

Nigeria Records Mixed Results in Linking Oil Industry With Rest of Economy, Says Report

Addis Ababa, Mar. 25, 2013 – Efforts to improve linkage between Nigeria’s dominant oil and gas industry and other sectors of the economy have only achieved modest success owing to the limited capacity in the state-owned oil company to perform its production and monitoring functions.

Another factor responsible for the little progress was the restiveness in the oil-rich Niger Delta region, according to this year’s Economic Report on Africa (ERA 2013), co-authored by Economic Commission for Africa (ECA) and the African Union (AU).

Oil and gas play a major role in the economy, contributing an average of 76% of the federal government’s revenue between 1980 and 2000. The sector also accounted for an average of 97% of exports over the same period, the report adds. But the business is dominated by foreign multinationals among which Shell is the biggest operator, accounting for about 43% of the country’s crude oil.

“The outcome of government’s efforts to increase local content has been mixed,” the report says. “Minimal success in meeting targets is attributed to the absence of legislation, weak monitoring and supervision capacity by the NNPC, limited capacity of NNPC to carry out independent exploration and production activities, and dissatisfaction in the Niger Delta region.”

Agricultural commodities such as cocoa, cotton, palm oil, palm kernel, groundnuts, and rubber which were in the commanding heights of the economy before the 1970s were neglected as crude oil took pre-eminence.

Nigeria is the world’s fourth-largest cocoa producer. The beans are responsible for 36 percent of non-oil export receipts. Yet, not much has been done to encourage value addition in this sector until the introduction of an Export Expansion Grant scheme.

The government established the scheme as an incentive to “promote upstream and downstream linkages of cocoa processing with other domestic sectors,” says the report. It has encouraged most cocoa export processing companies to invest heavily in plant and machinery to add value to indigenous commodities. This is expected to boost local processing from about 20%, among other multiple benefits to the entire economy.

“The industry is targeting employment generation through the creation of at least 365,000 jobs by 2015,” says ERA 2013.

The theme of this year’s report is “Making the Most of Africa’s Commodities: Industrializing for Growth, Jobs and Economic Transformation.” It advocates a commodity-based industrialization for African countries if they are to capitalize on their abundant resources to transform into a global economic power.

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