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DEVELOPMENT POLICY AND ANALYSIS

A book in honour of

AKINLAWON LADIPO MABOGUNJE

Edited by
S.I. Abumere & Adedoyin Soyibo

DEVELOPMENT POLICY CENTRE, IBADAN, NIGERIA

©Development Policy Centre,
Ojetunji Aboyade House,
5, Oba Akinyele Street,
Agodi GRA,
Secretariat P.O. Box 30733,
Ibadan

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First Published in 2001

ISBN: 978-8003-04-4

Printed by: Daybis Limited, Ibadan.

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Economic Development Management in Nigeria: Dynamics, Dialectics and Outcomes

M. O. Kayode
&
A. F. Odusola

Introduction

Economic development is a process whereby the real per capita income of a country is increased and sustained over a long period of time subject to some caveats. First, this process is subject to the stipulations that the number below the absolute poverty line does not increase and that the distribution of income does not become more unequal (Meier, 1976 and Aboyade, 1976). Second, such a process must experience some elements of modernisation such as enhanced productivity, social and economic equalisation; improved knowledge, attitudes and institutions; and rationally co-ordinated policy measures that are capable of removing all obstacles to socio-economic transformation (Aboyade, 1976; Obadan, 1998; Ohiorhenuan, 2000). The World Summit for Social Development held in Copenhagen in 1995 and its follow-up in June 2000 added yet another caveat which is to popularise the human dimension of the issue. With this caveat, human beings are placed at the core of any meaningful economic development. They are the means and ends of economic development.

As clearly evident in Nigeria's development documents, the primary goal of economic development policies has been

geared towards the actualisation of a solid base for long-term economic and social transformation of the country with a view to establishing peace, progress and prosperity. The realisation of this laudable objective informed the adoption of several economic policies and strategies in the country. Since independence, economic development policies have been very dynamic. Between 1960 and 1985, government thought that a fixed medium-term National Development Plan framework would transform Nigeria into the type of society it envisaged. The economic crisis of the early 1980s clearly showed the futility of this approach in the Nigerian context. This, therefore, led to the adoption of a comprehensive Structural Adjustment Programme (SAP) which emphasised a policy-based economic management strategy (1986 - 1990).[1] After more than five years of implementing SAP, it became obvious that its performance was mixed and tilted towards non-accomplishment of its major objectives. The adoption of a three-tier planning system since 1990, a framework that comprises a perspective plan, a three-year rolling plan and an annual budget, also left much to be desired in terms of achieving its goals.

A critical analysis of the processes of adopting the various economic development policies revealed that they have been greatly influenced by resource push, environmentally activated and externally imposed factors. Unlike most other developing countries, Nigeria's case presents a puzzle. In spite of the country's abundance of potential natural resources, the adoption of several policies and strategies, and the dialectics of their adoption, Nigeria's economic development has remained a daunting challenge over the years. Economic performance

[1] SAP was originally meant to be operated for two years, that is July 1986 to June 1988. The government later realised that its objectives could not be achieved within two years and had to be extended to the early 1990s until a new planning framework was introduced. Even when a new planning approach was introduced, SAP policies and strategies were still in place, though with marginal commitment to its implementation.

has not matched the efforts and resources committed to the process of economic development. Rather than policy prescriptions closing the gap between economic performance and the discipline of economics, the gap is getting wider every year. In fact, Nigeria's economy is currently characterised by macroeconomic instability, sectoral imbalances, declining real per capita income, endemic poverty, among others. This puzzle, therefore, poses a serious question to every policy analyst in Nigeria: Why are policies not working in the country? The answer to this question constitutes the major challenge of this paper. In addition, it also aims at analysing the evolution and the dialectics of economic development policies and strategies in Nigeria.

To accomplish this task, the rest of this paper is organised into four parts. Following this introduction is Part II which examines the dynamics and dialectics of economic development policies in Nigeria. Part III analyses the outcomes of development policies. Part IV examines the reasons for policy failures in Nigeria while the policy implications and conclusions of our discussion are contained in Part V.

The Dynamics and Dialectics of Economic Development Policies in Nigeria

The Dynamics of Economic Development Policies

Over the past four decades, Nigerian governments have articulated several economic policies, programmes and strategies with a view to promoting economic growth and development. The evolution of these policies and programmes has been dynamic and can be categorised into three phases – the fixed medium-term National Development Plan (1962-1985), the policy-based economic management strategy (1986-1990), and the three-tier planning framework (1990-2000). The overriding economic development objectives, which cut

across the three phases, have been the promotion of peace, progress and prosperity in the country. These were to be achieved through strengthening of the productive capacity (particularly in agriculture and manufacturing), education and manpower development, expansion of economic infrastructures and improvement in housing and health facilities. The dynamics of economic development policies adopted to achieve these objectives are now briefly reviewed.

The Fixed Medium-Term Plans

Development planning in Nigeria predates Nigeria's independence. Before the country's independence in 1960, three sets of plans were undertaken by the colonial government in order to guide the allocation of its development funds. Though not much was achieved through these plans, the legacy of undying rail tracks and memories of the cocoa and groundnut pyramids of the 1950s and 1960s cannot be easily forgotten.

Between 1962 and 1985, four comprehensive medium-term National Development Plans (NDPs) were formulated and implemented. In a determined effort to break away from its colonial heritage and orientation at independence, the country launched its first NDP (1962 - 68) in 1962. The plan, whose objectives were to raise investment rate to 15 per cent, facilitate rapid development in education and health, create employment opportunities, modernise the economy and ensure stable fiscal, monetary and exchange rate policies, had an outlay of ₦1.132 billion. To achieve these objectives, transport, education, electricity, agriculture and industry sectors were selected as the priorities. (See Table 1 for the degree of importance attached to each of them.) Evidence from the table shows that only 79.4 per cent of the outlay could be achieved owing to the non-realisation of the expected external finance. This led to some sectoral distortions. Economic and social sectors recorded underspending of **8.4** and 5.7 per cent respectively while the administrative **sector**

experienced overspending by 12.3 per cent. The plan which was designed to enhance the development of a broadly-based, vibrant and progressive private sector, could not achieve much owing to shortage of foreign resources inflow, political instability and turmoil, among others (Adeyemo 1991; Ihimodu 1994; and Obadan, 1997).

Arising from the dismal performance of the private sector in the first NDP, planners and policy makers became disenchanted about the strategy of a private sector-led growth. This led to the public sector's assumption of the 'commanding heights of the economy' in the second NDP and its consolidation in the subsequent medium-term NDPs between 1970 and 1985. The change in strategy had been attributed to the emergence of petroleum as the mainstay of the economy, especially the 1973 and 1979 oil price shocks. The period experienced rapid expansion and the establishment of public enterprises in the country which, by late 1980s, had reached 1500, with 600 of them belonging to the federal government. The public sector dominance was further reinforced by the *Nigerian Enterprises Promotion Decree* of 1972/73 and its subsequent amendment in 1977, as well as the import substitution strategy which provided the basis for establishing government-owned core industrial projects. During this period, public projects were undertaken without paying much attention to their economic viability and the capacity of the public sector to implement them. This marked the beginning of abandoned projects which had dotted all the nook and cranny of the country by the end of the fourth NDP. With the exception of the third and fourth NDPs which included mining and quarrying as one of the priority sectors, the sectoral priority remained relatively the same. The sectoral distortions followed the same pattern with the administrative sector overspending at the expense of economic and social sectors. This is a clear case of misplaced priority – a situation in which recurrent spending took precedence over development spending. Yet,

most of the objectives could not be achieved because of lack of administrative capacity, preponderance of unproductive spending, and heavy dependence on the external sector, among others.

The fourth NDP hardly took off when the international oil glut of the early 1980s struck. With this unexpected development, most of the targets became unattainable. By 1982, the economy was in poor shape, characterised by declining growth, falling industrial capacity utilisation, serious fiscal and trade/balance of payments deficits, rising inflation and unemployment, among others. The need to reverse the trend led to the *Economic Stabilisation Act* of April 1982 which emphasised comprehensive exchange control measures and the declaration of a state of national economic emergency through the *National Economic Emergency Powers Decree* of 1985. This emphasised, among others, salary reduction ranging from 2 – 15 per cent to be kept in an Economic Recovery Fund at the Central Bank of Nigeria. Despite all these measures, the country's economic problems remained unabated.

One fundamental feature of the dominant development management strategy of the period was government's assumption of 'the commanding heights of the economy' through direct involvement in productive activities. To facilitate the process, macroeconomic and sectoral policies were put in place. For instance, fiscal policy, the key instrument of economic management in Nigeria, was dominated by provision of subsidies, a revenue base that was largely dependent on oil sector and unsustainable fiscal deficits. The monetary policy, mostly an accommodating policy instrument, was characterised by direct monetary controls, fixed interest rates and excessive growth of money supply. Arising from the inefficient way of managing these policies, savings were discouraged, private investments were crowded out in favour of public credit, deficit financing through domestic banking system and its effects on inflation,

among other factors. The period was also noted for a fixed exchange rate system with its effects on the overvaluation of the naira and, consequently, the domestic instability that ensued. Absence of laid-down criteria for external borrowing was also a common phenomenon of the period.

Government planned to achieve economic progress and prosperity through agricultural, industrial and educational transformation. For agricultural transformation, all the four medium-term development plans emphasised increased budgetary allocations, concessionary tax measures, concessional credit allocations and liberal importation of agricultural inputs. In addition to special programmes, such as the 'Operation Feed the Nation,' 'The Green Revolution' and 'Back to Land Programme,' several institutions were established to foster agricultural development. Prominent among these were: Agricultural Development Programmes (ADPs), National Land Development Authorities (NALDAs), River Basin Development Authorities (RBDAs), commodity marketing boards, credit institutions, insurance and research institutions.

At the outset, industrial policy favoured direct establishment of manufacturing enterprises and the indigenisation policy of the 1970s and the import substitution development strategy later reinforced it. The import substitution strategy, for instance, made the economy to be highly import-dependent, particularly with machinery, inputs and raw materials. This factor, coupled with its weak contribution to exports, made the economy susceptible to external shocks. The period witnessed the establishment of several industrial development centres, industrial estates, export free zones, turn-key projects, such as the machine tools and aluminum smelter projects and fertiliser companies. Educational programmes were also designed to enhance the volume of facilities and quality of educational services.

These macro and sectoral programmes were not effective because they were not attuned to the structural requirements of the economy, and where they were, they were not implemented with the vitality, dedication and commitment needed. It became obvious that the fundamental structural imbalance of the economy had to be redressed. This realisation led to the suspension of the fifth medium-term NDP that had been scheduled to take off from 1986.

Policy-Based Economic Management Strategy (1986-90)

The resistance of the economy to all the palliative measures undertaken by government, coupled with the apparent structural imbalances in the economy informed the change in policy strategy in 1986. The Structural Adjustment Programme (SAP) adopted in 1986 was aimed at making the private sector the engine of growth of the economy through economic deregulation, privatisation, prudence in macro-economic management and productive public investment programmes. The specific objectives are as shown in Table 1.

In contrast to the approach hitherto, with the erstwhile status quo, macro and sectoral policies were refined to reflect the structural imbalances in the economy through demand contraction and switching of management policies. Fiscal policy, for instance, was primarily aimed to achieve expenditure restraint. To achieve this, a limit of 3 per cent fiscal deficit GDP ratio was imposed. This was to be achieved through subsidy removal, freezing of salaries and new employments, revenue diversification, privatisation and commercialisation of public parastatals, etc.

The fixed exchange rate regime was replaced by a market-determined exchange rate system with the outright cancellation of import licensing. The policy was aimed at arriving at an optimal exchange rate for the naira that had been overvalued for the previous decade. It also had as its secondary objectives: discouraging the passion for imported goods and the promotion of exports, particularly finished and semi-finished ones. The

main features of the trade policy reforms were the removal of import controls, restructuring the tariff system, provision of export incentives and removal of price controls (Olanrewaju, 1994 and Olalokun, 1994). Several sectoral policies were used to complement these macroeconomic policy reforms.

Ab initio, the programme was implemented with much commitment and meaningful achievements were recorded. For instance, GDP growth which had been successively negative in the early 1980s rose to 8.4, 5.3 and 8.3 per cent in 1988, 1989 and 1990 respectively. The gross investment and fiscal revenue as proportions of GDP also rose during the period. Industrial capacity utilisation rose from below 25 per cent prior to 1986 to an average of 40 per cent between 1988 and 1990 (Olanrewaju, 1994). To consolidate the achievements of the programme, a planning system consistent with the market philosophy of SAP was developed through the instrumentality of the rolling-perspective planning framework. The attributes of this system are examined below.

Integrated Planning Framework

The integrated planning framework has three components: the perspective plan, the rolling plan and the annual budget. While all rolling plans must derive from the long-term plan, annual budgets are expected to originate from the rolling plans. No new projects would be introduced except the old ones had been completed. Since this planning framework is expected to consolidate on the gains of the SAP, its objectives have been similar to the ones adopted under the policy-based strategy (Table 1).

As at December 2000, eleven rolling plans had been implemented. They all emphasised private sector-led growth through privatisation and economic deregulation. The sectoral priorities of these rolling plans were agriculture, manufacturing, power and steel, transport and water. The first and second waves of privatisation in Nigeria were experienced during this period. Removal of subsidies particularly on fertiliser and petroleum products continued. The foreign

exchange market was further deregulated and the dual exchange systems were merged. Government's direct involvement in productive activities was also reduced. In addition to the privatisation exercises, the direct production components of the RBDAs and ADPs were jettisoned.

Between 1990 and 2000, policy reversals were prevalent and government's commitment to the ideals of SAP was very weak. Apart from the several political crises and serious economic mismanagement, the achievements of SAP were never consolidated. Rather, the economy witnessed serious macroeconomic instability, a banking crisis, slow economic growth and pervasive poverty. We examine, next, the factors responsible for this policy failure.

The Dialectics of Economic Policy Making in Nigeria

An emerging fact about policy making in Nigeria is that the country is neither autonomous nor insulated from both internal and external pressures. The country has failed to free her economy from this situation. The dialectics of economic policy making in Nigeria can be grouped into three categories, namely external influence, resource push and environment-activated factors. Each of these is explained below.

External Influence Factors

The process of economic policy making was influenced by external factors in several ways. Firstly, economic development policies in the 1960s and 1970s were mostly guided by the leading ideas of orthodox development economics particularly those promoting the ideological positions of the leaders of the time (Olopoenia, 1983 and Obadan, 1998). The theoretical construct of the orthodox school was used as the basis of policies in accelerating the country's economic development. The non-aligned position of the country, in regard to the cold war between the East and West during this period, greatly influenced the choice of a mixed economy.

Table 1: Development Management Phases, Features and Outcomes in Nigeria

S/N	Phases	Features			Outcomes	
		Objectives	Priority Sectors	Sectoral Distortions between Planned and Actual Expenditures	Outlay/Financing (₦'billion)	Public-Private Sector Share
(1)	First Phase: Fixed Medium-Term National Development Plan (NDP) (1962-1985) (i) First National Development Plan (1962 – 1968)	To: - achieve investment rate of 15% to actualise 4% growth rate. - facilitate rapid development in education, health and employment opportunities. - modernise the Nigerian economy - maintain stable fiscal and monetary policies and currency stability	- Actual Disbursement as reflected by - Transport (22.6%) - Training of high and intermediate Manpower - Education)(15.2%) - Electricity (15.0%) - Agriculture (9.8%) - Industry (8.9%)	- Economic Sector (8.4%) - Social Sector (5.7%) - Administrative Sector (12.3%)	Outlay:2.132, out of which 79.4% was realised	- Public: 63.4% - Private:36.6%
	(ii) Second National Development Plan (1970 – 1974)	To: - Achieve an economic growth of 6.6 per cent over the plan period - increase diversification through rapid industrialisation of the economy - increase food production for domestic consumption - drastically reduce the level of unemployment - ensure equitable distribution of income - maintain reasonable stability through appropriate policy instruments	Transport (23.1%) Manpower development education(11.4%) Health/Water & Sewage (10.8) Agriculture (7.7%) Industry (4.0%)	Economic Sector (1.2%) Social Sector (1.2%) Administrative Sector (3.2%)	Outlay: 4.9, out of which 56.8% was realised	Public: 68.4% Private: 31.6%

Table 1 Cont'd.

S/N	Phases	Features			Outcomes	
		Objectives	Priority Sectors	Sectoral Distortions between Planned and Actual Expenditures	Outlay/Financing (₦ billion)	Public-Private Sector Share
	(iii) Third National Development Plan (1975-80)	To: - achieve a growth rate of 9 per cent - increase per capita income - achieve more even distribution of income - reduce the level of unemployment - increase the supply of high level manpower - indigenise economic activities and - diversify the Nigerian economy - attain balanced development	- Transport (23.2%) - Education (10.6%) - Manufacturing (8.7%) - Agriculture/ Irrigation/Livestock (7.1%) - Communication (6.0%) - Power/ Electricity (5.9%) - Mining/ Quarrying (5.0%)	- Economic Sector (3.1%) - Social Sector (2.2%) - Administrat-ive Sector (14.3%)	- Outlay. 53.6 Public sector original capital investment was 20.0 but later rose to 43.3 Only 68.0% was realised by the government	Public: 80.8% Private 19.2%
	(iv) Fourth National Development Plan (1981 – 1985)	To - achieve an annual average growth rate of 7.2 per cent - increase the real income of the average Nigerians through enhanced productivity - reduce the economy's dependence on a narrow range of activities through diversification - increase the supply of skilled manpower - reduce unemployment - have more even distribution of income - record balanced development across sectors and regions - increase citizens' participation in ownership and management of productive enterprises - attain self-reliance with greater emphasis on local sourcing of raw materials. etc	- (Actual disbursement as % of total) - Transport (14.5%) - Manufacturing and Craft (13.4%) - Defence and Security (11.7%) - Water Resources (9.9%) - Mining/Quarrying and Petroleum and Energy (8.6%) - Education including Science and Technology (8.6%) - Agriculture/ Livestock/Fisheries/Forestry and Rural Development (8.3%) - Federal Capital Territory (6.3%) - Housing and Environment (4.6%) - Communication (4.1%) - Others (10.0%)	- Economic Sector (7.0%) - Social Sector (2.7%) - Administrative Sector (10.9%)	82.0	- Public: 50.2% with only 41.1% realised - Private: 49.8%

Table 1 Cont'd.

S/N	Phases	Features			Outcomes	
		Objectives	Priority Sectors	Sectoral Distortions between Planned and Actual Expenditures	Outlay/Financing (₦ billion)	Public-Private Sector Share
2	Second Phase: Policy-Based Economic Management Strategy (1986-88/90) Structural Adjustment Programme (SAP)	To: - Restructure and diversify the productive base of the economy with emphasis on industrial diversification - achieve fiscal and balance of payments - be viable over the adjustment period - promote sustainable non-inflationary or minimal inflationary growth over the medium and long terms - improve public sector efficiency through reduction of unproductive investment, - adopt appropriate pricing rationalize and privatize of public enterprises, among others. - Intensify the growth potentials of the private sector	- Being a policy-based framework, emphasis was placed on macroeconomic and sectoral policy reforms: - macro-economic policy reforms include fiscal, monetary/ banking, exchange rate, trade policies, etc. - sector reforms include domestic markets, financial sector and public investment.			Emphasis was placed on expanding the scope of operations of the private sector through privatization of public enterprises and sectoral deregulations

Table Cont'd.

S/N	Phases	Features: Objectives	Features: Priority Sectors	Features: Sectoral Distortions between Planned and Actual Expenditures	Outcomes: Outlay/Financing (₦ 'billion)	Outcomes: Public-Private Sector Share
3	Third Phase: Three-tier (Integrated) Planning Framework (1990 - date). g.	To - attain higher levels of self sufficiency in food production and raw materials - promote self-reliant industrial development, dynamic and non-inflationary growth and promote industrial peace and harmony - generate employment opportunities - strengthen a market-oriented economy	- integrated rural development - provision of basic infrastructure, transport power and potable water supply - development of small scale industries and completion of on-going basic industries - efficiency in public sector management of the economy	Economic Sector (-8.05) - Social Sector (173.6%) - Administration (61.2%)	₦144.2 of which public sector share was ₦4.2 billion	Being an indicative planning framework, the emphasis was on private sector led growth. This period also constituted some part of the first round of privatisation
vi)	First National Rolling Plan (1990 - 92)					
vii)	Seventh National Rolling Plan (1996 - 98)	- enhance efficiency in resource allocation in the public sector - reduce inflation rate - contain fiscal deficit to a maximum of 3.2% - deregulate exchange rate market	Agriculture Manufacturing Power Steel Transport Water Supply			Emphasis was placed on economic deregulation with the aim of attracting more private operations

Sources: Adedeji (1991); Ihimodu (1994); Obadan (1997) and the various National Rolling Plans.

Secondly, though related to the above, the orientation of the global socio-economic and political leanings have had serious impacts on the country's choice of economic management strategies. Since the collapse of the former Soviet Union, the political ideology of the world has been mostly dictated by the ideological leanings of the governments of the United States of America, the United Kingdom, Japan and the Federal Republic of Germany. This is often done through the instrumentality of the Bretton Woods institutions – the World Bank and the International Monetary Fund (IMF) (Adedeji, 1989). With the collaboration of these powerful actors, it was very easy to spread the neoclassical framework of economic management – an approach which emphasises private initiatives and the market mechanism. This influence facilitated the spread of SAP as a condition for benefiting from donor support and assistance. The development informed the adoption of this framework in Nigeria since 1986. For Nigeria to benefit from standby credit facilities, the implementation of SAP was made a necessary condition.

Thirdly, the current wave of globalisation, in terms of international financial flows, international trade and information technology, has made the world economy so integrated that isolating a country from the global network becomes more difficult. An example of this is the World Trade Organisation (WTO). It has become mandatory for every country, particularly those from the developing world, to be a player than be an observer. As a player, a developing country must not allow itself to be sucked into the global economy. Consequently, the philosophy of this type of agreement must, therefore, be integrated into domestic economic policies. Finally, the development in the international economy has some implications on the type of economic policy a country can choose at a particular point in time. For instance, developments in the international oil market in the past two decades have influenced the extent of government involvement

in economic activities. External shocks have also played some role in influencing the choice of economic policies in Nigeria.

Resource Push Factors

An important feature of national economic management in Nigeria is that the status of economic fortunes has played a critical role in the choice of economic management strategy. Nigeria is a richly endowed country with enormous natural and human resources. Apart from being blessed with 923,768 square kilometers of arable land, it also has a large deposit of 33 known mineral resources. The projected reserves of these minerals are shown in Table 2. Prior to the oil boom of 1973/74, the economic fortunes of the country were largely determined by the international terms of trade of agricultural products and non-oil minerals. This provided the financial base for the first NDP (1962-68).

The relative smallness of the financial resources emanating from this source partly determined the choice of a private sector-led growth in the first NDP. Appreciation of the terms of trade in the early 1970s, which rose from 44.4 per cent in 1973 to 101.5 per cent in 1974, made more resources available to the country. During this period the country's exports of goods and services rose from $3.374 billion in 1973 to $10.048 billion in 1974. The country's external reserves rose from $0.202 billion in 1973 to $4.989 billion in 1974. The increased inflow of resources provided the strong basis for government to assume the commanding heights of the economy in the second and third NDPs. *The enhanced resource push created the enabling environment for government to massively intervene directly in the productive activities of the economy.*

In contrast to the earlier trend, the collapse of the international oil market in the late 1970s and early 1980s led to a change of policy from public sector-led commanding heights to a private sector-propelled economic growth strategy in the middle 1980s. The fourth NDP had hardly taken off when the international oil market collapsed. Against the planned

estimate of $40.0 per barrel (pb), the price fell to $30 pb. This led to a reduction in the country's OPEC-imposed quota from 2.3 million barrels per day (bpd) to 1.3 million bpd, representing a 43.5 per cent production decline, thereby leading to a fall of 25 per cent in the country's foreign exchange earnings. This consequently weakened government's ability to sustain its heavy involvement in economic activities. Thus, government reverted to using the private sector more and more as the engine of growth. This development ushered in SAP and the subsequent guided deregulation policies of government in the 1980s and 1990s.

Table 2: Oil and Non-Oil Mineral Reserves in Nigeria

Minerals	Unit	Quantity
Crude Oil	10^9 barrels	16
Natural Gas	10^{12} SCF	84
Coal	10^7 tonnes	450
Bitumen	10^6 tonnes	159
Gold	10^3 tray ounces	126 tonnes
Iron Ore	10^7 tonnes	1365
Lead/Lime	10^3 tonnes	693
Tin	10^7 tonnes	1.2 tonness
Barytes	10^3 tonnes	800
Feldspar	10^3 tonnes	900
Glass Sands	10^3 tonnes	485
Limestone/Marble	10^7 tonnes	650 tonnes

Source: National Planning Commission (1997), *Nigerian Perspective Development Plan: 1997-2010*, Abuja, May, pp. 152 and 272

In conclusion, it would be fair to say that periods of economic boom often coincided with periods of heavy government intervention while the opposite policy approach holds during times of economic lull.

Environment-Activated Factors

The Nigerian economy has not been insulated from the interests and pressures of socio-economic groups. Indeed, the

Nigerian State has been fractionalised into several economic and socio-political groups with each faction struggling for access to power and to the acquisition of material privileges that automatically accrue to the power holders (Plateau, 1992). The Nigerian State structures have tended to strengthen cultural and ethnic affiliations which encourage communal sentiments as opposed to national goals and aspirations. The society is, therefore, deeply enmeshed in ethnic struggles for power rather than the pursuit of universally shared social goals. Consequently, any economic strategy that tends to promote the hidden agenda of the power holders often predominates at a particular point in time.

Moreover, economic and political factors determine the type of economic development policy being adopted at a particular point in time. Specifically, the initial economic environment dictates the form of economic policies to adopt. Periods of low economic conditions (i.e., the take-off criteria) such as low per capita income, weak technology and human capacity fostered the adoption of heavy state intervention. But as these conditions change over time, government intervention became grossly ineffective to promote meaningful economic development – hence the need for a market-based framework in the 1980s. Another economic factor is resource availability. In Nigeria, as earlier mentioned, times of economic buoyancy often coincided with periods of heavy government intervention while the opposite holds for periods of economic recession.

Nigeria's prolonged political instability has been a major factor in the frequent switch from one strategy to another. Private sector-propelled growth was invariably enshrined in the national development plans during periods of civilian administration. As pointed out by Kayode (2001), even the Babangida's administration, which ushered in SAP, was an extension of Shagari's administration. Periods of heavy government control and interventions in economic activity also coincided with periods of military administration.

We now ask the critical question: have economic development policies in Nigeria translated into sustainable economic growth and development? This constitutes the focus of the next section.

Outcomes of Development Policies

Over the past four decades, Nigeria's economic growth performance has been quite disappointing. The *growth targets* of the various development plans were not achieved. In the third and fourth NDPs, for example, contrary to the targeted respective growth targets of 9.0 and 7.2 per cent, the economy grew at an annual average of 5.0 and -2.0 per cent respectively. Generally, in contrast to the expected real economic growth rate of over 6 per cent between 1970-98, its actual annual average was only 3.6 per cent, with the performances in the early 1980s and 1990s even less impressive. For instance, the real GDP that grew at an annual average of 5.8 per cent between 1970-1980 decelerated at an annual average of 0.9 per cent between 1981 and 1986. Arising from the adoption of SAP in 1986 and government's initial commitment to its policy thrust, real GDP grew by an annual average of 5.6 per cent between 1987 and 1990. This encouraging performance was, however, dampened in subsequent years owing to government's weak commitment to the implementation of SAP. It grew only at an annual average of 2.8 per cent between 1991 and 1998 (Table 3). The dynamics of the real GDP growth rate between 1970 and 1998 are as shown in Fig. 1. During the period, it only managed to grow above 5.0 per cent in ten years, while it was actually negative in eight years, and became more precarious in the early 1980s.

Variations in growth can again be explained by changes in *sectoral value added,* especially in agriculture, manufacturing and services. For instance, when the growth performance was at its lowest ebb in the early 1980s, agricultural value added declined by 3.0 per cent while that of manufacturing remained

constant during the period. The brilliant economic performance recorded between 1987 and 1990 was propelled by the appreciable growth in value added in agriculture (6.4%), manufacturing (2.1%) and services (7.6%) during 1985-89 (World Bank, 2000b).

Table 3: Selected Macroeconomic Indicators (1970-1998)

Years	Real GDP Growth Rate	Growth Instability	GNP per Capita (US$)	Fiscal Deficit-GDP Ratio	Inflation Rate	Overall Balance of Payments (₦' Million)	Gross Domestic Investment as a Share of GDP	Gross National Savings as a Share of GDP
1970-80	5.8	5.0	438.7	-0.4	14.6	761.5	25.9	28.6
1981-86	-0.9	19.9	910.2	-7.6	17.1	-2,505.6	14.1	10.9
1987 90	5.6	4.2	283.7	-7.3	24.2	-16,365.2	7.5	14.3
1991 98	2.8	0.6	277.6	-4.7	38.4	-85,083.5	9.1+	10.8+

Note: + indicates that the figures were for 1991 - 1996.

Sources: Real GDP growth rate, Fiscal deficit - GDP ratio, Inflation rate and Overall BOP were computed from CBN: *Statistical Bulletin* Volume 8, No. 1, June 1997 and CBN: *Nigeria - Major Economic, Financial and Banking Indicators,* particularly for 1996-98 data. GNP per capita figures were obtained from Obadan and Odusola (1999) and World Bank (2000b), particularly for 1998 data. The authors computed growth instability.

The declining growth of value added in these sectors – agriculture (2.9%), manufacturing (1.2%) and services (4.2%) – during 1990-98 (World Bank, 2000a) coincided with the sluggish GDP growth rate (2.8%) experienced between 1991 and 1998 (Table 4). The sectoral contributions to gross domestic products are as shown in Table 4. The contribution of agriculture (including livestock, forestry and fishing) oscillated between 63.8 and 24.7 per cent during 1960-64 and 1990-98, with 1960-64 recording the highest and 1975-78 the lowest. It, however, recorded an appreciable improvement in the 1980s with a marginal slide in the 1990s. While agriculture was sliding, particularly in the 1960s and 1970s, mining and quarrying rose from 1.5 per cent in 1960-64 to 16.2 per cent in 1975-78. This is, perhaps, a reflection of the 'Dutch disease

effect'. Thereafter, it decelerated. Between 1960 and 1994, the contribution of the manufacturing sector oscillated between 4.6 and 13.6 per cent. During this period, wholesale and retail trade gyrated between 11.8 and 20.5 per cent. Finance and insurance recorded appreciable improvements in the late 1980s and the 1990s owing to the adoption of SAP, and especially the financial sector liberalisation measures. Its contribution rose from 4.5 per cent in 1985-89 to 9.3 per cent in 1995-98 (Table 4).

In line with the pattern of dismal performance in growth rate of *real GDP*, the trend of per capita income was also quite disappointing. As evident in Table 5 and Fig. 2, per capita income which was as high as $1,281.5 in 1980 declined continuously to its lowest level of $220.0 in 1995, about the same figure as in the early 1970s. It grew by an annual average of 32.95, -9.3 and 2.8 per cent in the 1970s, 1980s and 1990s respectively. The year-by-year evidence is shown in Table 5. The disappointing performance of per capita income is clearly evident in Fig. 2. The figure presents an inverted U-shaped income per capita between 1970 and 1998, implying a depreciating welfare condition of the people – the primary goal of economic development.

Three important features of the outcomes of the development policies are discernible in Nigeria. Firstly, over the past three decades, the growth of the Nigerian economy has been characterised by *inherent instability*. The instability, indeed, as shown in Table 3 ranges from 0.6 to 19.9 per cent. This instability is again reflected in the trend analysis shown in Fig. 1. This is a clear indication that the country's growth process is not path-dependent. By implication, the steadily rising growth trajectory and stabilisation programmes fashioned out by the government in its various development plans did not have any significant linkage with the actualised growth rates.

Table 4: Sectoral Contributions to Gross Domestic Products (1960 - 1998)

	1960-64	1965-69	1970-74	1975-78	1981-84	1985-89	1990-94	1995-99
Agriculture, Livestock, Forestry and Fishing	63.8	54.2	40.4	24.7	36.5	41.3	38.4	40.6
- of which Agriculture	53.4	42.1	30.3	15.9	26.2	31.6	30.2	31.5
Mining and Quarrying	1.5	4.8	14.0	16.2	14.7	13.7	13.4	12.5⁺⁺
- of which Oil	1.1	3.8	12.0	-	13.6	13.4	13.1	12.5
Manufacturing	4.6	7.2	6.9	6.7	9.3	8.4	7.8	6.4
Building and Construction	3.5	5.0	6.9	10.1	3.8	2.0	1.9	2.0
Housing	-	-	5.5⁺	5.7	2.7	2.6	2.3	2.4
Transport	4.1	4.2	3.4	3.3	4.8	3.9	3.2	3.1
Wholesale and Retail Trade	12.2	13.0	14.2	20.5	13.6	13.4	12.6	11.8
Finance and Insurance	-	-	1.2+	2.8	4.0	4.5	8.8	9.3
Others	10.5	11.5	12.8	12.4	10.6	10.2	11.6	8.6

Note: ⁺ the figure is for 1974 only
⁺⁺ mining and quarrying became extremely insignificant during 1995-98 (i.e., 0.003 per cent)

Sources: Data for 1960-1994 were computed from FOS (1996); *Socio-Economic Profile of Nigeria 1996*, FOS, Lagos. Data for 1995-98 were computed from Central Bank of Nigeria's *Statistical Bulletin*, Volume 9, No. 2, December 1998

Table 5: Nigeria's GNP Per Capita, (US$), 1970-98

Years	GNP per Capita	Growth Rate
1970-74	128.5	35.8
1975-79	573.7	30.1
1980	1281.5	26.4
1981	1074.1	-16.2
1982	962.6	-10.4
1983	979.1	1.7
1984	997.4	1.9
1985	949.4	-4.8
1986	498.7	-47.5
1987	280.7	-43.7
1988	300.0	6.4
1989	280.0	-6.7
1990	274.0	-3.6
1991	250.0	-7.4
1992	240.0	-4.0
1993	361.0	50.0
1994	320.0	-11.0
1995	220.0	31.4
1996	260.0	18.1
1997	270.0	3.8
1998*	300.0	11.1

Sources: Data for 1970-1997 were obtained from *Obadan and Odusola (1999: 14)* while the figures for 1998 were derived from *World Bank (2000:35)*.

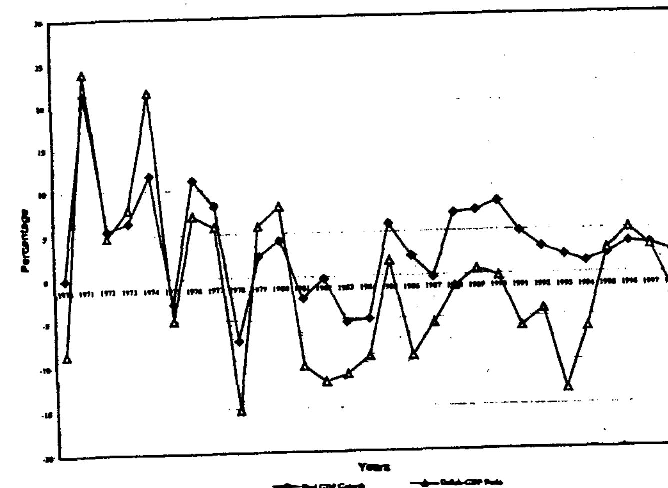

Fig. 1: Growth Rate of Real GDP and Fiscal Deficit – GDP Ratio (1970-98)

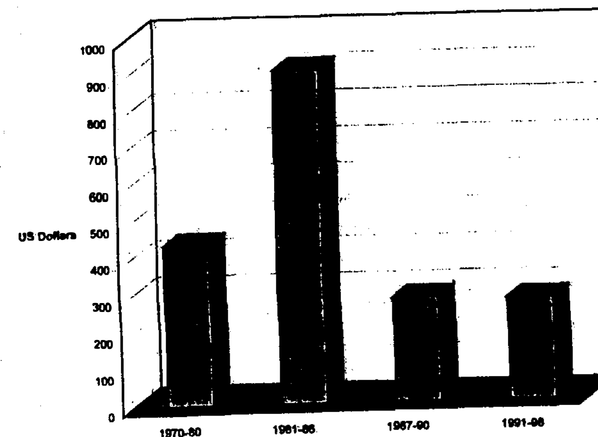

Fig. 2: Nigeria's GNP Per Capita (US $), 1970-98

The second, and perhaps most frustrating feature, is the widening economic distance between Nigeria and her contemporaries of the 1960s. As a result of rapid growth of their economies, countries such as Singapore, South Korea, Argentina, Chile, Brazil, Mexico, Malaysia, and Thailand, to mention a few, changed within four decades from poor countries to display some features of wealthy nations. For instance, while Nigeria barely struggled to maintain a GNP per capita of $258 in 1998, her contemporaries of four decades ago were consolidating their incomes per capita which were more than ten times that of Nigeria's – Singapore ($30,000), South Korea ($8,600), Argentina ($8,030), Chile ($4,990), Brazil ($4,630), Mexico ($3,840), Malaysia ($3,620) etc. (World Bank, 2000b). The wide gap is evident in Figs. 3 and 4. Even within Africa, Nigeria's per capita income was less than one quarter of income per head of countries such as Botswana ($3,351), Gabon ($4,404), Mauritius ($3,210), Namibia ($2,059), and South Africa ($3,426) (Figure 4). Indeed, in 1998, Nigeria was ranked 181 out of the 206 countries sampled by the World Bank. Evidence from Fig. 4 also shows such countries as Benin, Cameroon, Cote d'Ivoire, The Gambia, Ghana, Guinea, Senegal, Sudan, Uganda and Zimbabwe whose incomes per capita surpassed Nigeria. This is a clear *indication of Nigeria's economic retrogression given her enormous resource endowments and potential.*

The third feature is an economic structure that is heavily dependent on, and closely controlled by, export earnings from primary commodities – crude oil and, to some extent, agricultural products. The country lacks an internally consistent engine of growth for economic and structural transformation. While the Association of South East Asian Nations (ASEAN), particularly the four 'tigers' – Singapore, South Korea, Taiwan and Hong Kong – used manufacturing as their engine of growth, *Nigeria still depends heavily on primary commodities* that are very susceptible to the vagaries of the weather and the international market. In these countries, manufacturing has played a crucial role in their development process. For instance, in the Republic of South Korea, agriculture accounted for 47 per cent of her GDP in 1953 while manufacturing contributed only 9.0 per cent; with about 67 and 6.0 per cent of the labour force employed in agriculture and manufacturing respectively in 1960. By 1981, the contribution had changed to 16 and 30 per cent in favour of manufacturing, with labour absorption in manufacturing rising to 20 per cent in 1982 (Okeke, 2000) while that of agriculture declined from 49.0 per cent in 1970 to 18.0 per cent in 1990 (World Bank 2000b). The relative share of manufactured products in total exports was even more remarkable. It rose from 17 per cent of total exports in 1960-62 to 82.0 and 91.0 per cent in 1975 and 1998 respectively (Okeke, 2000:80 and World Bank, 2000b:199).

Taiwan also provides another classical example of rapid economic and structural transformation. In the early 1950s, while agriculture accounted for 35 per cent of GDP, manufacturing contributed 12 per cent. By the 1980s, the agricultural share of the GDP fell to 9 per cent while that of manufacturing rose to 33 per cent. Primary sector employment fell from 55 per cent in the 1950s to 19 per cent in the 1980s while that of manufacturing rose from 14 to 32 per cent during the same period (Okeke, 2000). Her share of manufactures in total exports also rose from 88.0 per cent in 1980 to 93.0 per cent in 1998 (World Bank, 2000b). The experience in Singapore, Hong Kong, Brazil and Mexico are similar: manufacturing served as the engine of growth of the economies and generated substantial foreign exchange for the transformation of the whole economies and enhancing the well-being of their peoples.

One peculiar feature of these economies is that while the relative contribution of agriculture to GDP fell considerably, the sector's productivity rose very remarkably. For instance, between 1979-81 and 1996-98, Nigeria barely managed to

increase agricultural value added per worker by about 51 per cent. In contrast, countries with higher contributions from the manufacturing sector recorded better agricultural productivity than Nigeria. Examples are Malaysia (85.1%), Chile (58.8%), Japan (93.4%), Brazil (99.4%), South Korea (214%) and Singapore (207.5%) (Table 6). This performance is a clear reflection of *complementarity* between industrial development and agricultural productivity. Thus, industrial development serves as the linchpin for agricultural progress through exposure to modern techniques and inputs.

Industrial development also provides the impetus to wealth and income generation necessary for introducing change and improvements in other areas of human endeavour. Critical among these areas are better education and health services, improved living standards and quality of life, and an increasing capacity to tame nature. These are veritable indicators of economic development whose objectives have featured very prominently in our development aspirations. How has Nigeria fared in this respect?

Table 6: Agricultural Productivity, 1979-81 and 1996-98 (1995 US Dollar)

	1979-81	1996-98	% change
Nigeria	414	624	50.7
Japan	15,655	30,272	93.4
Singapore	13,937	42,851	207.5
South Korea	3,745	11,760	214.0
Brazil	2,047	4,081	99.4
Chile	3,174	5,039	58.8
Malaysia	3,275	6,061	85.1

Source: Compiled and computed from *World Bank* (2000b).

Before these issues are addressed, it may be necessary for us to briefly highlight the country's performance on some macroeconomic indicators. As opposed to the international norm of a *fiscal deficit-GDP ratio* of about 3.0 per cent, evidence from Table 3 shows that this indicator oscillated

between an average of 7.6 and 4.7 per cent during 1981-86 and 1991-98. In fact, in some years it was more than 8 per cent: 1986 (11.3%), 1988 (8.4%), 1990 (8.5%), 1991 (11.0%) and 1993 (15.4%).[2] This, perhaps, explains the upward movement of general price levels over the past three decades. Contrary to the objective of price stability of our National Development Plans and the SAP, inflation rose from an annual average of 14.6 per cent during 1970-80 to 17.1, 24.2 and 38.4 per cent during 1981-86, 1987-90 and 1991-98 respectively (Table 3). A year-by-year analysis is more revealing than this medium-term approach. In some years inflation rate was more than 40.0 per cent – 1989 (40.9%), 1992 (44.5%), 1993 (57.2%), 1994 (57.0%) and 1995 (72.8%) (Kayode and Odusola, 2000). This development has serious implications for the welfare of the people because inflation erodes the purchasing power of the naira.

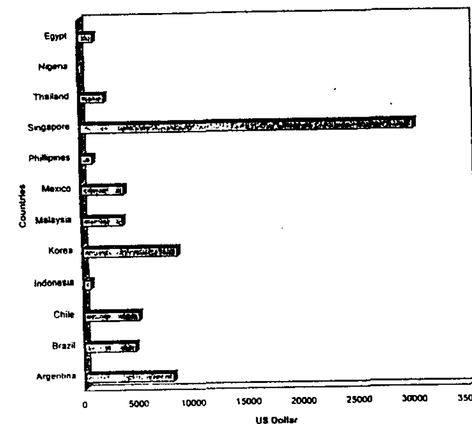

Fig. 3: GNP Per Capita in Selected Countries from Africa, Latin America and Asia (US $), 1998

2 See *CBN: Statistical Bulletin 1997*, June, Volume 8, No. 1, for more details.

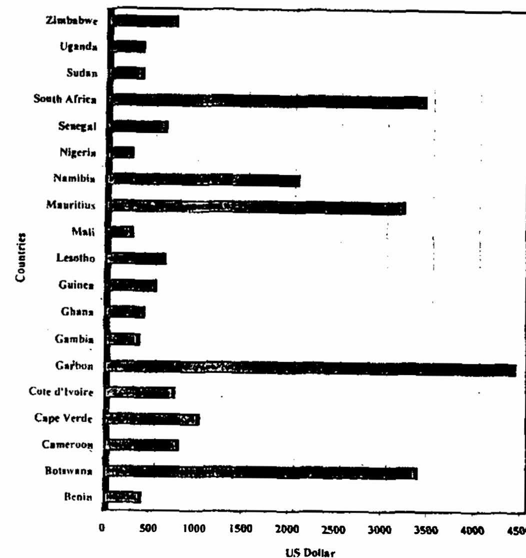

Fig. 4: GNP Per Capita in Selected African Countries (US $), 1990 - 98

Arising from the burgeoning fiscal deficits, and given the euphoria associated with the 'oil boom', Nigerians' consumption patterns tilted against locally produced goods. Thus, the economy became highly import-dependent. The seriousness of this is manifested in the overall BOP moving away from surplus level in the 1970s to ever-widening deficits in the 1980s and 1990s (Table 3). Part of the explanation for the sluggish growth of the Nigerian economy is the investment - GDP ratio profile which was above 30 per cent in many developing countries. It, however, declined from 25 per cent in 1970-80 to 14.1 and 7.5 per cent in 1981-86 and 1987-90 in Nigeria and was not much better in the 1990s. A similar pattern was also observed for the savings-GDP ratio (Table 3).

The declining trends of economic indicators have negatively affected the well-being of Nigerians and hence their involvement in socio-economic activities. For instance,

primary school enrolment, which rose through the 1960s and 1970s, declined consistently from 105 million in 1980 to 64 million in 1987 and it marginally rose to 67 million in 1990. The pupil-teacher ratio, an index of educational efficiency which was expected to be as low as possible, rose from 35 in 1980 to 44 in 1986. It, however, oscillated between 36 and 41 between 1987 and 1992. During this period the primary school drop-out rate, which was marginal in the 1970s, fluctuated between 29.7 and 51.7 between 1986 and 1992 (Omolewa and Daniel-Okiei, 1999). Though secondary school enrolment rose from 18 per cent in 1980 to 25 and 33 per cent in 1990 and 1994-96 respectively, this is considered to be low relative to the performances of other African countries. In 1994-96, for instance, the 33 per cent recorded in Nigeria was too low when compared to Botswana (65%), Republic of Congo (53%), Mauritius (65%), Namibia (61%), South Africa (94%), Tunisia (65%), and Egypt (75%) (World Bank, 2000a). With an illiteracy rate of 40 per cent in 1997, the objective of eradicating mass illiteracy in Nigeria remains elusive.

Despite the huge resources that have been spent on health programmes and the pursuit of 'health for all by year 2000,' access to good health facilities by many Nigerians has been deteriorating over the years. Specifically, the population per physician ratio, which steadily declined between 1980 and 1988, has been on the rise thereafter. By 1998, there were 4,997 persons to one physician in the country as against 3,867 persons to one physician in 1992. A similar trend was also observed for the population per hospital bed ratio which was as low as 800 in 1988 rising to 1130 persons in 1992 through 1477 persons in 1995 to 1,978 persons in 1998 (Kayode and Odusola, 2000). In addition, proportions of the population with access to safe drinking water and adequate sanitation between 1990-1997 were 49 and 41 per cent respectively. This rate is, however, disappointing when compared with other countries. Evidence from UNICEF (1999) shows that the percentages of populations with access to safe drinking water and adequate sanitation in a number of developing countries

were as follows: Ghana (65 and 55), Libya (97 and 98), South Africa (87 each), Thailand (81 and 96), Malaysia (78 and 94), Mexico (85 and 72) and Brazil (76 and 70). Evidence from UNICEF (1999), Kayode and Odusola (2000) and the World Bank (2000b) further shows that Nigeria was one of the worst countries on other health indicators, such as infant mortality rate, under-5 mortality rate, percentage of pregnant women with anaemia, babies with low weights and percentage of births attended to by trained health personnel.

As a result of this disappointing performance in *socio-economic development*, the incidence of poverty in Nigeria has worsened over time. The poverty level rose from 28.1 per cent of the population in 1980 to 65.6 per cent in 1996. This shows that more than 67 million Nigerians are seriously affected by poverty (Kayode and Odusola, 2000)! This, however, contrasts with the welfare-improving objective of the country's various development plans and annual budgets to which a colossal amount of resources had been committed. This, therefore, raises a pertinent question: Why is it that economic performance has not matched the efforts and resources committed to the process of economic development in Nigeria?

Why Economic Policies do not Work in Nigeria

The reason why the widening gap between economic performance and the discipline of economics has not been closed by policy prescription is quite complex, but can be illustrated by a simple analogy using the *gardening* framework. The fundamental underpinning of this framework is that crop yield is a function of three principal factors: soil fertility, seeds and planting/harvesting strategy[3] – each of which must be right, assuming that climatic factors are held constant.

[3] The key concepts in this framework are:
Gardening: The process of cultivating a piece of ground with the objective of growing either or a combination of flowers, fruits and vegetables.
Crop Yield: Harvested farm produce such as grains and fruits.
Soil Fertility: The quality of the uppermost stratum of the earth crust (especially the top few inches from which plants derive food) being fertile.

Whenever any of these factors is compromised, the actual crop yield will be negatively affected. A clear illustration of this is presented in Table 7. As shown in the table, any choice other than Option 4 produces a low crop yield, no matter the degree of appropriateness of any two of the three factors. Hence, Option 4, a situation where the three factors are adjudged appropriate, is the only one which guarantees optimum outcome.

Economic policy making requires that the equivalent of these three factors be appropriate. While soil fertility stands for the policy environment, the equivalents of seeds and strategy are policies and management, respectively. By implication, any lapses in any of these will negatively impact on the policy outcomes. How do these impinge on policy outcomes in Nigeria?

The Policy Environment

Over the past three decades, Nigeria's economic policy environment has been influenced by several factors: the oil issue, short-run instability arising from the responses of the governed, low productivity and weak institutional considerations. The emergence of oil as the mainstay of the economy – in terms of foreign exchange earnings – has generated a lot of issues that are antithetical to effective economic performance. Some of the ways through which a high per capita resource endowment can hurt economic growth have been argued in the literature. Oyejide (2000) presents three of such channels, namely:

- a high level of exported natural resources tends to appreciate the exchange rate thereby making manufacturing less

Seed: It is fertilised ovule of a plant and its covering. It contains a miniature plant capable of independent development into a plant similar to the one which produced it.
Strategy: A subtle piece of planning designed to achieve a particular purpose. In this respect, it is aimed at achieving planting and harvesting goals.

competitive. This, in effect, hinders the actualisation of learning-by-doing or using and technology transfer offers by manufacturing - *a process with larger propensity* for higher productivity;

- a heavy dependence on natural resources tends to encourage 'loot-seeking' activities, increases the risk of civil war or tribal fractionalisation and struggle thereby generating poor growth; and
- the concentration of exports in a narrow range of natural resource commodities with volatile prices has not been conducive to robust and high rates of economic growth.

Table 7: The Gardening Analogy for Economic Policy Outcomes

Available Options	Factors			Outcomes/Crop Yields
	Soil Fertility	Seeds	Planting/Harvesting Strategy	
Option 1	Deficient	Appropriate	Appropriate	Low
Option 2	Appropriate	Bad	Appropriate	Low/nil
Option 3	Appropriate	Appropriate	Ineffective	Low
Option 4	Appropriate	Appropriate	Appropriate	High

Thus, to a large extent, Nigeria's natural resource endowment has been a major contributor to its economic instability. It has also generated the craze for political struggle and control. The natural resource endowment and the associated financial flows they command have also contributed, very significantly, to political instability in the country.

Furthermore, the natural resource endowment has led to the replacement of the erstwhile 'cake-baking syndrome' with 'cake sharing' craze. Consequently, productivity that served as the propelling factor for the brilliant economic performances in ASEAN countries has dwindled very sharply in Nigeria. As pointed out by Obadan and Odusola (2000), gross labour productivity, which recorded an actual average of 5.03 between 1974 and 1977, fluctuated between 3.36 and 3.87 between 1981 and 1996. Specifically, while productivity grew at an annual growth rate of 1.17 between 1974 and 1980, it decelerated by 1.18 between 1981 and 1996. The long-term productivity (1974-1996) growth of -0.17 is disappointing when compared with the figure of Japan (5.0%), Italy (3.8%), France (3.5%) and Germany (2.8%) (Obadan and Odusola, 2000). The low productivity level is again brought out in Table 5, particularly in the agricultural sector. As further reviewed by Oyejide (2000), productivity residuals accounted for about 50.0 per cent of growth performance in Africa, of which Nigeria is a major player. Hu and Khan (1997) again emphasise the catalytic role of productivity in the development process in China. They posit that a sharp and sustained increase in productivity was the driving force behind the Chinese economic boom, contributing more than 42 per cent of the growth between 1979 and 1994.

The Policy Choice

In our *gardening* framework, the type of seeds to plant is determined by the type of available soil e.g., planting upland rice seeds in non-swampy land and planting lowland rice seeds in swampy land. Any reverse choice will surely produce low yield. In a similar vein, the type of policy environment dictates the type of policy choice to make. Yet in Nigeria, policies seem to be environment-insensitive. This is so because of the tendency to adopt uniform policy measures in a heterogeneous environment. The political advantage of adopting a uniform policy in Nigeria could be high, but the economic cost of such a policy could be high also.

Economic policy making can be grouped into four different options as follows:

a) a right policy in the right direction;
b) a right policy in the wrong direction;
c) a wrong policy in the right direction; and
d) a wrong policy in the wrong direction.

Nigeria's economic policy-making and implementation processes have been characterised by the second and fourth options. In most cases, the primary objective of people implementing policies is to use the policies for their personal agrandisement. Consequently, such approach rules out the possibility of adopting the wrong policy and moving in the right direction. It also explains, in part, the phenomenon of policy instability since policies tend to change with policy executors. Thus, given Nigeria's weak policy environment, the country has been denied the opportunity of making the right policy choice and implementing it in the right direction.

The Economic Management Strategy

An economic management strategy refers to the way people organise economic activities, particularly as the activities relate to ownership and instruments of production. Three variants are always mentioned in the literature – market, planned and mixed economies. These economic systems, essentially, seek to address issues relating to price determination, allocation of resources, pace of technological development, information processing, and levels of political freedom and democratic tendencies (Kayode, 2001). An economic management system is, therefore, aimed at facilitating the peace, progress and prosperity of society with a view to ensuring its peoples' well-being. Evidence from development literature reveals that the strategies used by each of these variants to address these fundamental issues vary from country to country. Such variations have often been linked to the different levels of development achieved in the countries. How has this contributed to policy failure in Nigeria?

The answer can be sought through our *gardening* analogy described above. Imagine a gardener faced with three strategies of planting beans. The first strategy is interspacing the bean seeds on the surface of a cultivated area, while the second is digging holes of about three inches below the cultivated land surface and covering up the seeds with the escavated soil. The

third option is planting the bean seeds inside holes of about one foot below the surface level. In the first option the seeds are likely to be eaten up by rodents and birds, while adopting the third strategy exposes the seeds to risks of suffocation or delayed germination. Seeds planted following the second option germinate within seven days and have the potential of producing the highest yields.

This illustration mimics Nigeria's economic decision making processes. The first and third planting strategies signify operations at the extremes while the second option represents an optimal position between the two extreme points. Over the past four decades, Nigeria has been operating at the polar extremes of government, controlling the commanding heights of the economy and a free market enterprise system. Prior to 1986, when SAP was adopted, Nigeria's economic development agenda had been dominated by government controlling 'the commanding heights of the economy' (though with some marginal difference in the first National Development Plan, 1962-68). During this period, government effectively became the engine of growth with huge investments in economic and social infrastructures. Arising from the euphoria of the 'oil boom', government's involvement in economic activities became more visible through the expansion and establishment of many public enterprises (outside the traditional domain of social services and utilities) in such areas as agriculture, banking, mining, commerce and manufacturing (Kayode, 2001).

The adoption of SAP became necessary when the reality following the euphoria of oil resources had become manifest and the ability of government to sustain these socio-economic activities became doubtful, with the gross inefficiency that characterised the management of Nigerian public enterprises. This economic management strategy of heavy dependence on market forces emphasised policies of economic deregulation, commercialisation and privatisation of public enterprises.

As earlier mentioned, the primary goal of any economic management strategy should be the enthronement of peace, progress and prosperity. Over the years, the swings between the two extremes of administratively controlled and market-dominated strategies only succeeded in producing an uninspiring public sector whose operations are characterised by macroeconomic instabilities, rising unemployment, worsening living conditions and endemic poverty. The private sector, on the other hand, has remained weak and unable to respond to the supply-side incentives provided by the uninspiring public sector. The Nigerian private sector has also been characterised by weak inter-industry linkages and technology transfer, overdependence on government resources and patronage, dominance of compradors and speculators, prevalence of merchandisers at the expense of productivity-oriented entrepreneurs, among others (Aboyade, 1973; Olashore, 1993; Adedeji, 1996; Olaniyan, 1997 and Kayode, 2001).

The Nigerian experience is that both the market and the state have failed to single-handedly address Nigeria's development objectives. An important lesson from this experience is that operating at the extremes is not good for development. The real world is far from the ideal of perfect competition or of total ownership and control by government. To achieve efficiency, fairness and stability, government should intervene only after it has been established that such intervention is, indeed, the most effective solution to market failure. Such interventions must be effectively designed, analysed for cost-benefits to ensure that the benefits far outweigh the costs.

Conclusion and Policy Implications

Several economic policies, programmes and strategies have been articulated and implemented in Nigeria to achieve meaningful economic development, e.g, medium-term development plans, with government assuming the commanding heights of the economy. The choice of development policies immediately after independence was influenced by the ideological leanings of the political leaders, the then prevailing orthodox economic framework of the Keynesian approach, the initially weak economic conditions, the resource push of the 1970s, and inappropriate socio-political institutions. The inability of these strategies to achieve meaningful development led to the adoption of a policy-based economic management strategy between 1986 and 1990. The dominance of private initiatives and the use of market mechanisms for getting the price right constitute the philosophy of this approach. In line with this philosophy, an indicative economic management strategy was adopted in 1990, i.e, a rolling-perspective plan framework.

In spite of the resources and efforts committed to economic development management in Nigeria, the outcomes have been quite disappointing. Apart from the sluggish growth of the economy, excessive fiscal and BOP deficits, rising inflation and infrastructural decay, income per capita in the 1980s and 1990s was less than one sixth of the value obtained in the 1970s – an indication of depreciating welfare. While Nigeria barely managed with a per capita income of $258 in 1998, her contemporaries of four decades ago were consolidating their incomes per capita which were more than ten times that of Nigeria. This implies a widening economic distance between Nigeria and her contemporaries of the 1970s. Besides, while Nigeria's economic structure is heavily dependent on, and closely controlled by, primary exports, her former contemporaries now use manufacturing as their engine of growth and economic transformation. Also, in those countries, there is a clear complementarity between industrial growth and agricultural productivity, as against declining agricultural productivity in Nigeria.

In Nigeria, the combination of a right policy formulation with the wrong implementation strategy or wrong policy formulation with the wrong implementation instrument has

characterised the choice of economic development paths. Nigeria's economic management strategy has been operating at the polar extremes of government assuming 'the commanding heights of the economy' on the one hand, and a free market enterprise economic system on the other.

Arising from our conclusions, we proffer a number of policy suggestions. *Government should promote competition and improve its regulatory* functions in order to ensure effectiveness and efficiency in the private sector. In this respect, good leadership, and effective policing and judicial systems are absolutely vital. The institutionalisation of probity and accountability, through an effective penal and reward system, is also crucial for economic development.

In addition, there is need for a change in policy direction to ensure faster growth of the real sector, and especially the manufacturing sector, and the strengthening of the relationship between manufacturing and the priority sector. The vehicle for development must be seen essentially as manufacturing with the private sector firmly in the driver's seat. Promoting a private sector-propelled growth and development implies allowing effective competition. This should be done through effective economic deregulation and the abrogation of all monopoly laws. As it is in Nigeria, privatisation without effective economic deregulation will only create a private monopoly – a development that will be more vicious than public monopoly. The oversight regulatory functions of government and the creation of an enabling environment, such as the provision of reliable electricity, adequate water supply, a good road network and the institutionalisation of respectable policing and judicial systems, among others, are crucial for the private sector to thrive.

Heavy reliance on petroleum export has created some serious distortions in the system. This, therefore, calls for the effective diversification of the economy through promotion of non-oil exports such as processed agricultural products and manufactured goods. It also calls for a greater development of

the petro-chemical industry. There is need to design a framework for effective and strategic participation in the World Trade Organisation agreements with a view to maximising Nigeria's benefits with minimum risks. The promotion of small-scale industries as opposed to heavy capital-intensive industries, through appropriate credit, fiscal and export incentives, should be encouraged.

The current approach to economic management has also been acknowledged as a serious militating factor against economic development. While it has been established that both the market and government have failed, an optimal combination of both systems becomes imperative. Though the market is very effective in achieving efficiency, the efficacy of government in promoting equity and fairness must be underscored. *In order to achieve equity, and effectiveness, therefore, respective areas of specialisation of the two systems should be recognised. In the spirit of specialisation, government should only intervene if it has been established that such intervention is, indeed, the most effective solution to market failure.* In addition, such intervention must be so designed that its benefits outweigh its costs. In some cases, private provision of public responsibility should be encouraged through public-private partnership. For this to be effective, considerable decentralisation among different tiers of government and ministries or agencies will be crucial. In line with the principle of decentralisation, the adoption of uniform policies in a heterogeneous society like Nigeria's should be discontinued. Policies should be made to reflect the heterogeneous environment and needs of society.

We conclude this paper with reference to a path-breaking work, *On Developing and Development* (Akin L. Mabogunje, 1977). Normally, this should have been the starting point of this paper. On this occasion, however, it has been made a reference work, not a work for review.

characterised the choice of economic development paths. Nigeria's economic management strategy has been operating at the polar extremes of government assuming 'the commanding heights of the economy' on the one hand, and a free market enterprise economic system on the other.

Arising from our conclusions, we proffer a number of policy suggestions. *Government should promote competition and improve its regulatory* functions in order to ensure effectiveness and efficiency in the private sector. In this respect, good leadership, and effective policing and judicial systems are absolutely vital. The institutionalisation of probity and accountability, through an effective penal and reward system, is also crucial for economic development.

In addition, there is need for a change in policy direction to ensure faster growth of the real sector, and especially the manufacturing sector, and the strengthening of the relationship between manufacturing and the priority sector. The vehicle for development must be seen essentially as manufacturing with the private sector firmly in the driver's seat. Promoting a private sector-propelled growth and development implies allowing effective competition. This should be done through effective economic deregulation and the abrogation of all monopoly laws. As it is in Nigeria, privatisation without effective economic deregulation will only create a private monopoly – a development that will be more vicious than public monopoly. The oversight regulatory functions of government and the creation of an enabling environment, such as the provision of reliable electricity, adequate water supply, a good road network and the institutionalisation of respectable policing and judicial systems, among others, are crucial for the private sector to thrive.

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The observations raised by Mabogunje remain valid and many of the questions/issues are yet to be addressed. Thus, the development policies in Nigeria are still to benefit significantly from the entire work and especially its recommendations. Had some of such recommendations been used, Nigeria would have followed a totally different development path and would have contained more of success stories and less of the disappointing performance of a 'wealthy' country. In the face of abundant resources and impressive advancement in economics, the performance of the Nigerian economy remains, at best, most frustrating.

The lecture series leading to Mabogunje's book were inspired by the admission of the ministers of the United Nations Economic Commission for Africa that 'it has become increasingly clear that some of the models [of development planning which African countries have] adopted were either over-elaborate or otherwise unsuitable' (ECA, 1971). The ministers further noted that the development of science and technology in the developed world had limited relevance to the problems facing African countries, and in particular problems bearing upon the socio-economic transformation of Africa.

It should be stated also that the lecture series were equally inspired by Mabogunje's concern for 'how it is that in the midst of financial plenty most of our people live in dire needs, how it is that the tremendous growth in our national income and gross national product does not appear to be reflected in improved standards and quality of life for the vast majority of our populace.' This was considered a pressing issue in 1977. Today, at the beginning of the 21st century, the issue is even more pressing, but as shown in this paper, it is no longer in the face of 'tremendous growth in national income' which has experienced negative growth at some periods and relative decline (compared with South East Asian countries) ever since!

The lecture series started with 'Finding Our Way, Our Own Way.' Development was defined in the first lecture as 'essentially a human issue, concerned with mobilising

communities and a whole society to engage in the task of self-improvement with the resources available to it.' The lecture, which serves as introduction to the other two, had as its basic premise, the need to 're-examine our present strategies of development to determine how they are suitable, adequate and appropriate for the task of developing our society.'

'Rescuing the Farmer' was the title of the second lecture which treated development beyond raising the level of agricultural productivity. It advocated 'a spatial re-organisation of the rural areas of this country on the basis of new, re-formulated rules, regulations and value systems that are more in accord with the goals and quality of life in a modern society and that can guarantee a true and permanent escape of the rural majority from the shackles of poverty, ignorance and disease.'

The concluding lecture entitled 'Rehabilitating the Blacksmith' was, according to the author, the most obscure of the three and not meant to keep hammering at the past. It was intended, 'to re-assert the primary importance for national development of striving and planning for real technological transfer rather than engaging in mere acquisition or collection of complex industrial machinery.'

The lecture series were delivered when Prof Mabogunje was still under 50! The author's young age notwithstanding, the lectures were received with a thunderous, standing ovation. Today at 70, we wish you a happy birthday and pray that we will all be alive when you are 100 and that by that time the essence of your prescriptions for Nigeria's development would have been implemented. Nigeria then would have really taken off and flown, not by *grafting* feathers into her body but by *growing* them, i.e., by doing her own thing, her own way and achieving the desirable results.

Many Happy Returns.

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