issues. Section 3 reviews the trend in production and trade while the constraints to productions and trade are discussed in section 4. Section 5 outlines options for improving production and trade while Section 6 concludes the paper.

2. THEORETICAL / CONCEPTUAL ISSUES

2.1 Production

The jargon of production theory is well established and broadly understood. Nonetheless, some possible ambiguity might be removed if some terms are carefully defined. Production is the process of transforming inputs into final output of goods and services (Todaro 1977). This concept is used as a convenient way of expressing quantitatively the presumed existence of a systemic, technical relationship between the use of factors of production or resources and the resulting maximum obtainable output.

An output or product is any good or service whose creation or fabrication requires one or more scarce resources, while input is defined as any scarce resource used in the production of a good or service. Inputs may conveniently be divided into two broad groups. First, there is a set of inputs, that are used up or consumed in the process of production. The second class is composed of inputs that render a flow of services, which are "consumed" in the production.

2.2 COMPARATIVE ADVANTAGE

The need for and the gains from international trade have been fairly well treated in literature. The Ricardian model of comparative cost is the simplest and perhaps the oldest model of international trade. The model assumes relative difference in the cost of production of the goods being traded but does not explain how these cost differentials arise. The simple Heckscher-Ohlin trade model, based upon two countries two factors and two goods traces these cost differentials to differences in factor endowments among nations. This is based on the idea that economic agents are most efficiently employed in activities in which they performed relatively better than in others. The concept is particularly important in international trade, where it is suggested that countries should spe-

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cialize in areas in which they have a comparative advantage. Therefore, countries with a relative abundant capital will tend to export capital-intensive goods to countries with relative scarcity of capital but rich in labour.

States differ in their abilities to produce certain goods because of differences in natural resources, labour force characteristics and other such factors. Therefore in order to maximise the overall creation of wealth, each state should specialized in producing the goods for which it has a comparative advantage while it trades for goods that is better produced by another state. State variations in natural resources occur and result in scarcity or abundance of productive factors in regions. The optimum scale of production varies with the type of economic activity, because productive factors are imperfectly divisible. For some enterprises, extremely large-scale operations yield the lowest cost of production per unit of commodity. A state may have the productive factors necessary for the establishment of a particular industry, but they may not be present in sufficient quantity to support a viable enterprise. Trade is therefore generated between the state with an adequate supply of the given factors and other states, both because the latter require the products of this industry which the former need to maintain a large output to achieve economies of scale. Ultimately, the no trade equilibrium of a market economic system depends on only four things: the endowment or available technology, the tastes and preferences of the individuals in the economy, and the pattern of income distribution. The first two are basically supply factors, while the latter two are demand factors.

The product-cycle theory, which is the more widely used, proceeds from the premise that a product typically passes through three stages-early, growth and mature. During the first phase, new products that tend to be highly skill-intensive are developed, and countries with abundant supplies of skilled labour are most likely to have an advantage in the production and export of these products. In the second phase, as demand grows and know- hows spread, countries with less technical expertise begin to produce and market the products. Finally, in the mature phase, the product becomes completely standardise, and the production technology becomes inte-nationally diffused.

An extended version of the Heckscher-Ohlin theory which incorporates multilateral trade flows, however, appears to provide a better insight into Nigeria's trade potential. It states that a country will have a comparative advantage in a range of goods on the basis of its relative endowment. But to the extent that these goods may be produced with factor intensities, the comparative advantage of a country will vary with the difference between its own factor endowments and those of its trading partners.

On the other hand, the technology theories, including the technology-gap and the product-cycle theories, also provide further insights into the potential benefits of international trade. These theories emphasize technological innovation as an important factor in influencing trading patterns. In the technology-gap model, leads and lags in technological innovation are seen as determining trade patterns, whereas the product-cycle model attempts to explain trade patterns on the stages of a product life.

3.0 TRENDS IN PRODUCTION AND TRADE

For ease of analysis the periods are divided into three, these are 1970-1985, which is regarded as the era before the Structural Adjustment Programme (SAP), 1986-1993 (SAP-Era), and 1994 -1998 era of guided deregulation. The SAP underscored the symbiotic relationship between the manufacturing sub-sector and agricultural sector, as it strengthened the inter-sectoral linkages between them and fostered outward production and trade orientation.

3.1 Industrial Production and Trade

The decade of the 1970s witnessed substantial growth in the production and trade in manufactures and semi-manufactures in Nigeria. This was attributed largely to the massive investments by government in the industrial sector and the import substitution policy which encouraged domestic manufacturing but with heavy dependence on imported inputs. The strategy promoted the establishment of industries engaged in the production of various goods, most of which are light consumer goods. With the huge inflow of foreign capital, massive revenue from oil exports and liberal importation policy, large quantity of essential industrial materials, machinery and equipment were imported to boost manufacturing production in Nigeria. Most firms operated at high capacity utilization rate, as the average for all the sub-sectors for the period 1970-1980 was 73.8 per cent. This was reflected in steady output growth which averaged 11.0 per cent per annum in manufacturing sub-sector in the 1970s. The growth rate rose to 15.6 per cent between 1974 and 1978, while its share in GDP also increased from 5.4 per cent in 1977 to a peak of 13.0 per cent in 1982. However, with dwindled foreign exchange earnings and lower capacity to import industrial inputs, capacity utilization fell continuously, averaging 53.6, 41.1, 35.4 and 31.8 per cent for the periods 1981-85, 1986-90, 1991-95 and 1996-98, respectively. Also, manufacturing output fell by an average rate of about 3.0 per cent per annum from 1981-1986. Consequently, the increasing trend in manufacturing share in GDP became reversed and diminished to extremely low proportion in the 1980s. It averaged between 7.0 and 9.0 per cent from early 1970s to 1985. It declined to 5.0 and 5.5 per cent in 1989 and 1991, respectively but edged upwards to about 6.9 per cent in 1993. Similarly, manufacturing production index fell from a peak of 132.8 (1985 = 100) in 1982 to 96.1 in 1986.

The adoption of SAP in mid-1986 brought a modest revival in growth. Manufacturing production grew by an average of 8.1 per cent between 1987 and 1992. The domestic resources based industries such as beer and short, cotton textile, cement and roofing sheets, performed relatively well, while the reverse occurred for the import intensive low value added units, exemplified by electronic products, vehicle assembly and machinery and equipment. The capacity utilization rate fell from 42.0 per cent in 1984 to 37.1 per cent in 1985, edged up slightly by 1.8, 1.5, 1.1 and 0.9 percentage points to 38.9, 40.4, 41.5 and 42.4 per cent in 1986, 1987, 1988 and 1989.

In spite of the efforts to shift production and trade towards outward orientation, manufactured export is yet to contribute substantially to non-oil export and the GDP. Export of manufacturers did not take advantage of the sharp naira depreciation to widen the markets for manufacturing sub-sector which has been low and restricted to traditional labour intensive goods. Aggregate value of manufactured export comprising textiles, beer, cocoa, butter, plastic products, processed lumber, tyres, soap, detergent and fabricated iron rods, accounted for 1.9, 2.1, 7.1, 21.2 and 16.8 per cent of total non-oil exports in 1987, 1988, 1989, 1990 and 1991, respectively. The low performance of manufactured exports is attributable to the low quality and diversification as well as inadequate quantity and variety of manufactures to exploit economies of scale, the comparative advantage occasioned by the sharp depreciation in the naira exchange and the markets where Nigeria maintains deficits in its vast bilateral trade relations.

3.2 AGRICULTURAL PRODUCTION AND TRADE

In Nigeria, agricultural production is concentrated in ecological zones where certain crops are most efficiently cultivated.

It has been observed that ecological zoning has not been static but has shifted with most of the zones concentrating mainly in the production of food crops. This is resulting from the shift in economic structure, where cash crops packaged largely for exports by the marketing boards from the 1960s to mid 1980s have become a major raw material demanded locally by manufacturers for final products. The farming ecological structure has also been changing as farmers are also introducing some crops from one ecological zone to others. For instance, mangoes and oranges which are traditional crops in the southern parts of the country have been successfully introduced to many areas of the north in order to maximize profit. Apart from structural change, a shift in the composition of agricultural output has also been observed over time. In general, most food crops have become cash crops as many farmers are no more producing only for subsistence but also for the market.

The change in farming ecological zones have also affected the direction of trade and the location of industries in the country. Tree and wood based products such as kolanut, timber and palm oil which are produced in the southern part of the country, find ready markets in the north. On the other hand, cattle, tomatoes and onions which are produced in abundance in the north are hauled to the south Industrial location in Nigeria has been largely affected by the availability of raw materials and markets and the proximity to sea port.

Aggregate index of agricultural production in 1970, which was 126.0 (1984=100) trended downwards to 104.6 in 1985 indicating a negative average annual growth rate of 0.6 per cent during the period. The performance of the crops sub-sector was similar in trend. The sub-sector recorded a negative average annual growth of 1.7 per cent during the period. The poor performance of the crops subsector was accounted for mainly by staples which recorded a negative growth of 2.2 per cent in the period 1970-1985, while other crops recorded a positive growth of 2.0 per cent. Livestock and forestry grew by 2.4 and 1.6 per cent, respectively while fishery production declined by 1.8 per cent per annual.

The less than satisfactory performance of the agricultural sector between 1970 and 1985 was as a result of a number of factors among which were the severe drought of 1973, and the disincentives created by the oil boom of the mid-1970s. The poor performance of the agricultural sector was also reflected in the value of agricultural exports which declined from ₦279.9 million in 1966-70 to ₦260.3 million in 1971-75 (Ojo , 1991). By 1976-80 food imports had grown to ₦991.0 million per annum, more than doubled agricultural exports which stood at ₦408.7 million per annum, thus indicating a negative terms of trade for the agricultural sector. Cash crop production, declined in 1981-85 by 0.3 per cent. Compared with a growth of 4.1 per cent in 1976-80. The fishery and forestry sub-sectors also recorded declines of 15.0 and 1.0 per cent per annum, respectively in 1981-85, while livestock production grew by 7.0 per cent, compared with a decline of 0.3 per cent in 1976-80. The decline in cash crops production was largely attributed to low producer prices fixed by the marketing boards. On the whole, there was implicit and explicit taxation of cash crops producers. The overvalued exchange rate encouraged imports while the marketing boards retained part of the proceeds from the sale of agricultural commodities in the international market for their operations. For fishery, foreign exchange constraints, arising from the collapse of international oil market starting from 1979, curtailed the import and use of fishing equipments such as engine boats and nets.

The poor performance of the cash crop component was manifested in the export sector as agricultural exports declined to ₦270.8 million per annum in 1981-85 compared to ₦334.5 million per annum in 1970-80. In actual fact most traditional export commodities such as groundnuts, palm oil and cotton disappeared from the export list, thus bringing down the contribution of agricultural exports to total export earnings from 5.5 per cent in 1970-80 to 2.9 per cent in 1981-85. Food imports also increased significantly to ₦12,528 million in 1981-85, representing 15.9 per cent of total imports compared with ₦577.4 million or 12.9 per cent of total imports in 1970-80.

In response to the SAP policies, aggregate agricultural production improved during 1986-1999 period. From negative average annual growth of 0.6 per cent attained in 1970-85, it recorded an average growth of 8.8 per cent in 1986-93, before declining to 3.6 per cent, in 1994-99. The improved performance in agricultural production had a positive impact on agricultural export earnings which rose from ₦282.8 million in 1970-85 to ₦14,618.6 million in 1986-1993 for primary agricultural commodities. The export basket was later broadened to include non-traditional export commodities such as tubers, fruits and spices. In addition, export of agro-based manufactured products, which earned ₦37.2 million in 1981-85, recorded increased earning of ₦658.8 million in 1986-1996. Although food import also grew in value terms to an average of ₦4,998.6 million in 1986 -1993, its share of total imports declined to 8.5 per cent compared with 12.6 per cent in 1970-85.

4.0 OUTSTANDING CONSTRAINTS TO PRODUCTION AND TRADE

The previous sections have, in a general way, discussed the developments in production and trade in the past three decades and its contribution to the economy. There are however, some problems which have prevented the realisation of the full potential of the sectors. These are discussed below:

4.1 Agriculture

4.1.1 Low Rate of Adoption of Appropriate Technology

The low capital base of most farming enterprises in Nigeria has had adverse effect on the rate of adoption of appropriate technology. The high cost of technology acquisition and lack of subsidy has compelled farmers to adopt traditional technologies which contribute to drudgery and not capable of increasing output to a reasonable level.

4.1.2. Post-Harvest Losses

Post-harvest storage technology available in Nigeria is grossly inadequate to cope with a vibrant market -oriented food production efforts of small holders. Apart from the damage which the crops are exposed to in the field as a result of pests and disease attacks, a considerable proportion of the harvest is lost due to poor processing and storage techniques. This often prevent farmers from the realisation of appropriate income for their commodities.

4.1.3. Lack of Coordinated Market

There is no appropriate private sector led marketing agency to ensure price stabilisation and thereby guarantee steady income to farmers.

4.1.4 Inadequacies in the supply and delivery of farm input

Inadequate supply of major farm inputs critical for agricultural production (fertilizers, seeds, agro-chemical etc) at the appropriate time and at the right prices has remained a source of worry and frustration to farmers. Government effort in developing efficient and effective input procurement and distribution systems that will ensure timely delivery of adequate quantity and quality of farm inputs to farmers has largely been unsuccessful.

4.2 Industry

The underlying factors behind the poor performance of industries which have lingered and remain unresolved are discussed below:

4.2.1 Deficient Infrastructural Facilities

Owing largely to inadequate funding, ageing and deteriorating machinery and equipment, the nation's stock of infrastructural facilities are highly deficient. This has often necessitated remedial, but cost-inducing measures to be undertaken by firms in order to remain in business. The investment in these back-up facilities lead to escalation in production and business transaction assets which are eventually transferred to consumers.

4.2.2 Weak Technological Base

Arising from poor engineering and scientific-culture, most of the production processes are based on imported technology. Most of the industries are saddled with aging machinery and equipment that lead to persistent equipment failures, as the nation lacks the skill to fabricate requisite spares for repairs. This is often compounded by lack of working capital, incessant power outages and prolonged energy crisis.

4.2.3. Adverse Effect of Getting Incentives Right

The elimination of trade barriers and attempts to move to export-led strategy from import substitution led to idle capacities which adversely affected marginally efficient producers. The cost of production increased in response to the combined effects of high interest and exchange rates as well as sharp rise in tariffs on public utilities and levies imposed by State and Local Governments.

4.2.4. Weak Effective Demand

Industries had to contend with

constricting internal markets arising from dwindling consumers' purchasing power. The situation is further aggravated by the influx of cheaper imported second-hand goods which compete unfairly with local manufactures.

Consequently, the accumulation of unsold finished goods remains high, which further constrained industrial capacity utilisation rate with little or no scope for business expansion.

5.0 OPTIONS FOR IMPROVED PRODUCTION AND TRADE

To realise the vast potentials that abound in the country in terms of production and trade there is need for the adoption of effective strategy. Some of the elements of an effective strategy are outlined below:

5.1 Agriculture

5.1.1 Reforms in Input Supply

To ensure adequate and timely supply of farm inputs, stake holders, that is, farmers' cooperatives and private individuals should be given free hand to procure and sell inputs and this is expected to have the desired impact on agricultural production.

5.1.2 Maintenance/Provision of Infrastructure

The deplorable state of some existing infrastructure and the lack of these in rural areas have severely constrained agricultural production. The provision of access roads in rural areas and maintenance of existing ones would minimize the cost of produce evacuation and make products more affordable to the consumers in the market. The private sector should be given appropriate incentives to build suitable facilities for crop and grain storage to minimise post harvest losses and make food available at reasonable prices.

5.1.3 Strengthening of Agricultural Institutions

Agricultural institutions should be developed/strengthened to contribute to competitive marketing, pricing and quality control. The proposed commodity exchange should be established to facilitate competitive marketing, stabilization of product prices and provide farmers the opportunity to hedge.

5.1.4 Adoption of Modern Farming Practices

The adoption of modern farming practices, is generally recognized as a means of minimizing the problem of low agricultural output. Farmers should be assisted to source improved technologies, capable of increasing output, at reasonable costs through government massive investment in research.

5.2 Industry

5.2.1 Stimulation of Effective Demand

The current trend of unbridled importation of finished products, especially second-hand materials, should be curtailed to expand the market for local manufactures. Aggressive marketing strategies and improvement in products should be adopted by manufacturers to enable them increase sales and consumer acceptance. In addition, government patronage of locally made goods should be deliberately enforced.

5.2.2 Creating and Sustaining Conducive Investment Climate

The nation's deteriorated stock of economic and social infrastructure should be refurbished so as to reduce cost of production and marketing. This will increase sales and ensure survival of the industries.

5.2.3 Stimulating Industrial Linkages

Efforts in this regard would include accelerated development of local raw materials and a deliberate commitment to sourcing increased proportion of raw materials input by local industrialists. Other steps will include enhancement of the nation's processing facilities and strengthening technological capabilities to boost intermediate and capital goods production, as well as the rehabilitation of the core industrial projects which are expected to produce inputs for downstream industries so as to reduce the existing high import-dependency.

5.2.4 Provision of Adequate Funding

Efforts should be made to ensure that on-going measures to make funds available to boost industrial financing are accelerated. In particular, the directive that banks under the aegis of the Bankers Committee, should set aside 10 per cent of the their profit before tax for the financing and promotion of small-scale industries should be effectively worked out and implemented. Also the proposed merger of the NIBD, NBCI and NERFUND is a right step in the desired direction. However, a single institution created from these big establishments will be very unwieldy for effectiveness. It is, therefore, recommended that two agencies, one catering for large enterprises and the other responsible for small and medium-scale enterprises, should emerge from the merger. Unlike in the past, the two institutions should be well funded and made to run on quasi commercial basis. A fund that is similar to the defunct SME II loan scheme should be created and financed with local resources to make funds available to the sector. The commercial and merchant banks can also be used for greater efficiency.

6.0 CONCLUDING REMARKS

Undoubtedly, production and trade are veritable sources of economic growth in any country and Nigeria is not an exception. However, there are some potential constraints, which if not properly addressed, would make the realisation of the benefits of trade and production unrealisable. For optimum benefit, it is imperative to have a good mix of macroeconomic and sectoral policies, well designed, coordinated and implemented in a proper sequence within a conducive economic and socio-political environment.

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TABLE 1
INDEX OF AGRICULTURAL PRODUCTION BY TYPE OF ACTIVITIES
(1984=100)

Year	Aggregate Index	Crops	Staples	Other Crops	Livestock
1970	126.0	144.5	171.6	82.5	75.1
1971	114.2	126.8	146.7	81.2	76.1
1972	94.0	98.0	101.1	76.9	74.6
1973	102.2	109.1	122.3	79.0	73.6
1974	118.7	132.1	144.5	103.1	73.6
1975	104.3	111.7	122.4	87.0	74.7
1976	97.6	100.6	105.0	90.6	77.1
1977	96.7	98.3	93.3	96.0	79.3
1978	93.5	92.8	89.0	101.6	81.7
1979	92.4	89.9	84.2	102.9	84.7
1980	92.5	92.0	85.9	106.2	75.1
1981	95.2	93.6	87.4	107.7	88.4
1982	98.3	95.7	91.4	105.5	96.1
1983	93.9	90.5	89.0	93.9	91.9
1984	100.0	100.0	100.0	100.0	100.0
1985	104.6	103.5	103.2	103.8	104.3
1986	108.3	111.2	110.0	115.7	108.1
1987	116.1	123.4	125.6	115.1	103.9
1988	138.5	151.7	159.1	123.7	110.4
1989	153.0	169.6	178.6	137.1	117.8
1990	167.5	180.0	189.4	144.9	157.1
1991	178.9	194.5	205.9	151.6	160.7
1992	200.0	233.3	254.2	154.6	159.3
1993	203.7	241.1	266.3	146.1	161.6
1994	209.7	249.4	276.8	146.0	164.1
1995	215.1	255.4	285.2	143.7	171.0
1996	227.3	269.6	298.1	164.4	176.0
1997	235.2	278.7	307.3	166.5	180.4
1998	242.4	288.0	316.1	182.4	181.3
1999	252.0	298.8	327.5	188.0	185.6
Average Growth Rate					
1970-1985	-0.6	-1.7	-2.2	2.0	2.4
1986-1993	8.8	11.3	12.9	5.9	6.1
1994-1999	3.6	3.6	3.5	3.4	2.3

Sources (1) CBN Annual Report (Various Issues)
(2) CBN Statistical Bulletin.

TABLE 2

INDEX OF MANUFACTURING PRODUCTION
(Base year: 1985 = 100)

Year	Sugar Confectionery	Soft - Drinks	Beer & Stout	Cotton	Synthetic Fabrics	Foot Wear	Paints	Refined Petroleum	Cement	Roofing Sheet	Vehicle Assembly	Soap & Detergent	Radio & T.V.	Total
1970	336.3	6.8	13.1	108.5	n.a	256.5	47.4	21.4	17.7	21.2	8.8	39.7	49.6	24.1
1971	411.4	9.8	17.3	109.4	13.3	262.9	51.9	41.9	21.7	31.9	9.0	49.6	36.8	27.6
1972	236.9	12.7	20.4	90.9	29.4	239.2	56.4	27.9	32.9	35.1	7.4	56.1	27.2	29.7
1973	473.0	20.6	26.7	115.7	39.2	203.3	69.0	68.5	37.0	40.1	8.8	90.5	26.6	36.7
1974	458.3	19.6	30.3	108.0	115.7	266.5	64.2	46.0	35.8	48.4	9.7	94.6	18.0	35.5
1975	578.7	28.6	36.5	131.7	179.6	293.3	85.6	74.2	87.6	48.4	22.5	99.8	29.4	43.9
1976	511.4	41.0	39.0	146.4	309.2	263.2	101.7	59.3	38.0	56.5	52.0	127.9	32.4	54.1
1977	783.2	38.6	37.9	157.2	283.6	295.5	136.5	58.6	38.5	75.3	81.6	184.2	35.0	57.5
1978	742.7	42.3	58.3	151.9	332.0	285.4	158.2	55.5	46.0	76.7	73.9	203.3	26.0	65.8
1979	400.2	55.2	63.5	167.5	381.3	308.1	155.0	67.9	53.3	65.8	84.7	182.6	65.5	97.3
1980	234.1	65.4	123.6	233.9	369.6	387.1	177.9	177.3	48.4	52.1	208.9	251.9	59.4	102.4
1981	219.2	104.2	101.6	193.5	303.1	377.5	266.3	93.6	76.6	52.1	128.5	263.9	95.7	117.3
1982	186.0	128.1	104.1	235.0	345.4	76.6	267.7	98.5	89.8	85.3	406.5	261.9	112.3	128.6
1983	131.0	111.2	62.6	131.6	371.2	128.7	119.1	71.3	31.8	37.5	153.9	313.3	104.4	94.8
1984	111.8	117.3	85.7	94.5	187.9	122.7	137.2	70.2	20.0	39.7	51.3	95.9	90.9	83.4
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100	100	100	100.0
1986	71.8	71.2	125.5	37.9	196.1	75.4	79.1	50.3	108.1	184.5	46.8	49.3	154.8	78.2
1987	136.0	128.1	83.4	120.6	1,125.7	93.9	89.1	74.0	92.0	54.7	27	135.5	45.8	130.8
1988	190.1	185.5	76.0	123.6	1,318.6	73.8	98.7	84.6	119.9	50.6	4.4	104.6	14.7	135.2
1989	97.4	222.5	101.6	104.1	1,309.3	41.5	82.7	110.1	126.2	149	15.7	157.8	12.5	154.3
1990	93.7	364.4	97.8	118.0	1,501.6	45.8	62.7	108.8	88.7	79.6	24.1	153	12.2	162.9
1991	129.1	243.5	100.7	147.5	1,921.1	85.9	98.0	116.0	98.7	57.9	17.1	153.9	11.8	178.1
1992	176.7	186.4	117.5	150.2	1,970.5	92.0	99.7	113.7	100.5	41.2	18.3	153.9	11.6	182.7
1993	134.4	159.7	97.0	106.4	1,229.0	88.0	110.6	112.6	104.1	39.3	18.9	164.0	10.1	145.5
1994	106.5	148.4	95.2	92.1	1,066.9	59.8	98.4	110.9	95.0	30.8	17.4	152.6	8.9	144.2
1995	59.4	153.2	103.9	89.6	803.1	42.6	118.1	117.9	93.2	37.8	11.7	167.6	6.0	136.3
1996	57.5	160.9	107.5	102.1	815.6	52.0	122.2	131.4	88.8	29.6	14.2	183.3	5.8	138.7
1997	56.1	157.1	116.7	106.1	769.2	49.9	114.0	120.6	91.5	28.6	13.6	206.7	4.5	138.5
1998	56.6	162.1	119.3	94.5	706.0	45.6	112.8	119.3	92.3	29.1	13.4	185.3	4.0	133.1
Average Growth Rate														
1970-1985	**-1.55**	**20.80**	**17.16**	**1.84**	**25.30**	**0.90**	**8.21**	**22.79**	**35.80**	**17.36**	**39.34**	**11.14**	**11.28**	**10.56**
1986-1993	**-4.71**	**16.25**	**16.75**	**-2.10**	**31.30**	**-0.79**	**6.31**	**13.69**	**34.89**	**19.48**	**35.87**	**6.41**	**16.32**	**8.29**
1994-1998	**3.53**	**19.39**	**13.54**	**12.60**	**53.37**	**1.31**	**6.56**	**18.73**	**30.74**	**14.46**	**34.34**	**16.52**	**13.55**	**12.02**

Source: CBN Ststistical Bulletin

TABLE 3

NIGERIA'S FOREIGN TRADE IN AGRICULTURAL COMMODITIES
(=N= Million)

	EXPORTS		IMPORTS	
Year	Exports	Share of Agric In Total Export	Food Imports	Share of Food In Total Imports
1970	265.2	30.0	57.7	7.6
1971	242.8	18.8	88.3	8.2
1972	164.8	11.6	95.8	9.7
1973	250.1	10.9	126.3	10.3
1974	276.0	4.7	154.8	8.9
1975	230.6	4.7	298.8	8.0
1976	274.1	4.1	441.7	8.6
1977	375.7	4.9	780.7	11.0
1978	412.8	6.8	1027.6	12.5
1979	468.0	4.8	1254.3	16.8
1980	340.1	2.4	1437.5	15.8
1981	113.2	1.0	1819.6	14.2
1982	198.6	2.4	1642.3	15.2
1983	431.2	5.8	1761.1	19.8
1984	288.8	3.2	1349.7	18.8
1985	192.1	1.6	1199.0	17.0
1986	407.4	4.6	801.9	13.4
1987	937.4	3.1	1873.8	10.5
1988	1780.4	5.7	1891.6	8.8
1989	1726.8	3.0	2108.9	6.8
1990	2857.0	2.6	3474.5	7.6
1991	3425.0	2.8	3045.7	3.5
1992	3054.9	1.5	12,840.2	8.8
1993	3437.3	1.6	13952.4	8.4
1994	3818.8	1.9	13,837.0	8.5
1995	15512.0	1.6	88349.9	11.7
1996	18020.4	1.3	75954.2	13.5
1997	19826.1	1.6	100,728.3	11.9
1998	16338.9	2.2	102165.1	16.0
1999	16394.9	1.4	103489.8	15.8
Average Growth Rate				
1970-1985	7.8	7.4	26.1	12.7
1986-1993	54.0	3.1	62.0	8.5
1994-1999	54.4	1.7	98.2	12.9

Source: Federal Office of Statistics.

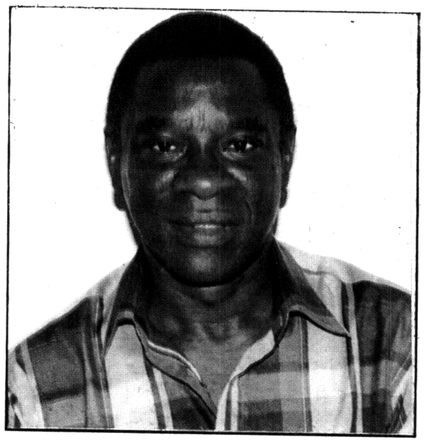
TABLE 4

SIZE AND GROWTH OF NIGERIA'S MANUFACTURING, 1970-1999

YEAR	GROWTH RATE (1)	SHARE OF GDP (%) (2)	CAPACITY UTILIZATION (%) (3)
1970	-	8.2	n.a
1971	13.0	8.2	n.a
1972	59.7	4.8	n.a
1973	9.9	5.6	n.a
1974	8.7	4.8	n.a
1975	39.8	6.5	76.6
1976	23.3	5.0	77.4
1977	6.2	3.8	78.8
1978	13.8	5.3	72.9
1979	19.8	6.3	71.5
1980	11.0	7.4	70.1
1981	14.6	9.1	73.3
1982	13.1	9.5	63.6
1983	-28.6	9.9	49.1
1984	12.0	7.8	42.0
1985	19.9	8.7	37.1
1986	-3.9	6.3	38.9
1987	33.6	5.8	40.4
1988	5.3	7.5	41.5
1989	14.1	5.3	42.4
1990	5.6	5.5	43.2
1991	9.3	5.9	39.4
1992	-4.8	5.2	41.8
1993	-14.2	6.2	37.2
1994	-8.7	9.2	30.4
1995	-5.5	6.9	29.3
1996	1.0	6.5	33.0
1997	0.4	6.3	34.0
1998	-3.9	5.9	30.3
1999	3.5	5.9	34.3

Source: CBN Statistical Bulletin

INTERSTATE COOPERATION AND EDUCATIONAL DEVELOPMENT IN NIGERIA



Prof. Bankole Oni

INTRODUCTION

The importance of education especially in the third world countries cannot be overstressed.

Hence all countries commit sizeable proportions of their resources to education provision/ development in the belief that rapid quantitative and qualitative expansion of educational opportunities holds the basic key to national development. In all developing countries in general and Nigeria in particular, highly skilled workers/professionals are needed in all sectors of the economy. In addition, majority of persons (both rich and poor) have exerted and are still exerting tremendous political pressure on their government for the expansion of school places. Most poor parents (rightly or wrongly) regard education as an escape root from poverty. This view is further strengthened by the inordinate ambition of persons to acquire the needed certificate to enable them have access to secure and well-paid jobs in an environment where the singular most important determinant of job places is the certificate.

Education is a major instrument for economic and social development. Investment in education leads to the accumulation of human capital, which is the key to sustained economic growth and increasing income. Education contributes to poverty reduction by increasing the productivity of labour, reducing fertility and improving health, and by equipping people to participate fully in the economy. Furthermore, education contributes to the strengthening of the institutions of civil society and national capacity building, thus, education recognised is a critical element in economic and social policies (World Bank 1990; 1995)

This popular views of educaiton combine to produce the pressure on government to invest more in the sector. In Nigeria within the last twenty-five years (even during the military era, apart from defence expenditures) budgetary allocation to education was higher than for any other sector of the economy.

Government investment in education can be justified on several counts: it can reduce inequality, open opportunities for the poor and disadvantaged, compensate for market failures in lending for education, and make information about the benefits and accessibility generally available (World Bank, 1995). The rate of high demand for school places and the seeming inability of government on individual basis to meet this demand, warranted in part, the coming together of some state governments to join together in the provision of school places.

Investment in education can be viewed at two levels: private and public. Individual families invest in the education of their wards because of the private benefits derivable from such investment. On the other hand, society invests in education in order to achieve multiple objectives that are a combination of both private and social returns.

INTER-GOVERNMENTAL CO-OPERATION AND RELATIONS:

Inter-governmental cooperation can be defined as the permutation and combinations of relations among the units of government. The emphasis is usually on institutional and financial interaction. The degree and level of IGC that takes place in any country is never constant, it

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changes from time of time. A time was in Nigeria when the co-operation and relations between different levels of government were of suspicion and acrimony. During the third republic in Nigeria, the relations and co-operation between the federal and the other two tiers of government, and that between the state and local governments were based essentially on which political party was in power at which level. It was not between the National Party of Nigeria (NPN) controlled Federal Government and the states and local governments that were controlled by the NPN, but between the Federal Government and the states as well as the Local Governments that were controlled by other political parties most especially the Unity Party of Nigeria (UPN). It was not uncommon to find other states controlled by parties (not the NPN) ganging up against the federal government. During the military regime, (particularly Babangida's and Abacha's regimes), the relationship was more cordial more so when the local government for the first time in the history of Nigeria had what could be called true local autonomy.

Although the levels of intergovernmental relations are more in a federal arrangement, it would be a mistaken assumption that inter-governmental relations (IGR) can only be meaningfully discussed in the context of a federal arrangement. It should be emphasized here that since IGR's emphasis is on domestic rather than diplomatic relations, it excludes the relationship between two sovereign states.

While there are two levels of intergovernmental relations in unitary state, there are six levels of inter-governmental relations in a federation. These include:

(I) National - State relations
(ii) National - State - Local Relations
(iii) National - Local Relations
(iv) Inter-state Relations.
(v) State - Local Relations.
(vi) Inter Local Relations.

Since our emphasis in this paper is on Inter-state development cooperation, we shall limit our discussion of IGR to Inter - state relations. It must be noted that the nature of Inter-state relations and cooperation that it entails, is a function of the degree of diversity between the peoples who compose the states concerned. In a case where there is an uneven distribution of resources (both human and material), the wealthier state(s) in the Inter-state cooperative arrangement tend(s) to protect its (their) wealth against the less - wealthy state(s). This might account for one of the rationale in advocating for a strong-centered federation by the less - wealthy state(s). We may hypothesise that cooperation for development between two or more states in a federation may be built on a fragile ground if there is wide dichotomy in human resource endowments of such states.

This may breed jealousy, skepticism, suspicion, hatred etc. between units in the cooperation. This situation reduces the prospects of inter state co-operation for developments. On the other hand, the wealthy units in such cooperation would prefer a state-central arrangement (since they stand to gain more).

Similarly, inter-state relations/cooperation can be affected by the distribution of political party affiliations (Ayoade, 1980). When opposing political parties control, two states, communication along political lines can hardly take place. This can be particularly more serious when unhealthy inter-state rivalry and conflict date back in history than the era of the existing political party arrangement. If such cooperating units (states) were created out of a former larger state (e.g. Ekiti and Ondo states or Oyo and Osun States) particularly for the purpose of meeting local interests, desires or needs, they are likely to remain at logger heads with each other. Furthermore, if this situation persists and is reinforced by an on-going boundary dispute(s), the negative effect on inter-states relation/cooperation can be further exacerbated. Another factor which may have a very serious negative impact on cooperation is the issue of assets sharing between or among such states attendant by their creation from former (and by definition, larger,) state. If the assets sharing exercises is not perceived to have been carried out in an honest, and fair manner, inter-state relations may remain negative.

THE CONCEPT OF DEVELOPMENT

At the outset, it should be recognised that economic development is not equivalent to the total development of a society; it is only a part - or one dimension - of general development. We usually focus on the nation-state as the unit of development, but "national development" is a term which encompasses, at a minimum, social and political development, as well as economic development, in the building of national identity.

EMPIRICAL ANALYSIS

One quite legitimate system of analysis is to regard interstate development cooperation in Nigeria in the area of education as very low. One would expect (and rightly too) that a developing country like Nigeria where from experience, smaller states are carved from larger ones, education being a catalyst of development, would be used as a means of national united and peaceful coexistence. If education is a major instrument for economic and social development and if one of the strongest obstacles to educational development is inadequate finance, one would tend to wonder why there has not been noticeable interstate cooperation to ameliorate the problem of inadequate finance in the area of education provision/development in Nigeria?.

The development of the post - independent period in Nigeria is the growing division of educational attainment of citizens along geographical/zonal lines, with the leading edges of educational advance concentrated in some states while a disportionate larger number of states is classified as "educationally disadvantaged".

If we try to survey the relevance of interstate development cooperation in education provision in Nigeria, the whole picture is such that as an old state is further divided into two or more smaller states, the educational institution(s) which one would expect to be retained and jointly owned, financed and managed by the states concerned sometimes become political ping pong. The institution(s) is/are handed over to the Federal government immediately, or managed by the cooperating states for a short while and later taken over by the Federal government or is/are unilaterally seized permanently by a more powerful state and becomes one of its assets as happened between Ondo and Ekiti states recently in respect of the Ondo State University Ado-Ekiti and Ondo State College of Education, Ikere-Ekiti.

The political bickering that usually attends assets sharing exercise between newly created states (from the same 'mother' state) at least of recent in the political history of Nigeria calls for serious concern Despite the fact that both Ondo and Ekiti states governments are controlled by the same political party (Alliance for Democracy), yet the two states could not agree by practical demonstration, to share their assets without rancour. It was reported that the Ekiti State Assembly hurriedly passed into law a bill, making the former Ondo State University, prima facie the property of the Ekiti State University. A move was reported to have been taken by the Ondo state government to sue Ekiti State for what the former considered as an illegal and unconstitutional take-over of the University by the latter.

The case of the Kaduna Polytechnic owned and managed by the then Northern Regional government was later handed over to the Federal government when the newly created northern states could not come to terms on the modalities on how the institution would be managed. This happened to a region, which hitherto was referred to as the 'monolithic north'. One could wonder why the northern states could not appreciate the ownership advantages which uncontestably would have been theirs, if they have successfully cooperated to jointly own and manage the polytechnic.

Experience also shows that Edo State and Delta State (which jointly owned Bendel State University in the old Bendel

State before the splitting of the State into Edo and Delta states) could not peacefully carry on the joint ownership of the University. The two States shared the Ekpoma main campus to Edo State and Abraka Campus of the University to Delta State. The two campuses were later renamed Ambrose Alli University and Delta State University respectively by their owners.

In the old Oyo state, the Ibadan Polytechnic with its four Satellite campuses and three colleges of Education were shared between the newly created States of Oyo and Osun based on the states where the campuses fall into. The arrangement was such that Ibadan Polytechnics with, its two campuses at Saki and Eruwa and the St. Andrew's College of Education were ceded to Oyo state while the Polytechnics at Iree and Esaoke with the colleges of Education at Ilesa and Ila-Orangun became the property of the Osun state government. However (though not without some initial teething problems) the two states agreed that the Oyo state University of Technology (which later became known as Ladoke Akintola University of Technology - LAUTECH) would be owned, financed and managed joint between them. This appears to be the only existing University that is jointly owned by two sister states. This fit is possible because of the good will and understanding of the governments and peoples of the two states. The two states now enjoy locational and ownership advantages of the University. It has strengthened the cooperation, peaceful co-existence and better understanding between the two states. This cooperation may last for only sometime as there are already plans by the Osun State government to establish its own university.

Provided they can forget their differences, and if the Osun State government would not necessarily set up another university for the purpose of seeking political relevance and legitimacy form the electorate, its contribution to LAUTECH would improve the quality of education and research in the institution. It would also improve inter-state cooperation, which this country needs very badly. If education implies the accumulation of human capital, like any capital stock, the more human-capital formation that takes place, the higher the productivity of workers. As Carmel, (1982) rightly observed, the kind of inter state educational development cooperation which at present exists between Oyo and Osun State could reasonably lead to further cooperation in other areas viz infrastructural provision, transport, industry, research and technology sharing .The incursion of the military into the Nigerian body politic soon after independence heightened ethnic consciousness and the demand for state creation. This further intensified local community and inter state competition in education. The present situation where each state plans to establish educational institutions of its own should be encouraged with caution. Economies of scale can be achieved when States pull their resources together and set up much bigger and efficient institutions. What Nigeria needs at the moment is not indiscriminate proliferation of higher institutions of learning but a situation where states which are freely disposed to each other would jointly own, finance and manage institutions of learning. Many of the newly established institutions (notably polytechnics and universities) came into being for political and prestige reasons. It is instructive to draw attention to the fact that many of the state owned educational institutions are, in most cases not able to utilise the facilities provided because their ethnic catchment areas cannot produce enough qualified students. This amounts to serious waste of scarce resources. State governments should therefore cooperate among themselves (through joint ownership) and provide needed funds and human resources to adequately equip and expand infrastructures to meet the ever rising demand for education the country.

CONCLUSION

Educational provision as we have discovered in this brief analysis is politics. The process of allocating resources to the sector vis-a-vis other sectors depends again on the political priorities of the decision-makers. Whether or not different states, which belong to the same ideological camp, can and will cooperate in the field of education in future is not certain. In order words, birds of the same feather may not necessary fly together politically. The empirical analysis of existing facts have further strengthened the hypothesis that there exists a structural and cause - effect relationship between education and other aspects of the social structure. Political competition is one of the powerful aspects of this structure.

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COMMODITIES TAXES/LEVIES AND THEIR EFFECTS ON COMMODITY TRADE AND MOVEMENTS IN NIGERIA

Mr. Joe Alegieuno

Mr. A. O. Balogun

INTRODUCTION

BACKGROUND OF COMMODITY MARKETING IN NIGERIA

Produce marketing in Nigeria falls into two broad categories, domestic trade in food items which has always been handled mainly by private operators, and the marketing of cash crops which until July 1986 was handled by Commodity Boards which were monopoly public institutions. While the prices of food items were freely determined in the market by the forces of supply and demand, those of cash crops under the Commodity Board System were fixed by government. The Commodity Boards were noted for paying farmers prices that were lower than the world prices and sometimes even lower than their production costs. This difference represented implicit taxation of farm incomes and served as a dis-incentive to domestic production.

With the adoption of the Structural Adjustment Programme in 1986, the Commodity Boards were abolished and a free market system was introduced. This helped to eliminate the excessive implicit taxation of farm incomes inherent in the Commodity Board System as the prices of Cash Crops not only converged with world market prices but were further boosted by the sharp depreciation in the exchange value of naira. Payments have also been very prompt, and in some case prepaid, in the form of credit advances to farmers.

INTER/INTRA STATE COMMODITY TRADING

The marketing arrangement also created the free movement of commodities within and across states and regions by Commodity Merchant Traders and Buying Agents. Albeit, introduction of various commodities in Nigeria is specific to ecological zones, climatic and soil conditions obtainable in various regions and states, the marketing of the produce is done nationally, across states and within local government areas. Since both industrial and domestic consumption of the commodities take place in all states on the Federation and in the West African Sub-region, there is active commodity trading between states and local government in crops which they have comparative advantage. The trailer that carries kola nut from Sagamu in the South West to Kano in the North will on its return bring beans, tomatoes or cattle.

However, the poor economic/financial base of many state Governments, in adequate revenue allocation from federation account, and the pressing need to provide public goods for the citizenry have always compelled state governments to charge taxes/levies on the marketing of commodities in which they have comparative advantage. Taxes/levies are viewed as some of the mechanisms for generating revenue internally, and for financing government expenditures at all tiers.

But the charging of different amount of levies or taxes on each tonnage of commodity traded across states has resulted into the problem of smuggling of produce by traders/merchants trying

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to evade high charges in producing states.

Consequently, some non-producing states in certain crops are found to record larger quantity of the commodity than states with comparative advantage.

This paper therefore attempts to examine the administration of commodity taxes/levies and their effect on commodity trading in Nigeria. The rest of the paper consists of four parts. Part I assesses the various systems of commodity marketing in Nigeria up to the introduction of economic reform programme in 1986. Part II reviews the administration of various taxes and levies, while part III examines the effect of commodity taxes/levies on Commodity Trade movements, Part IV, presents the conclusions and recommendations.

PART 1:

A REVIEW OF COMMODITY MARKETING ARRANGEMENTS IN NIGERIA

Early attempts to formalize produce marketing in Nigeria can be traced to the 1930's when the big European Companies such as United Africa Company (UAC), John Holt, Societe Commerciale Occidentale Agency (SCOA), Commerciale Francais Agencies Occidentale (CFAO) and Paterson Zochonis (PZ) were involved in direct purchase and export of Nigeria's major agricultural commodities considered as essential raw materials for overseas industries. However, government involvement in organised commodity marketing dates back to the second World War, when the West African Produce Control Board was established to stabilize commodity prices. This later metamorphosed into four country-wide commodity marketing boards, with responsibility for handling Nigeria's main agricultural export produce.

These were the Cocoa, Palm Produce, Groundnut and Cotton Marketing Boards. These boards were restricted to domestic purchase of produce from farmers within Nigeria, while overseas sales of the commodities were handled by a private limited liability company incorporated in England in 1947 for this purpose. To reflect the regional character of the country as a result of constitutional reforms, the marking boards were changed into Regional Marketing Boards. The boards were empowered to fix producer prices for the commodities they handled.

Commodity marketing then went through two other major reforms between 1970 and 1980 (Ojo et 1995). The first reform in 1973 resulted in the transfer of the price fixing function of the regional Marketing Boards to the Head of State; who performed this function through the advice of an inter-ministerial Committee known as the Technical Committee on Produce Prices (TCPP).

The second reform was in 1977 when seven commodity boards were established to replace the former all-purpose State Marketing Boards. These were Groundnut, Cotton, Palm Produce, Rubber, Cocoa, Grains and Tuber and Root Crops Boards.

The Tuber and Root Crops board was later dissolved in 1979 and its functions transferred to the National Root Crops Production Company.

Thus, between 1979 and 1986 when the system was established, there were six commodity boards in existence.

The Commodity Boards Decree No. 29 of 1977 gave the boards absolute monopoly to export the scheduled crops they handled. The marketing of Nigeria's Scheduled Commodities thus became the exclusive responsibility of the Federal Government.

By the end of 1985, it was obvious that the Commodity Boards could not carry out most of their statutory functions satisfactorily or serve their intended roles effectively. Consequently, the Boards were dissolved in December 1986.

The dissolution of the boards marked the fulfillment of one of the cardinal elements of Structural Adjustment Programme (SAP) i.e trade liberalization. The fixing of producer/ guaranteed minimum prices by government gave way to market determined prices for agricultural produce and ushered in a new era of trade liberalization for agricultural commodities. Under this system, individuals/farmers were free to purchase and sell/export all the hitherto scheduled commodities. In addition, they were free to keep their foreign exchange proceeds.

PART 2:

COMMODITY MARKETING (TAXES) AND GOVERNMENT FINANCES

The Structural Adjustment Programme emphasizes the need for state and local governments to increase the internal revenues above the existing levels, through a combination of improved efficiency in revenue collection from already existing sources, increase in the rate of existing taxes and broadening of revenue base by introducing new taxes. Also macro economic instability heightened the need for enhanced revenue balance.

In most years between 1980 and 1997, inappropriate domestic policies and exogenous shocks resulted in economic decline and deterioration in the finances of all tiers of government. The Federal government's control over the budget was ineffective as its budget deficit averaged 6.1 percent of GDP between 1980 and 1997 (Alade 1999). Foreign debt rose from 3.7 percent in 1980 to 19.7 percent of GDP in 1997. Large fiscal deficits, financed by borrowing from the domestic banking system led to acceleration in inflation.

COMMODITY TAXES

Apart from the fact that agricultural commodities were the main sources of Nigeria's foreign exchange earnings for a long time, their output was also subject to a number of taxes which became important sources of government revenue.

The Institutional arrangement by which these taxes were administered was the marketing board system under which statutory marketing boards were charged with purchasing the export crops from producers.

Two important types of taxes were derived from commodity exports during the Commodity Board era. The first was the **export duty** levied in proportion to the value of export. In the 1960's, this export duty imposed by the Federal Government ranged between 10 and 20 percent. (Osakwe, 1971) while the second, which was the **produce sales/purchase tax** was imposed independently by the Regional/State Governments and was assessed on the volume of produce offered for sale to the marketing boards. The rate ranged between ₦1 per ton for soya beans and ₦8 per ton for cocoa beans. Revenue contributions from the two types of taxes were substantial between 1960/61 and 1969/70. Between, 1960 and 1965, total revenue from produce taxation and capital grants from marketing board averaged ₦32 million a year (Ojo 1991). In the next five years, the average contribution increased to ₦70.5 million a year. Thus, revenue from produce taxation increased from an average of 21.7 percent between 1960 and 1965 to 47.3 percent between 1965 and 1970.

In 1973, the first series of reforms to the marketing board system took place and the thrust of the reforms was the abolition of all forms of taxes on the export crops under the jurisdiction of the boards. Thus, almost in one fell swoop, the Regions/states lost a vital source of revenue. But, even if such taxes were not abolished, revenue from these taxes could have dwindled considerably given the drastic decline in the production and export of the crops involved. Revenue from the export taxes could only have been maintained or increased by increasing the rates exorbitantly and this would have increased the disincentives to producers.

After the dissolution of the Commodity Board System, the government through the Export Commodities Coordinating Committee (ECCC) established the Administrative Commodity Export Levy of $5 per tonne for cocoa and US $3 per tonne for any other agricultural commodity that is exported out of the country. The reason government gave for the establishment of these levies was that the levies would be utilised to service Nigeria's membership of International Commodity Organisation. The government also posited that the benefits derivable from attendance of these meetings was enjoyed by the private sector and it was thus expedient for the private sector to fund the activities of the ECCC.

Following closely at the heels of the export levies were state government produce taxes and levies on the commodities produced in their territories. Grading fees was expected to be harmonized across the country for various crops. However, most states do not comply with agreed rates insisting that these commodities were revenue earners for the states and as such should be charged accordingly. For instance the fixed rate for grading a tonne of cocoa is about ₦5 per tonne, but some states charge as high as ₦18,000 for grading of cocoa. This divergences in grading fees and levies have their consequences which are discussed in the next section of the paper.

PART 3:

EFFECTS OF COMMODITY TAXES/LEVIES ON COMMODITY TRADE MOVEMENTS

The role of internal trade in the domestic economy is analogous to that of trade in the world economy. Countries trade among themselves to obtain goods and services, which they need but which cannot be produced within their boundaries. Similarly, states within a country exchange commodities through trade so as to obtain crops/commodities, which they cannot produce in their localities. As a matter of fact, internal trade within an economy tends to assume a greater role than international trade in the world economy because of the fewer restraints in the domestic economy. Due to high degree of integration within a domestic economy, regions do not have to attain self – sufficiency at any cost (as may be the case with countries). On the account of this greater interdependence among regions/states, unrestrained internal trade can be relied upon to satisfy the demands of various regions.

However, with the imposition of grading fees/levies and commodity taxes, by various states/regions after the era of the commodity/Marketing Boards, trading within the country has become restrained.

It has been observed that movement of commodities from one state to another has become rather difficult with transporters having to face several check points mounted by state produce officers who impose their levies on the commodities being transported. The effect of this is the inflated prices of the commodities for the ultimate consumer as well as scarcity of some commodities in states with high tax rates.

Records have shown that most merchants in both domestic and international commodity trade avoid the payment of levies and taxes. The evasion of taxes and levies have the following effects on commodity trading as well as state and national economies.

(a) Unrecorded Trade

In order to avoid the payment of taxes and levies, many traders collude with designated enforcement agents to smuggle commodities across state borders. The result of this action is that some states that do not produce a particular commodity now record higher trade volumes for these commodities as against states that have comparative advantage of producing such a commodity. For instance, cocoa is not produced in Benin Republic, however, Benin records some volume of cocoa exports which are normally smuggled through Nigerian borders into the country. Cocoa traders who do not want to pay the ECCC export levy and the state government produce sales taxes, smuggle their cocoa beans to Benin Republic. This situation has led to reduction in Nigeria's cocoa exports while Benin records exports of a commodity it does not produce.

(b) Low Internal Revenue

Unrecorded trade usually translates to low internally generated revenue for producing states and for the country in general. Large proportion of the revenue expected by the government from produce sales taxes and other levies, are not usually received as a result of the activities of merchant who either smuggle the commodities across state/national borders or collude with enforcement agents to evade payment of these taxes/levies. Also, foreign exchange that could have accrued from the export of these commodities is lost to neighbouring countries, the recipients of smuggled produce.

(c) Low Quality of Traded Commodities

In attempts to evade payment of taxes/levies a large proportion of produce do not pass through required standard quality tests before entering the market. This has led to the trading of commodities that do not meet both local and international quality standards. For instance, during the era of the Commodity Boards when cotton was traded in cotton gazetted markets, the quality of cotton produced in Nigeria was high because the cotton was inspected at these markets for quality control before being sold to ginneries. However, since the liberalisation of trade, cotton traders do not subject their cotton to quality test and as such most cotton that get to the ginneries contain stones, water and other impurities. The same goes for Nigerian Cocoa which used to enjoy premium price at the international market in view of its high quality during the Marketing/Commodity Board era. Since the advent of liberalization, the quality of Nigerian cocoa has dropped so much so that our cocoa is now discounted in the international market.

EFFECT OF DIVERSE GRADING/PRODUCE FEES ON COMMODITY TRADE

Different rates of grading/produce fees charged by states have constituted a disincentive to inter state commodity trade. Grading/produce fees are supposed to be uniform all over the country for the various commodities. However, most states have refused to charge the harmonized fees passed to them by the Technical Committee on Agricultural Produce (TACP). The major reason given for this action is that these commodities are their main sources of revenue and as such, they have to capitalize on them. For instance Produce Inspectors in the cocoa producing states met some time ago and fixed the sum of ₦5,000 per tonne as produce fees for inspection of cocoa. Some states have however refused to implement this rate and have rather increased theirs, some up to as much as ₦18,000 per tonne.

The lack of uniformity in produce levies/fees has thus led to commodity merchants evading produce inspection in such states and carrying their produce across the borders to other states or outside the country. This has thus led to most produce leaving the state/country un-graded and thereby creating quality problems for Nigerian cocoa in particular and produce in general. This problem also creates artificial scarcity of some produce in areas with high tariff regimes as against areas with low rates, as well as very high price differentials from one state to the other.

PART IV:

CONCLUSION AND RECOMMENDATIONS

This paper has attempted to discuss the evolution of organised commodity trade in Nigeria as well as the coming into being of commodity taxes and levies in commodity trade.

Commodity trade, in Nigeria began with the British companies exporting raw materials to their industries abroad. His was followed by the Commodity/Marketing Board era and finally trade liberation. Commodity Taxes/Levies started during the days of the Commodity/Marketing Board. However, the effect of these taxes and levies was not very adverse during this era in view of the fact that the Commodity Board handled the purchase and sale of these commodities and also paid the levies.

Since the abolition of the Commodity Board System, taxes and levies on produce had taken a new dimension. States have used these taxes/levies as major sources of revenue and as such have charged diverse rates of produce levies which have resulted in creating series of barriers to inter-state trade. Problems created by these levies include unrecorded trade, low internal revenue, low quality of produce and smuggling.

Consequent on the above it is recommended that;

(i) The Government takes a second look at the collection of the ECCC Administrative levies of US $5 per tonne and US $3 per tonne for Cocoa and other agricultural export commodities respectively. The Government can fund its participation in International Commodity Organization from other sources rather than tax exporters. This would help to improve the quality of our produce and reduce the rate of smuggling of our produce across our borders.

(ii) The Technical Committee on Agricultural Produce (TCAP) an inter-ministerial committee set up to keep surveillance on commodity movement produce, levies and taxes should intensify its efforts at harmonization/unification of produce levies/taxes across the length and breadth of the country.

(iii) State governments should as much as possible keep within the limits of rates approved by State Produce Director and ratified by the TCAP.

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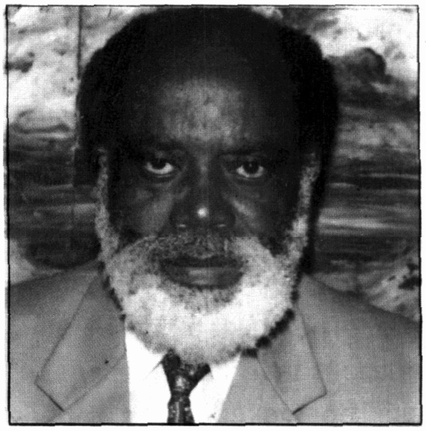
INTERSTATE TRADE AND ECONOMIC DEVELOPMENT IN NIGERIA

1. Introduction: On Trade and Development

We live in a very unequal world. Table 1 highlights the Nigerian Condition by comparing its performance on selected development indicators with those of the world as a whole, the high-income economies, the middle-income economies, and the low-income economies. It is clear that Nigeria ranks very low, even among the low-income economies.



Prof. Ukwu I. Ukwu

Table 1:

NIGERIA IN WORLD DEVELOPMENT, 1994

INDICATOR	WORLD	HIGH INCOME COUNTRIES	MIDDLE INCOME COUNTRIES	LOW INCOME COUNTRIES	NIGERIA
Area (sq km)	133478	31824	61263	40391	924
Population (m) 1994	5601	850	1570	2182	108
GDP ($m) 1994	25223462	20120240	4069532	1208422	35200
Commercial Energy Use (000metric tonnes oil equivalent)	8035058	4392058	2501145	2306666	17503
World Exports ($m) 1994	4326096	3291137	826822	202239	9378
World Imports ($m) 1994	4391666	3307266	890818	218966	6511
Population %	100.000	15.176	28.031	38.957	1.928
GDP %	100.000	79.768	16.134	4.791	0.140
Energy Use %	100.000	54.661	31.128	28.708	0.218
Exports %	100.000	76.076	19.112	4.675	0.217
Imports %	100.000	75.308	20.284	4.986	0.148
GNP per capita ($)	4470	23420	2520	380	280
Life Expectancy	67	77	67	63	52
Labour Force in Agriculture (%)	49	5	31	69	43
Labour Force in Industry (%)	20	31	27	15	7

SOURCE: World Development Report 1996

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The great disparity between the high-income and the low-income economies lies not in any perceived inequalities in natural resources endowment: on the contrary, many of the low-income economies, including Nigeria, are very well endowed. Rather it lies in their relative willingness and ability to mobilise, develop and utilise resources for productive use.

The major premise of this article is that a necessary condition for the realisation of these objectives is the proper development of domestic trade.

The critical linkage between trade and development is captured in Adam Smith's dictum that the degree of specialization in an economy depends on the size of the market. Inexorably, the evolution of the global economy has led to the establishment of a market-driven global system based on increasingly complex and ever-changing patterns of specialization and trade. However, the gains and pains of international trade have not been the same for all countries. The low-income countries have very small domestic markets and contribute very little to world trade. They are more pawns than players in the global market place.

Yet much of the development effort of low-income countries is directed toward the promotion of external trade, particularly, exports, as the engine of growth. This strategy has not always worked. Thus in Nigeria, in spite of the heroic efforts at non-oil export promotion by government over the years, non-oil exports currently account for less than 5 per cent of export earnings.

The poor performance of non-oil export earnings in Nigeria is a true indicator of the weakness of our domestic economy. We cannot effectively trade internationally what we produce competitively. And we cannot produce competitively abroad when our home market is small, fragmented and inefficient. It is my argument that our poor export performance is the effect, not the cause of our weak economy. If we take the trouble to promote and expand our domestic market, we will enlarge and strengthen our domestic economy and equip it to deal more autonomously, more competitively and more productively in the global market.

Accordingly, in this article I will attempt an analysis of the present size and structure of the Nigerian domestic market, examine the patterns of trade among states and zones, and consider what needs to be done to improve the domestic trade system and enable it play its appropriate role in the overdue transformation of the Nigerian economy.

2. The Nigerian Domestic Market

Size and Composition

Although there has been no detailed study of the size and composition of the Nigerian market, information available from various sources enable us to outline the broad picture. Commodities entering the Nigerian economy are either locally produced or imported and destined either for domestic use or for export. Thus on the basis of analysis of published national income statistics, a summary of the commodity structure of the Nigerian market in 1993 is presented on Table 2. The estimated total value of commodities handled in the economy was N879.5 billion. Imports accounted for 18.8 per cent of supplies, domestic production for 81.2 per cent. Exports amounted to 24.9 per cent of supplies.

The food sector is the largest in the Nigerian products market, in 1994 accounting for 39 per cent of total supplies and 45.7 per cent of domestic consumption. More than 95 per cent of the supplies are domestically produced, imports accounting for less than 5 per cent. Only 0.3 per cent of the total supplies are exported; the export crop economy is now a ghost of its former self.

Table 2:

COMMODITY STRUCTURE OF THE NIGERIAN PRODUCTS MARKET 1993

	MILLIONS OF NAIRA				PERCENTAGES				
	TOTAL SUPPLY	DOMESTIC PRODUCTION	IMPORTS	DOMESTIC COMSUMPTION	TOTAL SUPPLY	DOMESTIC PRODUCTION	IMPORTS	DOMESTIC COMSUMPTION	DOMESTIC PRODUCTION AS % OF COMSUMPTION
DESCRIPTION									
Food, Beverages & Tobacco	341814	326080	15735	341805	38.87	45.68	9.50	38.87	95.40
Inedible Crude Materials (c)	10100	5794	4306	10097	1.15	0.81	2.60	1.15	57.38
Mineral Fuels and Related Material	267993	267165	828	267993	30.47	37.43	0.50	30.48	99.69
Chemicals and Plastics	74547	46224	28323	74530	8.48	6.48	17.10	8.48	62.02
Goods Classified By Material	90287	50536	39751	90263	10.27	7.08	24.00	10.26	55.99
Fabricated Metal Machinery & Eqpt	87544	17317	70227	87501	9.95	2.43	42.40	9.95	19.79
Other Manufacturing	7198	738	6460	7194	0.82	0.10	3.90	0.82	10.26
TOTAL	879482	713853	165629	879382	100	100	100	100	81.18

SOURCES:

DOMESTIC PRODUCTION: Calculated from as statistics for Gross Domestic Output and Gross Output of Manufacturing adjusted for SITC Commodity Groups

IMPORTS AND EXPORTS: FOS Annual abstract on Statistics 1997 Edition

The bulk of crude materials are domestically produced and consumed, in contract to mineral fuels most of which are exported. The domestic consumption of N268 billion worth of mineral fuels in 1993 is indicative of a trend which will be accelerated as the Nigeria economy grows.

The market for non-food manufactured goods is still dominated by imports, which in 1993 contributed 56 per cent of supplies. For the machinery and transport equipment sector the share of imports was 80 per cent, but for consumer goods it was 44 per cent. The underdevelopment of the industrial sector is reflected in the very small contribution of the inedible crude minerals sector (1.2 per cent) to the product market. Even so, a significant proportion of this (43 per cent) is imported. The oil and gas sector is basically export oriented (70.8 per cent), but the rise of domestic consumption to more than 20 per cent reflects the increasing energy demand in Nigeria as well as the use of oil and gas as industrial raw material. While Nigeria has achieved some measure of self-reliance in Chemical and Paints (62 per cent) and in general household and personal goods (53 percent) the market for fabricated metal goods, machinery and equipment is heavily import-dependent (80 per cent).

Supply Patterns

Another useful way of looking at the Nigerian market is to consider the structure of supplies. We may distinguish four categories of suppliers:

1. Agricultural Producers
2. Extractive Industries
3. Manufacturers
4. Importers

Tables 3, 4 and 5 summarise the spatial pattern of production of the major staple foods, livestock and fishery products, mining operations and major industrial establishments respectively.

The bulk of agricultural produce comes from the enterprises of millions of small-scale farmers, animal rearers and fishermen. Small-scale agricultural production is unspecialised and most farmers produce the range of crops and animal products suitable for the ecological zone. For historical reasons, involvement in export crop production is very restricted, the bulk of the groundnuts, cocoa, palm produce, etc. coming from a few favoured districts in the producing states.

Plantation agriculture accounts for less than one per cent of agricultural output, but is an area in which increasing public and private investment is being made.

Although large-scale mineral extraction looms so large in Nigeria's economy, its role in internal marketing is marginal, its output being sold directly on the world market with minimal handling in Nigerian territory, especially in the case of crude oil. Considerable attention is now being paid to solid minerals, but the distribution of mining operations is still highly concentrated.

Table 6 summarises the distribution of mining operations in 1995. Most of the abundant solid mineral resources in most states of the Federation remain unutilized, undeveloped or unexplored.[1]

Nigeria remains one of the least industrialised countries in the world, with only 7 per cent of its labour force engaged in industrial production, compared with an average of 15 per cent for low income countries, 27 per cent for middle income countries and 31 for high income countries. (DR 1996). The distribution of modern industries is very uneven, being heavily concentrated in a few zones, a few states and a few cities.

There are also hundreds of thousands of small-scale industrial establishments. Some, like weavers and brewers, are reliers of a once vigorous indigenous industries; others, like printers and furniture-makers, are more dependent in new technology and materials as well as new demands. While most of them are based in the large towns, significant number are to be found in most towns and rural centres. They are of special importance in providing the needs of the lower-income groups for whom the 'superior' imported factory produced goods are often too costly.

The importation of goods for the Nigerian market used to be dominated by a few large firms with traditional connection with Western multinational corporations. In the last twenty years, however, indigenous importers have become very active particularly in the importation of food and other essential commodities under government patronage, as well as developing new connections with Japan, Eastern Europe and Third World Countries. Importers are heavily concentrated in the major ports and regional trade centres.

Demand Patterns

We may distinguish four categories of consumers:

1. Households
2. Firms
3. Government
4. Export Market

With private consumption expenditure accounting for per cent of gross domestic expenditure in 1996, household demand is a major factor in the character size and performance of the Nigerian products market. The most critical determinant of household demand patterns is income, the income level of the household affecting not only the level of expenditure but its distribution among different categories of goods. There are also significant differences between urban and rural areas as well as among zones and states in consumption patterns.

Consumption by firms is mainly by way of intermediate consumption, which in 1993 amounted to 26.7% of gross output. Analysis of the detailed national input-output tables for 1993 gives further insight into the size and pattern of commodity flow among firms. (Table 8). Intermediate consumption is dominated by a few activity sector: Manufacturing (27.0%), Agriculture (20.6%). Wholesale and Retail Trade (20.3%), Mining and Quarrying and Transport 5.7%). Government expenditure has special significance for the development of the Nigerian market. Not only does Government Final Expenditure accounts for a significant proportion of Gross Domestic Expenditure (11.9% in 1996). Government in Nigeria has traditionally been the prime mover of gross capital formation and capital investment. Other aspects of government expenditure patterns also have considerable significance for the overall structure of the market. Government expenditure, particularly capital expenditure, tends to be lumpy, a few major projects account for the bulk of the budget. The size and direction of government contracts and purchases have significant impact on the performance of many segments of the Nigerian market.

We have already remarked on the weakness of the Nigerian export market. Essentially it is a one-commodity market controlled by others, OPEC on the one hand, the consumers in industrialised countries on the other.

Table 3:

MAJOR LIVESTOCK AND FISHERY PRODUCTS (PERCENTAGE SHARES)

	STATE	POULTRY	GOATS	SHEEP	CATTLE	FISH
NC	Benue	8.13	2.06	1.57	0.00	0.69
NC	FCT	0.02	0.02	0.01	0.00	0.01
NC	Kwara	1.77	1.45	0.83	0.92	0.10
NC	Niger	1.10	1.14	0.86	2.01	0.51
NC	Plateau	10.16	8.36	5.53	10.19	0.19
NE	Bauchi	8.81	12.27	13.69	22.04	0.05
NE	Borno	2.19	5.40	5.99	6.49	24.75
NE	Gongola	5.09	6.19	3.49	10.31	3.93
NW	Kaduna	12.39	7.83	7.75	7.45	.036
NW	Kano	14.44	20.11	29.74	15.02	0.35
MW	Katsina	5.75	9.86	12.56	10.44	0.10
NW	Sokoto	8.20	10.44	12.94	13.16	10.52
SE	Anambra	7.51	5.25	2.72	0.94	0.65
SE	Imo	7.21	3.76	1.70	0.20	0.45
SS	Akwa Ibom	1.20	1.56	0.39	0.00	9.73
SS	Bendel	1.30	0.85	0.28	0.68	16.82
SS	Cross River	0.81	1.14	0.24	0.00	3.45
SS	Rivers	1.00	0.43	0.33	0.00	19.96
SW	Lagos	0.01	0.00	0.00	0.00	6.45
SW	Ogun	0.39	0.13	0.08	0.00	0.82
SW	Ondo	0.75	0.27	0.12	0.16	4.97
SW	Oyo	2.09	1.48	0.86	0.00	0.09
	NIGERIA	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	NORTH CENTRAL ZONE	**21.17**	**13.02**	**8.79**	**13.12**	**1.45**
	NORTH EAST ZONE	**16.10**	**23.86**	**23.17**	**38.83**	**28.73**
	NORTH WEST ZONE	**40.78**	**48.25**	**62.98**	**46.07**	**11.33**
	SOUTH EAST ZONE	**14.72**	**9.01**	**4.42**	**1.13**	**10.83**
	SOUTH SOUTH ZONE	**4.31**	**3.98**	**1.25**	**0.68**	**40.23**
	SOUTH WEST ZONE	**3.23**	**1.88**	**1.06**	**0.16**	**12.33**

DATA SOURCE: Federal Office of Statistics ble 3: AGRICULTURAL PRODUCTION: STAPLE FOODS · STATES AND ZONES (MILLION NAIRA)

ZONE	STATE	MILLET	GUINEA CORN	GROUNDNUTS	BEANS	YAMS	MAIZE	CAS-SAVA	RICE	COCOYAM	MELON	TOTAL	PER CENT
NC	Benue	14.4	57.6	28.2	3.3	1232.5	87.8	250.5	89.2	1.1	7.1	1771.6	7.35
NC	Kwara	30.4	82.8	26.9	8.2	562.5	54.0	86.9	66.0	0.6	15.5	933.6	3.87
NC	Niger	13.6	61.8	24.3	3.3	454.3	23.0	24.2	8.7	0.0	59.2	672.5	2.79
NC	Plateau	103.2	198.0	49.9	96.2	911.8	124.6	259.6	17.5	0.0	43.7	1804.4	7.48
NE	Bauchi	484.8	204.0	230.4	422.2	0.0	104.4	0.0	0.0	0.0	0.0	1445.8	5.99
NE	Borno	387.2	293.4	37.1	244.5	0.0	47.5	0.0	0.0	0.0	1.4	1011.2	4.19
NE	Gongola	28.8	218.4	76.8	8.2	586.3	48.2	33.3	11.6	0.0	1.4	1013.1	4.20
NW	Kaduna	227.2	414.0	62.7	132.0	593.7	314.6	55.6	5.8	10.1	33.8	1849.6	7.67
NW	Kano	668.8	343.2	81.9	233.1	0.0	33.8	0.0	0.1	0.0	1.4	1362.4	5.65
NW	Sokoto	1241.6	1378.8	263.7	953.6	0.0	24.5	0.0	1.9	0.0	0.0	3864.1	16.02
SE	Anambra	0.0	0.0	5.1	3.3	692.9	67.0	257.6	211.5	104.2	24.0	1365.4	5.66
SE	Imo	0.0	0.0	0.1	0.0	820.0	69.1	399.0	103.8	65.0	64.9	1521.8	6.31
SS	Bendel	0.0	0.0	0.0	0.0	2049.2	172.8	1006.0	0.0	19.0	104.3	3351.3	13.90
SS	Cross River	0.0	0.0	0.0	0.0	294.4	13.0	176.8	0.0	129.4	24.0	637.4	2.64
SS	Rivers	0.0	0.0	0.0	0.0	95.9	6.5	221.2	0.0	0.0	0.0	323.6	1.34
SW	Lagos	0.0	0.0	0.0	0.0	0.2	1.4	6.1	0.0	0.0	0.0	7.7	0.03
SW	Ogun	0.0	0.0	0.3	0.3	2.5	5.0	2.0	1.0	0.0	0.1	11.2	0.05
SW	Ondo	0.0	0.0	1.3	3.3	223.0	4.3	60.6	7.8	2.2	1.4	303.9	1.26
SW	Oyo	0.0	3.0	2.6	0.0	433.0	47.5	343.4	0.0	7.8	12.7	850.0	3.52
% SHARES: NIGERIA		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NORTH-CENTRAL		5.05	12.29	14.51	5.25	35.31	23.17	19.52	34.57	0.47	31.79	21.49	21.49
NORTH-EAST		28.14	21.99	38.65	31.97	6.55	16.02	1.05	2.22	0.00	0.71	14.39	14.39
NORTH-WEST		66.78	65.62	45.83	62.47	6.63	29.86	1.75	1.50	2.83	8.93	29.34	29.34
SOUTH-EAST		0.00	0.00	0.59	0.15	16.90	10.89	20.63	60.07	47.41	22.50	11.97	11.97
SOUTH-SOUTH		0.00	0.00	0.00	0.00	27.25	15.39	44.11	0.00	41.60	32.50	17.88	17.88
SOUTH-WEST		0.00	0.09	0.46	0.17	7.36	4.67	12.95	1.66	2.83	3.61	4.86	4.86
% SHARES: NIGERIA		13.27	13.50	3.69	8.75	37.12	5.18	13.20	2.18	1.48	1.64	100.00	
NORTH-CENTRAL		3.12	7.72	2.49	2.14	61.00	5.59	11.99	3.50	0.03	2.42	100.00	
NORTH-EAST		25.96	20.63	9.92	19.45	16.90	5.77	0.96	0.34	0.00	0.08	100.00	
NORTH-WEST		30.21	30.19	5.77	18.64	8.39	5.27	0.79	0.11	0.14	0.50	100.00	
SOUTH-EAST		0.00	0.00	0.18	0.11	52.40	4.71	22.74	10.92	5.86	3.08	100.00	
SOUTH-SOUTH		0.00	0.00	0.00	0.00	56.57	4.46	32.56	0.00	3.44	2.98	100.00	
SOUTH-WEST		0.00	0.26	0.35	0.31	56.16	4.97	35.14	0.74	0.86	1.21	100.00	

Table 4: DISTRIBUTION OF MINING OPERATIONS BY TYPE. STATE AND ZONE 1995

		A/Ash	Amethyst	Black	Marble Brine	Barytes	Basalt	Bentonite	Columbite	Chamokite	Clay	Coal	Cassiterite	Dolomite	Diorite	Fibrolite	Feldspar	Gold	Galaha	Galena	Gemstone	Gypsum	Iron Ore	Iron Stone	Kaolin	Limestone	Lead&Zinc	Marble	Mica	Pb	Salt	Shale	Silica Sand	Sphalerite.	Silica Sand	Talc	Tin	Topaz	Tantalite	Zn	TOTAL	PERCENT
	ALL	1	1	14	1	40	2	1	6	7	14	1	9	2	13	2	10	38	1	2	2	5	1	2	31	18	13	24	2	2	1	3	1	2	2	3	1	1	4	2	285	100.0
NC	BN					6								1											2	1															10	3.5
NC	KG					1						1					1						1		1			7											1		13	4.6
NC	KW																								1			4													5	1.8
NC	NG																	5							1			4													10	3.5
NC	PL	1	1		1	33		1	5		1		9				2		1	2	2	4			11	3		5	2	2		1	1	2				1	2	2	95	33.3
NE	AD						1							1								1																			3	1.1
NW	KN																																		1						1	0.4
SE	AB										1															1															2	0.7
SE	AN																							2	1																3	1.1
SE	EB			14			1								12											4	13				1										45	15.8
SE	IM										3				1										4																8	2.8
SS	AK																								1																1	0.4
SS	CR																									1															1	0.4
SS	ED																									1		3													4	1.4
SW	OD									7	6						1								2	2									1						19	6.7
SW	OG																4								4	5						2									15	5.3
SW	OS								1								2	33							2											2	1		1		42	14.7
SW	OY										3					2									1			1								1					8	2.8
	NC	1	1	0	1	40	0	1	5	0	1	1	9	1	0	0	3	5	1	2	2	4	1	0	16	4	0	20	2	2	0	1	1	2	0	0	0	1	3	2	133	46.7
	NE	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	1.05
	NW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0.35
	SE	0	0	14	0	0	1	0	0	0	4	0	0	0	13	0	0	0	0	0	0	0	0	2	5	5	13	0	0	0	1	0	0	0	0	0	0	0	0	0	58	20.4
	SS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0	6	2.11
	SW	0	0	0	0	0	0	0	1	7	9	0	0	0	0	2	7	33	0	0	0	0	0	0	9	7	0	1	0	0	0	2	0	0	1	3	1	0	1	0	84	29.5

Table 5: PERCENTAGE DISTRIBUTION OF INDUSTRIAL ESTABLISHMENTS BY TYPE AND STATE, 1995

ZONE	STATE	TYPE OF INDUSTRY: Food, Beverages and Tobacco	Textiles, Wearing Apparel & Leather	Wood, Wood Products & Furniture	Paper and Paper Products, Printing &	Chemical Products, Petroleum, Rubber & Plastics	Non-metallic Mineral Products	Basic Metal Industries	FabricatedMetal Products, Machinery & Equipment	Other Manufacturing Industries	TOTAL
	BENUE	0.82	0.25	1.42	0.51	0.00	0.85	0.00	0.17	0.00	0.53
	FCT	0.41	0.99	0.63	0.00	0.00	1.42	0.00	0.00	1.61	0.55
NC	KWARA	2.87	1.07	2.52	2.78	1.51	3.40	13.04	0.83	0.00	1.96
	NIGER	0.96	1.89	3.15	0.25	0.19	1.13	0.00	1.32	1.61	1.43
	PLATEAU	2.05	0.41	1.10	0.76	0.57	1.98	0.00	0.33	4.84	0.99
	BAUCHI	3.42	1.23	2.52	1.27	0.19	2.55	0.00	0.83	0.00	1.67
NE	BORNO	2.46	1.15	1.74	0.76	0.57	5.10	0.00	1.65	1.61	1.71
	GONGOLA	8.61	0.90	3.15	2.03	0.00	5.10	0.00	1.16	0.00	2.79
	KADUNA	2.73	2.96	2.84	5.57	0.76	5.10	0.00	4.96	4.84	3.32
	KANO	10.25	2.55	1.42	4.30	6.05	12.46	8.70	3.64	1.61	5.12
NW	KATSINA	1.50	0.16	0.63	0.76	0.19	2.83	4.35	0.33	0.00	0.75
	SOKOTO	1.50	1.56	1.10	0.51	0.00	2.83	0.00	2.48	0.00	1.41
SE	ANAMBRA	7.79	11.43	5.68	10.38	9.83	10.76	0.00	9.59	4.84	9.32
	IMO	12.16	11.43	4.26	5.57	7.18	8.78	4.35	7.11	1.61	8.60
	AKWA-IBOM	1.78	0.74	1.58	3.54	1.70	0.57	0.00	2.31	1.61	1.58
	BENDEL	3.42	18.09	15.14	5.82	1.89	3.68	4.35	1.82	1.61	8.79
SS	CROSS RIVER	0.82	0.66	2.05	2.03	0.19	0.57	0.00	0.66	0.00	0.92
	RIVERS	9.97	0.99	3.00	2.53	2.27	3.40	0.00	3.14	1.61	3.47
	LAGOS	19.81	28.95	18.61	35.44	58.98	17.28	56.52	48.10	61.29	32.31
	OGUN	2.05	2.55	3.47	4.56	5.86	2.83	8.70	5.29	4.84	3.61
SW	ONDO	0.55	1.32	11.67	1.27	0.38	1.98	0.00	1.49	0.00	2.57
	OYO	4.10	8.72	12.30	9.37	1.70	5.38	0.00	2.81	6.45	6.59
	TOTALS	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NORTH-CENTRAL		7.10	4.61	8.83	4.30	2.27	8.78	13.04	2.64	8.06	5.45
NORTH-EAST		14.48	3.29	7.41	4.05	0.76	12.75	0.00	3.64	1.61	6.18
NORTH-WEST		15.98	7.24	5.99	11.14	6.99	23.23	13.04	11.40	6.45	10.60
SOUTH-EAST		19.95	22.86	9.94	15.95	17.01	19.55	4.35	16.69	6.45	17.92
SOUTH-SOUTH		15.98	20.48	21.77	13.92	6.05	8.22	4.35	7.93	4.84	14.77
SOUTH-WEST		26.50	41.53	46.06	50.63	66.92	27.48	65.22	57.69	72.58	45.09

Source: Federal Republic of Nigeria **Industrial Directory 1995** Abuja, FMI

3. Commodity Flow Patterns

The patterns of commodity flow within Nigeria reflect the balance of supply and demand across and the location of the major trade centres. The underlying structural relationships among the states are geopolitical indicated in Table 6.

Table 6 SOCIO-ECONOMIC STRUCTURE OF STATES AND GEOPOLITICAL ZONES

ZONE	STATE	POPULATION 1991 (%)	MIGRANT POPULATION%	URBAN POPULATION %	AGRIC% OF LABOUR FORCE	SALES WORKERS % OF LABOUR FORCE	PRODUCTION WORKERS % OF LABOUR FORCE	BANK CLEARINGS VALUE% 1992-1995
NC	Benue	3.09	2.02	1.41	82.6	4.9	3.3	0.46
NC	Kogi	2.41	1.17	2.34	37.4	24.4	20.8	
NC	Kwara	1.74	2.27	2.05	22.1	37.8	19.8	0.73
NC	Niger	2.72	3.4	1.71	56.7	18.7	9.4	0.34
NC	Plateau	3.72	4.39	2.56	60.8	13.3	24.9	0.69
NC	Abuja	0.42	1.83	0.33	29.8	12.3	20.4	19.67
NE	Adamawa	2.36	3.36	1.46	70.1	7.9	6.5	0.69
NE	Bauchi	4.89	2.94	2.16	77.9	6	5.1	0.55
NE	Borno	2.85	1.93	2.80	65.5	11.2	6.9	0.96
NE	Taraba	1.7	1.29	0.49	76.7	7.2	5.6	
NE	Yobe	1.57	0.62	1.06	71.8	9.2	6.9	
NW	Jigawa	3.23	0.2	0.62	75.7	7.1	5	
NW	Kaduna	4.42	9.94	4.97	47.2	16.2	12.1	2.82
NW	Kano	6.53	2.5	7.18	51.8	15.9	11.3	6.15
NW	Katsina	4.22	0.6	3.52	73.6	8.6	5	
NW	Kebbi	2.32	0.8	0.79	81.3	7.7	3.4	
NW	Sokoto	5.02	0.73	1.86	83	6.5	3.6	0.85
SE	Abia	2.63	1.95	2.73	42.6	25.2	17.1	
SE	Anambra	3.14	4.41	5.36	28.2	35.3	15.5	2.53
SE	Enugu	3.54	2.7	4.06	55.9	17.6	10.6	
SE	Imo	2.79	0.78	2.51	38	26.3	15.3	2.02
SS	Akwa Ibom	2.71	0.32	0.90	40.9	28.4	13.8	
SS	Cross River	2.15	3.82	1.48	57.7	14.6	9.6	0.68
SS	Delta	2.91	2.83	2.66	44.1	23.3	12.8	
SS	Edo	2.44	3.11	3.06	35.5	23.9	18.6	2.67
SS	Rivers	4.84	4.47	4.18	40	19.7	11.2	5.93
SW	Lagos	6.43	19.35	16.61	2.2	36.8	24.9	43.05
SW	Ogun	2.62	2.46	3.23	25.7	33.7	22.6	0.93
SW	Ondo	4.25	3.89	4.74	34.7	27.2	19	0.75
SW	Osun	2.43	2.01	3.71	21.1	42.1	21.9	
SW	Oyo	3.88	5.59	7.41	19.9	41.4	21.9	7.52
NORTH CENTRAL		14.10	15.08	10.41	48.23	18.57	16.43	21.89
NORTH EAST		13.37	10.14	7.96	72.40	8.30	6.20	2.20
NORTH WEST		25.74	14.77	18.94	68.77	10.33	6.73	9.82
SOUTH EAST		12.10	9.84	14.67	41.18	26.10	14.63	4.55
SOUITH SOUTH		15.05	14.55	12.29	43.64	21.98	13.20	9.28
SOUTH WEST		19.61	33.30	35.70	20.72	36.24	22.06	52.25

Table 7 summarises the relationships with regard to the dominant commodity categories, domestic agricultural produce and manufactures. The pattern of inter-regional foodstuff shipments in 1964, as revealed in a study by Hay and Smith (1970) is presented in Table 10. Analysis of data from a Ministry of Transport survey highlighting the shipment patterns of manufactures and imported goods is presented in Table 11.

Table 7:

INTER-ZONAL COMMODITY BALANCES						
	North Central	North East	North West	South East	South South	South West
Population %	14.1	13.4	25.7	12.1	15.1	19.6
Major Staple by Value	21.5	10.2	29.3	16.2	17.9	4.9
Industrial Output by Value	5.0	0.4	17.2	3.7	5.6	68.0
Balance on Staples	**16.5**	**-3.4**	**3.6**	**4.1**	**2.9**	**-14.7**
Balance on Manufactures	**-9.1**	**-13.0**	**-12.1**	**-8.3**	**-9.5**	**48.4**

TABLE 8:

ESTIMATED INTER-REGIONAL LOCAL FOODSTUFFS SHIPMENTS IN 1964 (UNITS PER THOUSAND OF TOTAL SHIPMENTS)						
TO / FROM	LAGOS	WEST	MID-WEST	EAST	NORTH	DESTINATION
LAGOS	X				2	
WEST	36	X			12	
MID-WEST	16		X	8		26
EAST	112	10		X	108	
NORTH	160	331		206	X	
ORIGINS	323	341		214	122	

SOURCE: Ukwu 1983

TABLE 9:

INTER-REGIONAL FREIGHT FLOWS IN MANUFACTURED AND IMPORTED GOODS, 1981					
	TOTAL	NORTH	MIDDLE BELT	SOUTH WEST	SOUTH-EAST
TOTAL	100	14.8	7.9	31.8	25.6
NORTH	16.3	7.2	2.1	5.8	1.2
MIDDLE-BELT	11.9	3.0	1.5	5.9	1.5
SOUTH-WEST	42.6	3.6	2.5	33.9	2.6
SOUTH-EAST	29.1	1.0	1.8	6.2	20.3

SOURCE: Ukwu 1983

3. Improving Distribution

Distribution plays a central role in connecting the producer/importers/sellers of goods and services at one end and the consumer/importer/buyer at the other. The role is unavoidable; it has to be played. But it does make a difference who plays it, what institutions are involved and how they relate to both the production and the consumption ends. It matters what types and levels of distribution services are offered and at what costs. These factors often decide the availability or non-availability of goods at the prices some people can afford.

On the other hand distribution is not an independent variable, not the unchanged changer in the economy. Rather, the distribution system derives its structure, organisation and behaviour from the structure and organisation of the economy itself, the general marketing environment, the state of technology and the economics of supply and demand for specific goods.

Distribution has always been one of the largest sector of the Nigerian economy. Up till the early seventies it came second in size after agriculture. The spurt in oil prices pushed mining to first place by 1974 while agriculture declined to second place. With the peaking and decline of oil revenues, distribution is now, in terms of output, the largest sector in the economy, accounting for 24% of gross domestic product. With 15% of the population, it is the third largest employer after agriculture and manufacturing.

The distributive system, fully shares the weaknesses of the Nigerian economy. If it is to play an active role in our recovery and sustained health, we need to look into what can be done to correct its weakness, reinforce its strengths and enlarge its potential for stimulating productivity.

Probably because the distribution sector has always been more able to look after itself, seems to prefer to be left alone and is in any case too large and too diffuse to be amenable to simple categorisation, direction and control, government has not paid it much attention. In our development plans it is not even accorded the dignity of its own sectoral classification. When it features, it is usually in association with finance, and then only in connection with government investment in trading parastatals and companies, export promotion and price control activities. Except regarding indigenization there has been no articulation of a comprehensive national policy on the distributive sector. Yet the sector plays so central a role in the economy that even a slight improvement in its performance can have a significant impact on national productivity. Through appropriate policies and measures government can affect the structure and environment of distribution enabling it to improve its performance.

One area where a small investment can reap a large benefit is that of market and price information, by enabling traders and consumers to identify the best sources of their requirements thus reducing the scope for exploitation[2]. This service would contribute towards the closer integration of the national market by linking producers, traders and consumers closer together. It would be most critical for the centres and rural areas more remote from the commercial centres. A related measure would be the control of advertising to ensure truth in advertising, with full disclosure of price and quality information, for the protector of the consumer. Government can also do a lot directly by improving transport and communications in the rural and remote areas thus reducing the cost of access.

In the area of agricultural marketing, government has already taken the strategic decision of creating commodity boards[3]. But owing partly to under capitalisation and partly to unrealistic pricing and operational policies, the potential of the system has not been tapped. Another area of potential benefit is the support of marketing co-operatives, effective marketing co-operatives not merely organisations for the acquisition and distribution of "essential commodities".

Turning to the private sector, we insist the established trading houses have a responsibility to the nation to see that their resources and channels are redirected towards stimulating and sustaining local production rather than distributing imports. Already serving as financiers and marketing outlets for manufacturing industries they are in a position to establish their requirements of dependence and its attendant vulnerability. They are also in a position to expand bulk warehousing facilities at the major centres to ease the problems of the smaller traders. In this regard there would seem to be a need for functional specialisation among the larger firms so that each can acquire a special competence in servicing particular sectors of the market. As a major stakeholder in the state of the distribution system government can initiate and encourage corporate policies more relevant to national needs.

Of the auxillary services necessary to the development of the distribution system, transportation and finance deserve special mention. The high cost of transport is a serious limitation of the size of the Nigerian market. It is a function both of the over-reliance on road transport and of the state of the roads. The recent government decision to implement the long-overdue programme for a modern railway grid to inter-connect the various zones, states and economic centres systematically is very welcome indeed and should be pursued with despatched and vigour.

On finance, the on-going transformation of the financial sector augurs well for the evolution of the financial institutions and products more effectively targeted at the distribution sector.

Finally, if government is to play its proper role in the promotion of domestic marketing, it must seek to understand the marketing system. There is need for proper background and benchmark studies at federal, state and local government levels. State and local government should regard themselves as the chief marketing promotion agencies for their people. They should set up appropriate institutions for collecting and disseminating relevant market information, promote linkages and bring together all the stakeholders in their areas for the development of a more effective marketing system.

[1] See Skoup (1991) and FMPMR (1993) for details of the size, variety and location of Nigeria's solid mineral wealth.

[2] Eyo (1997) has stressed the need to develop effective price information systems for the agricultural sector.

[3] See Ojo (1995) on the proper role of commodity boards.

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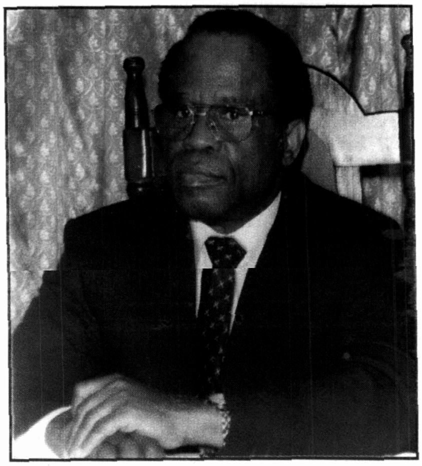
THE CBN AS A CATALYST TO NATIONAL ECONOMIC POLICY AND DEVELOPMENT

1. I am indeed delighted to be here today to exchange views with you on the contributions of the Central Bank of Nigeria (CBN) to national economic policy and development. The subject is, no doubt, relevant in light of the instrument autonomy recently granted to CBN in the conduct of monetary policy. It is also noteworthy that this lecture is coming up against the backdrop of the commitment by the present administration to chart a new course of economic policy to revamp and diversify Nigeria's ailing economy. While the achievement of these goals would require the collective efforts of all the stakeholders, the unique role of the CBN in this endeavour is no doubt, critical. Indeed, it is the recognition of the important contribution, which an effective Central Bank can make to strong economic performance that most developing countries have embraced the culture of strengthening their Central Banks.

2. Activities of the CBN in shaping national economic policy derives from its statutory mandate as enshrined in the Act establishing the Bank, the core of which is to promote and maintain monetary stability and a sound and efficient financial system. It is pertinent to note at the outset that, the role of the CBN has evolved over the years in response to the needs of the domestic economy and changes in international economic environment.



Chief (Dr.) J. O. Sanusi

3. Specifically, in the first two and half decades of its establishment, emphasis was placed on the promotion and development of money and capital markets as the fundamental requirements for the conduct of monetary policy and domestic resource mobilization for investment, growth and development. In recent years, however, emphasis has shifted to the establishment of monetary conditions conducive to price stability which has proved, in other places, as the most effective way of promoting good economic performance in the long run. Indeed, a stable financial and price environment provides the most effective way for a Central Bank to promote economic growth over time. Moreover, consistent with the global trend, the technique of monetary policy formulation and implementation has shifted from administrative control of interest rates, aggregate credit ceilings and mandatory allocation of banks' loans and advances to the use of market-based instruments because the former have proved grossly inefficient and ineffective as a mechanism for resource mobilization and utilization.

4. [illegible] an opportunity to bring activities of the Bank into perspective, particularly with the often-misconstrued belief that the CBN should be held accountable for all the woes of the Nigerian economy. More importantly, it will enable me to review and appraise the performance of the CBN in the effort to meet its statutory mandate and adapt to the circumstances of the new global trend in Central Banking in which the maintenance of price stability supercedes all other objectives of monetary policy. In that context, I will outline the challenges facing the CBN in the years ahead.

5. Against the foregoing, the rest of the paper is structured as follows. Immediately following this introduction, Part II, briefly [illegible] date and responsibilities of the CBN, while Part III discusses the conduct of monetary policy by the CBN. Part IV reviews and appraises the performance of the Bank in the conduct of monetary policy. In Part V, I will focus on CBN's response to the evolving role of Central Banks. Part VI of the paper articulates the emerging problems and challenges facing the CBN, while I make my concluding remarks in Part VII.

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A lecture delivered at the National Institute for Policy and Strategic Studies (NIPSS) Kuru, on July 31, 2000

PART II

Mandate and Responsibilities of the CBN

6. Distinguished participants, it is not my intention to bore you with the details of the mandate and responsibilities of the CBN, given your work experience, excellent academic and professional backgrounds. Indeed some of you may have contributed in one way or another in shaping this mandate and may therefore have the facts on your fingertips. Suffice it to say that a few highlights at this point will serve as a guide to what follows in subsequent sections of this paper. Moreover, it is important to note the diversity in the activities of Central Banks throughout the world and the clear dichotomy between the developed and developing economies in terms of the emphasis placed on developmental functions. In specific terms, the factors influencing the choice and emphasis of a Central Bank's activities include: the degree of openness and structure of the economy; the stage of development of the financial sector; the extent of fiscal dominance; as well as level of the professional base and autonomy of the Central Bank. In the context of these criteria, we should admit that most Central Banks in developing countries face various limitations among which is, the large size of the economy outside the realms of money,[1] which has serious implications for their performances. More specifically, most economies of developing nations, particularly in Africa, are cash-based with the result that the main mode of payments for financial transactions is cash as opposed to the use of cheques or other payments instruments. This creates leakages in the transmission channels of monetary policy in the economy. Also, the money and capital markets are narrow and shallow, thereby constraining the choice of policy instruments available in the conduct of monetary policy. Finally, the fiscal operations of the government and movements in foreign assets dominate short run changes in the quality of money, with Central Banks having little or no control over the former while the scope for sterilization of foreign inflows is limited.

[1] *This phenomenon has been variously described in the economic literature as the "informal sector" or the "underground economy", etc.*

7. The CBN was established by an Act of Parliament in 1958. Since then, the Act has been amended many times in consonance with changing economic conditions. Nevertheless, the core mandate of the CBN as espoused in the Central Bank of Nigeria Decree 24 of 1991, as amended through 1999, has remained largely unchanged, as follows:

i. to issue legal tender currency notes and coins throughout Nigeria;
ii. to maintain Nigeria's external reserves to safeguard the international value of the legal tender currency;
iii. to promote and maintain monetary stability and a sound and efficient financial system in Nigeria;
iv. to act as banker and financial adviser to the federal government; and
v. to act as the lender of last resort.

8. Over time, the functions of the CBN have been broadened, so also are the instruments of monetary control. In particular, Amendment No.38 of 1998, brought all the development finance institutions (DFIs), Federal Mortgage Bank of Nigeria (FMBN) and all the primary mortgage institutions (PMIs), community banks, the Peoples Bank of Nigeria (PBN), bureaux de change and discount houses into the supervisory purview of the Bank. The CBN has also been entrusted with the responsibility to administer the Banks and Other Financial Institutions (BOFI) Decree 25 of 1991, as amended, as part of its functions to promote a sound banking structure, efficient payments and settlement system, as well as money and capital markets development. All these activities are fundamental to the effective conduct of monetary policy and domestic resource mobilization to support investment, growth and economic development in Nigeria. As banker and financial adviser to the federal government and in recognition of the central role that fiscal policy plays in the ability of the CBN to pursue its objectives, the Bank advocates fiscal prudence and advises on expenditure restructuring and tax efficiency. In this context, the CBN plays a critical role in the coordination of monetary, fiscal and other policies, in order to maintain macroeconomic stability, which is a sine qua non for sustainable growth and external sector viability.

PART III

The Conduct of Monetary Policy by the CBN

9. The major channel in which the CBN influences economic growth and development in Nigeria is through the conduct of monetary policy. Before delving into the subject matter of the section, it is pertinent to pose two closely related questions as a guide to the discussions that follow later in this section: What is monetary policy and how does it operate to achieve its set primary goal of price stability overtime?

10. Simply put, monetary policy is about money, how much of it is issued, how to maintain its value and the health of the financial system. The reason why central banks attach much importance to the quantity of money in circulation is that the higher the quantity of money supplied above the absorptive capacity of any economy for productive purposes, the higher the level of inflation. In the words of Milton Friedman "Inflation is always anywhere, a monetary phenomenon". In other words, the more the quantity of money in people's hands, the greater the demand for goods and services which invariably results in upward pressure on their prices. This is the reason for the popular saying that inflation occurs when "too much money is chasing too few goods." This background forms the theoretical basis for the quantity theory of money and the reason why central banks devote lot of the resources in the continuous search for the optimal quantity of money to be supplied in the economy at any given point in time so as to ensure price stability. When there is disequilibrium between the quantity of money supplied and the demand for goods, inflation occurs, the pricing system becomes distorted, and misallocation of resources follows at a great cost to the economy.

11. Price stability here connotes minimal fluctuations in all prices in the economy such as consumer prices, interest rates and the exchange rate of the domestic currency. The pursuit of price stability as the major aim of monetary policy has been accepted by many central banks around the world, including the CBN, primarily because central banks have reasonable control over money supply which, as I have already highlighted above, is the major cause of price instability.

12. The CBN conducts the day to day management of monetary policy under the guidance of the Monetary Policy Committee (MPC) made up of the Governor, as the Chairman, the Deputy Governors and Directors of Research, Governor's Office, Banking Operations, Banking Supervision, Bank Examination and Foreign Operations Departments. The MPC meets weekly to review monetary and banking system conditions and take necessary measures to ensure the smooth running of the economy.

13. Usually, the Bank prepares an annual policy paper to Government as part of its contribution to the National Annual Budget, in which it outlines its framework to attain certain monetary growth targets consistent with those set by Government for economic output and inflation. Some of the monetary aggregates targeted include narrow money (M1), broad money (M2), credit to the private sector and credit to government. The implementation of the monetary policy of the Bank is exercised principally through the use Open Market Operations (OMO) conducted by the Banking Operations Department and complemented by changes in the rediscount rate, reserve requirement and liquidity ratios. It now actively employs the sale and purchase of government securities (Treasury Bills and Certificates) and repurchase agreements (repos) in the market as instruments in its open market operations. These are generally referred to as indirect instruments of monetary policy. In addition, the Bank also has the power to make use of direct policy measures such as changes in the maximum interest rates on bank deposits and loans, directed credit and imposition of ceilings on bank credits in periods of excessive monetary expansion to curb liquidity in the economy. The Bank seldom uses these direct measures since it changed its monetary strategy to market-based measures. The Bank also actively uses moral suasion to bring sanity to the financial market.

14. Perhaps, I should at this juncture highlight how monetary policy action affects the economy and how long it takes to filter through the economic system. This is known as the transmission mechanism of monetary policy in the economic literature and refers to the channels and mechanisms by which the actions of the monetary authorities affect the ultimate targets of monetary policy. The transmission of monetary policy occurs as changes in the monetary conditions affect the de-

mand for goods and services as well as other asset values. In theory, when the central bank raises or lowers the bank rate, in our case, the Minimum Rediscount Rate (MRR), it sets in motion a chain of reactions that influences the financial and goods markets through its effect on the exchange and interest rates.

15. Precisely how this works in practice is not yet clearly understood and has been the subject of extensive empirical investigation. However, the extent and timing of the response depend on the expectation of investors, borrowers, consumers and producers, the level of development and degree of sophistication of the financial system and institutional structures of the economy. This means that monetary policy must always be forward-looking and devoid of political considerations. As much as possible, it must be able to anticipate the monetary conditions needed today to help keep the economy on track for future growth and development.

PART IV

Review and Appraisal of CBN's Performance in the Conduct of Monetary Policy

16. For ease of exposition, the appraisal will be presented in two phases, viz. – The Pre-SAP Phase and Post-1986 Phase

Pre-SAP Phase: 1959-1986

17. The establishment and coming into operations of the Central Bank of Nigeria in 1959 albeit with limited autonomy, represented an important landmark in the history of financial sector development in Nigeria. In order to create an appropriate environment for its operations, the Bank embarked on the building of the rudimentary financial structure necessary for the development of functional payment system and money/capital markets for mobilizing and allocating financial resources.

18. Charged with the responsibility to maintain monetary stability and promote growth and external sector viability, but without the appropriate monetary policy instruments and a conducive financial environment, the CBN relied mainly on direct control mechanism in the conduct of its monetary policy. This was prevalent particularly in the 1970s after the economy experienced price shocks in the international oil market. Thus, emphasis was placed on quantitative ceilings on bank credit expansion and selective sectoral and regional allocation of such credit. Interest rate policy was generally repressed and administratively determined, ostensibly to provide cheap credit for investments. As regards statutory reserves requirements, the use of statutory liquidity ratio which was fixed at 25 per cent over a long period of time played mainly a prudential role rather than serve as an effective instrument of monetary management. Reflecting this situation, the actual ratio observed by the banking system as a whole was persistently much higher than the statutory minimum, by wide margins.

Appraisal of Monetary Condition

19. Influenced largely by the expansionary impact of government monetization of large oil export receipts and monetary financing of its large fiscal deficits, the pre-reform era was characterized by excessive monetary growth and concomitantly, high and persistent inflationary rate. In general, monetary policy was largely ineffective and often the CBN had to resort to extra-ordinary policy measures, such as call for special deposits, including pre-import deposits, to deal with the recurrent problem of monetary instability. The era of administrative control of bank credit and interest rates resulted largely in financial sector repression and gross inefficiency in resource allocation.

20. The fixed and administratively determined interest rates regime was not particularly successful, as it introduced all forms of distortions in the financial markets and permitted ineffective and inefficient mobilization and utilization of financial resources. As returns on financial assets turned negative in real terms savings and financial intermediation were discouraged while the propensity to consume and import was stimulated. This exerted undue pressures on key external sector variables, particularly the naira exchange rate and the level of external reserves. It also encouraged corruption, inefficient investment and in most cases lured banks into unproductive lending and non-performing loan portfolio holdings. The negative real interest rates that resulted from interest rate ceilings undermined the allocative of the financial system and encouraged capital flight. Moreover, the artificially low lending rates resulted in excess demand for credit, which led to credit rationing sometimes in favour of borrowers with projects with low rates of returns. Overall, the interest rate regime was such that

the macroeconomic stability that was desired to promote sustainable economic growth was compromised, hence the introduction of SAP in 1986 made interest rates deregulation a major component of the reform package.

SAP and Post SAP Phase: 1986 – Date

21. The adoption of Structural Adjustment Programme (SAP) in 1986, with structural reform as an important element of the programme inspired a more aggressive approach to financial sector reforms and a new orientation in the conduct of monetary policy in Nigeria. The goal was to liberalize the financial sector and move toward a more market-oriented system, designed to facilitate adequate savings mobilization and encourage efficiency in the allocation of financial resources. Indeed, the central focus of the CBN's effort from the inception of SAP has been movement toward market-based technique of monetary policy. Thus, reforms were concentrated on the establishment of necessary macroeconomic framework and financial environment for the planned transition. Although, policy implementation since the SAP has not been consistent or sustained, particularly when one takes into account the policy reversal of 1994, nevertheless, appreciable progress has been made in the financial sector reform process in Nigeria.

22. Consistent with the mandate of the Bank, CBN's foreign exchange management policy seeks to maintain adequate level of foreign exchange reserves and an appropriate naira exchange rate consistent with allocative efficiency. Prior to September 1986, the exchange rate of the naira was generally fixed. The prolonged regime of fixed or administratively determined exchange rate, engendered significant distortions and proved unsuccessful in establishing an appropriate exchange rate for the naira that was consistent with the underlying economic fundamentals at that time. Arbitrageurs and rent-seekers exploited the situation causing a misalignment of the exchange rate as well as distortions in production and consumption. The misalignment arising from maintenance of over-valued naira, proved detrimental to the productive sectors of the economy, created a bias toward import dependency and encouraged capital flight in some cases. Indeed, this misalignment was largely responsible for the emergence of debt overhang, which today continues as a serious drain on the country's resources. Perhaps it needs to be emphasized that the strength of a currency depends very much on the productivity of the economy and the viability of the external sector, which itself determines the level of imports and exports and, hence, the net flow of foreign exchange. These considerations were factors that informed the deregulation of exchange rate regime when SAP was introduced in 1986.

23. Following the adoption of SAP in 1986, the determination of the naira exchange rate has been driven by market principles to reflect underlying economic fundamentals of the Nigerian economy. In this connection, the exchange rate policy has gone through various metamorphoses. Specifically, the Second-tier Foreign Exchange Market (SFEM) was introduced with SAP in 1986, which culminated in dual exchange rates operating side-by-side. The second-tier rate, which was largely market determined, was for all transactions, except debt service payments, embassy expenses, subscriptions to international organizations and settlement of transitional transactions, which were financed at the first-tier rates. The Dutch auction system was introduced in April 1987 to reduce high demand pressure for foreign exchange and introduce greater professionalism into the system of biding as well as reflect economic fundamentals. The dual exchange rate system was, however, abolished in July 1987 when all transactions were brought under the SFEM exchange rate in a bid to eliminate the implicit subsidy on transactions under the first-tier rate.

24. In 1988, the Autonomous Foreign Exchange Market (AFEM) was introduced for banks to sell foreign exchange acquired by them at market-determined rates. The objective was to encourage non-oil foreign exchange inflow into the country and reduce the pressure on the foreign exchange market. The AFEM has since October 1999 been replaced with the Inter-bank Foreign Exchange Market (IFEM), which is aimed at reducing the distortions in the AFEM, enhancing transparency, deepening the market and reducing speculative dealings. Under the IFEM, the CBN, like any other

participant in the market buys and sells foreign exchange on a daily basis. I should acknowledge, however, that the market is still evolving, as the **CBN** remains the major supplier of foreign exchange to the market and the diversification and much expected stability in the market in the market is yet to materialise.

PART V

CBN Response to the Changing Role of Central Banks

25. There is increased global awareness of the need to strengthen competitive forces and promote soundness in the financial system in order to be better placed to achieve the goals of economic policy. Under this dispensation, monetary policy has taken on a greater significance and central banks are expected to play a more crucial role in economic management. In many countries, particularly the major industrial nations, central banks have been more assertive in dealing with emerging economic problems and the results have been less inflation and a long period of sustained output and employment growth. The gains from increased autonomy for central banks are obvious and salutary.

26. In line with this, the Bank initiated the banking system reform, which was aimed at ensuring that banks are reasonably sound, competitive and able t respond quickly and flexibly to monetary conditions to facilitate effective transmission of the impact of monetary policy to the real sector. In this regard, the CBN introduced a number of regulatory measures designed to enhance the capital base of commercial/ merchant banks and promote a more professional approach to banklending and provisioningfor non-performing loans. The risk-weighted measure of capital adequacy ratio recommended by the Basle Committee of the Bank for International Settlements (BIS) was adopted and enforced. To complement this, the Bank introduced a set of prudential guidelines and mandatory uniform accounting standards for all licensed banks. Furthermore, the minimum capital base for commercial and merchant banks was raised to a uniform N500 million, with December 1998 fixed as the deadline for full compliance. Moreover, effective January 2000, a minimum paid-up capital of N1 billion was stipulated for a new bank. In 1999, the regulatory powers of the CBN, was further strengthened with the restoration of its administrative autonomy and the granting of instrument autonomy in the conduct of monetary and banking policy.

27. The Nigerian payments system is largely cash based as indicated in the high currency ratio (over 48 per cent) of narrow money (M_1) stock. The implication is that a large proportion of financial transactions is not channeled through the banking system, thereby constituting leakages that reduce the effectiveness of monetary policy. Efforts aimed at promoting chequing habit in the country, including the" promulgation of dud cheque decree have however, yielded less than satisfactory results owing to difficulties with enforcement and the distress in the financial sector which eroded public confidence in the system. To facilitate timely clearing of cheques nationwide, the number of Bankers Clearing Houses was increased to 22 as at June 2000. The institutional structures for the operation of inter-bank settlement system were estalished in 1992 to facilitate the settlement of inter-bank claims arising from overnight and other inter-bank fund placements, while efforts to introduce Automated Clearing System under the auspices of the Banker's Committee has reached an advanced stage of implementation.

28. The CBN has also placed increased emphasis on financial market development to broaden and deepen the markets. In 1992, the CBN established a securities transfer facility for inter-bank trading in treasury bills and certificates to promote the development of a secondary market in government securities. The Abuja Stock Exchange Plc. is being established to foster competition in the securities market.

29. The CBN in responding to its changing role is considering refocusing the procedure for monetary policy away from monetary targeting to the adoption of inflation targeting framework in line with the trends in a number of central banks. The main attractions of this framework are that it is transparent and easily understood and comprehended by the general public. It is easy to hold the central bank accountable for its actions in the attainment or

non-attainment of the specified inflation target, and it helps to enhance the credibility of the central bank in the pursuit of monetary policy. This will, however, required a high degree of autonomy for the CBN, absence of fiscal dominance, improved technology and professionalism of CBN operations, availability of basic infrastructure that will facilitate timely and adequate rendition of information from the banks to the CBN, amongst others.

PART VI

Problems and Challenges

30. Given the fact that the core mandate of the CBN is the maintenance of price stability, the success in achieving this rests largely on the extent to which it is insulated in its operational decision making from short-term political interference. The instrument autonomy granted the Bank in 1999, which is in line with the global trend is going to be judiciously guarded by the Bank and in fact all Nigerians to ensure its optimum contribution to the effectiveness and efficiency of the Bank. Secondly, there is the problem of ensuring compatibility of fiscal stance with that of price stability. The fiscal restraint exercised thus far since the present Administration took over office a year ago, should be sustained and when financing gaps emerge in government budgetary operations, this should be financed from the financial market without recourse to CBN. The CBN will support governments primary concern with growth and employment creation and will endeavour to ensure low inflation rate and competitiveness of the financial sector and would facilitate low but positive real interest rates level. The danger of recourse to lowering interest rates administratively should be recognised not to be in the long-run interest of the economy. Investment growth is influenced by other important factors such as reliable infrastructural facilities, conducive social and political environment and availability of trained manpower among others. Interest rate is only an element of production costs. Thirdly, managing excess liquidity in the economy is a major problem, which the CBN will continuously need to address, as government fiscal operations and large inflows of short-term capital funds could threaten monetary stability in the economy. In this regard, coordiantion between monetary and fiscal policies will continue to receive priority attention. The clearing and settlement system also requires marked improvement to reduce the large and variable floats, which constrain the effective conduct of open market operations. Efficient telecommunication and transportation facilities, complemented by private sector initiatives are being considered by the Bank to redress these problems. The unresponsiveness of financial institutions to policy actions is a product of uncompetitiveness in the financial sector and the weakness of financial institutions that make them vulnerable to distress. In this regard, the CBN will intensify efforts aimed at improving the competitiveness and stability of the financial system.

31. As you may all recall, the issue of banking system distress, which ravaged the financial sector in the late 1980s to early 1990s, remains a challenge to the CBN. The remote and immediate causes of the distress situation could be traced to the rapid expansion of the sector, following the liberalization of banks' licencing requirements, poor assets quality of banks, low earnings, weak management, insider abuses, portfolio mismatch, overtrading and political interference. All these were compounded by poor regulatory and supervisory framework, as well as undue delay in taking appropriate actions on the part of the regulatory and supervisory authorities. However, various failure resolution options have been adopted to deal with cases of bank distress, including the imposition of withholding actions, mergers, acquisition, takeover, suspension of licences and outright liquidation. Measures have also been taken by the CBN to guide against future reoccurrence as enumerated earlier in my presentation.

32. Although the banking distress is virtually behind us, the circumstances that led to the distress and the lessons learnt from the experience must not be lost. In this regard, the CBN has developed an early warning system to detect symptoms of distress in banks and appropriate correct measures to deal with the situation in order to prevent the risk of systemic distress and bunching of bank liquidation. It must also be able to deal promptly with any sign of distress and should not hesitate to liquidate any bank that becomes insolvent and incapable of being rescued.

33. The major challenges facing the CBN rest in its ability to ensure the effectiveness of monetary policy based on market-oriented instruments and a mature sound and efficient financial sys-

tem. The current commitment to financial sector reform and fiscal discipline should be sustained. In an increasingly deregulated and globalized financial environment, improved information and communication technology has influenced the development of new financial products, derivatives and free flow of capital funds, which have complicated the conduct of monetary policy. The ability of CBN to cope with these challenges would be determined by the operational efficiency of the Bank. Specifically, the on-going efforts to sanitize and eliminate distress in the banking system should be sustained taking into consideration that effective transmission mechanism of monetary policy action can only be ensured where there is a sound banking system. The effectiveness of monetary policy also depends to a large extent on the quality and timeliness of information available to the Bank.

34. In response to these challenges, the CBN has embarked on a comprehensive restructuring and re-engineering exercise code-named "Project EAGLES": aimed at refocusing the Banks operational capabilities. Project EAGLES is expected to engender a change in the work culture of staff through the adoption of appropriate work incentives, acquisition of skills and modern technology that will yield efficiency gains and enhance productivity growth.

PART VII

Concluding Remarks

35. I have in the last several minutes attempted to take you through a guided tour of the CBN's role in national economic policy and development. At the risk of repeating myself, let me briefly summarize the high points of the lecture. First, the mandate and responsibilities assigned to the CBN when it was established in 1958, require it to promote and maintain monetary stability and a sound and efficient financial and payments systems in Nigeria. This mandate, to my mind, is the most important mandate and is consistent with the mandate of central banks worldwide. The CBN has made conscious effort, over the years, to meet this mandate through its conduct of monetary and banking policies subject to the constraints imposed by the operating environment. While significant progress has been made, the presence of fiscal dominance and the underdeveloped nature of the financial markets have constituted constraining factors in recording the much-desired success.

36. Second, in addition to the traditional role of maintaining price stability, the CBN has also been compelled by the developmental needs of our economy to perform some ancillary roles that are not characteristic of central banks in the advanced economies. Such roles include the development and nurturing of development finance institutions to provide credit to key sectors of the economy to complement the stabilization objectives. This emphasis appears to be waning due to increased prominence given to stabilization objectives.

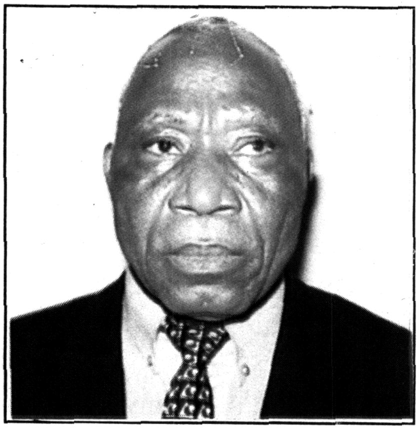
37. Indeed, in response to the changing roles of central banks the world over, the Bank has shifted the focus of monetary policy from growth to stabilization, because experience has shown that a stable macroeconomic environment is an essential ingredient for sustainable growth and development. In the same vein, the monetary control framework has been changed from direct controls to market-'based mechanism.

38. Fourth, the CBN has adopted various measures in line with internationally accepted standards that would engender competitiveness of the financial sector, ensure banking soundness and efficient financial system. Efforts are still on going to enhance the efficiency of payments and settlements systems without which the effectiveness of monetary policy will be weakened and delayed.

39. Finally, the challenges facing the Bank are enormous, but not insurmountable. Efforts are already being made to confront these challenges. The instrument autonomy recently granted to the Bank has enhanced its ability to conduct monetary policy, although there is still room for improvement. For example, the perennial problem of managing excess liquidity largely induced by the government spending will require a more innovative approach on the part of the CBN to deal with it, This is already receiving the attention of the Management of the Bank. A further challenge that the Bank is presently exploring is the shift from monetary targeting to inflation targeting, which is becoming popular among central banks because of its simplicity and the fact that it enhances central banks credibility.

40. I thank you for your attention.

DEVELOPMENTS IN THE PETROLEUM SUB-SECTOR AND THEIR IMPACTS ON THE NIGERIAN ECONOMY



Dr. I. P. Ojinnaka

1. INTRODUCTION

1.1 Statement of the problem

The development of the petroleum industry has had both negative and positive impacts on the Nigerian economy. Two schools of though can be examined. First, that positive impacts outweigh the negative, and secondly, the inverse. Each position has policy implications for the future of the industry and the Nigerian economy. In part 2, the negative impacts are examined while in part 3, the positive ones are analysed.

1.2 Concepts and definitions

Impact: Any project in any area is expected to have an impact on the area. The impact can be assessed before, during or after some activities of the project. For example, the liquefied natural gas project in Rivers and Bayelsa States is expected to have positive and negative impacts on the communities. Employment of people in the community, development of infrastructure, increase in income going to the players in the project - shareholders, companies, governments, NNPC, etc. - are positive impacts. Insensitivity to demands of the communities, marginalisation in development, non-employment of communities in all phases of the project, vandalisation of companies pipelines, seizures of companies workers, gas flaring and any form of environmental pollution - these are negative impacts. Any action that is positive will strengthen the relationship between oil companies and host communities just as any action that is negative will strain the relationship. The Jesse fire incident in which many people in the community lost their lives is a typical case of vandalisation of companies' products pipeline and negative impact on the community. Over the years oil companies and communities have reported several cases of oil pollutions that damage crops, fishing farms, lives and property, when not controlled in time, or not controlled at all.

The primary aim of any petroleum activity, downstream or upstream, is a fair return on investment by the interests in the activity - governments (federal, state and local), oil companies, contractors, independent operators, communities, major marketers, indigenous companies, financiers, workers and shareholders. The returns are in the form of taxes to government profits to companies, dividends to shareholders, development of infrastructure for community, employment for people, revenue and royalty to state and local governments and to the economy in general. Companies have been known to provide roads, pipeborne water, clinics, primary education building and equipment, other amenities to host communities.

1.3 Petroleum

Petroleum is made up of crude oil, natural gas, petroleum and petrochemical products, and condensates. Bitumen has some characteristics of heavy crude oil but it is not considered petroleum. However, it is hydrocarbon, which consists of petroleum, coal, bitumen and lignite. Petroleum activities have local, national, regional, continental and global dimensions, and their impacts have corresponding dimensions. Of all petroleum activities, the crude oil sector has the highest impact on the world economy, followed by gas, coal and petroleum products. Con-

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densate is gas in natural state underground but light crude oil under normal pressure and temperature after extraction. Bitumen is also known as tar-sand. It has been discovered in Edo, Ogun, Ondo and Lagos States. It is the source of tar and asphalt used in road construction. Residue from heavy crude oil in the refineries is also used to produce bitumen.

1.4 Nigeria's Economy

The simple measure of any economy is the gross domestic product (GDP) which is defined as the value of all goods and services produced in a given year. One of such sectors is the petroleum sector. The economy is made up of not only the sectors but also the institutions and operators of both sectors and institutions, the resources (natural and human). The federal, state and local governments, through their annual budgets, operate the economy and various sectors of the economy. It is conceivable that the operation of the sector such as petroleum, has some impacts on the economy, the performance of the economy also has impacts on the operation of the sector. Each sector is funded in the national budget and the contribution of all the sectors in any year make up the annual budget.

1.5 Parts of the Study

Given the above introduction the rest of the study is presented in three parts. Part II examines the adverse impacts of the development of the petroleum industry on the Nigerian economy. Issues discussed include the over-dependence syndrome, neglect of other sectors, the development of the Niger Delta, the marginalisation of indigenous companies and downstream problems. Part III analyses the positive impacts including: contribution to gross domestic product, revenue generation and distribution, employment generation, foreign investment, transfer of technology, balance of payment, etc. Part IV is summary and conclusion with recommendations, references and appendices.

1.6 Review of related Literature

One advantage of any study of the petroleum industry and its impact on the economy is the ample literature on the subject and related issues. The Organisation of Petroleum Exporting Countries (OPEC) publishes and distributes its monthly OPEC Bulletin which has leading articles on OPEC perception of issues in the development of the petroleum industry and the impact on the economy of member countries. Issues like revenue generation and utilisation, taxation of energy products, the environment and development, have featured in some publications particular reference is the impact of fluctuating crude oil prices in the world market on the fortunes of member countries that depend on over 60 per cent of their export revenues on crude oil[1].

Another publication which has been of interest to this study is the book by A. A. Ikein on the impact of oil on a developing country: The case of Nigeria. The author pointed out that the petroleum industry has had both positive and negative impacts on the Nigerian economy and there has been more negative than positive impacts due to poor implementation of[2] otherwise well - thought out policies. His position was not shared by Professor Aluko who argued that Niger Delta areas have gained more from petroleum development than non-Niger Delta areas of the country[3].

PART II

ADVERSE IMPACTS

There is one school of thought, which holds that the development of petroleum in Nigeria was more of a curse than a credit to the economy[4]. The reasons advanced by this school are based on (1) overdependence on crude oil and consequent neglect of other key sectors like agriculture and solid minerals, (2) lack of diversification even in the petroleum sector itself, (3) underdevelopment of petroleum producing areas; particularly the Niger Delta[5], (4) marginalisation of indigenous entrepreneurs and the private sector. What evidence is given to support these negative impacts bears elaboration.

1. Over-dependence on Crude Oil

Over-dependence on crude oil has a number of implications, neglect of non-oil sector, a monoculture economy which is vulnerable to the vergeries of international oil market, among others. Government dependence on crude oil is reflected on crude oil contribution to gross domestic product, total government revenue, total level of external reserves and foreign exchange earnings. Table 1 illustrates the contribution of crude oil sector to the above mentioned variables in percentage terms for the period 1970 to 1999. It indicated that the economy since 1975, following the quadrupling of crude oil prices in the world market in 1973/74, depended on the crude oil sector for more than 80 per cent of foreign exchange earnings and value of exports, and over 60 per cent for total revenue. In real terms the petroleum sector has accounted for 13 to 22 per cent of the country gross domestic product. In 1980 when crude oil price of Nigeria's Bonny Light was close to $41.00 a barrel, the sector accounted for 22 per cent of the gross domestic product. The only sector, which accounted more than the petroleum sector in Nigeria's gross domestic product in the 1980s and 1990s is the agricultural sector. Before 1970 the contribution of the petroleum sector to the gross domestic product was less than four per cent; less than 20 per cent in value of exports; less than 27 per cent in total revenue and foreign exchange earnings. Thus before 1970 the non-oil sector contributed more to the economy that the oil sector. The reverse is true in the 1980s and 1990s. Hence Nigeria's over-dependence on the petroleum sector for revenue for meeting expenditure needs is borne out by available statistics.

2. Neglect of other Sectors

So much has been written on the poor performance of the non-oil sectors of the economy particularly in their contribution to value of exports[6]. Included in non-oil sector is the informal sector made up of roadside economic activities including market activities, which are not captured in the calculation of the gross domestic product[7]. Because gains from petroleum development came from exertions of government and joint venture oil companies, there was the temptation to go for the fast tract rather than for slow process of revenue generation in the agricultural sector. Investors were given adequate incentives in the petroleum sector compared with other sectors like manufacturing and solid minerals. Moreover the gestation period between investment and returns on investment was quicker in the petroleum sector than other sectors. Financiers of projects found the petroleum sector more promising for realising returns on their investments than non-petroleum sector. The markets for petroleum and petroleum products were more attractive and worldwide than the markets for non-petroleum products. In Nigeria, the beneficiaries from the vast wealth coming from petroleum development did not care much about the use of the proceeds to develop other sectors. Much of the wealth ended up in individuals private bank accounts overseas or conspicuous consumption in the domestic economy. Available statistics shows that Nigeria has proven oil reserves of up to 25 billion barrels, about 2.2 per cent of total world crude oil reserves[8]. It also has as much gas reserves and deposits of bitumen. In addition it has ample reserves of coal, hydropower and renewable energy resources[8]. Over the years the concentration of the government has been the exploitation of crude oil to the neglect of other non-oil energy resources, with the exception of coal the exploitation of which suffered neglect due to Nigerian civil war. The government since 1990 started paying more attention to the development of natural gas projects. Before then over 95 per cent of natural gas produced was wasted through flaring for want of effective management and utilisation.

Another sector that suffered serious neglect is the solid minerals. Studies carried out by the Geological Survey Department of the Ministry of Solid Mineral, the Raw Materials and Development Council, the Nigerian Mining Council and the National Steel Council, show that Nigeria has several mineral resources of commercial quantity and kaolin, coal, culmbite cassiterite, marble, tin, lignite, asbestos, diamond, silica, sand, manganese, etc., which could be exploited for export and for domestic uses as a way to diversify away from the petroleum sector. However, policy focus in the past was towards crude oil until Ministry of Solid Mineral was created in 1995. Even so due to funding constraints, not much progress has been made by the ministry to exploit the large deposit of bitumen found in four states of the federation or coal found in more than five states excluding Enugu where the exploitation was concentrated in the past.

3. The Niger Delta

The Niger Delta, largely made up of Rivers, Edo, Delta, Bayelsa and Akwa Ibom States, has had the reputation of being the heart of petroleum development in Nigeria. In fact the impact of petroleum on the Nigerian economy cannot be separated from the impact of the sector on the Niger Delta and the impact of the Niger Delta on the economy[9]. The government, oil companies and communities have had conflicts and confrontations arising from petroleum exploitation in the Niger Delta. Available literature on this subject cannot be captured in one study. However the adverse impacts which the development of petroleum has had on the Niger Delta can be summarised as follows:

(i) Oil pollution which endangers the plant and animal lives especially in swampy areas and wetlands.

(ii) Gas flaring which makes life uncomfortable at night and causes excessive heat in areas near the flare.

(iii) Inadequate compensation for the destruction of economic crops especially when corrupt officials prevent the compensation from reaching the target communities and individuals.

(iv) Unfair share from revenue allocation, particularly the revenue that came largely from petroleum development.

(v) Marginalisation in the development process - poor infrastructure in the form of roads, electricity, pipe-borne water particularly in non-urban areas.

(vi) Limited employment of Niger Delta citizens in the activities of petroleum companies and government petroleum related projects like refineries and petrochemical complexes.

(vii) Low level of stakeholding in all aspects of petroleum development from exploration to marketing. Loses in lives and property from violence from unrest in the Niger Delta.

The above negative impacts are normally listed by the people in the Niger Delta. The government and oil companies do not always agree with the allegations. Government over the years has set up panels and commissions to look into the complaints of the Niger Delta and even set up the organisations like Oil and Mineral Producing Areas Development Commission (OMPADEC), the Clean Nigeria Associates (CAN), the Niger Delta Development Commission (NDDC), among others, to tackle some problems identified by the people. It is the poor implementation of the recommendations to improve the lots of the Niger Delta people rather than the policy that has caused the adverse impact of petroleum development on the economy of the Niger Delta in particular and that of Nigeria in general.

4. Indigenous Petroleum Companies

The petroleum industry worldwide is capital, knowledge and technology intensive, beside being highly competitive. It is not an industry for everybody or anybody. The multinationals that meet some of the needs for capital, technology and expertise, dominate the industry in both upstream and downstream - Shell, Mobil, Chevron, Elf, Agip and National oil companies like the Nigerian National Petroleum Corporation, and Petroleum companies of other OPEC member countries. Although there are many independent petroleum companies worldwide, especially in OECD countries that are highly competitive, indigenous petroleum companies in Nigeria do not have the advantage of available capital and technology to compete. Besides, government policy measures with respect to operation in the petroleum industry did not give preference to indigenous investors until 1992 when the policy was modified to allow entry of many indigenous investors. To date there are about 48 indigenous entrepreneurs in the upstream sector and 5000 or more independent operators in the downstream of the petroleum industry. In the upstream they accounted for about 6 per cent of total crude oil production and in the downstream they control about 40 per cent of petrol station[10].

For a long time indigenous entrepreneurs have been agitating for increased share in the upstream sector of the economy; in the lifting of crude oil for exports; in the operation of refineries and in the contract awards for the development of the petroleum industry. The agitation is receiving slow attention and until the completion of the privatisation of some petroleum activities by government, not much attention will be paid to the agitations. The government position is that the petroleum industry is open to all who can effectively complete whether foreigners or indigenous investors. It has gone a step further to encourage indigenous entrepreneurs to get into partnership with foreign oil companies who could provide the capital, technology and expertise needed to develop the blocks or fields allocated to indigenous entrepreneurs. In a high risk business like petroleum, only few indigenous entrepreneurs have packaged projects worth considering by selective foreign companies most of whom ask for guarantees from the Nigerian Government which is often in position to offer any guarantees.

5. Downstream Problems

The production of petroleum products and their distribution are at the root of energy crises in Nigeria beside the erratic electricity generation and transmission. Nigeria has four refineries of combined capacity utilisation of 445,000 barrels a day but they operate below 57per cent capacity due to corrupt management, poor maintenance, vandalisation activities, strikes by workers and disruption by irate youths of some communities. Moreover downstream is public sector dominated and riddled with inefficiency, poor funding and low commitment

PART III

POSITIVE IMPACTS

The best way to assess the positive impact of petroleum development on the Nigerian economy is to imagine Nigeria without crude oil. This would imply that such contributions as contribution to gross domestic product, revenue employment, foreign investment, transfer of technology, returns on investment, balance of payments, etc. would have to come elsewhere.

(i) Contribution to gross domestic product: Every year since 1970, the total revenue of government has been predicated on the proportion coming from the petroleum sector. As shown in Table 1, this proportion has ranged from 26.3 to 79.8 per cent from 1970 to 1999. The extent of realising this contribution of the petroleum sector has been dictated by the price of oil in the world market, the exchange rate, the rate of inflation and capacity of Nigeria to meet its share in crude oil market. Since 1985 the petroleum sector has accounted for an average of 14 per cent of the gross domestic product in real terms. Thus it is easy to predict the level of Nigeria's GDP from the revenue from the petroleum sector.

(ii) Revenue Generation and Utilisation: Table 2 shows the sources of revenue to the Federal Government and the contribution of the petroleum sector to the total. Petroleum revenue comes from petroleum profit taxes, royalty, direct crude sales by NNPC, penalty for gas flaring and rents. Non-oil revenue comes from government revenue from its assets, value added tax, customs and excise tax, company income tax, and others including petroleum special trust fund, and accretion to reserves.

The impact of government revenue is the support of government expenditures, composed of recurrent expenses (foreign and domestic interest payments, and other non-debt payments) and capital expenses (foreign, domestic and non-debt). Any surplus of revenue over expenditure is used to finance foreign and domestic debts. Domestic debts include those owed to banking and non-bank financial institutions and other funds such as net deductions for loans made to state, local governments and parastatals. Over 50 per cent of debts owed the banking system in 1997, 1998 and 1999, were those owed to the Central Bank of Nigeria[11]. Total domestic debt was 11.5 and 18.9 per cent of nominal gross domestic product in 1997 and 1998, respectively[12]. Currently Nigeria's external debt is put at $28.8 billion, made up of 72.4 per cent to Paris club, 7.1 per cent to London club, 5.6 per cent promissory notes and 0.2 per cent to non-Paris club bilateral creditors[13]. Debt services, compromising of principal repayment and other charges is rather high and gets higher as the country delays in making payments on schedule or engages in rescheduling and refinancing. Thus the revenue from petroleum is used to meet several government's debt obligations, among others.

(iii) **Employment Generation:** The petroleum industry is capital, technology and skill intensive, hence it is not considered labour intensive like agriculture, trade and commerce, or manufacturing. However given the multiplicity of activities from exploration to marketing, labour requirement for the petroleum industry including workers in petroleum ministry and parastatals could be substantial. Labour force in the industry includes executives and professionals in oil and gas companies, senior staff, junior staff, service contractors, and part-time, day-job workers. Both NNPC and oil companies provides professional and intermediate technical level training for their workers. The petroleum industry has produced engineers for various petroleum operations, geologists, geophysicists, top level administrators who currently provide their services to the industry.

NNPC and companies also provide ample employment to people from the communities where they operate although occasionally some communities complain of marginalisation on the employment of their youths, especially restive ones. To improve the quality of labour in the petroleum industry, oil companies offer scholarships to students entering tertiary institutions to study petroleum and petrochemical engineering, geology, physics, mathematics, finance and administration and related subjects. The preponderance of these scholarships go to students from the areas where the companies operate, particularly the Niger Delta. The Petroleum Training Institute Effurun was established in 1973 and it has since trained several technical and intermediate staff working in NNPC and oil companies. A centre for petroleum studies is being set up in Kaduna for offering courses that will enhance the knowledge of people interested in the petroleum industry.

(iv) **Foreign Investment:** The activities of multinationals in the petroleum sector - Shell, Mobil, Chevron, Agip, Elf, Texaco involve inflow of foreign investment in the form of expertise, plant and equipment used in the petroleum industry, inflow of funds and finance for meeting expenses. Investments in industrial core projects that use petroleum as inputs - fertiliser, aluminium, cement and steel plants.

In the 1970s the oil boom affected the pattern of investment. Foreigners were falling over each other to lend to Nigeria. According to one assessment, the oil boom allowed the public sector to become the prime mover of the economy through investment of the growing oil revenue in social, physical and economic infrastructure. These included huge and expensive manufacturing projects such as steel mills and paper rolling mills considered by many today as drain pines. Besides government investment activities were largely urban based resulting in the focus of economic activities shifting sharply to construction, commerce and service sectors.

In the mid 1980s crude oil projects suffered capacity under-utilisation due to lack of funds for maintenance and purchase of spare parts. In the 1990s government took some bold steps to make the country investment friendly. These steps included the promulgation of the Nigerian Investment Promotion Decree of 1995 and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree 17, of 1995. In addition government set out to privatise several public sector enterprises especially in the power and petroleum sectors[14].

In the petroleum sector there are several investment opportunities some of which have already attracted significant foreign investment. These include: (a) improvement in the reserve additions which ensures the investor (a) profit margin of $2.30 a barrel, (b) service contracts to provide specialised services like seismic surveys, data acquisition, processions and interpretation, wire loging and core analysis, (c) bitumen development, (d) pipeline development for natural gas projects, (e) acquisition of rolling stock for bulk liquefied petroleum gas transportation, (f) product fabrication and project financing for petrochemical industry, (g) compressed natural gas cylinder manufacturing, (h) refining, distribution and marketing of petroleum products and crude oil transportation by Nigeria flagged ocean going vessels now dominated by foreign vessels.

(v) Transfer of Technology: The petroleum industry worldwide is technology intensive and the use of modern computers has made the technology cost effective and more efficient. This has enabled many Nigerians in the petroleum industry to acquire skills that have enhanced their performance and position in the petroleum industry. The NNPC undertakes all petroleum activities from exploration to marketing and this was made possible by training and technology transfer available to workers in both NNPC and oil companies. In the 1970s the predominant technology in exploration and production of crude oil was two-dimensional seismic method. Advanced technology in the form of three dimension (3D) and four dimension (horizontal drilling) has improved oil recovery and reduced the cost of crude oil production per barrel, resulting in increase in returns on investment for all the players in the petroleum industry - government, companies, NNPC, contractors, service providers, etc.

(vi) International Trade: No other sector of the economy has brought the gains from international trade to Nigeria since 1975 more than the petroleum industry. As shown in Table 1, the sector accounted for 85.6 to 97.7 per cent of total value of exports between 1975 and 1999. This means that non-petroleum exports could manage 2.3 to 14.4 per cent of total exports during the same period. The destination of Nigeria's trade in petroleum is principally the United States and Western Europe which accounted for 49.3 and 20.1 per cent of the total in 1998[13]. Nigeria's membership and active participation in the Organisation of Petroleum Exporting Countries (OPEC) is due to the petroleum sector. Nigeria accounts for 7 to 8 per cent of total OPEC crude oil production and 3.2 per cent of total OPEC proven crude oil reserves. It accounts for a significant proportion of OPEC gas reserves having recently joined the club of liquefied natural gas exporters. Nigeria has the potential to play a major role in international energy-petroleum issues, but optimal harnessing of the potential is the question.

(vii) Balance of Payment: A country's position in terms of favourable or unfavourable balance of payment determines its strength in international trade with any other country and with the rest of the world. The principal contribution of increase in revenue from crude oil is to improve the country's balance of payment positions.

The impact of foreign exchange proceeds from the petroleum sector is traceable to foreign exchange that accrues to economy vis-à-vis to oil companies. Oil companies are allowed to keep the foreign exchange earned from crude oil and only to bring back to Nigeria the portion necessary to pay for local expenses. It was only recently that non-oil exporters were allowed to keep foreign exchange earned from exports and repatriate some to Nigeria via domiciliary accounts.

"The financial arrangements between the government and oil companies had placed the government at a disadvantage because it appeared that foreign exchange earnings are not maximised"[16]. This statement was made as far back as 1973. It appears to be still true judging by the receipts coming to Government by way of unstable petroleum profit tax, royalties and penalty from gas flaring. Overall, however it is the foreign exchange earning from oil and non-oil sectors that enhance Nigeria's balance of payment. Surpluses in balance of payment are associated with those years when crude oil prices were high and increasing. The reverse is true of those years when there were deficits and low oil prices especially when non-oil exports were not substantial.

Balance of payments is recorded in current, capital and services accounts. Over the years, especially in periods of high crude oil prices, the surplus in current account of oil sector is used to moderate the deficit in non-oil sector. The result is a swing from balance of payment deficit to surplus. Available statistics since 1990 shows balance of trade was in surplus except for the year 1998 when crude oil prices fell to as low as $10.00 a barrel.

PART IV

SUMMARY AND CONCLUSION

This study set out to examine the negative and positive impacts the petroleum sector has had on the Nigerian economy. The introductory part explained the concepts - impact, petroleum, development and economy. The concepts provide the basis for clear grasp of the focus of the study, which is explained in details in the preface.

Part II discussed the adverse impacts such as monoculture syndrome, neglect of agriculture and solid minerals among others, the problem of economic development of the Niger Delta which provides the bulk of crude oil and gas, the major sources of government revenue, and the marginalisation of indigenous companies especially in the upstream. In the downstream major marketers compete with independent marketers in the distribution of petroleum products, the activity that has been responsible for most energy crises in Nigeria. Part III examines the positive contributions like increase in inflow of investment and technology, employment and skill generation, revenue generation to meet planned expenditures in annual government budgets and exposure of Nigeria to gains from international trade and relations. Part V is summary and conclusion.

RECOMMENDATIONS

From the approach of the study it is clear that the petroleum industry has had both negative and positive impacts on the Nigerian economy. Nigeria without petroleum could be like any other country without oil or gas, that is, import dependent. However, Nigeria with oil is the best thing that could have happened to Nigeria if the proceeds from the black gold were judiciously used and invested to develop the economy. Thus the problem was not the wealth brought by petroleum but the mismanagement of the wealth.

The best recommendation for the future is to minimise the adverse impacts through credible policy reform and judicious implementation of policy measures for example the development of the Niger Delta. In addition the positive contributions should be maximised also through enlightened policy reforms.

TABLE 1

CONTRIBUTION OF CRUDE OIL SECTOR TO KEY ECONOMIC VARIABLES 1970-1999

	GROSS DOMESTIC PRODUCT+	VALUE OF EXPORT	TOTAL REVENUE	FOREIGN EXCHANGE EARNINGS
1965	2.5	12.6	17.1	14.1
1970	3.8	18.8	26.3	20.1
1975	20.5	85.6	77.5	86.5
1980	22.0	87.0	81.1	88.3
1985	15.2	96.7	74.7	92.4
1990	13.2	96.2	79.8	77.8
1995	13.07	97.6	(62.9)*	72.9
1996	13.97	98.2	(60.1)	81.9
1997	14.17	97.7	(71.5)	88.3
1998	13.10[e]	95.5	62.4	88.3
1999	15.10[e]	94.7[e]	64.5[e]	87.9[e]

Source: NNPC, CBN Annual Reports.

Note:

* Contribution of value added tax part of which came from petroleum related goods and services led to reduction in crude oil revenue contribution.

[e] Estimate

+ at 1984 factor cost.

TABLE 2

GOVERNMENT REVENUE SOURCES AND CONTRIBUTION OF OIL REVENUE

	TOTAL REVENUE	OIL	NON-OIL
	(Nmn)	%	%
1970	633.3	26.3	73.7
1975	5,514.7	77.5	22.5
1980	15,234.0	81.1	18.9
1985	14,606.1	74.7	25.3
1990	68,570.1	79.8	20.2
1995	459,987.3	62.9	37.1
1996	520,190.0	60.1	39.9
1997	523,000.0	71.5	28.5
1998	463,608.3*	62.4	37.6
1999	540,000.7	64.5	35.5

* Reflection of collapse of crude oil prices.

[e] Estimate

Source: CBN, NNPC

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