

Assessing production output and productivity increases business essay



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Host states production end product and productiveness may be increased by Foreign Direct Investment (presence of MNEs) through improved allotment of resource, increased competition and enlargement of local capableness through transportation of engineering or cognition (Ito 2000) . The extent of the transportation of technological knowhow towards local capableness enlargement is depended on if the MNEs introduces superior organizational practises or engineerings and if this engineerings spills over to and is absorbed by local providers and clients, the local work force and local challenger houses (Belderbos 2000) .

Most LDCs enforce a local content demand (LCR) guideline on transnational endeavors (MNEs) in order to make chances for transportation of cognition and engineering to local providers, work force and possibly, challengers.

Albeit, MNEs in LDCs prefer importing intermediate inputs from their place

state or from foreign providers of these inputs, than to beginning those inputs from local providers equipped with disused engineering. However, the 'local content' of the host state mandates the MNEs to buy a fixed proportion of its intermediate inputs from local providers.

Nigeria is regarded by many states as the 'giant of Africa'. This averment is partially due to the big sedimentation of natural resources in the state including oil and gas, bitumen, iron-ore, coal and a host of others. Oil is a major beginning of energy in Nigeria and the universe in general. Oil and gas represents the pillar of the Nigerian economic system and plays a really of import portion in finding the economic and political destiny of the state.

In malice of the immense part of oil income to the economic system, majority of the outgo in this sector is shipped out to foreign providers of intermediate inputs over the decennaries due to ignorance on the portion of the past authorities of the state. The 'Nigerian Content' was established in 1999 to assist develop local capablenesss in the Oil and gas industry and to guarantee that majority of the one-year outgo of the authorities numbering over \$ 10 billion is recycled within the economic system.

BACKGROUND TO STUDY AND RELATED LITERATURE

Technological high quality, better managerial patterns and the ability to work economic systems of graduated table makes it possible for MNEs putting in a antecedently undiscovered state to vie with local houses even though the latter are normally more familiar with local consumer penchants and concern patterns (BlomstroA? m and SjoA? holm 1999). These 'ownership

advantages ' of MNEs constitute a scarce cognition in the development states necessitating to be improved.

Some research workers argued that 'knowledge ' is a public good and it is hence easy transferred to receivers. Knowledge is characterised as holding the characteristics of a lasting public good (Nelson (1959) and Arrow (1962) in Lim 2009) . This literally informs that the cognition produced by a Multinational operating in a peculiar state is easy 'transferred ' or borrowed by another party say: local providers, work force, spouses or challengers. However, some statements suggested that cognition spillovers are non easy acquired. They argued that cognition comes at a cost as the receiver must put resources in order to absorb cognition spillovers Cohen and Levinthal (1990) .

'Absorptive capacity ' is a boundary to the measure and velocity of cognition that a house can absorb. Without the capacity to place and absorb cognition, there can be no spillover. Harmonizing to Cohen and Levinthal (1990) the grade of engineering and cognition transferred depends on the capacity of the receiver to recognize and absorb this cognition. Without the capacity to

The Oil and Gas industry depends on new invention and up-to-date engineering for geographic expedition. Most of this engineering is imported into Nigeria for execution. The industry represents an chance for Nigeria to turn its engineering development capablenesss. In order to develop local engineering in the oil and gas sector, the federal authorities of Nigeria established the Nigerian content so as to place much of its immense one-

year outgo within the oil & A ; gas industry and better the 'Absorptive capacity ' of the local participants in this sector.

The Nigerian content scheme is foremost to guarantee that bing local capacity is sufficiently patronized and by consequence bettering this capacity, before auxiliary capablenesss and fresh industry participants are invited to construct excess local capacities.

THE NIGERIAN OIL AND GAS INDUSTRY

The Nigerian Oil and Gas industry is the largest industry in Nigeria and the highest subscriber to her Gross domestic net incomes. Nigeria oil and gas industry came into being in the 1930 when Royal/Dutch Shell (the sole concessioner) started geographic expedition in Nigeria 's onshore countries, chiefly the Niger Delta part. By 1972, Nigeria 's onshore and shallow Waterss oil production had reached 2 million barrels per twenty-four hours. In 1995, Shell discovered the monolithic offshore Bonga field that led to a move from onshore to offshore operations in Nigeria (Klueh et al 2007) . Nigeria 's focal point is today on its offshore bring forthng parts.

The terminal of the Biafran war in 1970s coincided with the upswing in the universe oil monetary value, and an chance was it for Nigeria to harvest instant wealths from its oil production. Nigeria joined the Organization of the Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Corporation (NNPC) in 1977 ; a province owned and controlled company which is a major participant in both the upstream and downstream sectors.

Daily petroleum oil production in Nigeria is limited by its OPEC quota which averaged 2.25 million barrels per twenty-four hours in 2008 (Approx. 832.5 million barrels per year for 2008). Nigeria joined the ranks of oil manufacturers in 1958 when its first oil field came on watercourse bringing forth 5,100 bpd. After 1960, other foreign companies (MNEs) got geographic expedition rights in onshore and offshore countries bordering the Niger Delta.

Oil and Gas production and export play a dominant function in Nigeria's economic system and history for approximately 90% of her gross net incomes. This dominant function has pushed agribusiness, the traditional pillar of the economic system, from the early 1950s and 1960s, to the background. The rough Oil militias have been on the addition since 1971 through the roar period of late seventies to show. See Figure 1.

Figure 1

Beginning: World Bank: The Nigerian Project Agenda

In position of the importance of the Oil and Gas industry to the growing of the economic system, the Nigerian authorities through the Nigerian National Oil and Gas Corporation, launched the Nigerian Content demand in 1999 and set mark of 45% and 70% by 2006 and 2010 severally.

Development OF THE NIGERIAN CONTENT

For decennaries, oil was extracted from Nigeria's land but majority of the support inputs, which would hold created chances for growing of local accomplishments, engineering transportation were sourced from foreign houses. Prior to 1999, every equipment fabrication, fixs, care, technology

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and design was done in foreign states. Estimates made by the NNPC in 1999 showed that Nigerian companies received less than 5 per centum of the one-year outgos made by oil companies running in the state accounting for a really little portion of the benefits from oil and gas outgos made in the state.

The authorities in 1999 moved to better local content in the Nigerian oil and gas industry (Nigerian Content) . The Local Business Development/Global Procurement Unit was established through joint attempts by Chevron Nigeria Limited and the NNPC. This strategy incorporate activities associating to (1) the existent award of contracts to Nigerian houses, (two) the farming out of oil fields to local Nigerian oil companies, (three) easing engineering transportation and (four) keeping Local Content Development carnivals.

Another enterprise to advance local content development was the putting up of the Onne Oil and Gas free zone in 1997. Since its review some 90-100 companies have located in this free zone and a bunch of expertness is developing, in add-on of 1000s of occupation chances for local occupants.

Nigerian Content is the quantum of composite value added or created in the Nigerian economic system through the use of Nigerian homo and material resources for the proviso of goods and services to the Oil and Gas industry within acceptable quality, wellness, safety and environment criterions in order to excite the development of autochthonal capablenesss.

The driving force of the Nigerian Content demands: is to advance a construction to guarantee full engagement of Nigerians in Oil and Gas activities without compromising criterions in order to promote growing of autochthonal capacity ; promote value adding by employment of local
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natural stuffs and human resources for production of goods and services to the Oil and Gas industry ; and advance stable quantifiable and sustainable growing of Nigerian content. A

Great advancement has been made in the executing of the Nigerian Content Development (NCD) programme. There has been a considerable encouragement in the quantum of work allocated to autochthonal providers and contractors. This has chiefly been achieved through the NCD attempts to ease the executing of any work that can be executed in Nigeria or by Nigerians is exactly specify in the Nigerian content range in the 'Invitation To Tender ' (ITTs) before they are issued. Find elaborate description of major accomplishments (completed and on-going undertakings) in Table 1

Table 1

Beginning: [www. nnpcgroup. com](http://www.nnpcgroup.com)

Consequence OF THE NIGERIAN CONTENT ON ECONOMIC DEVELOPMENT

The consequence of the Nigerian content development literally is expected to be felt chiefly within the Oil and Gas sector but the vigorous chase and effectual execution of the policy would be felt by the full economic system peculiarly as Oil and Gas is chiefly the major beginning of income to the economic system.

The policy has been implemented to a big extent and the accomplishments are apparent as detailed in Table 1 above. However, if frontward and backward linkages are established with other concern sectors as shown in

Figure 2 below, it will hold important returns in the undermentioned countries of development:

a^? Increase in direct and indirect employment coevals in the Industry

a^? Growth in the employment chances in the fabrication and service sector

a^? A big per centum of authorities one-year outgo of \$ 10 - \$ 15 billion retained in the Nigerian economic system instead than being shipped out to foreign states thereby hiking Gross Domestic Product (GDP) and National Product (GNP) as fewer inputs (stuffs, labor and services) are being imported while the larger portion is being sourced locally. See GDP growing tendency in Table 2 and Figure 3 since the origin of the Nigerian content.

a^? Substantial gross for FGN through revenue enhancements at all degrees within the 'Value Chain '

a^? Increased concern efficiency across all sectors as criterion is set for operations at all degree of production.

a^? Increased capacity use in the fabrication and service sectors.

Figure 2

Beginning: World Bank: The Nigerian Project Agenda

Table 2

Beginning: World bank Group- Country Unit staff informations

Figure 3.

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a^? 'Upgrading ' within the value concatenation is possible as providers can acquire better and get cognition to travel up the concatenation

CURRENT CHALLENGES

In malice of the advancement made by the execution of Nigerian content towards constructing local capableness and promotion in engineering, there are a figure of challenges which are critical to the endurance of the sector, the success of the Nigerian content development policy and the economic system as a whole.

It is logical to claim that substructure plays a critical function in economic development. First, they serve as intermediate inputs to production, and therefore alterations in their quality and measure affect the profitableness of production, and constantly the degrees of income, end product and employment. Second, substructure services raise the productiveness of other factors of production (Kessides, 1992) . Lee and Anas (1992) in a survey of 179 fabrication constitutions in Nigeria found that the impact of substructure lacks of all types was systematically higher for the little houses.

Infrastructure in Nigeria has been in a annihilating province. This includes electricity, H2O, conveyance and communicating etc. The authorities expends so much capital yearly on bettering the state 's substructure by presenting contracts focused at change by reversaling the current province of the state 's substructure but the impacts are merely seen and read on paper while the occupants still awaits a turnaround in future.

One account to this is bribery and corruptness ; nepotism and favoritism as a important part of the contract were awarded to companies (some less <https://assignbuster.com/assessing-production-output-and-productivity-increases-business-essay/>

experient) in which authorities functionaries have involvement. Halliburton graft and corruptness instance is an illustration of serious corruptness activities in Nigeria with the aid of authorities functionaries (Ribadu, N. 2009 ; AIT 2009: see Video links on mentions)

Although, several anti-corruption organic structures have been set-up and aggressive 'clean-up ' of the corrupt is being carried out.

Nigeria is one the most political unstable states in the universe and the recurrent agitation in the Niger Delta part (Oil rich part of the economic system) has been a barrier to production of oil and gas and by deduction the consequence is felt by all stakeholders in sector runing from the Multinationals, local and foreign providers, authorities, local and foreign consumers etc.

RECOMMENDATION AND CONCLUSION

Although the execution of the Nigerian content towards constructing a sustainable local capableness is rather applaudable, there are still (a batch) countries for changeless betterment.

The key participants in the oil industry should be directed to set up design Centres of international criterions in Nigeria to develop and prepare local applied scientists as this will farther rush cognition transportation and local capableness edifice.

Infrastructure development should be taken really critical as this affect every facet of the economic system and its development. This includes puting in

the educational sector thereby traveling towards bettering research and development.

Extensive preparation should be organised for local houses in coaction with the major participants in the sector, universities and research institutes as this will to help in the countries of skill acquisition and development. Support should besides be made available to local houses where necessary.

Nauties