

NIGERIAN EXPORT PROMOTION COUNCIL

**Plot No. Kumba Street
Wuse Zone 2, Abuja**

COMMONWEALTH SECRETARIAT

**Marlborough House
Pall Mall, London**

**A FRAMEWORK OF EXPORT STRATEGY
for the Federal Republic of Nigeria
2005 - 2010**

Prepared by

Theodore Markham

Senior Advisor on Export Strategies

E-mail: tmarkscience@yahoo.com

11 August 2003 – 11 January 2004

Table of contents

Item

Page

List of Abbreviations

vii

Executive Summary

viii

Schematic Implementation Plan

xii

Module 1: BACKGROUND AND ECONOMIC CONTEXT

1

1.1 Origins of the endeavour

1

1.2 Resource endowment and evolution of the economy

1

1.3 Economic status, recent developments in the external trade sector
and export performance

2

1.3.1 Table 1: Summary of Nigeria's Export Performance 1998-2002

4

1.4 Terms of reference

6

1.5 Issues and recent efforts to formulate an export strategy

7

1.6 National development policy context

8

1.7 Export strategy objective

8

Module 2: ISSUES AND INSTITUTIONAL ARRANGEMENTS

10

2.1 Problems of the export sector and impediments to export expansion

10

2.1.1 The high cost of doing business

2.1.2 Prevention of local subsidiaries of multinational
corporations from marketing their products outside the

	territorial limits of their domestic market	
		11
2.1.3	Capacity limitation of SMEs that dominate the export sector	11
2.1.4	Imprudent commercial policy and unmanaged trade liberalization	11
2.1.5	Inadequate product supply base in terms of quantity and range	11
2.1.6	Institutional finance is too restrictive and not sufficiently adapted to production capacity development needs of the country	12
2.1.7	Insufficient availability of, and access to, information on issues to be addressed in setting up and operating an export business	12
2.1.8	Insufficient availability of, and accessibility to, business/export start-up support and facilitating services	13
2.1.9	Lack of adequate support for various institutions which are providing support services, training and development services oriented to entrepreneurship and export	13
2.1.10	The high risk of selling abroad on a consignment basis	13
2.1.11	Prevalence of fraud and the need for a vigorous country image re-building	14
2.1.12	A buoyant domestic market	14
2.1.13	Complicated export documentation and procedures	14
2.1.14	Production and export of sub-standard goods	14
2.1.15	Lack of coordination among government agencies regulating foreign trade resulting in certain agencies working against the others	15
2.2	Organisation of work and methodology	15

2.2.1	An Inter-institutional Committee (IIC) on Export	15
2.2.2	Product Sector Strategy Groups	16
2.3	Guiding principles	16
2.4	Planned activities	17
2.5	Strategic considerations	19
2.5.1	Target composition of Nigerian exports	22
2.5.2	Table 2: Nigeria's non-oil exports profile by SITC product group (1996-2000)	23

Module 3: INSTITUTIONAL INFRASTRUCTURE FOR EXPORT PROMOTION

		24
3.1	Situation analysis	24
3.2	Institutional mechanism and coordination	26
3.3	Soft and hard output concept	27
3.4	Nigerian Export Promotion Council (NEPC)	28
3.4.1	Observation	29
3.4.2	Review of NEPC's internal status	29
3.4.3	Conclusions	31
3.4.4	Recommendation	31
3.4.5	Action Plan	32
3.5	The Standards Organization on Nigeria (SON) and The National	

	Agency for Food and Drug Administration and Control (NAFDAC)
	36
	3.5.1 Action Plan
37	
3.6	Nigerian Export-Import Bank (NEXIM)
38	
	3.6.1 Products and services
38	
	3.6.2 Observations
39	
	3.6.3 Action Plan
40	
3.7	Nigerian Investment Promotion Commission (NIPC)
40	
	3.7.1 Functions and services
40	
	3.7.2 Action Plan
40	
3.8	Private sector promotional organisations and business associations
41	
	3.8.1 Organisational set-up
41	
	3.8.2 Strategic intervention
	41
3.9	ASCON Administrative Staff College of Nigeria (AASCN), Nigerian Institute of Marketing (NIM), Nigerian Institute of Management (NIM) & MULTIMIX
	42
	3.9.1 Description of activities
	42
	3.9.2 Strategic intervention
	42
3.10	AGOA Secretariat
42	
	3.10.1 Description of functions
	42
	3.10.2 Strategic Intervention
	43

- 3.11 Export Processing Zones (EPZ)
43
 - 3.11.1 Description and functions
43
 - 3.11.2 Recommendations for the Export Strategy
44

Module 4: PRODUCT AND MARKET DEVELOPMENT

- 46
- 4.1 Criteria for market selection
46
 - 4.1.1 Geographical proximity
46
 - 4.1.2 Market access requirements
46
 - 4.1.3 Competition
46
 - 4.1.4 Price and profitability
47
 - 4.1.5 Risk assessment
47
 - 4.1.6 Present and future market prospects
47
- 4.2 Criteria for product selection
47
- 4.3 Selected products and rationale for their selection:
51
 - 4.3.1 Textiles and garments
51
 - 4.3.2 Horticultural crops
51
 - 4.3.3 Fish and fishery products
52
 - 4.3.4 Handicrafts
53
 - 4.3.5 Solid minerals
54

	4.3.6	Engineering goods
54		
4.4		Tips for getting “raw materials” for Product Sector Strategies
54		
4.5		Other important non-traditional exports
55		
4.6		Service exports
55		
	4.6.1	Requirements for developing service exports
56		
	4.6.2	Strategies and Actions
57		
	4.6.3	Rationale for selecting services export in the priority setting
59		
4.7		Export promotion across-the-board
59		

Module 5: FUNCTIONAL EXPORT SUPPORT SERVICES

60		
5.1		Trade information
60		
	5.1.1	Action required
		60
5.2		Finance, credit guarantee and insurance
61		
	5.2.1	Action required
		61
5.3		Export quality management and packaging
61		
	5.3.1	Action required
		62
5.4		Trade fairs and exhibitions
63		
	5.4.1	Action required
		63
5.5		Export training
63		
	5.5.1	Action required
		63

Module 6: **SECTORAL POLICY SUPPORT TO THE STRATEGY**

65

6.1 Rationale for policy support options

65

6.2 Macroeconomic policy support

65

6.2.1 The macroeconomic policy objectives

65

6.2.2 Policy measures

66

6.3 Environmental policy support for export-oriented sustainable development

66

6.3.1 Evolution of environmental concerns in trade

66

6.3.2 Environmental policy support objectives

68

6.3.3 Environmental support measures

69

6.4 Trade policy support

70

6.4.1 Sector description

70

6.4.2 Policy support objectives

71

6.4.3 Policy support measures

71

6.4.4 Policy options on trade issues

73

6.5 Agricultural policy support

74

6.5.1 Sector description

74

6.5.2 Policy support objectives

75

6.5.3 Policy support measures

75

6.6	Industrial policy support	77
	6.6.1 Sector description	77
	6.6.2 Policy support objectives	78
	6.6.3 Policy support measures	79
6.7	Education and training policy support	79
	6.7.1 Sector description	79
	6.7.2 Education and training policy support objectives	80
	6.7.3 Education and training policy support measures	80
6.8	Physical infrastructure and logistics policy support	81
	6.8.1 Sector description	81
	6.8.2 Physical infrastructure policy objectives	81
	6.8.3 Physical infrastructure policy measures	82

Module 7: DEVELOPMENT LEVERAGE AREAS

		83
7.1	Enhancing national competitiveness:	83
	7.1.1 Development and acquisition of new technology	84
7.2	Electronic commerce	85
	7.2.1 Description	85
	7.2.2 Relevance to export promotion	85

	7.2.3	Certain benefits	86
	7.2.4	Issues and concerns in export strategy	86
7.3		Private sector development:	87
	7.3.1	SMEs focus	87
	7.3.2	Special financing schemes and microfinance	88
	7.3.3	Strategic actions	89
	7.3.4	Private sector development policy oriented to export	89
7.4		Gender in export development	90
	7.4.1	Programme description	90
	7.4.2	Action plan	90
	7.4.3	Special programme for promoting women's enterprises	91
7.5		Export-led poverty reduction:	92
	7.5.1	Programme description	92
	7.5.2	Application of the Export Production Village (EPV) concept	92
	7.5.3	Action Plan	92
		7.5.3.1 Capacity building	92

Module 8: PROJECTION OF EXPORT EXPANSION AND DIVERSIFICATION: TARGETS

			93
8.1		Expected non-oil export expansion during the Export Strategy period	93

Module 9: IMPLEMENTATION ARRANGEMENTS

94

9.1 Guidelines for implementation

94

9.1.1 Setting priorities, thrust and areas of emphasis

94

9.1.2 Thrust

94

9.1.3 Resource

95

9.1.4 Institutional support

95

9.1.5 Dissemination seminars

95

9.1.6 Incorporating export strategy elements in the work programmes of relevant Federal Ministries, Departments and Agencies as well as of institutions and private companies

96

9.1.7 Engaging the State Governments

96

9.1.8 Technical assistance

96

9.1.9 Project profiles/titles

97

9.2 Dynamics of implementation

97

9.2.1 Immediate and short-term actions (0-9 months)

97

9.2.2 Short to medium term actions (0-4 years)

100

9.2.3 Medium to long-term actions (1-6 years)

100

9.3 Possible risks to the strategy

100

9.3.1 Risk identification and analysis

100

MODULE 10: MONITORING AND EVALUATION

101

10.1	Performance indicators	
		101
	10.1.1	Benchmarks
		101
	10.1.2	Success criteria
		101

Module 11: THE WAY FORWARD
102

References

Annex 1: Technical brief on the Export Production Village (EPV) scheme

List of abbreviations

NEPC	---	Nigerian Export Promotion Council
ANE	---	Association of Nigerian Exporters
MAN	---	Manufacturers' Association of Nigeria
NAFDAC	---	Nigeria Agency for Food and Drugs Administration and Control
SON	---	Standards Organisation of Nigeria
UNDP	---	United Nations Development Programme
SMEs	---	Small and medium enterprises
NGO	---	Non-governmental organisations
WTO	---	World Trade Organisations
EPV	---	Export production village
ITC	---	International Trade Centre UNCTAD/WTO, Geneva
UN	---	United Nations
USAID	---	United States Agency for International Development
CFTC	---	Commonwealth Fund for Technical Co-operation
COMSEC	---	Commonwealth Secretariat
NACCIMA	---	Nigerian Association of Chambers of Commerce, Industries, Mining and Agriculture
NEXIM	---	Nigerian Export-Import Bank
TBTs	---	Technical barriers to trade
NCS	---	Nigeria Customs Service
GATS	---	General Agreement on Trade in Services
GSP	---	Generalised System of Preferences
GSTP	---	Global System of Trade Preferences
ACP-EU	---	African Caribbean and Pacific-European Union partnership
AGOA	---	African Growth and Opportunity Act
ECOWAS	---	Economic Community of West African States
AU	---	African Union
EDI	---	Electronic data interchange

EXECUTIVE SUMMARY

This strategy presents the framework of the initial stages of a national consensus building process on how to prosecute the non-oil national export development and promotion effort. It takes cognisance of the dynamics of the world economic and trading environment as continued to be shaped by fierce competition among trading nations and globalization under the impetus of revolutionary changes in information communication technology and tremendous technical progress in manufacturing, agriculture and service industries, resulting in significant changes in the structure of exports of leading countries in world trade.

The best export performers on the international market scene are high-technology products, skill-intensive products and services. The era of national economic dependence on raw commodity exports has passed. Even though there is still scope for increasing export earnings and employment opportunities in this sector, the bulk of the wealth is in value-added downstream product diversification. The development and promotion of non-oil exports on a sustainable basis in Nigeria must take these phenomena into account to ensure that Nigeria joins the race of high export performers while strengthening export activities in other product groups in which the country possesses competitive advantages.

The high performing-types of exports, however, can only be produced by a highly educated and skilled labour force trained in high technology, science and similar disciplines. For Nigeria to join this race, the Federal Government must do a radical re-thinking of the educational curricula at primary, secondary and tertiary levels to enable a national educational and skill training system that is “tooled” to produce the appropriate human resource to develop such products. This should start with teacher education, procurement and installation of the necessary facilities in educational institutions. By its nature, this can only materialize in the long-run. Meanwhile, there continue to exist huge natural resource based export potentials outside the oil sector that can provide vast employment opportunities and sustain the non-oil economy. The strategy, therefore, advocates a two-prong approach:

- i. To pursue a vigorous export development in the agro-industrial sector and manufacturing, focusing on a shortlist of product groups as a priority, a second layer of product groups as a second priority and export promotion across- the-board.

The development and promotion of export of products in the shortlist will benefit from preferential access to special resource, comprising finance, suppliers’ credit, technical experts and advisory services, training, new technology, research support, and marketing to pave the way to successful ventures.

- ii. To start preparing to join the high technology, skill-intensive and service exporting group of nations.

The preparations include retooling the educational curricula, special support to science, technology and engineering endeavours, special research grant to universities, polytechnics, technical schools, colleges and other research centres, facilities for acquisition of technology, and special incentives for

innovation and new research findings, and bridging the gap between research outputs, on one hand, and farm and factory inputs, on the other hand.

The strategy brings to the fore the potential contribution of *services exports* and *electronic commerce* to non-oil export development and the synergies between them. It proposes that for the purpose of prioritisation, export promotion in these two areas should concentrate mainly on sensitising the government and the business community on the concepts, roles and techniques for exploiting the opportunities. For a start, the relevant staff members of NEPC, other trade promotion organisations and professional bodies should be familiarised with the issues, so that they can play the necessary advocacy and promotional roles. The next stage should be capacity building for enhanced competence and corporate image building for professional businesses and their associations that will be key players in service trade to promote their credibility and services.

The task of export promotion rests on an institutional infrastructure, comprising three main categories of service provider institutions:

- i. those engaged in direct export promotion as their core function; eg NEPC, ANE, MAN, NACCIMA and the city chambers of commerce,
- ii. those whose core functions impact directly on the performance of the export sector, eg the Federal Ministry of Commerce, SON, NAFDAC, Nigerian Customs Service, Nigerian Plant Quarantine Service, etc. and
- iii. institutions that engage in direct export training, such as MULTIMIX Export Academy, Institute of Export of Nigeria, Nigerian Institute of Marketing, Overseas Export Training Institute, etc.

The strategy proposes that the institutions should be assisted through training opportunities for staff, curriculum enrichment, books and publications, equipment, resource personnel and cash grants, etc. to enhance their service delivery capacity.

The strategy recognises the key role of human resource development in export management at enterprise level for development of relevant competencies and proposes:

- i. strengthening of focused short-term courses (workshops and seminars), as those presently offered by NEPC, MAN, and others; and eventually
- ii. the establishment of a proper Export Institute, which is almost presently non-existent, in Nigeria; ideally, the Export Institute should include technical and vocational training in export-oriented product engineering and packaging.

One important conclusion of the analysis of the functions and outputs of organizations which comprise the export institutional infrastructure is that the institutions' role is essential for promoting non-oil exports. On its own, however, this body cannot turn the export fortunes of Nigeria around. This is because together the institutions in the export infrastructure produce only "soft outputs". In order to realize the envisaged structural transformation and expansion of exports, "soft outputs" have to interact

with “hard outputs,” such as those produced in agriculture, manufacturing and service industries. As a corollary, the lead institution in the export infrastructure, NEPC, cannot function without enlisting the collaboration of, and interfacing with, relevant Federal Government Ministries, Departments, Agencies and private sector operators in prosecuting the export effort. The lead agency must therefore have the institutional authority, resources and appropriate core institutional team to be able to play this leadership and coordination role. In order to have this profile and muster the necessary core institutional framework, certain important actions should be taken by the Federal Government:

- i. Designation and declaration of export as a priority and integration of the proposals in the export strategy into macro-level national development planning they have been widely considered, revised and endorsed by the stakeholders.
- ii. Strengthening the capacity of core of institutions whose functions are critical to national export performance and, in particular, giving an appropriate status to the lead institution, NEPC, and relocating it within the public institutional set-up where it reports directly to the Presidency and providing it with sufficient and predictable resources that will enable it to function effectively. As a matter of priority, NEPC, among other core institutions, must be re-engineered and strengthened as a technical organization based on a specific institutional capacity building Action Plan proposed in the strategy.

The most serious obstacle impeding the growth and expansion of the export sector is the “high costs of local production and of doing business in general” that has the tendency of rendering locally produced goods less competitive at home and abroad. Contributing significantly to this phenomenon are the high cost of corporate borrowing and difficult access to credit, insufficient and unreliable supply of electricity, water, telecommunication services, petroleum products and constraints at ports and harbours as well as other infrastructure deficiencies. The export strategy draws priority attention to the removal of these systemic and endemic constraints without which no amount of export effort can produce the intended outcome. Product and market selection for prioritisation is based on specific criteria which are informed by domestic resource base and comparative advantage, profitability, less problematic market entry, product performance prospects, developmental considerations, especially potential contribution to changing the structure of exports, and established priorities of government as well as on the President’s Special Initiatives.

Recognizing that export promotion requires a concerted effort of various sectors of government and of private sector stakeholders, the strategy endeavours to define sectoral support required from certain critical sectoral policy domains viz. trade, macroeconomics, agriculture, industry, physical infrastructure and logistics, education and training and environment, among others. Indeed, practically every policy sector has a support role to play in the national export endeavour; only their relative importance differs. In particular, however, apart from macroeconomic stability, trade policy is strongly instrumental in shaping the environment in which export and other businesses are conducted. The strategy proposes putting in place appropriate national policy development processes for trade policy negotiation

capacity based on research and adequately informed by the interests of Nigerian business constituencies and socio-economic groups on whom the outcomes of such trade policy negotiations impact.

On regional trade, the strategy proposes, inter alia, the revival of the “fast-track approach” to regional integration, embracing Nigeria, Benin, Togo and Ghana because of its practicability and potential to pull along the rest of ECOWAS Member States. It also advocates specific promotional programmes to take advantage of Nigeria’s trade opportunities and potential leadership role in the subregion.

The strategy provides for direct interventions in specific leverage areas intended to give further impetus to the export effort. These include interventions to reduce high production costs and the high cost of doing business, acquisition of new and more efficient technology, private sector development with a focus of SMEs and their needs, schemes for poverty alleviation and increasing the participation of women in export activities. The strategy proposes the application of the EPV concept with elements that cut across most of the major development concerns and provides for vigorous launching countrywide a series of EPV schemes designed to create opportunities that enable the rural communities to increase their participation in mainstream export activities that provide jobs and injection of fresh money into the communities.

tic Implementation Plan

1.0 THRUST

Concentrated export promotion based on textiles and garments, horticultural products agro-industrial products (cassava, palm, rubber and spices), fish and fishery products, handicraft, solid minerals, engineering goods, leather products, and specialised

Resource support

Finance, technical experts, information, new technology, direct investment, input sourcing, suppliers' credits, training, management, marketing, infrastructure

2.0 PRIORITIES

- 2.1 Institutional capacity strengthening
 - 2.1.1 Federal Ministries of Commerce, Industries, Agriculture, Solid Minerals Development, Transport
 - 2.1.2 Nigerian Export Promotion Council (NEPC)
 - 2.1.3 MAN, NACCIMA, ANE, City Chambers of Commerce, NAWE, MULTIMIX Export Academy
 - 2.1.4 SON, NAFDAC, NCS, SMEDAN, NPQS, NOTAP, TBIC
- 2.2 Measures to reduce the high cost of operating business
- 2.3 Measures to promote export of service and other priority products
- 2.4 Measures to reinforce industrial forward and backward linkages

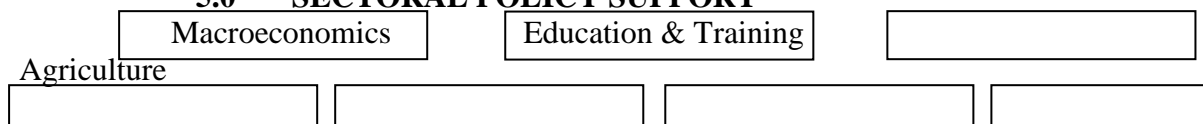
3.0 AREAS OF EMPHASIS

- 3.1 Capacity building for trade and business information
- 3.2 Capacity building for SMEs
- 3.3 Export incentives
- 3.4 Export finance, credit guarantee and insurance
- 3.5 Support to microfinance institutions
- 3.6 Export training and related institutional capacity building
- 3.7 Development and acquisition of new technology
- 3.8 Capacity building for city chambers and trade

4.0 MAJOR INSTRUMENTS

- 4.1 Export Production Villages countrywide
- 4.2 Export-oriented technical assistance projects
- 4.3 Export development fund and export incentives
- 4.4 Special programme for promoting women's enterprises
- 4.5 Export processing zones (Free zones)

5.0 SECTORAL POLICY SUPPORT



Industry
Infrastructure

Trade

Environment

MODULE 1: BACKGROUND AND ECONOMIC CONTEXT

1.1 Origins of the endeavour

This export strategy framework represents the outcome of technical cooperation between the Commonwealth Secretariat, London, (COMSEC) and the Nigerian Export Promotion Council (NEPC) through the Federal Ministry of Commerce and the National Commission. It followed several consultations between NEPC and COMSEC and a mission to Nigeria by COMSEC at the invitation of the Federal Government, subsequent to growing concerns over successive years of decline in the performance of the non-oil export sector and the pressing need to come up with a practical strategy to chart a new course out of the non-oil export sector's non-performance syndrome. COMSEC responded to the Federal Government's request with the assignment of a Senior Technical Advisor on Export Strategies to collaborate with stakeholders to facilitate the strategy formulation process.

1.2 Resource endowment and evolution of the economy

Before the oil boom of the 1960s, the economy of Nigeria was relatively balanced with each principal economic sector, namely agriculture, manufacturing and services, contributing its fair share of development to the total national effort and GDP. Before the decade of the 1960s the dominant role of agriculture in Nigeria's economy was such that with very little support from government, agriculture was able to grow at a sufficient rate to provide adequate food for an increasing population, raw materials for newly emerging industrial sector, increasing public revenue for government, foreign exchange for growing external needs and employment opportunities for an expanding labour force. The little support given by the government to agricultural development was concentrated on export crops like cocoa, groundnuts, palm produce, rubber and cotton, since food self-sufficiency did not seem to pose any problem worthy of public attention. Other agricultural crops and natural resources with which the country is generously endowed are timber, livestock, cereals, pulses, citrus, soya, cassava, and yam. Evidently, Nigeria had a vibrant rural economy; wealth and development were relatively evenly spread countrywide and people were content to live in their villages.

Apart from oil and gas, the country has vast deposits of solid minerals, such as iron ore, coal, lead, zinc, tin, columbite, kaolin, gypsum, barite, phosphate, bitumen, gold, etc, which are not sufficiently developed.

Initial indications of problems in the agricultural sector in the first decade of the country's independence (1960-69) rapidly worsened in the second decade during 1970-79. The situation was further compounded by the "oil boom" that created serious distortions in the economy and exacerbated mass labour migration from the agricultural sector to the cities. Since then agricultural activity has steadily declined, resulting in the sector reducing its status as the mainstay of the Nigerian economy.

Presently, Nigeria displays the characteristics of a dual economy: a modern sector heavily dependent on oil revenues overlays a relatively poor traditional agrarian and trading economy. The enclave nature of the capital-intensive oil sub-sector and the consequent lopsided development of the economy in general have become a matter of great concern to the Federal Government.

In year 2001, the oil sector accounted for 76.5 per cent of Federal Government revenue, 94.5 per cent of export earnings and 10.6 per cent of GDP at factor cost. Agricultural activity however diverse in character (ranging from mainly peasant-type traditional subsistence to relatively modern mechanized-type) still remains the main activity of the majority of the people countrywide, accounting for about 40 per cent of GDP.

Within the framework of the National Economic Empowerment and Development Strategy, the Federal Government has taken a policy decision to break the over dependence on oil by creating a liberal market-oriented economy driven by the private sector. Accordingly, it has committed itself to sound macroeconomic management by sustaining the on-going deregulation on key variables, such as interest and exchange rates, fiscal discipline, reducing the debt burden and continued liberalization of the trade regime. It is taking a number of measures to encourage exports.

1.3 Economic status, recent developments in the external trade sector and export performance

Despite the above measures, the economic situation is still unstable. According to the Year 2002 Annual Report of the Central Bank of Nigeria, the economy recorded a mixed performance in year 2002. Real GDP at 1984 constant factor cost increased by 3.3 per cent compared with 4.2 per cent in the preceding year. The sectors that contributed to the modest growth included agriculture, manufacturing, communications, utilities, building and construction as well as services. Overall performance was, however, below the 5.0 per cent target set for fiscal year 2002 and the 4.2 per cent achieved in year 2001.

In terms of sectoral contribution, agriculture, consisting of crops, livestock, forestry and fisheries accounted for 40.8 per cent of aggregate output while the industrial sector, comprising crude petroleum, mining and quarrying and manufacturing contributed 16.0 per cent. The share of services was 29.3 per cent while other sectors accounted for the balance of 13.9 per cent.

Inflation declined from 18.9 per cent in 2001 to 12.9 percent at the end of year 2000. Bank deposits and lending rates trended downwards.

Fiscal operations of the Federal Government resulted in an overall deficit of Naira 301.4 billion or 5.1 per cent of GDP.

According to Manufacturers' Association of Nigeria's Economic Review 2001-2002, average capacity utilization in the manufacturing sector showed

marginal improvement of 41.9 per cent year of 2001 and 52.5 per cent in year 2002 as against 29.7 per cent in year 2000. One of the major reasons for this improvement was the government's tariff concessions on key raw materials, plants and machinery. Similar significant results were achieved in local raw material utilization and investment in the same period.

The state of the economic infrastructure remained unsatisfactory in 2002, especially in the energy, transportation and road network. This led to increased costs in manufacturing, thus causing further erosion in the competitiveness of locally manufactured goods.

The demand pressures in the foreign exchange market persisted, resulting in the depreciation of the Naira exchange rate in all segments of the foreign exchange market. The level of external reserves declined to US\$7.99 billion, which could support 6.4 months of imports of goods and services, compared with 8 months in year 2001.

The balance of payments was under severe pressure in year 2002 as a result of adverse external shocks, particularly the reduction in Nigeria's crude oil production quota by OPEC and increase in the external debt service burden. The overall balance of payments swung into a deficit of Naira 525.7 billion or 8.9 per cent of GDP, from the surplus of Naira 24.7 billion or 0.4 per cent of GDP in 2001. Consequently there was a substantial drawdown of external reserves and deferment of scheduled debt service payments. The current account, nevertheless, recorded a surplus while the deficits in the services and income account fell from US\$10.42 billion to US\$7.99 billion, which could support 6.4 months of foreign exchange disbursements on imports compared with the 8.0 months in year 2001. The wide swings in the external payments position recorded in year 2002, attributed to vagaries of the oil market over which Nigeria had no control, again underscore the need to reduce dependence on oil and diversify exports by developing and promoting non-oil exports.

**1.3.1 Table 1: SUMMARY OF NIGERIA'S EXPORTS PERFORMANCE
1998-2002 IN US \$ MILLION**

SUMMARY OF NIGERIA'S EXPORTS PERFORMANCE 1998-2002 IN US \$
MILLION

CATEGORY	1998	1999	2000	2001	2002
Total Exports	10,921.3	13,612.0	21,008.3	19,162.5	15,666.6
Oil Exports					
Non-oil Exports	10,002.0	12,811.8	20,202.8	18,108.1	14,665.0
	919.3	800.2	805.5	1054.4	1001.6
Share in Total Exports (%)					
Oil Exports	91.6	94.1	96.2	94.5	93.6
Non-oil Exports	8.4	5.9	3.8	5.5	6.4
Growth Rate (%)					
Total Exports	-	24.6	54.3	-8.7	18.2
Oil Exports	-	28.1	57.7	10.4	-19
Non-oil Exports	-	13.0	0.7	30.9	-5

Source : ITC PC TAS

Despite the measures being taken by the Federal Government, the non-oil export sector's performance continues to give cause for concern. According to Table 1, non-oil exports declined from US\$919.3 million in 1998 to 1999; increased only modestly to US\$805.5 million in year 2000, picked up significantly to US\$1,054.4 million in year 2001 only to fall to US\$1,001.6 million in 2002. This pattern reflects in the share of non-oil exports in total

exports over the same period except that in 2002, there was a slight increase in the share of non-oil exports in total exports as a result of a modest decline in the share of petroleum exports. In growth terms, non-oil exports recorded a negative growth rate of 13 per cent in 1999 and a modest recovery rate of 0.7 per cent in 2000. After a notable increase of 30.9 per cent in 2001, the rate recorded a 5 per cent decline in 2002. On the whole, the characterization of the non-oil export sector's performance is, at best, that of stagnation over the review period. This situation provides the imperative of pursuing a vigorous non-oil export push programme. It should, however, be noted that there is a significant amount of unrecorded trade across the frontiers in favour of Nigeria, even though this may not be enough to alter the picture of recorded trade.

The major factor responsible for the lopsidedness of development of the economy is the failings in the agricultural sector. Agriculture, which could counterbalance the situation, has suffered its share of problems. Initial indications of problems in the agricultural sector in the first decade of the country's independence (1960-69) rapidly worsened in the second decade during 1970-79. The situation was further compounded by the "oil boom" that created serious distortions in the economy and accelerated the rate of labour migration from the rural agricultural sector to the cities. Since then the agricultural sector has begun to reduce its status as the mainstay of the Nigerian economy and the economy became increasingly dependent on petroleum. The focus of the government's new development agenda is to reduce dependence on petroleum. Export promotion in Nigeria is therefore concerned with the development and promotion of non-oil export potential of the country.

The stakeholders consider that the most effective way of addressing the problem is to have a strategy. The question is why a strategy? Or, if not a strategy, what else? The options for the task facing us are not many. A project document, for example, would be too narrow, as it can only cover a sub-sector. A programme document, although it can be broadened to encompass an entire sector with hyperlinks, would still fall short of the multi-sectoral mobilization required to prosecute the export diversification agenda. A strategy has the distinctive advantage of providing a holistic approach which not only provides the possibility of mobilizing all the relevant sectors but also the direction and thrust, among other things. (See below for features of a strategy).

For the purpose of formulating the export strategy and undertaking complementary activities, the Federal Government and COMSEC agreed on the following terms of reference to be undertaken over 5 months.

1.4 Terms of Reference

The primary remit of the assignment is the design and preparation of a National Export Strategy with the Nigerian Export Promotion Council (NEPC) as the lead implementing agency. The strategy would focus on priorities for promoting non-oil exports of Nigeria, and address issues of implementation

and monitoring, mobilisation of internal and external donor funding support and institutional arrangements. The eventual goal is to contribute to the development of the non-oil export sector in Nigeria while the immediate objective is to assist the NEPC to operationalise the export promotion agenda in the Federal Government's recently published Trade Policy document and at the same time strengthen the institutional capacity of NEPC/other relevant agencies.

Tasks:

1. To review all earlier attempts at the development of National Export Strategy and assess their adequacy and effectiveness in achieving the objectives of NEPC in trade development and promotion.
2. To provide constructive comments and advice that would address any weakness in content and design of these earlier attempts that may militate against their fuller implementation.
3. To develop an Export Strategy for NEPC that supports current national priorities for the development of the non-oil export sector.
4. To prepare practical guidelines for operationalising the strategy and for monitoring and evaluating the outputs and outcomes of its various components.
5. To develop strategies and guidelines for mobilising internal and external donor support for the Export Strategy and advise the Council on specific funding agencies and how they should be approached.
6. To co-ordinate donor support for the Export Strategy.
7. To identify the needs for institutional strengthening and advice on the level of capacity required by the NEPC in order to fulfil its mandate in general and the objectives of the Export Strategy in particular.
8. To develop appropriate guidelines on the techniques of programme/project formulation and on the preparation of project documents of acceptable donor standards for use by the Council.
9. Organise a series of training programmes (as appropriate) on the guidelines developed in item 8, emphasising how they can be put into practice.
10. To advise on the requirements for future technical assistance and support for NEPC.
11. To perform any other relevant tasks that may be assigned by the reporting officer.

1.5 Issues and recent efforts to formulate an export strategy

Export strategy formulation is not new in Nigeria. A number of attempts were made in the past to formulate an export strategy but the results were mixed. In at least one case the output of such efforts was more or less an export promotion programme document. Certain initiatives resulted in producing studies on the export sector in general or in addressing certain important strategic export issues. In the last effort, an inter-ministerial committee was set up to formulate an export strategy. The work was not completed before a new government was sworn into office and the strategy formulation was discontinued.

The problem is understandable. Export strategy formulation requires a process of concentrated effort, which needs to be sustained over several months or beyond one year, depending of the process of formulation *.

More often than not, officials who were given the task of formulating an export strategy also had many other important official assignments and busy work schedules and therefore did not have enough time to devote to strategy formulation. This appears to be the credible reason for not producing an export strategy so far.

Another issue relates to the mismatch between how export strategy was perceived and how the formulation was attempted and pursued. The term “strategy” as understood and used in the military perhaps is more suitable for the purpose of formulating an “Export Strategy” than the ordinary dictionary meaning. The challenge is to define an “export master plan”, encompassing the roles of the key stakeholders, which, if implemented properly, will enable the export sector to make a big surge to contribute its fair share of what is envisaged in the national development policy and programme, such as NEEDS.

An export strategy should have the following principal elements:

- i. A clearly defined comprehensive objective.
- ii. Optional approaches for achieving the objective from which should be chosen the approach which is likely to produce the best result, or greatest impact, at least cost. This should provide a clear policy direction and thrust for achieving the defined objective.
- iii. Identified areas of emphasis for policy interventions. (During the strategy implementation, these areas will constitute the basis for elaborating programmes for execution).

* The more participatory the process, involving interactive meetings with stakeholders, the longer the strategy formulation.

- iv. Strategic approach to policy areas of key sectors. (Export is not an isolated activity but requires the active collaboration of key sectors such as agriculture, manufacturing, trade, physical infrastructure and utilities, environment, human resource development (manpower, labour, health, education and training) etc. The export dimension of

these policy areas has to be defined, articulated and incorporated into the strategy).

- v. Time frame, not too long, not too short but pragmatic. (The strategy has to be implemented over a realistic time period, e.g. next 5 or 7 years).
- vi. Projection of export targets.
- vii. Implementation arrangements.
- viii. Performance indicators to facilitate monitoring and evaluation of performance. (These will guide stakeholders to determine if the implementation of the strategy is on track and if adjustments are necessary).

One of the challenging questions is how deep should a strategy go? How much detail should it contain? Sometimes the line of frontiers between programmes and strategic programme intervention areas is rather thin. These questions are posed in view of the presumption that operational “tools” in form of detailed programmes and projects will be cast out of the intervention areas of the strategy for implementation. What is a realistic minimum time allocation for strategy formulation? Perhaps, not less than one full year.

1.6 National development policy context

In 2004, the Federal Government launched the National Economic Empowerment and Development Strategy (NEEDS) in response to the development challenges of Nigeria. One of its four pillars of policy thrusts is to "promote exports and diversify exports away from oil". It seeks, inter alia, the transformation of Nigeria into an economy that is robust, stable, dynamic, competitive and export-led. NEEDS partly draws on Vision 2010, which preceded NEEDS as the official national development policy of Nigeria. It envisages, inter alia, economic reforms which are designed to generate sustainable economic growth rate of 6-10 per cent per annum in real terms between 1998 and 2010. The development policy recognizes that the envisaged economic performance requires government intervention in specific areas which include orientation of the economy towards a “diversified export-oriented development based on national comparative advantage”. This initiative is apparently informed by official recognition that trade, more specifically export, plays the role of an “engine of economic growth” under certain conditions. The challenge is therefore to define a national export strategy the implementation of which will enable the non-oil sector to play its rightful role in the national development agenda and achieve a more balanced export-led development of the economy.

1.7 Export strategy objective

Within the context of the national development policy as contained in development agenda, National Economic Empowerment and Development

Strategy (NEEDS), the development objective of the export strategy over the next five years (2005-2009) is:

1. To provide a strategic framework and guide for national consensus building to mobilize core:
 - export-stakeholder public institutions and policy-making bodies,
 - trade support service providers,
 - organizations, institutions and associations that represent non-oil private sector exporters, and
 - export companies

for needed substantial support services to promote export oriented cross sectoral development of Nigeria's human and non-oil natural resources and production capacity building

to realize the non-oil export potential of Nigeria and stimulate on a broad front export-led balanced development of the economy,

managed in a manner that permits mass participation in the activities and consequent economic rewards of export by the great majority of the Nigerian population nationwide.

2. The National Economic Empowerment and Development Strategy (NEEDS) envisages non-oil export earnings growth as follows:

<u>2005</u>	<u>2006</u>	<u>2007</u>
20 per cent	25 per cent	30 per cent

These growth rates may be projected to 50 per cent in year 2010.

MODULE 2: ISSUES AND INSTITUTIONAL ARRANGEMENTS

2.1 *Problems of the export sector and impediments to export expansion*

Although strategy formulation goes beyond the scope of problem solving, it is important to have in focus problems of the export sector and factors that discourage export activities, as identified through experience and by stakeholders, to ensure that appropriate provision is made in the strategy to address them. The problems and factors are listed as follows:

2.1.1 The high cost of doing business

The high cost of doing business in general and export business in particular is one major factor responsible for escalating production costs that can have the tendency of rendering Nigerian products uncompetitive, thus causing lower-priced imports to displace Nigerian products even in the local market, driving Nigerian products out of the external market and discouraging production in general and for export, or discouraging potential exporters from entering into export business, and therefore limiting expansion of the export sector. According to a UNIDO/MAN Export Group study, the cost disadvantage ranges between 30-35 per cent.

The factors which account for the cost escalation include:

- deficient road/rail network and port services, insufficient and unreliable supply of electric power, water, telecommunications and internet services,
- inadequate security and protection of life and property, necessitating incurring expenditures for these services,
- insufficient and irregular supply of petrol and diesel,
- high cost of borrowing and difficult access to credit,
- unstable exchange rate,
- high cost of raw material inputs,
- unofficial payments for public services,
- complicated and costly port and customs clearance procedures,
- multiple taxation,
- bottlenecks in government administration associated with regulation, control, application procedures and operation of public agencies.
- difficulty of access to land for undertaking production for export,
- unavailability of a one-stop shop for information and assistance in export matters.

2.1.2 Prevention of local subsidiaries of multinational corporations from marketing their products outside the territorial limits of their domestic market

The legal framework under which certain local subsidiaries of foreign multi-nationals operate forbids local subsidiary companies from marketing their locally manufactured goods outside the territorial market (ie., local market) assigned to them. The parent multinational that owns the trademark is, however, free to market its products in assigned local market territory of the subsidiary. For example, Dunlop (UK) can export to Ghana but Dunlop (Nigeria) cannot export to Ghana. Consequently companies with significant capacity that can make a big difference to the performance of the export sector are forbidden to do so. This represents a critical constraint to export expansion in the subregion.

2.1.3 Capacity limitation of SMEs that dominate the export sector

By their numerical strength, SMEs dominate the export sector as both exporters and potential exporters. However, the great majority of SMEs suffer from certain handicaps, namely:

- Production capacity limitation;
- Old and outmoded machinery and equipment with high operating costs;
- Inability to access institutional credit to replace equipment and modernize factory;
- Managerial and technological limitations;
- Given that the identified handicaps dominate the export sector, their solution or absence thereof is inextricably bound with the economic health and fate of the export sector.

2.1.4 Imprudent commercial policy and unmanaged trade liberalization

Trade liberalization may be good for economic efficiency. However, if it is not managed in a pro-development manner it can lead to destruction of domestic industry and other economic activities when industries are exposed to unrestrained, brutal and unfair competition and abuses in importation. Such malpractices include under-pricing, dumping of poor quality goods and importation of fake and expired products and second-hand goods as well as smuggling. Sometimes certain imported fake products, especially pharmaceuticals, electrical goods and motor spare parts, are re-exported as Nigerian products to

the sub-region, thus undermining the commercial and export image of Nigeria.

2.1.5 Inadequate product supply base in terms of quantity and range

The basis of trade is production. You can only export what you have. In Nigeria the exportable product supply base is too small relative to the export product supply potential of the country. The issue is how to translate the potential capacity into actual capacity and exportable products. This phenomenon is a reflection of a dysfunction in the local economic system and it is related to the preceding and next paragraphs.

2.1.6 Institutional finance is too restrictive and not sufficiently adapted to production capacity development needs of the country

Lack of adaptation of institutional financial services to the development needs of the country is one of the major causes of the phenomenon described in the preceding paragraph. The financing of commercial activities (buy and sell), which is short-term, represents the main lending activities of the institutional financing and banking sector, as distinct from the medium-to-long term finance required for establishing commercial farms, plantations, technological services, and factories, and acquiring fishing trawlers and processing plants, etc, which constitute production capacity. The latter category of activities by nature has a long gestation and therefore requires development or investment banking services which commercial and merchant banks generally shy away from because of their unattractive moratorium and gestation requirements. The problem relates to, and is a major outcome of, the situation described in the preceding paragraph on inadequate product supply base.

The Federal Government established a number of Development Finance Institutions to contribute to the development of specific sectors of the economy. These include the Nigerian Industrial Development Bank in 1964 for development of new industries and expansion of existing ones; Nigerian Bank for Commerce and Industry in 1973 to provide equity capital and funds by way of loans to SME industries; Nigeria Agricultural and Cooperatives Bank in 1973 to finance viable agricultural projects to enhance the level and quality of agricultural production. However, the performance of most of these financial institutions has been poor. Only the Small-Scale Industries initiative holds good prospects. The Refinancing Scheme for Medium and Long Gestation Agricultural Projects established by the Nigerian Central Bank is yet to be fully funded.

2.1.7 *Insufficient availability of, and access to, information on issues to be addressed in setting up and operating an export business*

Experience and surveys conducted in a number of developing countries indicate that considerable amount of information is needed on a great variety of local issues on setting up and running a business and on compliance with regulatory requirements as well as simple information on “where and how to get this or that”. Similarly, externally on identification of markets, market access requirements and foreign buyers and guide on prices to facilitate negotiation with buyers. In absence of such important information, many prospective exporters out of frustration simply give up on business altogether or at best content themselves with local business, which is in fact in competition with export business.

2.1.8 *Insufficient availability of, and accessibility to, business/export start-up support and facilitating services*

For those starting export business or having infant export businesses, their greatest need is concentrated support and facilitating services to enable them to overcome “teething” problems. Experience shows that in absence of such assistance, many entrepreneurs either continue to endure their teething problems or simply give up. They narrate their experience to their friends, would-be new export entrepreneurs, who react by simply keeping away from venturing into export. The effect is that the export sector fails to expand and may, indeed, shrink.

2.1.9 Lack of adequate support for various institutions which are providing support services, training and development services oriented to enhancing competency in entrepreneurship and export

The government, private sector and NGOs have set up in various locations in the country several institutions and centers with the mandate to carry out various activities aimed at promoting private sector development, entrepreneurship development, training in marketing and other skills relevant to promoting private sector and export development. Usually under the pressure of need and enthusiasm, such initiatives get established but with no provision for sustainability. Soon thereafter, support for such endeavours start to dwindle, the institutes start running down until they either collapse or continue to languish under the weight of virtual neglect.

Very often facilities that can contribute to export expansion are not publicized and the public is not aware of their existence. The institutes have no resources to advertise their services. It appears there is no inventory of the kind of institutions under discussion with a clear indication of who is doing what. This problem is related to the preceding.

2.1.10 The high risk of selling abroad on a consignment basis

The historical evolution of markets for certain products has resulted in the way and manner in which business is transacted in these markets. This is particularly true of the market for fresh fruit and vegetables, where by tradition of the market, business is transacted on a consignment basis, as distinct from letter of credit (L/C), for example. Under L/Cs, payments are fairly well guaranteed. This is not the case in the horticultural products market where the goods are consigned to a foreign buyer who takes delivery before paying for the goods. Indeed, the payment is at the mercy of the consignee who may choose to be honest or otherwise. He may pay a fair price, unfair price or default. But there are ways of minimizing the risk.

The majority of Nigerian SME exporters in the horticultural, handicraft and garments/textile products sectors sell their goods overseas on a consignment basis or to minimize the risk, travel unaccompanied to physically take delivery of their goods for sale or travel, accompanied, with their goods. When an exporter burns his/her finger once, he/she may stop the business especially if the financial loss is significant.

2.1.11 Prevalence of fraud and the need for a vigorous country image re-building

The behaviour of certain Nigerian individuals and companies has earned Nigeria a bad name from fake products, scam, fraud, etc causing the country to suffer international erosion of confidence and trust. Many countries are afraid to do business with Nigeria and this can impede efforts to expand exports, particularly in product groups such as pharmaceuticals, electrical goods and vehicle spare parts.

2.1.12 A buoyant domestic market

The large domestic market is buoyant and lucrative. In an economic sense, it is an asset. However, it has negative aspects. The domestic

market is in a fierce competition with the export market. The primary objective of any enterprise is to make profit. Faced with the choice between selling on the local market or on the export market, the prospective export company has to make a choice based on some objective criteria, one of which is which market is more profitable: domestic or external? Apart from profitability, the potential exporter also will take into consideration if the export procedure is not too much a hassle. Considerations of this nature will enable him/her to make a realistic choice. Because of this competition it is important to make exporting as hassle-free as possible. An effective incentives scheme can switch choices in favour of export. Other factors, which are favourable to export, are "appropriate" exchange rate, price stability or non-inflationary economy (inflation artificially makes domestic prices of goods attractive as against prices of exports).

2.1.13 Complicated export documentation and procedures

To the extent that an enterprise has a choice between selling on the local market and on the export market, it is in the interest of export expansion to keep export documentation and procedures as simple as possible (See the preceding paragraph).

2.14 Production and export of sub-standard goods

Sub-standard goods with short life lead to destruction of the commercial reputation of a country. It is possible to get away with it for only a short time. In the medium and long terms it backfires. This problem is a major one being experienced in the local market and in the subregion, as Nigerian goods are in competition with goods imported from overseas.

2.15 Lack of coordination among government agencies regulating foreign trade resulting in certain agencies working against the others

Most of the time, the individual foreign trade regulating agencies, such as Customs Department, carry out individual checks, resulting in multiple checks and control procedures to the inconvenience and cost of the exporter or enterprise engaged in foreign trade. The effect is to discourage foreign trade. If the inspection or control is coordinated as a one-stop operation, the cost and inconvenience to the trade operator will be minimized.

2.2 **Organization of work and methodology**

A team of 4 national senior experts, including one Deputy Director; was assigned to work on a daily basis with the Senior Advisor/Facilitator. It was intended that the Senior Advisor transfer to the national experts the techniques of strategy formulation as part of national capacity building. The national experts were expected to be willing and committed to learn.

Apart from occasional consultations with business associations and company executives on specific issues, the Advisor seeks the opinion of senior NEPC staff on substantive issues.

Mid-way of the study, discussions were planned with certain core organizations whose functions had a bearing on the development of the export sector but these did not materialise.

The following methodology was envisaged for the process of export strategy formulation in Nigeria, based on participatory approach and the concept of national consensus building.

The formation of:

2.2.1 An Inter-institutional Committee (IIC) on Export:

- to oversee and direct the strategy formulation process;
- to oversee the implementation of the strategy;
- to advise government on export matters;
- to account for implementation and fulfillment of export goals.

The IIC was to comprise representatives of NEPC, Federal Ministries of Commerce, Industry, Agriculture, Finance, etc. and relevant agencies such as Nigerian Standards Organization and Nigerian Customs Service as well as agriculturists and industrialists, service providers and certain organizations which represent private sector companies and associations that had a stake in the export sector. It was to include representatives of chambers of commerce and Nigeria Association of Women Entrepreneurs (NAWE) and certain women's exporters' groups, for example.

2.2.2 Product Sector Strategy Groups:

Every product has its distinct characteristics, technical qualities and problems. Therefore the approach to developing and marketing a product should differ from product to product.

Each product that will be identified and retained as a priority product for export development will have its own Product Sector Strategy Group comprising relevant policy decision makers in Government, service provider institutions for the product sector, private business sector operators and associations as well as women's groups that engage in production and export of the product.

The Groups will be responsible for making substantive inputs to the strategy formulation process on how to develop and promote the product in the export market and advise on the assistance to the sector. The Advisor will play the role of a facilitator.

Both the Inter-institutional Committee, which should be a technical advisory body on export, and the Product Sector Strategy Groups constitute the key elements and cornerstones in the national capacity building for export strategy formulation and implementation. Over the years, as the need arises, they may wish to make adjustments to the strategy. The important thing is that the national capacity will have been in place.

Seminars and brainstorming sessions were envisaged to provide a platform for interaction among stakeholders to ensure that the strategy document was the collective product of the stakeholders. The Association of Nigerian Exporters was expected to organize its export strategy formulation activities adopting the bottom up approach. The NEPC initiative will meet the ANE initiative on the strategy formulation platform.

The IIC and Product Sector Strategy Groups cut across Ministries, Agencies and private sector institutions as well as across States. The collaboration and support of the Federal Ministry of Commerce would be essential to realize all the above meetings and seminars. The involvement of the Federal Ministry of Commerce in the strategy formulation is, therefore, critical.

2.3 Guiding principles

The export strategy has to be placed within the context of the official national development policy and programme of the Federal Government and be guided by the strategic direction, priorities and key elements of the policy to ensure internal and external consistency of the strategy. It should be aligned to the economic vision and broad development goals of the Federal Government. These have been set out in the National Economic Empowerment and Development Strategy (NEEDS) and Vision 2010. It should be informed by the national economic resource base and potential relative to the world commercial environment to ensure that the general direction of the strategy addresses important general trends and prospects in the world market, major world trade opportunities and challenges vis-à-vis the comparative and competitive advantages of Nigeria on which should be based the policy direction and thrust of the strategy as well as the envisaged follow-up action programmes that eventually emerge from it. Employ a technique of evaluating a series of competing optional approaches and choices to determine the most cost-effective approach.

Work with a team of local experts if possible from both public and private sectors (in which women should be included) to whom should be transferred the technical know-how of the methodology and process of formulating an

export strategy to permit national capacity building and ensure sufficient local knowledge input, induce a sense of national ownership of the strategy and commitment to implement it, and to provide institutional memory of the effort.

2.4 Planned activities

- a. Review previous attempts to develop an export strategy and their outcomes with a view to learning lessons from them to inform the present endeavour.
- b. Review the relevant official development programme and policy documents of the government and consult regularly with high-level officials in the public and private sectors to secure their inputs to the definition of a strategic approach and contribute to the partnership building process between the government, business and labour unions at a high level of decision-making.
- c. Identify those national development objectives that significantly contribute to the export strategy outcomes and leverage them as appropriate in the strategy formulation process.
- d. Identify and cluster the priority products and services in whose production and export Nigeria possesses clear comparative and competitive advantages and mainstream them in the strategy formulation. Similarly, identify priority target export markets, taking into account market access requirements. (Product-related issues will be dealt with by specific Product Sector Strategy Groups.)
- e. Following the preceding Activity 2.4, integrate the export dimension of the industrial sector, agricultural sector, service sector as well as local and foreign direct investment efforts into the strategy.
- f. Conduct comparative analysis of the optional approaches and means of developing priority products with a view to determining priority products which inform the design of the strategy.
- g. Address cross-cutting national and global priorities, namely:
 - i. gender balance and increased participation of women in export activities;
 - ii. export-led rural development, job creation and poverty eradication;
 - iii. environmental concerns and sustainable development;
 - iv. private sector development with a focus on SMEs.
- h. Review the market status and conditions for the identified priority products which inform the design of the strategy and ensure that the strategy provides for appropriate capacity building to take advantage of opportunities and respond effectively to challenges.

- i. Identify the profiles of the human resource required for developing and marketing the products effectively and for managing the strategy implementation and include the key elements thereof and thus establish linkages with the country's labour and manpower development policy and education and training policy, etc., so as to provide for development of 21st century skills and the industrial peace that are required to implement the programmes that are likely to emanate from the export strategy.
- j. Develop approaches and guidelines for mobilizing internal and external development partner support for the strategy and the projects that are expected to emerge from them, linked to Activity 3.
- k. Define performance indicators and achievement benchmarks for monitoring and evaluation of performance in implementing the strategy.
- l. Define the institutional infrastructure for managing the implementation of the strategy and the envisaged programmes emerging from it.
- m. Identify and articulate important elements, linkages and partnerships which should be networked into the strategy. These include institutional linkages, government-business-labour partnership, export-oriented human resource and institutional development, promoting participation in subregional and regional trade, stimulating the participation of SME and women's groups in export activities and provide support for the SME sector, promotion of the development of the service export sector, tailor-making trade support services to the export needs of the strategy, promotion of understanding of the export culture, addressing issues relating to export competitiveness, export firm competency development, etc.
- n. Subject the draft strategy to extensive dissemination and discussion nationwide for inputs to ensure that it enlists mass support and commitment as well as ownership.

2.5 Strategic considerations

Among other things, strategy formulation is about substantive thinking, raising challenging issues, evaluating options, making critical choices and taking bold decisions:

- In the 21st century where does Nigeria choose to be? In that destination what is the envisaged product-mix that will guide the export development agenda? What are Nigeria's comparative and competitive advantages? But these advantages are not immutably fixed; with science and technology, they can be changed in favour of Nigeria. There are important choices to be made on how to get there - a process which requires critical evaluation of the trade-offs.

- The critical considerations and choices should be informed by the official national development policy programme and vision as set out in NEEDS and Vision 2010.
- The era for national dependency on production and export of raw commodities such as cocoa beans, coffee beans, cotton, latex rubber, crude palm produce, etc, using mainly unskilled labour, has passed. Now we need labour with the requisite technical skills, knowledge and technology to transform the latex into vehicle and aircraft tyres, and other types of high-valued finished products, for example. It is, however, oversimplification to think that the international commodity exchanges on which raw commodities are traded will cease to exist. On the contrary, they will still be functioning and there will still be countries in the developing world producing and earning significant revenues from raw commodities. The supply side configuration, however, is likely to change. What is likely to be different is the producer countries will be processing increasing proportions of the commodities. Fewer people will be producing greater volumes of the commodities. One hectare of land will produce greater volumes of commodities than before and land productivity will increase. Higher yielding and disease-resistant crop varieties will be introduced. More and high performance machinery and equipment will be used in land cultivation and harvesting. There will be greater local value-added processing in producer countries parallel to greater volume deliveries of raw commodities. Underlying the described scenario is application of modern efficient technology. Nigeria has to make a choice on how she envisages to operate in such a world outside the oil sector.
- The technologies and skills needed to effect the structural transformation of production and marketing will be different from the brawn-intensive human resource of the past.
- To prepare national human resource for the 21st century certain radical, bold, well-informed and visionary decisions must be made not only on labour, employment and productivity but on the kind of education curricula and programme to put in place, starting from basic school.
- The orientation of the strategy is into the future. Children represent the future of the nation. Critical choices must be made on the emphasis and orientation of their education and training consistent with goals and orientation of the strategy and the national development policy. But the national development policy programme should also adapt to the dynamics of the competitive international environment.
- Irrespective of the choices made during the strategy formulation, important decisions must be made on the agricultural sector and on the rural economy in particular because of their strategic importance - offering habitation to about 70 per cent of the population, employment to over 70 per cent of the working population, and accounting for over

70 per cent of GDP. Beyond the fact that the agricultural sector provides raw materials to feed industries and provides market for manufactures products, provision of adequate and reliable source of food to feed the growing population as well as providing a strategic fallback in emergency for security reasons, is one important choice that must be made.

If such a decision is made, a further decision will need to be made to ensure a decent standard of living for the rural people through appropriate sustainable livelihood programmes integrated into the mainstream economy and the export sector. It is only through the assurance of productive employment opportunities in the rural economy that the national wealth can be effectively distributed widely to reach the great majority of the people to pave the way for improved social justice.

The official national development agenda provided by NEEDS and Vision 2010 gives important clues which respond to the questions and issues raised.

Vision 2010, Chapter III, paragraphs 61 and 62, provide that:

In view of the lessons of the present global and Nigerian economic realities, Nigeria's economic aspirations shall henceforth be:

To make Nigeria a major industrialized nation and economic power that continually strives for sustained economic growth and development towards improving the quality of life for all Nigerians.

The elements of these aspirations include:

- i. Development of a strong public and private sector partnership which fosters a strong economy that is private sector-driven with the government as the enabler;
- ii. Enhancement of exploitation of the nation's hydrocarbon, agricultural and mineral resources, tourism and sporting talents;
- iii. Promotion of entrepreneurship and competition within the ambit of fair, equitable and enforceable laws;
- iv. Massive investment in education, health, technology and infrastructure;
- v. Involvement of the community in projects from conceptualization through execution to maintenance;

- vi. Movement towards export-oriented production, manufacturing and industrial sectors; and
- vii. Opening up the economy to participation by indigenous and foreign investors.

For the purpose of translating these statements into export thrust, we refer to the following:

Among the core objectives required to achieve these goals and aspirations may be identified:

- Use Nigeria's wealth of gas, petrochemicals, agriculture, solid minerals, cultural and other resources to diversify the economic base through the development of an internationally competitive and export-oriented production, manufacturing and industrial non-oil sector. Nigerian products must meet international standards and be able to compete in the global market-place, thereby significantly increasing the volume and proportion on non-oil exports, so that the country can reduce the current dependence on oil.
- Develop and/or acquire production technologies to accelerate the growth and development of small and medium-scale businesses to provide wider economic opportunities and employment, and alleviate poverty.

In sum, during the vision period, Nigeria's development process will be people-centred, broad-based, market-oriented, highly competitive, self-reliant and private sector-driven. The envisaged structure of exports would indicate the thrust of export development, the technology and skill requirements.

The target and projected composition of exports in Vision 2010 is as follows:

2.5.1 Target composition of Nigerian exports (%)

	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
Agriculture (primary)	1.8	4.0	5.0	8.0
M/SM Agriculture	0.2	2.0	8.0	15.0
Manufacturing	0.7	2.0	5.0	8.0
Gas	0.0	1.0	4.0	5.0
Solid minerals	0.0	0.5	1.5	2.0
Crude oil	97.4	90.5	76.5	62.0

Source: *International Trade Group Report (Vision 2010)*

It is significant to note the systematic reduction of national dependence on oil. The main thrust is in the **agro-industrial sector** followed by **agriculture and manufacturing**. Naturally the agricultural sector should produce the raw materials to

be processed and should therefore grow in tandem with agro-processing. The growth of general manufacturing should support both agro-processing and agriculture, especially the inputs as well as other product groups.

The skills required for achieving the envisaged product-mix may be identified as mainly science, technology and engineering-based. Private sector export companies and their representative organizations may need to re-tool and new companies set up. The core organizations and agencies in the institutional infrastructure for export promotion would need to make substantial changes in their modes of operation to be able to respond to the needs of the new export scenario.

2.5.2 Table 2: Nigeria's non-oil exports profile by SITC product group period (1996-2000)

MODULE 3: INSTITUTIONAL INFRASTRUCTURE FOR EXPORT PROMOTION

3.1 Situation analysis

This Section is concerned with the core institutions in the infrastructure for export promotion and how they should work together to implement and manage the export strategy. It attempts to establish the relevance of the infrastructure to the strategy, define the appropriate institutional mechanism required for implementing the export strategy and managing the process, presents a review of the present status of some of the main institutions and the interventions or action plan required to strengthen or “re-tool” the lead institution and certain important institutions in the infrastructure to enable them to undertake their functions effectively and for the lead institution to fulfill its mandate in general and the objectives of the strategy in particular.

The institutional infrastructure for export and trade promotion is represented by core service provider institutions with specific export-related mandates, their service delivery capacities and the way and manner in which they work to prosecute the national export promotion effort. The export institutional infrastructure is represented by 3 categories of institutions, namely,

- i. Those that engage in direct export and trade promotion activities as their regular function;
- ii. Those whose functions have a direct bearing on the performance of the export sector; and
- iii. Institutions that provide direct training on a regular basis in subjects that are related to export activities, such as marketing, quality management, packaging and logistics.

Presented hereafter is a classification of the core institutions.

Institutional infrastructure for export promotion

Institutions active in direct trade and export promotion	Institutional service providers whose operations impact in varying degrees on export operations and performance	Institutes whose training programmes contribute to HRD in the export sector
<p>Nigerian Export Promotion Council (NEPC)</p> <p>Manufacturers' Association of Nigeria (MAN)</p> <p>Association of Nigerian Exporters (ANE)</p> <p>Nigerian Association of Chambers of Commerce, Industries, Mining and Agriculture (NACCIMA)</p> <p>Local City Chamber of Commerce and Industries</p> <p>Associations of exporters of produce</p> <p>Nigeria Association of Women Entrepreneurs (NAWE)</p> <p>AGOA Secretariat</p>	<p>Ministry of Commerce</p> <p>Nigerian Customs Service</p> <p>Standards Organization of Nigeria (SON)</p> <p>Nigeria Agency for Food and Drugs Administration and Control (NAFDAC)</p> <p>Nigerian Export-Import Bank (NEXIM)</p> <p>Central Bank of Nigeria (CBN)</p> <p>Nigerian Investment Promotion Commission</p> <p>Federal Ministry of Agriculture: - Nigeria Plant Quarantine Service (NPQS)</p> <p>Federal Ministry of Industries</p> <p>Federal Ministry of National Planning</p> <p>Federal Ministry of Finance</p> <p>Export Processing Zones</p> <p>Federal Ministry of Transport: a. Aviation</p>	<p>Institute of Export of Nigeria, Yaba</p> <p>Multimix Export Academy, Lagos</p> <p>ASCON Administrative Staff College of Nigeria (AASCN)</p> <p>Nigerian Institute of Marketing</p> <p>Overseas Export Training Institute</p> <p>Other consulting and training firms</p>

	<ul style="list-style-type: none"> b. Nigerian Railway Corporation c. Road Network d. Nigerian Shippers Council e. Nigeria Port Authority (NPA) f. National Maritime Authority (NMA) <p>Federal Ministry of Science & Technology:</p> <ul style="list-style-type: none"> a. Research Institutes b. Raw Materials c. Research and Development Council d. Technology Business Incubation Centres (TBIC) <p>Development and Commercial Banks</p> <p>Export Pre-shipment Inspection Agents</p> <p>National Office of Technology Acquisition and Promotion (NOTAP)</p> <p>Federal Ministry of Solid Minerals Development</p> <p>Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)</p>	
--	---	--

3.2 **Institutional mechanism and coordination**

Export promotion is a multi-dimensional activity that requires the collaboration and concerted effort of not only the three categories of core institutions in the above table but also other key institutions in both public and private sectors. A major initiative such as export strategy must be initiated, owned and managed by a specific lead institution in partnership with other stakeholder institutions and the beneficiary private sector companies all of which must collaborate to implement the strategy. The official mandates of the

respective organizations identified differ considerably in scope and substance. There are organizations whose mandates focus specifically on export promotion, like NEPC and Association of Nigerian Exporters (ANE), while others focus on certain specific export-related support services like Nigerian Standard Organization and NAFDAC, for example. Without the appropriate enabling environment, export activities will be handicapped. Thus the Federal Ministry of Commerce and the Central Bank of Nigeria, through their respective policies, shape the export environment while the manner in which the Nigeria Customs Service, for example, undertakes customs administration exercises a critical influence on export activities; it may encourage or discourage export activities.

Without financial lubrication provided by the Nigerian Export-Import Bank (NEXIM) and other commercial banks, for example, the wheels of export cannot move. In the various preceding scenarios described, leadership is crucial. In view of the variety of technical functions of the respective core institutions and the absolute need to coordinate and harmonize these functions, the role of the lead export institution is similar to that of the conductor of an orchestra. The conductor may not be familiar with the technicalities of playing the individual instruments but he knows their individual roles in a teamwork for creating a melodious piece of music and how to coordinate the various instruments for desired results. The effectiveness of the leadership role of the conductor (i.e., NEPC) is key to the success of the orchestra (i.e., the institutional infrastructure). The strategic role of the conductor is that of coordination of the activities of all key players. In order to play this role, the leader should be competent and be resourced sufficiently. That means NEPC should function as an effective organization. Its internal organization and methods should be functional and conducive to efficiency. The organization should be provided with adequate financial resources and the right caliber of staff to undertake its statutory functions.

3.3 Soft and hard output concept

A critical examination of the functions and outputs of the organizations in the institutional infrastructure would reveal that the body of institutions is essential for planning, executing and managing the implementation of the non-oil export expansion and diversification programme but, on its own, it cannot turn the export fortunes of the country around. This is because it can only produce what may be termed “soft outputs”. In order to effect the envisaged structural transformation and expansion of exports, the soft output has to interact with the “hard output” that can only be produced in major sectors such as agriculture, manufacturing, mining and service industries. The corollary is that NEPC has to interface with the Federal Ministries of Agriculture, Industries, relevant Departments and Agencies as well as with private sector companies and other entities outside the core institutional framework. It is therefore essential for the Federal Ministry of Commerce to give NEPC the necessary support and political clout.

The critical question is, are the core institutions in the right shape technically and functionally to play their respective and envisaged roles? For the

appropriate response, we conduct a review of the status of some of the major organizations in the institutional framework.

3.4 Nigerian Export Promotion Council (NEPC)

The Nigerian Export Promotion Council (NEPC) was legally established through the Nigerian Export Promotion Decree No.26 of 1976 and was formally inaugurated in March 1977. After the Decree had gone through a series of amendment, including Decree No. 41 of 1988 which re-organized the institution, NEPC has settled for a structure, which provides for the following Departments:

- i. Personnel and Administration;
- ii. Finance and Supplies;
- iii. Trade Information and Incentives;
- iv. Product Development, and
- v. Market Development.

The office of the Executive Director (OED) was strengthened by creating units which report directly to the Executive Director, namely:

- a. Planning, Monitoring, and International Cooperation
- b. Strategic Service
- c. Internal Audit
- d. Public Relations

NEPC has a statutory responsibility for advising the Government on export development policies and measures, implementing them and regulating activities in the sector. Its core functions that emanate from its corporate objectives include:

- i. Promotion of the development and diversification of Nigeria's non-oil export trade;
- ii. Assistance in promoting and developing export-related industries in Nigeria;
- iii. Creation and administration of export incentives; and
- iv. Formulation and implementation of export policies and programmes of the Nigerian government.

Based on the preceding functions, NEPC undertakes a range of export-related promotional activities and provides to exporters support services, among which may be mentioned: administration of export incentives, organizing participation in trade fairs and exhibitions, providing trade information service, organizing export seminars/workshops, export sensitization and training events, and providing technical advisory services in key export operation areas, such as packaging, quality standards, costing and pricing of exports, marketing, product development and adaptation, transportation and financing and undertaking specific export-related studies on markets,

products, functions and supply situations, etc. It administers Nigeria's export incentives scheme as a core activity.

3.4.1 Observations

There are statutory provisions for resourcing NEPC financially that are predictable and enabling NEPC to undertake its statutory responsibilities. So far, the resourcing provisions have not been implemented. It is about 27 years ago that NEPC was established. Although there were a few follow-up amendments after which NEPC settled for a definite structure and core functions that emanated from its corporate objectives, extensive and profound changes have taken place in the international trade environment only in the past ten years, driven by technological revolution, resulting in globalisation that has rendered the world a global village without “frontiers”, characterized by fierce trade competition. This phenomenon has radically changed the way and manner in which international trade business is conducted. If NEPC is to carry out effectively its statutory functions of playing a leadership role in Nigeria’s institutional infrastructure for export promotion, it should upgrade its technical “modus operandi” to a level at least at par with those of Nigeria’s competitors, foreign trade companies and of promotional institutions in similar developing countries whose competitiveness has enabled them to be acknowledged as “success stories”. A starting point may be to look at the technology of export promotion, the equipment used, the kind of programmes pursued, the skills being used and the manner in which they are deployed. It may then be necessary to conduct a similar “audit” of NEPC with a view to making appropriate recommendations to “re-tool” the organization and resource it as appropriate to enable it to perform its statutory functions effectively in these modern times.

In order to come up with a strategic approach to strengthening NEPC institutionally to play an effective role in the institutional infrastructure for export promotion, an analysis of the organisation’s internal operations vis-à-vis the needs of the export sector is presented below.

3.4.2 Review of NEPC’s internal status

In year 2002, RESTANN Nigeria Limited, a local consulting firm, conducted an analysis of the set-up and internal operations of NEPC, using a questionnaire which it administered to the NEPC staff. The analysis of the data revealed some important information which is useful to the export strategy formulation exercise. The important findings and conclusions, which were subjected to review and validation by the COMSEC Advisor, are summarized below:

1. The respondents were not able to describe in qualitative or quantitative terms, the performance of their respective functional areas. The conclusion was that performance targets were probably never assigned or agreed.
2. The respondents, however, were able to identify and assess the relative strengths and weaknesses of their functional areas or of the corporate organization.
3. The Council's employees appear loyal, committed and resourceful in pursuing the attainment of organizational goals and objectives.
4. The Council has been able to cultivate a good relationship with its supervising Federal Ministry (Commerce) and related government agencies in implementing policies to permit the growth of the export sector.
5. The Council's relationship with stakeholders is considered harmonious and satisfactory.
6. There existed strategies at functional level but it was not clear if these strategies fitted into the overall corporate strategy. It was also doubtful if the functional level strategies were properly documented, communicated and understood by all relevant line officers.
7. There existed a corporate strategy for the promotion and development of the non-oil export sector. However, it was not clear if this strategy was effective or generally acceptable to exporters and stakeholders who were considered the core clients of the Council.
8. The portfolio of products or services offered by the Council was generally considered adequate and diversified. How this compares with those of TPOs in other export competitor countries would need to be verified.
9. The current organizational structure is generally considered adequate for the implementation of functional strategies.
10. Working methods, however, appear too bureaucratic and the feedback system, if any, is too weak to produce sufficiently effective results.

11. The quality of staff is considered one of the Council's strengths. How well they are deployed, how effective they are in performing their assigned tasks, and the extent to which their training needs have been assessed and addressed, remain questionable.
12. Lateral communication amongst peer employees needs to be improved. Likewise, 2-way vertical communication between top managers and junior employees.
13. Leadership skills are considered good but may be suffering from civil service bureaucratic-type syndrome and the trammels of the supervisory Federal Ministry.
14. Export promotion and development functions of the Council are constrained from being carried out effectively due to lack of adequate and reliable funding, absence of performance targets, lack of focused and well-articulated strategies.
15. The Council's marketing and service network, encompassing 10 zonal offices, is sufficiently spread in the country. However, owing to numerous constraints, it is not functioning the way it should. The envisaged overseas Trade Promotion Desks are yet to be established and staffed with well-trained personnel with clear objectives and performance targets.
16. The apparent limited penetration of export markets by a significant number of Nigerian companies indicates, among other things, that entry barriers remain a major hindrance to Nigeria's export growth or/and there are supply side rigidities.
17. The plan to establish a modern information technology infrastructure and facilities is yet to be implemented. At the time of writing, IT infrastructure hardly existed in NEPC except for one office if it worked. Without that Nigeria will hardly be in the global competitiveness race.
18. *Product development oriented research and/or collaboration with specialized institutions in that field is insufficient, if any.*
19. *The exporters' general perception of the Council's service delivery efficiency is not very favourable in the great majority of cases, except for the export companies that felt assisted in specific isolated cases.*

3.4.3 Conclusions

The conclusion drawn from the analysis of the responses is that there does not appear to be in existence a credible, well articulated and documented strategy and action plan that the Council can implement to achieve its short, medium and long-term goals. On the contrary, the Executive Director confirms the existence of a corporate plan for NEPC but has expressed his reservations as to whether it is good and valid enough for its implementation to lead to achievement of the statutory goals and objectives of NEPC.

3.4.4 *Recommendation*

Based on the statutory provisions of its establishment and the radically changed international trading environment, the objectives and functions of NEPC as formulated should be re-visited, reviewed and reformulated if necessary to align them to the dynamic trade environment of today. Indeed, NEPC should be re-engineered and, if need be, properly located in the Federal Government's institutional set-up where it can function with sufficient autonomy.

3.4.5 Action Plan

Since NEPC is the most important organization in the export institutional infrastructure, any action to strengthen the institutional infrastructure should start with NEPC. Moreover, NEPC is the lead organization for implementation of the export strategy and must be empowered to undertake this task effectively. Various statutory export support funds and export development funds that have been earmarked for development of non-oil exports and for supporting specific operations of NEPC, among others, have not been released for over a decade and need to be urgently operationalized. Certain important actions need to be taken:

1. Within the Federal Government institutional structure and arrangement, take whatever action that is feasible to upgrade the institutional profile of NEPC to be able to function unfettered, with reasonable authority, autonomy and access to predictable flow of adequate financial resources.
2. Re-focus and prioritize the NEPC's services in a manner that reflects the priority needs and demands of its clients in the export sector. According to a recent survey conducted in a representative sample of developing countries, including countries in similar situation as Nigeria, the most important service needed and for which operators in the export sector are prepared to pay is trade and business information. The range of such information covers identification of buyers of specific

products, buyer requirements, market access requirements, prices on which to plan business operations and on the basis of which to negotiate transactions, product related information, sources of technology, equipment and raw material inputs, etc. The relevant databases should be developed and managed properly.

3. The Zonal Offices should be provided with the requisite information and communication technology (ICT) system, networked and linked to the Headquarters hub for fast access to, and dissemination of, information. The Zonal Offices should have at their disposal adequate and predictable financial resources for undertaking operations, especially as they represent NEPC's field operational arm that reaches out to the grassroots.
4. The trade and business information service should have a technical back-up provided by the Department of Product and Market Development and a research library, adequately stocked with documentation that responds to the needs of clients. The clientele of the research library comprises mainly operators in export, import and local business, researchers, students and government. The Product and Market Department should be resourced with qualified technical personnel, equipment, systems, documentation and finance to generate fresh data through research on markets and products as well as on related opportunities for dissemination to relevant target groups.
5. The Product and Market Development Department should forge a working relationship with research institutes and science and technology faculties of the universities and polytechnics with a mandate to undertake product and raw material engineering and development to secure the necessary information for the development of new export products and improvement of existing ones. NEPC should be a link that ensures a 2-way flow of information between the research institutions and the manufacturing sector. That will enable the export product development needs of the manufacturing sector to be addressed by the research institutes and the research outputs utilized by the manufacturing sector and relevant grassroot groups.
6. Export project identification and dissemination of information thereof for promotional purposes would seem to generate more private sector interest in export. This approach will prepare the ground for NEPC to start charging small fees for these services because such services are market driven. Services can attract fees only if they are useful and their quality is uncompromisingly impeccable and reliable. Services purchased are likely to be used and the quality of services sold is more likely to be maintained than otherwise. Revenues from such

services will form the nucleus of diversification of the financial resource base of the organization. The functions of the Department should reflect the priority needs of the export sector. This means the Department must maintain contact with the export operators. Therefore, at reasonable intervals, surveys should be undertaken to update client need identification and assessment and adjustments made as appropriate in the services provided in order to maintain the relevance and effectiveness of the services.

7. Next in demand to trade and business information is market studies on products covering selected countries and geographical areas to generate data that ascertain the export market possibilities for specific products. The Department should develop the capability to undertake the following studies, for example:
 - market studies
 - export potential studies
 - product supply studies for agro and industrial products
 - service exports studies
 - export project analysis and appraisal
 - business plans
 - export feasibility studies

Again, these are all marketable “products” that can serve as a basis for diversifying the revenue base of NEPC, depending on the quality of the “products”. If services are paid for however small, they are valued and likely to be used properly; the service provider is compelled to endeavour to maintain the service quality. Even if they are provided free of charge, the value should be known to the recipient. As an incentive to maintain the level of these service products, the staff directly responsible for producing the studies should be paid at least a third, if not half, of the proceeds accruing from the sales as a research allowance.

8. Another important need of the export companies is credit. This is unfortunately very costly and not easy to access. NEPC, however, should have a service that assists export-oriented SMEs to improve their creditworthiness, prepare them to approach banks if they so choose and subsequently assist them to improve their performance and ability to repay their credits. NEPC should establish a rapport with NEXIM and other banks to facilitate SMEs access to credit. (See below company visit advisory and extension services.)
9. Another area where service is in demand is company visit advisory (extension) services, covering subjects in various trade functions, namely,
 - costing and pricing

- quality management
- packaging
- advertising and commercial publicity
- participation in trade fairs and exhibitions
- information management
- business accounting and financial management

The latter subject is not per se related to export but cannot in any case be separated from the operations of the enterprise. NEPC does not need to have all services needed by SMEs under its roof. It should have an arrangement with service providers.

10. The public has demonstrated considerable interest in the various one-day or short-term seminars organized by NEPC on various export-related subjects. These should continue in order to sensitize the public on export. They should continue to be supported with written technical papers which should be distributed through the Zonal Offices in advance for study by the target groups. Training in specific subject areas of export should continue for target groups, such as export companies. However, long-term institutional training for mainly young people should ideally be placed in existing institutes that are already undertaking similar training programmes and have established a credible track record. NEPC should sponsor such programmes in institutes rather than trying to do this by itself, since this might result in a shift of focus from its core functions. Alternatively, NEPC may start a nucleus export institute as a programme in an existing institute. When it grows it should be given an autonomous status, separated from the institute or the organization, and maintained as its training wing.
11. Trade, investment and tourism promotion remains an important concern on the Federal Government. For economy reasons, NEPC officers can be trained to handle investment and tourism promotion in addition to trade promotion using specific promotional tools and techniques developed for this purpose based on experiences in the Nigerian context. The trained officers should be deployed as commercial counsellors (trade attachés) to assist Nigerian foreign service staff on posting to carefully selected embassies and high commissions worldwide.
12. NEPC should be restructured and re-engineered to reflect the market-driven services that it has set out to provide. Similarly, staff training should be based on the priority needs of the clients, so that staff is empowered to be service oriented. Supply of equipment and documentation should all be geared to provision of service to the export sector. Therefore,

- i. A new corporate plan should be drawn up to reflect the client service-oriented institutional re-focusing and restructuring.
- ii. It should have a Vision Statement.
- iii. It should have a Missions Statement.
- iv. It should have clearly defined objectives and targets at functional level.
- v. Each Department and subset thereof should have objectives and output targets which all “add up” to the corporate objectives, targets and goals. The annual work plans with output targets should have benchmarks that indicate progress, or otherwise, towards the achievement of departmental objectives.
- vi. To complement and operate the Corporate Plan, a Performance Management System and a Staff Development Plan should be drawn up and established. The performance management system should, inter alia, indicate performance targets of Departments and staff work plans as well as the criteria on which to base staff periodic assessment. If properly drawn up, this should reveal staff training needs, with inputs from staff members themselves, which should be properly planned and implemented to prepare and empower staff members to undertake their tasks effectively.
- vii. Resources permitting, a corporate management information system should be established to strengthen the internal communication and team-work of the staff.
- viii. When staff are trained, they become more marketable. There should therefore be a solid plan to reward and retain staff. In general, staff remuneration should be made attractive and kept under review in the light of the cost of living and competitive salaries and conditions of service offered in similar organisations and private sector companies. Because of the nature of NEPC’s work and professional requirements, the expertise of the staff is in demand in the private sector, especially in commercial firms, where salaries are relatively high. NEPC should take this important fact of competition into account in its labour employment, productivity and incomes policy. For example, a competent staff member can easily become an export manager in a commercial firm.
- ix. The Federal Government should give NEPC the kind of autonomy and profile that will enable the organization to operate as a quasi-private/public sector entity to be able to play the role of an effective “conductor” of the export institutional “orchestra”. The structure of NEPC’s Board of Directors should reflect the organization’s service orientation towards the private sector.

3.5 The Standards Organization on Nigeria (SON) and The National Agency for Food and Drug Administration and Control (NAFDAC)

The Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC) are important organisations within the national export and trade institutional infrastructure on account of the critical functions that they perform which are related to both internal and external trade (export and import). It is important that the two organizations perceive themselves more as trade-related organizations. In this, the Federal Ministry of Commerce has an important coordination role to play.

In general, SON sets quality standards to which producers and traders in manufacturing, agriculture and fishing are obliged to adhere in their product development activities with respect to product quality, packaging and labelling in order to meet requirements of health, safety and the environment. NAFDAC's main role is enforcement of compliance with the set standards and standards administration. The work of the two organizations is mutually complementary. In trade, the activities of the two organizations pertain to "technical barriers to trade" (TBTs), involving product quality, packaging and labelling. Apart from ensuring that locally made and foreign products meet the quality, packaging and labelling requirements of health, safety and the environment in Nigeria, the two organizations are expected to collect, maintain and update data on market access for Nigerian export products in foreign trade partner countries and not only disseminate this information to Nigerian exporters but also assist them to comply with the requirements. Under World Trade Organization (WTO) rules, all the Contracting Parties (country members of WTO) are enjoined to comply with notification requirements by providing information on their market access requirements and any changes thereof. This information is made available to all Contracting Parties. Naturally, the two organisations should work in collaboration with NEPC to assist Nigerian exporters. Hence, the importance of networking and co-operation among the core organisations in the export institutional infrastructure.

The standards under reference are in fact WTO standards of the multilateral trading system (MTS). However, the European Union and the United States have set their own standards. In general, the WTO, EU and US standards are basically the same except for certain details. For example, the sanitary and phyto-sanitary (SPS) regulations of the WTO are applicable in the United States for fresh foods. However, the rules are made more rigorous for fish and fishery products in the US by the application of the Hazard Critical Control Point (HCCP), which is more stringent than the SPS requirements. Since NEPC is the national focal point for export promotion, it should take the initiative to collaborate with these two institutions on all TBT-related issues impacting on export activities.

3.5.1 Action Plan

1.0 Functions

- 1.1 Continue to advise exporters on quality, packaging and labelling standards for locally produced goods and imported products according to WTO standards and for Nigerian products destined for European and US markets according to the market access requirements of those countries.
- 1.2 Maintain a database on market access requirements regarding quality standards for products, packaging and labelling for countries that Nigerian exporters wish to trade with.
- 1.3 Organise seminars and workshops for Nigerian exporters for awareness creation, upgrading of technical knowledge on standards and market access issues.
- 1.4 Assist Nigerian exporters to adapt their products to market access requirements of the destination countries.
- 1.5 Undertake research on quality of Nigerian products.

2.0 Needs: Provide the following:

- 2.1 Training opportunities within and outside Nigeria to upgrade technical knowledge of the responsible staff of SON, NAFDAC and NEPC.
- 2.2 Technologically up-to-date laboratory equipment, consumables and products for scientific research and product testing.
- 2.3 Electronic data processing, management and dissemination equipment and materials in hard- and software and consumables.
- 2.4 Finance for undertaking identified activities.

3.6 Nigerian Export-Import Bank (NEXIM)

The Nigerian Export-Import Bank (NEXIM) was established by Act 38 of 1991 to provide to the Nigerian export community finance, risk-mitigating facilities, trade information and advisory services in support of export.

The main statutory functions of the Bank are:

- i. Provision of export credit guarantee and export credit insurance facilities to its clients;
- ii. Provision of credit in local and foreign currencies to clients in support of exports;
- iii. Establishment and management of funds connected with exports;
- iv. Provision of trade information and export advisory service in support of export business;
- v. Provision of investment guarantees and investment insurance facilities.

3.6.1 Products and services:

The bank currently provides the following products and services:

a. **Export credit rediscounting and re-financing facility (RRF)**

It is a facility designed to assist exporters through banks to provide pre- and post-shipment finance in local currency.

b. **Foreign input facility (FIF)**

FIF provides a manufacturing exporter with foreign exchange for the importation of raw materials, packaging materials and capital equipment needed for production of goods destined for export. The facility is made available to an exporter in foreign currency and is repayable in foreign currency. The facility is presently suspended because of foreign exchange constraint.

c. **Local Input Facility (LIF)**

The Local Input Facility (LIF) provides exporters with finance to source mainly local machinery. It has a maximum term of 3 years. It requires a full collateral or adequate security.

d. **Stocking Facility (SF)**

This facility, given in local currency, is meant to encourage banks to extend credit to local manufacturers of exportable goods to procure adequate quantities of local raw materials, which may be seasonal in nature, and which are needed to keep production at optimal levels during periods of scarcity. The duration of the facility is a maximum of 12 months.

e. **Risk-bearing facilities**

One of the principal functions of NEXIM is the provision of facilities which reduce the risk of exporting or extending to exporters credit, financial or insurance protective support.

The facilities are:

- Export Credit Guarantee Facility (ECGF)
- Export Credit Insurance Facility
- ECOWAS Inter-State Road Transit Scheme (ISRT)

f. **Trade Information and Advisory Services**

NEXIM has established a trade library and has subscribed to commodity, trade and financial journals and documentation of international repute. It also maintains electronic data on

relevant issues. This enables it to provide updated trade information service to the export community within its reach.

3.6.2 Observations

NEXIM offers quite a wide range of banking products, which on their own should encourage more export activities. The fact that exports are not expanding sufficiently means there is a lot more to export expansion than financial products even if they are tailor-made to local needs. It is not clear to what extent the services of NEXIM are accessible to an average exporter or prospective exporter. The outreach of the services and products of the bank appear very limited. It will be useful to conduct a fact-finding exercise to determine the extent to which the facilities are used by the exporting community.

3.6.3 Action Plan

- i. NEXIM should embark on a publicity campaign targeted to the export sector on its products and services.
- ii. NEXIM needs to occasionally organise field research to maintain the relevance of its database to the needs of the export community and to find out from clients and potential clients why export activities are not expanding sufficiently as expected and to determine what else within its mandate to do to spur exports. If its products are not well patronized it means there is a gap between what the bank is offering and the demand profile of the clients.

3.7 Nigerian Investment Promotion Commission (NIPC)

3.7.1 Functions and services

The Nigerian Investment Promotion Commission (NIPC), established under the NIPC Act of 1995, is responsible for promoting investment in Nigeria. The decree established NIPC as a one-stop agency which facilitates investments location and the process of setting up and granting of the necessary approvals and entitlements. The Decree eliminates quantitative and qualitative barriers to free investment in Nigeria, particularly for foreign investors. The provisions of the Decree allow foreign investors to buy unlimited shares of the quoted companies through the Nigerian Stock Exchange in any convertible currency. A-100% equity ownership of business is allowed.

NIPC is not directly concerned with export promotion *per se*. However, to the extent that it promotes investments in Nigeria and any of such investments may be destined wholly or partly for production of exportable goods, NIPC is to be considered engaging in export oriented investment promotion and therefore forms an important part

of the export institutional infrastructure and a close working partner of NEPC's.

3.7.2 Action Plan

- i. NIPC should be adequately funded so that it can enhance its operations.
- ii. NIPC should pay adequate attention to domestic sources of investment.
- iii. The export dimension of NIPC's activities should be expanded in collaboration with NEPC.
- iv. NIPC should more actively engage in export-oriented local and foreign direct investment promotion and focus on identification of investment projects with export potential. The activity should include preparation of profiles and export opportunity studies for such identified projects and seminars to disseminate information on the identified projects with a view to interesting prospective investors, exporters and business sector operators in them.
- v. NIPC should play the role of a truly one-stop investment promotion centre and take over from prospective domestic and foreign investors the chores of going through bureaucratic procedures and seeking basic facilities such as telephone, electricity, water, office space, housing, land, personnel, etc.

3.8 **Private sector promotional organisations and business associations**

3.8.1 Organisational set-up

There are many private sector organisations and associations established for specific purposes notably the Chambers of Commerce and NACCIMA, Manufacturers' Association of Nigeria (MAN), Nigeria Association of Women Entrepreneurs (NAWE), Association of Nigerian Exporters (ANE), Association of various commodity producer exporters (cocoa, coffee, cotton, cashew, oil seeds, kola-nut, spices, etc.). The associations usually pursue the commercial interests of their members, checking on world prices, promoting their products in the export market and pursuing the entitlements of their members to export incentives and benefits. In their own way, they contribute to the total national effort for export promotion.

3.8.2 Strategic intervention

- i. NEPC in its leadership position should arrange periodic meetings with these organisations and continue to intervene on their behalf as needed.
- ii. In most cases they want the best prices for their products and seek reliable buyers. NEPC should use its research facilities to assist these associations and organisations and give them market lead.

- iii. The associations and organizations should be assisted with seminars and technical advice on product quality, packaging, labelling and other market access requirements as well as with cash grants, so that they can take care of their needs.
- iv. The associations must be assisted with electronic trade information system networked as appropriate. The system should maintain databases on buyers of the associations' products, current prices of the commodities and access requirements of target market countries.
- v. The associations should be assisted with opportunities for staff training in areas relevant to the work of the respective associations.

3.9 ASCON Administrative Staff College of Nigeria (AASCN), Nigerian Institute of Marketing (NIM), Nigerian Institute of Management (NIM) & MULTIMIX

3.9.1 Description of activities

These training institutes and college offer courses, which are relevant to export management and marketing. The courses complement the training events organised by NEPC, although NEPC's seminars tend to be export sensitisation seminars and workshops more focused on specific areas of export operations and are targeted at actual and prospective exporters.

3.9.2 Strategic intervention:

Arrangements should be made to develop curriculum on export management and international marketing based on the assessed training needs of the target groups. There are two main categories of target group: students and exporters. Exporters need very short and well-focused courses, so that they are not absent from their businesses for a long time. In the case of students, the courses may be integrated into the regular core courses of the institutes. Such courses should be established in as many suitable institutes as possible nation-wide across the various ecological zones.

The training institutes should be assisted with books and other training materials in soft and hard copies, visiting lecturers, scholarships and training opportunities for the lecturers, and training of trainer courses as well as with cash grants.

3.10 AGOA Secretariat

3.10.1 Description of functions

The African Growth and Opportunity Act (AGOA) Secretariat was established to promote:

- i. the development of Nigerian exports to the United States, and
- ii. direct American investments into Nigeria in order to manufacture products to take advantage of the trade opportunities under AGOA.

Its functions therefore supplement those of NEPC but with a difference. While NEPC promotes exports to destinations globally, promotion of Nigerian exports by AGOA Secretariat is directed specifically to the United States, where under AGOA the export products which have passed the eligibility tests are given a quota free and tariff-free entry to the United States market.

The United States market is huge. Therefore import orders into the US market are usually huge and are likely to exceed production capacities in Nigeria apart from the fact that production in Nigeria is not developed, diversified and sophisticated enough. The approach to responding to the opportunities under AGOA needs to be radically different from the usual practice in the Nigerian business and trade environment. The approach will likely involve greater partnership building among producers within Nigeria and with similar producers in the West African sub-region. It will require identification of opportunities for outsourcing of materials and services from the US to Nigerian producer/suppliers, subcontracting, production of base materials as inputs, acquisition of new technology, sharing and pooling production capacities and joint ventures. For these initiatives, the Secretariat should look not only within Nigeria but beyond the frontiers of Nigeria in the ECOWAS sub-region. The AGOA Secretariat needs to strengthen collaboration with NEPC and use the technical staff and facilities and with ECOWAS Secretariat's SIGOA-TOPS, the trade and business database of ECOWAS, and use the facilities to the advantage of Nigeria.

3.10.2 Strategic Intervention

- i. Assistance to the AGOA Secretariat should focus on identification of buying companies in America that wish to obtain certain products from Nigeria. The specifications of such products should be obtained and passed on to the AGOA Secretariat and the potential Nigerian producer/suppliers.
- ii. In certain cases the US importers should be encouraged to establish production capacities or systems in Nigeria in order to create jobs and have better regulation of the supply of the products and facilitate compliance with specifications and other concerns.

- iii. AGOA Secretariat should develop a strategy which focuses on identification of opportunities in ECOWAS for partnership building in order to strengthen Nigeria's response to AGOA.

3.11 Export Processing Zones (EPZ)

3.11.1 Description and functions

The Export Processing Zone concept may be considered a composite export incentive under which artificial enabling conditions are created within geographical enclaves to attract companies to establish export-oriented factories and other industrial facilities.

Under the Nigeria Export Processing Zones Decree of 1992, the Nigeria Export Processing Zones Authority (NEPZA) administers the Nigerian EPZ programme. NEPZA is empowered to approve new zones, modify existing ones, grant required permits and approvals for operators in the EPZs, and manage such zones.

The approved activities are warehousing, freight forwarding and customs clearance; handling of duty-free goods (trans-shipment, sorting, marketing, packaging, etc.); banking, stock exchange and other financial services; and insurance and re-insurance. Manufacturing activities include assembling or processing of goods for export, provided exports total at least 75% of turnover during the assessment year.

Under the 1992 decree, domestic laws on taxes, levies, duties and foreign exchange regulations do not apply within the zones, and approved enterprises operating within them are exempt from all government taxes and levies. Imports may include any capital goods, consumer goods, raw materials, components or articles intended to be used for the purposes of and in connection with an approved activity, including any article for the construction, alteration, reconstruction, extension or repair of premises in a zone or for equipping such premises.

New industrial undertakings, including foreign companies and operations inside or outside an EPZ in Nigeria, are allowed full income tax holidays for three consecutive assessment years under certain provisions.

Up to 25% of production may be sold in the Nigerian territory against a valid permit, and on payment of the duties in force. Enterprises operating in a zone and supplying or purchasing goods and services to or from customers within the customs territory may pay in foreign currency under the rules and regulations applicable to external trade.

Foreign investment, including capital gains, in the zones may be repatriated at any time. Profits and dividends earned by foreign

investors in the zones may also be remitted at any time. No import or export licences are required. Land is provided rent-free at the construction stage.

The decree prohibits strikes or lockouts for a period of ten years following the commencement of operations within a zone. Any trade dispute arising within a zone must also be resolved by the Authority.

Similar schemes with slight modifications exist in enclave forms in the customs territory. These are Manufacture-in-Bond and Export Processing Factories.

3.11.2 Recommendations for the Export Strategy

- i. The government should periodically conduct fact-finding surveys to assess the situation and make recommendations which should be considered and implemented to ensure that the EPZ scheme is working satisfactorily and that NEPZA listens to its client resident companies.
- ii. The government should endeavour to replicate in the customs territory some of the factors that contribute to the enabling conditions in EPZ.
- iii. The EPZ scheme should be considered an instrument for export promotion and accorded the appropriate status in the Export Strategy (See the Schematic Implementation Plan).

MODULE 4: PRODUCT AND MARKET DEVELOPMENT

The basis of trade is production, be it merchandise or services. The products must be sold in specific destination markets. Market selection and prioritisation for targeting specific products is an important exercise in the export strategy. However, this is better done if specific products (e.g., pineapples and fresh chillies), rather than product groups (e.g., horticultural products), are considered. This is because pineapples may find a lucrative market in Germany while the best market for chillies may be in the UK, even though the two products belong to the same product group or sector. Therefore, it is not entirely correct to generalise that one target market is best for horticultural products as a group. Product selection from product sectors is an exercise to be conducted with full participation of Product Sector Strategy Groups (i.e., the stakeholders) in the next phase of the national consensus building process on export.

4.1 Criteria for market selection

For the reasons explained in the preceding paragraph, it is only when we move from the "product sector" stage to "product specific" stage that market prioritisation for a marketing strategy becomes meaningful. Until that is done, we can only set the criteria for market selection in broad terms.

As a general rule, the important considerations for market selection are:

- geographical proximity
- market access requirements
- competition
- prices and profitability
- risk assessment
- present status and future market prospects

4.1.1. Geographical proximity

Other things remaining the same, the nearer a market is, the easier and convenient we may find it as a target market. Transportation costs may be lower, reflecting in the price of the product. It is cheaper to visit buyers and follow up sales to expand business.

4.1.2 Market access requirements

In general, it is better to choose as a target market, countries where market access requirements are less stringent. For certain products, especially fresh produce and fish, very stringent market access requirements may involve additional costs for the exporter in respect of additional installations and investment. Moreover, the risk of rejection due to minor slippages may be high.

4.1.3 Competition

In general, a market where there is a lot of competition for buyers is less attractive, other things remaining the same. If, however, a highly

competitive market is very lucrative, all the possibilities may have to be properly evaluated to come to a decision.

4.1.4 Price and profitability

In a market where prices are high, thus rendering sales in that market very profitable, consideration should be given to that market after weighing the options and risks.

4.1.5 Risk assessment

Export is fraught with risks. Therefore, a market has to be properly evaluated before a choice is made as a destination for products. The most important risks are non-payment, delayed payment, rejection of goods for reasons that may not be valid and sufficient, incidence of fraud, etc. In general, risky markets should be avoided unless adequate safeguard measures can be put in place to counter the risks.

4.1.6 Present and future market prospects

Projecting into the future on the basis of past and present market conditions is an important exercise to undertake before choosing a market for the products. It is valid to select a growing market with rising prices if other risks are minimal.

4.2 **Criteria for product selection**

Export promotion in Nigeria is addressed to all non-oil products across-the-board. However, for the purpose of concentrated technical assistance in the face of scarce resources, it becomes necessary to be selective and focus on only a limited range of products while still paying attention to all other products.

In general, product selection should be informed by opportunity costs. The time and resources spent in developing one product means sacrificing an opportunity to develop another product and foregoing the revenue. The latter determines the real cost of developing one product rather than another and reinforces the argument against selecting low value products for development instead of one which can fetch a higher price.

The product selection takes into account the following:

- international market situation, price trends and prospects
- scope for increasing domestic value addition and employment creation
- supply potential: elasticity, costs and ability to stand up to international competition
- potential to contribute to changing the structure of exports to be increasingly skill and technology-intensive in order to enable Nigeria to join the race of great export performers

- broad national developmental goals and concerns
 - jobs
 - environmental protection
 - renewable resource utilization
 - gender
 - rural development, etc
- technological requirements

Based on the preceding, the following criteria may be established:

- i. Market situation: rising price trends of recent past and future prospects, prices remaining at reasonable high level and remunerative, sizeable market, dynamic in terms of growth and capable of supporting a big national export effort;
- ii. Capability of providing employment and sustainable livelihoods for large segments of the population, especially, women and the relatively poor, across the length and breath of the country;
- iii. Capability of promoting rural development and alleviating poverty;
- iv. Amenability to significant local value addition and forward and/or backward linkages and therefore providing opportunities for greater utilization of local resources;
- v. Provision of significant scope for skills acquisition and enhancing human capital, especially among women;
- vi. Product sector being underdeveloped and yet having tremendous potential for growth, and providing livelihoods to growing numbers of the population and earning foreign exchange; and
- vii. Contributing to national food security.

List of exportable products recommended by stakeholders for regular promotional support:

manufactured products and services

1. Textiles and garments
2. Finished leather and leather products
3. Solid minerals
4. Engineering goods
 - auto components
 - electric cables
 - machines and equipment
 - electronic goods
5. Handicrafts
6. Insecticides/pesticides
7. Vegetable oils
8. Processed gum Arabic
9. Essential oils (ginger oil, neem oil, etc.)
10. Soap and detergents
11. Cosmetics
12. Furniture
13. Plastics
14. Pharmaceuticals
15. Lubricants
16. Ceramics
17. Polymer products
18. Vehicle tyres
19. Entertainment – home videos and music products
20. Granite products
21. Computer software development and related services
22. Legal and insurance services
23. Fibres and yarn
24. Building materials
25. Marble furniture

PRIORITY LIST

of products established by stakeholders:

manufactured products

1. Leather and leather products
2. Textiles and garments
3. Engineering goods
4. Plastic products and paints
5. Electric cables
6. Handicrafts
7. Pharmaceuticals
8. Ceramics
9. Solid minerals
10. Other manufactured products with a minimum of 35-40% local value addition

PRIORITY LIST

established by stakeholders:

service exports

1. Software development and ICT support services
2. Specialised consulting services
 - engineering
 - architectural
 - legal
 - finance and banking
3. Movies
4. Tourism, art and Culture
5. Music

PRIORITY LIST

established by stakeholders:

agro-based products

1. Agro-industrial products
 - cassava
 - rubber
 - palm
 - spices
 - essential oils
2. Horticultural products

3. Fish and fishery products

4.3 **Selected products and rationale for their selection**

Product group selected:

4.3.1 Textiles and garments:

Rationale:

The textiles and garment sector is the fastest growing merchandise product group in international trade, according to WTO statistics. Everybody wears and often changes clothes. The way and manner in which people dress reflects their culture and weather conditions. There are tailors and dressmakers in every city, town and reasonably-sized village. A huge number of artisanal craftsmen and women engage in manufacturing traditional textiles and a wide variety of textile products. Women have distinguished themselves and demonstrated their talents and competitive advantage as well as sustained interest in this product sector.

Parallel to the traditional textiles and clothing sector is the modern industrial textiles mills and factories which benefit from economies of large-scale production and therefore can earn huge sums of foreign exchange and provide jobs to a large number of people.

The product group has tremendous export and investment opportunities under AGOA, in particular.

Product group selected:

4.3.2 Horticultural crops:

Rationale:

FAO has forecast a 35 per cent growth in market demand for 1995-2005 based of low or no duties on this product group, healthy eating habit trends among people with rising incomes and desire to live long as well as increasing purchasing power of foreign immigrants of tropical origin in Europe who are traditional consumers of fresh fruits and vegetables. The market has recently emerged strongly as a dynamic subsector, as the traditional commodities of cocoa, coffee, etc are losing market ground. Despite being very competitive and the occasional uncertainties, the market is basically huge, reasonably

remunerative and capable of supporting a significant national initiative in Nigeria.

Nigeria is endowed with huge tracts of arable land, suitable climatic and weather conditions and an able labour force. The seasons are opposite those of Europe, making it possible to take advantage of periods of product scarcity and high prices in Europe. Nigeria has a diversified topography with corresponding variable climatic conditions. For example, it is possible to develop sub-tropical and Mediterranean fruits and vegetables in certain highland areas.

The product sector is suitable for women and vulnerable groups to engage in as a source of livelihood and is capable of providing job opportunities nationwide.

Being agro-based, horticultural crops group is a non-depletable and renewable natural resource.

Horticulture is capable of contributing to rural development, apart from the fresh money it generates and injects into rural communities and the multiplier effects.

A relatively new more dynamic sub-sector has emerged in the form of organic crops which commands attractive prices and sets new trends.

The product sector is capable of making a significant contribution to national food security, especially as the new agricultural skills acquired become a permanent contribution to human capital. The new skills relate to pre- and post harvest technology, namely quality control and packaging as well as other value-added activities.

It provides an opportunity for forward integration through processing and canning as well as manufacture of cans and other packaging materials.

Since the sector is prone to severe competition, care should be exercised in product selection, especially as certain varieties fetch higher prices than others. The range of horticultural products is wide. Cut flowers have a strong rising market. Pineapples and certain varieties of mangoes attract high prices and so do “mange tout” and certain extra fine French beans. The country can produce apples, onions and Irish potatoes for the ECOWAS market. Nigeria should

only focus on a narrow range of products that it can most profitably engage in and produce competitively.

Product selected

4.3.3 Fish and fishery products:

Rationale:

Nigeria is endowed with the Atlantic Ocean, big rivers which flow all year round, lakes and other inland water bodies which hold huge stocks and a wide variety of fish, both edible and ornamental. The sector, however, is woefully underdeveloped and Nigeria imports considerable amounts of fish.

There are two main subsectors: industrial and artisanal. Industrial fishery sub-sector is characterized by use of large fishing trawlers, processing and canning. This sector has a huge market potential and yet underdeveloped. It has a large opening under AGOA.

The artisanal sub-sector uses traditional methods of fishing which has hardly undergone any change over the centuries. It is by far the larger sub-sector, providing sustenance and vast job opportunities to people nationwide. This sector can be harnessed and tapped for export. Within the artisanal sub-sector, it is possible to develop a new industry in ornamental fisheries, concentrating on the technology of keeping a variety of ornamental fishes alive in an aquarium for sale. There is a huge market locally and internationally.

Following the outbreak of mad cow disease in Europe, the international average price of fish and fishery products surged high and has remained generally so because as people experience rising incomes, they consume more fish for health reasons out of the desire to live longer.

The sources of fish are wide spread in Nigeria and any effort to develop the sector will likely have wide economic and social ramifications in the country.

Fish industry offers considerable scope for forward and backward integration. The backward integration relates not only to fishing but manufacturing of inputs, such as the fishing gear, nets and boats, while the forward integration relates to processing and canning, manufacture of the packaging materials and development of fish processing technological services.

Development of the fish sector can make considerable contribution to national food security.

Product selected

4.3.4 Handicrafts:

Rationale:

Handicrafts as a group, is a low value product. The international market appears saturated. The market is, however, huge and there are lucrative niches which could be exploited if the marketing strategy is right. Utilitarian products are in general in a better marketing position than decorative items, except for exceptionally interesting products.

Handicraft development activities take place all over Nigeria, providing tremendous job opportunities for large segments of the population, especially the relatively poor. It will be worth providing the right product development and adaptation and marketing support for the people engaged in it to improve their incomes and create new employment opportunities for new entrants to the sector.

Handicraft contributes to rural development through skills development, job creation and income effect.

Wood carving, however, consumes trees and that is damaging to the environment. If combined with tree growing focusing on selected species, the craft business expansion can go hand in hand with sustainable development. Women have demonstrated interest in handicraft and therefore stand to gain if the industry is given appropriate support.

Product selected

4.3.5 Solid minerals:

Rationale:

Nigeria is richly endowed with solid mineral deposits of various kinds all over the country. If properly developed and marketed the industry can provide jobs for a large number of people nationwide and generate foreign exchange earnings. The rural areas, which are in dire need of development, stand to gain more and spreading development more evenly in the country.

Solid minerals vary considerably in type and kind as well as in the prices they command. What is common is that they generate incomes for the producers who are often the relatively poor in society.

There are new simple technologies and equipment for mining and processing the raw minerals. Their acquisition will increase the capital stock of Nigeria and enhance human capital.

It is important to take measures to ensure that mining activities do not lead to environmental degradation.

Product selected

4.3.6 Engineering goods:

Rationale:

Nigeria has the potential to become a significant performer in engineering goods provided the electricity problem is solved and the general export environment improved.

Vision 2010 and NEEDS envisage not only a substantial non-oil export growth but a change in the structure of exports with increasing emphasis on high-value products, particularly skill- and technology-intensive products which are the leading performers in world trade.

The inclusion of engineering goods in the priority list is to keep the objective of structural transformation of export in view and pursue the necessary policy changes to realise Nigeria's potential in this product sector.

4.4 Tips for getting “raw materials” for Product Sector Strategies

Each Group should be guided to define:

- Objective of the sector;
- Problems of the sector and factors inhibiting expansion;
- Strategies that the stakeholders themselves have formulated to address the problems;
- What assistance the stakeholders would like the government to give to them;

4.5 Other important non-traditional exports

The second line of priority products identified are:

- Services
- Leather goods, leather, hides and skins
- Building materials (marketing)
- Agricultural commodities (pulses, spices, gum arabic, cashew, oil seeds, coffee, cotton, etc. with emphasis on local value addition)
- Manufactured products

The implication for this classification is that for the products on the "shortlist" and second line of priorities, NEPC will endeavour to provide, inter alia,:

- product specialists
- links for sourcing experts
- appropriate reference books and documents
- database on identified potential buyers
- assistance in marketing
- technology for value-added processing

For manufactured products, NEPC's role should be mainly in marketing inputs (market information); the manufacturers are supposed to have their own product specialists and engineers.

As a general approach, NEPC will explore with potential exporters the possibility of maximizing local value addition to the products prior to exportation:

4.6 Service exports

Exports of services currently account for about US\$1.0 trillion or 20 per cent of world exports. Service exports are growing at a faster rate than trade in goods and it is estimated that in 10 years, they may overtake trade in goods.

Although the share of developing countries in total exports of services is relatively small, a few of them are already among the world's 25 leading exporters of services. The export trade in services is growing in importance not only in the more advanced developing countries, but also in some low-income and least developed countries. The rapid progress in information communication technology is one singular major factor providing an impetus to the rapid growth in trade in services.

The term "services" covers a wide range of economic activities. The WTO Secretariat has divided these different activities into the following 12 service sectors:

- Business (including professional and computer) services;
- Communication services;
- Construction and engineering services;
- Distribution services;
- Environmental services;
- Financial (insurance and banking) services;
- Health services;
- Tourism and travel services;
- Recreational, cultural and sporting services;
- Transport services;
- Other services not included elsewhere.

These 12 sectors have been further divided into 155 subsectors. The General Agreement on Trade in Services (GATS), which was negotiated in the Uruguay Round, applies the basic rules for trade in goods to trade in services with some modifications.

Services do differ, however, from goods. One of the main characteristics of services is that they are intangible and invisible; goods by contrast are tangible and visible. Furthermore, services, unlike goods, cannot be stored. In goods trade, we promote the products; in services trade, we promote the service provider (or the firm). To market products, we transport the goods; to market services, the service provider travels to the market in many cases. There are therefore interesting and subtle differences.

Because of human ability and ingenuity to create new services continuously and so expand the world services market, further growth potential of trade in services is enormous. According to IMF and Coalition of Service Industries, service industries have been increasing in importance in most developing countries, including some LDCs, and are estimated to comprise about 40 per cent of GDP in certain cases. The potential of the service sector to generate substantial amounts of foreign exchange and enhance employment opportunities, especially for young women and university graduates, should not be underestimated. It is therefore important for Nigeria to take full advantage of this phenomenon and not only integrate service exports into the export strategy, which traditionally is for mainly goods trade, but also into the overall national development planning. Nigeria also possesses large number of consultants and professionals in many fields as well as professional bodies and associations and only need to organize this important asset to market the services internationally.

4.6.1 Requirements for developing service exports

- i. The greatest challenge in developing and promoting service exports is to convince the global market that the exporter can

design and deliver competitive, high-quality services. In other words, establishing credibility. The reputation of the service exporting country also plays a great part. The approach to promoting service exports therefore involves corporate and country image building.

- ii. The service exporting country needs to have a well-developed electronic communication technology infrastructure that can provide quality and reliable service at competitive cost.
- iii. Since the emphasis in services exports is on quality and competence, promotion of services exports requires a highly educated and skilled workforce, an issue which should be addressed at the level of education and training. (See Module 5 on Education and Training sectoral policy support).
- iv. Ability of consultants and services business people to move easily and freely across national frontiers. To market a service often requires the provider to travel across national frontiers. Travel involves the use of foreign exchange to settle hotel bills and defray other personal expenses. Easy access to foreign currency is part of ability to travel easily.
- v. An enabling atmosphere for services business, resulting from implementation of appropriate policies backed by relevant legislative instruments, is required for a successful services export promotion.

4.6.2 Strategies and Actions

- i. Mobilise government support for creating the environment for service firms development and successful services exporting, diversification of existing traditional export promotion activities to include services and integration of service export promotion in the overarching national development programme.
- ii. Strengthen the capacity of service industry associations to lobby government on service trade issues and support service association members' export effort.

- iii. Assist service firms' export promotion efforts, focusing on capacity strengthening of the firms and corporate image building techniques and networking to prospect for contracts.
- iv. Establish a Services Exporting Homepage: identify appropriate international events, such as conferences and seminars and showcase the expertise in the services export sector on the webpage.
- v. Train Nigerian Commercial Representatives Abroad (Commercial Attachés) on trade in services to be able to identify and collect appropriate market information and intelligence for service firms in Nigeria.
- vi. Encourage service firms to participate in international trade fairs as an association to promote the firms' image.
- vii. Establish databases/directories of service exporters.
- viii. Post success stories in services exports on the internet to promote the service providing companies.
- ix. Set up service export award programmes to give recognition to excellence in performance.
- x. Identify the local support services on which the service exporters depend and set up programmes to strengthen them.
- xi. Given the important role that the credibility of an export services provider plays, publish Handbooks on Managing Credibility. The Handbooks should also contain success stories.
- xii. Since the majority of services exporting firms fall into the SMEs category, their approach to services export promotion should not only be corporate image building but also networking and developing "strategic alliances", especially associating with bigger well known foreign firms in the services industry.
- xiii. Services industrial firms should be creative and innovative by crafting clusters of services with other collaborating service

companies that have within them potential synergies and coming up with unique services.

- xiv. The ECOWAS market offers great possibilities, provided the market is truly liberalized and cross-border impediments are removed, standards are harmonized and professional credentials are given cross-border recognition. Nigeria has a lot to gain in ECOWAS. As a potential leader, Nigeria should champion the evolution of ECOWAS as a liberalized market in services, among others, and set good examples by respecting trade protocols.
- xv. Create a one-stop services export information site on a homepage "hot-wired" to a range of other information sites that are reliable.
- xvi. The starting point is to familiarize NEPC staff with the concept of, and issues in, services exports and trade and related promotional techniques.

4.6.3 Rationale for selecting services export in the priority setting

Services export is not included in the shortlist of products on which the main thrust of the strategy depends. This is because a lot of preparations have to take place before it takes off. The gestation may go beyond the duration of the strategy.

Since service exports are the fastest growing sector, it makes sense to create awareness of it and sensitise the authorities, including NEPC and other stakeholders, to start creating the right business environment for its development and promoting the building of relevant capacities at various levels.

4.7 Export promotion across-the-board

Giving priority status to selected product groups for concentrated export promotion does not mean "other products" will not receive attention from NEPC. On the contrary, NEPC should support every legitimate export effort and provide on request trade information and market lead, technical advisory services on both supply side and demand side, market access, documentation, etc. The only difference is that NEPC will guarantee the provision of product specialists, connections for sourcing assistance, database on potential foreign buyers, reference materials, and other forms of assistance for products designated as being

on the THRUST list and on the second PRIORITY list. This may not necessarily be the case for "other products" falling in the category of export promotion "across-the-board".

MODULE 5: FUNCTIONAL EXPORT SUPPORT SERVICES

Pre-programming surveys conducted in many developing countries that share similar characteristics with Nigeria reveal that certain important technical services are needed to support export promotion efforts and that the effectiveness of the support services has a direct bearing on export performance. It is therefore proposed as a part of the export strategy to strengthen these services in Nigeria.

5.1 Trade information

Perhaps the most important trade support service needed by companies and for which they are prepared to pay is trade and business information. (See Module 2, Institutional Infrastructure for Export Promotion, Action Plan). Following the revolutionary changes in information communication technology (ICT) in the world, considerable amount of information is now available and the manner in which business is conducted is changing fast, driven by this phenomenon.

The most important types of information required by the majority of export businesses relate to foreign buyers, prices, market access, specifications, sources of inputs, technology, trade fairs and exhibitions, training opportunities, etc. Most of the information is, in fact, available on the internet. Very soon NEPC may have to change its approach on trade information dissemination to training SMEs to be able to access the internet and use trade information.

5.1.1 Action required

Since we are in a computer age and NEPC has 12 Zonal Offices Lagos, Enugu, Jos, Kano, Port-Harcourt, Yola, Minna, Benin City, etc., the practical approach is to set up a network with the hub at Headquarters in Abuja.

To enhance the relevance of the information system, local data should be generated on client companies through surveys on clients' needs and shared with headquarters. Information sharing links should also be established with collaborating support service providers, trade promotion organisations such as ANE, MAN, NACCIMA, city chambers of commerce, commodity and trade associations and other export producer groups and relevant co-operatives. NEPC should have a website on which all Nigerian export companies and business opportunities should be placed. A system should be set up for regularly updating the data.

Since information is a service area in which technology is changing fast, there should be established a training plan for the officers manning the system to update their knowledge and skills periodically.

5.2 **Export finance, credit guarantee and insurance**

Nigeria has several business and export credit facilities and guarantee schemes, including those established at the Nigerian Export-Import Bank (NEXIM). (See Module 2, Institutional Infrastructure for export promotion). What is not clear is access to these facilities or the extent to which they are used by an average export company.

The need for export finance and support facilities, such as **credit guarantee** and **insurance schemes**, has been established. What is needed is how to make the service accessible and affordable to export companies that genuinely need the facility. The various facilities and schemes should be made workable, so that they can be patronised.

5.2.1 Action required

For the purpose of this strategy, the starting point should be to conduct a survey of existing pre- and post-shipment export financing services and support schemes such as credit guarantee and insurance schemes, relevant banking products, etc. as an inventory and to assess their status.

Nigeria is a big country. Estimate the extent to which the services are accessible to an average export company.

Availability of facilities should be publicised for the information of the business community countrywide.

Prepare recommendations for consideration of the service providers and other stakeholders.

5.3 **Export quality management and packaging**

There are two important functions regarding export quality management, packaging and labelling: one is regulatory and the other providing the support service. (See Module 3: Institutional infrastructure for export promotion).

The Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC) are the key official regulatory bodies for export quality management and packaging pertaining to technical barriers to trade (TBTs). SON sets the standards while NAFDAC enforces compliance with the standards.

The strategic concern seeks to:

- i. Enhance capacity for providing technical advisory services and training to export companies to enable them to comply with the rules and regulations on quality and packaging. This role is played by NEPC, ANE and MAN and other export/trade promotion organisations.

5.3.1 Action required:

Strengthen the capacity of the training and service provider institutions to provide improved support to export companies. This should take the form of training opportunities, visiting resource persons and provision of training materials.

- ii. Strengthen the capacity of packaging manufacturers to produce and supply packaging materials that comply with foreign market entry requirements and standards set by the regulatory bodies. Nigeria has companies that manufacture packaging materials for supply to export companies. Certain export companies import their own packaging materials.

5.3.2 Action required:

Establish a system whereby occasional visiting experts provide technical advice to the packaging material manufacturing companies, so as to keep abreast with new developments in the industry. This may be established through African Regional Standards Organisation (ARSO), UNIDO and ITC. Conduct a survey to assess the possibility of setting up a Packaging Institute to support the agricultural and manufacturing sectors and export.

- iii. Strengthen the technical and outreach capacities of SON and NAFDAC. The latter needs to co-ordinate its activities with the Nigeria Customs Service to reduce multiple checks and overlapping controls by different tiers of government which the business sector considers harassment.

5.3.3 Action required:

- a. Provide training opportunities to technical staff to upgrade their knowledge and skills.
- b. Establish a system for regular replacement and upgrading of equipment and supply of books and other professional materials.
- c. Arrange occasional visits to NAFDAC and SON by foreign experts as well as exchange programmes for staff to share experiences.
- d. Increase the inspection and advisory capacity of NAFDAC and SON for manufacturing and export companies, importers' shops and warehouses.
- e. Strengthen the capacity of NAFDAC and Nigeria Customs Service to prevent entry to Nigeria of illegal goods (contrabands, sub-standard goods, fake products, expired products, dumped goods, etc.).

- f. SON should maintain a database on market access requirements for all countries, particularly all possible export target markets for Nigerian products and collaborate with NEPC for dissemination of information on these requirements to would-be Nigerian exporters.

5.4 Trade fairs and exhibitions

Trade fairs and exhibitions have become regular features of export promotion. Nigeria as a nation will continue to plan and implement trade fairs and Nigeria exporters and producers will be exhibiting at trade fairs within and outside Nigeria. The purpose of including this item in the export support services is to provide for strengthening the planning, implementation and management of fairs through the training of fair organisers and technical advisory services and strengthening the participation in fairs by Nigerian companies and individuals through training of participants.

5.4.1 Action plan

Organise training events for organisers and separate training events for participants. To the training events for organisers, add training of trainers courses so that the trained experts can be deployed to organise courses for participants in trade fairs in the various States. Trade fair-related training should be integrated into the export training programme of the envisaged Export Institute.

5.5 Export training

The strategy upholds that education is key to development. By extension, human resource development for export is an essential support service in the strategy. Export is a complex activity with many facets which keep changing with the times. It is therefore important to develop human resources with the requisite up-to-date expertise to prosecute the national export effort. Export training also contributes to the national objective of developing the private sector, to the extent that trained persons go back to operate companies in the private sector.

5.5.1 Action plan

- i. Strengthen the existing export training programmes at NEPC, MAN, ANE, MULTIMIX Export Academy and various colleges that offer marketing and other export-related courses. This should take the form of curriculum upgrading, training of resource persons, scholarships for trainers, exchange programmes, visiting lecturers, provision of books, training materials and equipment and cash grants.
- ii. Establishment of a full-fledged national export institute. This should comprise conducting a feasibility study so as to clearly

define the parameters and elements of the proposal with description of a clear process of evolution and financial projections. When the technical feasibility and financial viability are ascertained, a nucleus institute may start at NEPC or any suitable existing institution (preferably the latter) as a programme and subsequently developed independently as an autonomous entity. It should provide courses covering the full range of export management and international marketing. The possibility of integrating it with technical and vocational training with a focus on product engineering and packaging should be explored to give greater substance and product supply development orientation to the export management.

MODULE 6: SECTORAL POLICY SUPPORT TO THE STRATEGY

6.1 Rationale for policy support options

Being an activity that is multi-dimensional, export promotion requires the collaboration of certain critical sectors of the economy to achieve practical results. For example, without the enabling macroeconomic environment, investment and production cannot take place that result in export. Trade policy shapes the business atmosphere. But without appropriate policies in agriculture and industry, there will be no products to export. This Section of the export strategy, therefore, seeks to identify and define the policy inputs required to support export promotion. The various sectoral policy support measures must also be in harmony with each other and be mutually reinforcing to ensure internal consistency of the policy framework.

6.2 Macroeconomic policy support

There exist certain macroeconomic conditions under which an export strategy is likely to succeed, *ceteris paribus*. The strategy seeks to identify and define such conditions and describe the fiscal and monetary policy-mix that creates such conditions.

Export promotion entails, among other things, product development and therefore investment. It follows that any policy which is favourable to investment will naturally be favourable to export production and expansion under certain exchange rate regimes.

The key macroeconomic variables that influence investment and production are the interest rate, inflation rate and exchange rate. Experience demonstrates that macroeconomic stability is conducive to investment, production and export. The policy domains that determine a macroeconomic situation are monetary and fiscal policies.

6.2.1 The macroeconomic policy objectives

Policy initiatives should be designed to achieve the following:

- i. **Reduction in inflation and interest rates:**
Countries that demonstrate internationally competitive characteristics traditionally maintain low inflation and interest rates. Interest is an important cost element in the production cost structure of Nigerian companies. The interest rate should be comparable to what prevails in competitor countries, i.e., well below 10 per cent.
- ii. **Maintain an internationally competitive and stable exchange rate:**
Although a high Naira/foreign exchange rate appears favourable to export because of the large amount of Naira

revenue to a unit of foreign exchange, the majority of exporters are importers of capital goods and production inputs that cause this apparent advantage to be wiped out through cost inflation and high Naira cost of inputs.

- iii. Macroeconomic environment of stability, productivity and credibility:
Investment decisions are made on the basis of projections in which stability, predictability and credibility play important roles.
- iv. Restoration of growth to overall levels of output and employment:
Export activity is likely to get more boost from high rates of economic growth than otherwise.

6.2.2 Policy measures

- i. Fiscal policy designed to:
 - reduce the budget deficit and the need for government borrowing is likely to dampen inflationary pressures. Restraint on government expenditures is an important element of fiscal discipline;
 - maintain a low, unified, simple but effective unbiased tax administration; and
 - achieve a major shift in government expenditure to emphasise higher investments in education, training and infrastructure.
 - Provide a broad-based and consolidated export incentive, such as the Export Expansion Grant, that encourages value added processing prior to export, administered with the involvement of OPS and NEPC.
- ii. In Nigeria, monetary policy is usually designed to reinforce fiscal policy for achievement of macroeconomic objectives. Pro-export promotion monetary policy measures should include restraint and prudence on credit and monetary expansion and co-ordinated efforts to keep to set monetary targets and ensure there is room for the private sector to borrow.

6.3 Environmental policy support

6.3.1 Evolution of environmental concerns in trade

This part of the strategy addresses the environmental concerns of international trade and appropriate policy support to sustainable environment in export development. The main challenge in this part of the strategy is to develop, diversify and increase exports without

causing damage to the environment in Nigeria and at the same time being sensitive to, environmental concerns of target market countries.

During the last two decades, the interlinkage between trade and environment has emerged as an important issue in international trade. This has led to growing awareness of the need to protect the environment and to promote the sustainable development of available natural resources and has given rise to government regulatory instruments and measures:

- i. product standards, setting out the characteristics with which a product sold in a particular market must conform;
- ii. regulations imposing process and production methods (PPM) and pollution standards;
- iii. import and export bans on products that are hazardous or harmful to health;
- iv. import and export restrictions decreed for the conservation and sustainable development of natural resources; and
- v. packaging and labelling requirements.

The Agreement Establishing the World Trade Organisation brought "trade-related aspects of environmental policies" clearly within the WTO mandate. The preamble to the Agreement states that its objective of "raising standards of living and ensuring full employment" by "expanding the production of and trade in goods and services" is to be achieved by making "optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment ... in a manner consistent with ... needs and concerns at different levels of economic development."

The environmental policy measures taken by governments can affect trade in several different ways:

- i. Environmental standards may change conditions of competition. Producers in countries with stricter environmental standards worry about the impact of such standards on their costs and their ability to compete in world markets.
- ii. Producers in countries with less stringent standards (mainly developing countries) fear that their products may be subjected to trade measures on the ground that they have been produced by industries which do not meet the higher pollution or emission standards of importing countries. Any such measure, whether in the form of a compensatory tax or outright prohibition of, or a restriction on, imports, would amount to a unilateral assertion of jurisdiction over the environmental practices and priorities of other nations.

- iii. There has been growing public concern with the global common (for example, ozone depletion and climate change), species diversity and the treatment of animals. From the viewpoint of trade policy, this has raised an important question as to whether international environmental agreements dealing with global environmental issues should contain provisions that require members to restrict trade with non-parties, with a view to forcing them to join such agreements.

Nigeria is a member of the International Organisation for Standardisation, represented by the Standards Organisation of Nigeria. The latter is governed by the Nigerian Standards Council, which, through the Minister of Industries, issues official standards covering manufactured goods. Standards for processed food, beverages, medical devices, drugs and other chemicals (including raw materials) are set in conjunction with NAFDAC, which is responsible for the control and regulation of these products.

Nigerian standards specify production process, quality characteristics or mandatory testing procedures. Both the SON and NAFDAC are mandated, inter alia, to secure uniformity in standards specifications through cooperation with national and international organisation. Other functions include investigations into the quality of both domestically produced and imported products. Both the SON and NAFDAC are empowered to seize, confiscate and destroy sub-standard, fake or defective goods and to close factories producing those products.

One of the biggest problems plaguing the foreign trade sector in Nigeria is the proliferation of smuggled goods, importation of fake and defective products which undermine the export sector and damage the international reputation of Nigeria, especially if such products are exported from Nigeria to the other countries in the West African subregion as Nigerian goods.

6.3.2 Environmental policy support objectives

In order to provide sustainable development support to the export strategy, environmental policy should have the following objectives:

- i. To strengthen the technical and delivery capacities of the national organisations responsible for environmental matters, viz. the Federal Environmental Protection Agency, Standards Organisation of Nigeria and NAFDAC to enable them to deliver their mandates and coordinate their activities more effectively.
- ii. To promote:

- a. awareness of environmental dimension of trade among exporters and the trading community, and
 - b. compliance with trade provisions in multilateral environmental agreements.
- iii. To ensure the existence of sufficient and appropriate legislative instruments for dealing with trade-related environmental issues.

6.3.3 Environmental support measures

In order to facilitate the realisation of the above objectives, the following environmental policy support measures should be taken:

- i. Adopt packaging requirements to reduce the resource intensity of packaging (e.g., by discouraging the use of materials requiring energy-, water- or air-intensive processes) or to control the risks associated with certain types of packages.
- ii. Develop a database of market access requirements in the target and expected target markets for Nigerian export companies and organise dissemination seminars to exporters to apprise them of the market entry requirements.
- iii. Set up annual national award for companies that best project themselves.
- iv. Special attention should be given to the following programmes:
 - improved waste-management for disposal of solid waste;
 - creation of a hazardous waste disposal site for the safe disposal of hazardous materials;
 - managed use of pesticides and fertilisers in agriculture;
 - forestry and watershed management;
 - construction of appropriate drainage systems;
 - protection of marine and coastal resources;
 - a national system of parks and protected areas, and,
 - improvement of standards for discharge of effluents and noxious chemicals.

The existing system of environmental standards, regulations, and effective mechanisms for monitoring and enforcement should be strengthened. This system should be complemented by incentives to support environmentally correct behaviour on the part of firms, in terms of retrofitting and use of environmentally friendly practices, processes, technologies, and products.

Government should increase its budgetary support to the Federal Environmental Protection Agency in order to improve its capability to

review environmental impact assessment and to do environmental planning and monitoring.

6.4 Trade policy support

6.4.1 Sector description

Trade policy occupies a unique place among other policy domains in shaping the environment in which companies establish and operate their businesses. Whether, for example, local industries are protected or are left to the mercy of brutal and unfair foreign competitions is attributable to trade policy. Therefore, in order to maximize synergies between policies and the strategy, trade policy should not only work in tandem with the export strategy, it must reinforce it to permit trade and export to play their recognised role as an engine of economic growth.

Nigeria's trade sector is governed by three main trade agreements to which it is a signatory.

- i. The Uruguay Round Agreements which established the Multilateral Trading System;
- ii. ACP-EU Cotonou Partnership Agreement;
- iii. ECOWAS Trade Treaty and Protocols which established the ECOWAS Trade Liberalization Scheme.

Nigeria also participates in the UNCTAD Generalised System of Preferences (GSP) and Global System of Trade Preferences (GSTP).

In the end, all these trade agreements only provide opportunities. Taking advantage of the opportunities represents the crux of the matter. To enable a signatory country to take advantage of the opportunities, that country has to be competitive because all the Agreements are based on trade liberalization.

Viewed in relation to other countries of the world that are competing for opportunities in world trade, Nigeria still faces inflation and interest rates higher than those of most of its competitors. Government borrowing, emanating from budget deficits, still crowd out the private sector. The private sector's inadequate access to credit is worsened by lack of publicity and information on the existence of numerous uncoordinated facilities and assistance that the government has made available to exporters. It is also true that some of the facilities are not working well or have lapsed into abeyance.

Unsatisfactory rural road network constitutes disincentive to agricultural exporters who have to transport goods from the hinterland to the ports at costs much higher than competitors incur for similar purposes in other parts of the world. The railway system is in a dire need of modernization. To join the race of high international trade performers, Nigeria, as a matter of priority, must have low-priced, reliable and efficient utility services that are an essential pre-condition for attracting export-related foreign and local investment and for establishing a positive business climate. Land transportation and delivery is cumbersome and overburdened (in several cases understandably for security and other reasons) by the existence of several different overlapping authorities whose missions do not seem consistent with one another. Documentation requirements and procedures are time wasting, costly and inconsistent with official declared policies. Cross-border travel and businesses face similar hassles and delays that exercise a critical constraint to expansion and development of regional trade and to Nigeria's participation in it. These are basic issues which should be seriously addressed to enable the strategy to stay on course.

For the purpose of providing appropriate support to the export strategy, trade policy must have the following key objectives within each of the 3 trade agreements.

6.4.2 Policy support objectives

Identification of elements of an export-oriented trade policy for supporting the strategy should focus on short-to-medium term issues. For that reason, issues relating to infrastructure, important as they may be, will, however, not be raised herein because they require a long-term solution in most cases. It is only the management dimension of the infrastructure and utility services that will be addressed. The relevant policy support objectives are:

- i. To establish and nurture a conducive business environment through, inter alia, improved and pro-development management of the trade and exchange liberalization policies and to build upon successes achieved and eliminate the failings.
- ii. To implement a series of coordinated trade-related micro-level actions that are likely to impact favourably on the exporting community and backward linkage groups.

6.4.3 Policy support measures

- a. Revamp the existing inter-ministerial steering committee on trade and give it a fresh mandate, inter alia,

- i. to coordinate trade policy measures and eliminate any contradictions or overlapping;
 - ii. to ensure that those officials charged with the responsibility of trade policy negotiations maintain close consultation with the trade constituencies and socio-economic groups on whom the outcome of trade negotiations impact;
 - iii. at technical level of the Steering Committee, a joint working team should be set up with substantial private sector representation to agree on a list of major constraints to export business and a time table for addressing or eliminating them. Such constraints span credit and finance, administration of public utilities and business support services, port clearance and security, customs administration, etc.;
 - iv. the Steering Committee should also set up a small team (e.g., one government official and one private sector officer) of "Trade Watch" to monitor and report on the punctuality of implementation of agreed actions and any missed targets and if the corrective actions taken are actually working.
- b. Determine export sector and product and target market priorities and set appropriate support measures.

Apart from close consultation with trade and export constituencies, participation in trade negotiations should be preceded with product and product sector selection and prioritisation with full involvement of the stakeholders.

These activities should be informed by certain principles:

- i. traditional exports, such as cocoa beans, may not have the kind of rosy prospects but they still provide employment opportunities to a large number of people; Nigeria should try to increase its market share and undertake value-added activities and downstream product diversification.
- c. Set appropriate commercial policy for imports especially for product groups that:
- i. compete with locally produced goods,

- ii. have implications for investment, export production and for utility and other support services.

As a general rule:

- i. tariff rates should be set to protect locally produced items to the extent that this can be accommodated within existing treaties. (Historically, every industrial country has passed through a phase of protecting local industries following the "infant industry" principle).
 - ii. tariff rates on capital goods, raw materials and other inputs should be as low as possible or zero to offer effective protection to local industries.
- d. Set up an anti-dumping surveillance. The trade team undertaking this task must be familiar with the Anti-dumping rules of the WTO and be capable of making a case if and when the need arises.

6.4.4 Policy options on trade issues

Nigeria is a signatory to three major trade:

- Uruguay Round Agreement of WTO
- ACP-EU Partnership Agreement
- ECOWAS Treaty – Trade Treaty and Protocols

Sometimes, the Federal Government is faced with policy options on how to approach the three agreements. For the purpose of the export strategy, we need to focus where Nigeria has the best possibilities of expanding exports.

At present, the EU is the largest trade partner of Nigeria. The policy consideration is to maintain Nigeria's market share and increase it. The EU market offers a greater absorptive capacity. There is also the old traditional trade link with UK which should continue to be nurtured.

Recently, there were calls for Nigeria to pull out of the WTO Agreement. The calls were based on certain aspects of the results of trade liberalisation represented by the influx of low-priced imports that caused many local industries to close down. However, a close examination of the situation reveals that the trade negotiations leading to the signature of the Agreements were not flawless and that the liberalisation process was not properly managed. In particular, there were no efforts to make use of the Safeguard Clauses. Moreover, the systemic problem of the "high cost of operating business" has not

ceased to continue to erode Nigeria's competitiveness. The best option is for the government to address the cost problem.

Recently, government has taken a tough action to ban the importation of over 200 items due to "abuses". The rationale for the government's action is that the banned items can be competitively produced in Nigeria and job should be protected and new ones created. The infant industry argument is still valid. There is, however, no evidence that the government consulted Member States of ECOWAS, the products of some of them being obvious casualties to the prohibition order.

Nigeria has the opportunity to play a leadership role in ECOWAS. Despite the Trade Liberalisation Scheme, intra-ECOWAS trade continues to perform poorly. Many member countries do not respect the provisions and therefore do not apply them. Inter-state transportation of goods still suffers from harassment from a plethora of road blocks and overlapping customs and administrative checks. Significant new opportunities exist for Nigeria in ECOWAS. For example, every Member State imports from outside the subregion large quantities of a variety of fresh sub-tropical (or Mediterranean) fruits and vegetables that can be grown in certain highland regions of Nigeria which have suitable climatic and soil conditions. This is one area where huge export opportunities exist for Nigeria. One particular option needs to be pursued: the "fast track" approach to the establishment of the Common External Tariff. The "fast track" approach envisages serious implementation of the trade liberalisation provision of ECOWAS between Nigeria and Ghana but that will only be meaningful if it includes the Republics of Benin and Togo which lie between Ghana and Nigeria. The fast track approach is practicable and will set an example for other Member States to emulate. It will be useful to examine all these policy issues further.

6.5 Agricultural policy support

6.5.1 Sector description

The agricultural sector provides employment to about 70 per cent of the working population; accounts for over 70 per cent of non-oil export and contributes about 40 per cent of the GDP.

It comprises two principal sub-sectors: traditional agriculture and the non-traditional or commercial. The sector remains dominated by small-holder farmers still using conservative traditional methods of production, dependent on nature, hardly exposed to modern technology, lacking storage and preservation facilities, etc. The traditional sector is difficult to deal with because of its extensive geographical and spatial dispersal and the fact that the vast majority of the operators are not literate. However, any quantum of success achieved in the sector produces substantial spillover effects. This makes it important to pay attention to it as part of the export strategy.

Climatic and soil conditions allow Nigeria to produce a wide variety of agricultural products including many foods and cash crops. The country possesses comparative advantage in the production of certain exportable agricultural commodities, such as cocoa, coffee, palm produce, rubber, ginger and other spices, cereals, fruits and vegetables, flowers, fish, crustacea (prawns, shrimps, crabs), cassava products, hides and skin, cashew and gum arabic. For the purpose of developing the non-oil export sector and achieving diversification of the Nigeria economy, expanding the productive base and widening the market for agricultural commodities, there is a compelling need to promote the export of these agricultural and agro-industrial products on a priority basis. This will entail the development of appropriate capacities and institutional network to address the technology input and post-harvest handling needs, value addition and to meet international market access requirements, especially Sanitary and Phytosanitary Standards (SPS) of the WTO.

6.5.2 Policy support objectives

Agriculture must respond to the following objectives in order to provide appropriate support to the export strategy:

- i. increase in production of agro-industrial raw materials to meet the growth needs of the industrial sector and increasing needs for food generated by increased effective demand resulting from expected export expansion;
- ii. increase in production and value-added processing of exportable commodities with a view to increasing their foreign exchange earning capacity, diversifying the country's export base and source of foreign exchange earnings and creating increased employment opportunities;
- iii. modernization of agricultural production, post-harvest handling, processing, storage and distribution through the introduction of improved technologies and supply chain management;
- iv. protection and improvement of agricultural land resources and preservation of the environment for sustainable agricultural production.

6.5.3 Policy support measures

- i. increased funding of agricultural research from a predictable and adequate percentage allocation from the Federal budget;
- ii. introduction of improved technological inputs including production methods high yielding seeds and seedstock,

husbandry and appropriate affordable but effective machinery and equipment;

- iii. monitor outcomes of any institutional re-arrangements and continue re-organisation of the institutional framework for government intervention in the agricultural sector to facilitate effective integrated development of agricultural potentials;
- iv. strengthen agricultural extension technical capacity and delivery service, particularly improvement of technical expertise, remuneration and mobility of extension officers, so as to achieve more effective dissemination of modern farming technologies and feedback on farmer response; importantly, strengthen link between outputs and inputs to farmers and also relation with agricultural international institutes such as the International Institute of Tropical Agriculture (IITA), West Africa Rice Development Agency (WARDA), etc.
- v. improve pest and disease control measures;
- vi. improve database development and updating for policy management, monitoring and evaluation;
- vii. promote private sector investment in export-oriented agricultural projects;
- viii. promote increased use of agricultural machinery and inputs through favourable tariff policy;
- ix. increase support to rural infrastructure and utilities development.;
- x. promote seed industry development, seed law enforcement and seed quality control;
- xi. expand and improve the use and management of impounded water, supervision of large dams and irrigation canals and maintenance of pumping facilities;
- xii. inventorise land resources and control of land use and land degradation and set up an institutional framework for settlement of land disputes, regulation of land tenure and for dealing with praedal larceny;
- xiii. promote expansion of micro and rural credit institutions for agricultural activities;
- xiv. promote agricultural commodities development and marketing institutions;

- xv. promote the development of fishing terminals and other fisheries infrastructure including cold rooms and related facilities;
- xvi. take specific actions to promote both industrial and artisanal fishery development including aquaculture fisheries and fish feed production;
- xvii. acquire new technologies and inputs for channelling into the fishing industry;
- xviii. protect Nigeria's exclusive economic zone for fisheries resources;

6.6 Industrial policy support

6.6.1 Sector description

During the period 1960-1980, the government pursued a policy of developing a diversified and integrated industrial sector, financed with the rapidly increasing oil income based on a large vibrant domestic market. The manufacturing share of Gross Domestic Product (GDP) increased from 5 to 8 per cent.

The sector is characterised by:

- i. high geographical concentration;
- ii. high production costs;
- iii. low valued-added;
- iv. under-utilisation of installed capacity;
- v. high import content of industrial output;
- vi. low level of foreign investment in manufacturing; and
- vii. weak linkages between manufacturing and other sectors of the economy.

Despite the lacklustre projection of the manufacturing sector, the industrial development potential of Nigeria remains great for provision of considerable employment opportunities, diversified manufactured goods, increased export of manufactured goods, improved geographical dispersal of industries within the country, improving technological skills and capabilities, increasing the local content of industrial output, and attracting foreign capital and know-how, etc.

Government has so far invested heavily in a diversified portfolio of industrial projects including salt, iron and steel, vehicle assembly plants, cement, sugar, pulp and paper and fertiliser, among others. The returns on these projects have been poor. Some industrial projects on which huge sums of money were spent have been largely abandoned uncompleted. By now, Nigeria should have had its own brand names for fully-made in Nigeria television sets, videos, radio, cellular phones,

etc. as well as motor vehicles because the technology already exists for all these items.

After attempting many policy reforms, including those under Structural Adjustment Programme (SAP), in 1988 the government adopted a new approach to individual development which gave prominence to the role of the private sector. The National Committee on Industrial Development (NCID) and the Industrial Master Plan (IMP) with private sector involvement were established with the collaboration of UNIDO for its execution. The IMP was predicated on organising a network of actors, referred to as Strategic Consultative Groups (SCG) around an industrial activity, similar to Product Sector Strategy Groups in the Export Strategy, with the object of having a comprehensive and perceptive view of the investment problems in a particular line of industrial activity.

The IMP seeks a systematic policy articulation that spells out the inter-sectoral and intra-sectoral linkages between industries and other sectors of the economy, including the external sector.

Since the 1990s, the manufacturing sector has been declining in terms of output and share in the GDP. The share of manufacturing in GDP declined from 32 per cent to 29 per cent between 1993 and 1997.

6.6.2 Policy support objectives

To enable the manufacturing sector to provide effective support to the export strategy, the sector must have the following objectives:

- i. To accelerate the pace of industrialisation by encouraging value addition at every stage of developing the value-chain.
- ii. To encourage forward and backward linkage industrial development processes within selected niches focusing on the priority product list of the "Thrust" and "Areas of Emphasis" in the export strategy.
- iii. To intensify efforts to create the enabling environment with a focus on mitigating the factors that increase the costs of production and business transactions to permit the assertion of private sector leadership role in the export strategy.
- iv. To raise capacity utilisation in manufacturing, so as to reduce the unit cost of production and improve industrial competitiveness.
- v. To strengthen efforts to further develop the nation's human resource, technology acquisition and innovation, and business support services.

- vi. To encourage hi-technology industries to create suitable employment opportunities for the expected technical human resources developed to access appropriate job opportunities and gain experience.
- vii. To encourage the development of Nigeria's own brand names of electronic products, especially television, radio, music systems, cellular phones and other mass-produced electronic goods as well as motor vehicles for export to the subregion.

6.6.3 Policy support measures

- i. Set up programmes to link SMEs with large manufacturing companies to exploit opportunities for joint ventures and sub-contracting.
- ii. Eliminate multiple taxations by various tiers of government and reduce the total corporate tax burden.
- iii. Work towards low customs tariff structure, especially on production inputs in order to increase the effective rate of protection for local industries and improve capacity utilisation.
- iv. Provide generous incentives for local and foreign direct investment.
- v. Initiate measures to foster strong links between agricultural activities and those of industry.
- vi. Launch programmes to access new technologies and best practices in manufacturing and channel them into industries with a view to enhancing their competitiveness.
- vii. Develop techniques for forging new productive labour-management partnership for enhancing industrial productivity and competitiveness.

6.7 Education and training policy support

6.7.1 Sector description

Reference to page 22 of the Strategy indicates projected target composition of exports. As Nigeria is committed not only to increasing non-oil exports but indeed changing the composition of exports, she must follow the changing patterns and trends in the international market and produce goods and services that fetch the highest prices and follow a growing market. As mentioned in Module 3, the best performing products are high-technology and skills-intensive products and services. It follows that education and training policy right from

basic school level should be structured with a vision to produce the calibre of human resource that can develop these products.

According to Vision 2010, pages 37-39, the present curricula have failed to promote the development of vocational and technical education as envisaged. The education system is still heavily biased in favour of the grammar school type. Schools at all levels are short of qualified teachers, infrastructure, textbooks, teaching aids, equipment, furniture, etc. and suffer from overcrowding.

Nigeria, however, possesses certain well-conceived research centres, technical, scientific and technological institutes, including those dedicated to developing new industrial raw materials, but they are so under-resourced that they can hardly produce their intended outcomes.

6.7.2 Education and training policy support objectives

To achieve broad national objectives and to provide effective support to the export strategy, education and training must have the following policy objectives:

- i. in an increasingly competitive world, recognise education as the most powerful instrument for developing and empowering the citizens to master their social and natural environments and compete for survival;
- ii. recognise and adopt science, engineering and technology (SET) as the driving force in agricultural and industrial production, service industries and enhanced productivity and give effect to rooting SET firmly in the educational system;
- iii. restructure the educational curricula and align them with the need of the country to join the high export performers of the world.

6.7.3 Education and training policy support measures

- i. Re-focus teacher education curricula in line with national human resource development objectives and direction, recognising that the teacher can only “give what he/she has”.
- ii. Raise the budgetary allocation to education by a substantial amount to enable schools and educational institutions to be properly resourced (UNESCO prescribes 26% of national budget while the present allocation to education in Nigeria is about 12%). Pay attention to the management of the schools.
- iii. Include export, international marketing and related activities as subjects in the educational curricula.

- iv. Establish a national Export Institute supported with technical and vocational training focusing on export product engineering and packaging.
- v. Establish a special incentives scheme for science and technology teachers; (this may include subject allowance, improved remuneration, opportunities for further studies, overseas exchange programmes and research grants for specific projects).
- vi. Set up an incentives scheme for science students, including provision of science and technology libraries and exchange programmes.
- vii. Set up computer centres in every State and promote computer technology studies.

6.8 Physical infrastructure and logistics policy support

6.8.1 Sector description

In the present globalised international market, competitiveness is the bottom line for every economic activity. This makes physical infrastructure a key component of the items that collectively make up the cost structure of companies and determine national competitiveness.

In Nigeria, deficiencies in the physical infrastructure account for systemic economic problems of the country. These deficiencies occur in differing degrees of severity in energy, roads, railways, air transportation, water supply, sewerage systems, irrigation, ports and harbours, and telecommunication systems. All of these areas provide necessary inputs to sustain production activity, productivity and efficiency, while contributing to the general quality of life. To the extent that there are serious deficiencies in services provided by the physical infrastructure, remedying the deficiencies represents a critical area in which daunting challenges face the nation.

6.8.2 Physical infrastructure policy objectives

In order to provide an effective support to the export strategy, physical infrastructure policy should have the following objectives:

- i. to upgrade and expand the physical infrastructure in order to achieve adequate, regular, improved quality and reliable supply at competitive parity costs and prices for electric power, water supply, telecommunications, air, rail and road transportation, and port and harbour services.

- ii. to improve the geographical spread of the infrastructure and related services countrywide.

6.8.3 Physical infrastructure policy measures

In order to attain the stated policy objectives, the government should take certain measures:

- i. Restructure government expenditure pattern away from direct government involvement in production of goods and services in favour of provision of adequate infrastructure with private sector partnership where practical.
- ii. Institute procedures backed by allocation of resources for regular maintenance of the infrastructure.
- iii. Institute a monitory system on the quality status of all infrastructure.
- iv. Establish a system of regular maintenance and upgrading of the infrastructure.

MODULE 7: DEVELOPMENT LEVERAGE AREAS FOR SUPPORTING THE STRATEGY

Apart from various actions on a broad front with a specific thrust to promote exports, there are certain developmental areas where interventions can produce significant results in a short time to give an impetus to the export promotion effort. These areas include national competitiveness enhancement, development and acquisition of new technology, private sector development with a focus on SMEs, gender and poverty reduction.

7.1 Enhancing national competitiveness

Competitiveness is the ability to produce customer-oriented goods at average costs that are below the average world price of the products concerned. A significant number of Nigerian companies with export potential find it difficult to bring average production costs below the world's average price for their products. As a result, many imported products are sold in Nigeria at prices below average cost of producing the product locally, even after paying import duty and VAT on the imported goods (excluding possible "dumping", and smuggling and other abuses that undermine export activities). Similarly and for the same reason, such Nigerian-made products are not able to compete with foreign goods in the export market. An analysis of the cost structure of Nigerian-made products would reveal certain important costs which, if addressed seriously in a sustained manner, can quickly reduce the average cost of producing the item and improve the price competitiveness of the product (see Module 2 above). This provides the rationale for introducing the "export expansion grant" of up to 40 per cent administered by NEPC.

Prominent among the items in the cost structure are the following nominal and imputed costs:

- interest on borrowed funds;
- electricity (cost of generating own electricity, imputed costs of power interruption and equipment damages caused by power outages, surges and severe fluctuations);
- complicated port and customs clearance procedures that are costly to foreign trade companies;
- telecommunications charges and imputed cost of breakdowns;
- multiple taxation by various tiers of government and overlapping government regulatory and control procedures which are costly to companies;
- dramatic policy changes that derail export planning.

It is possible for government to set up a task force, with private sector participation, on cost escalating items in the cost structure of companies and address them as soon as possible to produce significant results in the short period.

7.1.1 Development and acquisition of new technology

The gap between developing countries and advanced industrialised countries is science and technology. It follows that if Nigeria wants to make rapid progress, it should seriously pay attention to development, acquisition and application of technology in major areas of economic activity. Application of science and technology has a distinctive potential for reducing costs and improving production efficiency in agriculture and industry apart from the potential for achieving a vast array of product diversification. The basis of technology is science. The Strategy therefore proposes the following interventions:

- Emphasise practical science at basic school level, especially in the rural areas where school laboratory facilities for practical science are practically non-existent and where a huge reservoir of potential scientific talents remain undeveloped.
- Since science teachers can only “give what they have”, practical science knowledge and skills development should be developed in teacher training colleges and the teachers resourced to teach science after graduation from college.
- Provide assistance to research facilities in research institutes, technical colleges, polytechnics and universities with books, equipment, visiting scientists and technologists, scholarships and accountable cash grants.
- Promote collaboration between local manufacturing companies and Manufacturers’ Association of Nigeria (MAN), on one hand, and research centres in paragraph 3 above, on the other hand.
- Encourage local companies through fiscal incentives and accountable grants to acquire new technologies that contribute to industrial efficiency and competitiveness.
- Establish attractive annual national achievement awards for research institutions and Nigerian companies that make distinctive contribution to development of science and technology and in application of science and technology in export-oriented agriculture, manufacturing and service industries (to be administered by NEPC).

7.2 Electronic commerce

7.2.1 Description

There are many definitions of electronic commerce or e-commerce. One theme that runs through the definitions describes what e-commerce is used for: the term is used to describe "distribution, marketing, sale or delivery of goods and services by electronic means".

It is acknowledged that e-commerce existed before the internet use was popularised and was used in many forms, such as the Electronic Data Interchange (EDI) used more in business-to-business (B-to-B) transactions than the internet. However, the internet may have added a new dimension to an already established practice of B-to-B e-commerce.

The recent phenomenon of intense interest in e-commerce may have stemmed in a great part from the way in which the internet has affected business to consumer (B-to-C) trade, transforming the usual B-to-C commerce into e-commerce for the first time. Since the number of individuals being connected to the internet is growing rapidly, we can only expect the internet's commercial applications to grow along with it. The internet may be used for commercial transaction whether they are B-to-B or B-to-C. These transactions may be divided into three main stages:

- advertising and searching
- ordering and payment, and
- delivery

Any or all of these steps can be carried out on the internet and therefore can be covered by the concept of e-commerce.

7.2.2 Relevance to export promotion

To the extent that e-commerce covers the sale and purchase of goods and services, its use can cover export trade.

The use of the internet is becoming more and more pervasive and important both in industry and government. Indeed, using internet technology to facilitate and support business to business, business to consumer and business to government transactions will continue to grow at a phenomenal rate. The expansion of e-commerce is therefore likely to be a major method of increasing exports, competitiveness and modernisation of all countries. Already almost all developed countries and an increasing number of developing countries have incorporated e-commerce into their national export strategies.

So far, the greatest beneficiary of e-commerce is service exports, particularly of the following categories:

- Accounting
- Advertising
- Air transportation
- Commercial education and training
- Computer services and software
- Customs brokers
- Financial services
- Health (telehealth)
- Insurance
- Market research
- Personnel search
- News and broadcasting
- Travel and tourism
- Translation
- Web site design and maintenance
- Management consulting
- Education
- Print and graphic design services
- Auction services
- Writing services of all kinds (freelance journalism, technical writing, editing, etc.)

It follows that the adoption of a 2-prong approach focusing on laying the foundations for promoting services exports and e-commerce will produce substantial synergies to drive the national export strategy.

7.2.3 Certain benefits

- assistance in getting closer to developed markets;
- exporting Nigerian SMEs can establish "virtual shops" at a much cheaper cost than actual stores abroad;
- reduction of the role of intermediaries, agents, etc. in business transactions;
- generating new business by expanding into digital commerce;
- opportunities to develop cost-effective and competitive skills that can attract the location of new service businesses;
- opportunities to take advantage of comparative advantages in providing back-offices, call centres, data processing, etc.

7.2.4 Issues and concerns in export strategy

- i. The federal government should be sensitised and lobbied on the need to integrate e-commerce into the national development strategy;
- ii. The relevant staff of national focal point for export promotion, NEPC, and other trade promotion organisations in the institutional infrastructure for export promotion should be

familiarised with the concept, parameters and elements of e-commerce. This will enable them to play an advocacy role in e-commerce.

- iii. Government should develop an outreach plan to enhance electronic access to information and services.

A national e-commerce strategy should address:

- i. Promotion of internet awareness and use among SMEs.
- ii. Training on how to use the internet as a sales, marketing, communication and management medium.
- iii. Profiling products and services for sale.

Other stakeholders should address financial, legal, connectivity and other related issues as well as coordination of e-commerce activities and programmes.

7.3 Private sector development

The private sector has been recognised in government policy as a vehicle for development. While government is pre-occupied with creating an enabling environment for export business, the burden of export expansion rests on the private sector. Therefore, any measures taken by the government to promote the expansion of the private sector will naturally contribute to the expansion and growth of the export sector. The government has therefore declared its commitment to promote the development of the private sector through specific measures including privatisation, liberalisation and technological advancement. Experience, however, demonstrates that what the private sector needs to operate efficiently is low cost, efficient and reliable services on which it depends for operating business, especially utilities, customs and port clearance and transparency in regulatory administration, among others.

7.3.1 SME focus

Spread in large numbers across the length and breadth of Nigeria, small and medium-sized enterprises (SMEs) constitutes the backbone of the private sector in Nigeria. They provide the greatest number of jobs (about 80 percent) in the economy. Most of the indigenous export companies belong to the SME group. Any effort by government to encourage the growth and development of SMEs will naturally lead to similar results in the export sector because of this direct relationship. What is even more important is the geographical dispersal countrywide and the fact that many women in the business sector belong to this group and will contribute to increased opportunities for women to participate in mainstream export activities. It is strategic in wealth creation and poverty reduction countrywide.

7.3.2 Special financing schemes and microfinance

The SME sector has proved to be strategic in Nigeria. Its ability to grow depends substantially, among other things, on its ability to access institutional short, medium and long-term credit. However, by their nature and mode of operation, SMEs have proved to be high-risk. On the other hand, banks and other institutional lenders have the obligation to protect the deposits of their clients and make profit for their shareholders. They insist on lending against collateral, which SMEs often do not have. They, therefore, tend to limit their exposure to SMEs. Because SMEs are considered high-risk, they are also often asked to pay higher interest rates.

The credit supply side problem that SMEs face pertains to:

- availability of credit
- access to credit, and
- cost of credit.

The demand side problem that SMEs face has to do with the “quality” of the SMEs. The supply side and the demand side problems are therefore inextricably related and must be addressed simultaneously. The quality issue pertains to:

- management
- accounting
- technology
- technical expertise
- capacity utilization

The quality issues can be addressed to a large extent by providing appropriate support services and training in:

- operations management
- accounting
- marketing
- preparation of marketing plans
- preparation of feasibility studies
- market studies
- product design and adaptation
- information management
- acquisition of appropriate technology
- procurement of equipment and machinery
- effective customer service

To keep up with the dynamics of the business environment, the capacity of the support service providers must be upgraded from time to time. There should be facilities at high-level management training institutions for undertaking this. Such institutions should be self-financing to be sustainable but may enjoy predictable government

subvention and other forms of official assistance to enable them to continue to support service providers that give support to SMEs.

A framework should exist for SMEs in need of institutional credit to be taken through a process to “prepare” them to qualify for the credit and subsequently assist the SMEs to succeed to be able to repay their loans.

7.3.3 Strategic Actions

- i. Strengthen the institutional framework for promoting and assisting SMEs. The institution should assist SMEs to access credit by preparing them to be more creditworthy by sourcing appropriate services and training from support service providers to enhance their performance and ability to repay.
- ii. Government should support high-level management institutions to provide training to private sector service providers to upgrade their expertise and capability so that they can render improved service to SMEs.
- iii. Establish or reactivate the credit guarantee scheme for supporting credits that are granted for worthy projects without or with insufficient collateral.
- iv. Improve financial support to micro credit institutions in order to enhance their capacity to assist SMEs. The institutions should extend their outreach to the grassroots.
- v. Make it easy and less expensive for SMEs to register as corporate entities.
- vi. Give SMEs fiscal reliefs in the initial years of operation (e.g., first 5 years) whether they make profit or not because they need to plough back earnings to expand.
- vii. Give fiscal concessions to Nigerians abroad who return permanently so that they can channel their savings into starting businesses. The concessions should include duty free entry for all personal effects including one car per household.
- viii. Establish or strengthen the framework for monitoring the implementation and performance of the actions recommended.

7.3.4 Private sector development policy oriented to export

There exist many schemes in Nigeria to support the private sector and similar incentives to stimulate exports. Apart from the Export Expansion Grant being administered by NEPC which seems to have gained popularity among exporters because of its effectiveness, it is

difficult to assess the effectiveness of the other schemes, especially as some were not properly funded and have lapsed into abeyance.

What is needed to encourage private sector initiative into export is a one-stop shop type resource where one can go to get all the help that one needs to get into export business. This is a void which NEPC should endeavour to fill because it falls squarely in its mandate. NEPC, however, can only do this if it is properly resourced and not if it is simply assigned the responsibility.

7.4 Gender in export development

7.4.1 Programme description

Just as in many areas of economic endeavours, there are certain areas of export activity in which women have distinguished themselves, implying that they have a competitive advantage in those areas. It is proposed in the strategy to identify those areas and encourage more women through specific schemes to enter those fields of export. Gender in export, therefore, focuses on the demonstrable competitive advantages of women. The fields in which Nigerian women dominate and have asserted their skills are textiles and garments, ICT, hand-crafted product development, jewellery, cosmetic and beauty products, and service trade such as hospitality, catering, hotel services, beautician services, etc. Assistance in various forms should be made available to womenfolk who need it. The assistance may be channelled through women's organisations, such as NAWA.

7.4.2 Action plan

Establish a resource for women comprising financing, sourcing of technical advice in various disciplines pertaining to the above product and service areas, technology, training and provision of technical experts, business management and business accounting. In fact, there already exist women's groups, NGOs and associations that are already involved in these activities and only need to be resourced to be able to continue and expand their services to women.

The resource being proposed should do the following:

- i. undertake an inventory of women's groups, associations and NGOs that are engaged in productive empowerment activities to promote increased participation of women in commercial and export activities;
- ii. determine the assistance that should be given to the eligible groups;
- iii. help them to access the assistance; this may take the form of providing resource persons to undertake training in various

practical commercial and financial courses, product-related fields, marketing, financing, accountable grants, etc.

7.4.3 Special programme for promoting women's enterprises

The special resource is designed to respond to specific needs of women's enterprises, business associations, groups and support institutions.

It will be established in Abuja with branches in the 12 NEPC Zones, each serving a group of States.

The resource will comprise a pool of:

- Finance
- Technical experts (e.g., in catering, fashion and design, hospitality, hotel management, secretarial services, hair-dressing, computer programming, data management, software designing, product engineering, food processing technology, etc.)
- Technology
- Investment
- Information
- Input supplies
- Management
- Marketing inputs
- Opportunities for subcontracts with big companies
- Support to women's vocational and technical institutes

All the elements of the resource do not have to be under the same roof but may be outsourced and made available under the programme to be called upon if and when needed to assist in programmes of women's enterprises, women's training events and institutions. Accountable cash grants will also be available for on-lending to be operated according to specific rules and guidelines.

The Zonal Offices will be linked in a computer network. Subsequently, more offices should be opened, especially in the northern regions to reach out to grassroots far afield.

A monitoring system should be set up to follow closely the operations of the facility. An evaluation of the facility should be undertaken every 18 months to assess the effectiveness of the resource with specific recommendations for improving the operations and showing the way forward.

7.5 Export-led poverty reduction

7.5.1 Programme description

Similar to the majority of developing countries, wealth is skewedly distributed in Nigeria. Whereas opulence is visible in the cities and certain sectors of the Nigerian economy, poverty co-exists with it. But the incidence of poverty is greater and more severe in the rural areas. In general, export activity is more lucrative than selling in the domestic market, despite the buoyancy of the local market. Export can contribute significantly and visibly to alleviation of poverty. Even though poverty is a multi-dimensional phenomenon, experience demonstrates that when a person has a job and regular remunerative income, he/she can provide for him/herself the needs, lack of which, would render him/her poor.

7.5.2 Application of the Export Production Village (EPV) concept

The Strategy proposes the establishment of a series of Export Production Village (EPV) schemes based on specific products with export potential in selected rural communities countrywide. The EPV concept provides an opportunity for mobilising the entrepreneurial talents and skills of rural people through the development of products in the rural areas where they live and linking them with foreign buyers in the export market. The concept has the advantage of replicability for almost any product group and in almost any geographical area where the need is established and can be used to promote geographical balance in the location of projects. Because of its versatility, it is applicable to addressing the gender dimension of export. It has proved as a powerful instrument for rural development and poverty alleviation. It was tested with varying levels of success in a number of developing countries, such as Sri Lanka, Ghana, Honduras, Ecuador and a few other Latin American countries, reflecting the efficiency of designing and executing the schemes. It has provided useful lessons learnt which may be applied to managing the schemes in Nigeria. (For more information on the EPV scheme, see the Technical Brief on the EPV scheme attached herewith prepared as a working “tool” for the design and implementation of this component of the Export Strategy).

7.5.3 Action Plan:

7.5.3.1 Capacity building: Train certain staff of NEPC and private sector organisations in the design, implementation and management of EPV projects and deploy them to work in co-operation with local agencies, organisations and opinion leaders to formulate EPV projects.

MODULE 8: PROJECTION OF EXPORT EXPANSION AND DIVERSIFICATION

Very often in formulation of export strategies, attempts are made to make projections of how exports will increase and diversify by the end of the implementation period. There was hardly any historical case in which the results actually achieved came close to the projections, not even under the kind of central economic planning under the former Soviet system, thus underscoring the unreliability of the exercise. This is because export has many facets which depend on a wide variety of factors and variables necessitating many assumptions, the realisation of which may prove elusive.

The preceding notwithstanding, an attempt has been made to provide estimates of expected export growth. Since the strategy has been designed to implement the export policy of the Federal Government as articulated in NEEDS, the export expansion projections presented in the export strategy follow those in NEEDS, extrapolated as required.

8.1 Expected non-oil export expansion during the Export Strategy period

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
20%	25%	30%	35%	40%	50%

Given that the level of non-oil total exports was Naira 1001.6 million in 2002, the expected growth in non-oil exports by the end of the strategy period may be estimated at more than Naira 1,500 million.

Whether the projections are realised or not will depend not only on the level of implementation of the recommendations and actions plans but also on the quality (i.e., manner) of implementation. The outcome will be expected to also reflect in the structural transformation of exports.

MODULE 9: IMPLEMENTATION ARRANGEMENTS

9.1 Guidelines for Implementation:

9.1.1 Setting priorities, thrust and areas of emphasis

One of the greatest challenges in export strategy formulation is the setting of priorities, thrust and areas of emphasis that enable the entire process of export promotion to maintain coherence and develop synergies that give impetus to the export effort. (See the Schematic Implementation Plan on page xii).

9.1.2 Thrust

The main thrust of the strategy is organising concentrated export development and promotion activities around a few selected priority agricultural and industrial product and service sectors, namely:

- Textiles and garments
- Horticultural crops
- Fish and fishery products
- Handicrafts
- Solid minerals
- Agro-industrial products: palm, rubber, cassava, spices
 - leather products
 - ICT and other specialized consulting services
 - engineering goods

The THRUST represents the first line of priority product sectors. A second line of priority product sectors is identified. Then we have "export promotion across-the-board, embracing all exportable product groups (See Module 4, page 59).

Before reaching implementation stage, it is important to set up Product Sector Strategy Groups to select specific products from each product sector, e.g., select tuna, canned tuna, lobsters and shrimps from the fish and fishery products group and out flowers, papaya, pineapples, mangoes and green beans from the horticultural group. The stakeholders for each product group should be assisted and taken through a methodology to formulate Product Sector Strategies. These should be subjected to discussions in seminars, the reports synthesised and input to the strategic framework to become an integral part of the Strategy.

The implication of any product group being accorded a priority status is that NEPC will assign experts for each product group to provide technical backstopping and the product will be eligible to access the resource below.

9.1.3 Resource

- i. Establish a resource from which can be drawn on concessionary terms all that is needed for the development and marketing of the products, namely, finance, suppliers' credits, mobilisation of direct investment, technology, technical expertise, raw material and sourcing of other inputs, training, advisory services, management, physical infrastructure support, marketing and other trade support services, etc. NEPC will have the channels for facilitating the sourcing of these services to support companies undertaking the ventures.

9.1.4 Institutional support

Establishing the resource and coordinating all the elements must be the responsibility of a focal point institution with the technical know-how, expertise, experience and capability. The institution which is best placed to set up and manage the resource is NEPC. It has 12 Zonal Offices through which it can reach out to grassroots.

Strengthening the institutional capability of NEPC to be in a position to play this role will be a priority activity of the strategy.

Private sector trade promotion organisations, viz. Manufacturing' Association of Nigeria, Association of Nigerian Exporters, NACCIMA, selected City Chambers of Commerce, MULTIMIX Export Academy, Export Development Group, etc. should be assisted with materials and accountable cash grants on the basis of their respective Action Plans, explaining the activities they intend to undertake in support of the export effort.

The Schematic Implementation Plan presents the priority-setting and areas of emphasis as well as the relevant sector policy measures and the strategic linkages. NEPC will liaise with the relevant Federal Ministries for the necessary sectoral policy support.

9.1.5 Dissemination seminars

Implementation of the strategy requires the collaborative effort among various stakeholders countrywide. Stakeholders are the parties having an interest in a programme of the strategy. They include target groups, civil society organizations, government, international agencies and donors. It is important that the stakeholders are involved in the formulation process and in the discussion of the outcome of the strategy and the modalities for implementation. This is an approach meant for national consensus building on the strategy to secure the ownership and commitment of the stakeholders. An opportunity for doing this is to organize a series of dissemination seminars in the

various ecological zones of the country to ensure that as widely as possible people are well informed about every aspect of the strategy so that they are in a position to decide how they are going to participate in the implementation. The stakeholders' consultative seminars were held in Lagos, Kano, Port Harcourt and Abuja.

9.1.6 Incorporating export strategy elements in work plans

The strategy provides for specific roles of Federal Ministries, Departments and Agencies (MDAs) as well as of institutions and private sector companies. Moreover, the strategy is designed in a way that permits companies, organizations and institutions to identify their respective roles even if they are not spelt out, since it is impossible to do this in the document for all stakeholders. If the collaboration of the stakeholders in the strategy is successfully secured, they are expected to incorporate the relevant elements of the strategy in their work plans for implementation. NEPC's role in this case is coordination to ensure that all the activities are moving in the same direction for the attainment of common goals and objectives. It will therefore be necessary to establish an effective monitoring and feedback mechanism.

9.1.7 Engaging the State Governments

Following the endorsement of the national export development strategic framework by stakeholders, it is now for the State Governments to prepare their own well focused State Export Development Strategies based on the national strategy framework. Since the framework already exists, the State Governments should effect the necessary modifications and adaptations to reflect the resource endowment, priorities and culture of the individual States with substantial involvement of the private sector in the process.

The engagement of State Governments in the export strategy requires:

- Strengthening zonal level activities vis-à-vis grassroot operators;
- Putting in place structures for State Strategies implementation and monitoring;
- Responsibility and accountability for implementation.

9.1.8 Technical assistance

Certain aspects of the strategy may require expertise and other inputs that may not easily be available locally. Similarly resource requirements may be beyond those that are provided locally because of several other needs competing for limited resources. It therefore becomes necessary to enlist the cooperation of external development partners or donor agencies for assistance. This is one of the major

reasons for involving the development partners in the national consensus building process on the document, so that they are given the opportunity to make inputs, identify their areas of interest and provide for the assistance in their technical assistance programme documents. This approach paves the way for identification of projects which already attract donor interest.

There are certain development partners that traditionally support trade and export promotion. These are UK (COMSEC/CFTC and DFID), Germany (GTZ), Japan (JETRO), Switzerland, The Netherlands, Canada (CIDA), USAID, Sweden (SIDA), Denmark (DANIDA), Italy, Norway, and European Union. Developing countries such as India and China are able to assist in kind in specific trade areas with specialists and export support facilities. Others are international agencies, specifically, UNDP, ITC, UNCTAD, WTO, UNIDO, World Bank, and the African Development Bank.

9.1.9 Project profiles/titles

The strategy generates data which makes it possible to identify a portfolio of project ideas. The following projects are therefore some of the identifiable ideas from the strategy:

- i. Institutional capacity building for export promotion.
- ii. Capacity building in selected research and technical institutes for export product engineering and development.
- iii. Capacity building in selected institutions for trade-related human resources development.
- iv. Promotion of selected products to the ECOWAS market.
- v. Export Production Village Schemes in selected areas.
- vi. Concentrated export support for expanding access to AGOA.
- vii. Development of selected products with high potential for export.
- viii. Export support to selected business women's associations.
- ix. Enlightenment seminars on services exports.
- x. Enlightenment seminars on electronic commerce.
- xi. Capacity building in export packaging.
- xii. Strengthening Nigeria's Commercial Representation Services Abroad.
- xiii. Strengthening the capacity of service provider institutions in the export sector.
- xiv. Electronic package for improving competencies in SMEs.

9.2 Dynamics of implementation:

9.2.1 Immediate and short-term actions (0-9 months)

To enable current exporters and new entrants to export to stay afloat with their businesses while the strategy implementation gets under way, the following immediate strategic initiatives need to be undertaken:

1. A comprehensive and consolidated export incentive scheme should be implemented. The primary aim of the scheme should be to offset the cost-disadvantages of export production and marketing in Nigeria.

So far, the most effective and popular export incentive ever introduced in Nigeria was the Export Expansion Grant (EEG). It was comprehensive and had the same effect as a devaluation on the export side. This should be reformulated and re-introduced with the administrative procedures transparent, simplified and streamlined with the following features:

- A realistic per cent rate graduated according to local value added;
 - NEPC should play a key role in its administration with inputs from the OPS;
 - The value of the percentage rate, duly graduated, should be paid preferably by a cheque;
 - Regular monitoring and consultation with OPS.
2. Since the EEG can hardly be a permanent policy measure, a specific plan should be made to phase it out in tandem with removal of critical constraints and cost-escalating factors (especially electricity, interest rate and port clearance) that in the first instance provided the justification for introducing the EEG. This means the removal of the constraints and consequent improvement in conditions should be estimated in the form of "reduced cost of doing business" and reflected as reduced percentage coverage in the EEG. EEG is a form of export subsidy which is incompatible with WTO norms. However, Nigeria is eligible to enjoy a concession because its per capita GDP is below US\$1,000. A Nigeria's import trade partner country can still make a case to countervail the EEG. Therefore, immediate measures should be taken for removal of critical constraints on the export sector, export cost escalating factors and others that erode the competitive advantage of producing for export in Nigeria. The constraints that are amenable to removal immediately or in the short term should be addressed as soon as possible.

These include:

- 2.1 Policy inconsistency, especially in the form of abrupt, drastic and erratic policy shifts, that renders the planning of export production, marketing activities and sales projections irrelevant. This practice should be stopped.

- 2.2 Lack of coordination among the various export regulatory agencies.
 - 2.3 Lack of consultation with, and reference to, NEPC on important matters that affect exporters and their business activities.
 - 2.4 Lack of implementation of the existing statutory provisions for funding NEPC, its services and promotional activities.
 - 2.5 Complicated, cumbersome and bureaucratic export procedures and documentation, especially at the ports.
 - 2.6 General insecurity that compels export companies to incur expenditures on security services.
 - 2.7 High interest rates, difficulty of access to credit, especially long-term credit that is what is required for production capacity installation and expansion.
 - 2.8 Multiple taxation charged by various tiers of government on exportable products.
 - 2.9 Inadequate export business information and other support services that lower the cost of doing export business.
 - 2.10 Inadequate equipment and facilities at the ports which handle export trade.
 - 2.11 Inadequate port services such as phytosanitary advice on export products.
3. NEPC should be re-engineered and resourced adequately as a professional institution to provide the services needed by exporters and the business community.
 4. The Export Development Fund, which is one of the major instruments of the Export Strategy, should be established to facilitate the implementation of the Strategy.
 5. A programme should be drawn up and implemented, setting up a series of EPVs across the length and breadth of the country working with the State Governments.
 6. Relevant Federal Ministries, Departments and Agencies should be mobilized to define their element of the Strategy and formulate how they will participate in the implementation of the strategy and incorporate this in their work plans.
 7. Implementation of sectoral policy support interventions to the Strategy as defined in item 6 above.
 8. State Governments should formulate State Export Strategies based on the Federal Export Strategic Framework to reflect the individual State's resource endowments, priorities and peculiarities.

9. Product Sector Strategies (e.g., Horticultural Export Strategy) should be formulated for the designated priority product groups to be annexed to the strategic framework as an integral part thereof.

Under the implementation of the strategy, the above issues should be addressed within the first 9 months.

9.2.2 Short to medium term actions (0-4 years)

The export strategy spans a period of 6 years, which is medium term. However, in order for the stakeholders to operate in an enabling atmosphere, it is necessary for the implementation of all the critical elements to be completed before the end of the strategy period, i.e., at latest 2 years to the scheduled termination date. The elements cover the infrastructural issues, utility services, etc.

9.2.3 Medium to long-term actions (1-6 years)

Correction of infrastructural deficiencies:

- permanent solution of the electricity and petroleum products distribution problems;
- modernization of the railway network and connection of the State capitals in a modern railway network for passengers and cargo;
- capacity developed for development of dams for electricity supply, irrigation and water transport;
- established inland dry ports for handling foreign trade.

9.3 Possible risks to the strategy

9.3.1 Risk identification and factoring

The strategy is exposed to the following risks:

- i. Lack of sufficient interest and official support. This risk is likely to arise because the authorities are not well informed about the objectives and content of the strategy. A broad-based steering committee was initially foreseen to ensure that the relevant authorities were involved in providing guidance to the strategy formulation process and had the opportunity to make inputs. Seminars were also foreseen to provide the opportunity for stakeholders to make inputs to the formulation process instead of being confronted with a final document. Various forums were therefore built into the strategy formulation process in order to minimize any risk of weak support from the stakeholders on account of lack of information on the strategy.
- ii. Lack of political commitment or will to implement the strategy. This is likely to arise because of absence of appreciation for the content of the strategy and the consequent absence of budget allocation for financing projects arising from the strategy.

Provision has therefore been made in the strategy to engage a wide spectrum on stakeholders, particularly the private sector and decision-makers in government whose support is crucial to the implementation.

MODULE 10: MONITORING AND EVALUATION

Monitoring and evaluation seek to provide the main parties and stakeholders with timely information about the progress, or lack thereof, in producing the expected results for achieving the broad objectives of the strategy. This provides a basis for decision making to improve implementation and take appropriate corrective measures. The following provision has therefore been made for a mechanism for monitoring and taking such decisions: An *Inter-Institutional Steering Committee* should be set up to be responsible for the implementation of the Strategy, the role of which includes management, giving direction and monitoring.

10.1 Performance indicators:

10.1.1 Benchmarks:

- Removal of critical constraints.
- Introduction of measures that improve the export atmosphere.
- Technical progress reports prepared at agreed intervals on the implementation, particularly those on projects expected to emerge from the strategy.
- Number of projects formulated from the strategy and implemented.
- Surveys and studies envisaged.
- Periodic meetings of the steering committee and stakeholders on implementation of the strategy.

10.1.2 Success criteria:

The strategy will be deemed successful if the following conditions are fulfilled:

- If at least 10 projects were identified from the strategy and at least 8 were financed and executed with expected results achieved.
- If NEPC, the lead institution, has been restructured, re-engineered and financed as envisaged and has attained sustainability, i.e., is able to utilize the results of the assistance and has indeed made further improvements on its own.
- If at least 90 per cent of the identified critical constraints on the export sector have been removed by the end of the 4th year of the strategy implementation.

- If total non-oil exports has increased at least 50 per cent over the year 2002 level by the end of the strategy period.
- If new exports have emerged and showed rapid strong growth rates of over 20 per cent per annum during the strategy period.
- If the export sector is able to generate new jobs of at least 20 per cent increase per annum.
- If of the new jobs created, at least 50 per cent has gone to women.
- If export SMEs express satisfaction with services they receive from NEPC as indicated by the result of periodic surveys.
- If the OPS expresses satisfaction with the implementation results.

MODULE 11: THE WAY FORWARD

Following completion of the strategic framework, State Export Strategies and Product Sector Strategies should be formulated with substantial involvement of the operators in the respective priority product sectors identified in the framework. The latter should be annexed to the framework to become integral parts thereof and be implemented in accordance with the overall work plan of the framework.

Priority should be given to re-engineering of NEPC, establishment of a series of EPVs and removal of critical constraints on the export sector as well as implementation of a package of realistic export incentives.

References

- Business Guide to the World Trading System, ITC.
- Trade and environment (WTO, background paper submitted to the Trade and Environment Seminar in Cairo, 1998).
- Vinod Rege, GATT Law and environment-related issues affecting trade of developing countries, Journal of World Trade 1994.
- WTO: Trade Policy Review of Nigeria 1998.
- ITC: Successful Services Exporting – Training modules.
– A handbook for Firms, Associations and Governments (2001).
- ITC: Strategy for the promotion of trade in services from developing countries and economies in transition.
- ITC: Secrets of Electronic Commerce.
- UNIDO: The Performance of Nigerian Manufacturing Firms: Report on the Nigerian Manufacturing Enterprise Survey 2001.
- Central Bank of Nigeria: Annual Report 2002 and Quarterly Bulletins.
- RESTANN Nigeria Ltd.: A study on Nigeria's non-oil export trade, September 2002.
- ITC: Export Strategy Template.
- The Economic Team: Broad outlines of the National Economic Empowerment and Development Strategy (NEEDS).
- Federal Government: National Employment Policy.
- Federal Government: Industrial Policy of Nigeria.
- Federal Government: Report of the Vision 2010 Committee (National Development Policy Main Report).
- WTO Trade Policy Review on Nigeria.
- Federal Government: Agricultural Policy for Nigeria.
- Readings on Agricultural Development Policy in Nigeria.