

## **Commerce, Industry and Investment Policies in Rivers State: the Challenges and the Way Forward**

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### **Abstract**

**T**his paper discusses the Commercial, Industrial and Investment Policies in Rivers State, Challenges and the plausible solutions to reverse the dwindling investment fortunes of the state. The paper reviewed the strong industrial and investment background of the former province of the Eastern Region; highlighting the commercial activities of Bonny, Degema, Ahoada and the city of Port Harcourt during and after the colonial rule. The paper revealed that at creation, Rivers State inherited the Eastern Enermel Ware, West African Glass Industry, PABOD Supplies, Amalgamated Distilleries, etc. At inception, the economic policy in Rivers State was Neo-Keynesian, this policy encourage the state direct participation in business financing and management. In 1980s, the state changed its economic policy to neoclassical philosophy, where the enterprises are privatized and commercialized. This exercise led to the collapse of many industries in Rivers State. The paper tabulated the agro-based raw-materials in Rivers State, location and uses in the industry. Challenges of industrialization in Rivers State are highlighted as, insecurity, lack of funding, extortion and double taxation, etc. To reverse the dwindling investment fortunes of the state, the paper suggests the proper implementation of the Rivers State Physical Planning and Development Law, No. 6 of 2003, the Rivers State Land Use (Prohibition of extortion) Law No. 5 of 2010, the Policy of 10 days approval of Land Purchased and the 60 Day maximum of Issuance of C-Of-O of all lands purchased in Rivers State. Other policies that will support investment include, regular entrepreneurship orientation programme, encouraging the informal sector of the economy and the state engaging in active public-private partnership to deliver infrastructure in the state.

**Keyword:** *Investment, Privatization and Commercialization, Industrialization, Neo-Keynesian, Neoclassical, Entrepreneurship*

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### **Background to the Study**

With the amalgamation of the Southern and Northern Protectorate in 1914 by Lord Fredrick Lugard, the stage was set for functional commercial and industrial activities in the East of the Southern part of the country. To activate commerce and industrialization, Briggs and Ndimele (2013) noted that a seaport for exports and functional railway system to transport passengers and cargoes from the coast to the hinterland was provided in the Eastern Nigeria, the part today referred to as Rivers State. In fact, by 1916, the seaport and the rail terminus in what is today Rivers State was operational. There was a beehive of commercial activities, and people were drawn from Aba, Enugu, Lagos, Kano and Europe to participate in commercial and industrial activities of the former Province of Eastern Nigeria, now Rivers State.

At its creation in May 27, 1967, Rivers State had grown geometrically in commerce and industry, thus, Bonny, Degema, Ahoada and Port Harcourt attained reasonable commercial and industrial infrastructure, such as sea ports, railway, telephone exchange, formidable administrative structure to furnish policies and air services between Port Harcourt, in particular and other major towns in Nigeria. In 1967, oil was struck in nearly all the districts of what was carved out as Rivers State in the defunct Eastern Region. The oil exploitation also triggered commercial and industrial activities in the State.

By late 1960s, there was influx of skilled and non-skilled labour into Rivers State which was triggered by the discovery of oil. This expanded the city of Port Harcourt beyond its boundaries. It is on record that at its creation in 1967, Rivers State inherited vibrant commercial and industrial structure from defunct Eastern Region. As a matter of fact, the Trans-Amadi Industrial Estate was designed and constructed for commercial and industrial activities by the Eastern Region government few years before the creation of the State. At independence, it was clear that while Enugu was the administrative headquarter of the Eastern Region, Port Harcourt in Rivers State was the commercial and industrial headquarter of the then Eastern Region. It is also on record that at creation in 1967, the state inherited major commercial and industrial outfits such as; Presidential Hotel, GRA Phase I and the Rumuibekwe Housing Estate. Other industries include; the Eastern Enamel Ware, West African Glass Industry, PABOD Supplies, Amalgamated Distilleries, etc (Ministry of Commerce and Industry, 2017). Apart from the infrastructure and commercial activities of the oil industry, the palm oil/kernel, and other agricultural products form part of the commercial businesses that the state inherited in 1967.

Our analysis shows a State that inherited at its creation a vibrant investment climate, clear cut commercial and industrial policies, progressively, well thought-out infrastructural lay-out with potentials compared to other European and Asian countries at the time. But today, the state cannot be described any more as investors delight. The infrastructural decay in the state is obvious, policies of governments to encourage investments are quite uncoordinated, while insecurity hit the death nail on investment in Port Harcourt city and its environs.

Sections of the paper include, the introduction, conceptual issues, theories, empirical framework, method of analysis, analysis of infrastructure, materials and industrial development, the informal sector, the oil and gas industry, challenges of industrialization and ways to improve investment in the state.

### **Conceptual Issues**

**Commerce:** Commerce involves the activities of buying, selling, exchange and distribution of goods and services, domestically and internationally. It covers trade, transport, and communications, warehousing, finance and banking, insurance and advertising (Anyanwu, 1997). While the Oxford Advanced Learner's Dictionary defined commerce as trade especially between countries, the buying and selling of goods and services. In the context of this paper, emphasis is be laid on domestic commerce; the type of local trade that take place between Rivers State and other parts of the country. Such will include trade in manufactured and local food stuffs and fruits, yam, garri, palm oil, fish, timber, groundnut and cotton, cattle and other manufactured goods.

After independence, manufactures and local food stuffs accounts for over 50% of domestic trade in Nigeria. The mid-west constitutes net exporters of local food stuffs, while Lagos and Western region are the main 'importers'. Briggs and Ndimele (2013) noted that beyond 27, 1967, Rivers State had grown in commerce and industry, commercial cities such as Ahoada, Degema, Bonny had attained reasonable commercial status, and linked with telephone, seaports, railway and other administrative structure to facilitate trade and commerce. At the creation of the Rivers State, it inherited several commercial outfits, such as the Presidential Hotel, GRA Phase I, the Rumuibekwe Housing Estate, etc.

**Industry:** The Oxford Advanced Learner's Dictionary (New 9<sup>th</sup> Edition) describes industry as the production of goods from raw-materials, especially in factories; industrial activities in a region or country. Industrialization sometimes is seen as the level of development of a people, put differently, industrialization is the process of building up a country's capacity to convert raw-materials and other inputs to finished goods and to manufactured goods for other production or for final consumption. Therefore are four types of industries, the processing, manufacturing, craft and mining industries.

The phases of industrialization in Nigeria range from the pre-independence era, when manufacturing was limited to primary processing of raw materials for exports and the production of few consumable goods to satisfy the colonial industries.

The independence era industrialization is characterized by serious import substitution, which marks the beginning of decline for the export oriented processing of raw-materials. The 70s marked the era of petroleum and so many resources provided for direct government investment in manufacturing made the government to establish monopoly in the machine tools, iron and steel, fertilizer, etc.

The 80s marked the decline role of government in the industrial sector. In 1986, the Structural Adjustment Programme (SAP) was adopted, with elements such as privatization and commercialization, liberalization of the economy, right sizing of the civil service, among other policies.

Okowa noted that at the creation of Rivers State in 1967, the state, just like the federal government was directly involved in the incorporation of businesses, managing as well as funding businesses; businesses are however expected not to make profits but breakeven. In the 80s however, the state government also adopted the Structural Adjustment Programme (SAP). The state businesses were privatized or commercialized, and the state economy liberalized to allow the forces of demand and supply dictate changes in the economy.

**Investment:** Investment is a major aggregate of the Keynesian model of income determination. To Keynes (1936), investment is real investment which must add to capital equipment. In other words, investment must lead to increase in the level of income and production by increasing the production and purchase of capital goods. Anyanwu and Oaikhenan (1995) describe investment as the purchase of real tangible assets such as machines, factories, which are used in the production of goods and services for future use as oppose to present consumption.

At creation, Rivers State inherited a lot of investment from the Eastern Region, these include, the Eastern Enermel Ware, West African Glass Industry, the Amalgamated Distilleries, PABOD supplies, the Hotel Presidential, among other investments.

### **Theoretical Framework**

The Neoclassical and the Neokeynesian industrial/investment policies dictated the economy of the old Rivers State. From 1967 to 1980, the Neokeynesian economic policy dominated the investment policy of the State. In other words, a lot of businesses are owned, managed and funded by the state. Hence, Rivers State owned and managed industries, such as hotel, manufacturing, craft and commerce outfits. These government companies were not expected to make profits but to breakeven. Thus, the then Rivers State government owned and managed the Presidential Hotel, PABOD breweries, Amalgamated distilleries, PABOD Supplies, etc.

At the middle of 80s, the neoclassical investment policy was adopted, through the instrumentality of Structural Adjustment Programme. The core issues of SAP include privatization and commercialization of public enterprises, liberalization of the economy, right sizing of the civil service, export promotion, and devaluation of local currency. It was at this period that major industries in Rivers State were privatized. A lot of the industries such as the PABOD Breweries, BEWAC Automobile Products, Nigeria Ship Builders, West African Glass, Industry, First Aluminum, etc went moribund.

## **Empirical Literature**

### **The Economic/Industrial Policy of Rivers State, 1967-2017**

The industrial policy of the state from its creation in 1967 was in accord with the federal economic/industrial policy. As in the centre, the state was directly involved in the incorporation of businesses, managing, as well as funding the businesses. However, profit was not to be a priority, at best the department of government was to breakeven in business. This is the economic policy of the neo-Keynesians; in its philosophy, government can intervene directly in the economy. This was the economic theory that underpins the commerce and industrial policy of the young Rivers State. In accord with this policy, the state does not waste time in delving into transport, commerce, agro-industry and other production frontiers. By undertaking these business activities, the state aims at creating employment, increasing output of goods and services and growing the state GDP and investment.

In the agro-industrial sector, Rivers State invested heavily in the oil palm project, school-to-land and the Delta Rubber Company. Records showed that the oil palm industry contributed greatly to the economic development of Rivers State. In the 1990s, the Risonpalm project had 56,000 hectares of fully developed palm plantation, and produces 4 litres of palm oil sold at N1,600 and generates income of about N19 million per month. The government-owned palm oil industry created over 8,000 jobs in the state. While the Rivers State school-to-land which occupied 6,343 hectares of land, created over 600 direct jobs with income generation of about N1.6m per month. It is also on record that the Rivers State Delta Rubber Company was the best in the country in the 80s and 90s. It occupied about 3,770 hectares of land, and created employment for over 320 employees and achieved an annual turnover of N15 million (Briggs and Ndimele, 2013).

The Root and Tuber Expansion Project (RTEP) is a tripartite funded project with International Fund for Agricultural Development (IFAD) as its major sponsor. Rivers State paid its counterpart fund and was launched in 2002. The aim of the programme is to develop the technology in the processing and production/add value to root crops, such as cassava, yam and sweet potatoes. This Agro-industrial project created job for hundreds of youths in Rivers State. Other major industries owned by the State include: PABOD Breweries, Amalgamated Distilleries, First Aluminum, Delta Hotel, Pan African Bank, etc.

Discomfort in the Nigerian economy showed early in the 1980s, but clear manifestation of recession of the economy was at mid 1980s. The currency was depreciating fast, prices of goods were rising, unemployment increased as companies closed shops and the debt burden was heavy on the states and federal governments. Seeking economic solution, the nation's creditors, IMF, World Bank and other international financial institutions hoisted on the nation the Structural Adjustment Programme, a neoclassical economic philosophy. They recommended: *Privatization and Commercialization of government businesses* - that the government should have no hand in business, but provide only the enabling environment, deregulation of the FEM, export promotion, etc. This philosophy became the watershed for unscrupulous sales of the industries and commercial businesses in Rivers State.

In Rivers State, the idea of privatization came at a better time, because by the mid 80s a lot of industries and commercial concerns of the state had shown signs of unavailability because of inefficiency in government management, fraud, political interference among other sharp practices. The question however is, how was the privatization process managed? Does the state have the required institutions, personnel and legal framework to carry out a successful privatization? It is on record that a due process office to manage the privatization process was not in place until the mid 2000; while policies and laws that will drive the privatization process are not articulated. The most damaging was that a lot of the privatization exercise were carried out during the military era, most of the processes as conducted in secrecy and information about these privatized companies in Rivers State remain secret or non-available to date. Apart from public mismanagement, transition from public to private ownership of industries in Rivers State sounded the death nail on industrialization in the State. Today what is left of the State owned industries are: Presidential Hotel, PABOD Building (SPAR), PABOD Breweries and very few others.

### **Method of Analysis**

This research applied the descriptive method to analyze the nature and challenges of commerce, industry and investment in Rivers State in the past fifty years. In a tabular form, the functional and moribund industries in Rivers State particularly after the privatization exercise of the middle 80s were presented. Also, the table of Agro-based raw-materials, their location and uses in Rivers State were presented, while tables on informal economic sectors of the state were presented and analyzed.

### **Analysis of Infrastructure, Materials and Industrial Development in Rivers State**

In concrete terms, over 95% of industries owned and managed by Rivers State government in the 70s and 80s are now moribund, with the attendant socio/economic implication of; high youth unemployment, insecurity, exchange rate volatility, slow growth, high inflation, etc. Table below shows the moribund industries that litre the city of Port Harcourt.

**Table 1: Moribund industries in the city of Port Harcourt**

S/N	Industries	Status
1.	PABOD Breweries	Functional
2.	BEWAC Automobile Products	-
3.	Nigeria Ship builders	Moribund
4.	APEX (EN)	Moribund
5.	Amalgamated Distilleries	Moribund
6.	West African Glass Industry	Moribund
7.	Water Glass Boat Yard	Moribund
8.	Port Harcourt Flower Mills	Moribund
9.	Aluminum Technology Products	-
10.	First Aluminum	Moribund
11.	Eastern Enermel Ware	Moribund
12.	Nigerian Engineering Works	Moribund
<b><i>Hospitality Industry</i></b>		
13.	Hotel Presidential	Functional
14.	Delta Hotel	
15.	Olypia Hotel	Moribund
16.	Air Port Hotel	Moribund
<b><i>Commercial businesses</i></b>		
17.	Rivers Transport Company	
18.	Aba Road Shopping Mall	
19.	PABOD Supplies Limited	Functional
20.	PABOD Building (SPAR)	Functional
<b><i>Financial Institutions</i></b>		
21.	Pan African Bank	Moribund
22.	RivBank	Moribund

**Source:** Ministry of Commerce and Industry, Rivers State

In the first decade of the creation of Rivers State, these companies were registered and managed by the state government through its parastatals. These companies provided thousands of employment to Rivers indigenes and other Nigerians, their output served the domestic and foreign markets, the economy of the state grew geometrically, rating the state as one of the industrial city in West Africa.

Before the Second World War, the area designated today as Rivers State, Brigg and Ndimele observed, has witnessed massive construction of residential and industrial estates for rapid economic transformation. The state already had industrial infrastructure/estates such as the Trans-Amadi Industrial Estate, the Gold Coast, Gambia and Residential Areas for business chief executives. In fact, industrial giants such as John Holt and Company, Kingsway, Leventis and the Compagnie Fraocaise de l' Afrique Occidental (CEAO) had established firmly in Rivers State. These companies came with certain business infrastructure, information and linkages in the domestic and foreign sector of the state economy.

The state had air transport and telephone services quite early in 1920s, so that by 1967, these accessories of the industrial sector had developed. It's a fact that the state had the third international airport, and the headquarter of the former NITEL. Same applies to the railway service; Colonial Government designed the earliest rail track in Port Harcourt. At the creation of the state in 1967, the line connecting Port Harcourt to Maiduguri was in place, and commercial activities both in the domestic and external sectors were in full service. But for the federal structure that undermine the capacity of states in the economy, the Port Harcourt seaport was doing well and still an investment toast of the state. Presently, the two major seaports and two airports in the state support economic/industrial activities in the state.

As far back as 1962, the first petroleum refinery was built in Rivers State, while the second came on stream in 1978. Major oil companies had their headquarters and servicing companies in port Harcourt, while Shell, NNPC, Agip, Shevron, etc. have contributed to suitable industrial climate in Rivers State. The efforts of the present administration in dualizing major roads leading to the 23 local government headquarters is a massive move to enhance industrial climate, as it will be much easier to bring raw agricultural products from the hinterland to the only commercial and industrial town, Port Harcourt. The state's economic infrastructure, though a work in progress, has grown geometrically since 1967 and attracted multinational companies such as Shell Petroleum, Agip, Texaco, Elf Nigeria, Risonpalm, PABOD Breweries, United African Company (UAC), Glass Industry, Alcon Aluminium, etc.

Three major industrial infrastructures that have slid from success at the creation of the state in 1967 to abysmal failure today are electricity, water supply and security of life and property. As at the 70s and early 80s, electricity and water were available for every industrial concern, household and public places. The defunct Rivers State Water Board and Nigerian electricity authority were efficient. Investors had no fears of power failure and provision of alternative powers. Today, 99 per cent of industries in Rivers State provide their power and water needs. The security template in Rivers State had cracked since 1999 when unexplainable killings and destruction of properties took the centre stage in the State. Decades after, the evil wind has spread to the hinterland. Cult groups, kidnapers, assassins, pipeline vandals now parade publicly their skills. Business executives are kidnapped unceremoniously, companies are closed by cult groups, the rage is still on and taking dangerous dimensions that have scared industrialists, both local and foreign, from the state.

In the area of human capital development which is key to investment, the state has taken important steps to improve the quality of its active population since its creation. With a population of 5,851,201 (according to 1996 Population Census), the state has the workforce to sustain a viable investment climate. Rivers state started training its citizens right after its creation under the state scholarship board in early 1970s. During the Governor Chibueke Amaechi's democratic regime, hundreds of Rivers youths were trained in world class universities in various academic and professional disciplines. The state has established



institutions for academic and professional certificate to make its citizens competitive in the industrial world. In 1979, the state established a University of Science and Technology. This university has graduated students at B.Sc, Masters and PhD in areas of Mechanical, Civil, Marine engineering, business administration, architecture, estate management, law, etc.

To harvest a crop of middle cadre workforce in the state, a State Polytechnic was established. This institution offers courses and award Ordinary Diploma (ND) and Higher National Diploma (HND) in major fields of engineering, business administration, information and communication technology, food science, surveying, etc. Other education/training institutions established to meet the industrial need of the state in the past fifty years include, the College of Education, now Ignatius Ajuru University of Education, the College of Health Sciences and Technology, Rivers State School of Nursing, 243 secondary schools and 2805 primary schools across the state. The University of Port Harcourt and the Federal College of Education, Omoku have also contributed to the training of manpower in the state.

Health and a healthy population is a *sin-qua-non* to viable industrial development. The state realized this early and had established 190 healthcare institutions across the state in the 1980s. The state under Governor Chibuike Amaechi established additional 160 primary healthcare centres across the state. Today, health institutions, tertiary and primary levels dot round the state. The investment climate in Rivers State as expressed in its natural geography, infrastructure, natural resource availability, human capital and investment policies and laws, determine to a large extent the interest of both local and foreign investors in the state.

Rivers State has been the investor's delight, with adequate rainfall all year round, the weather is suitable for investors, tourists and inhabitants. With its beach ridge, salt water and fresh water zones, the natural resources that serve as input to industries are available in their large quantity. The fresh water rain forest have variants of oil palm trees, raffia palm, shrubs, bananas, cassava, etc., while the lower Niger flood plain is endowed with industrial silt and clay. Since the creation of Rivers State, the agro-industrial sector has beckoned for mass investment, because of availability of industrial inputs, such as yam, cassava, cocoyam, maize, pineapples, plantain and other major cash crops, as oil palm products, rubber, raffia palm and fishing produced in commercial quantity in Rivers State. While not over flogging the relief of the state; climate change, flooding and pollution are serious challenges to the growth and development of natural resources (industrial inputs) in Rivers State in the past fifty years. The actual and potential natural resources in the 23 local governments of the state attest to the industrial potentials of the state.

**Table 2: Agro-based Raw Materials in Rivers State, location and uses**

Raw materials	Locations (LGAs)	Uses
Banana	Abua/Odual, Oyigbo, Ikwerre, Ogba/Egbema/Ndoni, PH, Obio/Akpor and Emohua	Banana powder (flour), used in confectioneries and bakeries
Poultry	All over the state, mainly upland LGAs	Feathers as fillers, decorative the accessories, organic manure, food processing, blood meal, pastries and as food.
Fish	Andoni, Akuku-Toru, Asari-Toru, Bonny, Degema, Okrika, Ogu/Bolo and Opobo/ Nkoro	Canned fish, smoked fish, wastes and offal for fish meal; fried, used as food, protein booster in feed meal.
Sea Foods: shrimps, oyster, crab, periwinkle, crayfish, lobsters, etc.	Andoni, Akuku-Toru, Asari-Toru, Bonny, Degema, Okrika, Ogu/Bolo, Opobo/ Nkoro, PH, Khana, Gokana and Emohua	Canning used as food.
Sea Shells	Andoni, Akuku-Toru, Asari-Toru, Bonny, Degema, Okrika, Ogu/Bolo, Opobo/ Nkoro, PH, Khana, Gokana and Emohua	Filler (ground and bridge construction, decoration and craft ornaments)
Snail	All over the State	Shell for craft and decoration ground shell for powder, scrambling used as food canned snail, and animal feeds.
Forest Wood (Timber), mangrove	Ogba/Egbema/Ndoni, Ikwerre, Emohua, Abua/Odual, Ogu/Bolo, Opobo/Nkoro, Okrika, Andoni, Akuku-Toru, Asari-Toru and Bonny	Furniture, log, building, fuel paper and pulp, carving, construction, canoe building and farm implements.
Bamboo	Ahoada East/West, Emohua, Etche, Degema, Obio/Akpor, Ikwerre, Ogba/Egbema/Ndoni and Omuma	Local crafts, building, furniture, decoration and tooth pick.
Live stock: goat, pig, sheep, etc.	All over the State	Meat canning, food processing, organic manure (carcass and waste) biogas, fat, cheese, blood meat, frozen meat, hides and skin.
Cassava	Ahoada East and West, Abua/Odual, Ogba/Egbema/Ndoni, Emohua, Etche, Eleme, Khana, Gokana, Oyigbo, Obio/Akpor, Ikwerre, Tai and Omuma	Industrial starch, cassava flour, food thickener in food processing leaves used as vegetable, and fufu.
Yam	As above, except Abua/Odual	Used as food, yam flour, and yam thickener.
Maize	All over the upland LGAs	Maize flour, starch, glucose, cornoil, cornflakes, custard, candy animal feeds, corn meal, pap, and baby food.

Palm produce	All over the upland LGAs including Degema	Palm oil, palm husk, local soap, local world craft, sponge, furniture, palm wine, yeast, alcohol drinks, kernel oil, kernel cake, shell used to fill the ground.
Rubber	Etche, Ikwerre, Omuma, Abua/Odual, Ogba/Egbema/Ndoni	Tyre production, balls, putty, lignin, detergent, shampoo and alkyl resin.
Citrus fruits, lemon, orange, grape, etc.	Ahoada East and West, Abua/Odual, Emohua, Etche, Ikwerre, Oyigbo, Gokana, Obio/Akpor, Khana, Ogba/Egbema/Ndoni, PH, Tai and Omuma	Citric acid, juices jam marmalade, essential oil (peal) wine, animal feed meal, and flouring.
Pineapples	Abua/Odual, Oyigbo, Ikwerre, Omuma, Etche, Khana, Gokana and Eleme	Juice, jam, beverage and flouring.
Melon	Abua/Odual, Ahoada East/West, Etche, Omuma, Ikwerre, Oyigbo, Obio/Akpor, Eleme, Gokana, Khana, Tai and Ogba/ Egbema/Ndoni	Melon cake, feed meal, oil used in soup and sauce.
Kola Coconut tree	Omuma, Etche and Oyigbo Bonny, Omuma, Oyigbo, Gokana, Abua/Odual and Khana	Wine and beverage. Furniture, craft (shell leaves), coconut shell powder as filler, oil, pharmaceutical, cosmetics, confectionaries and manufacture for biscuit.
Plantain	Ahoada East and West, Abua/Odual, Ikwerre, Oyigbo, Obio/Akpor, Emohua, Degema, Ogba/Egbema/Ndoni, Omuma, Etche, Eleme, Tai, Khana and Gokana	Plantain chips, flour, baby food, and spice sweetener.
Ginger	Ahoada East, Emohua, Ikwerre, Abua/Odual, Oyigbo and Etche.	Ginger powder, essential oil spice, concentrates for confectioneries, soft drinks, flour and pharmaceuticals.

**Source:** Rivers State Liaison Office for Raw Materials, Research and Development Council, Port Harcourt

**Table 3: Mineral Based Raw Materials for Investment in Rivers State**

<b>Raw materials</b>	<b>Locations (LGAs)</b>	<b>Uses</b>
Natural Gas	All over the State	Liquefied gas used as fuel in industries
Glass Sand	Etche, Omuma, Emohua, Eleme, Akuku-Toru, Bonny, Degema, Oyigbo and Obio/Akpor	Glass production (Silica Sand) construction, filler, sandpaper, sodium, silicate production and fertilizer.
Laterite	Eleme, Tai, oyigbo, Obio/Akpor, Emohua, Ahoada East and West, Abua/Odual, Ikwerre, Omuma, Khana, Gokana, Ogba/Egbema/Ndoni	Road construction and brick-making.
Kaolin	Eleme, Khana and Emohua	Ceramic making, fertilizer and other industrial uses.

**Source:** Rivers State Liaison Office for Raw Materials, Research and Development Council, Port Harcourt

### **The Informal Sector in Rivers State**

The informal sector is large in Rivers State. This sector is made up of small industries, businesses as well as services that contribute to the growth of the economy, but not captured in economic statistics. They are mostly domiciled in the rural areas, this category of businesses are not registered and most times have no business name. The informal sector employs more than 60% of Rivers workforce. It remains a major support of the formal economy. Activities and businesses in this sector includes: the small scale farmers, fishermen, furniture makers, retail traders, auto-mobile mechanics, pharmaceutical stores, market centres, boutiques, aluminum fabrication shops, photo laboratories, metal shop, etc.

At creation, the informal economy of the state was dominated by non-indigenes. In a structured interview, the researcher took a sample of 50 traders in Mile I market, 30 butchers at Trans-Amadi abattoirs, 50 fishermen/traders at Borokiri market, 30 auto-mechanics near University of Port Harcourt, 50 spare-part dealers at Ikoku market, 30 internet centres at Rivers State University, Port Harcourt, 30 hotel owners along Rumuokoro-Uniport road, 30 vulcanizers along Uniport-Ozuoba road.

The interviewees responded to a particular question: State of origin of the entrepreneur. Below is table showing the response of business owners interviewed:

**Table 4: Small Scale Business ownership Inquiry**

Business type	No of respondents	Indigene	Non-indigene
Traders	50	10(20%)	40(80%)
Butchers	30	6(20%)	24(80%)
Furniture makers	50	8(16%)	42(84%)
Auto-mobile mechanics	30	6(20%)	24(80%)
Spare-parts dealers	50	6(12%)	44(88%)
Internet centres	40	22(55%)	18(45%)
Hotels	30	12(40%)	18(60%)
Vulcanizers	20	5(25%)	15(75%)

**Source:** Authors computation, 2017.

From the figures on the table, 40, representing 80% of traders interviewed at the Mile I market are non-indigenes, while 10, representing 20% are Rivers indigenes trading in the market. Of 30 butchers interviewed, 24 representing 80% of the butchers are non-indigenes, while only 6, representing 20% are Rivers indigenes. Of 50 furniture makers sampled at Ikwerre road, 84% of the entrepreneurs are non-indigene while only 16% are indigenes. In the same manner, of the 30 auto-mobile mechanics sampled, only 6 representing 20% are from Rivers State, while 24, representing 80% are non-indigenes. At Ikoku, out of 50 motor parts dealers interviewed, only 6 are Rivers indigene, while 44 are non-indigenes. At RUST, internet centres owned by Rivers indigenes are 22, while 18 are owned by non-indigenes. Of the 20 vulcanizers interviewed, only 5, representing 25% are Rivers indigenes while 15, representing 75% are non-indigenes.

**Table 5: Small scale Business ownership inquiry in Ahoada Town (from General Hospital to Market Road)**

Types of Business	Respondents	Indigenes	Non-indigenes
Furniture makers (major)	6	1	5
Traders in Ahoada Main Market	480	10	470
Aluminium fabrication shops	5	-	5
Metal shops	10	-	10
Welders	8	3	5
Computer business	8	6	2
Petrol Stations (main town)	6	2	4
<b>Total</b>	<b>523</b>	<b>24</b>	<b>499</b>

**Source:** Adapted from Gbarabe (2009)

**Table 6: Small scale business ownership inquiry in Elele Town (Omudiaga, Ahoada and Owerri Roads)**

Types of Business	Respondents	Indigenes	Non-indigenes
Traders	350	10	340
Computer Business Centres	4	2	2
Petrol Stations	4	3	1
Hotels	5	5	-
<b>Total</b>	<b>363</b>	<b>20</b>	<b>343</b>

**Source:** Adapted from Gbarabe (2009)

**Table 7: Small scale Business Ownership inquiry in Bori Town (Hospital, Polytechnic and Market)**

Types of Business	Respondents	Indigenes	Non-indigenes
Building materials traders	28	25	3
Mechanic garages	58	49	9
Bori Main Market (shops)	500	350	150
Petrol Stations	6	6	-
Bakeries	3	3	-
Fashion Design shops	18	16	2
Computer business centres	25	18	7
Private hospitals	6	6	-
Hotels	7	7	-
<b>Total</b>	<b>651</b>	<b>480</b>	<b>171</b>

**Source:** Adapted from Gbarabe (2009)

The figures in the tables show that youths in Rivers State overtime have not participated in the informal sector of the state economy. Rivers indigenes from the creation of the state have depended so much on the white-collar job, neglecting the all important informal sector and entrepreneurship. A lot of entrepreneurs in the informal sectors are Ibos, Akwa Ibomites, Calabar and Delta State indigenes. This have been the economic weak-link of the Rivers man right from 1967 and the trend is not about to stop. Today, not less than 40% of Rivers State graduates are unemployed or under employed. Some are running about the street with good certificate five to ten years, looking for an elusive white-collar job. While the primary and secondary school leavers have become hopeless and resorting to cultism, kidnapping and other social vices. Meanwhile viable economic activities particularly in the informal sector abound in the State. Lack of grip of the state economy by the indigenes have the following implications; high unemployment among the youths; increase in crime, low per capita income, low tax revenue to government, high dependency on the public sector, poverty and low quality of life in the state.

### **Oil and Gas Industry and Rivers State Economy**

Although the oil and gas industry is in the exclusive preserve of the government at the centre, the impact of the sector to the state economy right from its creation cannot be overemphasized in an analysis of this magnitude. The activities of the oil and gas industry

have yielded enormous tax revenue to the state, boost the commercial and hospitality industry, expand housing and infrastructure in the state. According to Okowa, Port Harcourt plays host to several ancillary firms associated with the oil business. By 1965, the first refinery was commissioned in Rivers State, followed by the second in 1989. Other industries include; the petrochemical industry, liquefied natural gas plant, a fertilizer company and others that have impacted the economy of the state.

By the federal structure, Rivers State government do not own nor manage oil companies, but the impact of the oil and gas companies in the state economy is been immense since the creation of the state. Hundreds of employment is been created, commercial activities intensified, growth and development accelerated in the state, and linkages established between the oil and gas industry and the real sector of the economy in the state.

### **Challenges**

Rivers state industrial capacity and conducive investment climate cannot be achieved under the present uncoordinated and biased development of the state. In the past ten years, economy/ social development in Rivers State have tend to weigh heavily towards a particular section of the State, living the manpower and resources in the other parts redundant or inactive. The state should harness resources across the state, by ensuring balanced development of the state. For instance, while only two (2) LGAs enjoy above 60% of the electricity, roads, market, water and other infrastructure, the rest twenty one (21) LGAs are all rural areas with marginal infrastructure, and its resources untapped.

The thorny question of insecurity in Rivers State does not encourage domestic or foreign investors. Since 1999, the security rating of Rivers State has been low. This insecurity ranges from intense political tussle, chieftaincy problems, youth restiveness, oil and gas policy challenges, etc. Investors are allergic to insecurity; because insecurity affects the factor-inputs, land, labour, capital and the entrepreneur himself. If Rivers State is to be counted as one of the industrial cities in Nigeria; then politicians in Rivers State must play according to the rules, the chieftaincy institution must be reformed and in particular given a constitutional role, because I believe some traditional rulers in the state are “jack of all trade”, and in ignorance creating problems that result to insecurity and frustrating investors coming into the state. Infrastructural development: Infrastructure is a major challenge to investment in Rivers State. Beginning with roads, power, water and other utilities, the government collaborates with the private sector in establishing some of these infrastructures. Roads, power projects can be executed through Public-Private-Partnership.

The institutional/legal frameworks of the state as regards investment protection or security are not enough. Where the laws are made, some are properly implemented. For instance, the Rivers State Land Use (Prohibition of Extortion) Law No. 5 of 2010 is implemented. From 2010 to date, no single suspect has been arraigned. Meanwhile investors are harassed daily by the youths/or illegal taxes are levied investors, particularly in Obio/Akpor and Port Harcourt City Local Government Councils.

It is important that manpower development is emphasized in Rivers State if industrialization is to take footing. Human capital development at all levels of education must be emphasized, particularly the areas of skills and technology. As shown in earlier part of the research, Rivers State lacks adequate artisans and training to support industrialization in the State.

Small and medium scale enterprises in Rivers State lack financial and morale support from government. The Rivers State Microfinance Bank is not doing enough. Youths that have good plans in business cannot access loans, nor have an institution to approach for morale support. The government must reorder its priorities and budget more funds to resuscitate the moribund industries and commercial outfits.

### **Way Forward**

First, the theoretical background of industrialization and investment in the State must be re-examined. The neo-classical economic theoretical underpinning, that government should have no hand in business, as received and adopted in Rivers State from the mid 1980s must be given a second thought. A State characterized with high level illiteracy, increasing poverty, fragile public institutions, unorganized private sector, etc, cannot put into action all the neo classical policies, particularly the policy of liberalization and government passive role in economic development. If Rivers State is to improve industrially and investment climate set to harness investors, the government must do more than providing enabling environment. Government must strategically be involved in revamping the ailing industries, such as the Risompalm, Glass Industry, Aluminum industry, etc. It is only government that has the financial muscle and policy capability to resuscitate Rivers State economy. After all, government these days can hide under Public-Private-Partnership (PPP), build, manage and transfer, leasing, etc. to be part of the economy. A case in point is the leisure park being constructed by the Gov. Wike's administration. That is a project that the government largely can fund and bring it to being. Even if I have my reservations, it demonstrates where government had taken bold initiative in business. The government may later use any of the organizational technique in its management, what is important is that needed employment and income would come to the State through the government initiated project.

The PABOD concept of developing Rivers State is *sin-quo-non* to socio/economic progress in Rivers moving forward. Now that Port Harcourt is relatively developed, Ahoada, Bori, Okrika and Degema towns must be developed by a deliberate plan of government. An overcrowded Port Harcourt, inefficient waste management, insecurity, etc. cannot attract viable investment. Moving forward, therefore, governments in the state should see that a balanced development of the State will enable tapping resources from all parts of the state, enhance the agro-industrial sector and harvest manpower from all parts of the State.

Lastly, government policies and laws on industry and investment in the state should be practicable and stable. There are laws which the state has enacted to encourage investment



in the state; for instances the Rivers State Physical Planning and Development Law, No. 6 of 2003, the Rivers State Land Use (Prohibition of Extortion) Law No. 5 of 2010, the policy of 10 days approval of land purchased and the 60 day maximum of issuance of C-of-O of all land purchased in Rivers State are policies aimed at easing the investment process in the State. The state can do more, it can partner with other states in the federation in investment and industrialization. The partnership between Lagos State and Kebbi State on rice production is a salient case of inter-state investment partnership.

Again, we have Rivers indigenes in Europe, America, Asia, doing well in industry, and investing heavily in other economies of the world. The state need to identify and harvest these talents/ investors. The State should bring them home, show them the investment opportunities, give the required incentive and the hard currency will be streaming to the state.

It is time to realize the power of the informal sector in a State economy. Leaving this sector as it has been since 1967 in the hands of non-indigenes is the greatest undoing of the youths in Rivers State. The informal sector control not less than 60% of the State economy, Rivers graduate roaming about the street is simply not intelligent. Rivers youths should be humble enough to accept apprenticeship and mentorship.

The State government should organize regular entrepreneurship orientation programmes for young secondary and university graduates. Such programme will reset the minds of Rivers indigenes to meet the contemporary levels of owning a business instead of managing public or private business of others. Particular limitations of the Rivers man in participating in the economy is finance- capital to start business. The microfinance bank of the State must function in practice, or the State may use other private banks to provide loans to Rivers indigenes who want to start business. Young entrepreneurs can also form co-operatives, as well save money to start business. As mentioned earlier, Rivers youths should accept apprenticeship and mentorship programmes, most times, the mentor or master provides fund or 'settles' his apprentice, thus overcome the challenge of start-up capital.

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