

Towards Africa's industrialization:

NIGERIA



Dangote Cement – present in 14 African countries, it is the largest quoted company in West Africa

Focus turns to manufacturing

While Nigeria has all the ingredients to be a major industrial power in Africa – an economy estimated at between \$224 billion and \$555 billion (if the informal sector is included), a population of over 163 million and is home to some of the most dynamic and creative entrepreneurs – its manufacturing sector is still punching below its weight. This is because the country suffers from an affliction common to many naturally endowed African nations: the ‘resource curse’. From about 1980, oil dominated all economic considerations and the thriving agricultural sector was pushed into the background and sadly neglected.

Today, oil forms 95% of Nigeria’s exports and brings in over 78% of federal government revenue. However, the hydrocarbon sector has generated far fewer jobs than its size suggests and even government stipulations over local content in the industry have failed to create a satisfactory level of industrial linkages to the broader economy. But policy changes are on the way.

“Rapid industrialisation is the key to the sustainable growth. Nigeria needs to provide meaningful jobs for our youth of today and tomorrow,” said President

Goodluck Jonathan, while announcing that an expansion of the manufacturing sector would henceforth be the bedrock on which growth would be based.

The manufacturing sector currently accounts for only around 4% of GDP. Jonathan wants this figure to rise to around 10% by 2020. He has promised a number of incentives to ease the burden on the sector. These include the expansion of industrial development zones, the lowering or even abolition of import duties on capital equipment and increased support for small and medium-scale enterprises through training and financial support from the Nigerian Bank of Industry.

“Our mission is to transform Nigerian industry and integrate it into the global economy,” says Evelyn Oputu, the managing director of the bank. “We have a wealth of highly creative entrepreneurs in this country who are being held back by lack of finance and the appropriate technical and market information.”

In February, the National Competitive Council of Nigeria was created to advise

local manufacturers on how best to compete more successfully in international markets.

“The key to becoming internationally competitive will be reducing production costs,” says Kolapo Lawson, one of Nigeria’s most successful industrialists. He runs a widely diversified clutch of companies including Acorn Petroleum Plc, Vitamalt Plc and Agbara Estates Ltd, among several other enterprises. “Nigerian manufacturers are severely hamstrung by serious infrastructural shortfalls in power and water supply,” he adds. “For example, given the unreliable power supply, industrialists have to rely on expensive generators all of which add to production costs. It is nothing short of criminal that the biggest oil and gas producer on the continent of Africa is also the biggest importer of fuel because we cannot get our refineries to work.”

Despite the constraints, Nigeria remains one of the most attractive destinations for local and foreign industrial investment. Established firms, some going back to colonial times, are among the largest and most profitable in Africa. This is especially so in food and beverage processing.

Aliko Dangote, chairman of one of the most diversified conglomerates in Africa, has become one of Africa’s richest billionaires by focusing on providing the basics – sugar, flour, cereal crops and cement.

Several large African corporations have been making steady inroads into the Nigerian industrial space. For example, South Africa’s giant Tiger Brands corporation recently purchased a majority share in Dangote Flour Mills, Standard Chartered Private Equity and Ashmore Investment Management have invested in aluminium can manufacturer GZI, which already produces 1.2bn cans a year, the US’s General Electric is to invest \$1bn over five years in a power-sector components factory in Calabar, Nigeria’s Indorama Eleme Fertilizer & Chemicals Ltd is to invest \$1.8 billion in a fertilizer plant in Calabar and the Dangote Group is constructing another fertilizer plant in Edo State.

Underlining Nigeria’s determination to become the continent’s major industrial power, the Minister of Trade and Industry, Olusegun Aganga said, “No nation has moved from being a poor nation to a rich one by exporting raw materials without a strong industrial base. Nigeria has the raw materials and market to become not just number one in Africa but among the top 10 globally.”

Key to becoming internationally competitive will be to reduce production costs

