

KEY NOTE ADDRESS BY THE PRESIDENT MANUFACTURERS ASSOCIATION OF NIGERIA, CHIEF KOLA JAMODU, OFR TO THE NIGERIA INFRASTRUCTURE BUILDING CONFERENCE 2014 HELD AT THE FOUR POINTS BY SHERATON ON THURSDAY JUNE 26, 2014:

Protocol:

Distinguished Guests, Ladies and Gentlemen, it is my pleasure and privilege to be here with you, at this auspicious occasion for the commencement of ***The Nigerian Infrastructure Building Conference 2014***. This International Conference, which is focusing on ***Sustainable Sources of Infrastructure Funding in Nigeria***, is very timely considering that the inadequacy of basic infrastructure in Nigeria impacts negatively on the quest for the rapid growth and development of the economy.

The organizers of this conference have asked me to dwell on two key areas:-

- 1. The Challenges Faced by Manufacturers in Nigeria For Lack of Adequate Infrastructure and***
- 2. The Key Areas of these challenges that Need Urgent Attention.***

I assure you that I will do just that within the shortest possible time.

As we are all aware, manufacturing is a system of creation and value addition to produce goods and products for consumers.

Manufacturing activities could stretch from Research and Development (R&D), at one end to the recycling of already used goods (waste) at the other. Simply put, manufacturing is the act of transformation of raw materials into finished products. This process cannot be effectively achieved without **adequate** infrastructure along the manufacturing value chain.

Generally speaking, there are five key components vital for manufacturing, and these include:

- Energy - Electricity supply
- Availability of Raw Materials
- Adequate Labour/ Man power
- Funding - Strong financial institutions.
- Transportation – Road, Railways, Sea ports, and Airports.

It is pertinent to say, at this juncture, that these components are grossly deficiency in Nigeria. Consequently, manufacturers have always resorted to self-sourcing of these components at prohibitive costs. All these result in higher operational and production costs thereby pushing up the price of locally made products and lowering their market competitiveness.

Distinguished Guests, Ladies and Gentlemen, it is important to note the following as they affect manufacturing in Nigeria:-

- As at today, about 30% to 40% of our production cost goes into provision electricity supply for manufacturing as against 10% or even less in developed economies.
- That as a result of lack of strong financial institutions cost of borrowing for manufacturing is abysmally high. We have had cases of manufacturing concerns borrowing at an interest rate of 20% to 25% on a short term basis for procurement of raw materials on unnecessary service items like Generating plants. This is strange and unacceptable.
- Though labour is said to be cheap, quality is still a major problem for manufacturing in Nigeria. There are still gaps between tertiary institutions and the manufacturing sector of the economy. Therefore labour is not really cheap.
- Between 15% to 20% of annual sales of many manufacturing companies are lost as a result of poor quality roads, and non-functional railway system for movement of their products.

As a result of all these challenges, the cost of manufacturing in Nigeria is astronomically high when compared to many other developed and developing economies. MAN has therefore placed on the front burner of its policy advocacy, the need to tackle the issue of infrastructural deficiencies.

The key areas that we consider more challenging therefore are in the area of

1. Power – Electricity supply where manufacturers currently spend over 100 Billion Naira annually, fueling, servicing and maintaining their in house power plants.
2. Transportation – Poor quality roads and non-availability of the standard gauge railways network have continued to create major problems for movements of raw materials and finished products to their final destinations. Millions of Naira is lost annually as a result of this.
3. Funding for manufacturing is also a major problem. Though, there is The Bank of Industries, it is inadequately funded and there is need for more specialized finance institutions to fund long term loans for manufacturing.

We are quite aware that infrastructure investments require huge capital outlays which are long-term in nature. We are also aware that Government may not be able to solely fund the closure of the existing infrastructural gaps; hence the need to attract private sector capital and funds for infrastructure development and sustainability. To us therefore, this Conference is appropriate, particularly at this period, when infrastructure development and upgrade should be considered as a priority in our national agenda.

We in the MAN are aware of Government's seriousness at resolving infrastructure challenges in the country and hope that this conference will throw up positive results that will encourage private

sector participation in infrastructure development and tackling the problem of funding that has created long years of infrastructure deficit in the country.

Distinguished guests, ladies and gentlemen, as I leave you with thoughts on the way forward for an enduring and sustainable funding for infrastructure development in Nigeria, It is important to note that the task of developing this economy is the collective responsibility of all, irrespective of whichever divide we find ourselves; either in the public or private sector.

I thank you all for your attention.

Chief Kola Jamodu, OFR
President, Manufacturers Association of Nigeria (MAN)

June 26, 2014