AN ECONOMIC ASSESSMENT OP THE IMPACT OF STRUCTURAL ADJUSTMENT PROGRAM ON THE MANUFACTURING SUB-SECTOR.

BY

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A PROJeCT SUBMITTED TO THE POST-GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION.

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
ZARIA - NIGERIA.

DECEMBER. 1992

C E R T I F I C A T I O N

This project report entitled "AN ECONOMIC ASSESSMENT OF THE IMPACT OF STRUCTURAL ADJUSTMENT PROGRAM ON THE MANUFACTURING SUB-SECTOR" Meets the regulation governing the award of the digree of MASTERS OF BUSINESS ADMINISTRATION (MBA) of AHMADU BELLO UNIVERSITY, ZARIA AND is approved for its contribution to Knowledge and literary presentation.

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D E C L A R A T I O N

I YASUGUMI BUKAR do hereby declare that this project has been written by me and that it is a record of my own research work.

All sources of information collected for the project are clearly acknowledged by means of reference.

D E D I C A T I O N

This project is dedicated to my wife AISHATU ABBA GASHI.

My loving children USMAN BUKAR

and

MAIMUNA BUKAR.

A C K N O W L E D G E M E N T

Special thanks to Allah the Almighty for a dream fulfilled.

I wish to acknowledge the immense contributions of my brother Alhaji Mohammad Adam Monguno and the entire members of my family.

My colleagues and very good friends, who among ourselves were always willing to objectively criticise and/or commend each others work deserve a special mention here. Prominent among them are Abubakar Sadiq Isa, Abdullahi Yusuf, Mr. Geoffrey Garba, Al-Amin Sabo Abdul-Hamid and Waziri M. Bintube.

I also wish to express my sincere gratitute to my state government (Borno) for sponsoring my education from Secondary School up to this level.

I acknowledge with profound gratitute and appreciation the able Supervisor of this project by Mallam Nasir Maiturare (M.B.A. Course Coordinator). I remain for ever grateful to him.

Errors of omission or commission in this project, I accept full responsibility.

Lastly the role of Lecturer and Staff in the department toward the success of the course is not forgotten and I remain grateful to all.

A B S T R A C T

This project examines the economic assessment of SAP on the Manufacturing Sub-Sector of Nigerian Economy.

The economic problems which the program seeks to redress among others are: the over dependence on oil, over valuation of naira, lack of self-reliance, growth and development, serious balance of payment disequilibrium, growing, government deficit budgeting, low productivity, industrial input dependence imports and stagflation etc.

Launched July, 1986, SAP aimed at solving the above problems a number of strategies were employed. The measures adopted were monetary credit, fiscal, institutional etc. From the analysis of the available data on the assessment of impact of SAP on the economy with particular reference to the manufacturing sub-sector, there are some indications that SAP's painful costs aside the program has made a little progress.

At the end of the project a recommendation is made to replace the macroeconomic policy (SAP) because of its social consequencies and little

success so far made. Furthermore, if to go on with the SAP 7 points check list are recommended for checking SAP's excesses and straightening it for greater achievements.

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CHAPTER ONE

1.1 Introduction.

At the time of our political independence the economic fortunes were generally on an upward course. As a result of the euphoria of resource abundance, governments were out to fill the enterprenual void created by the departure of the colonial master, through state intervention in practically all spheres of economic activity.

However, during the last two decades our economy have recorded consistently negative growth or at best stagnation. This situation was manifested in severe deterioration in social, economic conditions and unsustainable external positions. The root of this decline being traced to two set of factors; internally induced distortions in the economy and exogenous shocks (First Bank 1988).[1]

Some of the internal negative macroeconomic policies were; an over valued exchange rate, structural high level of subsidies, inefficient import substitutions, that resulted in the development of a fragile highly import dependent

industrial sector etc, while on the external front, the sharp increase in oil price 1973/74, had adverse effect on a number of industrial countries. The consequences being raise in import bills while demand for exports stagnated; resulted in a deterioration of terms of trade.

After a roller coaster ride of high oil revenues of 1973/74 and a heavy market crash in the early 1980s, Nigeria has been caught between the devil of rising debt burden and the deep blue sea of depressed export prices and revenues, whereby it fell into adjustment dillema.

The Structural Adjustment Program (SAP) was introduced on 1st July, 1986 as a two-year program to redress the underlying deficiencies of the economy; as an alternative to an IMF package which was over whelmingly rejected after a gruesome three month national debate in December, 1985.

The policy document set out for itself the following objectives among others:

1. to correct and work out a realistic exchange rate for the naira through the

introduction of a viable foreign exchange market.

ii. to relieve the debt burden and attract the net inflow of foreign loans.

iii. to reduce the over dependence of the nation on crude oil export through encouraging the non-oil export.

iv. to reduce Nigeria's dependence on imported raw materials.

To realise the first objective i.e. finding a realistic exchange rate for the naira, the second tier foreign exchange market (SFEM), later changed to foreign exchange market (FEM) was introduced and with this government abolished the import licencing scheme. It was reported on the first bidding session, $4.6m was sold and naira was devalued by 836%, that is to say that the rate was ₦1.008 for U.S. dollar, Aluko 1987.[2]

Camporis of SAP argue that SAP has achieved its main objectives of removing the distortions

in the economy in the areas of production and consumption patterns and in relative prices.

Adoption of SAP enhanced the country's credit worthness and influenced favourable negotiations of rescheduling her debt obligations. On the other hand critics of SAP advances the arguments that the initial impact of the SFEM was the liquidity crises, resulting in the lack of raw materials, rising production costs, and falling profits. It also brought about under utilisation of capacity, increased foreign debt, shortages of foreign exchange and foreign investment etc.

1.2 Statement of Problems.

The problems of Nigerian Economy at the inception of SAP were:-

i. to restructure and diversify the productive base of the economy, inorder to reduce dependence on just one sector and on import.

ii. to achieve fiscal and balance of payment viability over the period.

iii. to lay the foundation for a substainable non-inflationary or minimum inflationary growth.

iv. to rationalize the public sector for greater efficiency and engender the realisation of the growth potentials of the private sector.

v. problem of unemployment, under employment and under utilisation of our human resources.

vi. rising domestic and external debt burdens.

vii. import licensing system which created room for abuse and facilitated capital flight and transfer by multinationals, misappropriation and misallocation of scarce foreign exchange etc.

It was against this background that SAP was introduced. (The Program expected to move the

economy towards maintaining internal and external balances. Finally this project will show whether ineffect, SAP have helped in revamping the Nigerian Economy especially in the manufacturing sector and if otherwise other alternative ways are to be suggested if any.

1.3 Objective of the Study.

i. The objective of this study is to critically assess the impact of SAP on manufacturing industries in Nigeria, showing the relevance or irrelevance as the case may be in solving the problems for which it was meant.

ii. To advance policy recommendation.

iii. To potray the human cost of the SAP etc.

1.4 Significance of the Study.

This project identifies the problems which brought about the down fall in the Nigerian Economy particularly in the manufacturing sub-sector. The nature of the problems and how the implementation of SAP attempts to address the economic crises.

The result of the study may guide manufacturers both private and public in restructuring their industries and keeping them in production.

The study will also help to enlighten all interested persons about what SAP is basically about and finally the study will establish the possible contributions of SAP.

1.5 Scope, Delimitation and Limitation of the Study.

The scope of this study will cover the period between 1985 to 1990.

This s tudy will attempt to determine the level of understanding of economic concepts and modalities of SAP; as it relates to other sectors of the economy. It also attempts to identify what brought about the sudden downfall of the economy as it relates to the manufacturing industries.

The study did not attempt to determine the areas of economics which should be included for mere intelectual exercise in formulating other

economic hypothesis. The study rather considers understanding how the introduction of SAP affects the Manufacturing Industries positively or negatively. If positively, how it achieved that, and if negatively, positive suggestions will be given for further adjustments.

In research of this kind, many constraint will be faced, such constraints like time and finance. This contributed to the fact that the study has to rely mainly on secondary sources for its data collection. However, efforts were made to ensure that the data used in the study were obtained from usually reliable and responsible sources.

1.6 Research Methodology.

This study is basically historical in nature, it is so because, it addresses itself to the determination, explanation and evaluation of the past imbalances associated with the structure of the Nigerian economy in particular reference to the manufacturing industries.

Since it's being historical in approach, the main sources of data are public documents, Text Books, Journal, Magazines and Newspapers etc.

1.7 Definition of Terms and Concepts.

In a study of this kind, it is usually to define at the beginning those terms and concepts that will be used in the study to avoid ambiguities.

Structural:-

It is referred in economics as a large scale change in the entire economy, as opposed to cyclical fluctuations in response to the ups and downs of the business cycle.

Structural Adjustment Program.

A policy response to external and internal shocks, that are carried out with the objectives of regaining the pre-shocked growth path, Bela Balassa 1981.[3]

Foreign Exchange.

A market where foreign exchange transactions takes place. In practice, this market is not

located in any one place, most transactions are being conducted by telephone, cable etc. The modern market is dominated by Banks, Financial Institutions and Exchange Brokers who buy and sell foreign currencies and make a profit on the differences between the exchange rates and interest rates among the various financial centres.

Second-Tier Foreign Exchange Market (SFEM).

It is the market meant to achieve a realistic exchange value of the naira and to rationalize resources allocation in the economy. It later changed to foreign exchange market (FEM).

Inflation.

It is a highly controversial term which has been given varied definition by various authors. In the words of Friedman, inflation is always and everywhere a monetary phenomena ....and can be produced only by a more rapid increased in quantity of money than output.[4] While Brooman defines as, a continueing increase in the general price level.[5]

Devaluation.

The reduction of the Gold content of the monetary units.

Recession.

A broad downward movement of the economy, that is an extended, substantial and widespread decline in aggregate economic activity, Rosenberg 1983.[6]

Depression.

A period of low general economic activity marked by mass unemployment, deflation, a decreasing use of resources and a low level of investment.

Stagflation.

It is a periodical phenomenon where the economy experiences stagnation as well as inflation. Stagflation is a situation where recession is accompanied by a high rate of inflation.

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CHAPTER TWO

LITERATURE REVIEW

In chapter one, outline and definition of what SAP is all about and gave an overview of the program, what led to the government to introduce it and its objectives.

In this chapter, I am going to deal with the review of books and articles written on SAP.

2.1 Review of Relevant Literature.

A lot of controversies have been raised and indeed issues are still being raised by the champions of SAP as well as critics of it on the economic assessment of the program. It is necessary to re-examine the economic impact of SAP on the manufacturing industries. Moreover, this theoritical perspective will give a yardstick for defining the degree of evaluation between what is obtained theoritically and what is obtained in real situation.

The economic objectives of SAP is to achieve a realistic exchange rate for the naira through

the interplay of market forces, also eliminating wasteful foreign exchange transaction; bringing about efficient management of resources allocations, and stimulating domestic based production.

Moreover SAP intended to foster self-reliance and less dependence on imports. Since SAP is bitter and painful, it should be analysed to know the effects it has on the manufacturing sector. This is necessary because of the role of industries in the economic development of the country.

2.1.1. Theoritical Perspective.

Structural Adjustment Program was designed to attack and remove the fundamental structural distortions prevalent in the Nigerian Economy since 1970s. Although it must be acknowledged that some significant progress were made in some areas in the past, notably in the provision of physical and economic infrastructure, some of the projects executed were later found to be unviable. Instead of making the economy self

reliant, the policies pursued during this period made Nigerian economy vulnerable to external shocks, Okongwu (1987).[1]

By the end of 1985, it became obvious that nothing less than a comprehensive structural adjustment would effect the desired turned round of the economy. It was in this regard that in 1986 Budget set two year structural adjustment program, which was launched in July 1986, Falae (1988).[2]

The main elements of SAP envisaged that not only strengthening demand management policies but also adopting measures to stimulate domestic production and broaden the supply base of the economy. Thus the adoption of a realistic exchange rate policy, rationalisation and restructuring of the tariff to promote industrial diversification is imperative, an increased trade and balance of payments, and a solution of complex administrative control are therefore the key elements of SAP.

SAP is the boldest measures taken to address the economic problems facing this country.

2.1.2. The Imperical Evidences.

Since the introduction of the SAP, a number of economic measures both monetary and fiscal have been adopted to deal with then identified internal and external problems facing the Nigerian economy.

Some fiscal measures adopted before July, 1986 were reviewed and rationalised in line with SAP with a view to ameliorating the envisaged inflationary impacts of SFEM and also to protect local industries.

As SAP was based on fundamental understanding of what was wrong with the economy, the outcome become naturally a failure due to misapplication of its principles. SAP has only succeeded in entrenching foreign interests as well as those of their local agents, leaving Nigerians deprived hungry, in agony and less productive Usman (1989.[3]

Clearly the state of the Nigerian economy today leaves little room for cheer and our productive system is in disarray. Output is already down, employment rate is falling, income has fallen and prices are increasing. Consumers therefore, lack the financial ability to meet the escalating prices of manufactured goods. This let to excessive inventories. Ineffect therefore, the panic promotional activities by companies was necessitated by desperation to reduce inventories than a persuit of the normal competing production.

SAP introduced to bail the nation's ailing economy had brought about the depreciating values of the naira in the SFEM and its attendant inflation thereby causing the present hardships to most Nigerians especially the toiling masses. The policy has also increasingly undermined the sovereignty of Nigeria as a nation.

It appears that now in Nigeria, we have a structural adjustment program which seems to drastically reduce the living standards of all classes of productive workers except speculators

and commission agents. Because of the nature of the problems, SAP has not really solved the problems it was designed to solve and has affeeted Nigerian workers adversely. It has reduced their purchasing power and money has become valueless.

In reviewing the above controversies, it is therefore necessary to varify whether in effect the policies adopted with the introduction of SAP has helped in revamping the Nigerian economy. If on the other hand, SAP was not successful in improving the economic situation of the country, other alternatives are to be provided.

2.13 Review of the Controversies.

Structural adjustment Program being a macroeconomic policy has failed to achieve its goals. Because on looking at the goodness and badness of the decisions and preferences based on the welfare of the people, the Federal Government is better off with the introduction of SAP while on the other hand most citizens are worse off. So, therefore, because of the welfare of the people,

micro-economic policy is more preferable than macro-economic policy. This is because the social cost of error under microeconomic policies are minimal and also, logically consistent with a well defined goals and objectives.

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CHAPTER THREE

STRUCTURAL ADJUSTMENT PROGRAM AND THE NIGERIAN ECONOMY.

In the previous chapter relevant literature on SAP was reviewed, based on both theoretical perspective as well as the imperical evidences.

This chapter will discuss SAP, and the Nigerian economy based on the policies undertaken as well as prospects of SAP and Pre-SAP period and SAP period will be appraised.

3.1 Policies of Structural Adjustment Program.

The policy measures taken before and early 1986 were in the form of trade controls. The effects of which are so familiar that they do not need any elaborate enumeration. Suffice to say that the control measures were not only largely successful, but also led to a situation of drastic short supply of industrial inputs, plant closures, large scale retrenchment of workers, shortage of goods and price increase. At the same time, external debt increased rapidly

through an indiscriminate recourse to external borrowing and accumulated unpaid trade bills.

The policy requires an appropriate incentive framework and an urgent need for change in the exchange rate and policies governing the trade. Then, a change of policy came with the new leadership in 1986. Budget reforms announced a new program namely second-tier foreign exchange market (SFEM) and its implementation started on the 26 September, 1986, it was a weekly program and run for 62 weeks and was terminated on the 15 September, 1988.

In 1987, the fiscal measures were strengthened and re-enforced. An adjustment was made in the interim tariff in order to protect local industries as well as rectify some anomalies already identified in the interim tariffs and enhance the competitiveness and productivity of the affected industries.

In 1988 the authorities have indicated their intention to adopt a more restrained stance of policy and initial steps have taken to tightened

both monetary and fiscal policies. The authorities have announced other measures designed to continue and consolidate the structural reform which began under SAP by regulatory climate for the private sector with a view to promoting private investment, such measures are:

i. Increasing domestic prices for petroleum products, as a first step in a program to bring them into line with their opportunity cost in the international market.

ii. Debt rescheduling plan, covering ₦6.2 billion of internal debts had been formulated. The plan calls for a three year moratorium starting in 1988, during which period only interest will be collected with principal to be recovered over the subsequent seven years and states to service their debts.

These measures are designed to consolidate the structural adjustment program reform process under SAP by improving the regulatory climate for private sector with a view towards promoting private investment. On coming to power in August the present administration recognised the need to approach the problem through comprehensive structural adjustment and initiated measures to arrest the deterioration of the economy. The centre piece of the program being the adoption of market determined exchange rate system and the elimination of import licensing in 1986.

These steps constituted a radical break through the previous policy framework which have rellied on administrative controls which fostered corruption and rent seeking behaviour at the expense of productive activity. The program included initial steps to reform tariffs and export policies, in order to forestall excessive pressure on the exchange rate and prices, monetary and fiscal restraint policies played an important role in the programme.[1]

3.1.1. Import Policy Under SAP

The trade policy was previously dominated by quantitative import controls, mainly in the form of a comprehensive import licensing system and outright bans on some agricultural and manufactured products. While in many cases, the government itself imported banned goods or gave special permits to private firms to import banned goods in order to address domestic scarcities, the effect on resources allocation of these controls in combination with the over-valued exchange rate, over shadowed the role of customs and excise duties in shaping the incentives.

3.1.2. Export Policy Under SAP.

Since January, 1986, the government has taken a series of measures to promote export development. The SFEM hence stipulated that non-oil exporters could retained 100% of their foreign exchange earnings in the form of domiciliary accounts, exporters are free to convert export proceeds held in such accounts into naira at their convenience. To further encourage non-oil exports, the government abolished

export prohibitions - although exports of grains were temporarily banned in the aftermart of the poor harvest in 1987 and significantly reduced export licensing requirements. Other measures introduced to promote exports include a duty drawback scheme and a scheme for central Bank rediscounting of short-term bills for exporters.[2]

3.1.3. Fiscal Policy Under SAP

One of the principal elements of SAP was the increased emphasis on the economic efficiency of public investment. With limited budgetary resources, the program recognised that maintenance of existing operation's and completion of high priority or nearly completed projects. As the weakness of the world oil markets has persisted and as domestic inflation has picked up, the authorities have altered their fiscal strategy and adopted a more restrained stance, warrant was released in July, covering the first three quarters of 1988, were only 69 per cent of the budgeted accounts for ministerial capital expenditures, and only 23 per cent for the reflation fund

were covered. In early April 1986, the government increased domestic prices for petroleum products as a first step in a program to bring them into line with their opportunity cost in international markets.

A rescheduling plan covering ₦6.2 billion of internal debts has been formulated. The plan calls for a three year moratorium starting in 1988, during this period only interest will be collected, while principal to be reviewed over the subsequent seven years. States were also expected to service their external creditors.

Further measures which were aimed at reducing the Federal Budget deficit were incorporated in the 1986 budget, such like substantial reduction have been made in the salaries and fringe benefits of civil servants. A similar restraint was continued in hiring staff over a wide range of positions.

A key reform which was announced in 1986 budget was the elimination of the hitherto substantial subsidy on petroleum products consumed

domestically. With the recent development in the international oil market, the domestic prices of these products have indeed been above the international prices. Other subsidities, particularly those inputs like fertilizer and on farm services, have also been under downward review.

3.1.4. Monetary Policy Under SAP.

Monetary policy has a dual role in the adjustment program. The macroeconomic strategy persued by the government, in addition to austere fiscal measures, relied on tight monetary policy over the program period for stablisation policy purposes and stem inflationary pressures and contain demand for foreign exchanged. But monetary policy also has a structural components involving movement towards a more market oriented financial system designed to facilitate the mobilization of financial savings and to encourage more efficient allocation of financial resources.

In line with the program's demand management objectives, the government intended to restrict the growth of domestic credit, reflected in ceiling

on the increasing in commercial bank's loan and advances of 8 per cent in 1986. In event over all domestic credit rose by 11 per cent in 1986. Bank credit to the private sector increased by 29 per cent, particularly off set by a 3 per cent decline in credit to the public sector (see table III.I). Although Central Bank of Nigeria guide lines stipulated penalties in cases of non-compliance with the ceilings, no penalties were actually imposed on the most banks that over shoot the limits.

At the beginning of 1987, new credit guideline were announced. The ceiling on commercial bank loans and advances was retained at 8 per cent, excluding advances for agricultural production, manufacturing for export and export financing. The maximum lending rate was set at 15 per cent.

Further measures were introduced on August 1987. A signifcant departure from previous policies lending and deposit rates were deregulated so that banks are free to charge market rates of

interest. Furtheremore, the limits on credit expansion were reduced to 7.5 per cent.

TABLE III.1

MONETARY AGGREFATES 1985 - 1988

	Dec. 1985	Dec. 1986	Dec. 1987	Dec. 1988
Net Foreign Assets	(2852)	(19620)	(26556)	(25301)
Net domestic credit	(33081)	36836	41924	45007
Credit to Government	18551	18067	19784	19927
Credit to Private Sector	14530	18769	22141	25079
Money/Quasi Money (M2)	23703	24344	29878	33136
Other Deposits (ext. payments)	3520	282	210	6
Capital reserves	1663	2363	2994	3248
Other items net	5544	6994	8285	11225

Source: CBN and IMF Staff Estimates.

Due to continous increase in the penalties for exceeding the limits. The minimum liquidity ratio was raised from 25 per cent to 30 per cent with the tightening of policy, the discount rate

was raised from 11 to 15 per cent and the Treasury Bill rate was raised from 10 to 14 percent. Interest rates rose substantially as a result of the measures with banks paying 13 to 17 per cent on deposit and charging 17 per cent prime borrowers.

The policy of economic reconstruction was attacked by many critics and it was as well commended by some, the policy raised alot of argument for and against (SAP for Nigeria 1988 and Central Bank document 1988).[3]

3.2 The Prospects of SAP.

Nigeria's projected 3.4 per cent rate of population increase requires that GDP grow by about 4 per cent per annum for per capita consumption to rise by even marginal amounts. The forecast presented below suggest that such a growth rate is feasible. Given World Bank projections for for the oil market, provided that Nigeria implements the policy reforms discussed above, and that international creditors support the program through rescheduling and financing terms. This may evolve

chance for revamping the economy.

3.2.1. Macroeconomic Projections.

An extended version of the World Bank's standard macroeconomic projection model adjusted to the specific characteristics of the Nigerian Economy, has been used to forecast developments through 1990. The price of Nigeria's crude oil taking into account to higher than average quality is assumed to average us $15.60 billion (see table III.2 below).

3.2.2. Short Term Prospects.

The foreign exchange constraints was extremely tight in 1988 and 1989. External financing remained difficult to secure, and annual oil revenues were below us $6.6 billion in 1988 and 1989, i.e. one quarter of 1980 level. As a result some percentage decline in real imports forecasted for 1988, with a further marginal decline forecasted for 1989. Even by continued efforts by producers to increase domestic sourcing of inputs as a consequnce of the

exchange rate adjustment, coupled with reduced absorption of inputs by the public sector, should make it possible to continue recent trends in manufacturing sector with annual real growth within 5 per cent range.

TABLE III.2 KEY MACROECONOMIC VARIANCES 1984 - 1990.

Shares of Gross Domestic Product (From Current Price Data)

Historical Estimate Projected.

National Accounts	1984	1985	1986	1987	1988	1989	1990
GDP	100	100	100	100	100	100	100
Net direct taxes	1.9	2.3	2.5	1.8	2.3	2.4	2.3
Non-oil GDP	83.1	82.1	86.4	66.5	71.1	71.3	67.1
Agriculture	35.1	34.3	35.4	29.7	32.1	31.1	30.1
Manufacturing	10.6	11.6	12.4	8.8	9.4	9.5	9.3
Construction	1.7	1.7	2.3	1.3	1.4	1.3	1.2
Services	35.8	34.5	36.4	26.7	28.2	28.4	26.5
Petroleum	15.0	15.6	11.1	31.7	26.6	26.3	30.5
Resources balance	1.7	3.3	-1.8	4.1	3.6	1.9	4.4
Exports of GNFS	13.2	14.2	11.4	31.0	26.8	26.4	28.5
Imports of GNFS	11.5	11.0	13.2	26.9	23.2	24.5	24.6
Total Expenditure	98.3	96.7	101.2	95.9	96.4	98.1	95.6
Consumption	92.0	88.8	91.9	80.1	81.8	85.0	13.9
Gross Domestic Invest.	6.4	7.9	10.0	15.8	14.6	13.1	13.9
Gross Domestic Saving	8.0	11.2	8.1	19.9	18.2	15.0	18.3
Gross National Saving	5.8	9.2	7.0	14.2	13.7	9.3	10.6

Source: World Bank Staff Estimates and Projections.

3.2.3. Medium Term Prospects.

In the case of import growth the forecast rise in oil prices to us $17 billion in 1990 should ease the foreign exchange constraint of public sector services and rapid growth in financial sector, off setting somewhat further adjustment related consolidation of the retail and wholesale trade network.

3.3. Pre-Structural-Adjustment Program Period.

Until the 1986, the general landscope of the Nigeria's economy remain depressed. The economy infact has gone through years of decline since 1981. The manufacturing sector which apart from the government has traditionally provided a considerable number of job opportunity for workers were under serious economic strain and constraints.

The industrial performance reflected low sales turn over and low capacity utilisation, which as to be expected led to low employment opportunities indeed most manufacturing concerns were force to retrench their workers because of

inadequate import licence to procure row materials and spare parts for their plants since 1980, the dollars price of primary commodities had fallen drastically. At this period also the various governments both Federal and States discovered that they could not meet their financial obligation to workers in a country where government provided more than 50 per cent of job opportunities, the implication was sombre.

Before the introduction of the SAP, import control was secured by a system of comprehensive import licensing and absolute prohibitions. Combined with the regime of an over valued naira exchange rate, this arrangement brought about misallocation of resources and malpractices. By abolishing import licensing the Federal Military Government was paving way to put the machinery of SFEM into action.

As a result of the collapsing oil revenues and rising foreign debt service obligations Nigeria faced an acute economic crises which made the Nigerian Government to embark on a far reaching structural adjustment program (SAP) the period

from mid 1986 to present time. The most important step in the program was the shift to market determined exchange rate system centered around a foreign exchange auction.

The uncertainty brought about by failure of government to establish an acceptable pre SFEM settlement rate as well as the inconsistences and discrepancies in the interim tariff structure hurriedly put in September 1986 by the government was observed to have adverse consequencies for some industries especially those in the manufacturing sector of the economy which in effect became cheaper to import finished goods than to produce them at home. The new exchange rate creates inflation.

The country having become intoxicated with the illusion of its wealth find itself having to wake up to the realities of SAP in July 1986 followed extensive discussion on ways for steming the severe pressures and the country's external payment position and effectively combating the continuing deterioration in the economy generally.

3.3.1. The Period of SAP Appraised.

SAP is the latest in the series of policy programs directed at Nigeria's economic problems. Its difference from earlier programs, like Obasanjo's importation of some items in 1977 and Shagari's austerity measures of 1982, that it is more comprehensive in breath, it has much greater depth and has a character of radical determinations. SAP is a program of belt tightening by restructuring the economic policies of the country, which was announced by the President of the Federal Republic of Nigeria, in July, 1986.

The problems that ushered in SAP were: Over valuation of the naira, dependence on oil sector and imports of raw materials, dominance unproductive public sector, deficit in the balance of payment and external reserve depletion etc.

With SAP alot has been done to promote the exportation of non-oil products. Exports promotion incentives were announced in 1986. Although there has been a considerable excitement in the export sector, not much has been achieved in terms of

total earnings from this source. One aspect of SAP that is causing a lot of concern is its policy towards foreign loans. Originally, the plan was to somewhat, permitting a rebound of merchandise imports to U.S. $6.4 billion, an increase in real terms of 5.5 per cent which is sustained in 1991 and 1992. Under these assumptions the annual rate of growth on non-oil GDP would average nearly 5 per cent over the period 1990. Over all GDP will grow more slowly than non oil GDP, as the petroleum sector outpaced the other productive sectors.

In the case of Agriculture, underlying the projected growth in non-oil GDP are rather different prognoses for the agricultural, industrial and service sectors. Agriculture is fairly insensitive to import growth, with climate and institutional considerations by far the more important determinants. Agriculture is projected to grow at about 3.5 per cent per annum over the period. The increase from the 2 percent annual average scored from 1980 to 1986 in part reflects the effects of the reform program both in encouraging export oriented

agricultural development and in temming the out imgration of labour from rural area.

In case of industry, in contrast to agricultural production, industrial production is quite import sensitive. While limitations on imports will constraint performance in the short-run, the projected rebound imports in 1990 fueled a substantial recovery. In contrast to the continous decline of manufacturing output over the past six years, projected growth in the service sector reflects forecast increase in the provision reduce spending, increase exports and borrow from the World Bank to see the country through the period of SAP. This reappears to be a shift in this attitude as Nigeria has negotiated and is negotiating many foreign loans.

A unique phenomena of this period was industrial closures, especially among the small scale industries. This was as a result of their limited financial resources which made it impossible for them to cope with the new economic climate in the process thousands of jobs were lost including huge investment. There was also reduction in working

shifts. According to manufacturing association of Nigeria (MAN) for the first half year of 1987, employment in the manufacturing sector droped by nearly 14%. High operational costs, low sales and consequent decline in profit margin meant that manufacturers had to further nationalise theirmoperation in order to save cost, labour once again is the first casualty.

To look beyond SAP, we not only have to understand its origin and rationale, but also see through and grasp the fact that the diagnosis of our sharp economic depression which is based on what happened to the Nigerian Economy since the oil boom of the 1970s. The SAP was carried out through various arms. Now this project will try in a very objective and critical way to analyse the impact SAP has on the manufacturing industries and economically asses the sector.

The structural adjustment program has fundamentally not changed the incentive frame work in the Nigerian economy. The replacement of the imports licensing system and foreign exchange

controls with a system of protection based on a market determined exchange rate and tariffs have greatly not rationalised the frame work output, investment and employment and the export sector have not really picked up. The shift in the relative prices has also changed the consumer demand of the individuals.

It was on the theories of economic depression coupled with bloated unemployment market that SAP was introduced. While part of the aims of SAP was to promote growth and ultimately lead to employment opportunities, the first era of SAP, however, proved disappointing to the manufacturing sector even with the abolishing of import licences, the introduction of SFEM and other measures still posted a decline of 3.3% GDP at 1987/88 factor. The manufacturing sector and government establishments continued throughout the year to retrench workers. If adjustment instruments failed to turn round the employment then it is possible to adjust the market and the economic conditions too. Despite the elimination of import controls, the average capacity

utilisation level of most manufacturing industries according to the manufacturers association of Nigeria (MAN) half year economic review stood at 25% compared with 30% of the same period 1986.

Adjustment program of SAP was designed to support a range of policy changes in the country aimed at reducing balance of payments problem and budget, reducing inflation, free trade, devalueing the currency, boosting exports and ensuring debt repayments. But the austere solution offered in SAP has the most severe impact on those with the least capacity to withstand these impacts. It has instead led to:-

i. Higher unemployment and reductions in real wages.

ii. Increased prices for basic necessities, particularly food.

iii. Cuts in government spending on basic services especially health and education.

After many years of its operation, the problems SAP sought to redress still persist, All

that a devalued naira has done is to raise the domestic price of Nigerian products and thereby fueling inflation. FEM which is one of the instruments for achieving the necessary structural adjustment of the economy had not lead us to expectations, rather than achieving a realistic exchange rate for the naira, it has instead imposed on Nigerians severe hardships that has become counter productive.

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C H A P T E R F O U R

DATA COLLECTION AND ANALYSIS:

The previous chapter discussed the policies under SAP, the prospects of SAP, pre-SAP and period of SAP appraised. Now in this chapter discussion will be on critical assessment of SAP on the manufacturing sector, economic assessment of the sector under SAP, and what future holds for the economy.

4.1 CRITICAL ASSESSMENT OF SAP ON THE MANUFACTURING SUBSECTOR:

The Structural Adjustment Program did not to a greater extent increased the tempo of the manufacturing sector. The major problem hampering growth of output in the industries is the inadequate supply of imported input thus, resulting in gross under-utilization of installed capacity for those industries depending on imported inputs.

Manufacturing sector of the Nigerian Economy is one of the sectors that was affected by the poor showing of the naira at the foreign exchange market, SAP's objectives as far as this sector is concerned are to restructure and diversify the industrial base, to achieve fiscal balance of payment viability; minimize

the dominance of the productive investments in the public sector; improve sectoral efficiency and intensify the growth potentials of the private sector. Manufacturers believe that not much of these objectives were achieved during the years of SAP so far. Capacity utilization is still below 30 percent (less than 1970s production level) due to high cost of foreign inputs.

Assembly operations for consumer durables have been particularly affected by the new environment. In the pre-SFEM environment they used import licences for the necessary procurement of inputs, which kept their production costs and selling prices down. In some areas, the ban on importation of especially raw or semi processed materials are deriving up cost for finished goods. In such industries like flour mills, the ban on importation of inputs is disencouraging processing activities. Infact such sectors have not found it easy to cope with the banns.

SAP has not fundamentally changed the incentive framework in the Nigerian economy. The replacement of the import licensing system and foreign excahnge controls with a system based on a market determination of exchange rate and shift in relative prices is also changing consumer demand patterns.

According to the supporters of SAP following are the changes brought by SAP since its introduction.

Firms enjoy easier access to foreign exchange for purchase of required raw materials and spare parts. Many companies especially the large ones, have been restructuring their operations to enhance their competitiveness.

Sourcing of raw materials inputs locally especially in subsectors like beer and stout, paper manufacturing, rubber processing, textiles, detergents, vegetable and grain milling, paints, drugs and medicines is encouraing, on the whole it was estimated that local imputs constitute about 49% of total raw materials in 1988 as against the 40% before SAP. (Federal Ministry of Budget and Planning 1990).[1]

It has also created a desirable structure and attitudes that are conclusive to self sustained growth. The most noticeable structural changes pertain to re-orientation of attitudes. Attitudes to local products has certainly changed so also has the tendency towards conspicuous consumption. People are now conscious of the need to maintain their assets, and efficiently utilize available resources in general. Government and its agencies have also been rationalized and have become more cost conscious

than ever before with emphasis on accountability.

Above positive achievements not with standing, SAP has not achieved most of its objectives set to achieve such as acceptable exchange rate for naira, issues of employment not addressed, it also reduced the tempo of the business activities e.t.c. with all other painful impact of the society.

Furthermore, the Nigerian manufacturing sub-sector has been described as consisting of mere assembly plants. The implication of this is that the industries have very little backward linkage in the economy since the bulk of the imputs are imported. So the effectiveness of such plants has however been doubted.

It is important to stress here that, in order to boost and maintain a standard of production the government had intervened in various forms. The move to intervene is to insure that certain economic and social goals are achieved. These goals include efficiency in the production and distribution of goods and services; optimum utilization of the factors of production etc, as a result possesses both a positive and negative effects. It is also in line with this that the present administration embarked on the SAP.

The main problem facing the sector before the commencement of SAP was the absence of enough foreign exchange, industries that are relatively import dependent find it difficult to get foreign exchange through the operation of import license to purchase the most needed raw materials. The net effect of this was that installed capacity of the plant started to fall and consequently manufacturing output started to fall also. Even with the SAP the problem of shortage of foreign exchange is still present as a result of the continous depreciation of the value of naira in the market.

4.1.2 The Index Of Industrial Production in Nigeria:

Using the performance indicator in table iv.1 (1972=100), manufacturing production index shows that there was 3.9 percent decline in the installed plant capacity in 1986. But with the emergence of SAP, there was a slight increase to 5.1 percent in 1987, and significant increase of 14.5 percent in 1988, these increases were because of improved supply of raw material and spare parts which enhanced greater installed plant capacity utilization, this led to increase in manufacturing output in 1987 and 1988 more than that of 1986.

The aggregate manufacturing output increased slightly in 1990 at 544.9 (1972=100), the provisional index of manufacturing production rose to 3.1 percent compared with 6.1 percent in the previous year. The major problems, which constrained growth in the sub-sector included the rising costs of imported raw materials and spare parts and domestic credit. This led to a general like in the prices of most industrial materials and finished products. Low aggregate demand for manufactured goods resulted in accumulation of unsold finished products and consequently production cut-backs.

TABLE IV.1

INDEX OF INDUSTRIAL PRODUCTION

(1972 = 100)

Year Quarter (1)	Manufacturing (2)	Mining (3)	Electricity (4)	Total all Sectc (5)
1985	336.5	81.6	363.3	169.4
1986	323.4	79.8	438.3	100.0
1987	432.2	72.1	431.5	195.8
1988	505.3	78.9	456.9	224.2
1989	537.8	93.2	514.0	245.3
1990	544.9	98.4	505.9	250.8
1988				
1st Quarter	405.8	66.3	473.9	184.6
2nd Quarter	419.8	68.9	427.6	189.6
3rd Quarter	426.3	74.3	413.4	194.9
4th Quarter	477.2	78.8	411.2	214.8
1989				
1st Quarter	541.2	80.6	522.0	238.4
2nd Quarter	545.0	94.1	517.0	248.0
3rd Quarter	517.0	99.8	498.0	242.7
4th Quarter	548.0	98.4	519.0	252.1
1990				
1st Quarter	548.0	97.0	520.0	251.2
2nd Quarter	534.0	94.7	521.5	245.3
3rd Quarter	530.1	96.3	472.0	243.9
4th Quarter	567.6	105.5	510.1	262.8

Revised

Provisional

Sources: Computed from data obtained from Federal Office of Statistics (FOS), CBN Surveys, Nigerian National Petroleum Corporation (NNPC), National Electric Power Authority (NEPA) amd Federal Ministry of

4.2 Performance Indicator:

The operation of the foreign exchange market and autonomous market where the value of naira continuous to depreciating against other currencies has worsen the performance of the manufacturing industries. Thus, there was rising cost and escalation in the prices of finished goods.

Looking at the manufacturing subsector in table iv.2, it will bes seen that those industries with larger domestic value added has performed better than those industries that are import dependent such as assembly plant type of activities with a low value added. Increased production was however, recorded in mine of the thirteen product groups where progress had been made in the sourcing of raw materials locally. These were: rooting sheets (37.4%), sugar/ contationary (19.0%), refined petroleum (9.9%), cotton/textiles (8.1%), soap/detergents (5.5%), soft drinks (4.2%), beer and stout (3.2%), paints (2.9%), and cement (2.8%). On the other hand, output of radio, television (TV) and communication equipment, synthetic fabrics, foot wear and auto-assembly groups which depend heavily on imported imports declined by 11.0%, 9.0%, 2.9% and 1.5% respectively. (CBN Annual Report 1990).[2]

TABLE 17.2

INDEX OF MANUFACTURING PRODUCTION

(Base Quarterly Average 1985 = 100)

Year/Quarter	Sugar Confectionery (1)	Soft Drinks (2)	Beer & Stout (3)	Cotton Textiles (4)	Synthetic Fabrics (5)	Footwear (6)	Paints (7)	Refined Petroleum (8)	Cement (9)	Roofing Sheets (10)	Vehicle Assembly (11)	Soap & Detergents (12)	Radio & T.V. (13)	Total (14)
1985	42.2	785.4	489.3	110.0	340.2	41.8	177.2	358.8	303.8	285.1	1,344.1	178.3	367.6	336.6
1986	30.5	559.4	617.4	44.0	666.8	32.7	140.1	201.1	328.5	525.9	629.0	181.4	181.4	323.5
1987	57.7	1,005.6	406.9	140.1	2,628.9	23.2	157.9	296.1	279.6	155.8	362.6	498.7	81.6	432.3
1988	38:1	1,045.1	544.4	141.9	4,386.5	24.5	165.3	364.5	336.1	172.2	243.1	483.1	25.9	505.3
1989[1]	33.3	1,747.6	469.9	128.4	4,453.3	17.4	146.5	362.9	383.4	381.2	207.6	585.3	21.8	537.8
1990[2]	42.0	1,765.2	512.6	138.8	4,053.3	16.9	150.7	398.7	394.3	523.7	204.5	617.2	19.4	544.8
1988														
1st Quarter	37.3	1,008.7	418.7	418.7	4,587.5	38.1	214.5	411.1	373.1	224.4	162.0	478.1	26.8	495.2
2nd Quarter	50.5	986.7	435.7	139.9	4,288.0	31.5	135.5	362.3	367.3	214.5	276.5	487.7	22.2	474.3
3rd Quarter	19.7	940.4	627.2	146.1	4,056.8	34.4	183.6	371.1	361.5	1.9	238.5	508.7	26.1	503.3
4th Quarter	21.5	917.7	704.6	146.9	5,008.4	19.7	160.8	304.4	354.6	139.3	251.9	483.2	22.8	548.3
1989[1]														
1st Quarter	44.4	1,804.0	478.3	125.5	5,061.6	20.8	151.3	339.9	413.0	434.8	223.0	494.2	22.9	541.2
2nd Quarter	47.6	1,946.1	482.5	126.3	4,569.9	17.5	158.6	362.1	391.2	354.3	200.7	601.8	21.2	545.0
3rd Quarter	29.7	1,700.0	515.7	112.5	3,812.7	14.8	137.6	365.9	372.0	482.2	186.4	616.1	22.9	517.0
4th Quarter	21.5	1,324.1	511.1	119.2	4,369.1	16.3	138.5	383.6	357.5	253.4	221.0	628.9	20.0	548.1
1990[2]														
1st Quarter	39.9	1,933.4	503.9	120.8	4,453.3	17.4	146.3	368.9	415.5	521.3	212.6	570.7	19.6	548.0
2nd Quarter	46.8	1,794.7	539.3	121.7	3,318.3	14.6	153.3	401.8	393.4	424.9	194.7	695.0	19.0	534.0
3rd Quarter	41.4	1,747.6	496.9	121.0	4,453.3	17.4	146.5	348.6	383.6	577.8	206.8	580.1	21.4	530.1
4th Quarter	44.0	1,585.1	510.1	191.5	3,988.3	18.0	156.7	475.4	384.7	570.9	203.7	623.1	17.5	567.6

[1] Revised
[2] Provisional

Sources: Data derived from CBN Surveys and Federal Office of Statistics (FOS), Lagos.

From this index therefore, the manufacturing activities was undertaken in the face of rising costs emanating from the depreciation in the value of the naira hence escalation in the prices of finished goods. SAP has been observed to have compelled many industries to intensify effort at local sourcing of raw materials through forward and backward diversification and linkages as one of the positive impact of SAP, examples are lever brother, flour mills, breweries, textile mills and so on (Business Times 1988).[3]

From the view point of manufacturing Association of Nigeria(MAN) comparision of performance of its members during the first half of 1986 with period under SAP performance concluded that SAP has not been a blessing to them.

4.1.3 The Prices of Products Before and During SAP Compared:

One of the industries hited by SAP is the construction industry and the prices changes over the years as shown in the table iv.3 for the four years on the introduction of SAP, prices of building materials continue to escalate. As shown in the table, a byndle of corrugated iron sheet jumped from ₦120 in 1985 to ₦260 in 1988, this shows an increase of about 216 percent. Cement also recorded 215 percent increase from ₦13 in 1985 to ₦28 in 1988. The same applies to other building materials such as Asbestors, rooting sheets, tiles, paints, nails etc.

TABLE IV.3

COMPARISON OF BUILDING MATERIAL PRICES

PRICES IN NAIRA

Items	1985	1986	1987	1988
Cement	13.00	16.00	18.00	28.00
Asbestors	15.00	18.00	30.00	32.00
Corrisated iron	120.00	130.00	240.00	260.00
Paints	14-15.00	20-25.00	40-60.00	55-80.00
Nails (bag)	20.00	40-70.00	45-100.00	48-115.00
Window glass	3.00	2.50	5.00	5.50
Electric Cables	25.00	50.00	50.00	50.00
Light Sweitch	6.00	6.00	8.00	8.00

Source's Business Times, Monday 23, June 1988, p.9.

4.2 What Future Holds For The Economy:

If Strufural Adjustment Program continues in Nigeria, the future of Nigerian economy is going to be an economy with little future hope because external indebtedness and deficit budgeting increases yearly vis a vis there will be increase dependence crime, absolute and chronic poverty, unemployment not only going to be high but also increasing, chronic deseases everywhere, inequality, unequal aceess to asset formation, low life expectancy and premature death, shooting inflation, lack of political will and freedom, political instability, chronic hunger, higher investment in defence and finally we end up with a crises torn economy. The debt conversion can be one factor that may shoot inflation to dizzying heights. Already the Federal office of Statistics put the inflation figure at 38.3 percent September, 1988.

The deficit of ₦12.160 billion has been incorporated in 1988 budget (according to the CBN annual report 1988). With such a huge deficit whatever growth might be expected will be stymied by inflation. The deficit will not be financed for any new capital project that is capable of generating employment opportunities, in effect the level of unemployment increase further in 1989 and 1990.

SAP increased debt and the debt negotiations consequently lead to a reduction in per capita income which eventually removes Nigeria from being a high income economy to a low income one. Therefore, the unemployed remain unemployed. The poor will not be able to send their children to school or to house themselves. Beggers will increase on our streets, and violent crimes will multiply. (BONAT 1989).[5]

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C H A P T E R F I V E

SUMMARY, CONCLUSION AND RECOMMENDATION:

The previous chapter discussed the impact of Structural Adjustment Program (SAP) on the manufacturing sector, the economic assessment of the sector, and also what future holds for the economy. In this chapter summary of the findings, conclusions and recommendations will be discussed.

5.1 Summary:

The weakening of oil market in 1980s due to world oil glut brought a cummulative retarding effect on the economic activities of the manufacturing sector of Nigerian economy which as a result brought a decline in employment, closure of some industries and reduction on government expenditure etc.

The study is worth persuing, seeing how SAP was carried out, its success and failures and what alternative suggestions. Nigerians rejected the International Monetary Fund (IMF) loan, which normally prescribes SAP packages in other developing countries. There arises the need to see the uniqueness of Nigeria's created SAP and also see how and why it is more severe on some section of the society than others. The study examined in as much as possible how we found ourselves in this economic

mess; how the earlier governments of Nigeria graspped with the economic policies which have failed and their general impact on manufacturing industries.

The introduction of the Second-tier Foreign Exchange Market (SFEM) resulted in significant increases in the costs of production for industries as a result of the Naira prices for imported inputs especially highly import dependent firms such as motor vehicles assembly plants, where production costs rose by an estimated 140 percent between September, 1986 and June, 1987 (CBN report 1987) reflecting those costs increases, many industries raised their factory prices. Because of cutbacks in import supplies, prices for imports and their domestic substitutes rose faster than their respective values converted at the official exchange rate. Consumer prices rose sharply due to increase in price generally. The prices for house hold goods and other purchases showed much increase too.

Both at the personal and sectoral levels, the painful adjustment has already felt by all statistics from the Industrial Inspectorate Division (IID) of the Federal Ministry of Industries clearly confirm that the establishment of new industries is on a steep downward turn.

5.2 Conclusion:

The introduction of the Structural Adjustment Program was welcomed in 1986 only to lead to a wretched economy; an economy with little future prospects. The advent of foreign market was highly welcomed development for the manufacturers in view of the pre SAP era of difficulties but apparently the manufacturing sector has not taken full advantage of the foreign exchange market. The policy of mapping up excess liquidity in the economy so as to reduce inflationary tendancies arising from foreign exchange market operation had adverse effect on the industries.

Furthermore, the economy as a whole has not shown any consistent trend of development with the introduction of SAP. The government claims that it is structurally adjusting the economy while it intrudes on the lives of the people who get little or no benefits.

The process of enslaving this country with a system of recycled external debts has reached such an advanced stage. But the more rapid rate of inflation, develuation of naira, unemployment and generalised improverishment that the massive transfer

of our resources abroad entailed makes it possible to hide the effects of this structural enslavement from most Nigerians.

The fact that SAP has failed to revive the Nigerian economy is an inescapable reality which no cosmetics in the budget or official claims can hide from the people of Nigeria. The failure is not due to its implementation but from its formal inception in 1980, when the world Bank started imposing it through its "Structural Adjustment Lending" to a number of Third World countries, true to its introduction of "Economic Recovery Program" of Shagari in 1982, and to its full scale articulation and imposition since 1986 by the present administration.

The foreign exchange market has an irritable exchange rate which makes naira to depreciate so much so that the poor man cannot meet their commitments despite official claims of growth and improved capacity utilization of our industries. Infact there are little investment under SAP. As the per capita income has been decreasing rather than increasing against the growing population. By committing more than 30 percent of the foreign exchange earnings to service dubious debts, the

government, which hypocritially cries about lack of investment capital has more than any other agent caused capital flight and our people are forced to go unemployed all are side effects of SAP.

5.3 Recommendations:

To get on to the right path to recovery and to correct the social cost of errors in the microeconomic policies persued in SAP, it will be better to creat again a program that prevents the poorest 70 percent of the population from feeling the impact severally. A microeconomic policy could have been an alternative to SAP. This is because of the idea of maximisation of the welfare of the people with a well defined goals and objectives and with the possibility of low social costs of error. If otherwise following measures be incorporated to restructure the SAP.

1. First and foremost, there should be an immendiate stabilisation of the value of the naira at home and abroad. Then follow by increase in the volume of money in circulation proportionately to the fall in the value of naira.

2. All indices must be carefully and periodically monitored, so that significant deviations from plans can be observed, avoided and if need be promptly addressed.

3. Government must asses the over all impact of SAP, and see how best to move on.

4. The national statistical system should be strengthen. This will aid in developing a reliable, non-controversial reports and data for control and farther planning.

5. Constraints on the utilization and enhancement of productive capacity must be removed. Such constraints include high cost of funds, high inflationary pressure, smuggling, high excise tax, levies and high exchange rates. Removal of subsidies that led to high cost of energy, transportation and communication should be reviewed to encourage and assist industries.

6. New jobs has to be created and keep those an their jobs working harder.

7, Furthermore, government should make access to credit less costly and less stringent. Agencies such like National Economic Reconstruction Fund (NERFUND) and the Central Bank o f Nigeria (CBN) Raw materials Research and Development Council (RMRDC) should be properly funded so that they would be better placed to assist industries.

These recommendations are expected to aid in monitoring the implementation of the SAP and to assist in the enhancement of the performance of the manufacturing industries.

Finally, no matter how well identified the causes of problem in an economy and no matter how sound the policies that are designed to combat these problems, there must be a conducive atmosphere for the effective execution of the policies. Both the infrastructural as well as the institutional arrangements of the society must favour the execution of such policies. Nigeria which is generally regarded as a corrupt and ineffective nation has a long way to go in this direction. This paper strongly calls for an honest and frank internal reassessment and reorganisation of our values and institutions as a first step in the fight against all our national problems, from this national call, no individual or group is exempted. Rather all hands should be on deck in the fight against our economic problems.

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