

Book 3, Chapter 3

NIGERIA:
**THE ROLE OF THE PRIVATE SECTOR IN
ACCELERATING ECONOMIC GROWTH**

BY

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Introduction

A window of opportunity is opening in Nigeria. Cooperation between public and private sector leaders is producing a fundamental change in economic management. Continuous economic reform is overcoming status quo opposition and inevitable setbacks to become an accepted and proven process. Continued long enough, such reform will reach critical mass and produce a chain reaction leading to economic breakthrough.

What is clear is that a potentially great nation, suffering from considerable economic mismanagement, is finally waking up, taking its future in its own hands, and charting a pro-active way forward. The story of this transformation should be told, warts and all, to those willing to take a fresh view and to lend their support.

It is therefore timely to go beyond the current, widespread myopia about Nigeria and take the longer view. To do so, one will need to put aside preconceived ideas and focus on the public/private sector partnership which is being forged on the economic front. The end result - accelerated economic development - is also aimed at achieving a pervasive impact on political, social and cultural developments, thereby greatly improving the quality of life for *all* Nigerians.

The story supporting this optimistic scenario will therefore focus primarily on the evolution of a partnership between public and private sector leaders. While sparked by the business sector, there is growing support within the public sector and the process is being expanded systematically throughout the rest of the private sector and to regional and global supporters, including Nigerians abroad.

The current focus for this process is the Vision 2010 Project, which seeks to position Nigeria firmly on track towards developed country status by the year 2010, the 50th anniversary of Nigeria's independence. While Vision 2010 is the main show today, it is important to understand that both external and internal forces have combined to move Nigeria towards opening its economy and towards private sector led development.

We shall briefly look at the historical context which has shaped Nigeria as we know it today. This will provide the platform for discussing the evolution of the public/private sector partnership. We will then turn to the nation building process that is underway today under the code name - VISION 2010. Finally, we will assess the outlook for Nigeria's future economic success based on the way it looks from inside this unique partnership.

A History of Economic Mis-Management

The poor quality of life in Nigeria today is essentially a result of self inflicted wounds. Nigeria has great potential - bountiful natural resources, talented and industrious people, favourable location, etc. But one tires of describing potential when virtually every economic and human development indicator ranks Nigeria in the bottom 10% to 20% of the world tables.

The reasons are evident. A relatively strong, agriculturally based economy at Independence (1960) has been converted into an import dependent, monocultural (oil based) economy with virtually only the upstream petroleum sector able to compete at global standards. While many blame the oil boom, this answer is too simplistic since Nigeria's challenge remains that of using its resource base to fund industrialization and diversified economic development. Nigeria's petroleum reserves will last to at least the middle of the 21st Century, so the challenge of using oil wealth wisely to fund economic development must now be faced squarely.

The deeper reasons for economic mis-management are equally clear. Nigeria has pursued a centralized economic system with government at the commanding heights literally since 1960 with this approach fortified by the exigencies of the Civil War (1967-1971) and by the excess revenues generated from the oil boom. The strategy has favoured and created an elite, who have used their positions of power to extract rent from the economy without adding appreciable value. Rent has been extracted by both the public and private sector elite in various forms- from marketing boards to trade licenses; from contracts for major government projects to "tollgates" throughout the civil service bureaucracy; from smuggling of petroleum products to favoured allocations of foreign exchange; from brown envelopes for purchasing agents to similar means of undermining the judiciary system; from tax evasion to customs abuse; etc. In fact, the list is endless and has caused corruption to become endemic in Nigeria, literally a cancer that has throttled back an otherwise vibrant capitalistic and trading society.

The end result is an economy, which for the past twenty years, has grown slower than its population growth of almost 3% per annum. Therefore, economically, Nigeria is worse off than 20 years ago with very high poverty levels and the combination of unemployment and underemployment reaching about 50% of the work force. The ability to sustain such resulting hardship has been a tribute to the informal sector and the durability of the extended family network, both of which provide a safety net under the entire Nigerian economy. This safety net has, however, been tested to the limit by continuing economic decline.

Nigeria has recently started to address its problems through economic reforms. The most comprehensive attempt started in 1986 with introduction of the Structural Adjustment Program (SAP), which sought to stabilize an economy reeling from declining oil prices through macroeconomic reforms including devaluation, freeing up most prices, elimination of marketing boards, abolishing licenses, introducing limited privatization/commercialization of state owned enterprises, etc. While SAP was initially implemented very effectively and its benefits are still with us today, SAP must be counted as a failure because the public was not carried along to support it and the desire for reflation (SAP with a 'human face') plus the return to profligate spending (using Gulf War windfall oil revenues) almost totally nullified and reversed the initial good results experienced in 1986 to 1989.

The second attempt had its origins in 1992 but never got off the ground until 1995 due to the political problems of 1993 coupled with the populist policies introduced in 1994. Fundamental economic reforms started in 1995 have been continued through 1996 and 1997, producing visible results that are only now being appreciated by the public as well as investors and the business sector generally. We have witnessed sharply lower inflation and interest rates, stability of foreign exchange rates, appreciation in the Nigerian stock market and dollar bonds, sanitization of the banking sector, cash basis government budget surpluses, and the building of foreign exchange reserves in excess of \$4 billion.

The recent policies introduced have been highly deflationary and have almost totally driven speculative pressures out of the economy. The resulting drop in consumer demand has caused the private sector to rationalize and start to focus on marketing and customer needs rather than

simply raising prices. In short, inflationary thinking has been killed, many non-competitive players are being shaken out of the economy and a foundation for recovery and sustainable growth is being laid.

Of course, there is active opposition to these reforms. In fact, every reform in the national interest provokes an anti-reform protecting self-interest. Most recently, the 1997 Budget which continued on the track of 1995 and 1996 reforms provoked major opposition, particularly on privatization. As a result, previously announced reforms were put on hold and are likely to be subjected to considerable debate before further steps are taken. Some of this opposition produces healthy discussion but it is also important to understand that status quo forces are very strong and can only be overcome by winning the battle for the minds of the great majority of Nigerian leaders and the public, through the pros and cons being increasingly debated openly in public forums and in the media.

At the same time, there should be a clear understanding that the Abacha administration is deeply committed to sustained economic development. The Head of State himself is personally involved in economic reform and is the driving force behind privatization, private sector led economic growth and Vision 2010.

In my 18 years in Nigeria, the economic fundamentals have never been better than they are today. The challenge now is to implement fully an economic agenda which has largely been articulated and to introduce new reforms, on a continuous basis, which pro-actively anticipate the changing global realities. In short, the challenge ahead is to achieve a paradigm shift in management of the Nigerian economy.

The Evolution of Partnership

As can be seen from the above, the Nigerian economy has been marked by dependence on oil, a rentier class (elite) who have benefited from its privileged position, lack of competition (which has reinforced resistance to change) and strong anti-reform forces protecting their status quo position. Until recently, the private sector looked to government for its share of the spoils and

many leaders pursued rather narrow self interest. Those chambers and institutions representing the private sector did not focus primarily on national interest and the long term view. All of this has now significantly changed as a result of the evolution of a developing partnership between public and private sector leaders.

While personally aware of many efforts during the 1978- 1992 period to work in the national interest and to forge partnership links with government¹, the starting point for today's partnership was the first Nigerian Economic Summit held in February 1993. This brainchild of Chief E.A.O. Shonekan (at the time he left the Chairmanship of UAC to head the Transitional Ruling Council and subsequently as Head of State during the Interim National Government) was inspired by the highly publicized Economic Summit held in late 1992 by the then President-elect, Bill Clinton.

Chief Shonekan laid down four principles which have remained the basic thrust of all subsequent activities. First, the Summit would use dialogue in small group sessions between public and private sector leaders (plus other Nigerian and external stakeholders) as the means to achieve understanding and consensus on economic policies and strategies. Second, the leaders involved would be those primarily involved in running the economy- on the public sector side, the Head of State and key economic ministers/CBN Governor/ heads of regulatory bodies and parastatals, etc while on the private sector side, the CEO's of major companies were predominant. Other stakeholders included World Bank, key Embassies, labor, academia, small/medium enterprises, professionals and the service sector. While focused on economics, the stakeholder group was purposely very diverse. Third, the focus would be on sustainable economic development thereby taking the long view and getting beyond "quick fixes" to emphasize permanent and accelerated growth in the 6 to 10% range per annum. Lastly, we placed national interest ahead of self interest by making our aim the continuous improvement of quality of life for *all* Nigerians.

(1) Very constructive efforts included Business International Roundtables, Nigerian American Chamber of Commerce/ African American Institute seminars, the Enabling Environment Forum, and many workshops held by chambers, business and professional groups and alumni groups such as the Harvard Business School Alumni of Nigeria and Lagos Business School Alumni Association. Much of the work later achieved by the Nigerian Economic Summit Group and Vision 2010 owes a debt of gratitude to these earlier efforts to spark public debate on the economy and to start work jointly with government on longer term economic strategies.

We have now held three Summits (1993, 1995 and 1996) and these principles have been implemented rigorously with results beyond our expectations.

The February 1993 Summit was oriented towards removing investment constraints and debottlenecking the economy. The proceedings disclose a remarkable consensus on what it takes to unlock Nigeria's economic potential. Twenty four working groups used brainstorming and dialogue techniques to get the key issues and recommendations out on the table. 12 groups on the first day covered the key sectors of the economy² while, during the second day, another 12 groups concentrated on key reform issues in managing the economy³. The discussions were remarkably open and candid, resulting in a high degree of consensus and commitment to reform.

The momentum of the 1993 Summit was temporarily halted by the 1994 Budget which announced a U- Turn back towards regulation. Designed primarily by politicians as a populist program to appeal to the masses and to gain legitimacy for the new Abacha administration, the 1994 Budget was an economic blunder of the first order. Its only benefit was to quickly discredit the opponents of economic liberalization since the economy promptly went into a tailspin. However, the Head of State was quick to grasp the realities of the downturn and took key steps to ensure that remedial action was taken in 1995.

The 1995 Budget therefore initiated a dramatic turnaround by introducing major economic reforms including - surplus budget goals, abolishing foreign investment restrictions and eliminating foreign exchange controls as well as other measures largely in line with the 1993 Summit recommendations. More importantly, the 1995 Budget was strictly followed and very strong fiscal discipline was coordinated with very tight monetary policies. The back of inflation was broken, speculation against the Naira stopped literally overnight, and the economy went through a wrenching deflationary and sanitizing process which continues to provide positive momentum to this day.

(2) Sectoral groups were Oil & Gas- Upstream; Oil & Gas - Downstream; Commercial Banks; Insurance, Merchant Banks and Finance; Agriculture/ Agro-Allied; Food, Beverage and Tobacco; Chemicals and Pharmaceuticals; Manufacturing and Assembly; Transportation, Trading and Distribution; Local Sourcing and Exports; Small and Medium Enterprises; and Services.

(3) Reform groups were Monetary Systems, Fiscal- Spending, Fiscal- Revenue, Debt Management, Investment- Non-Petroleum, Investment- Petroleum, Capital Markets, Public Sector Role, Law and Order, Human Resources and Technology, External Image and Private Initiatives.

Building on this positive backdrop, the May 1995 Nigerian Economic Summit was focused on both short term and long term reform measures plus selected non-economic issues - such as education, women and basic standard of living. In addition, one group attempted to develop a vision for Nigeria- Vision 2025. The 30 year time horizon was modeled after the Malaysian Vision 2020, which was ably presented to the plenary session by one of its main architects, Dr. Noordin Sopiee.

The 1995 Summit moved the emerging economic consensus along positively while the 1996 Budget not only continued the 1995 reforms but also introduced several tax incentives and structural reforms conducive to improving the investment climate. While deflationary fiscal/ monetary measures continued in place and the economy continued in recession at year end, the economic fundamentals were in the best shape for at least two decades and the foundation for recovery was being solidly laid.

The September 1996 Nigerian Economic Summit continued to broaden and deepen the public/ private sector dialogue. It shifted focus to the medium and long term as well as defining inputs to the 1997 Budget process. Most importantly for our story, the visioning team continued its work, this time with a focus on 2010. The Summit highlight was the announcement of the establishment of the VISION 2010 COMMITTEE by the Head of State, General Sani Abacha.

Before turning to VISION 2010, it is important to summarize lessons learnt from the Summit process thus far. Firstly, the four principles- dialogue, involvement of key economic players, focus on sustainable economic development and placing the national interest first - have more than stood the test of time and have been crucial to our success. They are the bedrock on which Summit activities and VISION 2010 are solidly built. Secondly, we recognized that we are learning as we go. Our teacher is the global economy. Our case studies are the success stories from around the world - Chile, Malaysia, China, India and the Asian Tigers particularly. Our minds have been focused away from ideologies and towards pragmatism- what works in actual practice. Thirdly, and closely related, we have learned the necessity to understand and to cope with global forces at work. Specifically, we have seen that the forces

of liberalization, globalization and technology mean that There Is No Alternative in how we relate to and manage global forces at work. The lovely lady, TINA, has thus become a key word in the Nigerian economic vocabulary⁴. Fourthly, we have understood that we cannot copy others. We can learn from them but must develop our own Nigerian success formula which works in actual practice. Tools from abroad are valuable but they must be reshaped for the Nigerian toolbox. They must be accepted by both public and private sector leaders and then used effectively. Lastly, Nigeria must achieve broad based support and make a deep commitment to continuous implementation of those future oriented reforms which will make Nigeria globally competitive. A major change in mindset will be required for success and this process must deeply permeate the entire Nigerian public. The challenge is to achieve the most widespread possible involvement of the Nigerian people so as to achieve their commitment and support.

With these lessons in mind, the private sector has now moved on to support Vision 2010 with some degree of expertise and momentum, both of which have engendered considerable confidence that fundamental change can be achieved on multiple fronts, including political, social and cultural dimensions in what is truly a nation building campaign.

VISION 2010

At this stage, VISION 2010 is like an unfinished symphony with less than half of the work completed. But we can use the experience to date to anticipate the likely outcome and to project the evolution of the public/private sector partnership we have been describing.

VISION 2010 has been designed with a number of basic objectives and principles in mind, including -

(4) TINA (There Is No Alternative) resulted from the Shell Petroleum Planning Scenarios which have been very much appreciated by both the Summit and VISION 2010 audiences.

- (1) involve *all* stakeholders in an open process aimed at the national interest,
- (2) continue group discussions and dialogue techniques to build consensus and teamwork,
- (3) expose members to global realities and success stories,
- (4) assess Nigeria candidly relative to other successful global players,
- (5) define realistic sense of direction and national vision for where Nigeria should be in 2010 and beyond,
- (6) define the way forward with bold targets, fundamental changes and a pro-active approach to nation building,
- (7) gain the commitment of all Nigerians and friends, and
- (8) develop plans and structures for successful implementation, monitoring and continuous course correction.

The Head of State, General Sani Abacha, quite appropriately, appointed Chief E.A.O. Shonekan to lead the VISION 2010 Committee. The Committee, made up of over 200 persons selected from all walks of life, is supported by a Secretariat and Technical Team (about 50 persons) which handles the logistics, administration and technical support for the Committee groups and members. Outside experts and consultants are called upon as required, but the major work is done by the Committee itself.

The Committee is holding monthly workshops that are intensely productive sessions and continuing the work between workshops. There is remarkable dedication and effort on the part of all stakeholders - Ministers, retired and active military leaders, traditional rulers, media executives, academics, labour leaders, etc. as well as Nigerian and expatriate private sector leaders. Obviously, there is a major commitment being made to make VISION 2010 a clear success.

To achieve its work, the Committee has been organized into working groups with “three waves” of different groups, as follows:

Critical Success Factors (CSF)

Using the work done in the last Nigerian Economic Summit, the first wave of discussion groups was organized around thirteen critical success factors which are considered to be major determinants of any nation's success. These thirteen groups further arranged under related groupings are -

Shared Values

1. Norms and Standards
2. Openness
3. Anti-Corruption
4. Cooperation

Human Capital

5. Education
6. Healthcare
7. Population Management

Governing Systems

8. Good and Stable Governance
9. Law and Order

Global Competitiveness

10. Sustainable Economic Development
11. Competition
12. External Environment
13. Science, Engineering and Technology

The thirteen groups have used the dialogue process and addressed their CSF within the context of the national interest. They have been asked to focus on three questions -

- where are we now?
- where do we want to be in 2010?
- how do we close the gap and reach our 2010 targets?

Their work is near completion and has produced remarkable consensus on a vision, strategic direction, major priorities, realistic but ambitious targets and overall concepts of how Nigeria will move forward to realize VISION 2010. A booklet on Critical Success Factors, together with a Vision Statement, will be produced shortly and used for widespread involvement of Nigerians throughout the nation.

Economic Groups

The second wave of groups focuses on baking a bigger national cake. It recognizes that VISION 2010 stands or falls on the ability for accelerated economic development to be achieved, since the economy must fund the political, social and cultural transformation which we envisage. Our aim is to achieve continuous annual growth in GDP towards the upper limit of the 6-10% range in such a way that diversification, exports, industrialization, regional trade, savings and investment and other economic objectives are achieved in a balanced way.

The second wave comprises 17 groups, which largely focus on sustainable economic development, as follows:

Macroeconomic Structure

1. Monetary Policy
2. Fiscal Policy
3. International Trade
4. Policy Process

Development Issues

5. Rural Development
6. Poverty Alleviation/Elimination
7. Small and Medium Enterprises
8. Infrastructure

Real Sectors

9. Agriculture
10. Industry
11. Trade & Distribution
12. Solid Minerals
13. Downstream Petroleum
14. Upstream Petroleum

Funding/Capital Mobilization

15. Banking and Finance
16. Capital Markets
17. Debt Management

These 17 Economic Groups are well underway with similar approach and interim results as the Critical Success Factor Groups. Their output will include a booklet, again for mass distribution, which will set out an economic strategy for Nigeria in a way that can be well understood and supported by the public.

The Third “Wave” Group

The third wave of groups is not yet fully defined. It will fill the gaps not covered earlier and focus on several key issues, including several sensitive areas that would be handled privately, or, as we call it - “off balance sheet”. The early tentative list of groups include:

Off Balance Sheet

1. Role of Traditional Rulers
2. Role of Military
3. Defense and Security

Full plenary

4. Roles of Public and Private Sectors
5. Institution Building
6. Implementation and Monitoring
7. Support Building/Marketing of Vision 2010
8. Democratic Process
9. Women: Mobilization for Sustainable Development
10. Youth: Mobilizing the Next Generation
11. Review of Major Capital Projects
12. West African Market
13. Entrepreneurship
14. Use of National Resources to Fund Development

The above will be prioritized along with other Committee suggestions and the selected third wave groups inaugurated in the May monthly workshop.

In addition, in response to our Terms of Reference, there are separate teams working on a Sports Masterplan and the Ecology/Environmental policy.

The plan is to combine the CSF, Economic and "third wave" work into a final report by September 1997 for presentation at a combined session of the VISION 2010 Committee and the Nigerian Economic Summit. Extensive debate on the VISION 2010 Report is anticipated and at least one full day will be dedicated to Implementation, since the acid test for VISION 2010 is visible results which foster widespread public support.

The VISION 2010 Report will be subjected to considerable testing and public exposure both before and after the September Summit. This will be the vital step in achieving widespread support for both the VISION 2010 Report and for government plans, which will be announced in the 1998 Budget and in the long term Perspective Plan.

We expect thereafter to disseminate and market VISION 2010 to the entire nation and external supporters through multiple means. Workshops for direct involvement, media campaigns for mass marketing, focus groups to build support with key audiences and missions abroad to communicate with external supporters are all being developed.

Nigeria is also moving forward with its transition to democracy. This will open up a myriad of opportunities to debate the VISION 2010 agenda as part of the political process and to work with political leaders to obtain their support.

Probably, most importantly, we intend to develop the mechanisms to implement and monitor VISION 2010 -- so that visible results are achieved and so that continuous reform is entrenched as a way of life in Nigeria. The only sure way to get the Nigerian public on board is visible results.

The Nigerian government will play a pivotal role in VISION 2010's success. The evolution and strength of the public/private sector partnership will be essential during the period of democratic transition. The private sector commitment in this process is very strong as can be seen from plans to launch a VISION 2010 FOUNDATION. The private sector is already supporting VISION 2010 through secondment of staff, providing speakers and consultants, providing materials and equipment, donating time and, last but not least, cash contributions. The idea of a VISION 2010 FOUNDATION is to continue that commitment indefinitely into

the future through multiple year contributions and through private sector involvement in ensuring that the targets of VISION 2010 are achieved.

This approach will make sure that the private sector is more than ready to continue to play its part in forging a desirable and successful partnership with the public sector. It is the strength of this partnership which will largely determine the future outcome for Nigeria.

The Future Outlook

Viewed from within this partnership, Nigeria's future outlook is much more positive than conventional wisdom -- whether in Nigeria or the United States -- would indicate.

From the inside, one can see the change in leaders' mindset, the openness to new ideas, the will to achieve continuous reform, and the top level commitment to nation building.

From the outside, one can only see visible results and these, while encouraging, are not yet predominantly encouraging. There are several reasons -- but primarily we are dealing with the long lead time between the *mental* creation of a new way of thinking and the *physical* creation in actual reality.

There is considerable resistance to such a major change - both from those who passively doubt anything good can happen and from those who actively try to block the reform process.

In this regard, the U.S. position on Nigeria needs review. Nigerians cannot be forced to do what they don't want to do. The U.S. policy of confrontation and sanctions is therefore counter-productive since it is through dialogue and persuasion that meaningful results can be achieved. The current U.S. approach hurts only the Nigerian public and U.S. business interests. It will be far more productive to join the emerging partnership albeit with unchanged objectives in mind. U.S. aims are laudable but the means need to be changed to be effective.

Not all of this internal and external resistance is negative since it also gives time to question reforms and to improve the process while also building solid support. The ultimate outcome will very much depend on both the quality of the planning and the steadfastness of support for continuous and effective reform.

Foreign investors and financial institutions similarly need to reassess the investment climate and economic outlook. From the inside, one sees enormous opportunities opening up over the next few years. For the outsider, the best advice is to come and see for yourself. Given Nigeria's potential, it is important that investors and lenders not give up on Nigeria, particularly when the vital signs are so encouraging.

While the final outcome remains uncertain and the entire process is fragile, the current signs are good. The dialogue and partnership process described above is now largely setting the national agenda and building commitment for its implementation. The early results are in the right direction and, economically, the "power of compound interest" is starting to impact the future. The per annum GDP growth rate looks likely to reach 5% this year and, with growth oriented reforms, could move steadily upwards within the 6-10% range.

The challenge of VISION 2010 is to strengthen the economic momentum while focusing Nigeria on its equally important political and social agenda. There can be little doubt that a stable economic base is an essential factor in the development of a sustainable democratic process. What we are now seeing, through introduction of economic reforms and the pursuit of VISION 2010, is an increasingly enlightened leadership which is focused on creating the conditions for Nigeria's future success. It appears we are seeing proof of Rousseau's dictum that "nothing is so powerful as an idea whose time has come." The emerging public/private partnership is an idea which looks able to help unlock Nigeria's great potential for the benefit of both Nigeria and the entire African continent.