



...“Sustainable development requires human ingenuity. People are the most important resource” –Dan Shechtman

Industrial Clusters and Economic Development in Nigeria

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One of the enduring challenges of sustainable economic development in Sub-Saharan Africa is the state of its infrastructural development. Nigeria's Federal Government has begun to address this issues, especially as it affects entrepreneurship, through industry cluster (IC) initiatives. Industrial Clusters provide a platform for enterprises to share infrastructure, equipment and knowledge. They have led to the economic transformation of many Asian economies, including China, South Korea and Singapore.

Why Industry Clusters?

Economists agree that concentrating industries and supporting services in a specific geographical area spurs industrial development and is a key driver of regional and national economic growth. A concept popularised in 1990 by Harvard Business School professor Michael Porter, ICs either grow organically—as with Yabacon Valley (ICT), Nnewi (automobile), Onitsha (plastics), Otigba (technology), and Kano (leather)—or via policy mandates—such as Export Processing Zones and Nigeria's various Free Trade Zones—and jumpstart growth and development. The quality of existing infrastructure influences the density of ICs, hence the vibrancy of those in Lagos State.

ICs have triggered continuous economic growth across several countries in the last few decades, mainly through industrial technology and financial ICs. By encouraging manufacturers, suppliers, service providers and firms to co-locate, share common facilities and build well-developed ICs, these and other industries are able to reduce overhead costs through economies of scale and raise innovation, productivity, and global competitiveness.

Clustering is, however, only effective when actively supported by a collaboration of public, private and financial institutions, all of whom are fundamental to cluster

development. The promotion of policies that support clusters, government focus on specialised skills and knowledge development, access to finance and significant infrastructural improvements are all critical to the adoption, growth and sustainability of clusters.

When efforts are synergistic, the resulting ICs improve human capital, business development, commercial co-operation, innovation and technology, thereby establishing a collaborative and enabling business environment and reducing rural-urban and international migration.

With the rise of globalisation, the Federal Government is responding to the country's need to maintain a competitive advantage in the global market by coordinating efforts with the private and financial sectors towards creating ICs while simultaneously increasing the availability of public resources.

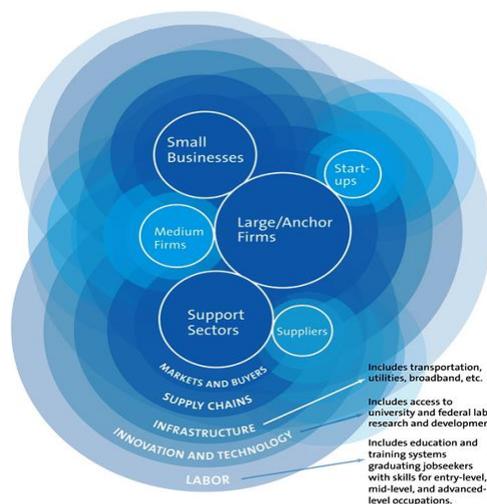


Image: State of Maine State Workforce Board

The Nigeria Industrial Revolution Plan (NIRP), which is an integral part of the Economic Recovery and Growth Plan (ERGP), was designed to facilitate the development of industrial cities, parks and clusters to ensure the availability of basic infrastructure within these industrial zones. NIRP's 5-pronged implementation strategy will create Free Trade Zones, Industrial

Parks, ICs, Enterprise Zones and Incubators. This IC approach is refocusing ERGP in order to accelerate its implementation strategy and safeguard economic growth, rapid industrialisation and the survival of industrial enterprises in Nigeria.

Current initiatives towards IC development

The Federal Government continues to encourage cluster development through engagement policy and financial support. Current programmes include:

- SMEDAN's OLOP (One LG, One Product) programme, which is a variant of Japan's OVOP (One Village, One Product) and designed to focus on products specific to each locality, where they have a comparative advantage. Pilot programmes have been successful in Kano and Niger States.
- The Federal Ministry of Industry, Trade and Investment has also carried out viability studies of redeveloping existing Abuja Industrial Development Centres into ICs.
- Bank of Industry's introduction of a cluster financing product that offers a tailored bundle of financial and non-financial services, including capacity building. Bank of Industry is also working with other relevant private and public agencies to set up/revive some ICs.

The private sector must advocate for the right policies and government must reinforce execution. The private sector can also support by providing funding and pushing for collaboration amongst members.

A framework for co-operation amongst companies, universities, research institutions at all levels should be developed with government playing a strong catalytic role. By working together through investment and sound policy implementation, Nigeria's clusters can be made more efficient and competitive.