nigerian
american
chamber of
commerce

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12th September, 1985

Mr. Herbert Donald Gelber,
Charge d'Affaires, a.i.
U.S. Embassy,
2 Eleke Crescent,
Victoria Island,
Lagos.

Dear Mr. Gelber,

The attachment is the first part of our response to your request last Thursday for practical suggestions as to how the new Government can take steps to immediately improve its image with the U.S. private sector and to ultimately attract increased investment, trade and financial support from the United States.

A cross section of Managing Directors representing the banking, petroleum, manufacturing, agriculture and service sectors combined to contribute to this initial reply. Only the most important suggestions are included with brief comments as to objectives and expected benefits. Each participant and our Chamber would be pleased to enter into continuing dialogue to ensure successful and timely implementation of these and future suggestions.

The upcoming seminar on "Nigeria's Economic Recovery", sponsored jointly by this Chamber with the African American Institute, provides an exceptional opportunity for the U.S. private sector and the new government to meet for two days to deal in depth with the above issues. We are confident such dialogue will produce a comprehensive analysis of the issues and an action plan of specific, practical measures for government attention. Our comprehensive report on the seminar including expanded list of recommendations, should be available by no later than October 15th.

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The Seminar purposely stresses <u>solutions</u> rather than concentrating primarily on <u>problems</u>. Speakers have been asked to cover the problems with dispatch and get immediately to practical, workable solutions which they believe fit Nigeria's need today. They have been given opportunity to submit an accompanying paper but will generally be given only fifteen minutes to speak (or in some cases slightly longer) so that maximum time is used for question and answer sessions. Our seminar report should therefore be particularly useful, given the calibre and diversity of more than 150 business and financial executives participating with invited government officials during the two days.

Looking ahead, we recognize many issues will surface during the seminar which cannot be addressed immediately in sufficient depth. Our Chamber will give priority to the research and extensive debate necessary to produce sufficiently comprehensive publications and practical position papers on these longer term issues. Such ongoing reports will be furnished to you and government as they are completed over the coming months.

We greatly appreciate your role in establishing this dialogue with government. We will make every effort to contribute constructively to the policy measures and actions which are essential if the U.S. private sector is to play a major role in Nigeria's economic recovery.

Sincerely yours,

Richard L. Kramer
Deputy President

eu

JOINT EFFORTS TO STIMULATE NIGERIA'S ECONOMIC RECOVERY

EXECUTIVE SUMMARY

Nigeria is suffering through an extended period of economic stagnation caused by declining oil revenues, excessive short term debt, over reliance on public sector spending to produce growth and an inefficient bureaucracy. The new government has announced its intention to confront these problems head on. The U.S. private sector has been asked to recommend steps to improve Nigeria's international financial image and to attract major U.S. private investment.

This paper responds to these important questions. It presents the current economic outlook; a strategic perspective from which immediate economic decisions can be formulated; specific short term actions for the next 30 to 90 days; and longer term structural reforms which should be announced in the 1986 Budget and implemented as soon as practical thereafter. Shortly following the upcoming seminar on "Nigeria's Economic Recovery", a comprehensive report on the seminar conclusions will also be made available to government.

The economic outlook is bleak because previous austerity programs failed to resolve external debt problems while choking the economy into decline and alienating virtually all foreign sources of debt and equity funding. Excessive dependence on oil for foreign exchange earnings is accepted as a mistake; however, a viable alternative strategy for Nigeria's long term economic development remains to be articulated.

An overall strategic perspective should be developed before specific recommendations can be advanced. In our view, the new government should change its emphasis from austerity to growth.

Nigeria needs to act on two fronts at the same time. Short term actions (next 30 to 90 days) should address economic survival, ensure startup of economic recovery, and signal the private sector regarding government's intention to create an investment climate attractive for long term investment. Long term structural reforms should be announced during the 1986 Budget Message and implemented with specific measures immediately thereafter.

Specific practical recommendations are outlined. We address the needs of the entire Nigerian economy but concentrate primarily on measures to stimulate the foreign private sector to play a major role, jointly with government, in leading an economic recovery which can lay a solid foundation for Nigeria's long term economic development.

CURRENT ECONOMIC OUTLOOK

The President realistically assessed the current economic crisis in his maiden speech to the nation on Tuesday, August 27, 1985:

> "It is the view of this government that austerity without structural adjustment is not the solution to our economic predicament. The present situation, whereby 44 per cent of our revenue earnings is utilised to service debts, is not realistic.
>
> To protect the danger this poses to the poor and needy in our society, steps should be taken to ensure comprehensive strategy of economic reforms.
>
> The crux of our economic problems has been identified to centre around four fundamental issues:
>
> 1) A decrease of our domestic production while our population continues to increase.
>
> 2) Dependence on imports for both consumer goods and raw materials for our industries.
>
> 3) A grossly unequal gap between the rich and the poor.
>
> 4) The large role played by the public sector in economic activity without any concrete result to justify such a role.
>
> We have problems we must confront."

There is little to add to these comments except to stress that, in the face of uncertain oil revenues, the public sector cannot be expected to rescue the economy from its present predicament. The public sector alone simply can not produce sufficient funding or management to ensure Nigeria's economic development. Nigeria's future should not therefore be based on the risky strategy of having the public sector remain the main force on the economic front.

"Economic reforms" and "structural adjustment" should therefore be primarily directed at getting the private sector moving. Bold and far reaching measures are called for. Given Nigeria's past history of economic mismanagement, the private sector cannot be expected to respond until words are converted into deeds. There is therefore need to act quickly, but based on an overall strategic perspective which assures short term actions are consistent with long term strategy.

OVERALL STRATEGIC PERSPECTIVE

In our view, the new government should change its emphasis from austerity to growth. Management of a declining economy is politically impractical. Structural reforms meet stubborn resistance from vested interests unless accomplished during a period of economic growth. Long term objectives and priorities for the economy should be announced between now and the 1986 Budget Message, with specific short term measures put rapidly into place and longer term reforms implemented during 1986.

We believe the private sector should lead the recovery and play the major role in Nigeria's long term economic development. To get the private sector moving will require new rules for the economic game and immediate attention to developing a positive investment climate.

Nigeria's economic potential is tremendous. The private sector will respond once incentives and fundamental reforms are put into place. However, results cannot be expected quickly because the private sector has long taken the attitude of "wait and see".

Initially, structural reform needs to be aimed at large investors, Nigerian and foreign, because they alone have the resources to make immediate major contributions. Smaller foreign investors and the Nigerian private sector will follow their lead. In the Nigerian private sector, reforms should be focused on Nigerian individuals with an emphasis on attracting offshore Nigerian capital to return home, although recognizing such offshore capital will largely follow the lead of the foreign investor.

In dealing with major U.S. companies, the new government can have confidence it is dealing with good corporate citizens who will support efforts to reduce corruption, work in Nigeria's best interests, comply with Nigeria's laws (tax, foreign exchange, etc.), and train Nigerians and otherwise accomplish technology transfer.

Major foreign companies can be attracted only by creating a positive investment climate in Nigeria. This requires reform in existing rules applied to foreign investors. It calls for concrete actions to establish credibility. It also requires salesmanship since Nigeria must compete with attractive investment alternatives available elsewhere. Government should focus on foreign companies presently operating in Nigeria, but also aim at potential newcomers. Creating a positive investment climate starts with building a stable political/ economic environment and changing the rules, as applied in actual practice, to induce the foreign company to invest and conduct business in Nigeria. Major points are further discussed in the remaining sections of this paper.

While emphasis is placed on the private sector to lead economic recovery, the public sector must be made efficient. Since most previous waste of resources has occurred in the public sector, there is considerable potential for freeing up productive resources for more efficient use. Public sector resources should be increasingly focused on traditional "non-economic" roles (infrastructure, security, education, health, etc.) which foster and support the private sector. Immediate attention should be focused on government corporations and "economic" ventures. They should be made efficient <u>or</u> the task turned over to the private sector.

In summary, an overall strategic perspective must first be established before attacking Nigeria's current economic situation. In our view, Nigeria should emphasis growth rather than austerity and its long term economic development should be led by the private sector. Long term strategies should therefore be designed to create conditions favorable to the private sector and put in motion immediately (see "short term actions") and during 1986 (see "long term structural reforms"). The foreign private sector can lead the recovery and the U.S. private sector can play a particularly important role once a credible package of economic policies is in place.

SHORT TERM ACTIONS

Short term actions should focus primarily on rescheduling of external debt and signalling to the private sector that government will stress growth and create conditions conducive for private investment.

The decision to reopen IMF negotiations has already been boldly taken. This realistic decision recognizes foreign exchange earnings cannot fund both debt service (at current maturities) and minimum import levels for even a marginally healthy economy as currently structured.

The call for a national debate on IMF and debt rescheduling recognizes the highly emotional atmosphere created by the two previous governments. We believe the debate issue should be posed in terms of Nigeria's need for immediate recovery and lasting economic development. Under both Shagari and Buhari, we believe the issue was erroneously posed as a simple alternative between a limited period of continued austerity versus the loss of sovereignty by accepting stringent IMF conditions necessary to carry out external debt rescheduling. The debate should be stated as a choice between (a) 3 to 5 years of extreme sacrifice by the entire Nigerian public as it will be a period of no growth or even continued decline and (b) 5 to 10 years of considerably lesser sacrifice during which economic recovery and long term development can be achieved.

Nigeria's external debt is not excessive in terms of Nigeria's size and potential or as compared to other Third World debtor nations. The problem is cash flow - declining and uncertain foreign exchange resources versus a structure of external debt and trade credit arrears which involves excessive short term maturities.

The problem is inherited. The new government can candidly tell the public that (1) the predicament is due to prior mismanagement of the economy and to resulting lack of credibility with international suppliers and financial institutions, (2) that Nigeria is, therefore, accepting rather stringent rescheduling conditions to evidence its commitment to sound economic management and strict compliance with terms and conditions of all external financial agreements and commitments, and (3) that these conditions will be sound for the Nigerian economy and are expected to last for only a few years.

The issue is to reschedule sufficient external debt to permit enough cash flow to fund minimum economic recovery while concurrently restructuring the economy for strong and durable long term economic development. Once the long term strategy is clear, immediate actions can be consistently taken while negotiating firmly with the IMF and other foreign creditors. Key issues such as devaluation, petrol subsidies, and trade liberalization are far easier to deal with in this context. Acceptable short term steps can be implemented immediately to gain credibility while vigorous negotiation can take place to avoid restrictions that could hamper fundamental economic restructuring which must take place during the next five years.

In the light of the above approach to the IMF negotiations, the following short term actions are recommended:

(1) Take the initiative in dealing with the IMF and rescheduling debts with external creditors

Interim steps can be taken to implement the probable IMF conditions and to deal with external creditors while continuing to negotiate firmly with IMF and conclude the public debate over IMF and devaluation. Specifically the following can be done quickly:

(a) begin to devalue steadily but do so gradually on a monthly basis reflecting the discrepancy between inflation in Nigeria versus inflation experience of major trading partners.

(b) stimulate increased foreign exchange inflow by creating free foreign exchange markets managed exclusively by the commercial and merchant banks under Central Bank supervision. (See point 4 below)

(c) announce higher petrol prices, with planned semi-annual increases thereafter until the subsidy is entirely eliminated and petrol is no longer smuggled from the country. However, do so only on petrol, announcing the intention not to increase prices for diesel fuel and kerosine (which impact mass transportation and home consumption) until further study.

(d) announce the intention to liberalize trade, after further study, with particular emphasis on stimulating non-oil exports, encouraging use of local raw materials, and providing incentives for agriculture and agri-business industries. Follow up with specific measures during the 1986 Budget Message.

(2) <u>Stabilize foreign exchange earnings from crude oil production</u>

(a) announce immediate review of existing counter trade agreements and that no new countertrade deals are to be considered.

(b) exercise Nigeria's right, under existing agreements with oil producing companies, to overlift sufficient crude on realistic pricing terms to stabilize oil revenues over the next several years.

These actions do not offend OPEC yet move Nigeria into far more stable markets while reversing the dangerous trend of trading crude for goods which are at inflated prices and not even priority imports.

(3) <u>Take urgent steps to place all external obligations on a current basis and ensure strict compliance with past commitments</u>

(a) first priority is settling current obligations (those after 12/30/83) as banks are now reporting up to 100-110 day delays in settlement and are approaching cut off point on lending limits to Nigeria.

(b) second priority is prompt issuance of promissory trade debts, even if interest is delayed, because continued delays are causing major distrust overseas about Nigeria's ability to honor its commitments.

(4) <u>Open up access to increased foreign exchange earnings and capital inflow</u>

(a) immediately implement the foreign currency accounts scheme (as developed under the previous government) because foreign exchange will be encouraged to return home (provided no questions are asked) while at the same time establishing the vehicle for further reforms to increase foreign exchange inflow.

(b) once 4(a) is implemented, make immediate modifications to encourage exports (by permitting at least 25% foreign exchange retention by the private sector) and to permit commercial and merchant banks to maintain legal exchange markets in buying and selling dollars and Naira at free market rates. This would completely undermine the illegal parallel market, relieve the Central Bank of considerable administrative pressures, and considerably increase the inflow of foreign exchange. All of these steps strengthen the value of the Naira and reduce the extent of the eventual devaluation that will be suffered.

(5) <u>Encourage private investors, particularly the large companies among the foreign sector</u>

(a) give urgent priority to clear up the remittance of all past dividend and technology payments, including prompt agreement on all approvals such as approved status which are holding up these remittances. No single action would go further to create a positive investment climate for potential investors, particularly companies in agriculture or locally sourced manufacturing who depend almost exclusively on such remittances for their investment return.

(b) redefine the concept of a "foreign" company so that Nigerian companies with 40% or 60% foreign ownership can invest in other companies or ventures without the disadvantage of being considered by the NEPB as 100% foreign owned. This step is critical to the objective of backward integration because most existing companies need different technology and management as they are moving into less familiar areas of endeavour. This step also clearly signals more favorable future treatment for the foreign investor.

(c) confirm that foreign ownership of agriculture ventures will be permitted up to 80%.

(d) announce that up to 100% foreign ownership, in new projects of over ₦5 million capital investment, will be permitted on a case-by-case basis.

(e) create a one-stop investment center to deal with cases of 100% foreign ownership and give it authority to administer all aspects of government regulation of foreign investments (e.g. NEPB, expatriate quotas, licenses, approved status, local borrowing limits, etc). The investment center's mission should be to debottleneck the entire foreign investment process and to attract future investment. Once it is established, it should gradually take over regulation of all foreign investment starting with the largest companies first and then smaller ones until all are covered.

(f) announce to the foreign private sector that indigenization is to be slowed down and the rigidity of the investment code relaxed to ensure that foreign companies investing in Nigeria, whether new or old, are able to effectively control their businesses and thus safeguard their investments. Qualified people should be recognized as essential, hence relaxation of the quota system should be introduced for genuine manufacturers and agri-business investors to employ as many qualified expatriates as they believe their business needs. Such liberalization approvals would be granted on a case-by-case basis by the above investment center. Renewed investor confidence and increased investment would create sufficient new jobs for Nigerians to relieve current social pressures on government.

(g) announce that (1) new investments in raw material production, in local manufacturing which produces genuine value added, and in agriculture will be encouraged by further incentives and (2) that land acquisition is to be simplified and greater security of tenure given. Followup with specific measures in the 1986 Budget Message.

(h) finally, there is a major need for more free and open discussions between government policy makers, civil servants and the private business community. This should not be conducted exclusively by Nigerian members of the business community but expatriate members as well. Throughout the expatriate business community there is a valuable reservoir of talent and experience which could make a valuable contribution, which is predominantly pro-Nigerian and which should not be regarded as strictly representing overseas interests. Everybody within Nigeria, whether Nigerian or expatriate, is interested in a return to greater levels of prosperity.

(6) Begin the restructuring of the public sector and the shift of priorities to private sector led growth by introducing a few carefully chosen actions with maximum public relations impact

(a) reduce individual income tax rates by at least 10% with a maximum rate of 50%. Clearly state government's intention to offset this reduction in public revenue through better enforcement of the existing tax system. Announce simultaneously that a thorough study of the tax system is being set in motion to further increase investment incentives for private individuals and to tighten the compliance for both individual and corporate taxes. Invite a public debate over whether tax rates are still too high by asking whether the public or private sectors can spend such funds more wisely. (This decision parallels that of U.S. President Reagan when, at the beginning of his Presidency, he gambled on private sector growth and won his bet by getting a strong and durable economic recovery underway.)

(b) demonstrate government's intention to get out of economic sectors where private enterprise can do the job. Start by the sale of the most easily marketable investments first. First choice would be to sell, to the Nigerian public, all Federal Government shares in commercial and merchant banks in excess of 40% ownership. Ensure that such sales are broadly distributed among the Nigerian public, that the proceeds are used to pay off domestic public debt and that the banking industry becomes more efficient and competitive.

(c) announce the policy that no further equity investments in or loans to government corporations is planned from 1986 onward. Require such corporations to submit a plan to place themselves on a completely commercial footing. This policy can provide the basis for deciding which government economic investments will be continued and which will be liquidated or sold to the private sector.

LONG TERM STRUCTURAL REFORMS

The main lines for structural reform are organized in sections following the agenda for the upcoming seminar "Nigeria's Economic Recovery", which will produce a comprehensive report to be submitted to government. This report will deal more exhaustively with major issues and specific recommendations relevant to Nigeria's long term economic strategy.

(1) Blueprint for the Nigerian economy

Government could utilize two opportunities to clearly announce a detailed blueprint for Nigeria's future economic direction - the 1986 Budget Message and issuance of the next Five-Year Development Plan. These two documents could place special emphasis on the expanded role expected of the private sector. Specific measures should be announced which deal with incentives and conditions to motivate and free the private sector to do its job effectively.

It should be made clear to the private sector that, in exchange for the opportunities inherent in its expanded economic role, the new government expects good corporate citizenship, particularly as to strict compliance with tax, foreign exchange, and other financial regulations.

Similar direction could be clearly set out for the public sector. It should be made apparent to all that government intends to live within its means without borrowing and to honor its external obligations strictly to the letter. Priorities for public capital spending could be established with economic projects being subjected to rigorous return on investment criteria, which must be realistically met or result in either project cancellation or privatization. Government corporations, which are to remain public, should be directed to operate as commercial ventures and stand on their own feet. After being properly funded with equity capital, these corporations should be required to meet certain minimum rate of return criteria, be cut off from ongoing government subsidies, and be directed to raise their capital spending requirements directly from the Nigerian and international financial community without access to Federal government guarantees. It should be clearly established that the public sector is to be made efficient and its role would increasingly be focused on infrastructure, security, education, health, and other traditional services.

(2) Financing the recovery

Nigeria needs to diversify and expand its foreign exchange sources, develop local raw material sourcing in order to cut its import bills, and reestablish its ability to tap external financial markets, including open account credit from major suppliers to the private sector. The end objective would be to accomplish these goals through freeing up the financial system to market forces, although tactically implementation may have to be in phases.

Three examples should be sufficient to illustrate how this process can be successfully accomplished over time:

- freeing up foreign exchange rates - can best be accomplished through a multiple exchange rate system. One or more official rates would be used for essential commodities and services (including dividends) and these rates would be gradually devalued toward the free market rate, which may require several years and, when accomplished, signal the time to abolish the multiple rate system in favor of a single, free market rate. One rate - the free market rate - would be opened up to all luxuries and other goods or services which could be imported freely provided licences and other required approvals had been secured. Control over Nigeria's appetite for excessive imports would be through temporarily continuing the licencing system and through increasing import duties on products and raw materials which are low priority for the economy.

- <u>expanding Nigeria's available trade credit</u> - can be accomplished by prompt issuance of promissory trade notes (even if interest is rescheduled) and strict compliance with foreign exchange release on current letters of credit. The international banking community could easily expand credit lines by a factor of two or more when Nigeria brings its delay in remittances down from about 100 days at present to the internationally recognized standard of 21 days or less. The first priority use for IMF funding should be to reach this 21 day standard and then maintain it.

Once this has been accomplished, an even larger source of trade credit should again become available from foreign suppliers willing to ship on open account. At the proper time after reaching the above 21 day standard, action should also be taken with the major foreign companies to issue licences for their imports on the condition they are financed on open account rather than letters of credit (thereby greatly expanding trade lines and freeing up bank credit lines for other uses).

- stimulating exports - agricultural and industrial products, where Nigeria has a comparative advantage, can be produced for export if there are incentives to encourage investments which increase production. One of the most powerful incentives to increase the availability of foreign exchange earnings will be to permit the exporter to deal directly with the foreign customer (not through marketing boards) and to retain a sizable percentage of his foreign exchange earnings which will be available to pay for imports of goods or services at official exchange rates.

(5) Industrial policy

Nigeria's industrial policy needs complete reform and the earliest possible introduction. The probable starting point is the report of the relevant Study Group which submitted its conclusions in October, 1984. No single policy area has more potential to get the economy moving, particularly as regards the foreign investor.

For potential investors in Nigeria, particularly in raw material and agricultural projects, the essential requirement is a guarantee of timely dividend payments because this represents the only way for such investors to gain a return on their investment.

Critical review and liberalization of foreign investment regulations are essential. Particular emphasis should also be given to moving industries from Schedule I to Schedule II and Schedule II to

Schedule III to open up priorities for the foreign investor. In addition, the one stop investment center (recommended under Short Term Actions - point 5e) should be rapidly expanded to handle the total administrative requirements of all foreign investors in Nigeria. Every attempt should be made to attract foreign investment and this requires replacement of the present bureaucracy with attitudes that are pro-private sector.

In the private sector, free market forces can best serve government's purpose as well as motivate private investment. Government's objective should be to greatly increase supply of essential commodities and to do so with a steadily decreasing rate of inflation. This can best be done by gradually phasing out the Productivity, Prices and Incomes Board and clearly permitting all manufacturers to distribute their own products to the final consumer, thereby causing middlemen to reduce their prices and profits in order to remain competitive. Government ought not protect the status quo because it has resulted in short supply and spiralling prices. Only free market forces can correct the situation quickly and in a way conducive to long term economic development.

Import licencing could be administered on a rational basis, with priority products/sectors clearly identified and other products/sectors deemphasized or even cutoff if foreign exchange resources are insufficient. Within the private sector, priority should be given to major companies who can be expected to invest further and to integrate backwards toward local raw material sourcing. Preference for licences should be given to projects which accomplish backward integration. Policy guidance is needed to facilitate planning by the private sector for backward integration, particularly as to announcement of incentive programs for priority products/sectors and timetables for government projects in such basic industries as steel, fertilizer, petrochemicals, etc.

Tax incentives (including extension of pioneer industry treatment to <u>private</u> companies who otherwise qualify) should be used to get new projects started in priority sectors - particularly utilizing local raw materials or in processing or storage of Nigeria's agriculture production. Priority sectors, however, should be strictly defined in terms of industrial areas where Nigeria has a comparative advantage because an import substitution strategy is self defeating in the long run. Nigeria should build strong industry which can compete on world markets rather than develop weak industries which will need continued protection.

Lastly, tax incentives should not ignore the individual - the ultimate source of savings and investment. In addition to tax rate cuts suggested above, tax brackets should be indexed based on official inflation rates so as not to turn the income tax into a regressive tax structure which falls unduly on professionals and skilled workers, thereby increasing the tendency towards tax evasion.

(4) Agriculture

There is a concensus that agriculture is Nigeria's first economic requirement if the country is to prosper, particularly the ability to feed itself or at least export sufficient agricultural products to more than pay for its food imports and other imported inputs for the agriculture sector.

Two fundamental problems must be resolved. First, prices need to be raised to encourage local agriculture production and create the supply that will dampen inflation. In our view, this requires that foreign exchange rates reach their free market levels and that government marketing boards not be allowed to interfere in this process. In addition, government should announce decreasing annual ceilings for import of selected foodstuffs which today soak up much needed foreign exchange - particularly sugar, rice, wheat, maize, and similar products which can be grown or substituted in Nigeria. This would encourage steadily increasing local supply of basic foodstuffs while not letting local prices soar out of control. Secondly, the private sector needs to be encouraged to invest in agriculture by introducing further incentives and facilitating new projects, particularly by simplifying land acquisition and assuring greater security of tenure.

(5) Public Sector Management

Government should clearly spell out the respective roles of the public and private sectors, including particularly its plans to turn over specific economic ventures, now in the public sector, to the private sector.

The previous government's intention for the public sector to live within its means should be reaffirmed. This should be supported by realistic revenue projections and making no expenditure commitments until funding sources are firmly in place.

Capital spending priorities should be clearly established and uneconomic projects stopped or turned to the private sector. The probable starting point for prioritization is the Project Review Committee report delivered to government in June 1984. Hard choices will be required to live with available funding resources but escape from the "stop/go" syndrome of many past capital projects is absolutely essential to efficient use of capital resources.

Government corporations should be placed on a commercial footing. Major new public projects should be critically reviewed to determine how the private sector can play a major role and, in any event, should be launched from the start on a totally commercial footing.

The government bureaucracy tends to act as a brake on Nigeria's economic development and to discourage private investment, particularly from foreign companies. Bureaucratic logjams and endemic corruption need to be addressed directly as illnesses while simultaneously reducing their role by emphasizing free market solutions and fostering private sector growth. The bureaucracy presents a particularly troublesome problem for both government policy makers and the private sector. Both are results oriented, yet hampered in dealings with each other, because communications take place through a bureaucratic intermediary with strong vested interests in the status quo. Reform should also deal with Nigeria's need to better inform the public and to improve public relations, both domestically and abroad, through better marketing of the progress Nigeria is making to develop and reform its economy.

Government should return to the more traditional role of providing infrastructure, security, health, education and other services to the public. The size of government to the total economy should be scaled down both by steps to make the public sector more efficient and also by encouraging the private sector to grow much faster than the public sector. Government can greatly foster this process by encouraging a healthy debate over who should decide how to spend Nigeria's oil revenues - the public sector or the public itself. The resulting debate may well change attitudes in both sectors and foster the greater long term economic development of Nigeria.