Unleashing Industrial Clusters for Growth and Prosperity in South Eastern Nigeria

Proceedings from the Enugu Forum Seminar

October, 2006
Unleashing Industrial Clusters for Growth and Prosperity in South Eastern Nigeria

Chairman's Opening Address

Protocol

We must thank the Enugu Forum and the African Institute for Applied Economics, for their thoughtfulness and vision in organizing this seminar at a very critical moment in our quest to identify actionable programmes for growth and sustainable industrial development in our country, particularly the South East geopolitical zone. It is a great honour and privilege to serve as the Chairman of this great occasion.

The seminar is timely because everything is in a state of flux and decay: per capita income and standard of living are very low, there is insecurity of life and property, infrastructural support for productive activities is extremely weak, our economy is mono-cultural with attendant adverse consequences, the educational sector is in a state of decadence, there is gross capacity underutilization in existing industries, our experts are migrating to other countries that can provide the enabling environment to help them practice their professions. The positive impact of the central government reform programmes has not made any appreciable changes at the grass-root levels of governance. In these circumstances, pervasive poverty and under-development continue to characterize our regional and national economies.

The organizers of this seminar have succeeded in bringing together, in a unique fashion, people that have been deeply involved in cluster development in South Eastern Nigeria over a long period of time. These include Skoup Consultancy, a leading consultancy outfit that has had several years of experience in cluster development. Discussants and Participants are also drawn from major industrial cities such as Nnewi, Aba, Enugu, Owerri and members of the academia. We are therefore fervently convinced that this seminar would come up with actionable programmes with definite time frames and not end up as a mere talk shop and an academic exercise.
The genesis of the poor state of our national economy and low level of industrialization is traceable to the colonial era. The colonial masters paid lip service to manufacturing and industrialization. Their major concern was to extract as much primary products as possible for use by industries in their home countries. In other words, there was no deep-seated commitment for the implementation of what passed for colonial industrialization policy.

The decade of the 1960s could be described as the golden era of Nigeria’s industrialization. The regional governments in the East, West and North deliberately promoted industrialization even without any formal industrial policy. Within the early years of our independence, value – added in manufacturing grew by an average of 11.4 percent. Rapid growth of manufacturing and diversification of industrial activity were the main objectives of industrial sector development as articulated in the various national development plans (1962 – 1968, 1970 – 1974, and 1975 – 1980). By 1965, manufacturing as a share of GDP had grown to 6 percent up from 5 percent at independence.

In South Eastern Nigeria, the regional government headed by Dr. Michael Okpara, recorded tremendous success in industrialization and agriculture to the extent that a Malaysian trade delegation came to Eastern Nigeria to understudy oil palm production in South Eastern Nigeria. Indeed, the eastern Nigerian economy was then recorded as the fastest growing economy in the third world. Industrial clusters were established at Enugu, Aba and Owerri. It was also within this period that the Nkalagu Cement industry, the glass industry at Port Harcourt, and a number of other industrial schemes were established.

Military intervention in politics and the Nigerian civil war impacted negatively on further consolidation of the notable successes recorded by the regional governments in agriculture and industrialization.

Since the end of the civil war, a plethora of development plans, strategies and industrial policies have massively failed in making Nigeria industrialized and developed.

A complex web of factors have largely contributed to the persistent state of underdevelopment and low level of industrialization in Nigeria. Notable among them is lack of committed, dedicated and focused political leadership. Political positions are perceived as platforms for amassing wealth and looting public treasury. In that process, critical resources that would have been applied to the implementation of various industrial policies and development plans are privately appropriated and frittered away. Underdevelopment and low level of industrialization persists in most parts of Nigeria.
In the same vein, as a result of the huge earnings from petroleum resources, various
governments neglected the need to develop other vital sectors of the economy such as
manufacturing, agriculture and infrastructural development with far-reaching devastating
consequences for the national economy. Various levels of government dissipated their
efforts on appropriate formula for sharing revenue accruing from oil resources instead of
focusing properly on unswerving implementation of economic development plans and
industrial policies. This is why some experts believe that petroleum resources constitute a
curse rather than a blessing to us.

Furthermore, reckless borrowing by various levels of government from diverse sources –
local and international – is also another factor that militated against industrial and economic
development. While some loans were totally unnecessary others were diverted into uses
other than the implementation of economic and industrial programmes. Over the years,
Nigeria accumulated a huge debt profile. Servicing these loans now took a disproportionate
chunk of national income to the detriment of industrial and economic development.

There is pervasive insecurity of life and property in Nigeria with incessant cases of armed
robbery and assassinations. It dents the image of the country and scares away potential
local and foreign investors because the security of their investment is not guaranteed.
Without security of life and property, no meaningful development can take place.

Our educational institutions are in a state of decadence. These institutions are grossly under-
funded, saddled with a preponderance of poorly trained and lowly paid teachers, and lack of
appropriate framework for monitoring and inspection of their systems. Unfortunately, these
developments have led to turn out of low quality graduates. This situation is further
compounded by a lack of congruence between the academic programmes in these
institutions and the actual needs of the economy.

As a result of the foregoing, there is little wonder that Nigeria is still largely underdeveloped
with an economy that is mono-cultural in view of its dependence on oil revenue. There is
wide spread infrastructural decay and pervasive poverty. Nigeria has therefore failed
woefully in properly applying its abundant natural and human resources to enhance
economic and industrial development as well as improve the living standards of its people.

A cursory look at economic and industrial activities within the country show a concentration
of industrial activities in South West to the tune of (60%) sixty percent.
The other geo-political zones share the remaining balance of (40%) forty percent. This obviously shows that South Eastern Nigeria is disadvantaged in terms of industrialization and economic development.

The poor state of public infrastructure in South Eastern Nigeria discourages prospective entrepreneurs from establishing small-scale industries that form the pivot of industrial development as demonstrated elsewhere. THE CRITICAL QUESTION THEREFORE IS WHAT DO WE DO TO BRING ABOUT RAPID INDUSTRIALIZATION IN SOUTH EASTERN NIGERIA? Finding the appropriate answer to this question is the major business of this seminar.

Experts in developmental economics and industrialization have suggested that underdeveloped economies should adopt the option of establishing ‘Industrial Clusters’ in view of the fact that they have the potential for rapid industrial and economic development. They are quick to point out that ‘Industrial Clusters’ offer the following advantages:

1. It is a significant form of industrial organization for small-scale manufacturing.

2. Clustering promotes different types of inter-firm linkages.

3. Clustering is identified with diverse forms of social networks which are associated with personal ties and the notions of trust and reciprocity in competitive behaviour.

4. Clusters are not a planned intervention yet the state has a role in promoting it.

Limitations of industrial clusters in Nigeria are also highlighted in available literature:

1. Generally, in contrast to global trend of clusters development, African clusters have not been able to go beyond producing for local markets. This could be as a result of neglect or ineffective policy design on one hand, or absence of institutional backing on the other.

2. Poor infrastructure such as electricity, roads and water increase the cost of doing business because potential cluster operators are constrained to provide these services by themselves.
3. It is difficult for small scale enterprises to grow in an environment where civil and commercial laws are very weak.

4. Banks and formal credit institutions have problems in giving loans to small scale enterprises in clusters. Securities obtained for credit guarantee by small enterprises are sometimes not adequate or even non-existent.

References are made to the phenomenal successes of Industrial Clusters in different countries and industrial regions of the world. In Latin America, the Brazilian Shoe Cluster of Sinos Valley is a notable example. Brazil is one of the world’s leading producers of leather shoes and the bulk of her export-oriented leather shoes are produced in the Sinos valley industrial cluster.

Three factors are particularly germane to Sinos Valleys’ economic success. These are: first, backward linkages that shoe producers have with local suppliers of inputs, machinery and producer services; second, forward linkages between producers and buyers, especially export agents; and third, the strategic intervention of local support institutions in facilitating the cluster’s ability to move into higher value added product markets.

In the same vein, the Pakistan, an export oriented industrial cluster that produces surgical instruments exists in Siatkot. Siatkot Surgical Instrument Industrial Clusters is a huge success because the producers in the cluster struggled to meet higher standards required by export market. It also made extensive use of blueprints, drawings and technical experts brought from Britain as well as the setting up of a technical institution for training workers with the support of the federal government.

The Surgical Instruments Manufacturers Association (SIMA) lobbies the Pakistan government for financial and technical support and hired quality assurance consultancy firm to upgrade and train local enterprises. This enabled them to begin to meet ISQ quality standards by employing Good Manufacturing Practices (GMP).

In East Asian Clusters, the successful imitation and assimilation of foreign technologies, the formation of geographically dense industrial clusters consisting of a large number of small enterprises producing similar and related products and the advent of multifaceted innovations leading to a great leap forward in the industrial structures were the critical success factors. The successful development of Japanese industries became the model in other East Asian countries such as China and Taiwan.
Back home in Nigeria, the Nnewi Automotive Parts Industrial Cluster is a huge success story. It is a very good example of how an informal cluster can survive and succeed without government support in terms of provision of essential public utilities. It exports automotive parts to countries in the West African sub-region as well as other international destinations.

Its key critical success factors include active participation of private industry associations such as Nnewi Chamber of Commerce, Industry, Mines and Agriculture and the Nigerian Association of Small Scale Industries, a social – cultural milieu characterized by competitiveness, high entrepreneurial spirit as well as investment in training and capacity to imitate and assimilate foreign technology. Above all, the Nnewi cluster made an independent effort to provide the necessary infrastructural support when the state failed to do so.

The lessons to be learned from these clusters are embedded in the synopsis of their key success factors:

- Backward linkages the clusters have with local supplier of inputs of machinery and services.
- Forward linkages between producers and buyers.
- Strategic intervention of local support institutions.
- Meeting higher product standards required by the export market.
- Employing good manufacturing practices (GMP)
- Imitation and assimilation of foreign technologies.
- Overcoming infrastructural hurdles, should the state fail to provide basic facilities.
- The role of professional and trade associations in providing information, solving problems and lobbying for support.
- Continuous capacity building in form of training and education.

To “Unleash Industrial Clusters for Growth and Prosperity in the South East geopolitical zone”, I opine that the following measures should be considered by this seminar:

In response to the need to domesticate the central government reform agenda within the South East zone, it has become compelling to seek for the formation of a common economic
commission (ie of all the states within the zone) that will be charged with the responsibilities of handling lumpy and linkage based commercial projects which will be of immense benefits to all the states within the zone.

The establishment of this commission has become necessary because various levels of government have not been effective in implementing any industrial blueprint in our zone.

1. Accordingly, we need to explore the possibility of establishing **South East Economic Commission (SEEC)** whose responsibility shall include the development of general policy framework for identifying favourable locations for establishing industrial clusters within the zone. This commission is also expected to develop general policy guidelines for setting-up relevant investment companies, whose responsibility shall be to develop the industrial clusters and hand them over to the actual operators of the clusters. The investment companies shall also be involved in the management of the clusters.

2. We should be concerned with the issue of developing **market outlets** for the products of industrial clusters that will be established. We can achieve this in various ways; one is by ensuring that product quality is high so that it can meet quality standards expected by consumers, domestically and internationally.

Secondly, we can, through the investment company alluded to earlier, develop a comprehensive marketing consultancy backbone for all the production units within the cluster schemes so as to ensure that their products are marketed professionally.

Thirdly, investment companies of the (SEEC) in collaboration with the State and Local governments should build physical markets at strategic locations around the cluster schemes.
3. We should also be concerned with capacity building for industrial cluster growth. The South East Economic Commission, when established, should ensure that technical trade and entrepreneurial centres are built around the cluster locations. This would assist immensely in improving technical and entrepreneurial skills of workers in the clusters. In addition, adult education centres should be established by all town unions to be assisted by the local governments.

4. Federal, State and Local governments should assist by improving public infrastructure such as roads, electricity, health centres, and provision of portable water to aid production in these clusters and access to markets.

5. The SEEC and CBN must work assiduously towards the spread of strong Micro Finance Banks within the South East zone. These banks must be structured to provide loans to companies within the cluster schemes. The SEEC should also collaborate with World Bank and International Donor agencies to deepen the strength of the financial assistance within the cluster areas.

6. SEEC in close collaboration with the state governments must set up independent quality assurance/standards organization to ensure that products from clusters conform to quality standards acceptable in the domestic and export markets so as to improve market penetration.

7. SEEC must work with state governments to set up a machinery for ensuring adequate security of the clusters. A town-union driven security system should augment whatever the police and private security agencies can provide.
We are optimistic that our vast array of very knowledgeable guest speakers and discussants would provide the road map to our desired destination.

Once again, we thank the Enugu Forum, African Institute for Applied Economics, for organizing this timely seminar and we pray that God should grant us fruitful deliberations and journey mercies to our destinations.

PROF EBOH

My I please on behalf of the Institute, the Organising Committee Enugu Forum and the Enugu Chamber of Commerce who is our principal collaborator on this programme welcome you to this event. I’ll quickly refresh our minds on the mission of Enugu Forum and the need for us to give our unalloyed support to the work of Enugu Forum. I’ll also speak on the reason for focusing on Industrial clusters and finally I’ll give you our expectations from this Forum.

About Enugu Forum:

Enugu Forum is a:

- Non-partisan network of individuals, non-governmental organizations and civil society groups devoted to evidence-based policy advocacy

- Platform for evidence-based dialogue between government, private sector and civil society based on findings from research and investigations

- Mechanism to bridge the gap between researchers and users of research results

- Offers frank and open discussion of topical issues in order to promote shared understanding and collective responsibility

- Fosters partnership and collaboration between industrialists, entrepreneurs, researchers and government officials
Advocates for sound economic and social policies

Started since 2001, first session was held on September 18, 2001.

Hosted by African Institute for Applied Economics, an independent research organization

Has a Steering Committee and Coordinating Committee

Two types of membership – individuals and corporate organizations

Increased demand for Enugu Forum among stakeholders because of non-partisan stance, independence and objective approach to public discourse

Proceedings and outcomes are published to ensure wider and long-lasting dissemination to policymakers, private sector and civil society

Why focus on clusters?

Clusters provide unique opportunities for:

- networking, collaboration and cooperation between firms – joint production, joint marketing arrangements, sharing of facilities and amenities to reduce production cost

- enhanced mutual learning, knowledge spillovers, information sharing, technological innovations and development of inter-firm linkages

- to achieve collective efficiency, economies of scale and competitive edge in producing goods and services

They also help:

- government to provide targeted public goods with at lower cost and greater efficiency – in the provision of public goods such as infrastructure (water, electricity, waste disposal), regulatory services such as business registration, product quality control and assurance, extension and support services, e.g. information, etc
- private business service providers to supply services in a targeted and effective manner, e.g. management training, technical (skills) upgrading, information, market development

**Questions to be addressed by the Forum:**

- What is the state of affairs in the industrial clusters in southeastern Nigeria? – is there sufficient and effective collaboration, networking and cooperation between the firms?

- Are there reasonable degrees of vertical and horizontal linkages between firms for the promotion of value chain development?

- To what extent are the opportunities presented by clusters being harnessed for industrial development and economic competitiveness of the southeastern states? - opportunities for innovative industrial organization, comparative advantage an scale economies

- Are the potentials of the industrial clusters being reaped to the fullest?

- What factors hinder the full realization of the potentials of the clusters? – organizational, institutional, infrastructural, technological

- What should stakeholders (government, industrialists, business service providers such as banks, enterprise support agencies, industrial promoters, etc) do to ensure to maximize the productivity and competitiveness of the clusters?

- Who should do what? How should responsibilities be shared and implemented?

**Challenge for the Forum:**

- Propose an action plan (measures and steps) to promote cluster development in southeastern Nigeria

- Assign roles and responsibilities to stakeholders
Propose mechanisms and arrangements to monitor the implementation of the action plan

Why are we here? What would be the benchmark for measuring the success of this Forum? Of course that would naturally take us to Dr. Ifediora Amobi: the Lead Speaker.

Thank you.

LEAD PRESENTATION

Unleashing of Industrial Clusters for Growth and Prosperity in South East Nigeria

Dr. Ifediora C. Amobi. Managing Consultant, Skoup and Company Limited, Enugu; Lecturer ESUT Business School, Enugu and Fellow of the African Institute for Applied Economics

1.0 Introduction

Isolation and barriers have never worked to develop prosperity, and have been the key obstacle preventing Small and Medium Enterprises (SMEs) boost their competitiveness. According to UNIDO\(^1\), firms that have come together as a group and which are located in close proximity have proved to be capable of rapid economic growth, sustainable leadership in export markets, significant employment generation and preservation of high-value-added jobs. Studies from both developed and developing countries show that SME cluster development provides for reconciling the objectives of economic development, poverty reduction and social equity.

It is on this basis that the Federal Government of Nigeria has decided to underline its objective to reduce poverty through sustainable growth with employment under the second

\(^{1}\) SME Cluster and Network Development: Principles and Practice, United Nations Industrial Development Organization, (UNIDO), 2006
phase of the National Economic Empowerment and Development Strategy, code-named NEEDS II for the 2007 – 2011 period. I wish to point out with prolixity that the government should recognize that growth and jobs are generated by enterprises, and not policy-makers. Thus, for these enterprises to provide the dynamic boost to the economy that Nigeria so badly needs, government policies must support the right business environment for them to thrive through identifying and implementing effective initiatives for improvement within their operating space.

Small and Medium Enterprises are the backbone of the Nigerian economy, and have played important roles in triggering and sustaining its growth and development over the last forty years. Comprising about 58 percent of all business enterprises in the country, SMEs are one of the most viable economic groups with tremendous growth potential. Unfortunately, they largely fit at the bottom of the formal sector ladder, and as a result are often overlooked when it comes to policy decisions and recommendations. Furthermore, because of their size and the myriad problems encountered in operating in such a difficult business environment characterized by lack of medium- and long-term capital despite high liquidity, dilapidated physical infrastructure, limited information, and inadequate enterprise support services, these businesses are hardly profitable and are very rarely able to participate in group efforts for policy planning and influencing. This further removes them from being involved in the issues that positively drive the economy. The objective of this paper is to explore the opportunities for SME clusters to unleash their potential with support from government and other stakeholders. It will articulate the importance of SMEs to the economy, and will attempt to access government’s strategy towards SMEs under NEEDS as well as generate new paradigms for cluster growth and prosperity.

---

2 According to sources at the Corporate Affairs Commission in Abuja, ‘large’ firms only account for 2 percent of the total number of registered companies in Nigeria. In this paper, micro enterprises (which account for approximately 40 percent of business enterprises), are not regarded as part of small and medium enterprises. These micro enterprises are enterprises whose annual turnover is less than ₦10 million, whose asset value is less than ₦1 million, and which employ fewer than 10 persons.
2.0 SME Classifications

The classification of enterprises as 'small' and 'medium' naturally varies from one economy to another and from one period to another within the same economy. SMEs are variously defined in Nigeria, as in other economies, on the basis of one or all of the following:

(a) the size or amount of investment in assets, excluding real estate
(b) their total annual turnover, and
(c) the number of employees.

The glaring difference however, between Nigeria and other countries is that within Nigeria there are multiple definitions of SMEs. The Central Bank of Nigeria and the Nigerian Association of Small Scale Industries (NASSI) adopt classifications that vary from those of the Federal Ministry of Commerce and Industries, National Economic Reconstruction Fund (NERFUND), and the National Association of Small and Medium Enterprises (NASME) as shown in Table 1 below.

Table I: Definition of SME by Nigerian institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Asset Value (₦'m)</th>
<th>Annual Turnover (₦'m)</th>
<th>No of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MSE</td>
<td>SSE</td>
<td>ME</td>
</tr>
<tr>
<td>Fed. Min. of Indus.</td>
<td>&lt;200</td>
<td>&lt;50</td>
<td></td>
</tr>
<tr>
<td>Central Bank</td>
<td>&lt;150</td>
<td>&lt;1</td>
<td>&lt;150</td>
</tr>
<tr>
<td>NERFUND</td>
<td>&lt;10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NASSI</td>
<td>&lt;40</td>
<td>&lt;1</td>
<td>&lt;40</td>
</tr>
<tr>
<td>NASME</td>
<td>&lt;150</td>
<td>&lt;50</td>
<td>&lt;1</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>&lt;200</td>
<td>&lt;50</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>


There is however, greater concurrence of opinion when it comes to defining SMEs in terms of assets' values than on any other basis. This is because in case of an economic downturn, the impact on turnover and the number of people employed is greater than the impact on assets' values. For instance, during a depression, there is a tendency for turnover to fall substantially and the number of employees to drop, but assets values may remain unchanged.

From the table, SMEs are divided into Medium Scale (MSE), Small Scale (SSE) and Micro Enterprises (ME). The Federal Ministry of Industries defines a medium scale enterprise as
any company with operating assets less than =N200 million, and employing less than 300 persons. A small-scale enterprise, on the hand, is one that has total assets less than =N50 million, with less than 100 employees. Annual turnover is not considered in its definition of an SME. The National Economic Reconstruction Fund (NERFUND) defines a SSE as one whose total assets is less than =N10 million, but made no reference either to its annual turnover or the number of employees.

This range of definitions used to describe small businesses (and associated spin off definitions) can make it extremely difficult for small business researchers to match up studies that have been conducted around the world. All this notwithstanding, the definition of SMEs in Nigeria must be harmonized to facilitate comparisons. For ease of definition, and in order to cover all classes of SMEs, this paper will adopt the NASME definition, with a slight variation.

Table II below showcases how other country definitions compare with Nigeria’s multiple definition. International best practice is that one definition exists in each country, or that groups of countries adopt a single definition. The European Union, Canada, and most Asian countries classify SMEs in terms of size by employees, more than turnover or asset base, as shown below:

3 The entire European Commission adopts one SME definition, while in Asia the governments of each country have only one adopted definition of what an SME should be.

4 The author believes that an annual turnover of =N500 million for medium-sized enterprises is too high, and recommends =N350 million instead.
3.0 Overview of SME Clusters in South East Nigeria

Nigeria’s initial industrial programme after independence was directed at import substitution where, due to the inadequacy of investible funds within the private sector, government initiated and solely financed industrial projects. Later programs employed the aegis of development banks set up by government to sponsor private sector participation in industrialization where emphasis was broadened to expand the import substitution objective to include export promotion as a means of earning foreign exchange. The 1970s witnessed several inadequacies in the industrial policies and practices in the country. The enormous amount of revenue accruing from crude oil distracted the government so intensely that it declared that its problem was rather the utilization of, more than earning foreign exchange. By the 1980s, the bubble of the mono-economy burst, and despite all domestic attempts at redressing its collapse, the country was compelled to introduce an IMF structured economic adjustment program in 1986.

### Table II: SME Cross-Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Category</th>
<th>Headcount</th>
<th>Turnover</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>Micro</td>
<td>&lt;10</td>
<td>≤ €2 million</td>
<td>≤ €2 million</td>
</tr>
<tr>
<td></td>
<td>Small</td>
<td>&lt;50</td>
<td>≤ €10 million</td>
<td>≤ €10 million</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>&lt;250</td>
<td>≤ €50 million</td>
<td>≤ €43 million</td>
</tr>
<tr>
<td>US/Canada</td>
<td>Micro</td>
<td>&lt;5</td>
<td></td>
<td>50 million</td>
</tr>
<tr>
<td></td>
<td>Small (services)</td>
<td>&lt;50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Small (manufacturing)</td>
<td>&lt;100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>&lt;500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Micro</td>
<td>&lt;5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Small</td>
<td>&lt;20</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>&lt;100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>SME (retail and service)</td>
<td>&lt;20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>SME (wholesale)</td>
<td>&lt;50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>SME (other industries)</td>
<td>&lt;100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SME (seedling &amp; broadcasting)</td>
<td>&lt;200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>SME (non-manufacturing)</td>
<td>&lt;50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SME (manufacturing)</td>
<td>&lt;100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>SME (other sectors)</td>
<td>&lt;50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SME (manufacturing)</td>
<td>&lt;200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: various
Within the package of policies introduced by the government in the process of redressing these inefficiencies and restructuring the national economy, is one that was directed at encouraging the non-oil sector of the economy to create new, increased, and additional sources of foreign exchange earnings. Allied to this is the determination to encourage the domestic manufacture of goods to delimit reliance on imports. Initial results did indicate that there were definite areas in which Nigeria has substantial comparative advantage that could be very effectively exploited so long as the appropriate enabling environment were created for them. The recommendation was that such an environment would include the active involvement of the organized private sector, which has already demonstrated its capabilities in the management of SMEs, and the formation and operation of clusters.5

A cluster is nothing more than a sectoral and geographical concentration of enterprises, especially SMEs, which have common opportunities and face similar threats be categorised in terms of cluster classifications as summarized in Table III. These enterprises produce and sell a range of related or complementary products and are faced with common challenges and prospects. In Nigeria, the key problem faced by SMEs is more of isolation than of size. Individual SMEs are unable to achieve economies of scale, they lack negotiating power, find it difficult to specialise and have limited access to credit, strategic information, technology and markets. Their ability to form clusters has helped, to a large extent, in overcoming some of these problems.

5 The organized private sector includes business associations such as Manufacturers Association of Nigeria, the various Chambers of Commerce, National Association of Small-Scale Industries, etc.
Table III: SME Cluster Classification

<table>
<thead>
<tr>
<th></th>
<th>Informal Clusters</th>
<th>Organized Clusters</th>
<th>Innovative Clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Firms</td>
<td>Micro</td>
<td>Small Scale</td>
<td>Medium Scale</td>
</tr>
<tr>
<td>Skills</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Technology</td>
<td>None</td>
<td>Low</td>
<td>Medium to High</td>
</tr>
<tr>
<td>Innovation</td>
<td>Little</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Competition</td>
<td>High</td>
<td>High</td>
<td>Medium to High</td>
</tr>
<tr>
<td>Products</td>
<td>Retail, Arts and Crafts, Textiles, Services e.g. salons, tailoring</td>
<td>Manufacturing, Chemicals and Pharmaceuticals, Mining, Organized Retail</td>
<td>Telecom, IT, Specialised Retail Service e.g. restaurants, entertainment</td>
</tr>
<tr>
<td>Markets</td>
<td>Local</td>
<td>Local, National, West Africa</td>
<td>Local and national</td>
</tr>
<tr>
<td>Links with Consulting Organisations and support institutions</td>
<td>None</td>
<td>Limited: in-house technical training, accounting and some routine functions e.g. legal, management and technical consultancy</td>
<td>Extensive</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Uneducated but dynamic, Sole ownership</td>
<td>Have technology competence, engage in training and invest in apprenticeship system. Basic education at the very least</td>
<td>Undertake technology upgrading, design adaptations in response to market. Highly educated with a university degree</td>
</tr>
</tbody>
</table>

Source: NIPC: Sectoral Profiles on Small and Medium Scale Enterprises (SME) Sector (Skoup, 2002)

Those parts of South Eastern Nigeria where clusters have formed⁶, have witnessed an emergence and growth of specialised suppliers of raw materials and components, and an increase in sector specific skills (learning by doing). In addition, the clusters have created a conducive ground for development of inter firm cooperation and specialization as well as cooperation among public and private institutions to promote local production, innovation and collective learning. However, unlike parts of Asia and Europe, the anticipated emergence of specialised technical, administrative and financial services have been slow in its manifestation.

---

⁶ A study conducted by Skoup and the International Finance Corporation in 2002 on Cluster Development in Eastern Nigeria identified clusters in Onitsha (plastics and other manufacturing), Nnewi (spare parts), Aba (leather), and Umuahia (garment).
There is an estimated 670,000 SMEs\(^7\) plus an additional 1 million micro-enterprises in Nigeria today, growing at a rate of 3.5 percent per annum. These enterprises cover vast areas of business activity including agro-processing, manufacturing, wholesale and retail trade, transportation, professional services, business development services, arts and entertainment, recreation and hospitality, etc. Their impact on the economy is moderately significant as they contribute up to 8 percent to Gross Domestic Product (GDP) versus 29 percent in South Africa.

Their share in national employment is estimated at 20 percent (37 percent in South Africa) and in value addition approximately 15 percent.\(^8\) This share in national employment notwithstanding, SME sectors share of formal employment is still very low at 16.7 percent. Table IV below gives a cross-country comparison of SME data.

---

\(^7\) There are approximately 3,000 registered SMEs and more than 5,000 unregistered SMEs per state, including the Federal Capital Territory. With the exception of large cities such as Lagos and Kano, local MAN Chapters and Chambers of Commerce report, on average, 1,000 registered members.

\(^8\) An on-going Skoup study breaks down national employment into 20 percent SME, 27 percent micro enterprises, 35 percent agriculture, 9 percent government at all tiers (including all political activities), 6 percent large corporations and 3 percent others.
In Nigeria, nearly 53 percent of all SME activity is in industrial establishments / light manufacturing whereas the contribution of wholesale and retail trade, and those involved in service provision is 20 percent and 27 percent respectively. Among the SMEs involved in retail trade, 98 percent employ less than 5 persons and 99 percent less than 10 persons. Within the manufacturing sector, the trend is reversed as less than 25 percent employ less than 5 persons and 98 percent more than 10 persons. Similar pattern of employment distribution can be traced among other sectors. A study conducted by Skoup and the International Finance Corporation in 2002 on Cluster Development in Eastern Nigeria showed that on average, the micro or very small firms employed 5 people; the small and medium firms employed 12 and 45 respectively, while the large or macro firms had an average staff of 290.

---

A study conducted by Skoup and the International Finance Corporation in 2002 on Cluster Development in Eastern Nigeria showed that on average, the micro or very small firms employed 5 people; the small and medium firms employed 12 and 45 respectively, while the large or macro firms had an average staff of 290.
Port Harcourt, Ibadan and other major urban centers are homes to small-scale firms, with activity concentrated primarily between manufacturing and services.

South East Nigeria is one of the six geo-political zones within Nigeria with the highest concentration of small entrepreneurs. In Aba, Umuahia, Enugu, Nnewi and Onitsha industrial clusters have formed around leather products, industrial garment production and tailoring, furniture making, automotive spare parts manufacturing, and plastics respectively. Despite the entrepreneurial density of these clusters and their notable performance, there still remains significant untapped potential to develop economies of scale and scope in these localities. Among the important factors that have hindered productivity are poor physical infrastructure, access to credit, corruption, high costs – including utility prices, and high /multiple taxes as shown in Figure 1 below:10

Figure 1: Major Obstacles to Doing Business in Eastern Nigeria

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Regulations</td>
<td>20%</td>
</tr>
<tr>
<td>Tax Regulations / High Taxes</td>
<td>30%</td>
</tr>
<tr>
<td>Labor Regulations</td>
<td>15%</td>
</tr>
<tr>
<td>Acquiring Land &amp; Buildings</td>
<td>15%</td>
</tr>
<tr>
<td>Foreign Currency Regulations</td>
<td>25%</td>
</tr>
<tr>
<td>Inadequate Infrastructure</td>
<td>80%</td>
</tr>
<tr>
<td>High Utility Prices</td>
<td>70%</td>
</tr>
<tr>
<td>Access to Credit</td>
<td>90%</td>
</tr>
<tr>
<td>Official Corruption</td>
<td>50%</td>
</tr>
<tr>
<td>Regulations for New Business / Expansion</td>
<td>65%</td>
</tr>
<tr>
<td>Bureaucratic Burden</td>
<td>25%</td>
</tr>
<tr>
<td>Others (Eccelon, Importation, etc)</td>
<td>5%</td>
</tr>
</tbody>
</table>

10 International Finance Corporation, Cluster Development in Eastern Nigeria, 2002
While most of these problems are nation-wide, the effects on businesses in the South East are more profound. Most of the companies are located in areas of the cities where the easiest means of transport is by motorcycle because access roads are still sandy dirt and dusty, and where there are tarred roads, the road network is insufficient and most lack adequate maintenance. Electricity generation is also expensive as fuel prices are relatively higher in the southeast than in other parts of the country. Also, incessant electrical voltage surges continue to be a serious problem for operators whose plant and equipment undergo fatal damage and have to be replaced periodically. Businesses in the South East suffer from constant harassment from the police and local government officials who frequently pay ‘unofficial’ visits to business premises for the sole purpose of extorting money from them. There is also the menace of local government-sponsored ‘revenue consultants’ who erect multiple road barriers in order to enforce revenue collection.

The average firm from the Skoup/IFC sample had a turnover of =N91 million, with land and buildings worth over =N82 million, and equipment (machinery, trucks, etc) worth in excess of =N120 million. 54 percent of annual sales were from manufactured goods, 11 percent from trading and 8 percent from services. In addition, 59 percent of raw materials were left over at the end of each accounting period, while the stock of finished goods increased by 10 percent at the end of the period. 19 percent of sales went into operating expenses, 34 percent was the cost of raw material, while 10 percent made up labour costs. The survey also showed that over 70 percent of the firm’s plant, machinery and equipment was less than 10 years old, with operating capacity of 55 percent, and that less than 3 percent export their products, while direct sales to either the Federal or State government is less than 5 percent of total sales.

In the area of infrastructure, the study showed that 87 percent of the firms within the sample had generators, and 70 percent of electricity consumed annually was self-generated, with an average annual cost of =N2 million per firm. On aggregate, =N132 million was spent on generator maintenance, =N300 million on fuel, and =N90 million on parts and equipment. In 2003, over =N530 million worth of equipment was damaged or destroyed because of power fluctuations. While 60 percent of firms in the clusters had their own boreholes / wells, 90 percent of water used was self-provided at an average cost of =N900,000 per year / firm). Finally, 49 percent of firms lost over =N245 million worth of assets, including cash due to theft, vandalism, etc., an average of =N3 million per firm. Entrepreneurs also cited that it took over 3 weeks to clear goods from the ports.
Very few support institutions exist in the South East, and most of them are unable to meet the demand of the local firms for training, advice, and technical assistance. Poorly performing local public institutions also increase pressure on the entrepreneurs by adding policy/administrative constraints, which increase the cost of starting and maintaining their business. These problems notwithstanding, the investment climate in the states is still conducive given support from the various state governments. There are SME Centres and Departments in almost all states in the South East, with responsibility for gathering and storing SME information, such as the state’s industrial policy, financing schemes, sources of funds and trade enquiries from foreign investors, amongst others.

4.0 Notable Clusters in South East Nigeria

**Umuahia/Aba Garment Cluster**: In the 1960s Aba was already known as a garment producing area, with clusters of garment makers already in existence. The garment cluster is divided into two major groups: industrial garment producers and the tailors and fashion designers. The industrial garment producer’s usually mass produce ladies and men’s apparel - underpants, vests, chemise, brassieres, halfslips, t-shirts, sports wear, etc for both domestic sale and exports to neighboring West Africa, while those in fashion and design usually produce on order for private consumers domestically. These markets are highly segmented – from high priced boutiques to market retailers catering to the low-income market. A 2001 study by Kate Meagher\(^\text{11}\) showed that there are 2,423 garment producers and tailors - 12 - employing 10,274 people as well as a seasonal labor force of 2,035. The same study estimated that the cluster has an annual turnover of US$20 million.

Majority of the garment producers prefer locally produced textile. These are more expensive, and the imported, cheaper, less-quality alternative (especially of secondhand goods) increases its unavailability and exacerbates the problem facing the textile industry. The cluster has contracted due to their inability to meet the growing competition. There has been a 6 percent average decline in employment in this sector over the past 5 years, with the micro enterprises showing a decline of 32 percent. Another setback is that the garment manufacturers have not been able to take advantage of the African Growth and

\(^{11}\) Meagher, K. *Economic Miracle or "Aba-Made" Development: Civil Society and Informal-scale Manufacturing in South-Eastern Nigeria,* April 2001
Opportunities Act (AGOA) despite the 2003 bill passed by the national assembly to enhance the possibility of accruing bigger gains from AGOA.

In 1984, the industrial garment producers formed the Aba Garment Manufacturers Cooperative Society, for the main purpose of policy advocacy. In 2001, the society transformed to a national organization and was established as the Association of Garment Manufacturers of Nigeria (AGMON), with the aim of being an apex organization of all garment associations in Nigeria. Today, AGMON has current membership of over 200 enterprises, employing around 3,500 people.

**Aba Leather Cluster:** By the late 1980s, Aba was recognized as the “shoe center of West Africa”. Presently, the leather and allied products manufacturers’ cluster in Aba has over 11,000 enterprises located in 6 main sub-clusters and providing employment to more than 27,000 people (plus temporary seasonal labor force of almost 20,000) and a turnover of over US$100 million. Each sub-cluster has an independent association with duly elected officer. Each line is usually made up of 90-100 enterprises. On the average, the associations have between 16-28 lines. Five of these main sub-clusters produce footwear, 85 percent of which are ladies footwear. The 6th sub-cluster is made up of two associations – mainly producers of traveling bags, school bags, ladies bags, wallets, belts and other leather related products.

Aba’s SME shoe industry has developed a niche in the domestic market in labor-intensive, inexpensive imitations that are able to compete with the larger, capital-intensive producers in Lagos due to relative low labor and overhead costs. There are examples of an increasingly flexible division of labor and subcontracting. For example, larger manufacturers such as FAMAD Nigeria (Bata), based in Aba, have contracted as much as 20 percent of shoe production to Aba artisan producers. In a few cases, arrangements have included technical and financial assistance and the adoption of machinery. Other examples exist of linkages with foreign overseas buyers, which supply product designs. However, these relationships remain the exception, and Aba producers rely principally on the regional wholesale and retail markets.

**Nnewi Automotive and Motorcycle Parts Cluster:** The Nnewi cluster is one of the more ‘organized’ clusters in Nigeria. Nnewi is known as the source of more than 80 percent of motor spare parts (both for automobile and for motorcycles) trade in Nigeria. Since the mid-1970s, local traders in Nnewi have transformed themselves into manufacturers of automobile parts through close linkages to technology suppliers in Taiwan Province of China. A good number of firms, ranging in size from enterprises with 20 employees to those with 200,
supply Nigeria and other West African markets with switchgears, roller chains for engines, auto tubes, batteries, engine seats, shock absorbers, footrests and gaskets for motorcycles, as well as other parts. The motor spare parts trade consists of medium and large-scale industries that produce motor spare parts, importers of new spare parts and completely knocked down motorcycle parts, as well as small or micro entrepreneurs who refurbish and sell both old and new motor spare parts. Nkwo Market in central Nnewi is the hub of motor spares trading.

Although most firms in the Nnewi cluster are small, some have grown to medium size and their competence level has improved through training and apprenticeship. In terms of technological capability, they have also upgraded, though a lot are still far from the frontier. The Nnewi cluster of automobile parts manufacturers in Nigeria has also exhibited the capacity to undertake technology adaptations, to design new products and processes and to bring them quickly to market. Most of them have the design capability to modify products and adapt the production process to the local market. They are a typical example of how firms located in an informal cluster with virtually no infrastructure have been able to grow, to export informally and upgrade, grouping together and setting up common utilities.

While there is no official data on the number of micro and small industries involved in the production of automotive and motorcycle spare parts, a cursory tour around Nnewi would show a great number of them in operation. There is evidence also that there is an intra-firm linkage among the micro and small enterprises in the production of motorcycle/automotive spare parts.

**Onitsha Plastic Cluster:** Onitsha is a very dynamic city and has the highest concentration of manufacturers in Eastern Nigeria with products ranging from pharmaceuticals to paints, and from plastics to chemicals. It attracts trading partners from the rest of the country and different parts of the West African subregion. The business environment is almost the same as Nnewi and Aba, except that Onitsha is unique in certain areas.

One notable cluster that requires attention and needs studying is the plastic cluster in Onitsha. Known as the Osakwe Industrial Cluster, it is situated at Awada Layout in Onitsha, and has about 75 industries employing over 1,800 workers. The industries are managed by the Industrial Economy Development Agency, a local group that provides planning, research and development, tools, infrastructure, security, and training to members of the cluster (See Figure 2 below). The industries cover a wide range of products: plastic film extrusion, plastic pipe extrusion, plastic injection, plastic blow molding, polythene bag making, and plastic
waste recycling. There are three service workshops, and a machine development and building company.

Figure 2: Cluster Composition - Plastics Cluster, Onitsha, Nigeria

5.0 Growth of Industrial Clusters in Nigeria: Why Potential Remains Untapped

SMEs continue to be one of the most viable economic groups in Nigeria with tremendous growth potential. This potential however, is often not achieved because of a particular set of problems characterizing SMEs, which are not entirely related to their size. Individually, SMEs are often unable to capture market opportunities that require large production quantities, homogenous standards, and regular supply. They have trouble in achieving economies of scale in the purchase of inputs, such as equipment, raw materials, finance, consulting services, etc.

These problems notwithstanding, SMEs that form industrial clusters serve as primary sources of inputs for the larger companies, thereby obtaining the capacity to replace existing foreign sources. They are key architects of wealth creation, poverty alleviation, employment generation, and the promotion of more pluralistic societies. Due to the size and scope of their operations, many of these clusters Industrial Economy Development Agency plastic film extrusion plastic pipe extrusion plastic injection plastic blow molding polythene bag making
plastic waste recycling machine development workshop management company Support Institutions: - Federal Government - State Government - MAN, NASSI, NASME - Chambers of Commerce - SMEDAN - Financial Institutions - Multilateral Agencies - Bus. Dev. Svc Providers markets quality assurance training planning R&D infrastructure security require massive start-up capital investment, and demand high technology and managerial skills. However, the extent to which they can grow and their contributions felt in the economy depend on the environment created through the provision of requisite infrastructural facilities, access to finance, and reduction in the bureaucratic burden imposed by regulatory and administrative bottlenecks.

Ironically, the composition and growing interdependence of these clusters has redefined some of our existing business concepts. One of such finding is that the competitiveness of companies is becoming more dependent on complementary knowledge acquired from other clusters and institutions. Today, innovation is not the activity of one firm alone, rather the complexity, costs and risks in innovation are enhancing the value of inter-firm networking and collaboration in order to reduce operational and transaction costs, spurring a multitude of partnerships between firms with complementary assets. Thus, through networking, industrial clusters can address the problems related to their size and improve their competitive position. They can collectively achieve scale economies beyond the reach of individual small firms and can obtain bulk-purchase inputs, achieve optimal scale in the use of machinery and pool together their production capacities to satisfy large-scale orders.

Other economic benefits of the collaboration taking place between the individual companies within the cluster are:

1. A better chance of securing larger contracts
2. Sharing and pooling of resources
3. Sharing business development and running costs
4. A greater presence in the market place
5. More substantial marketing intelligence and image
6. Access to wider market opportunities
7. Greater security during the start-up years
8. Increased access to financial support
9. Guidance from experienced companies and shared risk

So why is growth impeded, and why do industrial cluster potentials remain untapped? Unfortunately, in many developing countries, cooperation within clusters is hard to find. Very low levels of trust, hidden conflicts, and absence of suitable discussion channels are the signs of an “under-performing” cluster. To reverse the tag of an under-performer requires prolonged efforts (sensitisation, trust building, conflict resolution, etc.) that the private sector will not undertake without some outside facilitation and support from government or a development institution like UNIDO.

Unlike large enterprises in the formal sector, industrial clusters are constrained by financial and other resources. Despite their size, their capital base remains lean and nearly 60 percent of all reported business investment, excluding land and business, remains less than ₦10 million. Industrial clusters in South East Nigeria are more formally organized than it is in other African countries, with more than 80 percent of the businesses owned and managed as sole proprietary concerns. While less than 5 percent are partnerships, 15 percent are corporate entities, implying that the inclusion of professional people in business management process is yet to be witnessed. Industrial cluster in an ideal situation should serve as the breeding ground for migration into future corporate sector entities, but this really does not seem to be happening in South East Nigeria.

Most of the industrial cluster businesses are in a low growth trap, dealing in traditional products and unable to climb up the technology ladder. They often become vulnerable to various shocks and remain stagnant over so many years or disappear from the scene. This view gets credence from the fact that 19 percent SMEs in South East Nigeria are less than 5 years old and only 4 percent are able to survive beyond 25 years. The encouraging sign however, is their mushroom growth. This makes it imperative to provide a mechanism through which they could get support such as capital, finance, trained human resource or services like advice on technology upgrade, marketing or quality management.

There have been many efforts to understand the cause of this low growth trap of industrial clusters in South East Nigeria. However, it is understood that business friendly policies and a regulatory environment are necessary conditions for achieving and sustaining high levels of business development and growth. The regulatory environment has however, not very conducive for industrial cluster growth. The presence of SMEs in large numbers has not
given them any additional bargaining power to influence the policy or regulatory framework to suite their needs. In fact, policies in the past have had only some basic reference towards small business growth and have concentrated on direction and defining broad parameters of activity within the macroeconomic framework.

6.0 Government Policy towards SME Industrial Clusters

Past government efforts to support industrial clusters have achieved only marginal success. However, realizing that SMEs hold the greatest prospects of growth for the Nigerian economy, the present government has made SME development an economic priority, and is embarking on a national SME development strategy. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established to facilitate and promote micro, small and medium enterprises access to resources required for their growth and development, and also lay down a structured and efficient MSME sector that will encourage and enhance sustainable economic development in Nigeria. To complement SMEDAN, the government established the Bank of Industry (BOI) to provide credit and financial services in collaboration with banks and/or donor agencies to SMEs at ‘lower than commercial rates’, and has mandated all commercial banks operating in the country to set aside 10 percent of their profit before tax for equity financing in SMEs. This initiative called Small and Medium Enterprises Equity Investment Scheme (SMEEIS) was launched in June 2001. As at 30 May 2006, the total funds set aside by banks was =N40.735 billion, of which 225 projects valued at =N14.768 billion had been invested and disbursed (See Table V below).

Table V: Geographical Distribution of Investments by Banks as at May 30, 2006

<table>
<thead>
<tr>
<th>State / Zone</th>
<th>Number</th>
<th>Amount (N)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abia</td>
<td>8</td>
<td>523,400,000</td>
<td></td>
</tr>
<tr>
<td>Anambra</td>
<td>6</td>
<td>359,530,000</td>
<td></td>
</tr>
<tr>
<td>Ebonyi</td>
<td>0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Enugu</td>
<td>2</td>
<td>93,224,000</td>
<td></td>
</tr>
<tr>
<td>Imo</td>
<td>0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>South East</td>
<td>16</td>
<td>976,154,000</td>
<td>7%</td>
</tr>
<tr>
<td>South West</td>
<td>158</td>
<td>8,131,397,000</td>
<td>55%</td>
</tr>
<tr>
<td>South South</td>
<td>27</td>
<td>4,577,644,000</td>
<td>31%</td>
</tr>
<tr>
<td>North East</td>
<td>1</td>
<td>88,400,000</td>
<td>0%</td>
</tr>
<tr>
<td>North West</td>
<td>14</td>
<td>557,563,000</td>
<td>4%</td>
</tr>
<tr>
<td>North Central</td>
<td>9</td>
<td>456,707,000</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>225</td>
<td>14,767,865,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Progress Report on the Small And Medium Enterprises Equity Investment Scheme (SMEEIS), CBN Development Finance Department, May 30 2006
The South East only accounted for 7 percent of the total amount disbursed from inception to May 2006. Lagos State had the most projects (131), with a total investment of =N7.1 billion (48 percent). Cross River State followed in terms of volume of investment with 5 projects which amounted to =N2.9 billion (20 percent) and Ogun State with 13 projects with investment of =N0.5 billion (3 percent), while other States of the Federation including the FCT collectively accounted for the remaining investments worth =N4.3 billion. The South East only recorded a slight improvement between September 2005 and May 2006, as shown in Figure VI:

Table VI: Geographical Distribution of Investments by Banks as at May 30, 2006

<table>
<thead>
<tr>
<th>State</th>
<th>30 September 2005</th>
<th>30 May 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projects</td>
<td>Amount (N)</td>
</tr>
<tr>
<td>Abia</td>
<td>5</td>
<td>434,000,000</td>
</tr>
<tr>
<td>Anambra</td>
<td>4</td>
<td>191,196,000</td>
</tr>
<tr>
<td>Ebonyi</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Enugu</td>
<td>1</td>
<td>90,000,000</td>
</tr>
<tr>
<td>Imo</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>South East</td>
<td>10</td>
<td>715,196,000</td>
</tr>
</tbody>
</table>

Source: See Table V.

On a sectoral basis, Table VII shows that the manufacturing and tourism sectors accounted for more than half of all funds allocated to SMEs.

---

12 In September 2005, Abia State had 5 projects with investment of =N434 million, Anambra had 4 projects with an investment of =N191.2 million, while Enugu had 2 projects with a value of =N90 million. Ebonyi and Imo States had no projects under SMEEIS.

13 Adamawa, Bayelsa, Borno, Ebonyi, Gombe, Imo, Jigawa, Katsina, Kebbi, Kogi, Niger, Taraba and Yobe States are yet to record any investments.
The federal government has acknowledged a number of constraints that SMEs face either individually or collectively as industrial clusters:\(^\text{14}\):

- Lack of demand for the products and services of SMEs, and ineffective linkages between industry and research institutes and universities
- Lack of political will to implement local content and technical know-how policies
- Lack of engineering capacity to translate scientific research results into finished goods and maintain existing machinery; low level of entrepreneurial capacity, complete lack of institutional mentoring and technological support, and paucity of trained artisanal skills
- Unfair competition from dumped, secondhand, counterfeit, smuggled, and substandard products
- A weak legal framework; weak business, financial, and information management systems and practices; an underdeveloped payment system


---

Table VII: Sectoral Distribution of Investments by Banks as at May 30, 2006

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects</th>
<th>Amount (₦)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro-allied</td>
<td>24</td>
<td>756,883,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>108</td>
<td>5,572,514,000</td>
<td>37.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>10</td>
<td>1,111,288,000</td>
<td>7.5%</td>
</tr>
<tr>
<td>Solid Minerals</td>
<td>3</td>
<td>59,440,000</td>
<td>0.4%</td>
</tr>
<tr>
<td>Info &amp; Communications Technology</td>
<td>21</td>
<td>1,749,764,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>Educational Establishment</td>
<td>4</td>
<td>133,935,000</td>
<td>0.9%</td>
</tr>
<tr>
<td>Services</td>
<td>47</td>
<td>2,269,921,045</td>
<td>15.4%</td>
</tr>
<tr>
<td>Tourism and Leisure</td>
<td>8</td>
<td>3,114,120,000</td>
<td>21.1%</td>
</tr>
<tr>
<td>Micro Enterprises</td>
<td>0</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>225</td>
<td>14,767,865,045</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Progress Report on the Small And Medium Enterprises Equity Investment Scheme (SMEEIS), CBN Development Finance Department, May 30 2006
• Systemic and operational constraints that impede the competitive capacities of large manufacturing companies

• Low market access

• Poor access to credit

• Poor information flow

• Discriminatory legislation

• Poor access to land

• Weak linkage among different segments of operations in the sector

• Lack of infrastructure for microenterprises

• Weak safeguards against occupational and other health hazards

On this basis, Nigeria’s industrial development strategy will encourage forward and backward linkages while government will provide the enabling environment for private sector growth, revive industries, and encourage innovation. Thus the policy thrust is to establish a structured and efficient Micro, SME (MSME) sector to enhance sustainable economic development, generate employment, and create wealth., as well as facilitate the development of an industrial sector that is internationally competitive. Government also will give priority to the processing of Nigeria’s abundant resource endowments into intermediate raw materials or finished goods for local consumption and export, and develop science and engineering infrastructure - well trained technical and managerial personnel, physical plants, tools, spare parts, materials, and other inputs needed to operate efficiently and profitably.

To reverse the dwindling fortunes of the manufacturing sector in general, the government is committed to the following strategies:

• Removing infrastructure constraints on SMEs, and expedite action on establishing clusters and industrial parks.

• Providing appropriate institutional support, by undertaking studies aimed at attracting foreign investors and by scanning overseas markets and monitoring developments that could have implications for the sector.
• Strengthening the Bank of Industry and other special-purpose finance institutions (the Nigerian Export Import Bank, the Nigerian Agricultural, Rural, and Cooperative Bank) to perform their statutory roles (especially the provision of concessional loans and credit guarantee schemes) and enlarge their scope to include large manufacturing companies.

• Strengthening the legal and institutional framework for the operation of microfinance institutions by streamlining the operational guidelines and tax incentives for SMEs and adopting other measures. Explicitly recognize the informal sector, remove constraints to implementation of SMEEIS, and design incentives targeted at investors who would specialize exclusively in exporting.

• Reviewing and implementing a codified tax and incentive structure reform that supports an export-oriented manufacturing sector and encourages large businesses to foster the growth of SMEs in their value and supply chain.

• Providing targeted incentives (such as tax deductibility) for science, technology, and research and development spending.

• In collaboration with relevant agencies at the state and local government levels, coordinating and facilitating the implementation of an effective competitive industrialization strategy.

• Promoting joint ventures and providing incentives to facilitate the flow of foreign direct investment in partnership with existing SMEs.

• Implement a government procurement policy that supports locally produced goods and services, especially of SMEs and clusters.

• Promote the production of good-quality goods and services in Nigeria to facilitate a competitive export-oriented manufacturing sector.

• Strengthen the Loan Guarantee Scheme, which will enable banks to make loans to SMEs.
7.0 Unleashing Industrial Clusters for Growth and Prosperity

SMEs have such a crucial role to play in the development of an economy that they cannot be ignored. They can serve as sources of inputs for the larger companies and multinationals thus replacing foreign sources. They are also training grounds for local skills and entrepreneurs, and could become channels for mobilizing local savings, ensuring a more equitable distribution of income and reducing the migration of manpower from the rural to the urban areas.

General recommendations that ensure industrial cluster growth include direct government intervention in areas of infrastructure, access to credit, official corruption, streamlining administrative and regulatory requirements, etc. However, the recognition that growth and jobs are generated by enterprises and not policymakers, forms the bedrock of the effectiveness and growth of industrial clusters and is in line with government’s ability and commitment to generate jobs, create wealth and reduce poverty. To unleash clusters for growth and prosperity in South Eastern Nigeria, government has to step up its efforts in ensuring that policies designed to grow SMEs are implemented effectively. SMEDAN has to take full responsibility of its roles, and appoint Cluster Development Agents (CDAs) to conceptualize the overall developmental strategy for particular clusters (upgrade existing ones or propose new ones) and initiate implementation.

Trained Cluster Development Agents will undertake comprehensive diagnostic studies of proposed and existing cluster and prepare an exhaustive reports detailing such areas the history of the sector in the State and the significance as a geographical concentration for the industry, analysis of current business operations in the locality, assessment of the cluster potential and organisational requirements. Recommendations and strategies for the future, structures required for carrying out the implementation programme, as well as requirements in terms of interventions in technology, finance, training, marketing etc. will be desired.

SMEDAN, through the CDA will be responsible for identifying all the cluster players and graphing their linkages (forward and backward). The dynamics among the cluster players shall also be comprehensively mapped. A vision for the cluster will have to be formulated in association with the Cluster members, which articulates the long-term objectives of the cluster. Finally, an implementation strategy aimed at creating and guiding the various enterprise networks and service providers of the cluster towards a growth path with the involvement of relevant support institutions.
With the emergence of the global knowledge economy, innovation and speed have become the two main foundations for creating value and making profits. Industrial clusters need to focus on developing high-value-added products and upgrading service quality. Today, SMEs in Nigeria are faced with a rapidly changing business environment. The changes include the dramatic growth in both regional and bilateral trade, the growth in environmental awareness throughout the world, the rapid growth achieved by the emerging economies, and the changes in the forms taken by global competition. Industrial clusters in South East Nigeria need to consider how the existing policies can be leveraged to strengthen their ability to perform, sustain, and be profitable.

In addition to government, the future is also more private sector involvement, complimented (but not dominated) by government agencies. The private sector should provide effective business development services relevant to the actual needs of the clusters. In Asia, private sector assistance has turned out to be more effective in raising the technological, managerial, marketing, and financial capabilities of SMEs, and this assistance has been based on mutual trust and mutual profitability of the private sector providers and the recipient SMEs.

The time has come for SMEs to gain the recognition they deserve as the backbone of the Nigerian economy, the principal providers of existing jobs and the main source of new employment, and to be acknowledged as a constant source of ideas, innovation and entrepreneurial skills. In 2007 and beyond, government policies must offer SMEs the support and advice they need to meet today’s business challenges as well as prepare them to be globally competitive tomorrow, in clear appreciation of the fact that these challenges are often greater for SMEs than for their larger counterparts.

REMARKS FROM SOME RESOURCES PERSONS:

Elder Onyenyiri Representative of the Abia State Chamber of Commerce

Though a member of the Abia state chamber of commerce, I am also a member of ASSANGO which is acronym for Abia State Association of Non Governmental Organisation. This is a body of professionals in various areas of endeavour who converge for the purpose of making life better for the needy.
In my opinion, clusters should forget government and come together to seek ways to help itself. Research and Production is the way out. We should have clusters in every Eastern State and this I suggest, should be called “Agency for Rapid Industrial Development of Igbo Land”. In addition, we should also have clusters for the re-activation of our moribund industries to help ease the poverty and unemployment staring our youths in the face.

Rob Anwatu, President Enugu Chamber of Commerce:

Government, cluster operators and consumers must play their assigned roles if we must make a head way. Government unfortunately is not providing the much needed enabling environment. Imagine the enormous funds that would have been saved if electrical power was functional.

Double taxation is another setback. Yet it is much more difficult to obtain huge loans from the South East than it is in Lagos where one can raise 100 million effortlessly as if the east and the west were operating on different rules. We must encourage clusters but they have to develop their organizational capacities.

Representative from Aba

One of our greatest problems is that the Igbos are known not to repay loans. In addition, we don't invest in the long term. We must go beyond buying and selling.

The cost of purchasing a parcel of land in the South east is very high. Therefore Government should intervene to reduce the rate. It should also provide plots of land and build factories, industries and other infrastructures at designated locations and cities.

Young Okezie (Manager, Enugu SME Centre)

SME practitioners/entrepreneurs are not willing to make a change. They need to reposition themselves. As it is, they have no good accounting system, no management practices, tax returns are not made to the regulatory authorities, no good relationship with Corporate Affairs Commission, how do you think a bank would be willing to work with such an organization?
Again instead of making heavy importation from South Korea or China, why won’t they invite the company to come and partner with them and establish an industrial firm here in Nigeria? They should not shy away from capacity building.

Furthermore, the days of buying and selling are over. Government policies no longer encourage it. We need to draw up an action plan, set up a programme in motion to identify potential clusters. Palm Kennel Extractors have been identified, they have big potential for cluster formation.

Let us come together; we can do better as a team. Chambers of Commerce, SE, MAN, National Association of Small Scale Industries, Federal Agencies like SMEDAN, It is my opinion that the winning strategy today for global competition is cluster formation.

Permanent Secretary – Ebonyi Representing Commissioner for Commerce & Industry

There is inequity in the preferential treatment given to business men in Lagos and Port Harcourt as against the rebuff Easterners suffer. We need to accept and protect what we do. Here, Igbo made products are not good enough. How did Malaysia come here, pick sample palm kennels and today have become the highest producers of palm kernel?

I request that we give some allowance to new clusters in terms of standard. Let them grow first before Standards Organization of Nigeria can come to hound them. Much as I appreciate standards, if SON is brought in at the infancy level to monitor what they are doing, you may be limiting them. We need protection at the period of incubation.

Elder Kalu U. Kalu

We are looking to end up with suggestions as to how we should move ourselves forward. I think the Chairman’s Opening Remarks had infact indicated some directions and it probably would be useful now to look at them. For instance he mentioned the setting up a South East Economic Commission and Dr. Amobi had said that we should get government to appoint Cluster Development Agents to conceptualize the overall developmental strategy of particular clusters not merely existing ones, establishing new ones and initiating implementation so I thought we should really be able to say here – are we adopting the South East Economic Commission approach? Does it offend anybody? Does it raise
problems? Or do we get there through SMEDAN appointing Cluster Development Agents? Which one would be easier? Who will do it for us? How can we develop a paper that would go to the appropriate authorities to get these things established so that we can start moving ahead? How do we get more meaningful benefit for the good of our people?

Prof A.W. Obi

We need mental re-orientation. If South East Economic Commission will be a pressure group that will galvanize to compel government to give us what we want, I’ll support that 100%. Nobody should rely on government to initiate these kinds of things – independent power supply, portable water, finance etc but when you start out on your own by establishing such a commission as the proposed South East Economic Commission, we can then partner with government and make them provide the infrastructures we need.


I want to start with the things government cannot do:

Government cannot give anymore land in the South East. We suffer from high density coupled with erosion and land spaces are not increasing either. Industrial estates had been given out in the past – Nnewi, Onitsha, Awka, were all given where will we get more parcels of land to give? For those already given out, people built estates instead of industries.

The way forward is to realize that individuals and communities these days are refusing to part with their parcels of land and when they do; the demands and compensations you will have to pay are endless and when you want to begin developing it, people will start fighting so you can’t even access the land. Developing the ones we already have is the issue.

The commission or agency we’re thinking of establishing (SEEC) should be domiciled in the Ministry of Industries, that way, government can come in. People who are producing related items by sector can approach government as a body and negotiate with them to jointly provide certain needed infrastructures like electrical power for their industrial estate to assuage the amount spent individually in using generators. If they pool it together and ask government to provide independent power supply, government will respond. Again, against
the principle of misusing government property, they will possess it. – If government constructs roads into the estates for instance, how about the maintenance and sustainability? It is still with those using the estates directly and that brings us to what, we are – ‘Ndi Igbo’ known for hard work. The Igbo man is better in managing his own thing. If there is some level of involvement or contribution the estates will be much better than they are being run today.

Value re-orientation should be our first assignment. We must start now to drum it through jingles, programmes on radio, on TV, in every village, town, amongst the Umunna that we’re tired of “Igbu ozu na high sea”. Some communities have started it. They don’t give traditional titles to just anybody. Even our Governor is spearheading value re-orientation in very concrete forms. If the Youths imbibe it, then they can stay back home at Nnewi instead of going to South Africa or America. The craze for recognition as having ‘arrived’ will not be there.

All South East government representatives here should go back to government and endeavour to mainstream and benchmark the clusters into their budgets – that way it can be maintained, you can monitor it and then relevant NGO’s will begin to monitor these aspects of the budget.

Maxi Onykwere: Director SME Anambra State representing Hon. Commissioner

Anambra State has been in cluster development for quite a while now. Dr. Amobi can bear witness to that. We used to be in a committee of public and private sector people known as Cluster Development of Eastern Nigeria with states likes Imo, Abia etc, I wonder what has happened to that committee. For a couple of months now, we have been trying to develop AN INDUSTRIAL PARK where some of these SME clusters will domicile. We have a lot of what Amobi called natural clusters in Anambra State for example the Onitsha Shoe makers, Osakwe Industrial Cluster Estate who are here today and we have been assisting them alongside other donor agencies that’s why the SME department was established some years ago to cater for micro, small medium enterprises. We will do all we can to unleash the potentials of our own clusters.
President Osakwe Industrial Clusters

On practical solutions to cluster formation, development and networking in the grassroot having developed 150 enterprises at Onitsha and right now working on another cluster on Palm production. SEE submitted PAPER for DETAILS.

Chief Nduka Eya

The problems lie in the attitude of the typical Ndi Igbo – they are too individualistic – they don’t believe in coming together as a team. Everybody wants to do his own thing and be in charge. Ndi Igbo believes that clustering is the same thing as proliferation which it is not. If you put together the number of mushroom filling stations we have here in Enugu, we can have about 4 or 5 mega stations like the one government built, why don’t you have it? I think the solution is in the Ohaneze Ndi Igbo. People talk about government, we are tired of government. We should be taking our destiny into our own hands. I am sure that if this big umbrella of Ndi Igbo organizes itself well, they can raise funds which government cannot ignore and if they do this under the Ohaneze Ndi Igbo then our cluster commission can emerge, the experts can come in, from there, the traditional rulers will organize them. Who said we have no land? We have lands! The problem is that we want to concentrate everything in Onitsha where there is no land. Go to Ekwulobia, Aguleri, Omo there are lots of land and if the agricultural sector should cluster in those areas, what a great boost! We need to go back to the roots, let Ndi Igbo go back and organise itself. Their political attitude is already destroying them but I am looking forward to when the whole of Eastern Nigerian will be ruled by one political party and each one would bury their pride and arrogance, together we go, it is easier to break a broom stick than a whole bunch of broom.

Mrs Oluchi Ibiam

The moment we stop seeing the next person as a threat, the better it would be for us. Where lies the prospects for clustering if we always see the next person business contemporary as a threat? We should not think that when we are too many in a particular line of business, we will not succeed also, we should note that we can’t be everywhere at the same time.
Engr. Okoye (Chairman)

I do recall that the Executive Director did say that before we rise here, we must come up with some actionable, quantifiable programmes that we can all hang on to and I think quite a good number of recommendations have been made here. You all have Dr. Ifediora's paper and even the address I presented so if you can talk along those lines.

Arch. Mrs. Nnena Eluwa

I will make my comments under three headings namely

1. Environment

2. Training up young industrialists

3. Creation of our infrastructures by ourselves

1. We were told, from the paper presented that 50% of our raw materials are thrown away as waste and that's part of the problem Mrs. Nkeiru Okeke from Anambra State was talking about because the environment has been degraded so that if we are supporting the South East Economic Commission, we have to be careful about its operation. We should for maximum advantage, determine whether it should be a partnership between government and the private sector or maybe with research institutes or some other Agencies.

2. We should begin to think about developing a few crop of industrialist who are trained and I would suggest we do it by way of creating junior Chamber of Commerce in Secondary Schools so that by the time a child is learning, he already has an idea of what he wants to make of his life, that is the only way we can have honest multimillionaires and industrialists at 20 years of age.

3. We need to create our infrastructures ourselves because if we wait for government we may never take off. This we can do by using appropriate technology. Technology we can manage and service that way, we would reduce waste and increase productivity.
Representative, Association of Garment Manufacturers Of Nigeria, Aba

We are the people in cluster development; we weaving and make shoes. Those who think cluster development is not working in Nigeria are wrong because it is working at Aba. Our major problem is with the textile manufacturers whose products are substandard, we wish SON would monitor them very well after all the Federal Government gives them up to 50 billion annually yet they provide us with inferior raw materials. You see a remarkable difference in the T-shirts produced here with the ones imported. Why? The yarns we use are not good! This is an area; we would want you this forum to address. Again, the total ban on importation of raw materials is a great hindrance to us because in the past most of us in the cluster use foreign raw materials that compete favorably with imported products but now with locally produced materials, we are not able to compete so we need licenses to import our own raw materials otherwise the Federal Government should place embargo on imported finished products and then allow them to instead import our raw materials which will be more beneficial to us and for every Nigerian. Most factories in Aba have closed down due to lack of raw materials. Without raw materials we cannot function. Many have left the business to join in commercial motor cycling; great numbers of families are now impoverished because of some FG policies. Two years ago, people came from Cameroon, Ivory Coast, and Senegal to shop in Nigeria. Today they have all run away because of FG policies. We are begging the organizers of this Forum to help us out and to do everything possible to dissuade those who import finished products from Indonesia because they are substandard compared to what we produce. We are very discouraged. For example my products are marketed throughout the North but Indonesia products which are better packaged but substandard compared to what we produce, are cheaper hence Northerners go for Indonesia. And to think that I spend at least, N9, 000 every week to run my factory on my diesel generating set and still at month end, Power Holding Company still comes with their bill, it is crazy! They are drawing us back by all these!! What about the purported 10% set aside by Banks for us, nothing is happening, for long now I've been frequenting Inter Continental Bank, yet nothing is forth coming. Please, we came all the way from Aba to lay these complaints, do something for us!
Comrade Ken U. Anyanwu (President, Asso of Leather/Allied Industries Of Nigeria)

The shoe industry is one of the clusters that grew on its own. Aba has taken over the shoe industry in Nigeria, and we export to other countries. West Africa and outside Africa. Our problem is retooling and the issue is how we can produce shoes that can meet International Standards. We get most of our raw materials – pure leather- from Kano but what they give us is the finished lower grade. Grade A is exported and the producers are given export incentives with little or nothing drawn into our own industry. The tools we use are basically local. Again, when you look at the classification of SME, most of us are graded as micro industry yet nothing is has been done for our aid. Right now, we believe we can meet the shoe needs of the whole of Nigeria, what we need is a change in our orientation. The impression that imported shoes are better is wrong. Made in Nigeria shoes are durable, very durable. Personally I can’t wear foreign shoes but most people here now can hardly say so [PULLING OUT AND SHOWING OFF ONE OF HIS SHOES]. What you see here is as durable as any shoe from Italy and there are more of these

Dr. Onyemelukwe

Enugu Forum is an academic pressure group so the formation of the recommended Commission should be supported by State Committees of such commission and if it will have terms of reference related to the issues raised here then lets accept a Commission at South East level with State level committees and make it private not government. It can partner with government but let it continue as a pressure group to affect government, the banking sector etc.

Mrs. Onugbo, Queen’s School, Enugu

The area we need to pay more attention to is Agriculture. There can never be industrial development without Agricultural development. We talk of industrial clusters and we say repeatedly that we need raw materials, where do we expect to get them, the moon? Without Agricultural clusters, the industrial clusters cannot stand. Agriculture provides ready markets for industrial products and market outlet (or raw materials) is the most important thing to consider at this stage. Oil has diverted our attention from Agriculture and we establish industries with oil proceeds forgetting that these industries would need Agricultural products.
Now we must address the issue of going back to Agriculture. The shoe factory at Aba will benefit from hides and skin, and where will palm kennel clusters get their palm kennel if not from Agriculture?

Onitsha is rated as the biggest market in West Africa, but it is now a shadow of its old self because importation is no longer possible. I want to suggest that South Eastern States also need an EP Zone, a Sea Port as well as an International Airport. These are all very essential to our revival in this region.

Engr. Okoye

I think it would be pertinent to mention that the South East Economic Commission concept in question will not just be for development of industrial clusters, it goes much beyond that. What we are talking about is an umbrella institution that can infact go into all kinds of commercial activities on behalf of the South East zone. It seems to me that there is some kind of consensus that we have to set up some kind of a commission the details of which are yet to evolve. Perhaps we may need to set up a Committee here that can support the study of how this commission will be created. If we have come to that conclusion, except anybody have other recommendations along these paths then perhaps we can then go ahead to appoint members of this commission.

Mr. Emeka Okonmah, Representative, MAN Owerri

The Commission to be set up should identify markets for the clusters that are going to be established. If there are no markets, clusters will not thrive. It should partner with oil industries to finance clusters as well as identifying the nearest pipelines to the clusters because its cheaper to make use of a gas generator than a diesel generator.

Enugu Forum should recommend that Commissioners for Commerce and Industry in the South East States should be people who understand the economy so that if they get invited to forums like this, they’ll readily come because they will understand discussions and be able to contribute their own quota. SME’s shouldn’t expect pampering for too long, there is already enough protection - nationally and globally to take care of them. Anambra State is doing well, partnering effectively with donor Agencies and the private sector. Oleum is
developing some infrastructures in the State while the State has agreed to acquire some shares from the company. The first President of the Stock Exchange was from this area but today Igbos are shying away from investing idle funds in the stock market.

Furthermore, all Eastern State Governors should be the first Marketing Officers of their States. They should be able to tell investors that this is our potential but most of them don’t do that but Peter Obi influenced a multinational company that wanted to establish its industry in Lagos to do it at Onitsha, since that is where the market is. Right now the company is considering setting up either in Onitsha or in some other neighbouring state in the East. May I also comment on the 10% profit before tax and the issue of bank co-ownership of businesses over 10% loan from Bank. Its strange that most of our people refuse and resist it forgetting that once that happens, 80% of the burden is taken away from their shoulders, they will then be able to tap into managerial competence and so many other things like that. Our industrialists must live up to their social responsibilities though its Government that provides enabling environment they can help government by doing some part of the infrastructural development for example 40 industries at Atani came together to construct some part of Atani Road.

Engr Okoye (Chairman)

We may have come finally to the end of this very revealing and interesting seminar in which we discussed extensively about the relevance of industrial cluster to the development and growth of the South East economy. We have agreed of course that 3 distinct people have a role to play.

1. Cluster operators

2. Customers

3. Government

When all three components come together we also agreed there will be capacity for “anyuko nwamiri onu ogba ufufu. There is an agreement that we must take our destiny into our hands, that the era of continuing to depending on government to do everything for us cannot lead us anywhere. There is already some loss of faith in the fact that government is not living up to expectation, against these background we have agreed to set up a South East Economic Commission which will bring everybody together, all states in the South East zone to become hopefully a vehicle through which we can begin to unravel the economic and
commercial interests of the South East zones and that with this envelope we will be able to begin to identify some of the factors Dr. Ifediora had applied here today and its in response to that therefore that we have agreed to form a study group to work with the people already working on this idea.

COMMITTEE MEMBERS

1. President, Enugu Chamber of Commerce
2. Dr. Ifediora Amobi
3. Mrs. Onuigbo (Queens School, Enugu)
4. Dr. Alimba (Head Agric Econ Dept., EBSU)
5. MAN Rep
6. Shoe Industry Speaker
7. Mr. Osakwe (Plastic Cluster)
8. Mr. Ikebude
9. Prof. Obi (fellow of the Institute)
10. Young Okezie (SME Enugu)
11. Nkeiru Okeke (Perm Sec. Anambra State)
12. Martin Ilo (Economic Adviser to Government, Enugu State)

Hopefully by next Enugu Forum we will begin to hopefully have some concrete indicators as to the way the South East Economic Commission will unfold and I can assure you that there are some people in the Diaspora who are already thinking along these lines. We would have a convergence of ideas that will help us put in motion the machinery for revolutionaryizing the role that clusters can play, that we too can play individually to bring about economic revival in the South East Zone. I think on that note, I want to thank each and every participant in this seminar. Its been very lively, and Enugu Forum expects you in subsequent editions.

CLOSING PRAYER: Chief Nduka Eya