



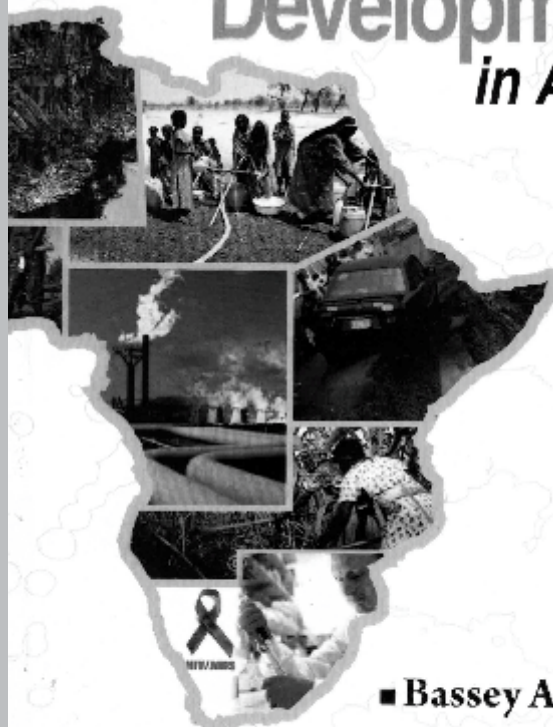
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AFRICAN DEVELOPMENT CHARTER SERIES

Rethinking **Sustainable Development** *in Africa*



■ Bassey Anam

AFRICAN DEVELOPMENT CHARTER SERIES 2

Infrastructure, Economic Development and Poverty Reduction in Africa

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THE NIGERIAN ECONOMY:
STRUCTURE, GROWTH, DIVERSIFICATION & SUSTAINABILITY

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DEDICATION

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for providing a platform and supporting
Institutional and Collaborative Research on
Sustainable Development.



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acknowledged for supporting the agenda
towards achieving sustainable development
in developing economies of the World,
especially in Africa.



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The Nigerian Economy: Structure, Growth, Diversification & Sustainability

Bassey Anam

Research Coordinator

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Nigeria with a population of 170 million people is the largest country in Africa and accounts for 47% of the population of West Africa. The country is made up of about 200 ethnic groups and over 500 indigenous languages. However the fragmentation of the Nigerian political, geographical and cultural landscape has been effectively balanced by the country's federal structure and the strong emphasis of the federal government on the use of six geopolitical zones to balance the ethnic and cultural identities.

Nigeria is a middle income, mixed economy and emerging market, with expanding financial, service, communications technology and entertainment sectors. It is the biggest oil exporter in Africa, with the largest gas reserve in the continent. It is ranked 26th in the world in terms of GDP (nominal: 30th in 2013 before rebasing, 40th in 2005, 52nd in 2000), and is the largest economy in Africa (based on rebased figures announced in April 2014). It is also on track to become one of the 20 largest economies in the world by 2020.

Nigeria is a re-emergent economy with a manufacturing sector that is the third-largest on the continent, and produces a large proportion of goods and services for the West African region. In Agriculture, the country is ranked 6th worldwide and first in Africa in terms of farm output; with regards to industrial production the country is ranked 44th in the world

and third in Africa in terms of factory output. Nigeria ranked 63rd globally in terms of services and fifth in the continent with low power generation crippling the growth of the sector. Nigeria recently changed its economic analysis to account for rapidly growing contributors to its GDP, such as telecommunications, banking, and its film industry. As a result of this statistical revision, Nigeria has added 89% to its GDP, making it the largest African economy.

The aforementioned economic indicators as well as the country's huge human and natural resources positions the country to build a prosperous economy that will be able to significantly reduce poverty, provide affordable and qualitative health care and educational system and provide infrastructural services to meet the needs of its vast populist.

Notwithstanding, the challenges confronting the Nigerian economy in the 21st Century are diverse and enormous. The unacceptable state of Nigeria's economy is most galling given Nigeria's enormous endowments of natural and human resources. This is more so given the fact that Asian countries, such as Singapore and Malaysia, with similar colonial heritage and attributes attendant thereto, and similar natural resource endowments, have recorded significant successes in the development of their economies since 1965 when they were at par or even behind Nigeria.

The major causes of the decline in Nigeria's economic fortunes have been political instability and bad governance, most especially in the 1990s. Military rule in Nigeria, as has been the case in most other countries with prolonged military rule, led to economic and social stagnation and decline. Similarly, the advent of an elected government at the dawn of the 21st Century after almost three decades of military rule should afford Nigeria the opportunity to arrest the decline in her socio-economic development and embark on economic revival.

The agricultural sector that could have made the country leading producers of food has over time been neglected. Instead of being one of

the food baskets of the world, but for obvious reasons, Nigeria has become one of the largest importers of food stuff. The health sector, especially the pharmaceuticals have taken its toll on our foreign exchange as we import pharmaceuticals to the tune of 1.3 trillion naira. There is dirge infrastructure in the country and these affects almost all the sectors of the economy. educational sector.

Addressing security issues remains a key challenge. Insurgency in the north-east and other parts of the country has negative implications for investment; it also may hamper the fight against poverty as well as increase crime. An increased number of both internally displaced persons and refugees in neighbouring Cameroon and Niger have created a grave humanitarian situation. However, the current regional coalition force against Boko Haram appears to be making headway in subduing the insurgency.

Overcoming geographical and socio-economic barriers is central to achieving inclusive growth and sustainable development. Addressing rural-urban differences to ensure more balanced development through job creation and societal transformation will be critical for Nigeria's future. This will need to be done within all the six geopolitical zones, in addition to addressing inequalities across these zones. Though there has been several policy initiatives aimed at territorial development in Nigeria, limited success has been achieved in addressing the fundamental causes of unevenness. The problem often lies with a structure of governance that gives room for developmental policy implementation at the federal, state and local levels of governance but not at the regional level.

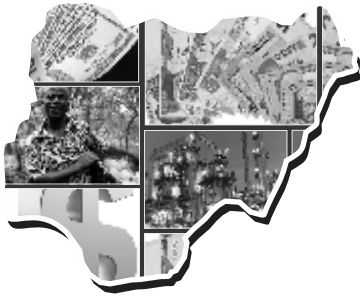
The 4th in the series of the African Development Charter, “The Nigerian Economy: Structure, Growth, Diversification & Sustainability” is an extensive and inclusive attempt to examine the historical and structural pattern of the nation's economic system and growth level. It explores migration patterns of the people of Nigeria, land reforms and its impact on the nation's economy, rural urban divide, rural infrastructure and poverty. It evaluates the performance of major economic sectors and

emerging challenges. On the path towards sustainability, the following key economic drivers are examined; industrialization, solid minerals, agriculture and food security which also guarantees gainful employment, developing tourism potentials and deregulation of the petroleum sector and small scale business are significant for sustained national development.

The African Development Charter Series (ADCS) is not just a research document, but a strategic and well coordinated policy framework, featuring broad-based and integrated strategies towards transforming the social and economic landscape of developing economies of the World and Africa in particular. It does not claim to capture the complexity of development issues in Africa but provides useful insights and new directions based on the expertise of respective authors that shed light on the challenges within, newly emerging development concepts, and opportunities that arise for sustainability.



eXperts' Contributions



The Nigerian Economy: Where we came from...

The Defects of Post Colonial Legacy & Economic Mismanagement

Encyclopedia of the Nation

As of 2001, the most conspicuous fact about Nigeria's economy is that the corruption and mismanagement of its post-colonial governments has prevented the channeling of the country's abundant natural and human resources—especially its wealth in crude oil—into lasting improvements in infrastructure and the construction of a sound base for self-sustaining economic development. Thus, despite its abundant resources, Nigeria is poorer today than it was at independence in 1960. Still one of the less developed and poorer countries of the world, it has the potential to become a major economic power if the leaders resolve to learn from past mistakes and to harness the country's rich natural and human resources for a productive and sustained effort to promote economic development.

Before the country was colonized by Britain, during the second half of the 19th century, the various nationality groups that currently make up Nigeria were largely an agricultural people. They were food self-sufficient and produced a variety of commodities that were exported overseas. British colonial administrators amalgamated (joined together) the nationality groups in 1914 into a larger economy for exploitation for the benefit of British industrial classes. Under colonial rule, Nigeria remained an agricultural country, exporting raw materials to Britain and importing from it finished goods. Therein lay the origins of the dependence of Nigerian economy on commodity markets of the industrialized Western world for its foreign exchange. While the industrialization of the country was discouraged, rudimentary

foundations for a modern Nigerian economy, however, were laid. Colonial economic policies shaped future independent Nigeria's economy, particularly in marketing, labor supply, and investment. The process of colonial rule and formal economic exploitation ended in 1960 but left Nigeria a relatively strong but undiversified economy. Thereafter, Nigerians were poised to remedy this defect and to build a self-sustaining Nigerian economy comprising agricultural, industrial, and service sectors.

From independence in 1960, the state took up the direction and planning of economic growth and development. Education was progressively expanded at all levels to reduce the rate of illiteracy and to provide the requisite skills and labor force for development. Infrastructure of roads and communication networks were constructed far beyond what was inherited from colonial rule. Hydroelectric dams were built to generate electricity. Secondary industries and automobile assembly plants were established to create more employment opportunities. Because of the paucity (small number) of indigenous (native or local) private capital, these activities were undertaken and financed by the government, often with foreign assistance from such countries as Britain and the United States. Foreign oil companies, such as Shell-BP, Exxon-Mobil, Chevron, Agip, and Texaco, operate in partnership with the government in the oil sector, the mainstay of Nigeria's economy. The capital-intensive oil sector provides 95 percent of Nigeria's foreign exchange earnings and about 65 percent of its budgetary revenues.

Because the established, government-owned industries and businesses were often inefficient and corrupt, productivity was low at best. In particular, mismanagement and corruption were endemic (characteristic of) in the successive governments and throughout the nation. However, the gravest problem was caused by the government's decision to stress the industrial sector above all others. Caught in a web of competing demands for scarce resources, the officials took the path of rapid, large-scale industrialization at the expense of the agricultural sector, as well as light manufacturing. They directed the bulk of

investment capital towards the promotion of what Western advisers captioned "industrial take off." This decision to abandon the known—agriculture—for the unknown—rapid large-scale industrialization—was a fundamental error. The capital and the skill needed for rapid, large-scale industrialization were not sufficiently available. Thus, an unskilled workforce and insufficient funds severely handicapped the industrial sector.

Also, Nigeria's neglect of the agricultural sector aggravated already problematic food shortages. Nigeria had raised enough food to meet domestic needs during its colonial period and in the decade following independence. However, it experienced food shortages in the 1970s and 1980s, which necessitated the importation of food from foreign countries. Among the imports were palm oil (from Malaysia), of which Nigeria had been the world's largest producer and exporter, and rice (from the United States) which was considered less nutritious than Nigerian brown rice. Once Africa's largest poultry producer, Nigeria lost that status because of inefficient corn production and a ban on the importation of corn. Furthermore, it is no longer a major exporter of cocoa, peanuts, and rubber.

Several forces compounded the problems of the agricultural sector. The migration of labor from the rural areas to the urban centers reduced the traditional agricultural labor force. Ecological constraints such as poor soil, erosion, drought, and the absence of agricultural research added to the problems. Other constraints on agricultural production include the use of antiquated technology due to a lack of capital, the low status given to agriculture in the education of the youth, inefficient marketing, an inadequate transportation infrastructure, lack of refrigeration, trade restrictions, under-investment due to unavailability of credit, low prices, and unstable pricing policies which resulted in farmers literally subsidizing urban dwellers and other sectors of the economy. In addition to these handicaps, import constraints limit the availability of many agricultural and food-processing plants. In general, land tenure discourages long-term investment in technology and modern production techniques.

The problem of food shortages and imports was addressed in the late 1970s and early 1980s. In the late 1970s the military government of Olusegun Obasanjo embarked upon "Operation Feed the Nation." His civilian successor, President Shehu Shagari, continued the program as the "Green Revolution." Both programs encouraged Nigerians to grow more food, and urged unemployed urban dwellers to return to the rural areas to grow food crops. The government provided farmers with fertilizers and loans from the World Bank. The food situation has stabilized, although Nigeria still imports food. A related problem which has not been completely resolved is the pollution of water in the Delta region and Ogoniland by oil companies. Water pollution disrupts farming efforts and has been a source of friction between farmers on one side and the national government and the oil companies on the other.

The oil boom which Nigeria experienced in the 1970s helped the nation to recover rapidly from its civil war and at the same time gave great impetus to the government's program of rapid industrialization. Many manufacturing industries sprang up and the economy experienced a rapid growth of about 8 percent per year that made Nigeria, by 1980, the largest economy in Africa. The growth, however, was not sustained. The new oil wealth did little to reverse widespread poverty and the collapse of even basic infrastructure and social services. The iron and steel industry, started with the help of the Soviet Union, still has not achieved a satisfactory level of production. The oil boom also provoked a shortage of labor in the agricultural sector as members of the rural workforce migrated to jobs in the urban construction boom and a growing informal sector. When the price of crude oil fell and corruption and mismanagement still prevailed at all levels, the economy became severely depressed. The urban unemployment rate rose to 28 percent in 1992, and crime also increased as 31.4 percent of the population lived below the poverty line.

Nigeria's debts mounted as administrators engaged in external borrowing and subsidized food and rice imports and gasoline prices. In the 1980s, economic realities forced Ibrahim Babangida's military regime to negotiate a loan with the World Bank and to reschedule

Nigeria's external debts. His regime undertook an economic structural adjustment program (ESAP) to reduce Nigeria's dependence on oil and to create a basis for sustainable non-inflationary growth. However, external borrowing to shore up the economy created more problems than it alleviated. Much of the borrowed money never reached Nigeria. The portion that reached the country often went towards abandoned or nonperforming public sector projects. External loans escalated Nigeria's debts to US\$30 billion during the Babangida regime and consumed external earnings in debt servicing. Similarly, the ESAP prescribed by the International Monetary Fund (IMF) failed to advance the economy, and aggravated the problems of inflation and unemployment. It caused a reduction of state spending on education and health care.

Continuing political instability due to Babangida's annulment of the presidential election results in June 1993 and the subsequent authoritarian rule of Sani Abacha (1993 to 1998) made the general economic situation worse. The gross corruption by the Abacha regime and its violations of people's fundamental rights turned Nigeria into an international pariah for 6 years, and thus discouraged foreign investment in the economy. Many industries and manufacturing companies could not obtain raw materials and closed down. Others operated under severe handicaps, including rampant power outages and refined petroleum scarcity. Not enough had been done in the years of plenty to diversify the economy or to sustain the development. Military coups (military overthrow of civilian governments) and political instability worsened the situation.

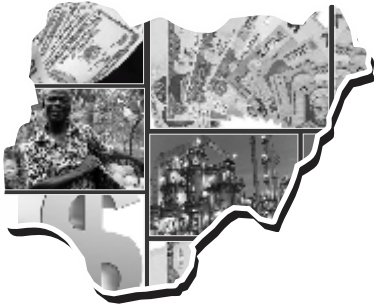
There was considerable optimism in May 1999 when Olusegun Obasanjo became Nigeria's civilian president. Many hoped that he would lift Nigeria from the verge of economic bankruptcy. One of Obasanjo's objectives to that purpose was to secure debt relief from Nigeria's foreign creditors. However, these creditors insisted that Nigeria's wealth of untapped resources provided the means for the country to pay off its debts, and refused to cancel its debts of US\$30 billion.

In spite of some opposition, Obasanjo embarked upon a program of privatizing some parastatals in order to reduce corruption, promote

efficiency, and raise productivity. He introduced an anti-corruption bill which passed through the legislature, and recovered some of the revenues that had been stolen from the country and deposited in Western banks. The inflation rate, which was estimated at 12.5 percent at the start of his administration, was estimated at 6.6 percent in 2000. Significant exports of liquified natural gas started in 1999, and increased crude oil prices in 2000 provided his administration with additional revenues. So far, however, he has been unable to bring about economic recovery. Industrial capacity utilization appears to have diminished.

Worse still, infrastructural facilities, including the National Electric Power Authority (NEPA), continue to be in a state of disrepair. Expected massive inflow of foreign investment, on which the government had hinged its economic revival program, failed to materialize. This is in part because of the high cost of doing business in Nigeria and a lack of transparency in economic decision-making in the country. In addition to these realities, the unemployment situation in the country remains unchanged months after the restoration of civilian government. In fact, it has worsened among university graduates and ranged from 30 to 40 percent in 2000. Political uncertainties due to ethnic and religious conflicts between Muslims and Christians, and constant feuding between the president and the legislators aggravate the economic climate. Widespread armed robbery and a crime syndicate known locally as 419 prey on foreign nationals, further hindering foreign investment and tourism.

The country's economy needs the collective efforts of the president and the National Assembly as well as more definite measures to address its ills in order to foster its recovery and growth. Currently, funds available to the government are insufficient to meet the needs of all sectors of the economy at once. External investors can contribute through long-term investment and joint ventures in Nigeria's large national market. Crude oil, the price of which rose sharply recently, remains a very considerable asset. Properly managed, it could provide a solid platform for more sustained Nigerian development and prosperity in the 21st century and beyond.



The Nigerian Economy: Where we are...

State of Macroeconomic Stability

World Bank Economic Report on Nigeria

Nigeria's short-term economic outlook has improved in 2014 and prospects for continued growth and macroeconomic stability are good in light of increased revenues to the federation, stable foreign reserves and an augmented fiscal reserve fund, according to a new World Bank report. The Nigeria Economic Report (NER) also highlights two remaining risks to the country's positive economic outlook; uncertainty in oil prices and output, and short-term capital flows.

The report offers a reassessment of poverty and living standards in Nigeria on the basis of newly available data (GHS), concluding that poverty rates may actually be significantly lower than previously estimated. However, there is a strong and growing divide between the Southern and Northern parts of the country in poverty levels.

Using newly-available data on growth, poverty, and living standards, the report gives a clearer picture of general development trends in the country, according to report author John Litwack, World Bank lead economist for Nigeria. "The combination of the new GDP and poverty estimates is valuable in giving us what we believe to be a clearer picture of development and poverty reduction in Nigeria," Litwack said. "Both sets of numbers indicate the prime importance of urban areas for growth and poverty reduction." Additional key findings of the report include:

i. Short Term Economic Outlook: Nigeria faced a challenging macroeconomic and budgetary situation in 2013 and early 2014. Oil output decreased, leading to unexpected declines in exports and budgetary revenues. Despite a low benchmark (expected) oil price, oil revenues to the Federation in 2013 were 24.4% lower than expected. The country lost more than \$10 billion in external reserves and almost exhausted its fiscal reserve fund (Excess Crude Account). The federal and state governments were compelled to cut expenditures in light of revenue shortfalls. The Naira came under considerable pressure by early 2014.

Macroeconomic trends were considerably more favorable in the second quarter of 2014. Oil revenues to the Federation have increased notably, budgetary revenues to the Federation in the first five months of the year were considerably higher than planned, the Excess Crude Account has received augmentation, and the foreign reserve position has stabilized. The government's resolve to maintain prudent macroeconomic policy was an important factor in this stabilization.

The NER projects a generally optimistic short-term macroeconomic outlook, with the pace of economic growth accelerating and a likely continuation of the recent positive trends. Nevertheless, two important potentially important destabilizing macroeconomic risks remain; a negative shock to oil prices or oil output, and volatility in short-term capital flows.

ii. A re-assessment of poverty and growth in Nigeria: Macroeconomic data on growth, poverty and living standards during the last decade have been rather puzzling, Litwack said. On the one hand, the country appeared to be experiencing strong economic growth averaging 7% annually, which was particularly concentrated in the pro-poor areas of agriculture and trade. On the other hand, the national per capita poverty rate remained very high at more than 60% of the population with little evidence of recent progress in poverty reduction. The recent re-basing of the national accounts, which increased estimated GDP to \$509 billion, making Nigeria the 26th largest economy

in the world, brought further attention to this puzzle. How could a country of the size and wealth of Nigeria have poverty rates much higher than in surrounding countries like Niger and Benin Republic?

The NER examines new data that would appear to clarify the murky picture of economic development in Nigeria:

a. The new (re-based) gross domestic product (GDP) numbers for 2010-2013 offer a very different picture from previous numbers. The pace of annual GDP growth is somewhat slower, averaging 5% during this period.

b. The Nigerian economy is revealed to be far more diversified and dynamic than previous numbers would suggest, with significant contributions to growth coming from manufacturing and various services that were underestimated in the past. The nature of this growth implies that it is much more concentrated in urban areas than previously believed. Average growth in agriculture was only 4.2% during 2011-2013, and is estimated to have fallen under to under 3% in each of 2011 and 2013. Thus, growth in agriculture in many rural areas in Nigeria would appear to be not much greater than population growth, which is estimated at close to 3% for the nation.

The NER then provides an updated analysis of poverty and living standards in Nigeria based on a panel survey of 5,000 households that was carried out in 2010/2011 and 2012/2013 as part of the General Household Survey of the Nigeria National Bureau of Statistics. The results are generally consistent with the newly re-based GDP numbers.

c. The panel survey gives evidence that the per capital poverty rate (Nigerian definition based on less than 3000 calorie-a-day consumption) is significantly lower than had been previously estimated. From this survey, it is estimated that 33.1% of the population lived below the poverty line in 2012/2013.

d. Poverty is much lower in urban areas (12.6%) than in rural areas (44.9%), and the urban poverty reduction dynamic is much stronger.

The NER also documents major differences in poverty and living standards by macro-region in Nigeria. While the South of Nigeria has relatively low poverty rates, ranging from 16% in the South West to 28.8% in the South East, poverty rates in the North West and North East are 45.9% and 50.2%, respectively. While the South of Nigeria (especially the South West) has experienced a strong positive dynamic in poverty reduction in recent years, the poverty rate in the North West has remained stagnant, while poverty has actually increased in the North East. Thus, disparities between the North (North West, North East) and South of Nigeria in poverty and living standards have increased. This is no doubt related to the recent security challenges in the Northern part of Nigeria. Explanatory factors for the high differences in living standards by geographical region are likely related to differences in the provision of public services and the degree of connectedness to larger markets.



The Nigerian Economy: Where we should be going...

Driving Nigeria's economy to G10 status

Tilewa Adebajo

Investment Banker & Economist

CEO of the CFG Advisory, Nigeria

Nigeria's economy has all it takes to rank amongst the world's top 10 economies. Driving the polity effectively towards that goal is the urgent task of the country's present political and economic managers. Nigeria's 2015 general elections have been won and lost. The nationwide focus on politics for almost a year has however been detrimental to the economy and the financial markets. Despite being poised for fast growth, Africa's largest economy is currently crawling on all fours.

Key economic and financial indicators are down year-on-year and year-to-date. Ditto for corporate earnings. The most significant being a 1.5% loss in GDP growth and speculative devaluation and volatility of the national currency, the Naira, which has lost at least 20% value against most benchmark currencies.

The year-end outlook is also not bright. Most investors and corporate players are coasting and seem to have accepted 2015 as a lost year from a productivity standpoint. Politics in Nigeria as clearly proven by recent events is driven by political cum personal interests. This is always at variance with the national economic interests. The cumulative cost of perceived political instability records low crude oil prices and dipping confidence in economic and financial markets is estimated to be anywhere between US\$25-30bn. Who is counting?

Certainly not the political class. They have not come to terms with the fact that a new budget cycle has commenced, and it's clear that the only tangible approach the new government can take, is to start the process of amending the existing budget and delivering a brand new 2016 budget that reflects contemporary economic realities.

After hinting that the Central Bank of Nigeria's currency controls were making Nigeria's bond market transactions too complex to meet its rules, JP Morgan, the United States-based lender, has now moved to expel Nigeria from its Emerging Market Bond Index (EMBI) by the end of September 2015, as a result of the illiquidity and lack of transparency in our foreign exchange market.

This exit will hurt Nigeria's financial and economic ratings, putting the nation's \$31bn external reserves under threat of further massive sell-offs of Nigerian assets by foreign portfolio investors. The cost of borrowing will increase; access to the international financial markets for both sovereign and corporates will also become limited. More importantly, this exit will stem the inflow of portfolio investments which peaked at US\$20.5Billion in 2013, that otherwise could help stabilize the Naira and balance of payments.

JP Morgan's EMBI with around \$210bn in assets under management is the most widely used and comprehensive emerging market sovereign debt benchmark. Nigeria was added in the index in 2012 when liquidity was improving, making it the second African country after South Africa to be included. To state the obvious, the lack of articulation on policy and economic direction by the new government is not helping matters and is unsettling the financial markets. Time is money. And in the fast emerging global fiscal order, lost time and opportunities may never really be regained.

The next challenge the Nigerian government faces is the validation and structured financing plan for the current fiscal deficit, estimated at ₦6.5Trillion. The government's actions on the fuel subsidy could significantly increase this figure. With the restructuring and swap of

state government commercial bank loans into Treasury Bonds, the new government has increased the domestic debt profile by ₦1Trillion overnight. Unfortunately state governments have not been compelled to execute conditional covenants, such as adhering to the tenants of the Fiscal Responsibility Act, which stipulates provisions for fiscal discipline. With a US\$49bn domestic debt and US\$10.8bn external debt overhang, Nigeria is now committing 23% of its fiscal revenues to servicing debt. With the levels of projected fiscal deficit, we might exceed the revenue-to-debt service best practice benchmark of 25% by year end. The alignment of fiscal and monetary policy which the economy befitted from over the last five years seems to have been lost over the last several months.

The apex financial institution and industry regulator, the CBN, seems to have lost its independence and the intellectual fecundity central banks are renowned for. With an outflow of new policy pronouncements almost every week, the Bank has struggled to articulate a well thought out strategy for managing the Naira. This misalignment of fiscal and monetary policy has started to impact the macroeconomic indicators as inflation creeps up into double digits. Unemployment also stands at a high 35%.

The effects of quantitative easing are manifesting on the Naira exchange rates as interest rates remain artificially high at 25%. This, despite the excess supply of the currency in circulation with M2 at ₦19Trillion, 25% or ₦4.75Trillion denominated in US dollars deposit. Our commercial banks have also exacerbated the situation: about 50% of their loan books are denominated in US dollars. These artificially high rates, and the distortion it causes are not sustainable in the long run. Western nations over the last eight years have maintained rates at below 1% clearly aimed to spur economic recovery.

Nigeria's financial intermediation rates at 25% cannot support productive investment and development; it will also stunt economic growth. Major reforms are therefore required in the banking system to support single digit rates. Banks also have to better deploy technology to

reduce and manage costs. Their productivity and efficiency levels will consequently improve leading to a more competitive financial services sector.

Beyond the macro economy, we need to do a critical reappraisal of our trade and investment policies, we need to ensure they are properly integrated into the global value added system. The domestic gains and success we have had in the cement sector with import substitution and backward integration has primarily been driven by an individual and unfortunately not yet replicated nor institutionalized in other critical sectors such as agriculture, another potential engine room of Africa's political economy considering its huge social development and value chain effect. Drastic attention also needs to be paid to Customs and Excise reform and management to ensure proper implementation of Trade Policy, Industrial Development and Investment. The corruption menace of duty waivers, duty evasion, smuggling and weak import documentation also continues to affect the Naira, clearly disrupting and discouraging industrial development, investment and expansion. Nigeria has been defined as a corrupt country with weak institutions, poor governance, and a compromised judiciary with consistently low scores in the ease of doing business and competitiveness rankings. Despite or in spite of all these quirks, the Nigerian economy with a GDP of US\$535Billion is the largest in Africa with a global G20 ranking. Until recent times, the Nigerian economy sustained a 7% annual growth rate, ranking it amongst the top three fastest growing economies globally.

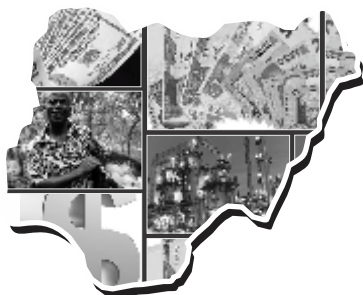
Our substandard physical and social infrastructure needs to be upgraded; we need to make Power, Healthcare and Education sectors key focus priorities. Addressing the infrastructure deficit, corruption, good governance and the rule of law will no doubt propel Nigeria to realize its potential and capacity as a G10 economy. Indeed, despite the absence of a cabinet, the euphoria the new government has generated, including its ongoing efforts to clean up the Augean stable is highly commendable. Restoring sanity into the polity was never going to be an easy undertaking.

President Buhari's recent working visit to Washington DC, USA left a good impression in the minds of our international business and diplomatic allies. They remain convinced that the president is on the altruistic path. His top level meetings, appearances and the opinion pieces in the critical and pro-Western US media were obviously left a good impression. This was an African leader who seemed genuinely sincere and genuinely concerned about Nigeria's place in the global economy.

Going forward, the President and his ministerial team (even before he finally unveils them) must constantly balance the dual priorities of institutionalizing probity and economic management. Curbing high level graft must be accorded equal weighting as curbing hyper-inflation. The Nigerian environment despite all its shortcomings and shenanigans is clearly a potential G10 economy. A recent Economist article highlights the “opportunity that knocks” with the new government in place, having endorsed President Buhari before the election. A 2013 article in the same publication cautions that Nigeria, “Africa's giant is waking up but still looks unsteady on its feet like a heavy weight boxer who has gone too many rounds.” The same publication has in the past enquired if “anyone has seen a giant” and warns further that the awaking giant eventually might fall flat on its face.

The Nigerian economy is a purposeful and powerful contraption akin to a Formula One racing machine. Unfortunately, the economy has in the past, been driven by a leadership and a political elite class behaving very much like a “Danfo Driver” in the driving seats of a Formula One racing machine. In the final analysis, the Nigerian President needs to demonstrate policy leadership and must not be shy on the issues of the economy. To achieve G10 targets, we need the right drivers with strong leadership thinking and backing. The President invariably has been elected on a change platform. However, events in the legislative arm of governance give serious cause for concern. There are critical laws that need to be unbundled and a lot more bills that needs passage to move our economy forward. A pandemic scenario where division, derision and political acrimony continuously stem passage of critical bills is detrimental to economic progress.

It is fitting, at a time like this, for one to seek counsel from the indefatigable Machiavelli whose reflections on the subject of change, captured in his classic tome, “The Prince” speak to the Nigerian situation: “And let it be noted that there is no more delicate matter to take in hand, nor more dangerous to conduct, nor more doubtful in its success, than to set up as a leader in the introduction of changes. For he who innovates will have for his enemies all those who are well off under the existing order of things, and only the lukewarm supporters in those who might be better off under the new. This lukewarm temper arises partly from the fear of adversaries who have the laws on their side and partly from the incredulity of mankind, who will never admit the merit of anything new, until they have seen it proved by the event”.



The Nigerian Economy: What are the challenges...

The Challenge of Diversifying Nigeria's Economy

Professor Akpan Ekpo

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Management (WAIFEM), Lagos.

The Nigerian economy is an export and import-dependent economy that is at the periphery of the global capitalist system. The British colonialists, not desiring to settle 'permanently' in Nigeria, were, however, interested in exploiting the existing resources, providing the infrastructure for evacuating the resources like railways and training quality civil servants to facilitate the process and ensure continuity of the economic relationship after departure. The Nigerians who took over after independence continued along the British path except that they were now indigenes.

The struggle for independence did not emphasize the importance of economic independence by the major political groups that were fighting for independence. A few similar but less powerful groups like the Nigerian Youth Movement and the Socialist Movement at the time argued unsuccessfully for a change of the economic system. The winning social voices at independence, instead, succeeded in making Nigeria a neo-colonial state and attempted to build state capitalism before it was truncated by the various military regimes.

Before, during and about ten years after independence, Nigeria depended on revenues from agriculture to run government and finance economic development. At the regional level, for example, proceeds from cocoa financed the modernisation of the then Western Region, including the building and funding of the University of Ife (now Obafemi Awolowo University). The groundnut pyramids and cotton generated

enough revenue to finance the development in the North as well as the establishment of Ahmadu Bello University. In the East, revenue from palm produce and coal lubricated the wheels of development, including the setting up of the University of Nigeria, Nsukka.

The agricultural export boom was, as much as possible, judiciously utilised to finance development. The regions were relatively autonomous in economic matters. There appeared to be healthy regional competition and cooperation in socio-economic matters. However, the economy was not diversified. It was dependent on agriculture to earn foreign exchange and revenue to finance development. However, it was a different kind of dependency in the sense that agriculture is not a wasting resource. It is renewable. During the era of reliance on agricultural exports, fluctuations in global prices of such commodities affected the earnings of government though the policy-makers of the time guaranteed the profits of farmers and could control the volume of exports.

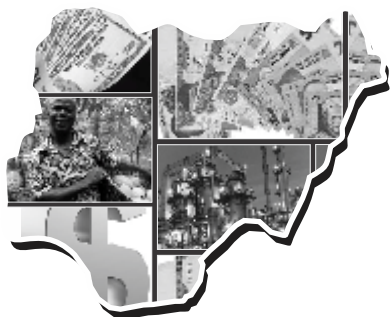
Nonetheless, the early leaders of the country attempted to diversify the economy by using agriculture. Policies and strategies were put in place to encourage the establishment of agri-based industries. The outcomes were not encouraging and the export-led industrialisation policy ended up in disarray. The pioneer industries scheme of the 1960s attracted foreign companies interested more in assembly and bottling plants. The country became and remains a packaging and bottling industry economy till this day. The Machine Tools Industry in Osogbo, the Ajaokuta Steel Mill in Kogi State, Paper Industry in Akwa Ibom State, (The Nigerian Newsprint Manufacturing Company Limited, Oku-Iboku, now OKIPP Limited) etc, were all set up to drive the industrialisation process in Nigeria and thus diversify the economy away from commodity export dependency. These laudable projects were not supported by a national strategy for long-run sustainability. Today, they remain failed reminders of how not to plan an economy. In addition, the promoters of these projects were interested more in primitive accumulation than in our national interest.

The ascendancy of petroleum in the mid-1960s as a major foreign exchange and revenue earner for the economy further dampened the agitation to diversify the economy. Oil provides almost 85 per cent of foreign exchange for the economy. Oil exports also represent almost 90 per cent of total exports. With the growth of the oil sector, agriculture was abandoned. What economists call the 'Dutch disease' syndrome characterised the Nigerian economy. The revenue from oil was used to import all kinds of goods and services. There was no plan to even diversify the oil sector and link it to the chemical and pharmaceutical industries. This scenario has not changed. Sadly, oil is a wasting asset and will be exhausted at some point. Worse still, the economy has no control over the price and output of oil. Hence, the revenue from oil is exogenous and the reliance on it is dangerous for the economy.

The windfall from oil should have been used to develop the economy through investment in human capital, infrastructure, particularly power, among others. What is exported is crude petroleum. The foreign exchange earned from oil is used in funding the importation of refined petroleum products, food especially rice, toothpicks, private jets and all kinds of conspicuous consumption. This is definitely not the way to build domestic state capitalism. However, the importers of these products are primitive accumulators exploiting the revenue of the people. If this trend continues, the diversification of the Nigerian economy would remain an illusion.

The current sharp decline in oil prices provides another opportunity to revisit the need to diversify the economy. The devaluation of the naira as a result of falling oil prices cannot be sustainable in the long run. Devaluation is supposed to make our goods cheaper, allowing the country to export and earn more revenue for government. But the major export for now is crude oil. Non-oil exports are not growing at a rate to earn revenue to fill the gap created by the falling oil prices. Therefore, in the short and medium term, the market would pass the high cost of procuring foreign exchange to consumers in the form of higher prices of goods and services. What is needed urgently is a committed think tank that would provide for government strategic options for diversifying the

oil sector itself as well as directing the dependence of the economy away from oil. The process must commence without delay before the economy enters a stage of stagflation (rising prices, rising unemployment and declining productivity).



The Nigerian Economy: Opportunities that exist...

Growth Outlook of Nigerian Services Sector

Roberts Orya

Managing Director /Chief Executive Officer,
Nigerian Export-Import Bank

The prospect of Nigeria becoming the leading economy in Africa is being realized. For two straight years (2011 and 2012) Nigeria led other African countries as the top destination for Foreign Direct Investment (FDI). Divestment of assets by the International Oil Companies (IOCs) resulted in Nigeria's slip to second position in 2013 – the year global FDI flows also took a tumble as a result of weak economic conditions around the world. Remarkably though, much of the sold assets by the IOCs were snapped up by Nigerian indigenous entities, as local participation in the country's oil and gas sector has increased. While this is cheery news, the truth is that Nigeria has made even more impressive progress with structural transformation of the economy. The non-oil sectors are now the key drivers of the country's GDP growth, which is expected to rise to 7.3 percent in 2014.

Until recently, South Africa had for years maintained the status of the top destination for foreign investment on the continent: it was the top FDI recipient country, as well as the gateway for foreign investments into other African countries. Also, Nigeria had usually trailed Egypt in attracting foreign direct investment. But now, the signs are clear; whereas opportunities in South Africa have been significantly tapped, Nigeria has only recently come under the radar of global investors because of its frontier opportunities in several sectors including power, infrastructure, agriculture, solid mineral, retailing and services. Egypt is embroiled in a problematic political transition, while Nigeria is strength-

ening in democratic governance. Besides, Nigeria's population of 170 million makes her the biggest market in the African region. This being the case, Nigeria looks set to be the lead destination of private investment in Africa for a long time.

Last year, investment opportunities in Nigeria were headlined by the power sector privatization programme, which has benefitted tremendously from strong political will of the Administration of President Goodluck Jonathan in pushing through one of the most important sectoral reforms in the country. Since 2011, reform of agriculture has gathered pace. The reform agenda was codified in the Agriculture Transformation Agenda, which places emphasis on value chain development.

Over a decade ago, sales of mobile licenses to local and foreign investors introduced wider scope in the structural transformation in the Nigerian economy. Private investment in telecommunication, after a transparent licensing round, saw rapid deployment of infrastructure in the sector. Modern mobile services rolled out quickly and dramatically increased access to mobile communication by all classes of Nigerians. Soon after this was the banking industry reform which has seen Nigerian banks rapidly transform from small entities to some of the biggest banks in Africa and the world. We also remember the sparkle of modernity in the aviation sector, where private sector management of a key infrastructure has taken place.

Today, this administration has brought infrastructure investment to the forefront of its commitment to improving the Nigerian business landscape. It is revamping and expanding road, rail and aviation infrastructure. Investment fund flows into these and other sectors in recent years have triggered a huge demand in the services sector. For instance, the banking sector has witnessed significant growth over the past decade as Nigeria opened up for investment. Unlike in the past, Nigerian banks are funding private sector investments in the power sector and other infrastructure projects. Until now, the capital and appetite for this was simply not there as the Nigerian economy was seem-

ingly helmed in. But there is burst of pent up demand, and thanks to much bigger capital, Nigerian banks are committing to the longer term lending needs.

Financial services sector growth itself has triggered demand for ICT services, particularly high-speed internet bandwidth and software. Policy support to unlock these sub sectors of the services industry are in place. They include clear regulatory framework which incentivizes private sector participation. Huge investments in fibre optic networks are linking the major cities to deliver high speed internet connection. Coverage of the entire country with modern telecommunication services are becoming a reality. As would have been known to interested parties, the entrepreneurial drive of Nigerians is part of the facilitation of investments in technology as with other services. Nigerian software services companies are doing well in meeting the demand arising from rapid growth in the financial services value chain involving (pension) fund custody and administration, asset management, fixed asset management, payment system, human resources management, etc.

Increase in foreign capital flow for investment in Nigeria, has meant increase in inbound international aviation traffic. The need for linkages to the tates has fueled rising demand in the domestic aviation industry. Since Nigerian businessmen are also leading the charge of investment in other African countries, Nigeria is steps closer to being the hub for regional air travel; not only in the West Coast, but predictably in Africa. This trend is also pushing up demand for road transportation to open up access to the vast land and mineral resources across the country.

The hospitality industry is a key beneficiary of the surging domestic and foreign investments. Data collected by W-Hospitality Group affirms Nigeria as the fastest-growing hotel industry in sub Saharan Africa. Demand for luxury hotel rooms in Nigeria's political capital, Abuja, and commercial hub, Lagos, is complemented by rising demand for lower cadre hotel facilities in secondary hotel markets including Port Harcourt, Ibadan, Enugu, Abeokuta and Kano, according to W-Hospitality Group.

In line with Nigeria's status as the biggest consumer market in Africa, and “Africa rising” being a recent phenomenon, it is very easy to distill investment opportunities in the services sector to key frontiers of education and healthcare: the two areas I intend to limit this discussion. Nigeria's demographic structure, which features large youth population, and government encouragement of private investment in education, create a huge opportunity. Indeed, private sector investment has complemented government resources in education across the tiers. But gaps still remain for high quality science, technology and vocational education as well as adequate number of such institutions to train and re-train the teeming Nigerian youth population. In the meantime, unmet demand has resulted in patronage of foreign institutions by Nigerians that can afford it. But this will scale down in the long run; the government is prioritizing local supply and is keen to mitigate capital outflow in paying expensive school fees in foreign institutions.

Today, one of the areas of smart investment would be educational institutions and related facilities in Nigeria. We have the population to support sustainable enrollment. We have proven affordability. We also have growing industries to absorb graduates from the institutions.



The Nigerian Economy: More Opportunities...

Non-oil Sector Drives Nigeria's GDP Growth

Obinna Chima

The non-oil sector of the Nigerian economy was the main driver of the country's real Gross Domestic Product (GDP) growth in 2013, a report has indicated. According to the report, ongoing reforms in the key sectors of the economy also aided output of the non-oil sector. FSDH Merchant Bank Limited stated this in its economic and financial outlook titled: "Time to Rebalance".

The National Bureau of Statistics (NBS) data had shown that GDP growth rate stood at 6.81 per cent as at the third quarter of 2013. The growth rate of the non-oil sector stood at 7.95 per cent as at the third quarter of 2013, the highest quarterly growth as at end-September 2013. The increase in the economic output recorded in the third quarter of 2013 was as a result of increases recorded in the agriculture, hotels and restaurants, building and construction and telecommunications sectors of the economy.

The contribution of the non-oil sector in the third quarter of 2013 was due to benign weather conditions that led to bountiful harvests in the agriculture sector, increased investments by local and foreign investors and the positive macroeconomic environment. The report however identified the privatisation of the power sector, agricultural transformation initiative among factors to drive the country's growth.

It noted that the privatisation of the power generation and distribution companies erstwhile owned and operated by the Power Holding Company of Nigeria (PHCN) had set the tone for the eventual turn-

around and increased growth in the output potential of the Nigerian economy in the medium-to-long term.

Furthermore, it pointed out that the supply of adequate and consistent electricity in the country would help to galvanise activities in both the formal and informal sectors of the economy. “We expect GDP to grow by 6.54 per cent in 2013 and will average 8.12 per cent during 2014 and 2018. The import substitution policy and other fiscal measures of the federal government aimed at encouraging the development of the agriculture sector and agro-allied activities will boost output of the sector,” it added.



Solid Minerals and Economic Growth in Nigeria: Mining and Quarrying

National Bureau of Statistics

Mining is the extraction of mineral occurring naturally such as coal, ores, crude petroleum and natural gas. In view of their significance to the Nigerian economy and peculiarities, the compilation of statistics of petroleum and natural gas (which are coded as division 11 of the ISIC) is discussed separately from that of solid minerals.

Mining is one of the oldest economic activities in Nigeria dating back to prehistoric times when man crudely exploited iron and clay, and perhaps other metals, for the production of his cosmetics, crude implements and utensils. The early European explorers, mainly German, Spanish and British, located and mined tin, galena, gold, etc. for export to their home countries. Records show that organised exploration activities in Nigeria commenced in 1903 and 1904 when the Secretary of State for Colonies inaugurated mineral surveys of the Southern and Northern Protectorates respectively.

The principal mineral occurrences discovered by the survey teams included lignite deposits at Asaba, lead-zinc ores at several locations, tin and columbite in the south-east, monazite, limestone and lead-zinc ores at Abakaliki district. Others were coal at Enugu, brine springs at Arufu and Awe, Galena in Jos area, iron ore deposits in Niger and Kwara districts and marble deposits in Jakura. Mining activity in controlled form, however, commenced in the country in 1915 with the production of coal at the Enugu mines.

Prior to the discovery of petroleum, Nigeria was impressively sustained by agriculture and few solid minerals known at the time, namely coal, tin, columbite and gold. Coal, for example, met fully the needs of our railway system and electricity supply while tin yielded substantial foreign exchange earnings for the nation.

In addition, these minerals also offered employment opportunities. The downturn in the economy and the introduction of the Structural Adjustment Programme (SAP) necessitated a review of Government thinking. The result is the crystallisation of the concept of diversification of activities, and the promotion of privatization and commercialization.

By the end of 1994, Government canvassed a private sector-led economic revival programme in solid minerals, agriculture and manufacturing as a means of diversifying the economy. This programme recommended the establishment of a Ministry of Solid Minerals Development, the creation of which was subsequently announced by the Head of State in his 1995 Annual Budget Speech. Improved geological data over the years have revealed that Nigeria is endowed with numerous deposits of industrial, metallic and non-metallic minerals.

There are about thirty-four [34] minerals that have been identified in the country, of which only 13 are being actually mined, processed and marketed. They are coal (which has an export potential of 15 million tonnes per annum valued at US\$1billion), kaolin, baryte, limestone, dolomite, feldspar, glass sand, ganstones [haphazard], gold [in small quantities], iron ore, lead-zinc, tin and its associated minerals and recently gypsum. The remaining twenty-one [21] minerals, though in demand are untapped.

The volumes of domestic trade deficit and foreign exchange losses resulting from this deficiency are colossal. The availability of these minerals opens up opportunities in the following areas:

- (a) Exports and use in domestic industries for generation of foreign exchange and internal revenue.

- (b) Emergence of new industrial and downstream products.
- (c) Increased employment of Nigerians, particularly in the rural areas where the minerals are found. The multiplier benefits to the citizenry are enormous. In fact, the solid minerals sector can very easily be the largest employment sector of the economy, since deposits abound in virtually every State of the Federation.
- (d) Technology transfer and development.
- (e) Development of infrastructure, especially in the rural areas [roads, hospitals, rail, schools and housing]. Prior to the creation of the new Ministry of Solid Minerals Development, enquiries and demands were being made for Nigerian solid minerals, especially coal. Since inception, orders to the tune of 15 million tonnes of coal have been received.

When the necessary infrastructure is put in place and the abandoned mines reactivated and modernized, coal export can yield the nation about US\$1 billion per annum. The high demand for Nigerian coal is attributed to its low sulphur and moderate ash content.

In order to increase coal production to meet the demand, Government is encouraging private investment by offering various incentives including joint venture. The Nigerian Coal Corporation is being reinvigorated and equipped and some of its obsolete equipment replaced to enhance increased production.

The Federal Government has embarked on formulation of well-articulated policy objectives and programmes, the implementation of which will avail the nation of the enormous opportunities offered by our mineral wealth. The focus of these programmes is the development of the solid mineral sector with a view to improving its economic importance relative to other sectors of the economy. They are also designed to facilitate favourable climate for foreign investors in all their ramifications. The creation of the Ministry of Solid Minerals Development and the restoration of the pride of place to the sub-sector is commendable.

EMPIRICAL RESEARCH



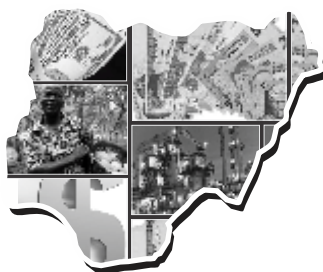
1 Section

Structure of Nigerian Economy



CHAPTER

1



Structure of the Nigerian Nation State

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This introductory chapter is an attempt to describe the structure of the Nigerian nation state. These details will help us appreciate the nature of the country's development pattern, especially the rural sector.

Identification

Though there is archaeological evidence that societies have been living in Nigeria for more than twenty-five hundred years, the borders of modern Nigeria were not created until the British consolidated their colonial power over the area in 1914. The name Nigeria was suggested by British journalist Flora Shaw in the 1890s (Ajayi, 1998). She referred to the area as Nigeria, after the Niger River, which dominates much of the country's landscape. The word niger is Latin for black (Achebe, 1959).

According to Achu (1992), more than 250 ethnic tribes call present-day Nigeria home. The three largest and most dominant ethnic groups are the Hausa, Yoruba, and Igbo (pronounced ee-bo). Other smaller groups include the Fulani, Ijaw, Kanuri, Ibibio, Tiv, and Edo. Prior to their conquest by Europeans, these ethnic groups had separate and independent histories (Awosika, 1967). Their grouping together into a single entity known as Nigeria was a construct of their British colonizers. These various ethnic groups never considered themselves part of the same culture. This general lack of Nigerian nationalism coupled with an ever-changing and often ethnically based national leadership, have led to severe internal ethnic conflicts and a civil war. Today bloody confrontations between or among members of different ethnic groups continue (Falola, 1999).

Location and Geography

Nigeria is in West Africa, along the eastern coast of the Gulf of Guinea and just north of the equator. It is bordered on the west by Benin, on the north by Niger and Chad and on the east by Cameroon. Nigeria covers an area of 356,669 square miles (923,768 square kilometers), or about twice the size of California (Anifowose, 1982, CIA World Fact Book, 2000).

Nigeria has three main environmental regions: savanna, tropical forests and coastal wetlands. These environmental regions greatly affect the cultures of the people who live there. The dry, open grasslands of the savanna make cereal farming and herding a way of life for the Hausa and the Fulani (Babajuma, 1975). The wet tropical forests to the south are good for farming fruits and vegetables—main income producers for the Yoruba, Igbo and others in this area. The small ethnic groups living along the coast, such as the Ijaw and the Kalabari, are forced to keep their villages small due to lack of dry land. Living among creeks, lagoons and salt marshes makes fishing and the salt trade part of everyday life in the area (Barkindo, 1983).

The Niger and Benue Rivers come together in the center of the country, creating a "Y" that splits Nigeria into three separate sections. In general, this "Y" marks the boundaries of the three major ethnic groups, with the Hausa in the north, the Yoruba in the southwest, and the Igbo in the southeast.

Politically, Nigeria is divided into thirty-six states. The nation's capital was moved from Lagos, the country's largest city, to Abuja on 12 December 1991. Abuja is in a federal territory that is not part of any state. While Abuja is the official capital, its lack of adequate infrastructure means that Lagos remains the financial, commercial and diplomatic center of the country.

Political Evolution of Nigeria

The history of various ethnic groups which resided in kingdoms and emirates in the geographical entity which was later known as Nigeria in 1914 pre-dates the advent of colonization. British colonial presence was

first established in the coastal area around Lagos which was declared a crown colony in 1861. The trading activities of the Royal Niger Company facilitated the spread of British influence and resulted in the segmentation of the territory by a natural divide formed by the River Niger and River Benue into Northern and Southern protectorates.

The two protectorates were under separate governments until they were amalgamated in 1914 to form a single political entity named NIGERIA. In 1946, the country was politically partitioned into three semi-autonomous administrative regions – North, East, and West. By 1960, Nigeria secured its independence from British rule and became a federation of three regions under a parliamentary system of government: On October 1st 1963, the Western region was further partitioned into two with the creation of Mid-Western region and Nigeria became a Republic. At different times, the country has passed through series of military interventions that culminated into 30 years of military rule. This scenario has substantially influenced the change in the pattern of population movement and growth of towns and cities in Nigeria.

Demography

Nigeria has the largest population of any African country. In July 2000, Nigeria's population was estimated at more than 123 million people. At about 345 people per square mile, it is also the most densely populated country in Africa. Nearly one in six Africans is a Nigerian. Despite the rampages of AIDS, Nigeria's population continues to grow at about 2.6 percent each year. The Nigerian population is very young. Nearly 45 percent of its people are under age fourteen. With regard to ethnic breakdown, the Hausa-Fulani make up 29 percent of the population, followed by the Yoruba with 21 percent, the Igbo with 18 percent, the Ijaw with 10 percent, the Kanuri with 4 percent, the Ibibio with 3.5 percent and the Tiv with 2.5 percent. Major urban centers include Lagos, Ibadan, Kaduna, Kano and Port Harcourt.

Social Stratification

a. **Classes and Castes:** The highest tier of Nigerian society is made up of wealthy politicians, businessmen and educated elite. These people, however, make up only a tiny portion of the Nigerian population. Many Nigerians today suffer under great poverty. The lower classes tend to have little or no chance of breaking from the vicious cycle of poverty, poor education, lack of opportunities, ill health, corrupt politicians and lack of even small amounts of capital for investment.

In some Nigerian ethnic groups there is a form of caste system that treats certain members of society as pariahs. The criteria for determining who belongs to this lowest caste vary from area to area but can include being a member of a minority group, an inhabitant of a specific village or a member of a specific family or clan. The Igbo call this lower-caste group *Osu*. Members of the community will often discourage personal, romantic and business contact with any member of the *Osu* group, regardless of an individual's personal merits or characteristics. Because the *Osu* are designated as untouchable, they often lack political representation, access to basic educational or business opportunities and general social interaction (Ellah, 1995). This kind of caste system is also found among the Yoruba and the Ibibios.

b. **Symbols of Social Stratification:** Wealth is the main symbol of social stratification in modern Nigeria, especially in urban areas (Ellah, 1995). While in the past many ethnic groups held hereditary titles and traditional lineage important, money has become the new marker of power and social status. Today the members of the wealthy elite are easily identifiable by their fancy clothing and hairstyles and by their expensive cars and Western-style homes. Those in the elite also tend to have a much better command of English, a reflection of the higher quality of education they have received.

Wealth also can be important in marking social boundaries in rural areas. In many ethnic groups, those who have accumulated enough wealth can buy themselves local titles. For example, among the Igbo, a man or a woman who has enough money may claim the title of *Ozo*. For

women, one of the requirements to become an Ozo is to have enough ivory, coral, and other jewelry for the ceremony. The weight of the jewelry can often exceed fifty pounds. Both men and women who want to claim the title must also finance a feast for the entire community (Falola, 1999).

Gender Roles and Statuses

a. Division of Labor by Gender. In general, labor is divided in Nigerian society along gender lines. Very few women are active in the political and professional arenas. In urban areas, increasing numbers of women are becoming involved in the professional workforce, but they are greatly outnumbered by their male counterparts. Women who do manage to gain professional employment rarely make it into the higher levels of management (Maier, 2000).

However, women in Nigeria still play significant roles in the economy, especially in rural areas. Women are often expected to earn significant portions of the family income. As a rule, men have little obligation to provide for their wives or children. Therefore women have traditionally had to farm or sell homemade products in the local market to ensure that they could feed and clothe their children. The division of labor along gender lines even exists within industries. For example, the kinds of crops that women cultivate differ from those that men cultivate. In Igbo society, yams are seen as men's crops, while beans and cassava are seen as women's crops (Thomas, 1992).

b. The Relative Status of Women and Men. Modern Nigeria is a patriarchal society. Men are dominant over women in virtually all areas. While Nigeria is a signatory to the international Convention on Equality for Women, it means little to the average Nigerian woman. Women still have fewer legal rights than men. According to Nigeria's Penal Code, men have the right to beat their wives as long as they do not cause permanent physical injury (Turtoe-Sanders, 1998). Wives are often seen as little more than possessions and are subject to the rule of their husbands.

However, women can exercise influence in some areas. For example, in most ethnic groups, mothers and sisters have great say in the lives of their sons and brothers, respectively (UNAIDS and World Health Organization). The blood relationship allows these women certain leeway and influence that a wife does not have.

Nigerian Rural settlement and Economy

About 70 percent of all Nigerians were still living in farming villages in 1990, although the rural dwellers formed a shrinking proportion of the later force. It was among these people that ways of life remained deeply consistent with the past. People lived in small, modest households whose members farmed, sold some cash crops and performed various kinds of nonfarm work for cash income. With the steady decline of export crop prices since the 1960s and the price rise in locally grown foods after the early 1970s, farmers shifted from export crops to local foods for their own subsistence and for sale to city consumers through middlemen. Most farmers used traditional hand tools in smallholdings outside the rural village. Houses in 1990 might have tin roofs instead of grass and the village water supply might be a standpipe or a hand pump. New practices included the widespread acceptance of fertilizers; a few new crops, especially corn; the use of rented tractors; the increased dependence on paid labor; and the development of larger commercial farms. Absentee city-based farmers also had started to buy up agricultural land.

Paved roads, better marketing procedures and increased extension services in 1990 were producing a change in the rural areas that was missing during the first decades of independence. Surveys indicated that improved transportation (paved or dirt roads and cheap, private minibus services) was felt to be the most important change, bringing almost all rural areas into touch with nearby cities and larger market towns. For most of the 70 to 80 percent of people who remained involved in agriculture, life was hard and income levels averaged among the lowest in the country.

Western-style education was necessary, albeit was not always a sufficient means to gain better income and rank. Under the colonial rule, literacy

and educational qualifications were required for access to more powerful, better paying jobs. Education in 1990 was one of the most widely accepted criteria for job recruitment. Older education systems, especially in the Islamic north, had always produced clerics, judges and some training for the populace. Long years of Quranic learning continued to give high status in religious occupations; this remained the case in religious work, but to qualify for secular jobs in the upper salary scale required at least secondary and increasingly, post-secondary schooling. Most rural families tried to get at least one child through six years of elementary school and into secondary school, if possible. In the cities, if a family had any stable income, all of the children attended school, tried for secondary level and even went on to university or other post-secondary education if the youngsters could successfully compete for places. For the wealthy, there were private pre-schools in all major cities that provided a head start in academic work and private boarding schools that generally followed the British model.

By the 1980s, the education system was turning out an increasing surplus of graduates. Dozens of university graduates lined up for a single opening and many more for less specialized positions. Under such conditions, nepotism, ethnic favoritism and bribery flourished in employment decisions. Education requirements for work were known and widely discussed. Job descriptions for government positions, commercial companies and even factory/industrial work required set levels of schooling for applicants. Large factories and international corporations had training programs for future managers. In the 1980s, however, the vast majority of workers still learned their skills from the family or on the job. Outside the home, systems of apprenticeship produced cheap labor for the teacher and gave the trainee skills, along with a potential future network of customers or employers. Thus, truck drivers took on trainees, who worked as apprentice-assistants and general laborers for several years before they took a license test and hired out as drivers themselves. During that time, they learned about roads, maps, truck parks, markets and vehicle servicing; they became acquainted with customers and vehicle owners, who in turn learned

about their trustworthiness and efficiency.

In contemporary Nigeria as elsewhere, occupation differentiated people, incomes and life-styles. In rural areas, smallholder farmers were the rule, but farmers often had a nonfarm occupation to produce income during the non-growing season. The size of the farm was a function of family size, farming skills, inherited wealth and nonfarm income to provide money for laborers. Some nonfarm work, such as trade, was prestigious; such as butchering, was less. The most prestigious work in rural areas was that of public administration, either as local traditional headmen and chiefs or as rural representatives of government departments-such as teachers, district officers, veterinarians, extension workers, public works foremen, postal officials and their like. Such offices required formal educational qualifications. The offices offered steady salaries; the possibility of government housing or housing and vehicle allowances. Unlike farming, such work also meant protection against the vagaries of climate and economic conditions. This situation lasted well into the late 1980s until inflation, recession, and government cutbacks destroyed these advantages.

In 1990 a growing number of medium-sized towns (with more than 10,000 people) were spreading out across the country. They contained branch banks; branches of larger urban-based trading companies; smaller stores; building and transport enterprises whose owner-managers formed a rural middle class of semi-urbanized households. Often such individuals owned and operated nearby commercial farms as part of their diversified business interests. Their incomes were higher than those of usual farm families; their education level was quite low, ranging up to completion of primary school; and they were often active as local political party representatives with links to more important men and organizations in nearby cities.

In a number of special situations, government had invested in rural areas, creating peri-urban conditions surrounding a large town. Government involvement might result in a state university or a large irrigation project,

for example, or on a smaller scale, where a secondary school had been sited with appropriate housing, electrification, and transportation links to a nearby urban center. In some instances, such as the Tiga Dam in Kano State or the massive irrigation project on Lake Chad, entire communities had sprung up to provide housing for the technical staff; new schools and markets also were built to meet the increased consumer needs of the farmers whose incomes rose as the project went into production.

Income Differentiation

Because of high inflation and sluggish salary increases throughout the 1980s and into 1990, rural officials were obliged to moonlight, usually by farming, to maintain real wage levels. Extension workers had been observed spending their days in a nearby city on a second job and carrying out visits to farmers in the evenings and on weekends. The wives of officials set up poultry sheds behind their houses and raised chickens and eggs for local and nearby city markets. By contrast, traditional chiefs, who had less formal education and often received much lower salaries than government representatives, were able to sell services, especially access to land purchases; to adjudicate disputes; and to keep a small portion of taxes. This shadowy income allowed them to maintain or even increase consumption levels more easily and set the pattern for the sale of public services that was quickly picked up by other officials living in rural areas. In the late 1980s, these well-established "corrupt" practices were viewed widely as essential for rural officials because real incomes had fallen so drastically.

In the cities, occupations were highly differentiated. Unskilled traditional work was more common in the northern cities but not yet extinct in southern areas. Such workers included water carriers, servants, women and young girls selling cooked foods on the streets, and hawkers of all kinds linked to patrons who supplied them and took part of the proceeds. The move to cities involved vast number of unemployed, who sought any type of work. In the modern sector, the unskilled were taken on by manufacturing plants, wholesale or retail establishments, hotels, and government departments. Such people

lived in crowded rented rooms, often several families in a room with a curtain down the middle. They cooked in a common courtyard and used a latrine that might serve a number of families; the compound might or might not have a source of water. They barely managed even when their wives and children also sought work daily.

Lower-level skilled workers in the traditional sector were employed in house building and a variety of crafts from pottery to iron and brass smiting, leather work, tanning, and butchery. They generally had better incomes, lived in several rooms or even a small house or compound, practiced their craft in the household itself, and sent children to school. Their counterparts in the modern sector were clerks, store attendants, mechanics, carpenters and factory workers who had some schooling and had managed to get into the lower levels of the wage system. The two groups often lived in the same neighborhoods, although the education of those in the modern sector set them somewhat apart. Their incomes, however, provided them with similar amenities: a standpipe for household water; electricity; a latrine or even a flush toilet; a bicycle or motor scooter or a motorcycle for the slightly better off; a radio; and, for a few, a small black and white television set, and a bank account. Such households often had an extra kin member or two from the country who had come to seek their fortunes.

The middle-level income groups in traditional jobs consisted of higher-level skilled workers and entrepreneurs. They included dye pit owners with a small work force, middlemen who with financing from larger traders bought food and export crops in rural areas for sale and storage in the cities, and wholesalers and retailers of traditional goods and services, as well as transporters of such items as kola nuts, craft goods, specialty crops and cattle for sale in southern markets. This group was larger in the north than the south because of the larger traditional economic sector in the region. Modern-sector skilled jobs ranged from machine operators and skilled craftsmen to accountants; teachers; lower-level managers of service stations; small to medium-sized storekeepers, who owned or rented and operated a canteen; owners of a truck or two, or of a small minibus used as transport for people and

goods; and the middle ranks of the vast public services that, until the shrinkage of the 1980s, made up more than half of the salaried jobs in Nigeria.

This group lived in small to medium-sized houses with Western-style furniture, a refrigerator, and electronic receivers; the better-off had color television sets. Housing was sometimes owned by the worker but more often rented. Younger members had motorcycles; more mature ones, cars; and entrepreneurs, a pickup truck. Modern-sector middle-level people generally had some secondary education, which allowed them to spend time filling out applications and to dream of someday attending a university or other postsecondary institution to qualify for higher paid jobs.

At the middle-income level, a number of factors began to separate traditional and modern households. Traditional work did not demand literacy in English, but most jobs at the modern middle level did. The amount of Western-style education and acculturation to more international tastes affected the life-styles of modern-sector workers, although ethnicity, kin, and possible patrons in the more traditional sector meant that connections were not severed. At the same time, both groups had connections upward and downward in both the city and rural areas. For members of the traditional middle group, this meant the possibility of someday becoming wealthier and diversifying their economic activities; for members of the modern group, it most often meant more education, better jobs, and, ideally, entry into the elite level of society in either the public or the private sector. By the late 1980s, a number of middle-income workers and small businessmen in both north and south were putting greater effort into farming in natal or nearby villages, as food prices escalated in the cities and as government policies favored the private acquisition of land and provided farm credits to would-be commercial farmers.

Above the middle rank were the elites. Traditional chiefs in the south had been losing power to business and government leaders for decades. In 1990 they still received respect and officiated at ceremonial

occasions, but unless they had taken positions in business or government, their status declined. This situation was less true in the north, where emirs and other titled officials continued to have considerable power and authority. Even there, however, the modern sector produced city and township governments that were eroding the power of local officials. State governments were becoming more important as centralized federal functions carried out by parastatals were being sold off to the private business sector during the 1980s. In the rural areas of the north, however, traditional district and village chiefs remained influential. In the modern sector, public service jobs and incoming top management in corporations required university degrees. Wealthy business leaders might lack formal education, although more and more business leaders, especially in the south, were university graduates. Entry-level salaries for elite jobs were fifteen to twenty times those of the bottom salary scale (compared with two to three times in more developed economies). Added to the basic salary was hidden income in the form of car loans and allowances, often with housing subsidized to such an extent that only 7 percent of salary was charged for rents, and maintenance was free. Housing for holders of elite jobs was generally of the standard of the middle class in a developed country, ranging up to huge mansions in exclusive housing estates for the very rich.

In the late 1980s, inflation and wage controls had drastically eroded the incomes of the salaried elites and, in most cases; they had to moonlight in the private sector through farming, trade, consultancy, or business. It was not unusual to find a professor's campus garage used as a warehouse for his trucks and the equipment in his construction business, and behind the house pens, where his wife conducted a poultry business. Others sought to emigrate, especially highly skilled people, such as doctors, lawyers, and professors, who realized they could do much better abroad. The sudden decline in the income of the elites resulted from Nigeria's belt-tightening policies. Business people, especially those in trade, were less affected by inflation, but the recessionary effects of the SAP had cut into their incomes as well, by lowering demand or by controlling imports and exports more tightly. By the late 1980s, however,

many of the elite and even the middle classes were being obliged to adjust to a lower standard of living.

The Rural Community in Nigeria Today

Places are generally considered rural when they lack basic social amenities such as good roads, health care, power supply, pipe-borne drinkable water, schools and markets, whether or not they are distant from urban areas. The rural dwellers consist mostly of illiterates, subsistence farmers, artisans, and mostly old people, with few young people. They live in poor and deprived conditions due to the lack of these basic necessities of life. Iwe (2003) describes with slightly different view, the rural area in Nigerian context, as any area that is far from the urban city, a village, a hinterland with no good access roads, no pipe-borne water, no electricity, and no factories and industries. She further states that rural communities differ from one another in demographic composition, general characteristics, area of land, etc, and that in spite of these differences; researchers believe that about 70 percent of the population of every average rural community in Nigeria suffers from illiteracy. The level of illiteracy in Nigeria's rural communities poses difficulties in the provision and utilization of information for any meaningful rural development and is not consonant with Julius Nyerere's assertion as quoted by Aboyade (1985) that while others try to reach the moon, we are trying to reach the villages.

The Federal Republic of Nigeria has a population of more than 160 million – the largest in Africa – and a fast-growing economy. Agriculture is the mainstay of the economy, contributing about 40 per cent of GDP. The agriculture sector employs approximately two-thirds of the country's total labour force and provides a livelihood for about 90 per cent of the rural population. Nigeria is the world's largest producer of cassava, yam and cowpea – all staple foods in sub-Saharan Africa. It is also a major producer of fish. Yet it is a food-deficit nation and imports large amounts of grain, livestock products and fish.

Nigeria's huge agricultural resource base offers great potential for growth. Recent government policies have started to show results: The

agricultural sector reportedly grew by 7 per cent a year between 2003 and 2007, and at a slightly lower rate in recent years. Still, the area of land under cultivation could be doubled. Of an estimated 71 million hectares of arable land, only about half is presently under production. And there is substantial scope for an increase in irrigation, which now covers only 7 per cent of irrigable land. Irrigation and other inputs would substantially increase average yields for major staple crops, which are below those in other developing countries.

Despite Nigeria's plentiful agricultural resources and oil wealth, poverty is widespread in the country and has increased since the late 1990s. Some 70 per cent of Nigerians live on less than US\$1.25 a day. Poverty is especially severe in rural areas, where up to 80 per cent of the population lives below the poverty line, and social services and infrastructure are limited. The country's poor rural women and men depend on agriculture for food and income. About 90 per cent of Nigeria's food is produced by small-scale farmers who cultivate small plots of land and depend on rainfall rather than irrigation systems. The poorest groups maintain subsistence living but often go short of food, particularly during the pre-harvest period. The productivity of the rural population is also hindered by ill health, particularly HIV/AIDS, tuberculosis and malaria.

Women play a major role in the production, processing and marketing of food crops. Yet women and households headed solely by women are often the most chronically poor members of rural communities. Men have higher social status and, as a result, more access to schooling and training. In recent decades, the number of men migrating from rural areas in search of employment has increased, and the number of households headed solely by women has grown substantially.

Rural infrastructure in Nigeria has long been neglected. Investments in health, education and water supply have been focused largely on the cities. As a result, the rural population has extremely limited access to services such as schools and health centres, and about half of the population lacks access to safe drinking water.

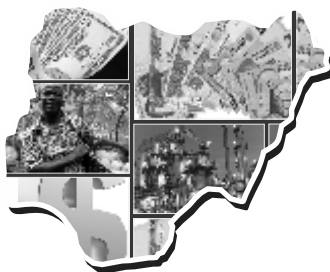
Neglect of rural infrastructure affects the profitability of agricultural production. The lack of rural roads impedes the marketing of agricultural commodities, prevents farmers from selling their produce at reasonable prices, and leads to spoilage. Limited accessibility cuts small-scale farmers off from sources of inputs, equipment and new technology, and this keeps yields low.

As the population swells and puts pressure on diminishing resources, escalating environmental problems further threaten food production. Land degradation as a result of extensive agriculture, deforestation and overgrazing are already severe in many parts of the country. Drought has become common in the north, and erosion caused by heavy rains, floods and oil pollution is a major problem in the south and south-east. Civil unrest also aggravates poverty. Religious and ethnic tensions continue to brew in different parts of Nigeria, erupting into outbreaks of violence and leading, in turn, to escalating poverty and malnutrition (Ajayi, 1998).

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CHAPTER 2



Migration Patterns and Impacts on Nation Building

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Perspectives on migration

To “migrate” means to move. To go from one region, country, or place of abode to settle in another, especially in a foreign country. Human migration is the movement by people from one place to another with the intention of settling in the new location. The movement is typically over long distances and from one country to another, but internal migration is also possible. Migration may be individuals, family units or in large groups.

Migration is the process of the relocation of people within space that involves their permanent or temporary change of residence (Mafukidze, 2006). In the migration process, two basic locations are involved. First, is the location from which the migrant takes-off, the source (origin), while the second is the location where the migrant terminates the movement (destination). These two locations are used in the classification of migration into types. These are rural-urban migration, rural-rural migration, urban-urban migration, and urban-rural migration. When international borders are crossed, such migration is referred to as international migration; and when it is restricted within the confinement of a given border, it is known as internal migration.

Migration is the movement of people from one place in the world to another for the purpose of taking up permanent or semi permanent residence, usually across a political boundary. An example of "semi permanent residence" would be the seasonal movements of migrant

farm laborers. People can either choose to move ("voluntary migration") or be forced to move ("involuntary migration"). Migrations have occurred throughout human history, beginning with the movements of the first human groups from their origins in East Africa to their current location in the world. Migration occurs at a variety of scales: intercontinental (between continents), intra-continental (between countries on a given continent), and interregional (within countries) (Adepoju, 1974).

One of the most significant migration patterns in Africa has been rural to urban migration—the movement of people from the countryside to cities in search of opportunities. Migration has also been identified as a survival strategy utilized by the poor, especially the rural dwellers. The assessment of the effects of migration on rural areas has remained relevant since migration acts as a catalyst in the transformation process of not only the destiny of individual migrants but also the conditions of family members left behind, local communities, and the wider sending regions. One significant source of development for the rural populace as a result of this increasing drift towards the cities is remittances. Recently, migrants' remittances and the income multipliers they create are becoming critical resources for the sustenance strategies of receiving households as well as agents of regional and national development (Ajahi, 1990). Households that receive these remittances tend to use the proceeds primarily for current consumption (food, clothing) as well as investments in children's education, health care, improvement in household food and security, and water and sanitation. Nevertheless, the ability of remittances to compensate the labour shortage in rural areas is still a function of the amounts and value of remittances received by migrants' households at home, especially in the developing countries (Ayodele, 1975).

Migration also occurs because individuals search for food, sex and security outside their usual habitation. Bauder (2006) is of the view that towns and cities are a creation of the human struggle to obtain food, sex and security. To produce food, security and reproduction, human beings must, out of necessity, move out of their usual habitation and enter into

indispensable social relationships that are cooperative or antagonistic. Human beings also develop the tools and equipment to enable them to interact with nature to produce the desired food and security.

Behdad (2005) stated that the improved relationship (cooperative relationships) among human beings and improved technology further conditioned by the push and pull factors all interact together to cause or bring about migration and higher concentration of individuals into towns and cities. The higher the technology of production of food and security and the higher the cooperative relationship among human beings in the production of food and security and in the reproduction of the human species, the higher would be the push and pull factors in the migration and concentration of human beings in towns and cities. Countryside, towns and cities do not just exist but they do so to meet the human basic needs of food, security and the reproduction of the human species. Therefore, migration occurs because individuals search for food, sex and security outside their usual habitation. Social services in the towns and cities are provided to meet these basic needs for human survival and pleasure.

The decision to migrate: Theoretical perspectives

The decision to migrate involves contextual factors, such as "push factors" which force migrants out of rural areas (i.e. origin), and "pull factors" which attract migrants to urban areas (i.e. their destination). The factors typically reflect the relative strength of the local economies (such as the availability and remuneration of jobs) the existence of local amenities, the cost and availability of public goods or even institutional factors. In addition to these general factors, Lell, et al (2006), have presented theoretical frameworks in which internal migration has been modeled into three types.

1. The first type covers the dual economy models which emerged in the 1950s and 1960s;
2. The second type covers the Harris – Todaro models developed in the 1970s and 1980s; and
3. The third type covers the more elaborate microeconomic models. It may not be necessary to bore the audience with the details of these

models. Migration is a component of population change and of urban growth.

The link between migration and urbanisation goes far beyond the supply of additional population to urban centres. Migration and urbanisation are both a consequence of the modernisation of the economy and society, as well as the agents that further the pace of modernisation (Makinwa-Adebusoye, 1997)

Types of Migration

There are various types of migration. According to the National Geographic Society (2005), the under listed types of migration are briefly examined,

1. Internal Migration: Moving to a new home within a state, country, or continent.
2. External Migration: Moving to a new home in a different state, country, or continent.
3. Emigration: Leaving one country to move to another (e.g., the Pilgrims emigrated from England).
4. Immigration: Moving into a new country (e.g., the Pilgrims immigrated to America).
5. Impelled Migration (also called "reluctant" or "imposed" migration): Individuals are not forced out of their country, but leave because of unfavorable situations such as warfare, political problems, or religious persecution. Example an asylum seeker.
6. Step Migration: A series of shorter, less extreme migrations from a person's place of origin to final destination—such as moving from a farm, to a village, to a town, and finally to a city.
7. Chain Migration: A series of migrations within a family or defined group of people. A chain migration often begins with one family member who sends money to bring other family members to the new location. Chain migration results in migration fields—the clustering of people from a specific region into certain neighbourhoods or small towns.
8. Return Migration: The voluntary movements of immigrants back to their place of origin. This is also known as circular migration.
9. Seasonal Migration: The process of moving for a period of time in

response to labor or climate conditions (e.g., farm workers following crop harvests or working in cities off-season; "snowbirds" moving to the southern and south-western United States during winter).

People who migrate can be classified under the following headings,

1. Emigrant: A person who is leaving a country to reside in another.
2. Immigrant: A person who is entering a country from another to take up new residence.
3. Refugee: A person who is residing outside the country of his or her origin due to fear of persecution for reasons of race, religion, nationality, membership in a particular social group, or political opinion.
4. Internally Displaced Person (IDP): A person who is forced to leave his or her home region because of unfavorable conditions (political, social, environmental, etc.) but does not cross any boundaries.
5. Migration Stream: A group migration from a particular country, region, or city to a certain destination.

Effects of migration on rural communities

The migration patterns in Nigeria include: Rural-rural, rural-urban, urban-rural migrations as documented by Adepaju, (1974). However, large proportions of the population and of the poor are located in the rural areas where the inhabitants do not have ready access to social amenities and capital. Over the years, the living standard of the rural poor has stagnated and in some cases, considerably deteriorated (Mabogunje, 1970). Rapid population growth, the pressure on the land, the prevailing land tenure system, difficult access to land, and declining productivity in combination, resulted in rural poverty and in some cases influenced the incidence and rate of rural-urban areas.

Indeed, widespread under-employment has been associated with poverty and has, in turn stimulated migration away from the rural areas. The rural areas are confronted with many push factors or problems among which are prevailing harsh economic condition such as unemployment, social factors such as lack of infrastructural facilities, good roads, stable electricity and portable drinking water among other things. On the other hand, there are some attractive factors in the urban

areas, pull factors that encourage migration from rural areas. These include the availability of profitable employment, basic amenities e.t.c. The intensive and effective utilization of resources in urban areas have made clear differences between urban and rural areas. The effects of rural-urban migration in the rural places of origin of migrants may be manifest in two ways.

1. First, the rural-urban migrants send remittances to their relatives in the rural areas and these remittance-receiving households use the remittances for various purposes.
2. Secondly, these rural-urban migrants execute various rural developmental projects in their rural areas of origin. In Nigeria, most migrants coming from a particular rural community to live in an urban area usually form rural community associations in the urban area. These community associations in the urban areas articulate, from time to time, the developmental needs of their rural communities of origin and contribute resources to execute projects such as road construction and the award of educational scholarships to students in the rural areas.

Haggerstran (1975) says a combination of these rural community projects executed by the rural-urban migrants and the uses of remittances by rural remittance-receiving households serve as indicators of the effects of rural-urban migration on the population concerned. In this regard, and in tandem with contemporary praxis, the paradigm shift in the meaning of development emphasizes personal satisfaction consequent on improvement in the quality of life of the “individual” and/or “population” involved in the developmental process.

Accordingly Sartah (1970) reiterated that each population ranks community developmental projects and uses of remittances in the order of importance they believe will ensure their satisfaction and happiness. It is also the existence of these projects and the uses of remittances derivable from the migration process that reflect the level of socioeconomic development that can be traceable to rural-urban migration. Therefore, the combination of these projects by migrants and

the various uses of remittances in the past three years, according to the respondents, are what they see as indicators of development in their rural communities.

Positive effects of migration on the rural economy

Apart from the above generally discussed effects, the under-listed are some of the specific positive effect of migration on the rural economy:

1. Allow rural lands to regenerate.
2. Migration brings innovative ideas to the villagers.
3. Relieve pressure from existing rural amenities.
4. Provision of cheap labor to destination area.

Negative effects of migration on the rural economy rural economy

Aside from positive effects of migration on the rural economy, they exit some negative effects. Some of which are:

1. Migration leads to reduction in the rural work force.
2. It increases congestion and crime rates in the destination areas.
3. It causes pressure in on available amenities in the destination areas.

Whether positive or negative, migration defined as the permanent or semi-permanent change in residence from one administrative unit (district, country, province, state or country) to another has become an economic man's reaction to socio-economic differentials between regions. Migration is an important factor influencing population dynamics in a geographical area. Fertility and mortality determines the rate of natural population increase in any locality. The overall size of the population such an area depends on the pattern of migration. Population movements are often responsible for observable sudden changes in population size in many locality. It is however, pertinent to note that migration is an instrument to the solution of many social and economic problems.

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CHAPTER 3



Land Reforms and Land Tenure System in Nigeria

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Introduction

Land reforms are the changing of laws, regulations or customs regarding land ownership. Land reform refers to transfer of ownership from the more powerful to the less powerful, such as from a relatively small number of wealthy (or noble) owners with extensive land holdings (e.g., plantations, large ranches, or agribusiness plots) to individual ownership by those who work the land. Such transfers of ownership may be with or without compensation; compensation may vary from token amounts to the full value of the land (Adegboye, 1967).

Land reform may also entail the transfer of land from individual ownership—even peasant ownership in smallholdings—to government-owned collective farms; it has also, in other times and places, referred to the exact opposite: division of government-owned collective farms into smallholdings (Adeniyi, 1972). The common characteristic of all land reforms, however, is modification or replacement of existing institutional arrangements governing possession and use of land. Thus, while land reform may be radical in nature, such as through large-scale transfers of land from one group to another, it can also be less dramatic, such as regulatory reforms aimed at improving land administration.

Land Reform Use Act: Brief historical and contextual antecedents

It is necessary to understand the antecedents that have led to the current state of land administration and the agitation for reforms. The formal

British rule in Nigeria and the declaration of the Protectorate in 1900 led to the acquisition of Crown land (land formerly held by the Royal Niger Company) as well as the land, which the Fulanis had acquired, by conquest from the Hausas. The colonial government called the acquired lands public lands. The Crown lands were vested in the Governor in trust for Her Majesty. The public lands were held in trust for the people.

In 1910 through the Land and Native Right Proclamation of 1910, the colonial government declared that all lands in Northern Protectorate became public lands and were vested in government in trust for the natives. Other subsequent amendments and legislations saw the emergence of the Land Tenure law of 1962. Consequently, in Northern Nigeria, the colonial administration vide the Land Tenure Law of 1962 vested the control of all lands in the North under the control of the Governor (Adeniyi, 1972). The main provision of the law was that the whole land was vested in the Commissioner responsible for land matters that held the land in trust and administered it for the native people. Furthermore, there was no valid title to the use and occupation of such land except with the consent of the Governor. The Governor had powers to grant statutory or customary right of occupancy to land seekers. Statutory rights of occupancy could be granted to natives and non-natives alike. Customary rights of occupancy could only be given to natives, however (Fabiya, 1974).

Famoriyo (1974) maintained that the land tenure system met by the colonial masters in Southern Nigeria was the customary land tenure system. The system recognized the principle of extended family lineages and kinship of ownership of land. Land was ruled to belong to the community, village, and family and not to the individual. The head of the family or community, takes charge of the family land, and manages or exercises the power of ownership for and on behalf of the family or community.

Still for Southern Nigeria, the colonial government enacted the Native Land Acquisition Proclamation law in 1900 which law prohibited an alien from acquiring an interest in land from native or from an alien

without the Governor's written approval. The Land Acquisition ordinance (No 9) of 1917, which was amended by the 1958 Act, empowered the government to acquire lands compulsorily for public purposes. In 1928, the Lagos Town Planning Ordinance, 1928 was enacted to restrict or control land use for town planning purposes (Famoriyo, 1973).

In essence, Famoriyo (1979) noted that before the advent of the Land Use Act in 1978, the control and administration of land in Northern Nigeria was governed by the Nigerian Land Tenure Law 1962. A different scenario unfolded in Southern Nigeria. Certain features characterized the period before the advent of the Land Use Act. They included increased demand for land, subsequent increase in land prices, emergence of land speculators with several malpractices, land fragmentation encouraged by the customary land inheritance where land devolves to beneficiaries on the demise of the former owner or holder, prohibitive costs of land acquisition affecting government developmental projects, multiple and dubious sale of the same land to different people resulting in litigations.

The Federal Government promulgated in 1976 the Public Lands Acquisition (Miscellaneous Provisions) Decree to provide a cheaper basis for acquiring land for public purposes. Even though the government was able to acquire land for public purposes such acquisition could not be easily done at reasonable prices. Land litigations, disputes and communal clashes continued. The perceived or experienced inadequacy of the land administration prompted the then Federal Military Government to set up a Land Use Panel, which came up with some recommendations. The land Use Act of 1978 eventually came into being. The act principally nationalizes the control of lands all over the Federation. It assigns the power of control over land in the Governor of the State. The principal aim of the Act was to make land more accessible for private and public use. The act vests overall control of lands in the state governor. Communities and individuals have only rights of use.

The act vests all lands in the territory of the state in the governor to be held in trust and administered for the use and common benefit of all Nigerians. Section 34(5) of the act empowers state governments to dissolve private rights in individual undeveloped land holdings in excess of 0.5 hectares and take them over without compensation for public purposes (Omotola, 2000).

The scope and content of the Land Reform Use Act

According to Omotola, (2000) there are four basic objectives that warranted the enactment of the Land Use Act, that is, the Land Reform Act. The objectives of the act are referred to as the rationale for the formulation and enactment of the land use decree and they are as follows:

1. To remove bitter controversies resulting at times in loss of lives which land is known to be generating.
2. To streamline and simplify the management and ownership of land in the country.
3. To assist the citizenry, irrespective of his social status, to realize his ambition and aspiration of owning a house.
4. To enable government to bring in control the use to which land can be put in all parts of the country and facilitate planning and zoning programmes for a particular use.

The Federal Military Government of Nigeria issued a land use act (No 6) of March, 1978, which purports to take over the ownership and control of land in the country thereby providing a uniform legal basis for a comprehensive national land tenure system. Hitherto, the land tenure systems in the northern and southern parts of the country had been different. The act embodies procedure for the transition from customary to state sanctioned tenure of land by substituting the authorities of the several (36) states for the traditional owners or local chieftains in the sectioning of the working rules regarding the use, occupancy, and transfer of land. Article 1 of the Act states that “all lands comprised in the territory of each state in the federation are hereby vested in the military governor of the state” (Omotola, 2000).

The act has been designed to deal with several problems encountered by the various operative on land since colonial times. It addressed four important issues arising from the former tenure systems; the problem of lack of uniformity in the laws governing land use and ownership; the uncontrolled speculation in urban land; the problems of access to land right on equal basis; and fragmentation of rural land arising from the allocation of the traditional principles of inheritance. It approaches these issues through three strategies: the investment of proprietary rights in land in the state; the granting of users rights to individuals; and the use of administrative system rather than the market in the allocation of rights in land (Uchendu, 1979). Thus, the avowed purposes of the land reform act are:

1. To make investment in agriculture attractive by removing the uncertainty in the control over land;
2. To curb speculation in urban lands;
3. To make opportunities to occupy land generally available to all Nigerians throughout the country thereby bringing about mobility of resources, especially, human resources; and
4. To reallocate rural land to large scale farmers to facilitate large scale farming (Parson, 1982).

The act emphasizes the public purposes of protecting the rights of all Nigerians to the land of Nigeria. The preamble to the Act states “whereas it is in the public interest that the right of all Nigerians to the land of Nigeria be asserted and preserved by law; and whereas it is also in the public interest that the rights of all Nigerians to use and enjoy land in Nigeria and the natural fruits thereof in sufficient quantity to enable them to provide for the sustenance of themselves and their families should be assured, protected and preserved” (Osuntogun, 1976). The responsibility of implementing the act has passed to individual states and their constituent units of the local government. The act provides for the establishment in each state of a “land use allocation committee” to advise the governor and to have jurisdiction in disputes over any compensation that may arise. Similarly, provision is made for a “land allocation advisory committee” to advise each unit of local government regarding the issuing of customary certificate of occupancy to applicants for rural

lands.

One of the innovations in the land reform act is the vesting, in the local government, of the authority to issue certificate of customary right of occupancy. This authority would seem to supersede and absorb (at least formally) the traditional authority of local chiefs to allocate opportunities to members of the community for the use and occupancy of land. However, the act reduced all land users to lease holders by converting landowners to landholders, thereby super imposing the authority of the state on all tracts of land (Parsons 1982). The land use act differentiated, rather arbitrarily the Nigerian land into rural and urban lands with somewhat different polities:

1. Urban land Policy: prior to the promulgation of land use act the pervasive problem in most urban areas of the country are; speculations in urban lands and inability of migrants to cities to secure housing. The urban land speculators accumulate large tracts of land which are held undeveloped in anticipation of a risen site value in the absence of land taxation. The act intends to combat the two problems by limiting private ownership rights in urban land by providing that an individual may hold not more than 0.5ha of undeveloped land. Undeveloped lands held in excess of 0.5ha are to be surrendered to government. Holders of conveyance or fees simple title to urban properties are to convert same to statutory certificates of occupancy. This implies that the holders of such certificates (rights) have been converted to lease holders for a term of years and as state tenants are to obligated to pay rent to the state.

2. Rural land Policy: Land for agricultural purposes and (except those in which minerals have been discovered or exploited) is to be under the jurisdiction of local governments. Local governments are to issues customary certificates of occupancy rights. According to the Act, the local governments are empowered to grant customary rights of occupancy to any persons or organization for the use of land for agricultural, residential, or other purposes. Furthermore, they are authorized to grant customary occupancy rights in such rural lands in amount up to 500 hectares for agricultural purposes or 5,000 hectares for

grazing purposes (section 6(2)). And these ceilings may be exceeded by concert of the military governor. The logic of the provisions are such that rural people would now stand a new status of liberty explosive to the state – they are exposed to liberty or capacity for freedom of choice, of local or state authorities to restrict the grants or assign them to strangers, (Parson 1982).

Meanwhile, it has been posited that land is seen as a status symbol and also a repository of capital accumulated from other economic activities. Furthermore the UN-Habitat conference of 1976 recommended public land management as the surest way of ensuring efficient and equitable distribution of land resources. The public land management aims at guaranteeing equitable distribution of land rights on the basis of non-commercial criteria, empowering government to ensure a more judicious, orderly and healthy development of urban areas, enhancing cheaper and easier access to land for both public and private land development, curbing speculation with attendant escalating land prices.

The land use act of 1978: A critique

There were laudable goals and objectives for the enacting of the Land Use Act of 1978. The objectives included the facilitation of the planning, co-ordination and general development of the country. Other objectives of the Act were to:

1. make land more affordable to every Nigerian at affordable prices;
2. do away with land speculation;
3. streamline and simplify the management and ownership of land in the country;
4. facilitate the desire of every Nigerian, irrespective of his social status to realize his ambition and aspiration of owning a place where he and his family will live a secure and peaceful life;
5. accrue development funds to government land allocation and processing; and
6. make land more readily available to the federal, state and local governments for developmental purposes including infrastructural and public housing development.

An examination of these objectives shows how laudable they are. It is doubtful if any other form of reform would depart radically from these goals other than unlocking the hidden capital in the land for individuals and corporate persons to enhance their economic well being. How far these objectives have been realized since the enactment of the Land Use Act remains debatable. A post mortem from experience with the Act has led to an avalanche of criticisms. This piece dwells on a few of such criticisms and perceived/experienced drawbacks.

A major drawback of the Act is that even where a certificate of occupancy (C of O) has been obtained, any subsequent transfer or transactions on the land covered by the C of O still requires the consent of the governor. The insistence on governor's consent before validly assigning or mortgaging property has been a great impediment to secure development of the land market with its attendant negative implications. Other criticisms are: bureaucracy and delay in issuance of C of O, unwarranted or costly processing fees, leading to many staying in the informal and secure markets. Because of the lack of detailed cadastration, the accuracy and appropriateness of boundaries, where individuals survey land themselves and take it for charting, is suspect. It has even been argued that the possession of a C of O is not a cure-all to all defaults on the land title. There have been instances of multiple C of Os having been issued fraudulently on the same land. Meanwhile, land tenure security has been broken into three dimensions- breadth of rights (including use, transfer and exclusion of rights), duration (length of time these rights are held) and assurance (certainty of rights). Secure land ownership should thus be a goal of any land reforms.

Tim Roth sees secure land ownership as a full set of use and transfer rights, being able to enforce those rights against the claim of others, having ownership over a sufficiently long period of time to recoup the benefits of labour and capital invested in the land and having assurance that these benefits can be obtained with minimal risk of loss. Moreover, the Land Use Act divested not only private landowners of their freehold rights but also stripped traditional land management institutions and community leaders of their benefit of control over family and communal

land. Extensive powers of control were granted the Governors but these powers seem ineffective and are for the most part inappropriately applied (Williams, 2002).

Furthermore, it has been argued that the myriad of problems associated with the land use act are traceable to both legal and administrative issues e.g. the incorporation of the act into the 1979 and 1999 constitution creating difficulties for review or repeal. The provision under section 29 that hinders payment of realistic compensation for appropriated land. Furthermore section 47 (2) of the act which excludes the courts from inquiring into any issue regarding either the amount or adequacy of any compensation paid or payable under the Act (Udo, 2002).

Agitations for repeal/review of the act and for other land reforms

One fact is obvious from the foregoing that some governments in power at the colonial and post colonial times made attempts to respond to challenges of the land administration system through the laws and their implementation. This is understandable since the human society is dynamic and as such laws and other frameworks have to be reviewed to respond to the realities and challenges of human and infrastructural development. The efficacy and effectiveness of those laws remains a source of concern and has led to agitations from citizens.

Two agitations are in the front burners: one for outright repeal of the land use act and the other for review. One factor is obvious though: the act has noble intentions; implementation in a human environment may suffer hiccups. This does not obviate the need for review. The agitation for the expunging or review of the Land Use Act from the Nigerian constitution is thus understandable. However the review must be such that would move Nigeria forward in developmental efforts and remove constraints for genuine development and enterprise from its nationals. In an effort to reform, best practices, workable models that take account of our history, culture, and national developmental agenda must be set.

The review and reform must be based on enlightened or participatory discourse and best practices. It is an onerous assignment that touches on

the lives and livelihood of individual Nigerians and other corporate persons, among others. Any reforms should have underlying well thought out goals. It is those goals that would guide the reform purposes. So the starting point of the reforms should address such issues as the timeliness with which processed land is made available in adequate amounts at right locations and at affordable prices to the people in a way to ensure its optimum use in terms of efficiency, equity and meeting of their basic human needs. Access to land with the attendant issues of availability, affordability, security of tenure and ease of transaction remains a challenge.

Land Tenure System

The word tenure is derived from the Latin *tenere*, to hold. A tenant is one who holds, and a tenancy is a holding. In common usage of the terms a tenant is distinguished from an owner, the tenant is a lessee and the owner the lessor of landed property. However, land tenure means the holding of land, and the term tenant includes owners, lessees and other occupiers of the land. We define a landholder as a tenant, who may be the owner. Hence we refer to a tenant in fee simple, or a fee simple holder, or land held under joint tenancy in property law systems that are based on English common law. Land tenure may be described as a set of property relationships. As we shall see these defining and modelling these relationships in the law, in boundary systems and land registration systems can become highly complex.

According to Uchendu (1979) land tenure is the relationship, whether legally or customarily defined, among people, as individuals or groups, with respect to land. (For convenience, “land” is used here to include other natural resources such as water and trees.) Land tenure is an institution, i.e., rules invented by societies to regulate behaviour. Rules of tenure define how property rights to land are to be allocated within societies. They define how access is granted to rights to use, control, and transfer land, as well as associated responsibilities and restraints. In simple terms, land tenure systems determine who can use what resources for how long, and under what conditions.

Land tenure is an important part of social, political and economic structures. It is multi-dimensional, bringing into play social, technical, economic, institutional, legal and political aspects that are often ignored but must be taken into account. Land tenure relationships may be well-defined and enforceable in a formal court of law or through customary structures in a community. Alternatively, they may be relatively poorly defined with ambiguities open to exploitation.

Objectives of Land Tenure System

Doebele (1983) has defined four policy objectives by which land tenure systems may be judged. These are:

1. Efficiency. Does the system encourage a smoothly operating land market?
2. Equity. Does the system provide reasonable access for all income groups to land for housing and other needs?
3. Compatibility. Does the tenure system integrate well with other laws and policies regarding land such as planning, taxation and provision of public services?
4. Continuity. Does the system integrate well with the cultural, social and political heritage of the country?

Basic components of Land Tenure System

Land tenure system has the following basic components,

1. Overriding interests: when a sovereign power (e.g., a nation or community has the powers to allocate or reallocate land through expropriation, etc.)
2. Overlapping interests: when several parties are allocated different rights to the same parcel of land (e.g., one party may have lease rights, another may have a right of way, etc.)
3. Complementary interests: when different parties share the same interest in the same parcel of land (e.g., when members of a community share common rights to grazing land, etc.)
4. Competing interests: when different parties contest the same interests in the same parcel (e.g., when two parties independently claim rights to exclusive use of a parcel of agricultural land. Land disputes arise from competing claims.)

Categorization of Land Tenure

Land tenure is often categorised as:

1. Private: the assignment of rights to a private party who may be an individual, a married couple, a group of people, or a corporate body such as a commercial entity or non-profit organization. For example, within a community, individual families may have exclusive rights to residential parcels, agricultural parcels and certain trees. Other members of the community can be excluded from using these resources without the consent of those who hold the rights.
2. Communal: a right of commons may exist within a community where each member has a right to use independently the holdings of the community. For example, members of a community may have the right to graze cattle on a common pasture.
3. Open access: specific rights are not assigned to anyone and no-one can be excluded. This typically includes marine tenure where access to the high seas is generally open to anyone; it may include rangelands, forests, etc, where there may be free access to the resources for all. (An important difference between open access and communal systems is that under communal system non-members of the community are excluded from using the common areas.)
4. State: property rights are assigned to some authority in the public sector. For example, in some countries, forest lands may fall under the mandate of the state, whether at a central or decentralised level of government.

Rights of a Land Owner

The right that a person has in an object such as land may be considered as property. The range of property is extensive and includes, for example, intellectual property. In the case of land tenure, it is sometimes described more precisely as property rights to land. A distinction is often made between “real property” or “immovable property” on the one hand, and

“personal property” or “movable property” on the other hand. In the first case, property would include land and fixtures (buildings, trees, etc) that would be regarded as immovable. In the second case, property would include objects not considered fixed to the land, such as cattle, etc.

In practice, multiple rights can be held by several different persons or groups. This has given rise to the concept of “a bundle of rights”. Different rights to the same parcel of land, such as the right to sell the land, the right to use the land through a lease, or the right to travel across the land, may be pictured as “sticks in the bundle”. Each right may be held by a different party. The bundle of rights, for example, may be shared between the owner and a tenant to create a leasing or sharecropping arrangement allowing the tenant or sharecropper the right to use the land on specified terms and conditions. Tenancies may range from formal leaseholds of 999 years to informal seasonal agreements. If the farm is mortgaged, the creditor may hold a right from the “bundle” to recover the unpaid loan through a sale of the mortgaged property in the case of default. A neighbouring farmer may have the right from the “bundle” to drive cattle across the land to obtain water at the river. Box 1 gives some examples of rights.

- I Examples of rights
- ii. A right to use the land.
 - iii. A right to exclude unauthorized people from using the land.
 - iv. A right to control how land will be used.
 - v. A right to derive income from the land.
 - vi. A right to protection from illegal expropriation of the land.
 - vii. A right to transmit the rights to the land to one's successors, (i.e., a right held by descendents to inherit the land).
 - viii. A right to alienate all rights to the entire holding (e.g., through sale), or to a portion of the holding (e.g., by subdividing it).
 - ix. A right to alienate only a portion of the rights, e.g., through a lease.
 - x. A residuary right to the land, i.e., when partially alienated rights lapse (such as when a lease expires), those rights revert to the person who alienated them.
 - xi. A right to enjoy the property rights for an indeterminate length of time, i.e., rights might not terminate at a specific date but can last in

perpetuity.

xii. A duty not to use the land in a way that is harmful to other members of society, (i.e., the right is held by those who do not hold the right to use the land).

xiii. A duty to surrender the rights to the land when they are taken away through a lawful action, (e.g., in a case of insolvency where the right is held by the creditors, or in the case of default on tax payments).

Land tenure systems can be divided into two major categories on one essential criterion, whether or not anyone other than the central government (or the Crown) can possess land. Countries influenced by the Roman law or the Napoleonic Code view land as a commodity which can be owned while most customary land laws and countries influenced by the British common law regard land as something to which one can have rights. Most land tenure systems in Asia have been strongly influenced by the concepts of the British common law. However, all countries, regardless of their tenure system, have restrictions on land use in the interests of society.

The basic concept of the land tenure system of the British common law is often described as each land parcel having a so-called bundle of rights. These rights could include, for example, a right to build one or many houses, to live on the land, to farm or to mine on the land as well as a right to a certain portion of a building (condominium). It is also possible in many countries to trade in air space where you, for example, can buy or lease the right to use the air between 10 and 20 meters above the ground level on a certain parcel. The right(s) can be either owned indefinitely, freehold, or leased for a limited period of time, leasehold. Leasehold can be granted for any number of years and sometimes they resemble freehold, as for example the 999-year-long leaseholds granted in Britain after the Battle of Hastings in 1066. All these rights can be further sub-leased and sub-sub-leased etc. The bundle of rights concept is an extremely flexible system and this can sometimes create complications where colliding or non-compatible rights exist.

The Nigerian Land Use Decree

The Land Use Decree was promulgated on 29 March 1978 following the recommendations of a minority report of a panel appointed by the Federal Military Government of the time to advice on future land policy. With immediate effect, it vested all land in each state of the Federation in the governor of that state (Federal Republic of Nigeria, 1978).

The Decree distinguishes throughout between urban and non-urban (hereafter 'rural') land. In urban areas (to be so designated by the Governor of a state), land was to come under the control and management of the Governor, while in rural areas it was to fall under the appropriate local government. 'Land Use and Allocation Committees', appointed for each state by the Governor, were to advise on the administration of land in urban areas while 'Land Allocation Advisory Committees' were to exercise equivalent functions with regard to rural land. This review is concerned principally with the provisions relating to rural land.

The Decree envisaged that 'rights of occupancy', which would appear to replace all previous forms of title, would form the basis upon which land was to be held. These rights were of two kinds: statutory and customary. Statutory rights of occupancy were to be granted by the Governor and related principally to urban areas. In contrast, a customary right of occupancy, according to the Decree, 'means the right of a person or community lawfully using or occupying land in accordance with customary law and includes a customary right of occupancy granted by Local Government under this Decree.'

Local governments were empowered to grant customary rights of occupancy to any person or organisation for agricultural, residential and other purposes with the proviso that grants of land for agricultural or grazing purposes should not exceed 500 or 5000 hectares respectively without the consent of the State Governor. With the minor exception of land subject to Federal or State claims, the Decree also empowered the local government to 'enter upon, use and occupy for public purposes any land within the area of its jurisdiction' and to revoke any customary right

of occupancy on any such land. The approval of the local government was to be required for the holder of a customary right of occupancy to alienate that right.

Governors were empowered to revoke rights of occupancy for reasons of 'overriding public interest.' Such reasons included alienation by an occupier without requisite consent or approval; a breach of the conditions governing occupancy; or the requirement of the land by Federal, State, or local government for public purposes. Only in the last of these cases would any compensation be due to the holder, and then only for the value of 'unexhausted improvements' on the land and not for the land itself.

With regard to continued validity of customary forms of tenure, transfer and lease in the rural areas, the Decree left two key areas of ambiguity. The first was the question of the capacity of the holders of customary rights to land to alienate those rights. While the Decree defines customary rights of occupation to include 'the right of a person or community lawfully using or occupying land in accordance with customary law' and the transitional provisions of the Decree make the registration of such rights with local authorities optional, several other sections of the Decree either state or imply that the alienation of customary rights without the approval of the appropriate local government is illegal. The pronouncements of the executive on the purposes of the Decree were contradictory and did little to clarify the question.

The second key area of ambiguity with regard to rural land tenure was whether concurrent claims in rural land persisted after the enactment of the new law. No part of the Decree expressly abolished or outlawed the payment of rent in respect of customary tenures in land, but while the validity of mortgages and other encumbrances on urban land was explicitly reserved, this was not so for rural land. On the issue of collateral claims in rural land, however, the statements of the administration were consistent; there was no longer any obligation to pay ground rent in respect of rural lands after the Decree.

Aims of Land Use Decree

1. This decree is aimed at reallocating land in order to make more lands available to intending farmers for large-scale agricultural production.
2. To also remove the bad effects and arguments which land has generated in Nigeria.

Advantages of Land Use Decree

1. People can acquire outside their tribe or state, that is anywhere within Nigeria
2. Large hectares of land can be acquired for agricultural purposes.
3. Certificate of occupancy can be used to source for loan from banks.

Disadvantages of Land Use Decree

1. It makes it difficult for the federal government to acquire land.
2. Land acquisition now lies on the few rich individuals.
3. The state governor can abuse his power by revoking the certificate of occupancy prematurely.
4. It makes land use difficult.
5. It creates room for irregularities as many land speculators may backdate land agreement before the decree.
6. It may delay the execution of projects as the governor might not sign the certificate of occupancy on time.

Before the land Use Act, the rights of all land ownership, land inheritance and succession, free leasehold, sale of land, co-ownership of land and regulating alienation of land were governed by customary laws. But since the promulgation of this decree, all forms of land ownership are no longer governed by customary law.

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CHAPTER

4



Defining the Nigerian Rural Economy

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Introduction

The problem of defining 'rural' is not new. People know that when they are referred to as rural, it particularly reflects in the backwardness of their behaviour (i.e. 'ara oko'), but such perception does not sufficiently satisfy the needs of demographers, policy makers, physical planners and educational researchers among others. Rural is a concept that goes beyond mere definition. 'Rural' was first used by the United State (US) Bureau of the Census in 1874, when it was defined as indicating the population of a country exclusive of any city or town with 8,000 or more inhabitants (Whitaker, 1982).

Modified over the years by the 1980 census, a specific definition of rural had been dropped. Instead, the urban population was defined as all persons living in urbanized areas and places of 2,500 or more located outside rural areas; all population not classified as urban constitutes the rural population (US Bureau of Census, 1983). To further complicate matters, the Farmers Home Administration in the US considers rural areas to be open country communities of up to 20,000 in non-metropolitan areas and towns of up to 10,000 with a rural character (US Department, 1980).

In my Volume on "Understanding Rural Development", I have done an extensive research on the various structures and variables of defining a rural area. However, in this Volume, we will briefly see rural areas in the following perspectives,

1. As an area characterized with poor infrastructural facilities; poor access roads, poorly equipped health centers, inadequate employment opportunities, inadequate physical assets such as land/capital, and reduced access by the poor to credit even on a small scale and insufficient access to market where the poor can sell goods and services.

2. Sule (2007) maintained that rural areas are noted for their degree of poverty. At the lowest level are street children and those living in poor houses and asylums, people living under bridges and near gutters or in slums. In most countries the greatest proportion of poor people are found in rural areas. There are now many countries in which urban slum dwellers constitute an increasing problem, as the “mega-cities” of the world rapidly increase in size.

3. A rural area is usually defined as a less densely populated area. In fact the city – the opposite pole of rurality – is by definition a concentration of people and activities for commercial and institutional purposes (Sorokin et al., 1930). The significance of the rural in US policy has led to sometimes complicated means for defining rural areas. On one hand, the US federal government (USDA, 2004) defines 'rural areas' as 'places (incorporated or unincorporated) with fewer than 2,500 residents and open territory'. On the other hand, there is also a 10-category scale measuring a continuum of 'urban influence' among counties.

Rural areas operate clustered settlement patterns. Their homes and businesses are located very close to one another. In a rural area, there are fewer people and their homes and businesses are located far away from one another. Agriculture is the primary industry in most rural areas. Most people live or work on farms or ranches. Hamlets, villages, towns and other small settlements are in or surrounded by rural areas. Wildlife is more frequently found in rural areas than in cities because of the absence of people and buildings. In fact, rural areas are often called the country because residents can see and interact with the countries native wildlife.

One other most significant features of rural environment is land. In rural areas of most countries in sub-sahara Africa, land is not only the primary

means for generating a livelihood but often also the main vehicle to invest, accumulate wealth and diversify the rural economy base. Oladipo (1999) expatiated on the unique features of the Nigeria rural environment when he opined that rural economy is that branch of the statesmanship which deals in agriculture and rural enterprises and consider rural life as factors in nation-building. It places agriculture in the center of economic life of rural communities and it is around this that other enterprises revolve and/or spring from. Structurally, rural economies are multi-enterprises dominated entities with identifiable boundary lines between major complementary, supplementary and other seasonally oriented subsidiary enterprises. The arable crops under traditional; small-scale cultivation is for subsistence and is usually prone to poor yield and low productivity.

The imbalance created by these attributes is low income levels, unemployment and underemployment resulting in unmitigated poverty for majority of rural dwellers (Ezeliora, 2000). A consequence of rural poverty in Nigeria is rural-urban drift with increasing infrastructure facilities. Urban migration has also led to shortage of both skilled and unskilled labour in the rural area. Rural employees see themselves in transmit, employment bidding their time for better jobs in the cities (Garuba, 2004).

Other features of rural economy are the part-time nature of many enterprises. Farmers, teachers and government officials with little or no training in relevant trades rely on family labour and part-time workers to partake in all forms of rural enterprises. Finally, vital input such as transportation facilities, electricity, water, business premises and information are lacking in rural economies because of inadequate government attention. Effective real demand and hence markets are not develop because of the poverty that pervades the rural scene (Olawepo, 2002).

Throughout the world, more people live in rural areas than in urban areas. This has been changing rapidly, however. Urbanization is happening all over the world. In Asia, for example, the United Nations

estimates that the urban population will increase by almost 2 billion by 2050.

The social characteristics of rural areas

According to Okafor (2004), the term 'social characteristics' is used to refer to any or all of the following aspects of an area:

1. demographic structure (eg. size and density of population, rate of population growth, age and sex structure);
2. ethno-linguistic characteristics (ie. division of the population on the basis of 'physical' characteristics, such as race, tribe, clan or language);
3. social structure (eg. leadership structures, division on the basis of class or caste, gender relations, degrees and forms of cooperative activity);
4. inheritance systems, including land tenure;
5. religious beliefs and practices;
6. other cultural beliefs and practices (eg. particular customs, ceremonies, taboos, prejudices); and
7. individual and group attitudes to any aspect of life (including actual or proposed development activities), which may result from any of the other social characteristics (eg. social structure, religious or cultural beliefs) and/or from the personal views of the individuals or groups concerned.

It is very difficult to generalize about the characteristics of rural areas, even if one confines oneself to the so-called less developed countries, since there is enormous variation both between and within countries (NISER and CBN, 2004). And it is particularly difficult to generalize about the social characteristics because there tends to be a great deal of local variation, including variations due to differences in the social position, behaviour and attitudes of individuals or small groups of people. For example, one should not be surprised to find significant social differences between neighboring villages in the same agro-economic environment.

However, despite the great deal of variation, it is possible to make some very broad generalizations about some of the social characteristics of

rural societies. Oreh (2006) pointed out that it is particularly important that those involved in planning at district level note the following characteristics:

1. The integrated nature of rural society

Most rural societies are relatively 'integrated', in the sense that the various components of life (eg. agricultural and non-agricultural, 'economic', 'social' and 'political', religious and secular) are closely interrelated. Rural people do not easily recognize the distinctions which planners, extension workers and other government officials make between, for example, the responsibilities of different agencies or 'economic' and 'social' planning, because in their own lives all these things affect each other. This is why an integrated approach to planning is essential at this level and why projects or programmes which are planned from only one point of view (eg. the 'agricultural' or the 'economic') frequently fail because they do not take account of other related aspects.

2. The importance of the natural resource base

Most people in rural areas are dependent directly or indirectly on the natural resources of the area for their livelihood. Most rural planners, and especially agricultural planners, recognize this, and thus emphasize the importance of agricultural development activities. However, sometimes they do not appreciate its full implications. They do not always realize the intricate nature of the relationship between the people and their environment, which has evolved over centuries and is reflected in all aspects of life, not merely those directly related to agricultural production (Oreh, 2006).

He maintained that since agricultural projects and programmes almost inevitably involve some change in this relationship between people and environment, they will only be successful if all aspects of the present relationship are taken into consideration in the planning stage. This does not mean that the existing relationship is the best one, or that there is always a 'natural' balance between human activities and the environment. In many cases, this is not so, and that is often why some

sort of intervention is necessary. It merely means that one cannot introduce change without considering all the aspects or implications of the change and that means understanding the full nature of the relationship between people and environment.

3. The mixture of cohesion and division in rural society

Stereotype images of rural society tend to fall into two apparently contradictory categories. Some people think that rural communities are places where there are strong social and economic ties between the various individuals and groups, wealth is relatively equally distributed, and there is a high degree of traditional cooperation which can be utilised as the basis for developing new forms of cooperative venture. The other school of thought argues that rural communities are characterized by inter-group and interpersonal competition and conflict, inequality, and concern with individual rather than community needs and priorities (Oreh, 2006).

Oreh (2008) further added that there is usually a considerable amount of competition and conflict and some individuals and groups tend to gain much more from the socio-economic linkages than others. Furthermore, the fact that some activities are traditionally undertaken on a cooperative basis does not mean that the community will willingly and easily embark upon other forms of cooperative activity, especially if these are of a commercial nature. Perhaps the most important thing to remember is that, because all rural communities are composed of various individuals and groups, each with its own needs, interests and priorities, one should be very cautious about making statements or assumptions such as 'This community thinks this way' or 'This village is willing to do this'.

4. The mixture of inward- and outward-looking tendencies

The situation is similar when one considers the extent to which people in rural communities foster or is dependent upon linkages with individuals or organizations outside the immediate community. However, in most cases one finds that, although there are (as indicated above) strong social and economic ties within the community, there are also important external linkages. These take many forms, including links through

marriage outside the community, the movement of temporary migrants (and/or their remittances) in and out of the community for economic or educational purposes, trading links, and links resulting from the use of social and administrative services (eg. hospitals, government offices) outside the community. In order to understand any particular rural community, and therefore its development potential and problems, it is necessary to understand the nature and importance of these linkages (Oreh, 2008).

5. The mixture of continuity and change in rural society

There is also a tendency for so-called 'experts' in rural development to have contradictory views on the extent to which people in rural areas are willing to accept innovation and change. One school of thought emphasizes the importance of traditional culture and behaviour and the generally conservative nature of rural (and especially agricultural) people, illustrating its case with examples of farmers who have refused to accept agricultural innovations advocated by extension workers. The other argues that rural people are always willing to try new ideas and traditional customs seldom hamper innovation.

Differentiating the Rural from Urban Sector

Parkin (1998) raises five questions that point toward an analysis of any differentiation between the rural and urban economy.

1. What goods and services are produced and in what quantities?
2. How are goods and services produced?
3. When are goods and services produced?
4. Where are goods and services produced?
5. Who consumes the goods and services that are produced?
6. To the extent that the answers to these questions vary between rural and urban places.

While we attempt to answer the above questions, we can add that due to a greater availability of modern social and economic facilities in the urban centers, people of the urban areas live an economically more stable and a luxurious life. Urban settlement is defined as large, compact, densely built-up area where open spaces are often in short supply except at the

periphery (Mabogunje, 2005). Mabogunje (2005) further stressed the characteristics of an urban settlement as a settlement where population tend to be heterogeneous and socially diversified, such that kinship relationship is of minimal importance; goods and services are largely commoditised such that everything tends to have a price tag to it, and interaction and interpersonal relations are virtually contractual in nature with the maintenance of law and order being rather formal and impersonal.

Urban centres are associated with the diversity of functions where all types of occupations, industries and services are represented. Urban centres are classified into types from small towns, big towns, cities, metropolitan cities, to mega-cities. This classification reflects the population. A small town has a population of 20,000 while the mega-city parades population in millions.

The increasing attraction of the people towards the urban parts of the world has resulted in crowding of urban areas. This increasing population, majority of which prefers settling in urban cities, has led to an imbalance in the density of human population between the rural and urban areas (Ume, 2004). Urban areas are equipped with all the modern amenities. The modern-day facilities like the Internet, telephone, television and satellite communication facilities are widely available in the urban areas. A majority of the households of the urban areas are blessed with these technological advancements.

Prevailing poor conditions of the Nigerian Rural Sector

In Nigeria, and in particular, her rural sector, the poverty level is very high. Poverty (as will be seen in details in the other chapters) is relative and its meaning depends on the social and economic setting of respective societies. Poverty according to Okafor (2004) is an abject state of being in which an individual is incapable of utilizing resources around him to improve himself economically, socially, politically or otherwise. It could be due to lack of opportunity for education which is basic to human development.

Poverty entails the absence of the basic requirements essential for the survival, and to an extent the comfort of man. Poverty is hunger and starvation. It is squalor and it is the non-availability of basic medicine. The poor are those who do not enjoy the minimum standard of living consistent with human dignity, those families whose total earnings are insufficient to meet minimum necessities for the maintenance of mere physical efficiency. The person affected by poverty will be in a condition in which basic needs of food, shelter, water and health can hardly be met even at a minimum level required for survival. Poverty therefore should be viewed as a state of want, need and deprivation (Soludo, 2004). In the rural areas, rural dwellers are under-served in terms of social and economic activities like welfare and other forms of reforms such as trade and industry; electricity and pipe borne water. Absence of these makes them more prone to poverty (Olaitan, Ali, Onyemachi & Nwachukwu, 2000).

In an economic sense, poverty is regarded as a state of chronic insufficiency, economic inequality, a condition of want, scarcity, a dependence on others for every necessity of life. However, poverty as it exists in the Nigerian society and developing countries are not just a matter of low income alone, it means much more than that. People may be seen as being poor even if they are assured of the minimum required for physical survival. Consequently, poverty line is now viewed not as a minimum required for subsistence, but as a minimum level of health and decency. Thus, in addition to being a condition of want, deprivation, grossly low income and inadequacy, poverty also connotes generally very poor level of living, inaccessibility of social, infrastructural and educational facilities from which people can benefit for their individual or collective development (Clausen, 1985:8).

In Nigeria, while a segment of the population live in affluence, a large proportion live in penury; suffer from malnutrition, lives in deplorable houses and environment. The greatest proportion of Nigerians live in the rural areas; they include small-scale farmers, carpenters etc. There is no doubt that these group of people are the most hit by HIV/AIDS and other terminal diseases resulting from ignorance and absolute lack of

awareness (Soludo, 2004). Oreh (2008) was of the view that the rural people are about the most deprived of all Nigerians. She believed that they have the least access to soft and micro loans, agricultural inputs, housing substandard and their life expectancy is low. The rural poor are therefore, that segment of the rural population who find themselves under the above conditions.

One route for investigating the causes of income inequality and poverty is to examine the dimensions highlighted by poor people especially in the rural areas. These include the lack of income and assets to attain basic necessities (food, shelter, clothing and acceptable levels of health and education); sense of voiceless and powerlessness in the institutions of state and society; and vulnerability to adverse shocks. To understand the structure of income inequality and poverty in all its dimensions, it helps to think in terms of people's assets, the returns to these assets, and the volatility of returns. These assets are of several kinds: human assets (such as the capacity for basic labour, skills, and good health); Natural assets (such as land); physical assets (such as access to infrastructure); Financial assets (such as savings and access to credit) and social assets (such as networks of contacts and reciprocal obligations that can be called on in time of need, and political influence over resources (Oreh, 2008).

Garuba (2004) added that the pathetic condition of rural poor is reflected by the fact that, fifty (50) years after attainment of independence, millions of Nigerians in the rural areas trek several kilometres every day in search of good drinking water, etc. Some even collect and store flood water during the raining season for use. Due to the non-availability of clean water, thousands of such rural Nigerians are always victims of water-borne diseases. People, who have not stayed in the rural areas for a reasonable time and interacted well with the rural poor, will not appreciate the realities of the abhorable nature of rural poverty. Visiting the rural areas in the dry season and seeing houses cited close to the roads, are not enough yardsticks to measure the hopelessness of the rural dweller neither are the brief visits of government officials allow for meaningful appraisal of the situation in the rural areas.

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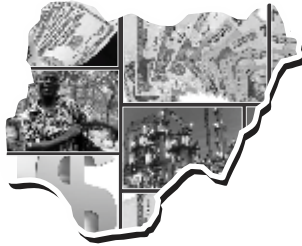


2 Section

Economic Growth of Nigeria



CHAPTER 5



Performance of the Nigerian Economy and Growth Pattern

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Introduction

Nigeria is the single largest geographical unit in West Africa. It occupies a land area of 923,768 square kilometers and lies entirely within the tropics with two main vegetation zones; the rain forest and Savannah zones, reflecting the amount of rainfall and its spatial distribution. Structurally, the Nigerian economy can be classified into three major sectors namely primary/agriculture and natural resources; secondary—processing and manufacturing; and tertiary/services sectors. The economy is characterized by structural dualism. The agricultural sector is an admixture of subsistence and modern farming, while the industrial sector comprises modern business enterprises which co-exist with a large number of micro-enterprises employing less than 10 persons mainly located in the informal sector.

The industrial sector comprises the manufacturing, mining (including crude petroleum and gas) and electricity generation. Prior to independence in 1960, the Nigerian economy was mainly agrarian. On attainment of independence, the Nigerian government embarked on the programme of transforming the country into an industrial economy. The Nigerian manufacturing sub-sector is made up of large, medium and small enterprises, as well as cottage and handcraft unit.

The components of the mining sub sector in Nigeria are crude petroleum, gas and solid minerals. Prior to the advent of petroleum minerals such as coal and tin were the main mineral exports. However, with the emergence of crude oil, the relative importance of solid minerals diminished. Indeed, since the 1970s, the largest mining activity has been

crude oil production, which became dominant in terms of government revenue and export earnings. Lately the production of gas has gained increased attention, as the export potential of gas has reduced the dominance of crude oil.

General Performance - Pre – Democratic Dispensation (1960 – April, 1999) The Nigerian economy in the period 1960 to May, 1999 was largely unimpressive. The poor performance of the economy during these period has been attributed to three major political economic factors (Iyioha, 2010) as:

1. The dominance of military despotism in governance during most of the period (Youseif, 2007), Table 1.
2. Acute regional rivalry and ethno – religious fragmentation.
3. Leadership (both Military and Civilian) motivated by extreme regional bias resulting in what Fosu, described as “adverse redistribution” syndrome (Fosu, 2008).

In the 1960s the economy was based on export – driven primitive agriculture, small to medium scale manufacturing and petty trading. However with commencement of crude oil during the early 60s, by the 1970s oil has become the dominant product among Nigerian exports. During the period 1960 – 1970, the Gross Domestic Product (GDP) recorded an average annual growth rate of 3.1%; while during the oil boom era of 1970 – 1978, the GDP grew by a positive remarkable growth of 6.2%. - A remarkable growth at a positive rate of 4.0.

In the years after independence, industry and manufacturing sectors had positive growth rates. However, in the 1980s, GDP had negative growth rates. In the period 1988-1997 which constitutes the period of structural adjustment and economic liberalization, the GDP responded to economic adjustment policies and grew except for the period 1980-1988 where industry and manufacturing grew negatively by - 3.2 per cent and - 2.9 per cent respectively. The growth of agriculture for the periods 1960-70 and 1970-78 was unsatisfactory. In the early 1960s, the agricultural sector suffered from low commodity prices while the oil boom contributed to the negative growth of agriculture in the 1970s. The boom in the oil sector lured labour away from the rural sector to urban centres.

Table 1: Executive Transitions

Year	Leader	Mode of Assumption of Office
1960	Sir Abubakar Tafawa Balewa	Elected
1963	Nnamdi Azikiwe	Establishment of Republic with Azikiwe as president
1966	Johnson T.U. Aguiyi - Ironsi	January Coup
1966	Yakubu Gowon	July Coup
1975	Muritala Mohammed	Coup
1976	Olusegun Obasanjo	Coup
1979	Shehu Usman Shagari	Elected
1983	Muhammadu Buhari	Coup
1985	Ibrahim Babaginda	Coup
1993	Ernest Shonekan	Selected head of Interim National Government (ING) in August 1993.
1993	Sani Abacha	Palace coup in November after a Federal high court declared the ING unconstitutional.
1998	Abdulsalam Abubakar	Selected mainly because of the unexpected demise of SaniAbacha
1999	Olusegun Obasanjo	Elected
2003	Olusegun Obasanjo	Elected
2007	Umaru Musa Yar'Adua	Elected
2010	Goodluck Jonathan	Sworn in because of sudden death in office of Umaru Musa Yar' Adua
2011	Goodluck Jonathan	Elected

Source: Iyioha, 2008; Author.

In the period 1981 and 1999, it is estimated that Nigeria recorded over \$228 billion from oil exports (Udeh, 2000) and yet the number of Nigerians living in abject poverty – subsisting on less than \$1 a day – more than doubled between 1970 and 2000 and the population living in poverty rose from 36% to 70% over the same period. At official exchange rates, the Nigeria's per capita income of \$260 in 2000 was previously one – third of its level in 1980 (World Bank, 2005). Meanwhile during the period, the Nigeria's external debt rose almost continuously, as did the share of its Gross Domestic Product (GDP) owed annually in debt service. In the same period, the Political leaders engaged in huge capital flight (Table 2) and massive importation of consumer goods to the detriment of the balance – of – payment.

Table 2: Capital Flight 1972 – 1989

Years	Capital Flight (In Millions of Dollars)	Year	Capital Flight (In Millions of Dollars)
1972	106.4	1981	2,132.3
1973	636.1	1982	-3,805.8
1974	325.0	1983	2,016.1
1975	119.8	1984	-169.8
1976	124.8	1985	3,569.4
1977	2,490.0	1986	5,502.9
1978	508.4	1987	5,814.6
1979	-86.3	1988	1,083.8
1980	2,713.3	1989	-2,997.0
Total 1972 – 89 = 32,801.3			

Source: Ajayi, 2000

During the period under review, Ethnic affiliations and nepotism acted over time constrained the growth of the Nigerian economy; majority of the leaders directed their attention to the diversion of state resources – public investments, infrastructural improvements, and public sector employment - to the regions that constituted their political base. This phenomenon led to political instability, discouragement of foreign direct investment and brain drain during the period.

Growth Performance

At independence, the country was a poor country with a per capital income at constant 2000 US dollars rate of \$250 at official exchange rate. The Real per capita income rose impressively between 1960 and the mid-1970s, with the exception of a brief but sharp interruption immediately before and during the civil war of 1967–70. In the mid-1970s, income fluctuated with little overall trend, but then it plummeted in 1981 with the onset of an acute economic crisis.

The contribution of agriculture to GDP, which was 63 percent in 1960, declined to 34 per cent in 1988, not because the industrial sector increased its share but due to neglect of the agricultural sector. It was therefore not surprising that by 1975, the economy had become a net

importer of basic food items. The apparent increase in industry and manufacturing from 1978 to 1988 was due to activities in the mining sub-sector, especially petroleum. Capital formation in the economy has not been satisfactory.

Gross domestic investment as a percentage of GDP, which was 16.3 per cent and 22.8 per cent in the periods 1965-73 and 1973-80 respectively, decreased to almost 14 per cent in 1980-88 and increased to 18.2 per cent in 1991 – 98. Gross National Saving has been low and consists mostly of public savings especially during the period 1973-80. The account balances before official transfers were negative for 1965-73, 1980-88 and 1991-98.

The economy never experienced double-digit inflation during the 1960s. By 1976, however, the inflation rate stood at 23 per cent. It decreased to 11.8 per cent in 1979 and jumped to 41 percent and 72.8 per cent in 1989 and 1995, respectively. By 1998, the inflation rate had, however, reduced to 9.5 per cent from 29.0 per cent in 1996. Unemployment rates averaged almost 5 per cent for the period 1976-1998. Between 1981 and 1984, real output fell at an average annual rate of nearly 6%. In 1986, the country adopted the Structural Adjustment Programme (SAP) to stem the downward trend in all the economic indexes. This programme brought about temporary relief, with real growth averaging over 5% per year between 1988 and 1990. The 1990s, however, witnessed nearly complete stagnation, with average income growing at a rate of less than half a percentage point per year.

The SAP and the post – SAP periods were marked by remarkable deregulation and economic liberalization policies that have had profound influence on the Nigerian economy. During the period, the institutional framework for the design and application of the trade and commercial policies of the period 1987 – 2000 were introduced. The government abolished Commodity Boards and deregulated the pricing and marketing of agricultural commodities. The import and exporting licensing system was also abolished and the numbers of import – prohibited items were reduced. In 1988, the desire to provide a more

stable and predictable tariff regime prompted the introduction of a seven year tariff reform. Also, a variety of incentives were introduced to promote non – oil exports and foreign direct investments, including duty and tax concessions. Selected crops and their derivatives were placed under an export prohibition list, to lower food prices and stimulate the output of agro – allied industries. However due to further economic depression and change in administration various measures and incentives introduced during the SAP period were reversed. The 1988 tariff reform was reversed before its seven-year expiration period, through amendments implemented in 1989, 1990, and 1991.

Various institutions were also created during the SAP and post SAP period to support the various institutional reforms introduced by the government of the period. In 1986, the Directorate for Foods, Roads and Rural Infrastructure (DFRRI) was created to improve food production, improve infrastructural provision at the local level and improve the supply of raw materials. The agency was also created to support the government an agricultural policy which was part of the sectorial Perspective Plan which was supposed to last till 2005. The Perspective Plan stressed the introduction of financial policy measures to improve credit allocation to the agricultural sector, and in pursuance of this objective, new financial institutions were established, including community banks and the Peoples Bank of Nigeria (PBN).

The removal of price distortions under the SAP, however, probably bore the greatest responsibility for the revival of agricultural production after 1986. Aggregate output of the agricultural sector grew by 7.5 percent per year between 1986 and 1996, a rate significantly higher than during the pre-SAP period. In the attempt to correct “government failures” in the agricultural sector, SAP policies and measures apparently paid less attention to the possibility of market failures. Thus although SAP reforms greatly reduced the output price distortions facing Nigeria's farmers, they also removed government input subsidies to the sector—subsidies that may have been justifiable as a means of encouraging the adoption and diffusion of yield-enhancing technologies (for example, seed varieties intensive in fertilizer).

The introduction of SAP also resulted in the introduction of various broad – based regulatory and institutional reforms in the financial sector, with a view to deregulating the system and creating a level playing field for the growth and development of financial institutions. Markets and instruments. In 1992 bank-by-bank credit ceilings were lifted and replaced by Open Market Operations as the primary method of monetary management. Interest rates, which had previously been administratively fixed, were left to market forces through the removal of all controls on bank deposit and lending rates. Although controls were reintroduced in 1991 and between 1994 and 1996, interest rates on deposit and lending were decontrolled again in October 1996.

In 1997 the Central Bank of Nigeria (CBN) was vested with the control and supervision of all commercial, merchant, and community banks; the Peoples Bank of Nigeria; finance companies; discount houses; primary mortgage institutions; Bureau de changes; and all development banks. In 1988 the Nigerian Deposit Insurance Corporation (NDIC) was established to complement the regulatory and supervisory role of the CBN. It was set up to provide deposit insurance and related services for banks, to promote confidence in the banking industry. The Securities and Exchange Commission (SEC), which had been established in 1979, was strengthened by the SEC Decree of 1988 to perform its role of effective promotion of an orderly and active capital market.

Other major changes in the Nigerian financial system during the 1987 – 2000 period include the promulgation of the Failed Banks (Recovery of Debt) and Financial Malpractices in Banks Decree No. 18 of 1994, aimed at prosecuting those who contributed to the failure of banks and to recover the debt owed to the failed banks. In 1994 the CBN inaugurated the Financial Services Regulatory Coordinating Committee to coordinate and standardize the regulatory policies of all financial institutions in the system and evolve cooperation among regulatory agencies. In 1995 three decrees to further regulate the financial system were promulgated: Money Laundering Decree No. 3, Nigerian Investment Promotion Commission Decree No. 16, and Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree No. 17,

which established an autonomous foreign exchange market. Financial sector reforms during this period led to the expansion of the number of banks and financial institutions. They also significantly reduced government domination of the capital market and enhanced its capitalization.

In spite of the increase in the number of banks in the economy, however, the ratio of savings to GDP declined steadily over much of the liberalization period, from 16% in 1988 to 7.8% in 1997. Also, the basic structure of the financial sector changed very little, as commercial banks continued to dominate institutionalized savings, providing about 80% of total savings. Despite some progress, the overall performance of the Nigerian financial system was not impressive, especially with the many cases of bank distress reported between 1989 and 1996. The number of banks classified as distressed increased from 8 to 52, and the licenses of five banks were revoked. The CBN also took over the management of 17 distressed banks in 1995 and one in 1996.

In recognition of the lack of access to credit by many citizens who sought to be self-employed, the federal government introduced a policy to liberalize access to credit. To this end, the Peoples Bank of Nigeria was established in October 1989, and the community banks were established in 1990. Other programs introduced to boost employment include the National Directorate of Employment (NDE) and Mass Agricultural Projects in seven states of the federation in 1993. The Family Economic Advancement Program (FEAP) was introduced in 1997 to empower locally based producers of goods and services and potential entrepreneurs in the cottage industries through the provision of loans and training, and the acquisition of skills.

With the adoption of SAP, the foreign exchange market was completely liberalized, and the exchange rate largely left to market forces. To enhance the smooth operation of the foreign exchange market, bureau de change offices were introduced in 1989 to handle small-scale foreign exchange transactions based on funds from unofficial sources. Possibly succumbing to pressure from vested interests whose opportunities for

rent seeking had been blocked by the reforms, the Abacha government reversed exchange rate reforms and pegged the naira for a wide range of transactions starting in 1994. In 1995 the government formalized its reversal by adopting a policy of “guided deregulation.” Given ongoing Nigerian inflation, foreign exchange available at the pegged rate was increasingly overvalued, and the black market premium skyrocketed. The exchange rate remained effectively pegged until 1998, although restrictions on external payments began to be lifted even in advance of the devaluation of 1999.

The Babangida administration introduced the SAP in 1986 and was responsible for its initial implementation. The efforts of this administration were hampered by continuous declines in oil revenues and increases in external debt, as well as by its commitment to an unending program of political transition. The quality and consistency of economic policy management declined sharply. The government yielded to domestic political pressures and, despite repeated official pronouncements that it would continue with reforms, could not sustain the original objectives of the SAP. Ad hoc policies were implemented instead, to meet short-term expediencies. The most serious issue was irresponsible fiscal behavior, primarily in the form of excessive spending—mainly to shore up dwindling political support and pacify the government's constituency.

The early 1990s were thus characterized by rising fiscal deficits, increasing poverty, and mounting discontent, a situation that resulted in several anti-SAP protests, riots, and strikes. The SAP led to a major decline in expenditure on the social sector and created a new class of the poor. It forced down capacity utilization in industry, from an average annual rate of 53.1% between 1981 and 1985 to 39.8% between 1986 and 1993. It may also have contributed to the widespread distress in the banking system, which destroyed the confidence of the public in the financial system and caused hardships to bank customers (Iyoha 1996). Table 3 shows the per capital real income and its growth rate (US dollars) between 1965 and 2000, which clearly elaborate the growth scenario during the period under review.

Economic Policy Instrument

From the growth analysis of the previous section, it is obvious that the Nigerian economy during the period under review has gone through series of changes over time due to different policy regimes or economic policy instruments. Prior to the introduction of SAP in 1986, the major economic instrument of government was the use of the medium term “Development plan”, which was adapted as a major framework for developing and restructuring the economy.

The First National Development Plan, 1962-1968, was developed to put the economy on a fast growth path. The plan gave adequate priority to agriculture and industrial development as well as training of high-level and intermediate manpower. However, the disruptions to economic activities during the period, particularly the first coup of 1966 and the subsequent civil war that commenced in 1967, later paved way for broader economic policies for reconciliation and reconstruction. Thus, the Second National Development Plan, 1970-1974, was launched primarily to construct and rehabilitate infrastructure that had been damaged during the civil war. Thus, the government invested a lot of resources into the construction and rehabilitation of infrastructure as well as improving the incomes of the people.

Table 3: Per Capital Real Income and its Growth rate (US Dollars) 1965 – 2000

Pre – Liberalization Era			Economic Liberalization Era		
YEAR	LEVEL	GROWTH RATE	YEAR	LEVEL	GROWTH RATE
1965	318.60	-	1987	287.70	-3.59
1966	297.00	-6.78	1988	307.20	6.78
1967	243.60	-17.98	1989	320.02	4.17
1968	234.20	-3.86	1990	336.50	5.15
1969	283.05	20.86	1991	342.64	1.82
1970	344.30	21.64	1992	342.60	-0.01
1971	382.60	11.12	1993	340.10	-0.73
1972	384.70	0.55	1994	330.60	-2.79
1973	394.20	2.47	1995	328.90	- 0.51
1974	425.95	8.05	1996	333.40	1.37
1975	392.20	- 7.92	1997	333.20	- 0.06
1976	415.45	5.93	1998	330.60	- 0.78
1977	427.67	2.94	1999	325.90	- 1.42
1978	391.10	- 8.55	2000	331.60	1.75
1979	404.99	3.55			
1980	409.18	1.03			
1981	344.51	- 15.80			
1982	332.96	- 3.35			
1983	305.50	- 8.25			
1984	281.83	- 7.75			
1985	299.90	6.41			
1986	298.40	- 0.50			

Source: World Bank, 2005.

The Indigenization Decrees of 1972 and 1974; a component feature of the second national plan, put the commanding heights of the Nigerian economy in the hands of Nigerians within the context of nationalism; while the Third National Development Plan, 1975-1980, was designed under a more favorable financial condition of huge oil revenues that accrued to the nation from the mid-1970s. However, the execution/Implementation of the Fourth National Development Plan, 1981-1985, was affected by the collapse of the international oil prices.

In 1982 the government introduced the Economic Stabilization Act as an immediate reaction to dwindling oil earnings and major external sector imbalances. This was aimed at reducing government expenditure and conserving foreign reserves in order to improve the country's balance

sheet. It was however found that there was need for a more fundamental reform to compliment the austerity measures. In 1986, the government accepted the International Monetary Fund-sponsored Structural Adjustment Programme (SAP).

The SAP aimed at removing cumbersome administrative controls and creating a more market-friendly environment underpinned by measures and incentives that would encourage private enterprise and more efficient allocation of resources. One might argue the SAP recorded some measure of success. However, some of the gains of the SAP were eroded following the increased spate of policy reversals between 1988 and 1989. Up to 1990, the economy witnessed some gains which were associated with increased deregulation and liberalization in economic management. However, owing to policy slippages, there was a reversal of trends in major macroeconomic aggregates thereafter, resulting from policy reversals and inconsistencies.

Generally, frequent policy inconsistencies and reversals that characterized the period under review created distortions in the economy and were further compounded by external shocks, including the external debt overhang. Overall, SAP failed to realize the goals of creating wealth and promoting sound economic development as most of the policies were terminated prematurely or reversed outrightly.

The experimentation with deregulation and liberalization was truncated in 1994 with the advent of a military government. Thus, the Federal Government reregulated the economy, by capping exchange and interest rates due to high nominal interest rates that reached an all-time high of 48.0 % in commercial banks and 60.0% in non-bank financial institutions. These rates were in turn driven by the high rates of inflation at 48.8% in 1992 and 61.3% in 1993. As there was no clear economic strategy for the rest of the decade, the monetary policy implementation became ineffective to check expansionary fiscal operations. In addition, weak institutions and an unfriendly legal environment reduced the benefits that would have accrued to the economy. Thus, it can be concluded that frequent change in government in the period 1960 – 1999

grossly weakened the economic instruments of governance and this subsequently led to the poor performance of the Nigerian economy in the period before the commencement of democratic government from May, 1999.

General Performance - Democratic Dispensation (May, 1999 – Date)

In May 1999, the country emerged from a long period of economic mismanagement. The new civilian government confronted with two further years of economic recession was compelled to institute various reforms to improve governance and reducing corruption, while moving the country away from the old strategy of industrialization based on direct state investments to new initiatives in the private sector.

Thus starting in 2001, the government began to introduce economic reforms. In 2003, having consolidated his political position and keen to deliver the 'dividends of democracy' the Obasanjo government decided to formalize, systematize and intensify the reform programme. The government consequently introduced and started the implementation of a comprehensive economic reform programme known as the National Economic Empowerment and Development Strategy (NEEDS).

The National Economic Empowerment and Development Strategy (NEEDS)

According to Okonjo-Iweala and Osafo-Kwaako (2007); NEEDS was conceived as a nationally coordinated framework of action in collaboration with the state and local governments and other stakeholders to reduce poverty. Indeed, NEEDS was Nigeria's homegrown equivalent of a World Bank poverty reduction strategy. In effect, the State Economic Empowerment and Development Strategy of each state of the federation is to be coordinated with NEEDS as a weapon to reduce poverty and underdevelopment in the country.

In addition to the state and local governments, the implementation of NEEDS will be predicated on a close collaboration and coordination between the federal government and donor agencies, the private sector, civil society, and nongovernmental organizations. As articulated by the

Nigerian authorities, poverty reduction is the core objective of NEEDS. Accordingly, NEEDS includes interventions and policies aimed at poverty reduction, and the policies are intended to benefit virtually all segments of the Nigerian society.

NEEDS also encompasses important structural reforms designed to enhance the transparency and accountability of public-sector policies and institutions. In the process, it is expected that many deep-rooted macroeconomic and structural challenges will be addressed to restore macroeconomic stability and promote rapid and sustainable economic growth. The NEEDS document declares that the strategy is to be implemented by creating a conducive environment for business and foreign investment so as to ensure a partnership between the public and private sectors for growth.

In particular, government's attention is to be focused on the provision of basic services and the empowerment of Nigerians to take advantage of new livelihood opportunities while encouraging the private sector to become the engine of growth in the economy. Empowerment of people will especially focus on the areas of health, education, the environment, integrated rural development, housing, employment, gender mainstreaming, and youth development. NEEDS has also become an umbrella organization for the various poverty eradication programs established by the Obasanjo administration since its inception in 1999. Chief among these programs is the National Poverty Eradication Program (NAPEP), which was established in 1999.

The objectives of NAPEP included the following:

1. Poverty eradication
2. Economic empowerment of the citizenry, especially women
3. Provision of skill acquisition for youths and reduction of unemployment among youths.
4. Provision of universal basic education to all Nigerians
5. Revitalization of agriculture as a means of raising the incomes of rural dwellers and
6. Provision of motor able roads in rural areas to enhance

evacuation of produce to markets.

The comprehensive reform programme was implemented in four main areas: Macroeconomic Reform, Structural Reform, Governance and Institutional Reform, and Public Sector Reform. Under the Macroeconomic Reform Program, government adopted a prudent oil price-based fiscal rule, introduced a Medium-Term Expenditure Framework and a Medium-Term Sector Strategy, improved implementation of monetary policy by the Central Bank, undertook a bank consolidation exercise to strengthen the financial sector, adopted trade liberalization policies, and undertook the privatization of some government enterprises.

Under the Structural Reform Program, there has been a bank consolidation exercise to strengthen the financial sector, implement trade liberalization reform, encourage deregulation of the economy, and promote privatization of some government enterprises. Under Institutional and Governance Reforms, the government introduced the Due Process mechanism in public procurement, adopted the Extractive Industries Transparency Initiative, and established the Economic and Financial Crimes Commission and Independent Corrupt Practices Commission to address corruption in public offices. Under the Public Sector Reforms, there has been a restructuring of some government agencies and an increased focus on improving service delivery, an anticorruption drive, and civil service reform.

During this period, there was marked improvement in oil revenue management and monetary policy implementation was complemented by better debt management strategies. In particular, the erstwhile stubborn problem of external debt overhang was successfully resolved. During the 2003–06 periods, Nigeria's external debt stock was drastically reduced. Arising largely from a successful debt relief agreement with the Paris Club of creditors, Nigeria's external debt stock fell dramatically from \$35.9 billion in 2004 to approximately \$5.5 billion in 2005, after award of a comprehensive debt relief package on its \$30.4 billion Paris Club debt.

As explained by Okonjo-Iweala and Osafo-Kwaako (2007), the unprecedented debt relief package involved payment of outstanding arrears of \$6.4 billion, a debt write-off of \$16 billion, and a debt buyback of the remaining \$8 billion (at a 25% discount) for \$6 billion. Also, the federal government reallocated all of the US\$750 million fiscal space created, through the completion of the debt deal with Paris Club creditors, towards expenditures related to reaching the Millennium Development Goals (MDGs) and towards reducing poverty with the Virtual Poverty Fund.

The improvement in macroeconomic policy making in the post-2003 period yielded identify able dividends and the economy responded with strong growth between 2003 and 2007 – averaging 7.6%; Real GDP growth also improved, averaging 7.1 percent per year since 2003. Public expenditure were contained, budget deficits turned into surpluses, and inflation rates of 40% per year in the 1990s fell to 11% in 2008, after which the economy slowed in the wake of the global economic crisis. Foreign exchange reserves skyrocketed from about \$7 billion in 2002 to approximately \$45 billion in 2006, and total external debt fell from \$35 billion in 2003 to under \$5 billion in 2006 (Table 4). Since 2003 the non-oil sector, which provides livelihoods for the majority of Nigerians, has grown at 5.9 percent annually, accelerating to 7.4 percent in 2004 and to 8.2 percent in 2005.

Table 4: Economic Performance Indicators, 2001 – 2006

Indicators	YEARS (ending 31 st December)					
	2001	2002	2003	2004	2005	2006
GDP (Real)	4.7	4.6	9.9	6.6	6.2	5.6
Oil Sector	5.2	(5.7)	23.9	3.3	0.5	4.7
Non – Oil sector	4.5	8.3	5.2	7.8	8.2	8.9
Oil production (million per barrel)	2.2	2.1	2.3	2.5	2.5	2.5
Gross National Savings (% of GDP)	5.3	3.5	7.2	18.4	19.4	20.6
Inflation rate % (Dec – over – Dec)	16.5	12.2	23.8	10.0	11.6	8.5
GDP per Capital (\$)	530.7	539.1	620.7	673.0	847.1	1,114.0
Population (million)	118.8	122.4	126.2	129.9	133.5	140
Population growth rate (%)	2.8	2.8	2.8	2.8	2.8	2.3
Life Expectancy at Birth (years)	54.0	54.0	54.0	54.0	54.0	55.0
Adult literacy rate (%)	57.0	57.0	57.0	62.0	62.0	67.0

Source: Central Bank of Nigeria, 2007

In 2006 the growth rate of the non-oil sector reached 8.9 percent. Growth of the non-oil sector has been largely driven by growth in agriculture and the global commodity boom. Foreign direct investment (FDI) inflows into the country have ballooned, exceeding \$5.16 billion in 2005 (Table 5). Foreign investment has occurred not only in oil and gas but also in the telecommunications, transportation, and banking sectors. It can be convincingly argued that the relaxation of the external debt constraint brought about by the Paris Club debt relief package has contributed to the observed increase in FDI inflows and portfolio flows.

Table 5: Nigeria – Foreign Investment Inflows, 2001 – 2006

Year	Foreign Direct Investment \$ (billion)	Portfolio Investment \$ (billion)
2001	1.18	0.827
2002	1.87	0.134
2003	2.00	0.147
2004	1.87	0.350
2005	2.30	2.860
2006	4.40	n.a

Source: Economic Associates, 2007 & World Bank, 2006a

Nigeria also saw real progress in strengthening the legal and institutional frameworks for transparency and accountability at the federal level, with slow progress on governance legislation at the state level. Three key bills were passed and signed into law at the federal level in 2007: Procurement; Nigeria Extractive Industries Transparency Initiative (NEITI) and Fiscal Responsibility.

In addition, the Economic and Financial Crimes Commission (EFCC) proved itself in investigating cases of high-level corruption and recovering stolen assets. Between 2005 and 2008 the number of convictions increased from 20 to over 200 cases and recovered assets increased from less than US\$1 billion in 2005 to US\$5 billion. Sound macroeconomic policies have also pushed non-oil growth. The non-oil economy grew by 9 percent per year in 2003–2007, in contrast to 3.5 per year between 1997 and 2000. Growth continued to be broad-based, and driven by the strong performance of the agricultural, manufacturing, solid minerals, and telecommunications sectors.

The growth in the economy has been further complemented by new and more aggressive and ambitious programmes of the transformation agenda of the present Goodluck Jonathan government which are essentially programmes to reinforce the NEEDS reforms of 2003; the seven point agenda of his predecessor Musa Yar'Adua and the Vision 20:2020 programme of government earlier conceived to make Nigeria one of the 20 largest economy in the world.

The Transformation Agenda

The transformation agenda is a five year development plan (2011 – 2015), driven by a world class team of 28 technocrats who make up the economic management team of government under the chairmanship of the president and coordinating Minister of the economy Dr. Ngozi Okonjo – Iweala. The transformation agenda itself is focused on three key areas and using 13 key sectors as spring board, the Goodluck administration hopes to transform the economy of Nigeria.

The strength of the transformation agenda lays in a well thought policy document; a world class economic management team to drive the

process through, a potential financial, human and political resource base; a growing maturity of major institutes of governance such as the National assembly, the Judiciary, an independent electoral umpire and a strong and dependable armed forces.

As observed by Itah (2012), the transformation Agenda of Goodluck Jonathan is a policy package that proposes to reposition the economy by addressing issues of poverty, unemployment, insecurity and most particularly, the diversification of the entire economy from total dependence on oil to a significant reliance on non-oil driven economy. Similarly, the minister of Trade and Investment in the Executive cabinet of the president, Olusegun Aganga, has described the Transformation Agenda as a policy that resolves around good governance, power, security and development of non-oil sector such as manufacturing and solid minerals, investment in infrastructure, education and anti-corruption crusade (IT and TELECOM DIGEST, 2012).

The Transformation agenda of President Goodluck Jonathan seeks to hopefully transform the Nigerian people into a catalyst for growth and national development. Under the transformation drive, government is expected to guide Nigerians to build an industrialized modern state that will launch the nation into the first 20 economies of the world by the year 2020. According to the president himself, in the presentation of the 2012 budget to the national assembly, he said: “As we collectively resolve to create a brighter and enduring future for all Nigerians, a future of hope and prosperity not lack, fear or hatred, we must prepare to overcome any adversity that may arise. Accordingly, we must all be determined and committed to follow through the difficult but balance choices that we make in piloting the affairs of the great nation”. (Jonathan Goodluck, 2011).

According to the Honourable Minister and Deputy Chairman of the National Planning Commission, the Transformation Agenda is focused on three key areas;

- First, strong, inclusive, and non-inflationary growth. This includes efforts on the part of government to encourage large-scale

industries and Small and Medium Enterprises (SMES), revitalize ailing industries, promote agriculture and agro businesses, encourage local content strategy and develop Information Technology and Communication (ICT) to be the major driver of the agenda.

- The second key area is employment generation and poverty alleviation. This includes effort to expand tourism and entertainment industry, exploit private sector potentials for employment creation, focus investment in construction industry and public works, using labour intensive techniques and provide safety nets for vulnerable groups.
- The third key area is value re-orientation; this involves re-organizing the National Orientation Agency (NOA) to develop campaigns aimed at fighting corruptions, punish acts of corruption and reward exemplary behavior, support groups and Non-Government Organizations (NGOs) that are involved in the fight against corruption. In addition, efforts will be made to include moral instruction and civic education in school curricular, institute incentives that reward hardworking and sanction poor performance. Similarly, efforts will be made to engender a culture of leadership by example and ensure compliance by all citizens with the law, rules and regulations guiding their conduct.

In addition, the transformation Agenda will address key areas such as, good governance which include security of lives and property, law and order, anti-corruption crusade, public service reform and the provision of enabling environment for all and sundry to realize their full potentials. Secondly, will be the provision of infrastructure such as power, roads, railway, water ways and water for irrigation and industry. Thirdly, human capital development, which will include education, healthcare delivery, skills acquisition, capacity building and achieving the Millennium Development Goals (MDGs).

In order to realize all of these, the government is expected to fast track constitutional and electoral reforms to provide the necessary legal framework for the policy packages; overcome security challenges, create

the enabling environment for private sector participation; encourage coordination and collaboration of policies, and not competition, among sectors. Ministries, Departments and Agencies (MDAs) of government.(National Planning Commission, 2011).

Key Sectors of the Transformation Agenda

The key areas of focus of the transformation agenda as summarized by the National Planning Commission blue print (NPC 2011) as follows:

1. Job Creation

The transformation agenda will assiduously pursue policies that will promote youth employment programme in both public and private sectors. This will include conditional cash transfer and vocational training; development of industrial clusters; reviewing of university curriculum with industry job requirements and promotion of apprenticeship/work experience programmes and joint ventures; enforcement of compulsory sub-contracting and partnering with locals by foreign construction companies and implementation of skill transfer to Nigerians by foreign owned enterprises.

2. Education

The agenda is focused on educating Nigerians as it is seen as the only way of securing the development of the country. The Transformation Agenda is geared to promoting primary enrolment of all Nigerian children of school-going age, irrespective of income profile of the parents, engage in the provision of infrastructure such as classrooms across all levels, so as to ease over-crowding, increase access and reduce pupil/teacher ratio; and enhance the efficiency, resourcefulness and competence of teachers and other educational personnel through adequate and functional training, capacity building and motivation.

3. Health

Health is wealth and as such the Agenda will invest greatly on health to reduce infant and maternal mortality. It is based on this that the health policy is to achieve human capital development goal of the vision 20:2020 strategy which is captured in the National Strategic Health

Development Plan (NSHDP). The NSHDP is the vehicle for actions at all levels of the health care delivery system which seeks to foster the achievement of the Millennium Development Goals (MDGs) and other national and international targets and declaration commitments. It is hoped that by the end of 2015, Nigeria should have a well functional health system that help in the reduction of childhood and maternal mortality.

4. Power

The importance of power for industrialization can neither be over emphasized nor underrated. To this end, government under this policy has proposed investment of N1, 896 trillion. This will cover areas of power generation, transmission, distribution and alternative energy. It is aimed at providing adequate and sustainable power, intensifying rural electrification to reduce rural-urban drift and achieving optimal energy mix using the most appropriate technology. The power policy is also targeted at deregulating the sector in order to promote and attract foreign local investment to bring about competitiveness. It also includes tariff regime that promotes transparency, guarantees security of investments and a reasonable rate of returns on investments; ensuring the transmission capacity and providing redundancies in the transmission losses while strengthening grid security.

5. Transportation

Governments expect total investment for the transport sector during the period 2011-2015 to be approximately N4. 465 billion. The investment would cover roads, railways, inland waterways, ports and airports development. The main policy is to evolve a multimodal, integrated and sustainable transport system, with greater emphasis on rail and inland waterways transportation. An enabling environment for public –private partnership (PPP) is being created by designing new policies, legislation and institutional framework that would support the envisaged transformation of the sector. A modern means of transformation system will be procured and installed. This will include modern rail system, revitalization of in-land waterways system among others. The dredging of River Niger is expected to be completed and as such create alternative

means of transportation to people particularly in the riverside and coastal area.

6. Niger Delta

One area that has become a national and global concern is the Niger Delta region, the economic power house of the nation. It is a paradoxical region in that, it is blessed with precious resources and yet the people live in pains of poverty, underdevelopment etc. the consequences of this have been youth restiveness and violent behavior in the region. This situation has led to low economic productivity and fear of insecurity. To address this, the government in its transformation agenda has proposal for the region. Government has proposed investment in the Niger Delta for the period under review to be N333.05 billion. The main policy thrust will be to entrench peace and stability in order to drive and secure socio-economic development in the area. This is aimed at reducing the regional poverty, high rate of unemployment and insecurity.

7. Labour and Productivity

Here, the agenda is to focus on the implementation of the National Action on Employment Creation (NAPEC) targeted at creating five million new jobs annually within the next three years, establishment of more skills acquisition centers; implementation of local content policy in all the sectors, especially in the oil and gas industry in order to boost job creation in the country. In the manufacturing sector, transformation agenda seeks to promote private sector investment via the creation of an enabling environment that allows for substantial improvement in efficiency, productivity and profitability, chiefly increase local manufacturing, local content and linkages with other sectors of the economy, ensure global competitiveness for manufactured goods, make Nigerian manufactured goods major foreign exchange earners and achieve rapid and sustained economic growth through broadening of the nation's productive base.

In Oil and gas, the agenda focuses on promotion of private sector investment in both the upstream and the downstream activities of the oil and gas, deregulation of the industry and promotion of environmentally

friendly oil and gas exploration and exploitations methods; strengthening capacity building programmes particularly in core technical areas; provision of finding mechanisms for pre-bidding geosciences and surveys of deep-water offshore, gas flare-down to reduce pollutions and increase supplies for domestic use and power generation, and local content development.

8. Foreign Policy and Economic Diplomacy

Nigerian's foreign missions are to be properly focused and well-funded so that they will meet the foreign policy goals of the country. Government may rationalize missions and appoint honorary consuls to deal with consular issues in the areas where Nigerian's interest does not loom large as practiced by other countries. It is also the intention of the policy to ensure Nigerians living in the diaspora are treated with dignity and respect. Every Nigerian blood that is illegal or unjustly shed will be accounted for by the government of such country. In addition, the policy will strengthen the global status of Nigeria in the comity of nations through quality leadership provision in Africa and beyond. Africa still remains the center-piece of her foreign policy.

9. Legislature

Under the planned period, the thrust of the policy will be to facilitate the creation of a dynamic, constitutionally effective and public responsive legislature that is proactive in its legislative duties and independent but aware of its Constitutional partnership with the Executive and Judicial arms of government. Other policy measures include regular auditing of the activities and publication of annual reports of the national and state legislatures to promote greater transparency and accountability in the use of public funds; promote greater public interest in the scrutiny of legislative actions; and informed public debate. To these end, attentions will be paid to human capital development policies, programmes and projects because of government's belief that investing in human capital development is critical.

10. Governance

The Transformation Agenda's policies on governance are motivated by Nigeria's inability to decisively tackle most development challenges

such as poverty, unemployment, security and deplorable state of infrastructure. These include political governance, economic governance, corporate governance and effectiveness of institutions. During the life of this administration, the policies and programmers directed at addressing governance challenges, will focus on the public services, security, law and order, the legislature; anti-corruption measures and institution; the judiciary; economic coordination and support for private investment. The critical policy thrust of governance will be maximizing the benefits the citizenry derive from governance through more effective and efficient use of public resources, proper financial management and fiscal prudence. This entails adequate emphasis on the attainment of law and order, guarantee of safety of lives and property and the provision of an environment in which people find happiness and fulfillment.

11. Judiciary and Justice Delivery

The policy thrusts of the justice and judiciary sector will be to achieve greater independence for the judiciary in terms of funding, improving capital and efficiency in judicial service delivery, eliminating all forms of corruption in the administration of justice in Nigeria, enhancing the capital of the justice ministry to superintend prosecution and improving professionalism in legal practice for better service delivery. The Judiciary will be repositioned to serve its purpose as the last hope of the common man and without executive interference. In other words, the principle of due process will be the watch word till the end of the administration. It is therefore hoped to see a new system of adjudication and dispensation of justice in Nigeria through unbiased empires.

12. Public Expenditure Management

Government is concerned that the sub-optimality of the expenditure profile of the Federal Government of Nigeria since 1999 has been recurrent spending consistently de-emphasizing capital expenditure thus, exacerbating the already abysmal state of infrastructure. It is the intention of the administration to achieve the budget that the capital expenditure will be greater than the recurrent spending. As it stands now, recurrent expenditure has fluctuated between 47.5% in 1999 to

80.29 per cent in 2003, while capital expenditure accounted for only 19.71 per cent of total government expenditure. It notes that it has since increased continually to nigh of 38.37 per cent of total expenditure in 2009. It has grown much worse in 2011 with government borrowing to finance recurrent expenditures. To remedy the situation, under the Transformation Agenda, government will entrench a culture of accountability by beginning to sanction and prosecute officers that breach established financial management rules and regulations. The monetization policy will also be strictly enforced and monitored in order to reduce unnecessary government spending.

13. Information and Communication Technology (ICT)

The proposed investment for the ICT sector between 2011 and 2015 is N22.2billion. The agenda will focus on the development of national Knowledge Based Economy (KBE) 10-years Strategy Plan, sustained human capacity development in ICT; creation of a favorable and friendly investment and enterprise environment through transparency in tax systems, anti-trust laws, incentives and trade policies that would stimulate local and foreign investment in ICT, as well as development of infrastructure, particularly global connectivity as a prerequisite to leveraging the benefits of the global economy ,improving domestic productivity and attracting foreign investments. Other strategies are creation of an enabling environment through appropriate policies, legal, regulatory and institutional frameworks and enhancing Public-Private Partnership (PPP) in project funding, financing and management.

The Projected financial burden of the Transformation Agenda presented by the Honourable Minister of National Planning as presented in Table 6. From the table it can be seen that the total projected investment for the 5 years is N35. 511.29 trillion. Out of this, government will contribute 57.10% or N20. 277.72 trillion, while the private sector share will be 42. 9% or N15.233.57 trillion.

Table 6: Investment Size for the 5 years Period of the Transformation Agenda (In Trillions of Naira)

Sector	2011	2012	2013	2014	2015
Private	1,755.49	2,158.50	2,953.83	4,657.16	15,233.57
Public	2,633.23	3,237.76	3,759.42	5,927.29	20,277.72
Total	4,388.72	5,396.26	6,713.25	10,584.45	35,511.29

Source: National Population Commission, 2011

Growth Performance to date

The Nigerian economy has responded positively to the transformation agenda as well as other economic initiatives of the government. In the period 2004 – 2009, the country made a significant giant step through the establishment of the Excess Crude Account (ECA), this account insulated the country from the sharp swing in oil prices during the period. Also, the trend in macroeconomic management during the period was very positive. The government was able to manage the excessive fiscal expansion of 2010. The general government deficit (including budgets, extra budgetary funds, the fuel subsidy and net accumulation in the ECA) was reduced from an estimated 5.7% of GDP in 2010 to 2.2% in 2011 and then 1.9% in 2012. In this context, the ECA balance increased from a negligible level at the end of 2010 to an estimated US\$ 8.6 billion in 2012. Two primary factors prevented a more rapid increase in the ECA balance during the time of generally strong oil prices in 2011-2012. In 2011, a major increase in fuel subsidy payments (4.6% of GDP) limited the accumulation of the ECA. In 2012, the Government succeeded in reducing fuel subsidy obligations significantly, but a decline in oil output and revenues tightened the budgetary position of the country.

In 2013, however, due to lower oil output, oil revenues to the Federation Account were 24.4% below programme. This put pressure on the Excess Crude Account (ECA fiscal reserve) that compensates for such revenue shortfalls. Withdrawals to cover revenue shortfalls to Federal and State Budgets decreased the ECA balance from \$9.2 billion at the beginning of

2013 to \$2.1 billion at end-January, 2014. In the second half of 2013, due to concerns over the pace of depletion of the ECA, the Government decided to refrain from compensating completely for revenue shortfalls to budgets.

At the end of 2013, at the request of the World Bank, the country rebased its GDP from 1990 to 2010. This rebasing resulted in an 89% increase in estimated size of the Nigerian economy. As a result, the country now boasts of having the largest economy in Africa with an estimated nominal GDP of US\$ 510 billion, surpassing South Africa's US\$ 352 billion. The exercise also reveals a more diversified economy than previously thought.

Nigeria has maintained its impressive growth over the past decade with a record estimated 7.4% growth of real gross domestic product (GDP) in 2013, up from 6.5% in 2012. This growth rate is higher than the West African sub regional level and far higher than the sub-Saharan Africa level. The performance of the economy continues to be underpinned by favourable improvements in the non-oil sector with real GDP growth of 5.4%, 8.3% and 7.8% in 2011, 2012 and 2013, respectively. Agriculture – particularly crop production – trade and services continue to be the main drivers of non-oil sector growth. The oil sector growth performance was not as impressive with 3.4%,-2.3% and 5.3% estimated growth rates in 2011, 2012 and 2013, correspondingly. Growth of the oil sector was hampered throughout 2013 by supply disruptions arising from oil theft and pipeline vandalism, and by weak investment in upstream activities with no new oil finds.

Table 7 shows some selected microeconomic indicators, while Table 8 shows selected economic indicators while Table 9 shows the GDP by sector and Table 10 shows the trend of global ranking of the Nigerian economy in comparison with other countries of the world, derived from the historical list of countries by GDP (PPP).

Table 7: Selected Microeconomic Indicators

Indicators	2012	2013	2014(p)	20115(p)
Real GDP growth	6.7	7.4	7.2	7.1
Real GDP per capital growth	3.9	3.6	4.4	4.7
CPI Inflation	12.2	8.5	8.1	8.2
Budget Balance % GDP	-1.4	-1.8	-1.2	-2.0
Current account balance % GDP	2.8	4.4	5.8	5.1

Source: Barungi, 2014

Table 8: Selected Economic Indicators

Indicators	2010	2011	2012	2013
Nominal GDP (Naira Billion)	55,061.8	63,991.5	72,072.2	81,139.5
Nominal GDP (US \$ billion)	360.4	408.8	453.9	509.9
Real GDP (Naira billion)	54,204.8	56,964.1	60,755.0	65,259.5
Real GDP growth rate	N.A	5.1	6.7	7.4
Oil GDP growth rate	5.2	- 0.4	- 0.9	- 0.4
Non – Oil GDP growth rate	8.5	9.1	7.9	8.1
Inflation (End – Period)	13.7	10.3	9.5	7.9
Core Inflation	12.3	10.8	11.2	7.5
Food Inflation	14.7	11	10.2	9.4
External Debt (US \$ million)	4,640.1	5,666.6	6,527.1	8,821.9
Domestic Debt (Naira billion)	4,551.8	5,622.4	6,537.5	7,118.9
External Reserves (US \$ million)	32,339.3	32,639.8	47,384.8	37,147.1
Foreign Direct Investment (US \$ million)	6,099	8,915	7,029	5,500
Stock Market				
All Share Index	24,770.5	20,730.6	28,078.8	41,329.2
Market Capitalization (US \$ billion)	65.9	41.9	57.5	82.8

Source: Emelife, 2014

Table 9: GDP by Sector (%)

Indicators	2008	2013
Agriculture, hunting, Forestry, fishing	32.9	22.0
- Fishing	1.0	0.5
Mining and Quarrying	37.6	14.5
- Oil and Gas	37.4	14.4
Manufacturing	2.4	6.8
- Electricity, gas and water	0.2	1.3
Construction	1.3	3.1
Wholesale and retail trade, hotel and restaurant	14.8	17.5
- Hotels and restaurant	0.4	0.5
Transport, Storage and Communication	3.0	12.2
Finance, real estate and business services	6.0	14.6
Public administration, education, health and social work , community, social and personal services	0.7	3.6
Other services	1.2	4.4
Gross Domestic Product at Basic Price/factor Cost	100.0	100.0

Table 10: GDP Global Ranking Compared to Other Countries

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ranking	52	47	38	38	34	31	31	30	23

The tables above showed that the impressive performance from 2010 to 2013 was mainly due to the strong performance of the non –oil sector: agriculture, construction, and hotel and restaurant sectors. Favourable harvests, corrective measures to check floods and adequate rainfall boosted crop production. Short-term benefits of the ongoing reforms in the agriculture sector through the Agriculture Transformation Agenda also appear to have started trickling in. Moreover, the rebased GDP also reveals the emergence of new non-oil sector activities driving growth. The most prominent of these is the motion picture, sound recording and music production industry, otherwise known as Nollywood.

Conversely, the performance of the oil sector was hampered by supply disruptions arising mainly from oil theft, illegal oil bunkering and pipeline vandalism. The non-passage of the Petroleum Industry Bill also seems to be contributing to weak investment in exploration and

exploitation of oil and gas, resulting in no new finds during 2013. As a result, crude-oil production dropped to an average of 2.21 million barrels per day (mbpd) in 2013 from 2.31 mbpd in 2012. Going forward, the recent recovery of some vandalised oil pipelines is expected to boost crude-oil output. It is also hoped that the national authorities' efforts to stem the tide of oil theft will begin to be felt soon. This is expected to contribute to reversing the current negative growth performance of the sector. Through its tight monetary policy measures, the Central Bank of Nigeria (CBN) managed to keep inflation at a single digit in 2013. The headline year-on-year inflation has been estimated at 8.6% in 2013, a five-year low. The monetary policy rate, the key determinant of interest rates, was fixed at 12% throughout 2013 as has been the case since 2011. Price stability was also achieved on the back of favourable agricultural harvests and particularly of moderation of core and food inflation components.

The commencement of the building of a private refinery by the business tycoon Aliko Dangote at the expected cost of US\$ 9 billion was a major investment recorded in 2013. When completed, the refinery is expected to have an installed capacity of 400 000 barrels per day (bpd). This will complement output of the nation's four refineries, which have a combined installed capacity of 445 000 bpd but producing vastly below capacity. The government is also engaging some Chinese firms in Greenfield refineries and has signed a Memorandum of Understanding in this regard. On average, both export revenues and import expenditures declined, with a larger fall in export revenues. The decline in export revenues has been mainly attributed to about a 10% fall in crude-oil and gas export earnings.

Foreign capital inflows into the country increased by 28.3% at the end of 2013 to US\$ 21.3 billion, up from US\$ 16.6 billion in 2012. Portfolio inflow accounted for 83%, an increase of 55% relative to 2012 figures, while foreign direct investment (FDI), which declined by 21.4% in 2013, accounted for 17%. The fall in FDI could be partly attributed to the sluggish global economic recovery and the state of play in the oil sector given that a large percentage of FDI inflows into the economy go to the

oil sector. Foreign reserves declined to USD 43.6 billion at the end of 2013 from USD 44.18 billion in 2012 due to the continuous fall in oil-export revenues and its use by monetary authorities to defend the value of the Nigeria naira (NGN) against the US dollar. Nonetheless at this level, the country's external reserves can still support about ten months of imports.

The economic outlook in 2013 and the first and second quarters of has also being very favourable with the recent report of the latest report of the Renaissance capital of July 2014 titled “Nigeria GDP: Bigger but slower – Manufacturing is the engine of Growth” (Edeh, 2014) indicated that by the performance of the non – oil sector, the manufacturing sector is now currently growing faster than telecommunications, oil and gas and agricultural sectors. The report further strengthens recent figures by the Manufacturing Association of Nigeria, which showed that there was an increase in manufacturing capacity utilization from 46.3% recorded in the first half of 2013 to 52.7 % in the 2nd half of 2013.

Notably, the Rencap report stated that the manufacturing sector recorded 22% growth in 2013, as against the 14 % it recorded in 2012, noting that the growth was largely driven by the textile, cement and food sub-sectors, among others. The growth recorded by the manufacturing sector within the period under review, it said, accounted for one third of the total growth in the economy. The report said, “Manufacturing is growing strongly, despite power deficit. The manufacturing sector is a much bigger, faster-growing sector under the new series (nine per cent of GDP as against the four per cent previously). In 2013, it recorded substantial growth of 22 per cent (as against 14 per cent in 2012), comprising one-third of total growth. Food, beverage and tobacco producers account for half of the manufacturing sector. The sub-sector's growth accelerated to 12 % in 2013, against 7 % in 2012.

An analysis of the growth drivers in 2013 shows that telecommunication is a maturing and slower-growing sector. The growth sectors are manufacturing (particularly food, cement and textile producers) and real estate. The report further revealed that the cement sub-sector, which

accounts for about one per cent of the country's GDP, recorded phenomenal growth in 2013, as it posted a 39% growth as against the 14% recorded in 2012. The report concluded that Nigeria with its large population of upwardly mobile consumers, particularly in the south-west, coupled with investments in power, implies that the strong growth of manufacturers, including food producers and breweries, is sustainable. Conversely, the report revealed that in 2013, the oil and gas sector experienced a decline in growth as the sector contracted by 13 per cent, while trade and real estate sectors overtook agricultural and financial services to emerge as the top three growth drivers of the Nigerian economy.

The trade and real estate sectors trumped agriculture and financial services in 2013, to become among the top three growth drivers, together with manufacturing. The decline in agriculture's growth contribution in 2013 was partly due to the third quarter floods of 2012. The upside is a smaller agriculture sector (23%, as against 36%) that reduces the economy's exposure to it," the Rencap report said. According to analysts, the level of capacity utilization in the manufacturing sector is an index of the health of the sector. When it is low, it indicates poor growth and vice-versa. The Rencap report therefore reflects the improving health of the Nigerian manufacturing sector just as the rising capacity utilization has shown. Manufacturers in Nigeria had attributed the remarkable increase recorded in capacity utilization within the last year to favourable government policies, especially with respect to industry, trade and investment.

Olusegun Aganga, the Minister of Industry, Trade and Investment, reacting on the new research findings, said the analyses, done by the reputed Renaissance Capital, corroborated the fact that the manufacturing sector was being transformed under the Transformation Agenda of President Goodluck Jonathan. He stated that "It is a good thing that the manufacturing sector is breathing well under this administration. Figures are there as proof. All we need do now is further improve the situation through consistency in policy as we continue to work hard towards continuously improving Nigeria's non-oil revenue," Aganga noted.

With regards to the economic outlook of the first and second quarter of 2014, the report of the National Bureau of Statistics (NBS) showed that the Nigerian economy slowed by 0.56% points to 6.21% in the first quarter of 2014, from 6.77% recorded in the fourth quarter of 2013. This growth is however higher than 4.55% in the corresponding quarter of 2013. The Bureau estimated the Nominal Gross Domestic Product (GDP) for the first quarter of 2014 at N20, 169,778.04 million, or N15, 438,679.50 million in real terms. But in the corresponding quarter of 2013, nominal GDP was estimated N18, 295, 631.91 or N14, 535,420.95 million in real terms.

In the report, the NBS noted that the services sector grew the most at 7.20% during the first quarter of the year, followed by Agriculture at 5.53% and then Industry at 4.84%. The Oil sector, in real terms recorded a negative growth of -6.60%, however, a better performance than the -11.40 % growth recorded in the corresponding 2013 quarter and the -9.36% growth recorded in the fourth quarter of 2013.

On nominal basis, oil GDP for the first quarter of 2014 stayed around N2, 612,066.21 million, compared to N2, 756,313.26 recorded in the corresponding quarter of 2013. According to the NBS, average daily crude oil production in the first quarter stood at 2.26mbpd, down from the 2.29mbpd recorded in the corresponding quarter of 2013. Non-oil sector grew by 8.21%, slowing marginally by 0.57% points from the fourth quarter of 2013, but a 0.76% points increase from the 7.44% growth recorded in the corresponding quarter of 2013. The data office noted that the Services sector accounted for the largest share of real GDP in the quarter, amounting to N8, 181,239.94 million or 52.99 %.

Industry ranked second with a contribution of N4, 223,469.13 million or 27.36%, whilst Agriculture constituted the smallest sector in the first quarter, representing N3, 033,970.43 million or 19.65% of GDP, the Bureau stated. The NBS report showed that Trade was the largest contributor to real GDP in the first quarter at N2, 678,514.71 million or 17.35% of real GDP in the first quarter of 2014, marginally higher than the 17.34% percent contribution to GDP recorded in the corresponding

quarter of 2013. The sector saw strong growth of 6.28% in the opening quarter of 2014, marginally higher than the record for the corresponding quarter of 2013, on account of higher agricultural output, a key input for traders. Crop production came the second highest contributor to real GDP with N2, 643,112.08 million or 17.12 % of total real GDP, roughly unchanged from first quarter 2013 figure.

The NBS further noted that the first Quarter 2014 growth was recorded at 5.42% an increase from 1.78% recorded during the first quarter of 2013. This was as a result of increased farming activity in combination with high yield seedlings during the dry season,” the bureau stated. Real estate represented 6.82 percent of real GDP in the first quarter, indicating a 1.55 percent point decline from the 8.37 percent in the preceding quarter, but only a marginal 0.20 percent point decline from that of the corresponding quarter of 2013. Despite a positive growth rate of 3.17 percent, this was 6.96 percent points lower than the 10.13 percent growth recorded in quarter 4 of 2013, and according to the NBS, this was the sharpest decline in growth in the sector since 2011.

Leadership, Policy Making and Economic Growth (1999 – date)

It is now increasingly accepted in the development literature that leadership, policy making, the quality of economic policies, and good institutions play important roles in bringing about rapid growth in developing countries. From the analysis of the economic growth recorded in the past 14 years it is obvious that the difference between the dismal economic performance of 1960 – 1999 and the economic and successful growth of the period 2000 – 2014 is good policy making, high – quality economic policies and good and effectively leadership which has accounted for the consistent and effective economic growth during the period.

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CHAPTER

6



Economic Growth in Nigeria: An Empirical Investigation of Determinants and Causal Relationship (1980 – 2012)

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Introduction

In recent years, all her efforts to grow the economy, Nigeria's rate of economic growth has remained very volatile and sluggish. This study therefore examines the major economic growth determinants as well as the direction of causality that exists between economic growth and some selected economic growth indicators in Nigeria, employing the Johansen Co-integration and Granger Causality tests for a period spanning 1980 to 2012. Leaning on the newer endogenous growth framework and based on the empirical evidences, the results demonstrate that a positive and significant long-run relationship exists between economic growth (GDP) and some selected economic growth-indicators namely: productivity index (industrial), stock market capitalization and FDI indicating that they are major growth determinants. However, the impact of trade openness, although positive, is not quite impressive as reflected in the size of its regression coefficient in part. Others (inflation and excessive Government fiscal deficit) show significant inverse relationship with economic growth, implying that they constitute impediment to the growth of the economy. The directions of causality between economic growth and the selected determinants are mixed – unidirectional, bilateral and independent.

Overall, the speed of the equilibrium adjustment (as indicated by well-defined negative ECM coefficient) is slow and suggests that economic growth process in Nigeria tends to adjust slowly to the disequilibrium changes in those determinants suggesting policy lag effect., Based on these findings, the study recommends that the government should strive

to achieve sustainable price stability, fiscal discipline, economic efficiency driven by infrastructural support and enhanced technological capabilities, strong institutional and economic reforms to increase production capacity. Stable polity should also be highly emphasized in order to promote trade, domestic and foreign investments; there is also need for the policy makers to take cognizance of the policy lag effect and design policies in line with the expected magnitude of expected changes.

Economic growth, from the early period of economic history, engaged the attention of man and his governments. As far back as 17th and 18th centuries, writers like Adam Smith, David Ricardo, John Stuart Mill, as well as state theorist like Karl Marx, Friedrich List Karl Bucher, W Rostow, and neo classical economists such as Arthur Lewis (1978) have all been preoccupied with the quest for unearthing the forces and processes that cause a change in the material progress of man. This is also applicable to successive governments and states in these modern times. In Nigeria for instance, the broad objective of the national economic policy has been the desire to promote sustainable economic growth for the vast majority of Nigerians through the adoption of various monetary and fiscal policies. Unfortunately, her economic growth performance has been characterized by fits and starts and the prospects of her rapid economic growth appear unachievable as reflected in her inability to realize sustainable full growth potentials and to significantly reduce the rate of poverty in the economy.

Several countries that have achieved rapid economic growth since World War II, have two common features. First, they invested in education of men and women and in physical capital. Second, they achieved high productivity from these investments by providing efficient capital markets, competitive trade-leading roles, higher level of economic efficiency driven by technological capabilities, stable polity, appropriate economic policy and economic system, World Bank, (2002). However, as a result of market failure that may likely occur in the process of development, it may not be ideal to leave the process of economic development entirely to the market forces especially in the developing economies like Nigeria.

Secondly, the quality of the government and its economic policies matter a lot. The radical theorist and the early proponents of development economics were of the view that growth could be internalized. Developments in the world economies have shown that it is futile for economies to isolate themselves from rapidly integrating world, Essien and Bawa (2007).

Economic growth is a key policy objective of any government. In addressing the pertinent issues in economic management, experts and economic planners have had to choose between or combine some of the macroeconomic variables. Economic growth, proxied by Gross Domestic Product (GDP) confers many benefits which include raising the general standard of living of the populace as measured by per capita national income, making income distribution easier to achieve, enhance time frame of accomplishing the basic needs of man to a substantial majority of the populace.

Conversely, economic stagnation can bring destabilizing consequences on the citizenry, Lewis (1978). Controversies that trail growth-related issues are many, but the present and more incontrovertible is the discourse on economic growth within the context of macro-economic behavior of the economy. This is in relation to how the economic policy goals could be achieved by the available policy instruments. To date, the general consensus is that the rate at which declining economic growth rate is permeating the LDCs requires urgent policy response in order to bring about sustainable economic growth (Essien and Bawa, 2007).

Furthermore, the Nigerian economy is basically an open economy with international transactions constituting an important proportion of her aggregate economic activity. Consequently, the economic prospects and development of the country, like many developing countries, rest critically on her international interdependence. Over the years, despite the considerable degree of her trade openness, her performance in terms of her economic growth has remained sluggish and discouraging, Odedekun (1997). Secondly, Nigeria's trade policy since her independence in 1960 has been characterized by policy swings, from

high protectionism to liberalism. The main objective of her trade policy is aimed at influencing trade process that can promote sustainable economic growth but this objective has become very difficult to achieve at present, Yesufu (1996).

There is also an implicit belief that the Nigerian economic environment has been unable to attract foreign direct investment to its fullest potentials, given the unstable operating environment, which is characterized by inefficient capital markets, high rate of inflation, unstable polity, stringent policies and fragile financial system, among others.

Another major problem is the element of fiscal dominance. A size of fiscal deficit has an implication for domestic savings and investment and ultimately economic growth. In Nigeria, the main factor underlying these outcomes is the volatility of government expenditure arising from the boom and burst cycle of government revenue which is derived mainly from single export commodity (oil), whose price is also volatile. To worsen the problem, these expenditures are not channeled to productive sectors of the economy, Yesuf (1996).

Prior to Nigeria political independence in 1960, agriculture was the mainstay of the economy. The present heavy reliance on primary commodity has induced adverse terms of trade shocks leading to huge current account deficits and exchange rate volatility and consequently a weak external sector for Nigeria. The trend in the current account amplifies the degree of import-dependence of the Nigerian economy. The deployment of the lean resources to finance huge debt service payments crowds out public investment in the productive sectors of the economy and with these developments, achievement of sustainable economic growth have become a difficult task.

Against this background of sluggish and volatile rate of economic growth which is accompanied with declining productivity signals, and Nigeria being a developing economy characterized by significant debt burden, structural imbalance and uncertainties, an insight into the

determinants of Nigeria's economic growth as well as their causal relationship with growth, has become pertinent.

However, most of the scholars of economics are of the view that the problem of Nigeria's economic growth has not been well understood thus, improperly managed. Most of the reviewed studies have some methodological and conceptual problems that undermine their accuracy and thus their efficacy for effective policy purposes. For instance, non- application of unit root test to reduce or if possible, eliminate spurious regression due to non-stationary properties of the time- series and the use of cross-country analysis that precludes the country specifics, may all lead to biased inferences, Engel and Granger (1987) and Gujarati (2009). Reviewed studies like Rogolf (2002), Akintoby et al (2004), Essien (2002) and Essien and Bawa, (2007), did not apply unit root test and some also applied panel and cross-sectional approach without taking into consideration the country's policy differences.

Recognizing the above gaps and challenges of the previously reviewed studies, there is need to reexamine the problem of economic growth holistically by applying Nigerian time series using modern analytical econometric techniques such as Co-integration, Unit root test, Error Correction Mechanism (ECM) and Granger Causality tests, to see if a more authentic result could be achieved for effective economic planning. Therefore the main objective of this study is to examine empirically the determinants of Nigeria's economic growth by establishing the nature of relationship between economic growth and the selected growth inducing-indicators as well as establishing the nature of the direction of causal relationship that exists between them and economic growth.

Conceptual and Theoretical Issues

The term economic growth is described as the positive and sustained increase in aggregate goods and services produced in an economy within a given time period. When measured with the population of a given country, then economic growth can be stated in terms of per capita

income according to which the aggregate production of goods and services in a given year is divided by the population of the country in the given period. Economic growth can also be stated in nominal or in real terms. Hence, when the increase in the aggregate level of goods and services is deflated by the rate of inflation, we have the real economic growth, otherwise when measured without deflating; it is called nominal economic growth.

However, the concept of economic growth has not been quite easy to grasp and measure in real terms. This is so because often on the literature of economics, some authors have variously differentiated economic growth from “economic development”. For such authors like Lewis (1978) [20], the mere increase in the aggregate level of production of goods and services in an economy tells us nothing about the “quality of life” of a citizenry, given the threats of global pollution, abysmal lopsided distribution of aggregate output and income, environmental degradation, prevalence of chronic and deadly disease, abject poverty and the absence of freedom and justice. For such authors, attention should be focused not merely on the increase in aggregate output and income but also on the total quality of standard of living and that there is yet no satisfactory measure of “quality of life” that can be applied to quantitative measure of aggregate output and income which would be acceptable to all and sundry that will stand the test of the time.

Notwithstanding, the consensus appears to be that the term economic growth refers to a positive increase in the aggregate level of output within a given time period in a country while economic development is seen as sustainable increase in the aggregate level of output and incomes, with due consideration given to the quality of life which hopefully takes account of such issues as equal distribution of income, healthcare, education, environmental degradation, reduction in global pollution, freedom and justice etc. Therefore, economic development could be referred to as a process by which an economy experiences three main phenomena namely – sustained growth in output, structural changes and institutional changes, Woodford et al (2000) [28]. If these three phenomena take place, it will lead to a rise in standard of living of

the populace. That is why growth could be enjoyed by many countries but not all experience development, Yesufu (1996) [30]. The term 'economic growth', is used throughout in this text to describe the positive and sustained increase in aggregate goods and services produced in an economy within a given time period.

Theoretical framework for understanding Economic Growth

The framework for understanding growth over the long-term is rooted in two main theories that relates to possible sources of growth. These are the growth theory and the growth accounting theory. Growth theory is concerned with the theoretical modeling of the interactions among growth of factor supplies, savings and capital formation, while growth accounting addresses the qualification of the contributions of the different determinants of growth. Three waves of interest have currently emerged in studying economic growth.

1. Sir F. Harrods (1900-1978) & E. Domar (1914-1997): Harrods – Domar Model.

The first wave is associated with the work of Sir F. Harrods (1900-1978) and E. Domar (1914-1997) in what was termed the “Harrods – Domar Model”. The theory presupposed that growth depended on a country's savings rate, capital/output ratio, and capital depreciation. This theory has been criticized for three reasons. Firstly, it centers on the assumption of exogeneity for all key parameters. Secondly, it ignores technical change, and lastly, it does not allow for diminishing returns when one factor expands relative to another (Essien 2002) and Woodford 2000.

2. Neoclassical (Solow) model

The second began with the neoclassical (Solow) model, which contained the thinking that growth reflected technical progress and key inputs, (labour and capital). It allowed for diminishing returns, perfect competition but not externalities. In the neoclassical growth process, savings were needed to increase capital stock, capital accumulation had limits to ensure diminishing marginal returns, and capital per unit of labour was limited. It postulates that growth also depended on population growth rate and that growth rate amongst countries was

supposed to converge to a steady state in the long-run. Despite the modifications, the basic problems associated with the neoclassical thinking are that it hardly explains the sources of technical change (Essien and Bawa, 2007).

3. Alternative Growth Theory (Endogenous theory)

The third is the newer alternative growth theory, which entrances a diverse body of theoretical and empirical work that emerged in the 1980s. This is the endogenous growth theory. This theory distinguished itself from the neoclassical growth model by emphasizing that economic growth was an outcome of an economic system and not the result of forces that impinged from outside. Its central idea was that the proximate causes of economic growth were the effort to economize, the accumulation of knowledge, and the accumulation of capital. According to this theory, anything that enhances economic efficiency is also good for growth. Thus this theoretical framework indigenized technological process through “learning by doing” or “innovation processes”. It also introduced human capital, governance and institutions in the overall growth objectives Romers, 1994 and Essien, 2002).

A number of endogenous growth is referred to in the literature as non-Schumpeterian growth. (Schumpeter emphasized the importance of temporary monopoly power as a motivating force in the innovative process). The model further incorporates the fact that technological advancement comes from what people do and existence of monopoly rents discoveries. The emphasis on knowledge and technology in the Schumpeterian model raises question about the role of government in promoting growth. Government should be seen as a critical agent that provides key intermediate inputs establishes rules, and reduces uncertainly, by creating the right macroeconomic environment for growth (Contessi, et al 2009).

The newer growth theory (endogenous theory) fits the real world perfectly well and has important policy implications. This is because it traces growth of output per capita to two main sources: savings and efficiency. In other words it is not only factor accumulation that drives

growth but also efforts to utilize them. An important economic policy implication of this thinking is that of achieving economic stability with low inflation and positive (real) interest rate that spurs saving, which is good for growth, Contessi et al (2009). Consequently, anything that increases efficiency and savings is good for growth. This position is further examined in details in the subsequent section.

Endogenous Growth Theory

Admittedly, some of the theories already discussed have helped immensely in explaining growth of individual countries but they do not completely explain why countries have differing growth trajectory. For instance, under the neoclassical theory, the long-run rate of growth in output was exogenously determined generally by an assumed rate of labour force growth. In other words, growth was traceable to a single source – technological progress, hence economic growth in the long-run was immune from economic policy whether good or bad.

The endogenous growth theory or the new growth theory, on the other hand, indigenizes the rate of technological progress. It traces the rate of growth of output per capita to two main sources – savings and efficiency. It also argues that policy measures can have an impact on the long-run growth rate of an economy, even if they do not change disaggregate saving rate. Thus countries with high level of efficiency, appropriate economic system, sound, economic policy, tend to grow more rapidly (Romer, 1994). Rapid growth rates are associated with country with efficient economic system and prestige (Lewis, 1978). This new thinking is very important for countries in an integrated arrangement or considering forming an economic union, and therefore aptly explains why countries economic growths are different (Essien and Bawa, 2007)

The efficiency argument is not entirely a new one. Economists have long held this view as they recognized technical change as important catalysts for economic growth. However, this endogenous growth theory is now being broadened to also include efforts to utilize the accumulated knowledge and other supportive conditions to optimal benefit. Thus technical change is viewed as an aspect of general

economic efficiency. It is said to be good for growth as to squeeze out more output from a given input and that is what efficiency is about. Conditions that cause efficiency include education, diversification, privatization, liberalization, stabilization, strong capital market development etc. (Grossman and Helpman, 1991 and Capasso, 2006). Education makes the labour force more efficient. Liberalization of prices and trade (trade openness) increases efficiency, stabilization reduces inefficiency associated with inflation, and privatization reduces inefficiency associated with state-owned enterprises.

Several authors like Akitoby et al (2004) and Grossman, (1991) have examined the role of technological progress or total factor productivity (TFP) in enhancing growth and have confirmed it to be a major explanation for the differences in economic performance across countries. It explains the poor growth performance of developing economies, especially the sub-Sahara Africa, and explained why the advanced countries have been getting richer. Reversing this trend, therefore, requires, finding innovations to raise total productivity, which in turn requires laying out proper conditions for thriving entrepreneurship in Schumpeterian sense, and increased foreign direct investment (FDI) in order to bring about structural changes in the economy. This is because innovation is seen as the main driving force behind economic growth and advanced and emerging countries are encouraged to attract FDI and other long-term flows through trade openness policy (Contessi et al 2009).

However there is tendency in developing countries to seek to attract FDI without providing the necessary conditions for FDI to thrive. Some of these conditions include macroeconomic stability, fiscal discipline, strong and liquid financial system, minimal interest rate differential, flexible exchange rate management policy, robust external reserves, and fast growing GDP. Openness to trade without these conditions being met may be very costly. According Lederman et al (2003) and Rogof (2002), openness to international capital flows can be dangerous, if appropriate controls, regulatory apparatus and stable macroeconomic frameworks are not in place.

Further in explaining economic growth path, Economic system is defined as a prevailing economic ideologies, capitalism and socialism. All other types of economic system are mere hybrids or variants of these two. It can also be extended to include the degree of trade openness, trade regimes, and incentives. With regard to economic system, Romers (1994) stated that the all-encompassing communism based on central planning and public ownership of almost all productive resources turned out to be a colossal failure wherever it was put into practice.

From his study of selected countries in comparable economic conditions and with much else in common (natural resources, culture shared languages but diametrically different economic systems), he found out that development was differed over a period of time. Thus, he concluded that economic factors, including economic systems, policies and institutions rather than exogenous technology, must have played an important role all along in determining the long-run economic growth performance of countries.

In addition, trade is an important and an integral part of an economic system. This is very important for growth, particularly in an integrated arrangement and the theory of economic integration is firmly rooted in trade theory. Lederman and Maloney (2003) examined the empirical relationship between trade structure and economic growth particularly the influence of natural resource abundance, export concentration and intra industry trade, and found that regardless of estimation technique, trade structure variables were important determinants of economic growth.

Ayodele (2004) in his studies found out that those countries that participated more in globalization through large increases in actual trade volumes since 1980 had increased growth rate. He found that while developing country's growth rates have slowed down over the years that of the globalizing countries accelerated from the 1970s through 1980s to the 1990s. The increase in growth rates that accompanies expanded trade, therefore, on average translated in income. From the study, he concluded that open trade policy led to faster growth and poverty

reduction in poor countries. The economic policy argument emphasizes mainly on stable macro-economic environment as an important determinant of economic growth, although there may be other considerations like access to capital and social welfare of the numerous macroeconomic variables, inflation has been found to be a critical determinant of growth.

Hnatkovaska and Loayza (2004) in their study investigated the relationship between macroeconomic volatility (inflation) and long run economic growth and found that they were negatively related. The negative link was exacerbated in countries that are poor, undergoing intermediate stages of financial development, institutionally underdeveloped, or unable to conduct countercyclical fiscal policy.

Another important issue under macroeconomic environment is the role of fiscal policy Tanzi and Zee (1997) examined the relationship between public finance instruments and economic growth by surveying a large body of literature on ways in which taxes, public spending, and budgetary policy can influence growth. The authors concluded that fiscal policy could play a fundamental role in affecting long-run growth performance of countries by affecting allocation of resources, the stability of the economy, and the distribution of income. They recommend that changes should be made in the public finance instruments in the directions that theory has deemed important for enhancing growth, such as the adoption of policies to improve the neutrality of taxation, promote human capital accumulation, and less income inequality moreover channeling expenditure to productive sector to enhance private investment.

Studies have also shown that developing countries are often seen to be worst off when the macroeconomic environment is unstable. Akitoby and Cinyabuguma (2004) investigated this view for a single country, particularly, the sources of growth in the Democratic Republic of Congo. Using a co-integration approach, the authors concluded that poor economic policies and conflicts, through their effects on total factor productivity and investment rate, significantly hurt the country's economic performance.

In relation to direction of causality between openness to trade, foreign direct investment and economic growth, some studies like Lederman and Maloney 2003 empirically established that causal relationship runs from trade structures to economic growth while Henriques and Sadorsky, (1996), discovered that it is growth that leads and enhances export trade. Ogbulu (2009), demonstrated that there is a feedback causality between economic growth and stock market capitalization.

Generally drawing an inference on understanding growth and its indicators there appear to be a general consensus from all the literature survey above that, overall, growth must be “endogenous” meaning that growth must respond to economic forces such as those released by different economic and political system or different economic policies. The major conclusions are that an economic system, such as central planning was bound to stifle economic efficiency and growth while a mixed market economy increases productivity. Thus, whatever a nation does to become more efficient will also help her grow more rapidly and thus these factors are regarded as its growth indicators or determinants (Romer 1994).

Methodological Issues

Estimation Technique and Procedure

The study applied modern econometric analytical techniques namely - Co-integration, unit root test, Error correction mechanism (ECM) and Granger causality test for the data analysis, with time series secondary data obtained from CBN Statistical Bulletin, 2012 and Annual Reports and Statement of Accounts 2012 for the purpose of arriving at a dependable and unbiased analysis.

Prior to testing for the direction of causality, the level series OLS regression is applied at the first stage to test for long run relationship between growth and explanatory variables. However, being conscious of the characteristics of time series used, we are careful about the properties of time series used, there is need to be careful about the properties of stochastic error terms that might have entered the model which could give rise to spurious regression. Consequently, further

rigorous investigations are made using ADF unit root test to check the stationary property of the variables (if any) in the model. The purpose of this test is to establish if the time series have a stationary trend, and, if non-stationary, to show the order of integration through 'differencing'. A time series is stationary if the mean, variance and auto-variance are not time-dependent. The Augmented Dickey Fuller (ADF) (1981) [7] unit root test was applied. The assumption is that the time series used for this research have unit root stochastic process, represented as follows:

$$\Delta Y_t = \beta_0 - \beta_1 t + \lambda Y_{t-1} + \dots + \sum_{i=1}^m \alpha_i \Delta Y_{t-i} + \xi_t$$

where Y is the single time series for (TOR, FDI, INF, SMC, GFDS, SR, PDI and GDP) under investigation and β the parameter coefficient, ξ_t is a pure white noise error term, α_i and λ are coefficients of the lag terms and m is the length of the lag terms which is automatically selected using Akaike information criteria. If ' λ ' is 0, then there is unit root, but if it is less than zero (negative), the null hypothesis is rejected and the alternative that the series is stationary is accepted.

Capitalizing on the likelihood of a co-movement in their behavior which implies that there is possibility that they trend together towards a stable long run equilibrium, Johansen (1991) Co-integration test is applied. The objective of this test is to determine if there is existence of long run equilibrium relationship among the variables used in the study. As pointed out by Engle and Granger, (1987) [8] the concept of co-integration creates a link between integrated process and the concept of steady equilibrium. Co-integration occurs when two or more time series variables which themselves may be non-stationary, drift together at roughly the same time. This implies that a linear combination of the variable is stationary. The null hypothesis is that the variables are not co-integrated. Based on this, we specify the full information maximum likelihood based on the vector autoregressive equation (VAR) Johansen (1991) [17], as mathematically stated below:

$$y_t = a_1 y_{t-1} + \dots + a_k y_{t-k} + \phi x_t + \mu_t$$

where: y_t is a k -vector of 'differenced' stationary time series, ' k ' being the lag length for the first order differenced variables, $\phi(1)$, ' x_t ' is a vector of deterministic variables, ' a ' is a constant, ϕ are the coefficients of the deterministic variables and μ_t is a vector of innovations or error term and it is known as the adjustment parameters in the vector error correction model, while " t " indicates time dependent.. Using this method we estimated the equation in an unrestricted form and then tested whether we can reject the restriction implied by the residual rank of the co-integration.

Applying the maximal non-zero eigen -values and the trace test of the maximum likelihood ratio, with reference to the level of significance, the number of Co-integration relations could be determined which indicate the existence of long run relationship Johansen 1991. However, Co-integration process ignores the short run dynamics that might cause a relation not to hold in the short run and this formed the basis for application of Error correction mechanism (ECM). This is an extension of the partial adjustment model in co-integration technique which is the traditional approach to modeling of short run dynamics with long run equilibrium. It thus preserves the long run relationship while specifying the system in a short run dynamic way, Granger and Newbold (1977), and Engle and Granger (1987) are among the studies that have proved that a co-integration is a sufficient condition to run an ECM process. A vector error correction model is a restricted VAR (Vector auto-regression) that has co-integration restriction built into the specification so that it is designed for use with non-stationary series that are identified to be co-integrated. The co-integration residual term is known as the error correction term here, since the deviation from the long equilibrium is corrected gradually through series of partial short-adjustment, Gujarat and Porters (2009).

A search for parsimony in this dynamic model typically follows the general-to-specific modeling (using various information criteria (Akaike, Schwarz, log likelihood, etc) which minimizes the possibility of

estimating relationship while retaining long-run information, if the variables do not have the same order of integration, (Engel and Granger, 1987). The functional form of the model, which initially is presented in a general form, incorporating many lag terms, is therefore later reduced to a specific or parsimonious structure by empirical testing and elimination and this gives the final and more precise result of the estimation.

Based on this, the specification is re-parameterize in a dynamic process and OLS regression applied with the equation as shown below:

$$Y_t = a_0 + \sum_{i=1} a_i Y_{t-1} + \sum_{i=0} a_i Z_{t-1} + a_i \text{ecmt-1} + \mu_t$$

Where a_0 is a constant, Y_t is a vector of endogenous variable and dependent variable, (GDP), Z_i is a vector of explanatory variables and a_i is the parameter coefficients, Y_{t-1} is the lag term of the dependent variable (GDP), the ecmt-1 or error correction term is the residuals from the long-run co-integration process and its coefficient measures the speed of the adjustment of the disequilibrium while μ_t is the white noise. As long as the co-integrating vector (ECM) ecmt-1 is stationary and well defined, (negative), the ECM estimation will then confirm the earlier proposition that the variables are co-integrated or stationary. Equations 3, constitutes the maintained hypotheses for the ECM specification search. The insignificant or redundant variables are usually omitted at the parsimonious stage using Akaike Information Criteria and Schwartz Criteria. Finally, diagnostic tests are performed on the results with a view to validating the models.

Furthermore Granger causality test is used to determine if it is economic growth or the selected determinants are significant in either enhancing or deteriorating the rate of each other. It traces the direction of causality between economic growth and the selected growth determinant in Nigeria. To determine the direction of causality, the standard Granger causality test (1969) was applied for this study. For instance, the test involves estimating a pair of regression as expressed below:

$$\text{GDPT} = \sum_{i=1}^n \alpha_i \ln \text{TORT} - i + \sum_{j=1}^n \beta_j \ln \text{GDPT} - j + \mu_1$$

$$\text{TORT} = \sum_{i=1}^n \phi_i \ln \text{GDPT} - i + \sum_{j=1}^n \varphi_j \ln \text{TORT} - j + \mu_2$$

Equation 4 postulates that current GDP is related to each independent parameter (e.g trade openness) or their past values as well as its own past values (GDPT-j) where α and β are their coefficients, i and j indicate length of time lags while μ_1 is the error term and n is the number of lag terms included. GDPT is the current value of economic growth (GDP).

In like manner, equation 5 postulates that current TORT) is related to a number of its lags (TORT-i) or past values of itself as well as past values of GDP and the same explanations in equation 4 applies to equation 5. β, α, ϕ and φ are the coefficients, and μ_1 and μ_2 are the disturbance terms, which are assumed uncorrelated, t indicates that the regression is a time series. The selected growth-indicators and GDP are the testable variables. For equation 4, the hypothesis that $\beta = \alpha = 0$ for all the 'i's, is tested against the alternative hypothesis that $\beta \neq 0$ and $\alpha \neq 0$. If the coefficient β is statistically significant but coefficient α is not, then GDP causes TOR. If the reverse is the case, then TOR causes GDP. However, where both coefficients are statistically significant, bilateral causality exists. The same steps are applied to equation 5 and the remaining explanatory variables. The F- statistics ratios and their probabilities are used to confirm direction of causation based on the level of significance of the unrestricted OLS regression.

This approach is preferred to traditional correlation method that measures only the linear relationship which does not necessarily imply causation or direction in any meaningful word (Zellner, 1979 and Granger, 1969). Usually three outcomes are possible – unidirectional when one null hypothesis is accepted and the other, rejected, bilateral or feedback when both null hypotheses are accepted and independence when none of the pairs of null hypotheses is accepted.

Analytical Framework

The analytical framework leans very closely to the newer endogenous growth theory prescription and extends the traditional growth accounting framework to focus on the variables which are Economic Growth (GDP) as dependent variable, Trade Openness, Stock market capitalization, Foreign Direct Investment, Productivity Index (industrial), National Savings, Government Fiscal Deficits and annual Inflation rate (assumed constraints) as explanatory variables. In accordance to this new growth theory, economic growth is determined by high level of savings and investments, economic efficiency, appropriate economic system and sound economic policy, among others, (Romer 1994). The endogenous growth model here is linear and could be mathematically written in both functional and natural-log form as stated below to make the analyses less tedious:

$$Y = f(\text{TOR}, \text{FDIR}, \text{INF}, \text{SMC}, \text{GFDS}, \text{PDI}, \text{SR}, \mu)$$

$$\Delta \ln Y_t = b_1 + b_2 \ln \text{TOR}_t + b_3 \ln \text{FDIR}_t - b_4 \ln \text{Inf}_t + b_5 \ln \text{PDI}_t - b_6 \ln \text{GFDS}_t - b_7 \ln \text{SMC}_t - b_8 \ln \text{SR} + u_t$$

Where: Y = Economic growth (GDP)

TOR = Trade Openness (Export plus Import as ratio of GDP).

FDIR = Foreign Direct Investment (as ratio of GDP)

Inf. = Annual Rate of Inflation

SMC = Stock market capitalization (as ratio of GDP)

GFD = Government Fiscal Deficit

PDI = Productivity Index (Industrial)

SR = National Savings (as ratio of GDP)

U = Error term

Theoretical priori expectation: b_2, b_3, b_5, b_7 and $b_8 > 0$; b_4 and $b_6 < 0$.

Hence the above estimable long-run linear equation 7 posits that 'Y' the economic growth (GDP) in Nigeria is a function of (TOR), (FDI), SMC, GFDS, SR, PDI and Inflation rate. Economic growth (GDP) 'Y' is the dependent variable, 't' indicates time dependent and μ_t is an unobservable component that is assumed "white noise".

Empirical Findings and Analysis

This section presents the data, the empirical results and discussions on the relevant findings from the model specifications tested in this study. Table 4.1 below shows the summary of empirical result when OLS multiple regression is run at the level series.

Analysis of the OLS Result

Data Presentation

$\text{LnGDP} = f(\text{LnINF}, \text{LnTOR}, \text{LnFDIR}, \text{LnPDI}, \text{LnGFDS}, \text{LnSMC}, \text{LnSR})$

Dependent Variable: LNGDP

Method: Least Squares

Date: 02/18/2013 Time: 07:03

Sample(adjusted): 1981 2012

Included observations: 32 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
lnINF.	-0.079865	0.020213	-3.95117	0.0020
LnTOR	0.002174	0.000883	2.46206	0.0236
lnFDIR	0.129132	0.031213	4.13712	0.0010
lnGFDS	- 0.180614	0.044492	-4.05947	0.0016
LnSMC	0.21593	0.06595	3.27409	0.0035
LnPDI	0.039104	0.012512	3.12532	0.0042
LnSR	-0.029183	0.026061	-1.11978	0.0935
C	10.68752	0.382888	27.91293	0.0000
R-squared	0.992649	Mean dependent var		13.91639
Adjusted R-squared	0.990198	S.D. dependent var		2.180303
S.E. of regression	0.215856	Akaike info criterion		0.000544
Sum squared resid	0.978474	Schwarz criterion		0.377729
Log likel applied ihood	7.992113	F-statistic		405.0974
Durbin-Watson stat	1.387723	Prob(F-statistic)		0.000000

Source: E-View Econometric Computer Software Application, Version, 6.

As presented on table 4.1 above, the R-square (99.2) indicates 'a good fit' showing that 99 per cent of the variations in GDP are explained by the combined effect of variations in the explanatory variables. The F-statistics (405.09) confirms further that the explanatory variables are jointly and statistically important in explaining the variations in the growth process. These selected explanatory variables are correctly

signed in accordance with the priori expectations except national savings with negative sign, indicating that savings is not contributing significantly to growth in Nigeria. The implication is that FDI, TOR, PDI, SMC enhances economic growth while inflation and GFDS are growth constraints in Nigeria.

However, a cursory look at the low D.W (1.3877) ratio and high R-squared (99.2) show possibility of first order positive serial correlation in the face of non-stationary properties of the times series variables regressed at level. This indicates some degree of time dependence of the series at level and this can lead to spurious regression. The variables are therefore re-examined using the ADF (1981) unit root test.

Unit Root Test Result Analysis

Table 4.2. Summary of the Unit Root Test Result - Data Presentation

VARIABLES	AT LEVEL		FIRST ORDER DIFFERENCE		Remarks
	ADF Test Stat	Order of Integration	ADF Test Stat	Order of Integration	
ln(INF)	-2.187927	-	-3.226143	/ (1)	**
ln(GDP)	-1.777078	-	-3.999801	/ (1)	***
ln(PDI)	-2.551252	-	-3.378241	/ (1)	**
ln(SMC)	-2.374730	-	-4.170888	/ (1)	***
ln(GFDS)	-2.223511	-	-6.966956	/ (1)	***
ln(SR)	-2.259895	-	-5.900253	/ (1)	***
ln(TOR)	-1.985359	-	-4.666473	/ (1)	***
ln (FDIR)	-1.921886	-	-4.205172	/ (1)	***
Note:	Critical Value:		Critical Value:		
	1% = -3.6852		1% = -3.6959		
	5% = -2.9705		5% = -2.9750		
	10% = -2.6242		10% = -2.6265		

Source: E-View Econometric Computer Software Application. (Version 6)

Note: * = 10% level of Significance

** = 5 % level of significance

*** = 1 % level of significance

In line with recent development in time series modeling, unit root test is basically required to establish whether the time series have stationary trend, and if non-stationary, the number of times the variable has to be

differenced (screened) to arrive at a stationary. This could form the strategy and reduce (if not eliminate) the risk of spurious regression, Engel and Granger (1987) and Granger and Newbold (1974). Usually the test (using first or series of orders of 'differencing') fringes the variable to stationary if not stationary. As presented in table 4.2 above, the unit root test shows that the null hypothesis can only be rejected after the first order differencing /(1) for all the selected variables at one and 5 per cent level of significance. This is evidenced by ADF test result at the ordinary level, which shows that the computed negative ADF test statistics for each variable, is less than the Mackinnon (1991) critical value in absolute term. Thus, the null hypothesis is accepted at level series indicating that all the variables are non-stationary at level but only became stationary after first order unit root differencing (screening).

Table 4.3. Summary of Johansen Co-integration Test Results - Data Presentation

Sample: 1982-2012

Included observations: 31

Test Assumption: linear deterministic Trend in the data

Series: LnGDP, lnINF, lnTOR, lnFDIR, lnSMC, lnPDI, lnGFDS.

Lags interval: 1 to 1

Eigen- Value	Likelihood Ratio	5% Critical value	1% Critical value	Hypothesized No of CE (s)
0.948151	300.8007	124.24	133.57	None**
0.907061	203.2001	94.15	103.18	At most 1**
0.884475	189.5475	68.52	76.67	At most 2**
0.802793	131.0524	47.21	54.46	At most 3**
0.646830	44.09197	29.68	35.65	At most 4**
0.289004	12.02106	15.41	20.04	At most 5
0.012397	0.424075	3.78	6.65	At most 6
(***) denotes rejection of the hypothesis at 5%(1%) significance level L.R. test indicates 5 co-integrating equation(s) at 5% significance level				

Source: E-View Econometric Computer Software application, (Version 6)

ECM Result Analysis

The parsimonious ECM Growth model result presented in table 4.4 below gives the final and more precise estimation result when compared with the OLS level series model. All the variables are correctly signed as

predicted and measured by their regression coefficients. The F-statistics ratio of 15.7 with probability ratio of 0.0002 confirmed that the explanatory variables (economic growth determinants) are jointly and statistically important in explaining growth nexus in Nigeria. The (R²) of 86 per cent displays overall goodness of fit and is also significantly high, implying that the changes in selected explanatory variables in aggregate, accounted for 86 per cent of the variations in economic growth (GDP) performance in Nigeria. GFDS is omitted in this short run process, implying that government excessive expenditure is only significant in the long run. However, TOR though positively related, has a weak impact as suggested by the size of its regression coefficients (0.002 lagged two periods) in part, implying that one per cent increase in TOR in part, induces only 0.002 per cent in the GDP growth rate in the long-run. Inflation rate has significant inverse relationship with GDP as predicted, implying that it is a constraint to economic growth in the long-run. Durbin-Watson statistic ratio of 2.3 indicates absence of serial correlation. This indicates that the unit root test has effectively screened the time series variables to achieve stationarity when compared with DW statistics (1.3) of the OLS level regression result.

Dependent Variable: DLn (GDP)				
Method: Least Squares				
Date: 02/18/2013 Time: 11:58				
Sample (adjusted): 1982 2012				
Included observation: 31 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.010053	0.299062	-6.721191	0.0001
DLn(GDP(-1))	0.404245	0.261621	1.545155	0.1352
DLn(GDP(-2))	0.094877	0.023308	4.070576	0.0006*
DLn(INF)	1.484532	0.108670	0.915422	0.3611
DLn(INF(-2))	-0.060020	0.014247	-4.212816	0.0005*
DLn(TOR)	1.097116	0.921467	1.190618	0.2153
DLn(TOR(-1))	1.150243	0.040122	0.780552	0.4458
DLn(TOR(-2))	0.002995	0.001021	2.933398	0.0068*
DLn(FDIR(-2))	0.03839	0.01311	2.928299	0.0072*
DLn(SMCI(-2))	0.04749	0.01103	4.030552	0.0005*
DLn(PDI(-2))	0.03564	0.01014	3.514792	0.0008*
ECM02(-1)	-1.160010	0.302111	-3.839681	0.0008*
R-squared	0.860912	mean dependent var	0.04322	
Adjusted R-squared	0.781234	S.D dependent var	0.201011	
S.E of regression	0.20023	Akaike info criterion	-2.20360	
Sum squared resid	0.802396	Schwarz criterion	0.11354	
Log likelihood	-18.43536	F-statistic	15.726027	
Durbin-Watson stat	2.318802	Prob(F-statistic)	0.000201	

Source: E-View econometric computer software application, Version 6

The coefficient of the ECM term which measures the speed of the adjustment of the dependent variables at which equilibrium is restored, (-1.160) is significant and correctly signed (negative) at 5 percent level, and therefore confirms our earlier proposition that the variables are co-integrated. The speed suggests that economic growth in Nigeria adjusts slowly to the long-run equilibrium changes in the explanatory variables and it gives the proportion of the disequilibrium error accumulated in the previous period that is corrected in the current period. The speed implies that 16 per cent of any disequilibrium in the economic growth process is corrected within a lag (one year in this study). This result is in agreement with Akitoby and Cinyabuguma (2004), Odedokun (1997) and Hnatkovaska and Loayza (2004).

Pairwise Granger Causality Test Analyses

The above test as presented in table 4.5 was run on the model with optimal lag of 2. The essence of this test is to establish the direction of causal relationship between economic growth and its selected determinants. It is preferred to traditional correlation which measures only relationship without direction. Establishing which variable causes or promotes the other, will enhance effective economic planning especially in determining the relative weights to be assigned to these macroeconomic variables in achieving sustainable economic growth.

As presented in table 4.5 and capitalizing on the F-statistics ratios, there exists unilateral causal relationships between the economic growth (GDP) and some of the growth determinants (TOR and INF.) with F-statistics and probability ratios of 9.1829 (0.0045) and 5.2601 (0.01022) respectively at the 5 percent level of significance. This result suggest that inflation and TOR determine GDP without a feed back in Nigeria while significant bilateral causality runs between GDP and FDI as well as SMC with feedback implying that the variables determine each other. Independent causality exists significantly between PDI and GDP implying that it could not be determined which variable enhances the growth of the other.

Table 4.5. Summary of Pair-wise Granger Causality Test Results

Sample Size: 1982 – 2012

Date: 02/10/2013 Time: 12: 19

Lags = 2

Observations = 28 (After Adjusting Endpoints)

NULL HYPOTHESIS	F-STAT.	PROB.
lnGDP does not Granger cause lnPDI	2.14139	0.14033
lnPDI does not Granger cause lnGDP	2.25811	0.34457
lnGDP doesnt Granger cause lnGFDS	6.55336	0.00502*
lnGFDS doesnt Granger cause lnGDP	1.25643	0.30063
lnGDP does nt Granger cause lnFDIR	8.05879	0.00223*
lnFDIR does nt Granger cause lnGDP	4.83583	0.02457*
lnGDP does not Granger cause lnTOR	9.18296	0.00456*
lnTOR does not Granger cause lnGDP	0.34915	0.70896
lnGDP does not Granger cause lnSMC	5.48770	0.02533*
lnSMC does not Granger cause lnGDP	3.83942	0.03341*
lnINF does not Granger cause lnGDP	5.26011	0.01022*
lnGDP does not Granger cause lnINF.	1.25144	0.30567

At 5 per cent significant level

Source: E-View Econometric Computer Software Application, version 6.

The general results imply that causal relationship between economic growth and the selected determinants is mixed and therefore inconclusive. However, it agrees with the findings of Pentecost and Kara (2000) and Ogbulu (2009) which show that causality tests are mixed and inconclusive depending on the variables used.

Summary and Conclusions

This chapter examined the nature of relationship between economic growth and some selected growth determinants in Nigeria as well as the direction of causal relationships that exist between those determinants

and economic growth, employing the Johansen co-integration, unit root test, Granger Causality and ECM tests, with data sourced from CBN Statistical Bulletin and Annual Reports, 2012, and drawn from selected annual key macroeconomic time series in Nigeria for a period of 33 years (1980 to 2012).

Based on the empirical evidence, using the newer endogenous growth framework, the study has brought to fore that the applied explanatory variables have a long run relationship with GDP and are major growth determinants. In aggregate, they explained significantly the variations in the economic growth nexus in Nigeria. Government excessive fiscal deficit and inflation with inverse relations are confirmed to be impediment to achievement of sustainable economic growth in Nigeria in the long run. The coefficient of the ECM term which measures the speed of the economic growth adjustment, suggests that economic growth in Nigeria adjusts slowly to the long-run equilibrium changes, with only 16 per cent of the disequilibrium in the economic growth process being corrected within a lag (one year in this study). This outcome also suggests a lag effect of the monetary policy instruments. However, trade openness, though positively related to GDP, has a weak impact on growth.

Over all, this study have examined several explanations for the pronounced fluctuations and sluggishness in Nigeria's economic growth and confirmed that government fiscal indiscipline as well as volatile and persistent rise in price level are major contributing factors that have adversely influenced economic growth in Nigeria despite the positive impact of other determinants.

Recommendations

The significance of the findings obtained from the study poses a serious challenge to the economic and policy makers. Based on these findings, the study recommends that the government should strive to achieve sustainable price stability, stronger capital market with minimized distortions, fiscal discipline that channels funds to productive sectors to encourage private investors. Economic efficiency driven by

infrastructural support and enhanced technological capabilities, strong institutional and economic reforms can increase production capacity. In addition, stable polity, to promote trade, domestic and foreign investments, should also be highly emphasized. There is also need for the policy makers to take cognizance of the policy lag effect and design policies in line with the expected magnitude of expected changes. Strategies for poverty eradication in addition to prudent and effective management of government expenditure can also lead to increased savings specifically through the oil revenue.

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Petroleum Income and Nigerian Economy: Empirical Evidence

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Preamble

This study investigates the effects of petroleum income on the Nigerian economy for the period 2000 to 2009 using the gross domestic product (GDP), per capita income (PCI), and inflation (INF) as the explained variables, and oil revenue, petroleum profit tax/royalties (PPT/R), and licensing fees (LF) as the explanatory variables. The sample covers all the economic sectors of the country, including the oil sector and the non-oil sector. This study relied mostly on secondary data from Central Bank of Nigeria's Statistical Bulletin, Nigerian National Bureau of Statistics, and the Nigerian national Petroleum Corporation. Simple regressions models and Statistical Package for Social Sciences were used in this study to evaluate the data collected. The results show that oil revenue has a positive and significant relationship with GDP and PCI, but a positive and insignificant relationship with INF. Similarly, PPT/R has a positive and significant relationship with GDP and PCI, but a negative and insignificant relationship with inflation. It was also found that LF has a positive but insignificant relationship between GDP, PCI and INF, respectively. Based on these findings, this study concludes that petroleum income (oil revenue and PPT/R) has positively and significantly impacted the Nigerian economy when measured by GDP and PCI for the period 2000 to 2009. This study therefore suggests that the effect of petroleum income on the Nigerian economy was positive for the period reviewed.

Introduction

Nigeria is situated in West African sub-region with a land mass of 923,768 sq km and a population that is presently more than 123 million people in 2009 as shown in Table 1 below. The global perception of Nigeria is that of a rich oil producing nation but with a growing poverty index (Yakub, 2008). Between 2000-2009, the price of crude oil which has contributed about 80% of the country's GDP rose from \$13 per barrel to a high of \$125 per barrel. This also resulted in significant increase in revenue generated as seen in table 2 below. The annual budget expenditure between the period under review increased from 470 billion (naira) to 2.676 trillion (naira). Budgeted Capital expenditure stood at 36.2% of total budget in 2000 which amounted to 300 billion naira and 20.6% in 2009 amounting to 1.524 trillion naira. Total recurrent expenditure increased between this period as a result of increase in salaries and expansion of government ministries and agencies (Nigeria budget office, 2009). In addition to the low capital budget ratio, government ministries have been unable to deploy capital funds effectively. One of the reasons being that some of these ministries still operate an ineffective manual system which has given rise to inconsistency, lack of transparency and accountability problems. Increased unemployment, poor health facilities and lack of adequate power supply are some of the economic problems that have resulted. Available evidence in shows that the country has proven oil reserves of 36 billion barrels, condensate of 4 billion barrels, proven gas reserves of 187 trillion cubic feet and the present average daily production of oil is 2.6 million bbl/b (Agbogun, 2004, Egbogah, 2010).

The major sources of petroleum income are sale of crude oil and gas (oil revenue), Petroleum profits tax and royalties, licensing fees and other incidentals as shown in CBN Statistical Bulletin (2002 and 2009). The main focus of Petroleum Profits Tax (PPT) is the upstream sector of the Petroleum industry, which deals with oil exploration, prospecting, development and production (EPDP). In 2009, Petroleum Profits Tax attracted 85% tax rate on export and 65.75% on domestic sale of oil and gas.

Previous studies on the Nigeria economy in the last decade show that the petroleum industry has been playing a dominant role and occupies a strategic position in the economic development of Nigeria (Azaiki and Shagari (2007). This is evidenced by the total oil revenue generated into the Federation Account from 2000 to 2009 which amounted to N34.2 trillion while non-oil was N7.3 trillion, representing 82.36% and 17.64% respectively. The mean value of oil revenue for the 10 year period is N3.42 trillion compared to non-oil revenue at N732.2 billion (CBN Statistical Bulletin, 2009). Further evidence was ten year's average crude oil and condensates production of 832,866,752.1 barrels from 2000 to 2009.

The importance of crude oil to the economic development of Nigeria cannot be over emphasized, as shown in the table above and the evidence presented in Binda and Van Wijnbergen (2008) which states that Nigeria gained an extra \$390 billion in oil-related fiscal revenue between 1971 and 2005, or 4.5 times 2005 gross domestic product (GDP). Unfortunately, the economy has been bedeviled by sustained underdevelopment evidenced by poor human developmental and economic indices including poor income distribution, militancy and oil violence in the Niger Delta, endemic corruption, unemployment, relative poverty (Nwezeaku, 2010). Irrespective of Nigeria's huge oil wealth, the country has remained one of the poorest in the world. In particular, the Niger Delta which produces the oil wealth that accounts for the bulk of Nigeria's earnings has also emerged as one of the most environmentally degraded regions in the world evidenced from the World Wildlife Fund report released in 2006 (Ekaette, 2009).

The problems with Nigerian economy have been traced to failure of successive governments to use oil revenue and excess crude oil income effectively in the development of other sectors of the economy (Yakub, 2008). Over all, there has been poor performance of national institutions such as power, energy, road, transportation, politics, financial systems, and investment environment have been deteriorating and inefficient (Nafziger, 2008).

According to Odularu (2008), outside of the energy sector, Nigeria's economy is highly inefficient. Moreover, human capital is underdeveloped. Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004 and non-energy-related infrastructure is inadequate. Nigeria's economy is struggling to leverage the country's vast wealth in fossil fuels in order to displace the devastating lack that affects about 57 percent of its population. In 2009, persistent inflation and environmental degradation led to deprivation of means of livelihood and other socio-economic factors to the people of Niger Delta which is the major oil producing state in Nigeria. Despite the fact that crude oil has been the source of Nigerian economy, the economy is faced with high rate of unemployment, wide spread oil spillage, increasing poor standard of living as a result of decreasing gross domestic product, per capita income and high rate of inflation which has led to the effect of the economic development .(Nwezeaku, 2010).

Bawa and Mohammed (2007) assert that "Nigeria with all its oil wealth has performed poorly, with GDP, per capita today not higher than at independence in 1960". This means that an average Nigerian was better off before independence in 1960. Bawa and Mohammed acknowledged poor performance of Nigeria's economy but did not provide any empirical evidence or percentage figures by way of hypotheses testing and thereby confirming the fact that some of their works must have been based on assumptions that cannot be statistically verified and generalized (Baridam, 2008, and Eromosele, 1997).

Oil revenue which is supposed to be a source of finance for economic development has turned out to be a bone of contention between many interest groups, precisely the government and oil and gas companies. From the work of Odularu (2008) which focused mainly on Labor, Capital, Real gross domestic product, domestic crude oil consumption and crude oil export in Nigeria, the period of his study like some other previous ones were different from this study. That is, Odularu's period of study was 1970 to 2005 while this present study covers 2000 to 2009, which is different from previous works. This proves that so far, there has not been any empirical research to find out the effects of petroleum income on the Nigerian economy from 2000 to 2009. Hence, this study

becomes imperative in order to provide empirical solution to some of the numerous problems besetting Nigerian economy.

Theoretical Framework

Dominant theories of economic growth have suggested that significant relationship exist between national income and economic growth. That is, when income is invested in an economy, it results in the growth of that economy. For example, Harrod (1939) and Domar (1946) models state that growth is directly related to savings (unspent income). Similarly Yakubu (2008) suggests that income from a nation's natural resources (e.g. petroleum) has a positive influence on economic growth and development. Contrary to this opinion expressed above, other studies on this subject matter, found that natural resources income influences growth negatively. That is, an increase in Income from natural resources does not necessarily result in an increase in economic growth. For example, Sachs and Warner (1997) using a sample of 95 developing countries that included Indonesia, Venezuela, Malaysia, Ivory Coast and Nigeria, found that countries that have a high ratio of natural resource exports to GDP which appears to have shown slower economic growth than countries with low ratio of natural resource export to GDP. Similarly, Collier and Hoeffler (2002), is of the opinion that increase in natural resources income does not result in increase in economic growth. This is so because they found that 23.0 per cent of countries that are dependent on oil exports are likely to experience civil war in any five-year period compared to 0.6 percent for countries without natural resources. During each of these periods, there was no economic growth. Yakub, (2008) also supports the argument that increase natural resources income does not result in increases in economic growth but result in vicious development cycle (i.e. violent and adverse development).

According to him, increase in natural resources income encourages rent-seeking in the economy whereby all economic units, whether public and private, domestic and foreign have overwhelming incentives to seek links with the state in order to share in the resource pie. This incentive for rent-seeking penalizes productive activities, distorts the entire economy and hinders economic growth.

In theory, proponent of oil-led development (for example Yakubu (2008) and Hoffman (1999)) believes that countries lucky enough to have petroleum, can base their development on this resource. They point to the potential benefits of enhanced economic growth and the creation of jobs, increased government revenues to finance poverty alleviation, the transfer of technology, the improvement of infrastructure and the encouragement of related industries. But the experience of almost all oil-exporting countries to date, especially Nigeria illustrates few of these benefits (Terry, 2000). To say the least, Nafziger (1984) says that Nigeria's case is increasingly degenerating to a state of chaos as petroleum income is brazenly mismanaged while the basic national institutions such as electricity, energy, road, transportation, political, financial systems, and investment environment have been decreasing and inefficient in Nigeria, the infrastructure is still poor; talent is scarce. Poverty, famine, and disease afflict many nations, including Nigeria (Chironga, et al, 2011). It is evident from the opinions expressed in the foregoing theories that petroleum income can cause an increase or a decrease in economic growth and development of a nation, depending on the type of theory, policy and practical implementation the government in power adopts.

Oil Revenue

Oil revenue refers to the income earned from the sale of crude oil. According to Budina and van Wijnbergen (2008) oil is the dominant source of government revenue, accounting for about 90 percent of total exports, and this approximates to 80% of total government revenues. Since the oil discoveries in the early 1970s, oil has become the dominant factor in Nigeria's economy. The problem of low economic performance of Nigeria cannot be attributed solely to instability of earnings from the oil sector, but as a result of failure by government to utilize productively the financial windfall from the export of crude oil from the mid – 1970s to develop other sectors of the economy. So far, the oil boom of the 1970s led to the neglect of non-oil tax revenues, expansion of the public sector, and deterioration in financial discipline and accountability. In turn, oil-dependence exposed Nigeria to oil price volatility which threw the country's public finance into disarray (Yakubu, 2008).

Nafziger (2006) and Ibaba, (2005) state that Nigerian economy has the potentialities of becoming one of the twenty leading economies of the world before the year 2020 if their abundant crude oil wealth, human and natural resources are properly managed and corruption mitigated.

Petroleum Profits Tax (PPT) and its Administration in Nigeria

The focus of Petroleum Profits Tax in Nigeria is the upstream sector of the petroleum industry which deals with oil prospecting, mining and production. Crude Oil production is taxed at the rate of 85% on export and 65.75% on domestic sale of oil within the periods under review. (Kiable and Nwikipasi, 2009). The tax laws according to Adekanola (2007) have vested the authority to assess, administer and collect all taxes from corporate entities on the Federal Inland Revenue Services. Taxes administered at the Federal level include the Petroleum Profits Tax, Companies Income Tax, and the Value Added Tax as well as the Capital Gain Tax, when such capital gains are generated by corporate entities. The administration of taxes in Nigeria has also been focused on revenue generation to the detriment of stimulating economic development.

Azubuike (2009) however posits that tax payers or revenue public payers are well disposed to perform their civic duties willingly when they see evidence of public expenditure which they can identify with or benefit directly from. Unfortunately, this has not been the case in Nigeria. Macdonald (1980) opines the fact that the retention of a corporation tax under an expenditure tax regime is justified in the Meade Report of 1978 on Tax Reform on the ground that it can raise revenue while not distorting the rate of return to saving. Ogbonna (2009) expressed the view that the administration of Petroleum Profits Tax in Nigeria has mainly been focused on revenue generation to the detriment of stimulating economic growth and development.

Licensing Fee

According to the Nigeria constitution (2011), a license means a permission given by a competent authority to do an act, which without such grant would be illegal or would amount to a trespass or tort. A

license therefore confers certain rights on the licensee. Such a license is usually issued under terms whose objectives range from the raising of revenue, to the establishment of controls and the maintenance of standards. In essence, the goals of a license granted in accordance with the relevant provisions of the Petroleum Act, either for the exploration or prospecting for petroleum are basically not different from the foregoing objectives.

Licensing fee constitutes part of petroleum income. The origin of this source of income according to Etikerentse (2004) is from the 1999 Nigerian Constitution, Section 44 (3) which provides the transfer of: “the entire property in and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the government of the federation and shall be managed in such manner as may be prescribed by the National Assembly”.

Also, Sections 1 and 2 of Petroleum Act, 1969, as amended to date, provides that “the entire ownership and control of all petroleum in, under or upon any lands to which this section applies shall be vested in the country”. Therefore, by these legal provisions, the Federal government of Nigeria is entitled to assign oil prospecting license and oil mining lease and receive fees from oil companies operating in Nigeria before they could be allowed to prospect and explore for oil. This is how licensing fee become part of petroleum income and therefore the Central Bank of Nigeria (CBN) have used it in 2008 and 2009 in presenting the summary of the Nigerian Federal Government Finances

Gross Domestic Product (GDP)

According to World Bank Report (2011), “GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products, It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources”. The Central Bank of Nigeria (2010) defines GDP as the money value of goods and services produced in an economy during a

period of time irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation). Schiller (2003) used GDP and per capita income to assess the growth rate in selected countries from 1990 to 2000, see table 2.7.1 below. The relationship between GDP growth and population growth is very different in rich and poor countries. The populations in rich countries according to him are growing very slowly, and gains in per capita income and GDP are easily achieved. That is, while rich countries' population growth grows slowly, their per capita income and gross domestic products (GDP) are high and easily achieved. Conversely, in the poorest countries, population is still increasing rapidly, making it difficult to raise standard of living. A typical example is how per capita incomes are declining in many poor countries such as Nigeria, Kenya, Venezuela and Haiti. According to World Bank Development Report, (2002) and Schiller (2003), Nigeria has an average economic growth rate from 1990 to 2000 as follows: GDP of 2.4, National Income of 1.12, population of 2.8, and per capita income of -0.4.

Per Capita Income

Per capita income simply refers to the national income (that is GDP) per person in an economy (country). According to World Bank (2011), "GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources".

Available evidence from the World Bank report of (2005) and Iyoha (2007), states that per capita income in Nigeria in 2000 was US\$260. This is only one-third of the per capita income of 1980. Real income per capita grew at only 0.43% annually at constant domestic prices between 1960 and 2000. Iyoha(2007) further stated that during this period of the decline of the per capita income, the external debts of Nigeria was rising continuously, as was the share of GDP owed annually in debt services.

He attributed the decline in the Nigeria economy to the inability of managing the economy effectively and efficiently so that the non-oil sector generates and contributes revenue as much as the oil sector of the economy.

The World Bank Report (2010) stated that as a result of corruption, 80% of Nigerian energy revenue benefits only 1% of the population. This means that 99% of Nigerians do not benefit from oil revenue according to World Bank Report. Similarly, The World Bank development report (2010) reviewed that Nigeria's per capita income stands at US\$2,748. This amount falls behind Ghana and Cameroun with US\$10,748 and US\$10,758 respectively. The comparison above supports the argument of Terry (2000) which stated that oil-dependent countries suffer from what economists call the "resource curse". In its simplest form, resource curse view refers to the inverse association between growth and natural resource abundance, especially minerals and oil. According to Ross (1999), available evidence shows that countries with abundant resource wealth do not perform better than their resource poor counterparts, but there is slight agreement on why this happens. Similar finding have been replicated through a study of the members of the Organization of Petroleum Exporting Countries (OPEC), using a different and longer time period, from 1965 to 1998. OPEC members experienced an average decrease in their per capita national income of 1.3% per year during this period, whereas lower and middleincome developing countries as a whole grew by an average rate of 2.2% per year over the same time. Moreover, Previous studies show that the greater the dependence on oil and mineral resources, the worse the growth performance. Finally, countries dependent on the export of oil for example Nigeria, have not only performed worse than their resource-poor counterparts; they have also performed poorly than they should have given their revenue streams.

Inflation

Black (2002) describes inflation as a persistent tendency for price and money wages to increase. Inflation is measured by the proportional changes over time in some appropriate price index, commonly a

consumer price index or a GDP deflator. According to the World Bank (2011), consumer price index measure of inflation, shows the yearly percentage change in the cost to the average consumer of purchasing a basket of goods and services that may be fixed or changed at particular intervals, such as annually. While GDP deflator as a measure of inflation is the rate of change in prices of goods and services in the entire economy.

Over the years economists have attempted to distinguish between cost-pull and demand-pull inflation. Cost-pull inflation can start by an increase in the elements of cost. For instance, petroleum oil price explosion in the world market and excess crude oil can trigger off inflation in the economy if the increased income is not properly managed. Black (2002) further stated that demand-pull inflation can be caused by too much aggregate demand. According to Jhingan (2009) the neo-classical economists defined inflation as a galloping rise in prices as a result of the excessive increase in the quantity of money. However, Keynes (1936) in his general theory did not see it in the light with the neo-classical economists. He therefore allayed all such fears.

He did not believe according to Jhingan (2009) like the neo-classicalists that there was always full employment in the economy which resulted in hyperinflation with increase in the quality of money. According to him, there being underemployment in the economy, an increase in the money supply leads to increase in aggregate demand, output, and employment. According to Binda and Van Wijnbergen (2008), the sizable oil windfall, of course, presented net wealth and thus additional spending room, but it also has complicated macroeconomic management. The evidence above therefore suggests that petroleum income plays an important role in a petroleum exporting country such as Nigeria. Earnings from petroleum exports provide the country with significant foreign exchange, which has, on the average been on the increase. However, this increase in earnings influences excessive government expenditure, which in turn, increases the supply of money in the economy.

According to Sikkam (1998), the beginning of the continuous increase in prices of goods and services could be drawn to rising government

expenditure which is fuelled by increasing petroleum income. The effects of inflation have been devastating to Nigerian economy. According to Bawa and Mohammed (2007), natural resource income dependence for economic growth, which in the case of Nigeria is dependence in petroleum income, is accompanied by a boom and burst cycle. As the prices of raw materials fluctuate in the local and world markets, so does the income of countries that supply these raw materials. These incidents of price fluctuation do cause inflation and erode purchasing power in Nigeria. For instance, the resulting fluctuations in export earnings trigger off exchange rate volatility, while unstable exchange rates create uncertainty that can be harmful to exports and other trade, including foreign investment.

In addition, Sinha and Lipton (1999) posit that oil wealth can affect the poor by creating economic volatility. Volatility tends to hurt the poor in two ways: by causing macroeconomic shocks, and by making government revenues unstable. They also noted that unmanaged external shocks create a number of economic problems, including: fiscal and monetary, disequilibria and inflation, exchange rate appreciation. This in turn affects other export sectors; lower private investment, and capita flight. These problems tend to cause greater difficulties for the poor than the general population, since the poor are less able to protect themselves against negative shocks, and to offset their impact when they occur.

Materials and Methods

The sample for this study is the national economy of Nigeria. That is, the sample covers all the economic sectors of the country, including the oil sector and the non-oil sector. The data used in this study are quantitative secondary data collected from three very important organizations in Nigeria namely the Central Bank of Nigeria (CBN), the National Bureau of Statistics (NBS), and the Nigerian National Petroleum Corporation (NNPC). From CBN statistical bulletins and NNPC statistical bulletins, we collected petroleum income (the explainer variables – oil revenue, petroleum profit tax/royalties, and licensing fees) data for the period 2000 to 2009. From the CBN and the National Bureau of Statistics (NBS),

we collected the economic indicators (explained variables – gross domestic product, per capita income, and inflation). The main objective of this study is to ascertain the effects of petroleum income on the Nigeria economy.

The following models specified have been used to evaluate whether the variation in GDP is explained by the oil revenue using the following variables: alpha (), Beta () and Stochastic Terms (U). This model which was adapted from the work of Odularu (2008), Gujarati (2006), and Dougherty (1992), has been specified for the successful investigation of the effects of petroleum income on the Nigerian economy. We have therefore summarized the relationship between the explained variable (GDP) and the explainer variable (Oil Revenue) in the following regression equation.

Results And Discussion

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Oil Revenue	10	1230851	6530630	34194655.0	3419466	1764666.3	3220934828818
Petroleum Profit Tax/ Royalties	10	392200.00	2038300	12466400.0	1246640	639199.48	408575973777.8
Licensing Fee	10	78034.00	99213.50	914599.00	91459.90	9015.44083	81278173.433
Gross Domestic Product	10	329176.70	716949.70	5305641.90	530564.2	130714.86	17086374100.05
Per capita Income	10	49614.00	89400.00	637599.00	63759.90	14928.806	222669240.100
Inflation Rate	10	5.38	18.90	123.05	12.3050	4.54611	20.667
Valid N (listwise)	10						

The Descriptive Statistics of Variables in the table above shows that n = 10; this is the ten years the work covered.

Oil Revenue

It indicates the variability in inflation rates within the period. The minimum oil revenue in a year within the period of the study is 1.230851 Trillion Naira (#1,230,851,000,000) and the Maximum is about 6.53063 Trillion Naira (#6,530,630,000,000). The total oil revenue generated within the period of the study is 34.194655 Trillion Naira (#34,194,655,000,000). On the average, the oil revenue generated within the period of the study is 3.4194655 Trillion Naira (#3,419,466,000,000).

However, the standard deviation of 1794696.3 is very high; it indicates the variability or dispersion of the yearly oil revenues within the period under survey, i.e. the increase/decrease in oil revenue within the studied period was very high.

Petroleum Profits Tax/ Royalties

The minimum petroleum profits tax/royalties within the year under review is 392,200 Billion Naira (#39229, 000,000) and the Maximum is about 2038300 Billion Naira (#2038300, 000,000). The petroleum profits tax/royalties generated within the period of the study is 5.305641 Trillion Naira (#5,305,641,000,000). On the average, the petroleum profits tax/royalties within the period of the study is 124,664 Billion Naira (#124,664,000,000). However, the standard deviation of 639199.4 is high; it indicates the fluctuation or dispersion of the yearly petroleum profits tax/royalties within the period under survey, i.e. the increase/decrease in petroleum profits tax/royalties within the studied period was high.

Licensing fee

The minimum licensing fee in a year within the period of the study is 78034.00 and the Maximum licensing fee is 99213.50. The average licensing fee within the period under survey is 91459.90. However, the standard deviation is 9015.44083. This value is low in view of the fact that Nigeria is an oil rich country.

Gross Domestic Product

The minimum Gross Domestic Product year within the period of the study is 329.178 Billion Naira (#329,178,000,000) and the Maximum is about 716.949 Billion Naira (#716,949,000,000) the Gross Domestic Product generated within the period of the study is 5.305641 Trillion Naira (#5,305,641,000,000). On the average, the Gross Domestic Product within the period of the study is 530.564 Billion Naira (#530,564,000,000). However, the standard deviation of 130714.86 is high; it indicates the fluctuation or dispersion of the yearly Gross Domestic Product within the period under survey, i.e. the increase/decrease in Gross Domestic Product within the studied period was high.

Per Capita Income

The minimum per capita income in a year within the period of the study is 49614.00 and the Maximum per capita income is 89,400.00 .The average per capita income within the period under survey is 63,759.90. However, the standard deviation is 14,929; this value is on the lowside when compared with other countries.

Inflation Rate

The minimum rate of inflation in a year within the period of the study is 5.38% and the Maximum inflation rate is 18.9% .The average inflation rate within the period under survey is 12.3%. However, the standard deviation is 4.5, this value is low; it indicates under survey is considerably (one digit). The values presented in table above, summarise and answer the first research question of this study, which is: Does oil revenue have any significant relationship with GDP, per capita income and inflation respectively? The table above shows that the oil revenue (the explanatory variable) influences the three explained variables (GDP, PCI, and INF). GDP and PCI have a positive relationship with oil revenue. That is, a 1% increase in oil revenue results in a 0.056% increase in GDP. Likewise, a 1% increase in oil revenue results in 0.006% increase in PCI. This implies that the Nigerian economy, measured by GDP and PCI respectively, is better off when oil revenue is increasing. On the other hand, INF has a negative relationship with oil revenue. That is, a 1% increase in oil revenue, results in a 0.000006% decrease in inflation. This inverse relationship between oil revenue and inflation implies that the economy is better off within the period under review, since increases in oil revenue causes a decrease in inflation. Further analysis on the result above and to make comparisons with findings of previous studies, we discuss the explanatory powers of the oil revenue on the explained variables in turn, at a significant level of 5%. The GDP variable has a positive sign as shown in the table 4 above.

This implies that oil revenue has a positive impact on GDP and that both variables, move in the same direction. In addition, this positive relation between oil revenue and GDP is statistically significant at 5%. This is so because we can say with 90% probability of being correct that oil

revenue influences GDP positively. This finding is similar to the suggestion of Yakub (2008) that income from a nation's natural resource (e.g. petroleum) has a positive influence on economic growth and development, which in this case is measured by GDP.

Per Capita Income (PCI)

The table below shows that PCI has a positive relationship that is statistically significant at 5% with oil revenue. That is, beta has a positive sign and the p – value is 0.02, which is less than 0.05, and this indicates that we are 98% certain that the effect of oil revenue on inflation as seen in the results is true. In other words, a variation in per capita income in the Nigerian economy is explained by oil revenue. This result suggests that income per person in the country increases as oil revenue increases. This implies that Nigerians are made well off as a result of increasing oil revenue during the period under review. This study finds petroleum income to have a positive effect on the economy of the producing nation, and this agrees with the opinions of previous studies (for example Iyoha (2007)) that per capita income in Nigeria grew over the period underreview.

Inflation (INF)

The result in table below shows that inflation has a negative sign. That is, oil revenue and inflation move in opposite directions. For every 1% increase in oil revenue will cause a decrease in inflation. In other words, increasing oil revenue benefits the Nigerian economy in the sense that when oil revenue is on the increase, prices of goods and services, for example cost of production is on the decrease. This implies that economic activities are boosted by the falling cost of production, increasing domestic consumption, and making export cheaper, enabling the country to compete favourably abroad. However, the relationship between oil revenue and inflation at 5% is not statistically significant. This is so because the estimated p-value of 0.501 is greater than expected p-value of 0.05. This indicates that we are not 95% certain of the effect of oil revenue on inflation as seen in the results is true. The values presented in table above, summarise and answer the second research question of this study, which is: Have petroleum profits tax and royalties

any significant relationship with GDP, per capital income and inflation? The table above shows that the PPT/R (the explanatory variable) influences the three explained variables (GDP, PCI, and INF). GDP and PCI have a positive relation with PPT/R.

That is, a 1% increase in PPT/R results in a 0.175% increase in GDP. Likewise, a 1% increase in PPT/R results in 0.018% increase in PCI. This implies that the Nigerian economy, measured by GDP and PCI respectively, is better off when PPT/R is increasing. On the other hand, INF has a negative relationship with PPT/R. That is, a 1% increase in PPT/R, results in a 0.00006% decrease in inflation. This inverse relationship between PPT/R and Inflation implies that the economy is better off within the period under review, since increases in PPT/R causes a decrease in inflation. Further analysis on the result above and to make comparisons with findings of previous studies, we discuss the explanatory powers of the PPT/R on the explained variables in turn, at a significant level of 5%.

Gross Domestic Product (GDP)

The results contained in table below shows that a relationship exists between PPT/R and GDP. The relationship is positive and statistically significant at 5% over the period under review this is by the positive sign of the beta coefficient and the p – value of 0.002, which is less than 0.05, and this indicates that we are 99.998% certain that the effect of oil revenue on inflation as seen in the results is true. This suggests that petroleum income has a positive impact on GDP, a major indicator of growth and development of an economy. That is, an increase in petroleum income in the form of increasing PPT/R, results in an increase in the value of goods and services produced in an economy. The benefits of PPT/R to an economy cannot be over emphasized. The huge revenue earned by the government through the PPT/R helps government to fund public expenditure that stimulates the national economy and improve economic growth. It is not surprising that PPT/R as an explainer of GDP performs in this way, since crude oil production in Nigeria is taxed at the rate of 85% on export and 65.75% on domestic sale of oil (Kiabile and Nwikipasi, 2009).

Per Capita Income (PCI)

The table below shows that the manner which PPT/R explained per capita income, is similar to that which oil revenue explained per capita income as was seen in table in the earlier section. PPT/R has a positive relationship with per capita income and both variables move in the same direction. This implies that an increase PPT/R result in an increase in PCI. For example, for every 1% increase in PPT/R result in 0.018% increase in PCI. However, some reports and studies have suggested that per capita income in oil rich nations has been on the decline. For example, The World Bank development (2010) reviewed that Nigeria's per capita income stands at US\$2,748. This amount falls behind Ghana and Cameroun with US\$10,748 and US\$10,758 respectively. This World Bank report may contradict the findings of this study but the question that is unanswered is whether the countries being compared are alike in all respect, for example population. The population of Nigeria far exceeds those of these two countries. Secondly, the relationship between PPT/R and per capita income is statistically significant at 5%. That is, beta has a positive sign and the p – value is 0.008, which is less than 0.05, and this indicates that we are 99.992% certain that the effect of PPT/R on PCI as seen in the results is true. This therefore suggests that the behavior of the explainer variable could not have occurred by chance.

Inflation (INF)

Table 4.6.1 shows that the coefficient of the inflation variable has a negative sign. PPT/R and inflation have an inverse relationship. That is, an increase in PPT/R results in a decrease in inflation. The result indicates that for every 1% increase in PPT/R results to a 0.000006% decrease in inflation for the period under review. This relationship is beneficial to the economy of an oil producing nation like Nigeria. In other words, an increase in petroleum income helps to drive down inflationary trends in Nigeria as indicated by our results, and therefore set the economy in the part of growth and development. This opinion therefore disagrees with the views of previous studies for example Terry (2000) and Ross (1999) which suggest that abundance of oil wealth and its associated income has a negative impact on such a nation. However, it is important to note

that the relationship between PPT/R and inflation is not statically significant at 5%. That is, beta has a negative sign and the p – value is 0.633, which is more than 0.05, and this indicates that we are not 99.367% certain of the effect of oil revenue on inflation as seen in the results is true. The values presented in the table 4.10 above, summarise and answer the third research question of this study, which is: Is there any significant relationship between licensing fees and GDP, per capital income and inflation? The table above shows that the LF (the explanatory variable) influences the three explained variables (GDP, PCI, and INF). GDP, PCI, and INF all have a positive relationship with LF. That is, a 1% increase in LF results in a 4.620% increase in GDP. Likewise, a 1% increase in LF results in 0.496% increase in PCI, and a 1% increase in LF, results in a 0.001% increase in inflation. This implies that the Nigerian economy, measured by GDP, PCI, and INF respectively, is better off when LF is increasing.

Further analysis on the result above and to make comparisons with findings of previous studies, we discuss the explanatory powers of the LF on the explained variables in turn, at a significant level of 5%.

Gross Domestic Product (GDP)

The GDP variable has a positive sign as shown in table 4.10.2 above. This implies that LF has a positive impact on GDP and that both variables, move in the same direction. In addition, this positive relationship between LF and GDP is very strong but is not statistically significant at 5%. This is so because we can only say with 63% probability of being correct that LF influences GDP positively. Although the results suggests that LF is not a confident significant explainer of the variations in GDP in Nigeria for the period under review, our model, to the extent which it is correct has shown that there is a positive relationship between petroleum income in the form of licensing fees, and the gross domestic product. That is, increase in petroleum income has positive impact on the Nigerian economy.

Per Capita Income (PCI)

The table below shows that PCI has a positive relationship with LF. That is, an increase in licensing fees causes an increase in per capita income. Precisely, for every 1% increase in LF, has a corresponding 0.496% increase in PCI. This result suggests that income per person in the country increases as petroleum income increases as indicated by the positive sign of the beta coefficient. However, the positive relationship between LF and PCI is not statistically significant at 5% as is indicated p – value of 0.401 which is greater than 0.05. This implies that we are not 95% certain of the effect of oil revenue on inflation as seen in the results is true. This implies that an increase in Licensing fee marginally increased per capita income within the period under review.

Inflation (INF)

The result in table below shows that inflation has a positive sign. That is, LF and inflation move in the same directions. An increase in LF results in an increase in inflation. In other words, increasing LF does not benefit the Nigerian economy in the sense that when LF is on the increase, prices of goods and services, for example cost of production is on the increase. This implies that economic activities are hindered by increasing cost of production, decrease in domestic consumption, and making export more expensive. This therefore limits the country from competing favourably in international trade. However, the relationship between LF and inflation at 5% is statistically significant. This is so because the estimated p-value of 0.012 is less 0.005.

HO:1	$GDP = \alpha_1 + \beta_1 OR + U_1$	0.056	3.386	0.010	There is significant relationship	Accept
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H0:2	$PCI = \alpha_2 + \beta_2 OR + U_2$	0.006	2.907	0.020	There is significant relationship	Accept
H0:3	$INF = \alpha_3 + \beta_3 OR + U_3$	-0.0000006	-0.705	0.501	There is no significant relationship	Reject
H0:4	$GDP = \alpha_4 + \beta_4 PPT/R + U_4$	0.175	4.673	0.002	There is significant relationship	Accept
H0:5	$PCI = \alpha_5 + \beta_5 PPT/R + U_5$	0.018	3.505	0.008	There is significant relationship	Accept
H0:6	$INF = \alpha_6 + \beta_6 PPT/R + U_6$	-0.0000006	-0.496	0.633	There is no significant relationship	Reject
H0:7	$GDP = \alpha_7 + \beta_7 LF + U_7$	4.620	0.951	0.370	There is no significant relationship	Reject
H0:8	$PCI = \alpha_8 + \beta_8 LF + U_8$	0.496	0.887	0.401	There is no significant relationship	Reject
H0:9	$INF = \alpha_9 + \beta_9 LF + U_9$	0.001	-3.251	0.012	There is significant relationship	Accept

The table below shows a summary of the nine hypothesis tests conducted on our models using simple regression estimation method. The accept or reject decision was reached based on whether a relationship exists between the explained and explainer variable and whether the relationship is significant. A relationship is significant if it has a p – value that is equal to or less than 0.05. Therefore, we accept the null hypothesis if the model meets this rule, otherwise we reject the null hypothesis.

Concluding Remarks

Our findings from the estimation of our models indicate that oil revenue has a positive and statistically significant relation with GDP and per capita income respectively, but its relationship with inflation is negative and not statistically significant. Similarly petroleum profit tax and

royalties has a positive and statistically significant relation with GDP and per capita income respectively, but its relationship with inflation is negative and not statistically significant. Finally, licensing fee has a negative and a non-statistically significant relationship with GDP and per capita income respectively, but its relationship with inflation is positive and statistically significant. From the forgoing and on the basis of our model specifications, it is evident that petroleum income has a significant positive impact on the Nigerian economy for the period under review. In other words, the findings of this study indicate that the abundance of petroleum and its associated income has been beneficial to the Nigerian economy for the period 2000 to 2009. This conclusion therefore supports the opinions of previous studies (for example Yakubu (2008)) that income from a nation's natural resource (e.g. petroleum) has a positive influence on economic growth and development. It is important to note that of the three explainer variables (oil revenue, petroleum profit tax/royalty, and licensing fees), oil revenue and petroleum profit tax/royalty showed more robust significant positive effect on the explained variables (GDP, PCI and INF) that measure growth and development in the Nigerian economy.

Limitations of the study and Focus for Future Research

The explained variables (GDP, PCI and INF) used in this study were chosen on the basis that they are among the common economic indicators used in previous studies and recent reports of international organisations, for example, the World Bank. It therefore implies that there are other variables, for example Gross National Product (GNP), unemployment, and balance of payment and trade, that can be used to measure the performance of an economy. The inclusion of these other variables in our models can make the findings of this study more robust and extensive. Secondly, this study did not examine the effect of each explainer variable on the explained variables when using a multi-variable model, for example multiple regression model. From the forgoing therefore, future research should attempt to include other economic variables that are quantitative as well as qualitative and quantifiable, to ascertain the effect of petroleum income on the economy. In addition, the explanatory power of the explainer variables should be

estimated using a multi-variable model, for example multiple regression models to ascertain whether the relationship will remain consistent as is seen in the single model regression.

There should also be further empirical study that will compare the amount of petroleum income received over the past decade (i.e. 2000 to 2009) against the economic development achieved within the same period in terms of capital projects and infrastructural development. Further empirical study on the effects of Petroleum Profits Tax (PPT) accounting and payment by oil companies on the Nigerian Economy (NE) needs to be carried out.

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CHAPTER 8



Manufacturing Sector: An Economic Growth Driver in Nigeria

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The transformation agenda of the Federal Government appears to be making the necessary impact on the manufacturing activities in the country. This is hinged on the recent report by Renaissance Capital (Rencap), which noted that the manufacturing sector is now the major driver of economic growth in Nigeria.

Statistical analysis

According to the report, with Nigeria's rebased Gross Domestic Product, the manufacturing sector is currently growing faster than the telecommunications, oil and gas and agricultural sectors. The report, titled, "Nigeria's GDP: Bigger but slower – Manufacturing is the engine of growth," further strengthens recent figures by the Manufacturers Association of Nigeria, which showed that there was an increase in manufacturing capacity utilisation from 46.3 per cent recorded in the first half of 2013 to 52.7 per cent in the 2nd half of 2013.

Specifically, the Rencap report stated that the manufacturing sector recorded 22 per cent growth in 2013, as against the 14 per cent it recorded in 2012, noting that the growth was largely driven by the textile, cement and food sub-sectors, among others. The growth recorded by the manufacturing sector within the period under review, it said, accounted for one third of the total growth in the economy.

"Manufacturing is growing strongly, despite power deficit. The manufacturing sector is a much bigger, faster-growing sector under the new series (nine per cent of GDP as against the four per cent previously). In 2013, it recorded substantial growth of 22 per cent (as against 14 per

cent in 2012), comprising one-third of total growth. Food, beverage and tobacco producers account for half of the manufacturing sector. The sub-sector's growth accelerated to 12 per cent in 2013, against 7 per cent in 2012.

“An analysis of the growth drivers shows that telecoms are a maturing and slower-growing sector. The growth sectors are manufacturing (particularly food, cement and textile producers) and real estate,” the report said. The report further revealed that the cement sub-sector, which accounts for about one per cent of the country's GDP, recorded phenomenal growth in 2013, as it posted a 39 per cent growth as against the 14 per cent recorded in 2012. “Several of the smaller manufacturing sub-sectors are growing even faster than food producers. Cement, which only comprises one per cent of GDP, grew by a sizeable 39 per cent in 2013, up from a strong 14 per cent in 2012.

“Nigeria's large population of upwardly mobile consumers, particularly in the south-west, coupled with investments in power, implies that the strong growth of manufacturers, including food producers and breweries, is sustainable.” The report also noted that in 2013, the oil and gas sector experienced a decline in growth as the sector contracted by 13 per cent, while trade and real estate sectors overtook agricultural and financial services to emerge as the top three growth drivers of the Nigerian economy. “The trade and real estate sectors trumped agriculture and financial services in 2013, to become among the top three growth drivers, together with manufacturing. The decline in agriculture's growth contribution in 2013 was partly due to the 3Q12 floods. The upside is a smaller agriculture sector (23 per cent, as against 36 per cent) that reduces the economy's exposure to it,” the Rencap report said.

According to analysts, the level of capacity utilisation in the manufacturing sector is an index of the health of the sector. When it is low, it indicates poor growth and vice-versa. The Rencap report therefore reflects the improving health of the Nigerian manufacturing sector just as the rising capacity utilisation has shown. Manufacturers in

Nigeria had attributed the remarkable increase recorded in capacity utilisation within the last year to favourable government policies, especially with respect to industry, trade and investment. The Minister of Industry, Trade and Investment, Olusegun Aganga, while reacting on the new research findings, said the analyses, done by the reputed Renaissance Capital, corroborated the fact that the manufacturing sector was being transformed under the Transformation Agenda of President Goodluck Jonathan.

“It is a good thing that the manufacturing sector is breathing well under this administration. Figures are there as proof. All we need do now is further improve the situation through consistency in policy as we continue to work hard towards continuously improving Nigeria's non-oil revenue,” Aganga noted.

Operating environment

Meanwhile, manufacturers are still lamenting that the operating environment in the country is poor, making the cost of doing business in the country to be on the high side. For instance, Managing Director/Chief Executive Officer of the Arewa Metal Containers Limited (ARMECO), Engineer Daudu Joachim, lamented recently that Government support to local industries in the country is very poor and not encouraging. At the company's 45th Annual General Meeting (AGM) held in Kaduna recently, Joachim said local manufacturers have been operating within a very challenging environment coupled with the security challenges.

The director general of the Abuja Chamber of Commerce, Industry, Mines and Agriculture (ACCIMA), Mr. Joseph Wenegieme, also recently lamented that the business climate in Nigeria has been a challenging one despite the fact that there are so many growth and development as evidenced by the number of companies springing up daily to start off business in Nigeria. He regretted that the business environment has remained harsh as the cost of doing business in the country is extremely on a higher scale.

Factors affecting manufacturing activities

Joachim said security challenge is one of the major factors threatening the survival of local industries in Nigeria, noting that another challenge is that of Power, which also affect the production capabilities of local industries. “More worrisome is customer's preference to imported products and the lack of support from the government; government should do more and provide better business opportunities for local industries to perform.

Board Chairman of ARMECO, Alhaji Mohammed Kabir Musa, said economic activities has been sluggish even though interest rates and inflation had remained relatively stable, stressing that local manufacturers have been put under pressure, resulting in the reduction of capacity utilization or outright closure of some companies. He said the problem faced by local manufacturers is made double by the prolific liberation of the import policy currently in place. Wenegieme said power supply has been erratic, saying that members of the chamber had to rely on diesel powered generators for production, noting that other members needed encouragements while access to financing of trading activities makes doing business in Nigeria, unappetizing.

Also, the Institute of Directors (IoD), Nigeria, condemned the high cost of doing business in Nigeria, saying it is the bane of economic growth and development in the country. The institute said access to and high cost of finance, lack of infrastructure and good operating environment, smuggling and substandard goods, lack of local patronage, dearth of industrial skills, and absence of investment in innovation are some of the problematic factors affecting cost of doing business in the country.

Experts have also said that infrastructure deficit in Nigeria valued at trillions of naira places about 15 percent additional burden on the cost of doing business by manufacturing firms and service providers in the country, leading to high cost of products and services. The deficit, according to the experts, is so huge that Nigeria needs to spend about \$14.2 billion per year for the next 10 years to be able to bridge the gap.

Government's effort

The Federal Government had inaugurated two Standing Inter-Ministerial Committees to address the high cost of doing business in the country. According to the Executive Secretary, Nigeria Investment Promotion Commission (NIPC), Engr. Mustafa Bello, "Doing Business and Competitiveness Committee is charged with the responsibility to regularly monitor, review and recommend improvement on existing policies and legislation that govern the act of doing business in the country, while Investor Aftercare Committee is charged with the responsibility to consider the complaints from investors on account of apparent irregularity and inconsistency in the implementation of Government policies. He said the Committee on Doing Business and Competitiveness, has identified 10 doing business indicators such as: starting business, registering property, getting credit, protecting investors, enforcing contracts and dealing with construction permits.

Others are: paying taxes, trading across borders, getting electricity, and resolving insolvency. The committee according to Bello, prioritized the indicators based on their impact on the competitiveness of the Nigerian business environment. To further reduce the cost of doing business in the country, Minister of Industry, Trade and Investment, Olusegun Aganga, had approved the downward review of the cost of business registration at the Nigerian Investment Promotion Commission (NIPC) from N50,000 to N15,000 (\$100).

According to a statement by Joel Attah, the Head of Media and Publicity Unit of the NIPC, the new rate is designed to make Nigeria highly competitive in line with international best practices. It stated that the downward review was at the instance of NIPC and also in line with the desire of the Federal Government to improve the country's competitiveness in doing business rating. "It is also a very bold attempt at lowering the cost of doing business in Nigeria. "This is expected to substantially enhance the country's National Competitiveness as a Foreign Direct Investment Destination (FDI)," the minister stated.

What should be done

On what the government could do to further assist manufacturers and other sectors bedeviled by the high cost of doing business, Wenegieme said government should promote conducive business climate, such as ensuring the provision of steady electricity supply, as well as mount pressure on the banks to reduce their lending rates, saying that with cost of finance with a high interest rates and frightening COT charges on accessed funds, there is no way manufacturers can survive in their businesses.

The IoD said there should be a strong political will to develop basic economic infrastructure that will aid productivity; intensify the rehabilitation work on the existing transportation network and fast track the building of new rail lines; enforcement of corporate governance and best practices in all facets of the economy in order to combat corruption in the system; and that there should be easy access to credit without discrimination.

The executive secretary of NIPC said the committee has also recommended that government should “encourage the use of on-line system for reservation of company names; delegate to Corporate Affairs Commission (CAC) the authority to collect the stamp duty on behalf of the Federal Inland Revenue Service (FIRS) at the time of company registration; make involvement of accredited professional intermediaries optional in the process of company registration; eliminate the requirement to notarize the declaration of compliance (CAC 4); eliminate the signage fee currently imposed on all businesses by Lagos State Signage and Advertising Agency; conduct an intensive communication campaign to educate users about the option of on-line name reservation and payment,” among others.

Reference

<http://dailyindependentnig.com/2014/07/manufacturing-sector-now-nigerias-major-economic-growth-driver-rencap/>

CHAPTER
9
Impact of Gas Industry on Sustainable Economy in Nigeria: Further Estimations through Review

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A key policy objective of sustainable economic development, especially in any developing country like Nigeria, is to establish energy development paths that are both economically efficient and sustainable. However, this depends significantly on full utilization of such resources. Distributed Lag (DL) model, dummy variable regression model and co-integration analyses were used in this paper to evaluate the impact and sustainability of Gas utilization in the Nigerian economy. The structure of gas flaring in Nigeria in relation to the imposition of fine on flared gas was also examined. The regression results and the co-integration analysis show that utilization of Nigerian natural gas impacts positively on the economy given three-year time lag; it is also sustainable. On the other hand, although the imposition of fine on flared gas has the potential to end or reduce flares; it has not significantly led to any structural change (sliding slope) on the level of flares since its imposition in 1984. Hence there is need for government to always employ Regulatory Impact Analysis (RIA) to evaluate its policy implementations.

Energy is at the core of human existence. It is also the pillar of wealth creation. As such, modern society cannot seriously address issues of development if such consideration is not based on the foundation of effective energy planning and management that enhances optimal utilization, regular supply and availability of energy resources. Humans have been aware of the natural flammable gases from the earth for at least several thousand years. Gas was not used extensively as a fuel source until the nineteenth century. Although, natural gas was used as

early as 1821 to illuminate the town of Fredonia, New York; its widespread use in the United States awaited the rise of the petroleum industry (Barnes et al., 2006).

Nigeria is richly endowed with energy resources. These include coal, tar sand, oil, natural gas, hydroelectricity, solar and so on. The commercial energy sector is, however, dominated by oil and gas, both of which jointly account for 71% of commercial domestic energy resources (Iwayemi and Adenikinju, 2001). Thus, oil and gas play significant role in the development of the Nigerian Economy.

Oil production has been going on in Nigeria for over 50 years together with the production of natural gas. Associated gases are routinely flared in the course of producing and processing oil. Flaring is a means of safely disposing of waste gases through combustion. This is carried out with an elevated flare through the top of a pipe or stack where the burner and igniter are located. This is a common practice in the oil production process. Hence, it is not necessarily an ecological or social crime to flare gas. However, the Nigerian case attracts more attention given the volume of gas flared since the beginning of commercial oil production in the country (Evoh, 2002). Traditionally, most oil companies do not like to find gas together with their oil Fields-Associated Gas (AG). Rather, they prefer to find gas without it being mixed up with oil-so called non-associated gas (non-AG). Finding AG means they have to find ways to dispose of it in order to profit from the oil, the lucrative driver. But while AG flaring has been increasingly frowned at in most parts of the world, in Nigeria it has flourished. Hence, Nigeria is reputed to be among the largest gas flaring country in the world. Therefore, understanding the sustainability and economic impact of gas utilization have become areas of critical studies; related to these is the government effort towards ending gas glaring. These are the objectives of this study vis-à-vis the Nigerian experience. This is more so because natural gas is rapidly gaining importance both as a source of energy and as a feedstock for industry. This growth is being driven by a number of factors including:

1. Growing energy demand from an expanding world economy
2. An abundant resource base

3. Environmental pressures for the use of gas which is a relative “clean” fuel in comparison to oil or coal
4. Improving technologies for the production, transportation and conversion of natural gas

Thus, currently, most economies of the world are diversifying away from oil to gas as energy source (Barnes et al., 2006). Generally, natural gas is a fossil fuel that contains a mix of hydrocarbon gases, mainly methane (CH₄), along with varying amounts of ethane (C₂H₆), propane (C₃H₈) and butane (C₄H₁₀). Carbon dioxide, oxygen, nitrogen and hydrogen sulphide are also often present. Natural gas is “dry” when it is almost pure methane, absence of the longer-chain hydrocarbons. It is considered “wet” when it contains other hydrocarbons in abundance. Those longer chain hydrocarbons can condense to form valuable light liquids (so-called natural gas liquids, or NGLS). “Sweet” gas possesses low levels of hydrogen sulphide compared to “sour” gas. Natural gas found in oil reservoirs is called “associated” gas. When it occurs alone, it is called “non-associated” gas (Barnes et al., 2006).

Natural gas in Nigeria: reserve, production and utilization

Nigeria's reserve of associated and non-associated gas is estimated in excess of 160 trillion cubic feet and that its reserves/production is estimated at 109 years. Geologists, however, insist that there is a lot more gas still to be found, if companies deliberately explore for gas, as opposed to finding it by chance whilst in search of oil. In affirmation to the fact that Nigeria ranks among the top ten largest concentrations in the world, Adenikinju (2008) and EIA (2011) assert that the country has an estimated 187 trillion cubic feet of proven natural gas.

Gas production in the country is undertaken by the major oil companies (Shell, Chevron, Agip, Texaco, Mobil, Elf, Ashland and Pan Ocean). Natural gas production has increased enormously from 125.55 Million Tones (MT) (310 million cubic metres) in 1961 to 14472.11 MT (36,036.6 million cubic metres) in 1998. It further increased to 101,976 million cubic metres in 2002. However, it is important to note that there is virtually no exploration for gas in Nigeria. Most gas reserves were

discovered while exploring for oil. Therefore, high oil production implies that additional high volumes of associated gas will be produced (Okoh, 2001).

The main driver of gas utilization projects in Nigeria had been the government's desire to create more wealth and diversify the economy of the country. Since, the 1980s, there has been increasing utilization of gas in Nigeria for power generation, industrial heating, fertilizer and petrochemical manufacturing and as feedstock for direct steel reduction. But the largest gas users are the Liquefied Natural Gas (LNG) project and the Aluminum smelting industry. Nigerian's LNG project had been on the drawing board since the 1960s. It was not until 1990 that the NNPC concluded financial arrangements for the project. Established in 1992, the Nigerian Liquefied Natural Gas Company commenced execution of the project in 1993. The shipment of gas from the Bonny Plant to overseas buyers in Europe commenced late in 1999.

The National Gas Company (NGC) currently supplies gas for power generation, as source of fuel or as feedstock to current industries, etc and the demand is increasing. A large potential market exists for investors in this area. Domestic gas demand is about 400 million cubic feet a day (MMcf/d) which is very low compared to the size of Nigeria's population and its gas resources (Kareem et al., 2012a). The domestic market is limited by the low level of industrialization and the inadequacy of the gas transmission and distribution infrastructure. The power sector currently accounts for almost 90% of gas sales (ECC, 2006).

Unlike what obtains in Nigeria, where power sector consumes about 90% of the total gas supply, industrial 4% and the chemical feedstock about 3%, the pattern of gas consumption in advanced economies such as the United States of America is entirely a different scenario. The consumption pattern for residential, industry, power plants and others includes chemical feedstock stands at 45, 25, 17 and 13% of the total gas supply, respectively. In the Eastern Europe, the situation is quit closer to what is obtainable in the USA (Kareem et al., 2012b). Consumption for residential stands at 45%, industry 30%, power sector 13% while others

take 12% of the total gas supply (Douglas, 1996).

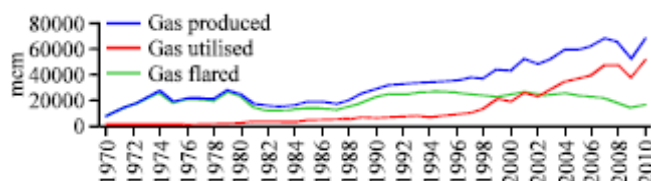


Fig. 1: Gas industry in Nigeria, data from NNPC (2010)

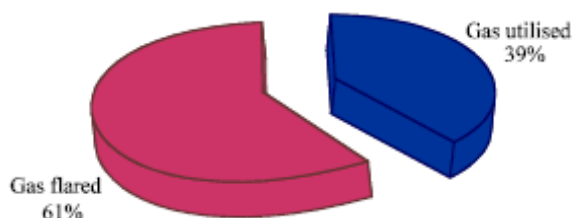


Fig. 2: Nigerian gas (mcm): 1970-2010, data from NNPC (2010)

Gas is a close substitute for other fuels in electricity generation, a complement to crude oil in revenue earning, a feedstock for fertilizer and petrochemical industries and environmentally more friendly, being cleaner than crude oil or coal. But natural gas in Nigeria has a problem and that is, most of it is flared (Ojinnaka, 1998). This leads to adverse effect on the environment (Fig. 1, 2).

Why gas flaring in Nigeria?

Historically, gas flaring in Nigeria began simultaneously with oil extraction in the 1960s by Shell-BP. Although, the British government subsequently acknowledged that the flaring was unacceptable, it was allowed to continue without any real efforts to change infrastructure and prevent the waste of the gas. This is in contrast to Britain's policies on gas flaring in their own territory where gas flaring has been reduced to a minimum. In fact, in Western Europe 99% of associated gas is used or re-injected into the ground. Gas flaring is generally discouraged and condemned by the international community, as it contributes greatly to

climate change.

In an effort to encourage better use of natural gas and minimize adverse environmental impact of its flaring, government imposed fine on flares and has periodically adjusted it upwards. Government has, however, not sufficiently followed through with its decision to have more industries convert to the use of natural gas as a way of increasing demand for the product and making flaring less desirable (Kareem et al., 2012c).

Thus, the neglect of Nigerian natural gas was due to institutional and policy lapses. The joint venture companies' primary preference was to extract crude oil and make their profit. Consequently the gas associated with crude oil was seen as a nuisance and had to be flared. Nigerian government enacted a law (Associated Gas Re-injection Act, 1979) which allowed some conditions for specific exemptions or the payment of a fee of US \$0.003 (0.3 cents) per million cubic feet with effect from 1984 which increased in 1988 to US \$0.07 per million cubic feet and in January 2008 to US \$3.50 for every 1000 standard cubic feet of gas flared. This fine is still considered meager and not a deterrent for companies which find it easier to just pay the fine. The argument that there was no market for selling Nigeria's gas or the technology for developing the gas turned out to be baseless as a number of projects later put in place to develop gas resources indicate (JINN, 2010).

Friends of the Earth (2004) states that several other reasons that have been put forward for continuing to flare, could be categorized into economic, commercial and technological issues. On the other hand, Evoh (2002) emphasized that the entire issues of gas flaring in Nigeria boils down to one question; who manages natural resources exploitation in Nigeria-the government or multinational corporations? It is quite astonishing that gas flaring has continued in the country despite the fact that flaring has been in general, illegal since 1984 pursuant to section 3 of the Associated Gas Re-injection Act, 1979.

Climate Justice (2006) asserts that the SPDC's (Shell) strategic plan states that it seems that the industry was seeking clearer guidance from the

Federal Government of Nigeria (FGN) in meeting the 2008 zero flaring deadline and it is trying to “guess-out” true FGN intentions as meaning business this time or just another down the road deadline that this government would not live to see.

Gas flaring and environmental issues

Gas flares can have potentially harmful effects on the health and livelihood of the communities in their vicinity, as they release a variety of poisonous chemicals. Some of the combustion by-products include nitrogen dioxides, sulphur dioxide, volatile organic compounds like benzene, toluene, xylene and hydrogen sulphide, as well as carcinogens like benzopyrene and dioxin. Humans exposed to such substances can suffer from a variety respiratory problems which have been reported amongst many children in the Delta but have apparently gone uninvestigated. These chemicals can aggravate asthma, causes breathing difficulties and pain, as well as chronic bronchitis. Of particular note is that the chemical benzene which is known to be emitted from gas flares in undocumented quantities is widely recognized as being a causative agent for leukemia and other blood related diseases.

Often, gas flares are located close to local communities and regularly lack adequate fencing or protection for villagers who may risk nearing the tremendous heat of the flare in order to carry out their daily activities. Many of these communities claim that nearby flares cause acid rain which corrodes their homes and other local structures, many of which have metal roofing. However, whether or not the flares contribute to acid rain is debatable, as some independent studies conducted have found that the sulphur dioxide and nitrons oxide content of most flares was insufficient to establish a link between flaring and acid rain (Friends of the Earth, 2004).

The problem of flaring gas is not debatable Ojinnaka (1998) states categorically that the problem has to do, mainly, with its adverse environmental impact on immediate communities whose corps and poultry and fishing activities are damaged due to pollution. This is part of

what Stiglitz (2000) calls negative externalities.

Gas flaring and Nigerian economy

Iwayemi and Adenikinju, (2001) identify the theoretical condition linking resource rents to economic sustainability. However, despite the various ways in which natural gas can be used in Nigeria, approximately 75% (by 1998), 63% (by 2000) and 24.30% (by 2010) of the total gas output were flared. For instance, if you take gas which is flared in Africa which is around 40 billion cubic meters each year, with Nigeria contributing 46% and if you used that to generate power in efficient modern power plants, you could actually double the power production in sub-Saharan African, excluding South Africa (Kareem et al., 2012c).

Ojinnaka (1998) describes flaring gas as enormous loss of revenue that could have been realized. However, he notes that some percentage of gas is sold in the domestic market to industries like cement, brewery, glass and aluminum as complement to the use of diesel and fuel oil to operate private generators. As liquefied natural gas, there is high demand for gas in the international petroleum market. Therefore, investors are showing more interest in gas production in Nigeria because of its high economic potential and higher efficiency when compared with other fuels.

In his discussion on gas flaring as an economic loss, Ogbonna (1999) asserts that against the massive economic loss, natural gas should and can play some vital roles in the Nigerian economy. These roles include stimulant for industrial development, foreign exchange earner, and improved capacity utilization of Nigeria industries and provision of employment opportunities.

Ending gas flaring in Nigeria

The federal government of Nigeria had extended the zero flaring deadline to 2008, replacing the previous apparent date for ending the flaring of 2004.

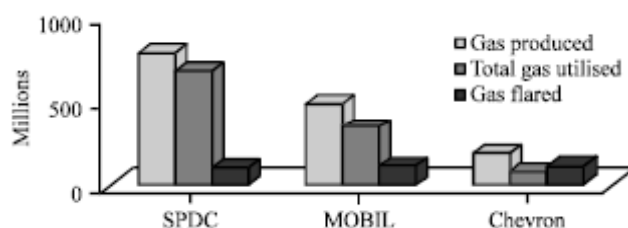


Fig. 3: Gas produced utilized and flared by select oil firms in Nigeria, 2010, data from NNPC (2010)

This was done after the major operators argued that the earlier deadline was not feasible. In May 2000, representatives of the major oil companies operating in Nigeria had announced that they would be able to meet the required phase-out by the following dates: Chevron Texaco-2008; Total Final Elf-2008; Shell-2008; Agip-2005; and ExxonMobil, 2004 (ECC, 2006). Although, some of the major oil companies made significant efforts towards meeting the deadline, flaring has continued. The efforts made by SPDC, Mobil and Chevron to end flaring can be seen in the reduction of the proportion flared in 2010 in Fig. 3.

However, Social Action (2009) insists that there is a form of conspiracy theory practiced by the oil company in disclosing information on flared gas in Nigeria. For instance, Social Action insists that the oil majors are reluctant to sincerely disclose how much associated and non-associated gas they produce and how much they flare. They believe that flaring of associated gas has not reduced significantly; rather, it is the increase in non-associated gas production that makes the percentage of volume of gas flared to fall.

Previous empirical studies

Climate Justice (2006) carried out an extensive study on "Gas flaring in Nigeria." According to that report, more gas is flared in Nigeria than anywhere else in the world. Again, they opine that estimates are notoriously unreliable, but roughly 2.5 billion cubic feet of gas associated with crude oil is wasted in this way everyday. This is equal to 40% of all Africa's natural gas consumption in 2001 while the annual financial loss

to Nigeria is about US\$2.5 billion. This is unlike the British attitude to flaring North sea gas where flaring of associated gas was over 90% at the start of crude oil production, but has decreased over the last 25 years to around 2%, with onshore flaring at between 6-14% since 1991.

Furthermore, they observed that despite its oil and gas, Nigeria is one of the poorest countries in the world. This is difficult to believe. Until it is recalled, for example that 28 of the 45 years since independence have been under military rule and that the Economic and Financial crime commission estimates 45% of Nigeria's oil revenues are reported wasted, stolen or siphoned away by corrupt officials.

In addition, with reference to the OPEC figures for Nigeria for 2001-16.8 bcm y-1-they assert that Nigeria comes out as the world's number one flare on both absolute and proportionate bases. Estimating the total world flaring volume in 2001 at 84.87 bcm, Cedigaz data indicates that Nigeria accounted for 19.79% of the global amount. The Nigerian amount is more than the second and third countries combined and four times higher than the nearest African country, Algeria which is recorded as having flared and vented 4 bcm. European flaring is put at 2.54 bcm, or 0.76% of gross production, US flaring at 2.92 bcm, or 0.43% of gross production. According to them, a recent study carried out for the Bureau of public Enterprises of Nigeria estimate that each year the country losses between US\$500 million and US\$2.5 billion to gas flaring.

Iwayemi and Adenikinju (2001) applied the Computable General Equilibrium (CGE) model framework to evaluate Energy-Environment-Economy linkage in Nigeria. They observe that the share of petroleum products in energy consumption declined from 74.6% in 1970-46.5 percent in 1992 and further to 37.7% in 1999. On the other hand, the share of natural gas increased from about 5% to 29.3 per cent in 1992 and to 53.2% gas flaring between 1965 and 1987 amounted to $3.15 \times 10^{11} \text{m}^3$.

A cost-benefit analysis of gas production in Nigeria carried out by Okoh (2001) reveals that during the project horizon of 38 year (1961 to 1998), Nigeria lost a total of 234.02 billion tones of gas valued at N936.09 trillion

(at N4000/tonne; 1997 government price) to gas flaring. According to her findings, the NPV for gas production in Nigeria over a 38-year project horizon (1961-1998) at the interest rate of 7 per cent was -N759.30 trillion in constant 1998 naira. The negative sign indicates that gas production in Nigeria at this current state is not economically or socially worthwhile. That is, it is not profitable to the society.

Deckor (2002) equally did a research on the impact of gas flaring. But he was rather interested in the impact of gas flaring on the wetland soils of the Nigeria Delta. On the other hand, Egbuna (1987) studied the environmental hazards of the natural gas industry. He observed that in 1986, the total gas flared from over 300 fields in Nigeria yielded a wasted heat equivalent of about 60×10^9 kwh which is approximately equal to all the total Electric Power PLC (NEPA) that year from all sources. He states that the economic loss estimates puts the price of flared natural gas at about fifty million naira (or over 30 million dollars, indexed at 1985), per day.

Materials and Methods

Data and analytical technique

Our analyses are confined to the period 1970-2010 due to data availability. The data were drawn from Central Bank of Nigeria (CBN, 2010) Statistical Bulletin and Nigerian National Petroleum Corporation (NNPC), apart from the dummy variable which was generated by the researchers given the theory underlying. The estimations were carried out using the Eview. The variables were used at the order of their stationarity at 1% level of significance.

Methodology

The theoretical framework adapted in this work is the neoclassical augmented production function-solow model as stated below:

$$Q = f(AKL)$$

Where:

Q = Output

L = Labour

K = Capital

A = Exogenous productivity term

The above equation states that output is a function of capital and labour including a productivity term. Thus, in this paper energy resources are considered as a form of capital and so they are expected to be positively associated with national output.

Model 1: Distributed lag model:

Ho: Gas utilization has no significant effect on the performance of Nigerian economy:

$$O = \beta_0 + \beta_1 \sum_{i=0}^n Gu_i + \beta_2 \sum_{i=0}^n Co_i + \beta_3 \sum_{i=0}^n Ir_i + \mu$$

Where:

O =Gross Domestic Product (N'm); Gu = Gas utilization (mcm); Co = Crude oil export (mcm) Ir = Inflation rate; μ = stochastic term; i = lag length n =Maximum lag length (determined during the estimation)

Model 2: Dummy variable regression model:

Ho: The imposition of fine on flared gas has no significant effect on the level of flares:

$$Gf = \alpha_0 + \alpha_1 GfF + \alpha_2 Gp + \varepsilon$$

Where:

Gf=Flared gas

Gp=Gas produced:

$$GfF = \begin{cases} 1 - \text{post fine era} \\ 0 - \text{pre fine era} \end{cases}$$

Recall: From the reviewed literature, it was observed that fine on flared gas was introduced in 1984 in pursuant to section 3 of the Associated Gas Rejection Act, 1979. (Climate Justice, 2006).

Co-integration analysis: Co-integration test was used to ascertain if gas utilization can sustain the Nigerian economy or not. The test was conducted between GDP and gas utilization. According to Gujarati,

1995), co-integration implies the existence of long-run relationship-that is, sustainability.

Results and Discussion

Model 1: Distributed Lag (DL) model a.

This model evaluates the following hypothesis:

Ho: Gas utilization has no significant effect on the performance of Nigerian economy

The above result (Table 1) shows that the gas utilization impacts Nigerian economy positively at lag 3. For instance, the result shows that a unit increase in gas utilization will lead to about 109 units increase in the gross domestic product (O). The negative significant impact of gas utilization (in its current year) on GDP can be explained by the fact that as a production input, it could take some time before its positive effect will be felt by the economy. On other hand, it is evidence that crude oil export has positive significant impact on Nigerian economy. The hypothesis (I) was therefore rejected as we since gas utilization has significant impact on the Nigerian economy.

Model 2: Dummy Variable Regression (DVR) model:

Ho: The imposition of fine on flared gas has no significant effect on the level of flares

Table 1:DL model

Dependent Variable: D(O,2)			
Sample (adjusted): 1975-2010			
Included observations: 36 after adjusting endpoints			
Variable	Coefficient	t-statistic	p-value
C	-27325.38	-0.369042	0.7150
D (GU)	-59.05996	-2.215992	0.0353
D (GU(-3))	108.8390	3.144587	0.0040
D (CO,2)	0.776589	7.658011	0.0000
D (CO(-1),2)	0.449966	3.444785	0.0019
D (CO(-2),2)	0.500771	3.522107	0.0015
D (CO(-3),2)	0.630002	4.880025	0.0000
D (IR)	-1078.347	-0.343588	0.7338
ECM (-1)	-0.631798	-5.536632	0.0000

R2: 0.912499, F-statistic: 35.19590, Durbin-Watson stat: 2.012782, p-value (F-statistic): 0.000000

The Table 2 above shows that the imposition of fine in 1984 did not significantly impact on the level of flared gas. Rather, the total volume of produced gas has remained the significant determinant of the level of flares. Therefore, we accept the null hypothesis (II) and affirm that the imposition of fine on flared gas has not significantly affected the level of flares. This is further illustrated in Fig. 4 below where the trend of gas flaring maintains upward slope, though not as much as gas utilization.

Using 1988 as the intervention year, when the fine on flared gas was increased from US \$0.003 (0.3 cents) per million cubic feet in 1984 to US \$0.07 per million cubic feet, Table 3 above shows that the probability of the imposed fine causing a structural change on flared volume increased about 0.056 point from 1984. However, the impact remained insignificant-though with negative slope. (Fig. 4).

Co-integration analysis: Sustainability of fine on flared gas:Ho:
Gas utilization is not sustainable in Nigerian economy

The result co-integration test between the gross domestic product (O) and gas utilization established evidence of co-integration between the two variables. Therefore, we reject the null hypothesis and conclude that gas utilization is sustainable in Nigerian economy.

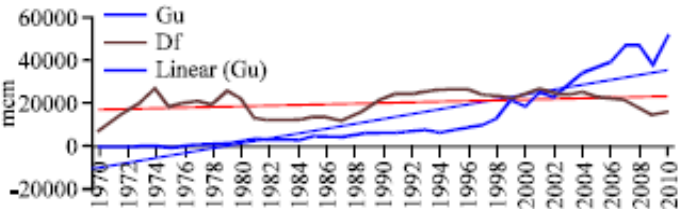


Fig. 4:Utilised and flared gas in Nigeria, data from NNPC (2010)

Table 2:DVR Model (with 1984 as intervention point)

Dependent Variable: D(GF)				
Sample (adjusted): 1971-2010				
Included observations: 40 after adjusting endpoints				
Variable	Coefficient	SE	t-statistic	p-value
C	52.81713	658.6376	0.080191	0.9365
GFF	-788.4495	807.2386	-0.976724	0.3350
D (GP)	0.463837	0.076990	6.024658	0.0000

R2: 0.495411, F-statistic: 18.16347, Durbin-Watson stat: 1.874395: p-value (F-statistic): 0.000003

Table 3:DVR model (with 1988 as intervention point)

Dependent Variable: D(GF)				
Sample (adjusted): 1971-2010				
Included observations: 40 after adjusting endpoints				
Variable	Coefficient	SE	t-statistic	p-value
C	-1.340415	574.3527	-0.002334	0.9982
GFF	-842.2017	766.3005	-1.099049	0.2788
D (GP)	0.468006	0.077137	6.067163	0.0000

R2: 0.498764, F-statistic: 18.40876, Durbin-Watson stat: 1.909319: p-value (F-statistic): 0.000003

Table 4:Co-integration test

Sample: 1970-2010				
Included observations: 36				
Test assumption: Linear deterministic trend in the data				
Series: D(O,2) D(GU)				
Lags interval: 1 to 1				
Eigenvalue	Likelihood ratio	5% Critical value	1% Critical value	Hypothesized No. of CE(s)
0.742279	59.01503	15.41	20.04	None**
0.246804	10.20345	3.76	6.65	At most 1**

*,**R rejection of the hypothesis at 5% and (1%) significance level, respectinety, L.R.: Test indicates 2 cointegrating equation(s) at 5% significance level

In other words, if this industry is developed, it can sustain Nigerian economy in the long run just as crude oil is doing at present. This implies

that in the light of economic diversification, natural gas can be considered as one of the major sources of national income even in the long-run. Thus, any investment towards the development of gas industry in Nigeria will be worthwhile (Table 4).

Conclusion

This study examined the implications of the availability and utilization of gas resource in Nigeria by using econometric models. The results reveal that gas utilization has significant positive impact on the economy and it is also sustainable. On the other hand, it reveals that since the imposition of fine on flared gas in 1984, no significant structural change has been observed on the level of flares.

Therefore, there is an urgent need for the government to provide environment that is conducive for investment in the gas industry as this will lead to additional income to both the people and government of Nigeria. The passage and signing into law of the proposed Petroleum Industry Bill (PIB) could as well be the answer to the puzzle obstructing the development of Nigerian gas industry as it will enhance investors' confidence in the industry.

Recommendations

Based on the findings from these analyses, the researchers make the following recommendations:

1. Gas flaring should stop immediately since its continuation is not only humanly and environmentally harmful, but also constitutes a huge source of revenue loss to the people and government of Nigeria
2. Approval for exploration and new oil field development must be at the conditionality of providing facilities for the utilization of associated gas
3. Effective legal obligations must be imposed to require associated gas to be used at Bonny LNG plant and in the West African Gas Pipeline before any non-associated gas is used
4. Government should continue to promote private investment and ownership in major gas facilities

5. Nigerian government should adopt a pricing regime more conducive to providing companies with an incentive to find and produce gas. If gas is able to compete on price with alternative energy forms in the market, the full value and potentials of Nigerian gas reserves will be realized. However, consumer subsidy for gas should be considered to keep the product affordable
6. The on-going improvement on international market access for gas should be pursued vigorously
7. Government should investigate any possible need for subsidies (may be in the form of tax exemption) for flaring reduction projects at remote fields.
8. Kareem et al. (2012c) that the progress which Indonesia and Malaysia (two countries that were on the same level of economic development as Nigeria in early 1960s) have made in recent times is attributable mainly to political and economic stability brought about by credible, consistent and visionary leadership. Government should, therefore, provide investment-friendly environment as investors will naturally like to go to areas where their assets are safe and profits can be easy to repatriate.
9. Government should always endeavor to fulfill its obligations, such as cash payment and so on, in the operations of the joint venture partnership. Else, it cannot credibly enforce gas flaring laws or penalize any defaulting oil company.

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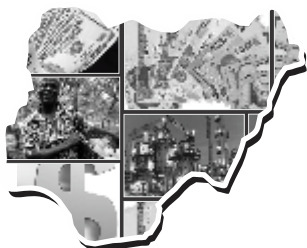
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CHAPTER

10



Poverty Situation and Economic Growth in Nigeria

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Introduction

Nigeria economic growth reveals a puzzling contrast between rapid economic growth and minimal welfare improvement for much of its population. From the previous section, it is obvious that the Nigerian economy has grown at an unprecedented ways, yet this cannot be said for the welfare of most Nigerian. This is the major conceptual and theoretical issue confronting economic analyst about economic growth in Nigeria. The issue is how do we explain the disparities between economic growth and most of the negative welfare indicators in Nigeria. While the two major questions remain Firstly, why has the rapid economic growth in Nigeria not generated greater poverty reduction? Second, how could an economy of the size and wealth of Nigeria have such high poverty rates?

Reality of poverty in Nigeria

The annual growth rate in Nigeria in the last 10years has been an average of over 7% with the growth concentrated in trade, agriculture and manufacturing, which should suggest substantial welfare benefits for Nigerians. Nonetheless improvement in social welfare has been much slower that would be expected in the context of this growth. Poverty reduction and job creation has not kept pace with population growth, implying social distress for an increasing number of Nigerians. The national poverty rate (headcount) declined only slightly between 2004 and 2010. Table 11 gives poverty (headcount) rates as measured using data from comprehensive household surveys conducted in 2003-2004 and 2009-2010. The official poverty line in Nigeria is drawn on the basis of income sufficient for per capita consumption of 3000 calories a day

plus other essential non-food items.

The first estimates show the estimated percentage of the population living below the poverty line by this definition. The second estimates employ the accepted international practice (adult equivalent approach) of weighing children in households less than adults due to the fact that children generally need to consume fewer calories. This correction serves to reduce estimated poverty rates.

Table 1: Nigerian Poverty Rates (% of Population)

Indicators	2003 – 2004	2009 - 2010
Per Capita		
Poverty rate	64.2	62.6
Urban Poverty	52.2	51.2
Rural Poverty	73.4	69
Adult Equivalence		
Poverty Rate	48.3	46.1
Urban Poverty	36.8	34.3
Rural Poverty	57.4	52.9

Source: Nigerian Bureau of Statistics

As indicated in Table 1, poverty rates remain high in Nigeria, particularly in rural areas. These rates declined between 2003-2004 and 2009- 2010, although not nearly as fast as would be expected from the pace of economic growth in the country. While the officially reported growth rates of GDP well exceed population growth in the country, the pace of poverty reduction does not. This implies that the number of poor Nigerians living below the poverty line has grown measurably.

Poverty rates and their dynamics differ considerably in different parts of the country. Lagos State has the lowest estimated poverty rate of 22.9%, while Jigawa has the highest at 77.5%. Poverty is particularly concentrated in the Northern part of the country, while the South West experiences the lowest poverty rates. Average poverty rates for the North

East and North West areas are 59.7 and 58 percent, respectively, while the North Central has an average rate of 48.8. By contrast, average rates in the South West, South East, and South South are 30.6, 39, and 37.6 percent respectively. By far, Lagos State made the greatest strides toward poverty reduction between 2003-2004 and 2009-2010, reducing its estimated poverty rate from 43.8 to 22.9%. One half (18) Nigerian States actually experienced increases in the estimated poverty headcount between 2004 and 2010.

However, a World Bank report of 2013 raised the hypotheses that consumption was underestimated in the last poverty survey of 2008/10. This has prompted the NBS to commission other studies to assess the current level of poverty in the country. The instrument for the rebased poverty studies are shown in Table 2 while the rebased poverty figures are shown in Table 3.

Table 2: Household Surveys Conducted by the Nigerian Bureau of Statistics

Short Name	Full name	Periodicity	Sample size	Consumption Date
HNLSS	Part A(Welfare) Part B(Consumption)	Every 5 yrs (2003/4;2009/10) Every 5 yrs(2003/4; 2009/10)	77,400HH* 38,700HH**	One – year diary.
GHS	GHS Survey GHS Panel	Every year Every other year	22,000HH 5,000 HH***	Information collect twice

*house hold (100 per LGA); **Household (50 per LGA); ***Household (10HH per 500EA)

Table 3: Poverty Rates Per Capita From GHS panel data (% of Population)

	Poverty Headcount		Diff	Poverty Gap		Poverty Severity		Poverty Headcount
	GHS 2010 - 2011	GHS 2012 - 2013		GHS 2010 - 2011	GHS 2012-2013	GHS 2010 - 2011	GHS 2012 - 2013	HNLSS 2009 - 2010
National	35.2	33.1	-2.1	9.2	9.6	3.7	3.9	62.6
Rural	46.3	44.9	-1.4	12.9	13.1	5.2	5.3	69.1
Urban	15.8	12.6	-3.2	2.8	3.6	1.0	1.3	51.2
North Central	33.4	31.1	-2.3	8.9	8.9	4.0	3.5	65.8
North East	47.1	50.2	3.1	15.9	13.0	6.9	5.2	75.4
North West	46.9	45.9	-1.0	12.4	12.4	4.6	4.8	74.2
South East	31.7	28.8	-2.9	8.1	10.3	3.2	4.7	54.9
South South	27.7	24.4	-3.3	6.7	7.7	2.7	3.2	53.3
South West	21.2	16.0	-5.2	3.6	5.4	1.3	2.0	47.9

The new poverty estimates suggest a strong divide between the North and South of Nigeria in poverty and poverty reduction. As indicated in Table 3, the GHS data would suggest that all three Southern macro-regions, together with the North Central region, experienced declines in estimated poverty rates between 2010-2013. By contrast, poverty increased in the North East and remained largely unchanged in the North West. The contrast in absolute levels of poverty in different macro regions is also striking, with the South West experiencing the lowest poverty rate of 16% in 2012-2013, while an estimated 50.2% of the population lives below the poverty line in the North East. The North West and North East together account for the majority (52%) of poor Nigerians. Adding also the North Central, it appears that about 66% of the poor reside in the Northern part of the country.

Table 3 also shows the contrast between urban and rural areas in the new estimates with respect to poverty. As indicated in the table, urban areas in Nigeria on aggregate experience both a significantly lower poverty rate and measurable progress in poverty reduction, while poverty remains high in rural areas. The interpretation of these results is complicated by the fact that the last urban rural classification in Nigeria dates from 1991. A number of areas classified as rural in 1991 may be urban today. Nevertheless, this result fits very well the State-by-State

patterns in the HNLSS that suggest urbanization and urban growth to be a primary driver of poverty reduction in Nigeria.

Slow progress in poverty reduction in rural areas is consistent with revised agricultural growth rates from the GDP rebasing. A particular puzzle identified in the previous economic Report of the country in the previous section shows the contrast between very rapid estimated growth in (small scale) agriculture in the last decade of close to 6% and apparent little progress in poverty reduction in rural areas. The GDP rebasing has so far produced new growth rates for the years 2011-2013, and suggests that growth in agriculture averaged 4.2% during this period. Growth fell to under 3% in each of 2011 and 2013, close to national population growth rate. The number of Nigerians living in poverty is not decreasing. Due to rapid annual population growth averaging about 3%, Nigeria needs to experience a strong reduction in the poverty rate in order to reduce the absolute number of the poor. The new estimates presented above would imply that the number of poor Nigerians did not decrease between 2010/2011 and 2012/2013, remaining at 58 million. In addition, the number of poor people living in the Northern part of Nigeria is increasing, while the number of poor in Southern Nigeria is decreasing.

Defining Poverty

Any discussion about poverty, and poverty reduction, needs to begin with agreement on the definitions, or discourse, being used. This is very crucial to establishing criteria of success or failure of any poverty-eradication strategy. Yet, definitions of poverty vary widely and are often used interchangeably.

Most commonly, poverty is defined as “state of being in which we are unable to meet our needs” (Watt, 2000:15). However, the concept of 'needs' itself is defined very differently across different cultures and generations, as technology and changing values alter perceptions of the pre-requisites of an acceptable standard of living. This indicates that the concept of 'needs' includes the notion of what is conventionally regarded as necessary to lead one's life as an integrated member of a particular

society. Thus, in his *The Wealth of the Nations*, the eighteenth century Scottish economist, Adam Smith, recognized the importance of this point when he defined the ability to appear in public “without shame” as a major criterion of individual human welfare (Smith, 1986).

Baratz & Grisgby (1972) defined poverty as a “condition involving some deprivations and adverse occurrences that are closely (but not necessarily exclusively) associated with inadequate economic resources”. Some see poverty as “inadequacy of income to support a minimum standard of living” (Edozien: 1975:35). Closely connected to this is the use of “Basic Needs” indicators such as food, clothing, shelter, etc. to define the concept.

Not infrequently, distinction is made between “absolute” and “relative” poverty. Absolute poverty, according to Webster (1993) describes situation in which people are barely existing, where the next meal may literally be a matter of life or death as the cumulative effects of malnutrition and starvation enfeeble all, particularly children, whose weakness gives them the tragic distinction of having the highest mortality rate for any group anywhere in the world. Thus in these circumstances poverty takes on an “absolute” status since there is nothing beyond it except death.

Relative poverty on the other hand is much more difficult to establish as an objective concept. Definition of poverty along this line varies dramatically among official government agencies and academics. For example, Webster (1993) reported that in 1973 a representative of the National Welfare Rights Organization in the United States estimated that a family of four needed \$7200 per year to satisfy their basic requirements below this, the organization considered people to be in poverty. Yet, in the same year, U.S. government estimated the poverty line for a similar household at an income below \$4500. Again, using the concept of relative deprivation, Townsend (1979:31) says:

Individual, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet,

participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies in which they belong. Their resources are so seriously below those commanded by the average individual or family that they are in effect, excluded from ordinary living patterns, customs and activities”.

Dreze and Sen (2001:217) have defined poverty in terms of constraints on capabilities (the freedom to achieve or meet our needs) and functioning's (those things we want or need to achieve). Poverty eradication, therefore, is best approached as an exercise in raising people's capabilities, or enhancing freedoms. The corollary of this approach to development is that empowerment – helping people in poverty to acquire the tools they need to meet their needs – is the long-term solution to poverty.

Poverty Profile of Nigeria

Poverty in Nigeria was first measured in 1980 by the Federal Office of Statistics (FOS), when 27.2 per cent of the population, or 18 million people, were classified as poor. By 1985, the Federal Office of Statistics estimated that about 46 per cent of Nigerians live below poverty level but it dropped to 43 per cent by 1992. This rate surged to 66 per cent in a 1996 survey and the total number of poor nearly quadrupled, to 67 million (UNDP 1986). Estimates put the poverty rate today at close to 70 per cent, or 90 million people. Perhaps 40 per cent of these people are the "core' poor", so impoverished that they cannot meet their basic food needs, and indeed, the stunting rate for young Nigerian children, a measure of chronic nutritional deprivation and food insecurity, stands at 42 per cent (NICEF, 2003).

The phenomenon of poverty appears to be more concentrated in the rural than in the urban areas of the country. The number of rural poor, according to the 1999 World Bank Report, is roughly twice that of the urban poor. Of the extremely poor, 85 per cent live in the rural areas and more than two-thirds lived on farms. The distribution of poverty is also inequitable on a geographic basis. Regionally the North-West geopolitical zone has the largest proportion of its population living in

poverty, and the three northern geo-political zones have 65 per cent of the nation's population but account for only 35 per cent of GDP. The 1997 National Consumer Survey indicated that the average family expenditure per month for the country was N4, 058.00. Out the country's six geo-political zones, the North West zone had the least figure N2,941. The Eastern zone had the highest figure of N5, 194.00, almost double the figure for the North-West zone. Also, the North West zone recorded the lowest figure of household income (N3,769), while the highest figure of N7,213 came from the South Eastern zone).

The level of poverty in the zone is striking indeed. About 54.2 per cent of the inhabitants of the zone live below the poverty line. The North-West came second only to North-east which recorded 55.8 per cent on the poverty scale (World Bank, 2001). No part of the country is exempt from poverty, however, and severe poverty is also experienced in the Southern regions. Lack of formal education, large household size, living in a rural area and pursuing an agricultural livelihood are strongly associated with poverty.

The Causes of Poverty

According to Abubakar (2004), the main causes of poverty in Nigeria are unemployment, ignorance, poor governance, corruption, high inflation, environmental degradation, high population growth, among others. Specifically, in rural areas, where 85 per cent of Nigeria's poor reside, the major cause of poverty has been identified as the use of outmoded and inefficient systems in agriculture and craft. Other contributory factors to low income in rural areas, according to Abubakar (1975), include inadequate infrastructure, lack of credit and marketing facilities, unfavourable rural institutions especially in respect of land tenure; ignorance; illiteracy and cultural and institutional rigidities. Williams (1984) has also identified lack of viable non-farm employment opportunities in the rural sector thereby leading to over-crowding on the land and under-employment of labour. It should be added that even though alternative occupations like traditional crafts and petty trading do exist in most villages, yet investigations have shown that incomes realized from these occupations are as low as those realized from

farming (Williams, 1984).

In addition to the dearth of remunerative non-farming occupations during the dry-season, Hill (1982) identified the following additional factors as key causes of general poverty particularly in rural Hausa land:

- (a) The limitation of the farming season;
- (b) The unreliability of the climate especially as it concerns annual and erratic distribution of rainfall within the farming season;
- (c) The under-utilization of labour resources during the farming season resulting from:
 - (i) The inability of many poor farmers to farm on a scale which matches their labour resources, and
 - (ii) Rudimentary nature of the system of farm-labour employment; and
- (d) The dire shortage of working capital, which severely limits the scale and productiveness of farming especially where cultivation of manure farmland is the preferred agronomic system.

Unfavourable physical environmental conditions, such as desertification in the North, water hyacinth in inland waterways and oil spillage in the Niger-Delta, have contributed to the low economic fortune of the inhabitants of those areas of the country, thereby aggravating their level of poverty. Abubakar (2002) noted that 35 per cent of the country's landmass, particularly in the North, has come under serious desert encroachment.

Unemployment situation in the country which became manifest in the early 1980s has assumed crisis level in 1990s has worsened the level of poverty. Cumulatively, Nigeria produced a total of 1,110,000 graduates from tertiary institutions between 1985 and 1996 alone (Abubakar, 2002:115). It was observed that less than 100,000 of this number got formal jobs which suggest that one million might be openly unemployed or under-employed for the same period.

Rural Development and Poverty Reduction Strategies in Nigeria

Development means improvements in material welfare, especially for persons with the lowest incomes; the eradication of mass poverty,

illiteracy, disease and early death. An economy that has productive employment among the working – age population rather than the situation of a privileges monitory and a correspondingly greater participation of broadly based groups in making decisions about the directions, economic and otherwise, in which they should move to improve their welfare.

The development of the rural sector has always attracted the attention of successive Nigerian Governments. Programmes and/or agencies such as Operation Feed the Nation (OFN), Green Revolution, Directorate of Food, Roads and Rural Infrastructure (DIFRRI), Better Life for Rural Women and Family Support Programme (FSP) have all been directed primarily towards rural development.

One of the most notable features of the development experience during the past fifty years is that poverty in developing world remains widespread. One quarter of the world's people continue to live in absolute poverty, unable to meet their most basic needs, and surviving on less than a dollar a day, the World Bank's international poverty line. Over one hundred million children of school age are denied the right to a basic education, and in sub-Saharan Africa the absolute and proportionate number of children out of school is rising. Each year, half a million women die in child birth because they have no access to simple and affordable ante-natal health care. Every week, close to a quarter of a million children under the age of five die from malnutrition, malaria, measles and other easily preventable diseases.

Using poverty indicators such as literacy level, access to safe water, nutrition, infant and maternal mortality, and the number of people living on less than \$1 a day, Nigeria is found to rank among the 25 poorest nations in the world below Kenya, Ghana and Zambia (World Bank, 2002). This is in spite of all the efforts and resources devoted for many years to fighting poverty by successive governments in Nigeria, with the support of richer nations and international development institutions. This unsatisfactory results call for a re-examination of policies and practices of poverty eradication in Nigeria.

Olayide (1981) sees rural development as a process whereby concerted efforts are made in order to facilitate significant increase in rural resources productivity with the central objective of enhancing rural income and creating employment opportunity in rural communities for rural dwellers to remain in the area.

Rural development also involves effecting improvement in living standards of farmers and the rural populace in general. It involves any package designed to assist the rural people move forward. It is an integrated approach to food production, provision of physical, social and institutional infrastructures with an ultimate goal of bringing about qualitative changes which culminate in improved standard of living of rural population.

Successive regimes in Nigeria have tried different policies and programmers geared towards reducing the level of poverty in the society through a number of ways. First, through the activities of its ministries/agencies; second, by collaborating with international agencies; third and more importantly, through the establishment of agencies equipped solely to fight rising poverty and unemployment in Nigeria.

The Joda Panel, established at the inception of the civilian administration of Obasanjo to review the various poverty eradication programmers of the previous regimes, identified over twenty such institutions. They are:

- i. The National Directorate of Employment (NDE)
- ii. Peoples Bank of Nigeria (PBN)
- iii. Nigerian Agricultural and Cooperative Bank Ltd (NACB)
- iv. Nigerian Agricultural Insurance Corporation (NAIC)
- v. National Commission for Nomadic Education (NCNE)
- vi. National Primary Health Care Development Agency (NPHCDA)
- vii. National Agricultural Land Development Authority (NALDA)
- viii. National Commission for Mass Literacy, Adult and Non-Formal Education
- ix. Federal Agricultural Coordinating Unit (FACU)
- x. Directorate for Foods, Roads and Rural Infrastructures (DFFRI)

- xi. Agricultural Projects Monitoring and Evaluation Unit (APMEU)
- xii. Family Economic Advancement Programme (FEAP)
- xiii. Industrial Development Centre (IDC)
- xiv. Federal Department of Rural Development (FDRD)
- xv. Federal Ministries of Agriculture, Water Resources and Power and Steel
- xvi. River Basin Development Authorities (RBDAs)
- xvii. Family Support Trust Fund (FSTF)
- xviii. National Centre for Women Development (CWD)
- xix. Nigerian Bank for Commerce and Industry (NBCI)
- xx. Nigerian Industrial Development Bank (NIDB)
- xxi. Nigerian Export-Import Bank
- xxii. National Economic Reconstruction Fund (NERFUND)

The River Basin Development Authorities established by Decree 37 of August 1976 is one of the earliest attempts at combating poverty via improved agricultural production. The main objective of the RBDAs is the economic exploitation and management of the land water resources of their respective areas of operation with particular but varying emphasis on the development of agriculture, fishing, human settlement, infrastructural facilities and industry as well as the improvement of their environment. The Operation Feed the Nation (OFN) enunciated in 1979 by Gen. Obasanjo's military regime is another indirect effort at poverty eradication.

Watt (2000) maintained that the program had the specific focus of increasing food production on the premise that availability of cheap food will raise the nutritional level of the ordinary Nigerian and invariably lead to high per capita income and improved standard of living. OFN lasted until Shagari's civilian government (1979-83) took over. The Shagari's regime shared almost the same poverty reduction with the preceeding military regime. It came up with Green Revolution project, which also emphasised food production. To this one may also add the Directorate of Foods, Roads and Rural Infrastructures (DFRRI) introduced by the Babangida administration (1985-92). DFRRI sought to open up rural areas via construction of feeder roads and provision of

basic amenities that would turn them into production centres for the national economy (Watt, 2000).

The establishment of National Directorate of Employment (NDE) is certainly one of the indirect measures taken by the government to attack poverty in the society via creation of employment opportunities. The National Poverty Eradication Programme (NAPEP) was established in 2001, with the goal of eliminating “core” poverty over the next ten years. NAPEP evolved four core schemes:

- i. Women and Youth Employment Scheme. This is essentially a training and skill acquisition scheme.
- ii. Social Welfare Service Scheme: This scheme undertakes the provision of acceptable levels of education, health, micro-credit services, etc.
- iii. Rural Infrastructural Development Scheme: This is to address provision of rural infrastructure services such as portable water, roads, transport, grazing reserves, etc.
- iv. Natural Resources Development and Conservation: This entails government intervening by creating enabling and acceptable environment for harnessing the agricultural water, solid mineral resources, etc for convenient and effective use by the small-scale operators and local residents. Whether these programmes and policies have succeeded in either reducing poverty or not is mute point.

Constraints to poverty alleviation in Nigeria: the public expenditure question

Factors that tend to increase rather than decrease the level of poverty in Nigeria are identified to include: inequality, low per capita income, inadequate growth rate, high growth rate of population, unemployment, regional disparity, low availability of essentials and inflation. Others include but are not restricted to low technology, capital deficiency and social factors among others. Put simply the principal causes of poverty are associated with inadequate access to employment opportunities, inadequate physical assets such as

land/capital, and reduced access by the poor to credit even on a small scale and insufficient access to market where the poor can sell goods and services. A further rethink on the causes of poverty reveals that inadequate access to the means of supporting rural development in poor regions, lack of participation – non-development of the poor in the design of development programmes, inadequate access to assistance for those living in the margin and those victimized/marginalized by transitory poverty and the destruction of natural resources leading to environmental degradation are considered as causes of poverty too (Anyafu, 1996).

Public expenditure refers to government spending for the provision of basic amenities to the society. Viewed from a broader perspective, it refers to the expenditure (spending) made by government towards the achievement of some development objectives set by the government itself. These goals include, although not restricted to: execution of economic development programmes and promotion of socio-economic well-being. Thus government spends for the purpose of financing economic development programmes in the areas of regulation, support and more efficient operation of business. Economic development has a significant relationship with regional imbalances, creation of employment opportunities and poverty alleviation programmes. Promotion of socioeconomic well-being relates to achievement of a balanced and an improved standard of living. This is the reason government tends to spend more on education, health, housing, agriculture, community/infrastructural amenities and social security. Central to the measures of achieving high development standard viz a viz high standard of living is the poverty alleviation programmes. But despite this, how significant has poverty been reduced in Nigeria.

Despite the plethora of poverty alleviation programmes, Nigeria and Nigerians still remain poverty ridden. The problem here revolves around what Garuba (2005) will call the 'five Cs'.

1. Conception: This has to do with the primary intention of the government that conceived the programmes. In most cases, these

programmes were conceived primarily to address poverty issue but mainly to score cheap political point or as a populist programme designed to confuse existing situation. For instance, the Green Revolution of the second republic turned out to be ploy to favour politicians of the ruling party. Fertilizer procurement and distribution became political patronage with beneficiaries being mainly politicians of the ruling party. The actual farmers were left to depend on the emergency farmers – the politicians.

2. Content: Poverty alleviation programmes in the country have always suffered from content deficiency. For instance, due consideration has never been given to adult education as a tool for empowering people against poverty. In addition, poverty alleviation programme in Nigeria has always been a top-down arrangement with little or no input from the grassroots.

3. Coordination: The problem here is the existence of too many agencies established to do the same thing thereby resulting in role overlap and confusion. These render coordination difficult.

4. Corruption: This has remained the bane of Nigeria's development efforts. Where poverty alleviation programmes are put in place, such end, in some cases in further empowerment of the rich as the actual beneficiaries turn out to be privileged class or their cronies. Of recent in Ebonyi, one of the states in the southeastern part of the country, the zonal coordinator of poverty alleviation programme had to cancel the list of potential beneficiaries from the state due to manipulation by politicians and civil servants. By the time he died in 1998, General Sani Abacha, a former Nigeria Head of State had about 6 billion US Dollars stashed away in the vaults of foreign banks. Even with democracy, the business seems to be as usual. Presently, about three Ministers and some top functionaries of the ruling party are being tried in connection with 214 million dollars national identity card scam. Corruption, argues Harber (2002) 'robs schools, hospitals and welfare services of funds and scares away investors.

5. Continuity: In Nigeria, it takes more time to design policy than it takes to jettison it. Owing to rapid changes in government, good policies put in place by successive governments have been abandoned by their successors in a bid for the later to create impression of 'working' on people.

This misplacement of priorities, wrong intentions, poor coordination, lack of continuity, policies designed not to meet poverty needs but to satisfy the already rich has undermined the effectiveness of public expenditure in the country. Until there is a redress and reframing from the likeliness of ill tendencies, Nigeria will continue to be poor even in the midst of her abundance.

Redirecting Public Expenditure to Ensure Effective Poverty Alleviation in Nigeria

Arising from the above concern, this paper establishes a position, which it believes if followed, will move Nigeria from its present sinking state to a better and solid foundation in which she can compete with other nations of the world.

In the first place, Akpan (2006) revealed that public expenditure should be concentrated on the provision of basic needs such as, food, which is a basic need for human existence and on which other necessities, including democracy, thrive. This emphasizes the primacy of improved agriculture as the means of eradicating poverty and providing raw material for agro allied industries. Secondly, Provision of education to JSS Level. Education up to JSS level is a veritable means of eradicating illiteracy and producing an enlightened citizenry that would not only assist in the arduous task of governance but also strive to reduce the prevalence of poverty in the society. Furthermore, Government should also facilitate easy access to tertiary education and make institutional arrangement to help indigent students. Again, quality, adequate and affordable health facilities should be provided for to the generality of the people. Support of income and employment generating programmes properly focused.

Again, Antai (2006) noted that, a successful poverty reducing strategy in Nigeria will require a strong and focused emphasis on regional aspects of economic growth, increased access to social services and adequate infrastructure and targeting. Nigeria faces three inter-related development challenges. First, it has to establish a viable and stable macro economic framework and to streamline the incentive regime. Secondly, it needs to establish an enabling environment in the civil society that encourages delivery of quality services to the population. This will require emphasis on accountability and transparency. Thirdly, it needs to adapt sectoral policies and rearrange priorities in public expenditures to meet individual and organizational needs and promote efficient economic growth, increase productivity and target the poor. These challenges point to the need for Nigeria to make a fundamental shift away from policies and institutional arrangements that compete with the private sector, and focus instead on policies, programs and institutions that promote efficient, sustainable, and broad based growth and job creation. The government needs to make a firm commitment to place poverty alleviation at the forefront of its development strategy, to provide effective resource management and policies that can support a stable and growing economy, thus enabling Nigeria to take its place in regional leadership (World Bank Report, 1999).

Furthermore, efficiency, equity and fairness in the distribution of government finances are considered paramount in the struggle to alleviate poverty. Most poverty alleviation programmes should correctly target the poor since poverty in Nigeria is massive. A trace of poverty anywhere is a threat to poverty everywhere (Akpan, 2006). A better place to emphasize effort should be the rural areas where it is believed poverty grows in an astronomical rate.

Poverty, liberally put, is the worst of human misfortune. Any nation plagued by poverty is an unfortunate one. Therefore such a country must fight this plague to a standstill to upturn the fortunes of the nation. Poverty has changed potential presidents into armed robbers, potential Einstein's into beggars. It is this important that huge

resources of the country should be used to change this tide to favourable one.

Nigeria is unlucky to find itself in this web of having many of its citizens being classed poor. It is even more unlucky that many of her leaders do not know how to tackle this problem. Most of the programmes put in place to solve this problem have not been implemented on the correct targets. Thus, though much is spent under the pretext of poverty alleviation, it has ended up as enhancing the rich further. It is therefore necessary that any amount spent to eradicate poverty should be targeted correctly on the poor who should be properly identified and purpose clearly stated before the money is released.

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CHAPTER 11



Achieving Poverty Reduction in Nigeria: A Case for the Millennium Development Goals and Community Driven Initiative

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General perspective

Development and its complexities have drawn several scholarly attentions. Even though there are different perspectives to development, there is a general consensus that development will lead to good change manifested in increased capacity of people to have control over material assets, intellectual resources and ideology; and obtain physical necessities of life (food, clothing & shelter), employment, equality, participation in government, political and economic independence, adequate education, gender equality, sustainable development and peace. This is why some people have argued that the purpose of development is to improve people's lives by expanding their choices and freedom (Otive, 2006).

Nigeria is developing, this we know. In her state several efforts have been made to attain socio economic development. But the sad reality remains, wealth and access to basic economic power is concentrated in the hand of a few people. It is one of such concern to address the problem of poverty and promote sustainable development, the United Nations Millennium Declaration was adopted in September 2000 at the largest ever gathering of heads of heads of States committing countries both rich and poor to do all they can to eradicate poverty, promote human dignity and equality and achieve peace, democracy and environmental stability. The goals include those dedicated to eradicating poverty, achieving universal primary education, promoting gender equality and empowering women, reducing child

mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and developing a global partnership for development.

For Nigeria, poverty has become a cluck in the wheel of progress. It is dehumanizing and poses serious threat to social cohesion, global environmental health and political stability. The nation deem it imperative and of course appropriate to wage war against this hydra headed and dangerous monster characterized by demonic attributes. Advocating a suitable policy framework on the need for community driven and individual empowerment initiative forms the focus of this chapter.

Nigeria and the Millennium Development Goals: So Far

The MDGs are a set of eight goals for which 18 numerical targets have been set and over 40 quantifiable indicators have been identified. The goals are:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

While each goal is important in its own right, they should be viewed together as they are mutually reinforcing. Achieving them will require building capacity for effective, democratic, and accountable governance, protection of human rights, and respect for the rule of law. The World Bank is an engine towards the actualization of the goals.

Focusing on the policy first priority poverty reduction; the first Millennium Development Goal calls for halving the proportion of people living in extreme poverty – and those suffering from hunger – between 1990 and 2015. Many developing countries have made several

policy efforts in the attainment of this goal and the World Bank is committed to supporting, monitoring and evaluating every bit of the efforts.

In same vein, Nigerian governments have showed policy concern in developing workable strategies towards the attainment of MDGs. With several efforts, the role of Civil Society Organisations (CSOs) in mobilizing public pressure for the achievement of the Millennium Goals in Nigeria has been given recognition. A Consultative Forum on the Millennium Development Goals (MDGs.) was held between Civil Society Action Coalition on Education for All (CSACEFA) and Civil Society Coalition on Poverty Eradication (CISCOPE) with the support of the Millennium Campaign and Action Aid Nigeria in Abuja, Nigeria on 20th April, 2004.

The Forum reviewed the MDGs and explored the opportunities for the Millennium Development Campaigns to eradicate poverty in Nigeria; shared the experiences of other countries that have conducted campaigns on the MDGs; reviewed the Nigerian context and progress made towards achieving MDGs in Nigeria and mapped out strategies for the campaigns in Nigeria. The Forum agreed that the Millennium Declaration is a very important milestone that addresses issues of human rights, peace, justice, gender equity and environmental sustainability and challenges skewed globalisation. It noted that it is the lack of political will that is the greatest stumbling block to the achievement of the Millennium goals. Meanwhile, Nigerian government is a signatory to the Millennium Declaration and has a responsibility to account to the people on how it is abiding by the pledge. Against the background that Nigeria is very far from achieving the MDGs, there is therefore the need for a concerted effort by all if Nigeria is not to miss out. It was agreed that MDGs provide additional entry point to engage government on development issues especially as the MDGs affect all segments of the society and CSOs serve as the link between government and the grassroots (Otive, 2006).

As an outcome, a working group on MDG was therefore set up to be made up of organizations and coalitions working on development

issues that impinge on the MDGs. The working group is meant to engage in campaign to build political will for the achievement of the Millennium goals and enable Nigerian people especially the poor and marginalized to take actions that will hold the government to account to the Millennium pledge. This equally was to be built on the need to give proper attention on the development of the rural communities; those termed the 'core poor'. It is the fundamental basic for achieving even development.

After this initiative, a profile on effort towards poverty reduction relates below. According to the United Nations Development Monitoring report, in 2003, the Government of Nigeria approved a poverty reduction strategy, the Nigerian Economic Empowerment and Development Strategy (NEEDS), based partly on the Millennium Development Goals (MDGs). To prioritize it's spending in line with the Goals, Medium Term Sector Strategies were developed to guide the preparation and implementation of the Medium Term Expenditure Framework, with 57 per cent of total capital spending earmarked for the MDGs related sectors. A presidential committee on the MDGs was set up, including civil society organizations, the legislature, and the private sector and development partners. NEEDS is under review, and Nigeria is elaborating a new strategy, NEEDSII, more closely aligned to achievement of the MDGs. In addition, the new government has articulated a 7 Point Agenda that is largely in line with the MDGS.

Following the debt relief extended to Nigeria in 2005, the Virtual Poverty Fund was established to ensure that monies released by the debt relief would be channeled towards poverty reduction and the other Goals. This fund facilitated the monitoring of budget line items in MDG-related sectors, and also provided a mechanism for tracking the performance of specific poverty-reducing expenditures in the budget. In addition, since 2006 on an annual basis, about \$1billion has been allocated to support progress in health, education, water and sanitation, environment and for the provision of rural infrastructure.

An MDG awareness campaign was carried out in 2005 with

participation from a broad spectrum of society including schoolchildren, out-of-school youth, and grass-roots women. It also included training for the media to encourage reporting to bring the Goals to public attention and show the connection between the MDGs and the daily life of the people. This campaign increased awareness of the Goals and underlined the need to step up public expenditure in order to achieve them. A baseline survey of MDGs awareness was also undertaken in 2006.

Significant progress has been made in education (MDGs 2 and 3, relating to universal primary education and gender equality). Net enrolment rates show considerable improvement as a result of the government's implementation of the Universal Basic Education Programme (UBEP), a girls' education project and a child-friendly school initiative. In 2006, 145,000 teachers were retrained and 40,000 new teachers recruited through the Virtual Poverty Fund. On Goals 7 and 8 respectively on environment and global partnership for development), initiatives that merit special mention are the agreement on Zero Tolerance on Gas Flares by 2008 and the cancellation of Nigeria's international debt, freeing up an additional \$1 billion a year for poverty reduction (UNDP, 2007).

There remain critical challenges in the health sector where weak infrastructure, ineffective health services, low coverage of immunization and lack of access to skilled health care continue to hamper progress. Poverty is also on the increase; a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights (UNDP, 1998). This has formed perhaps one of the greatest challenges to every developing country. Therefore, considerable effort must be made to reduce poverty in the country.

Poverty Reduction and the MDGs

There is simple no better initiative through which development can be properly attained by a nation without giving considerable attention to

the eradication of poverty. Poverty remains a cluck in the wheel of any other developmental effort. Poverty and social exclusion can affect all age groups. It is multi-faceted and combating it requires a multi-policy response. This is reflected in the definition of poverty and social exclusion which the Government first adopted in 1997: People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalized from participating in activities which are considered the norm for other people in society.

Assessing poverty as a form of deprivation will give more insight. Deprivation - is defined as unmet basic human needs; Poverty is deprivation due to a lack of resources, both material and non-material, e.g. income, housing, health, education, knowledge and culture. It requires a threshold to measure it; Social exclusion is being unable to participate in society because of a lack of resources that are normally available to the general population. It can refer to both individuals, and communities in a broader framework, with linked problems such as low incomes, poor housing, high crime environments and family problems; Inequality is a comparative or relative concept. It does not measure deprivation or poverty and does not require a threshold. It is possible for inequality to exist with or without poverty. Similarly, poverty can exist with or without inequality; Resources can be personal, within the family, or within the society.

These indications are not far from the Nigerian situation. Nigeria which was among the 189 countries that signed the Millennium Development Goals in September 2000 is yet to achieve the end of implementing in full, the goals. The government may have done much, but it remains disheartening. The rate of poverty in Nigeria is a little above seventy percent of the total population. The rate of unemployment too is not seriously declining. As the sixth largest exporter of oil, we are still hosting the third largest number of poor people after China and India. According to 2005 review of Nigeria

Millennium Development Goals, Nigeria has adequate potentials to attain some of the Millennium Development targets namely: achieving universal primary education; ensuring environmental stability and developing a global partnership for development. The report states further that given the current policy environment and strong political will, there is also the likelihood of eradicating extreme poverty and hunger by the year 2015 (Rihaman, 2007). How truly is this attainable? The paper submits a workable strategy that can help the government in this direction.

It is not much than developing an economy based on human empowerment. 'Empowerment' refers to the ability of an individual to make choices regarding his or her life. Often, the poor are not empowered - they are forced to work at certain jobs or do certain things, and often, this state of existence can be linked to poverty. When people are disempowered, many times, they are in poverty. They are hungry, insecure and powerless. People though earns income cannot go to the doctor when they are sick, cannot send their children to school, or do not feel secure in their homes and at work are poor. Disempowered people often lack access to clean water as well as political influence and the possibility to influence their lives. Most Nigerians are in this categorization; Men, women and children who try to survive with an income that does not compliment the economic state of the country.

Lack of human empowerment promotes poverty to its chronic state; being hungry, not having access to social services, being unemployed or having a risky, underpaid job, are part of the reality of many people, as well as feeling secure, being subjected to legal injustice, abuse and violence inside and outside their families, and being vulnerable and without any legal rights. Providing skills and opportunities for earning is the most basic aspect of economic empowerment and reduction in poverty. Table 1 below will help us understand the disparity between capital expenditure and its actual effect on poverty reduction.

Table 1: Percentage Change of Federal Government Capital Expenditure (1990-2003)

SECTOR	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
AD	12.1	11.8	12.9	8.3	12.4	11.0	13.0	23.6	36.4	38.5	22.2	11.2	22.9	36.4
ES	14.5	11.1	5.9	62.8	61.1	35.6	40.1	32.3	40.6	65.0	46.6	59.2	67.0	40.5
SCS	8.7	5.3	5.5	3.7	4.4	7.6	5.5	3.3	2.8	3.6	3.8	4.5	4.2	4.8
TR	64.6	74.8	75.9	75.2	26.7	45.8	62.4	49.8	20.2	23.0	19.5	17.4	0	0

Source: CBN Statistical Bulletin (Various Issues), Federal Ministry of Finance & Economic Dev.

Note: AS = Administrative Services

ES = Economic Services

SCS = Social and Community services

TR = Transfer payment

Table 1 above highlights the percentage change of Federal Government capital expenditure for 1990-2003 in Nigeria. The government capital expenditure on social and community services was relatively low. It ranged from 3.7 in 1993 to 7.6 in 1995 and declined to 2.8 (1998), 3.8 (2000) and 4.8 (2003). This reveals that capital expenditure on social and community services which include safe water, health housing and infrastructural facilities among others was low.

Though primary education has been free for some time enrolment in primary schools have been poor in some communities as a result of inadequate facilities. Primary education is said to be free but basic facilities in most communities of the country are farfetched (Black & Lynch, 1994). The implementation strategy seems defective. Funding of secondary schools and Tertiary institutions is poor. Many Nigerians universities do not have the basic instructional equipment and other facilities

Many Nigerians have no access to safe water and improved medical facilities. Economic services sector recorded capital expenditure of

14.5 for 1990 and declined to 5.9% in 1992. 1995 recorded an expenditure of 35.6 per cent, 32.3 (1997) and 405 for 2003 (Akpan, 2007). The instability of the expenditure pattern and trend of the economic services sector shows that empowerment of men and women in the form of micro-credit delivery, Agricultural financing, small and medium scale businesses financing, income inequality and access to economic opportunities vis a vis income generation programmes were adjudged low.

The fact remains, the low capital expenditure on economic services, social and community services is a danger signal to severe poverty as desirable projects have been forfeited instead of alleviating poverty. While Akpan (2007) advocates for the need to redirect public expenditure to the most vulnerable groups in the population, the paper adds that obtaining basic necessities of life such as food, clothing, shelter, safe water etc increasingly become a subject of individual economic power especially in a contemporary economic system such as ours. Young people are disproportionately represented among the ranks of the poor. In 2003 there were an estimated 88 million unemployed young people globally and they accounted for 47% of the world's total unemployed. This calls for considerable attention. As such any policy driven initiative to reduce the level of poverty should be directed on empowering the youths.

Community Driven/ Individual Empowering Initiative

In clear terms, the advocacy aims at ensuring that all young people (especially marginalised groups) have access to the skills and opportunities they require to be articulate, productive and informed citizens and contribute to progress in their own lives and communities. We do this through:

1. Life skills training development opportunities

This aims to provide workable and long term solutions to youth unemployment. Providing skills and opportunities for earning is the most basic aspect of economic empowerment. In practice, developing enterprising schemes and training courses for young women and men

in the country using the state, local and nongovernmental organizations will take the nation far.

As we mentioned so were, it's time to move from policy reforms, framework and documents to integrated action towards industrialization and enterprise in a way that will foster skills, attitudes and values amongst the youth, appropriate to starting, owning or working in successful business enterprises. This is like buying the idea of Visser (1997) who listed such policies as including: Education for enterprise (i.e. developing business related skills) Education about enterprise (i.e. knowledge and understanding) and Education through Enterprise (i.e. learning to be enterprising).

2. Training on Information Technology

The development through research, and having it given as a free course to youths, and other vulnerable groups in the community can form a mechanism to bridge the digital divide so that young people have access to ICT, irrespective of where they live or their socio-economic status. Improving young people's ICT skills is also another way to reduce poverty and enhance their marketability and employability.

3. Youth /Community Credit Initiative

Training is important, but not an end in itself. After training, release of loans to youths to establish self business will be a consolidating effort. Doing this would be a way of equipping young people so they can take control of their own lives and create sustainable and healthy moneymaking options. This will help to reduce poverty and raise living standards in their communities. It will also promote a culture of hope and self-sufficiency in communities that are not used to having choices or control over their destiny.

It can also be recalled, among several policy strategies to reduce poverty (like, Directorate of Food, Roads and Rural Infrastructure devoted to Rural Infrastructural Projects (DFRRI); National Directorate of Employment (NDE); Better life Programme (BLP); Family Support Programme (FSP); National Poverty Alleviation Programme (NPAP)

etc), the Family Economic Advancement Programme (FEAP) was established by Decree No 11 of August 1997 to stimulate economic activities by providing credit directly to Nigerians as the initial capital requirement for starting cottage industries. FEAP was to design and manufacture appropriate plants, machines and equipment locally fabricated as a basic function. Highlight of the Decree were:

- a. Promoting various small-scale enterprises in various wards and local governments to raise economic powers and level of productivity of the citizens.
- b. Providing credit through cooperatives to the ruralites to set up and run cottage industries. People were to mobilize themselves into cooperative groups in order to benefit from FEAP loan.
- c. Creating opportunities for capacity building (human capital investment) and database at ward levels as business operators.
- d. Encourage the manufacturing of locally fabricated equipment, plants and machinery;
- e. Promoting indigenization of the productive base of the Nigerian economy. Much money has been appropriated for the implementation of FEAP since 1997. A total sum of N7.6 billion had been allocated under FEAP for the period 1997 and 1998 (Ilori, 1999). For 1991 the Federal Government allocated N1.1 billion thereby making the cumulative amount of credit to be N8.7 billion. As at December 1998 the sum of N1.675 billion was disbursed under the FEAP.

Despite the policy provisions and capital input, the poverty gap remains widen. A step further to re-analysis the policy framework, act on its developed and act on new useful strategies to match contemporary challenge will take the nation far in the fight to reduce poverty.

Conclusion

We truly must say 'bravo' to the Nigerian government for her efforts to reduce poverty. Space may not be sufficient to highlight her policy framework and strategies. Commendable also is the initiatives of international organization, donors, corporate bodies and non-governmental organizations. From their efforts, there is a relative level of improvement in the living standards of Nigerians. These are in areas of the continuous fight against the HIV/AIDS pandemic, corporate steps to implement the Universal Basic Education, reduce mortality rate through building and improving the quality of existing health centers in our local communities and state metropolis, substantial improvements in social indicators which have accompanied growth in average incomes, development of social infrastructures, infant mortality rates is low gradually reducing and so on.

But then, attention must be drawn to the overwhelming endemic poverty. Efforts may have been taken to reduce it, but much has to be done. Among several strategies that may be workable, the paper submits the need for community based/ individual empowering initiative. This will promote self reliance; promote self motivation and the identification of entrepreneurial opportunities. This is not just education, but educating with a consolidated effort of providing financing assistance to programmes on self-employment, business research, infrastructure development and provisions in vocational centers and consultancy services in the nation especially at the local level. Giving this a policy priority will in the mere future perform the magic of if not completely exterminating, reduced poverty to the lowest minimum.

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EMPIRICAL RESEARCH



3 Section

Diversification and Sustainability of the Nigerian Economy



CHAPTER 12



Agriculture and the Development of the Nigerian Economy

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Introduction

Agriculture is one of the core economic activities in rural areas. Its significance in the development of the rural economy cannot be overstressed. The vast majority of these immensely large groups of undernourished people depend primarily on agriculture to provide most of their own food supplies and any cash income needed to purchase goods and services. Even with dramatic increases in non-farm economic activity, agriculture will remain central to secure livelihoods (Peter, 2004).

Arising from fundamental challenges, agricultural production has not brought the needed transformation in rural areas. Several factors contribute to this, but basically, this rural underclass practice agriculture in,

- i. conditions of poor soils,
- ii. hillside slopes,
- iii. arid dry lands,
- iv. erratic rainfall,
- v. periodic drought, and
- vi. menacing pest complexes.

Annual crop production is more risky and less productive. Their land is ecologically fragile, highly vulnerable to erosion, degradation, floods, and landslides. Most of the extreme rural poor live in remote areas with limited access to roads, markets, inputs, irrigation, technical support, and social services. They are generally excluded from the key arenas of

power and policy-making, despite the rhetoric of 'pro-poor' development strategies. The marginalization of such a huge mass of people is an affront to the expectations of sustainable rural development, as well as the UN Millennium goals. For those remote rural areas, far from markets, off-farm employment will be less important than agricultural development strategies to raise food production and increase its diversity and stability. If global economic growth continues, such areas are likely to fall further behind, concentrating poverty and environmental degradation where rural populations are rapidly growing.

Agriculture is still dominated by traditional small holders raising subsistence crops such as sorghum, maize, cassava, yams, millet, rice and increasing quantities of wheat (up to 70% of which is for their own consumption).

Rural population decline often stems from a lack of amenities. More forward-looking and comprehensive strategies recognize that rural economic growth is further affected by many factors, including education, access to highways and airports, attractiveness of the community to retirees, industrial mix, and demographic characteristics. This decline in population tends to affect the production capacity of these areas. Effect, agricultural output being the hall of rural economy is adversely affected.

Agriculture and the Nigerian Economy

Agriculture is constitutes one of the major economic activity in the Nigerian rural sector. Developing rural areas therefore will be predicated on stable agricultural activity promoted through appropriate investments in key interventions like, soil fertility improvement, improved seeds, water management, market access, extension services, access to credit, and improvements in weather forecasting. Where these have happened, even partially, the outcome has been remarkable. However, bringing them to scale in ways that sustainably increase agricultural productivity and alleviate poverty requires increased investments and innovative institutional arrangements.

About 1.9-2.2 billion people live in marginal, ecologically fragile, rural areas in developing countries of Asia, Africa and Latin America. Their agricultural systems are complex, high-risk and low yield (less than 1 ton per hectare) Small-scale farmers, herders and landless rural laborers are the world's struggling underclass. They constitute almost four-fifths of the world's estimated 800 million chronically hungry people. The vast majority of these immensely large groups of undernourished people depend primarily on agriculture to provide most of their own food supplies and any cash income needed to purchase goods and services. Even with dramatic increases in non-farm economic activity, agriculture will remain central to secure livelihoods (Peter, 2004).

This rural under-class practice agriculture in conditions of poor soils, hillside slopes, arid dry lands, erratic rainfall, periodic drought, and menacing pest complexes. Annual crop production is both more risky and less productive. Their land is ecologically fragile, highly vulnerable to erosion, degradation, floods, and landslides. Most of the extreme rural poor live in remote areas with limited access to roads, markets, inputs, irrigation, technical support, and social services. They are generally excluded from the key arenas of power and policy-making, despite the rhetoric of 'pro-poor' development strategies. The marginalization of such a huge mass of people is an affront to the expectations of sustainable rural development, as well as the UN Millennium goals. For those remote rural areas, far from markets, off-farm employment will be less important than agricultural development strategies to raise food production and increase its diversity and stability. If global economic growth continues, such areas are likely to fall further behind, concentrating poverty and environmental degradation where rural populations are rapidly growing.

Since most rural communities depend on agriculture, there is need for local development strategies that focused on providing goods and services needed by the farm-based population. Rural development policy has been dominated by agriculture. Consequently, rural development strategies, remain heavily farm dependent, and are tailored to rural agricultural ability. Instead of promote effort, rural agricultural development is stifled due to decline in rural population and poor interest in agricultural production. Rural population decline often stems from a

lack of amenities. More forward-looking and comprehensive strategies recognize that rural economic growth is further affected by many factors, including education, access to highways and airports, attractiveness of the community to retirees, industrial mix, and demographic characteristics. This decline in population tends to affect the production capacity of these areas. Effect, agricultural output being the hall of rural economy is adversely affected.

With this, a more disaggregated and responsive set of policies and processes are needed, particularly for better rural life. Between now and 2015, significant investments for rural development and agriculture must be concentrated in regions where poverty and hunger are most highly concentrated, and aim for broad-based sustainable production increases among farmers currently producing less than 2 tons per hectare, and that enhances ecosystem management. Identifying and developing viable policy options for improving the sustainability of agriculture and regenerating rural economies will require multi-stakeholder approaches to policy formulation. Above all, the marginalized rural people must be empowered to make policy rather than merely ignore, evade or suffer its consequences (David, 1988). Doing this, this paper presents a paradigm other than the conventional theories on rural development. Its framework is predicated on Identifying and developing viable policy options for improving and sustaining agriculture and regenerating rural economies.

Issues of neglect of the agricultural sector by the government

In Nigeria, the agricultural sector has suffered from institutional neglect. The neglect began with the discovery of crude oil in the 1970s and its dominance as a major contributor to the Gross Domestic Product (GDP) of the nation's economy. However, with the wind fall in the price of Oil in the International market and its effect on the economy, there was and been attempt to revitalize the sector. Attempts to revive agriculture have been largely unsuccessful. Although Nigeria previously had a strong export sector, the range and quantity of products has declined sharply: in the early 1990s only cocoa and some rubber and palm products were being exported. Cash crops include cocoa, rubber (nearly all exported), coffee, cotton and palm kernels. The palm oil sector, which was a foreign

exchange earner in the 1970s, is being redeveloped

Arable potential has been put at 25% of total area, of which about 12% is cultivated. Plantations, sometimes owned by, or in partnership with, multinational corporations, are gaining ground in producing raw materials for company use (e.g. grain for breweries). Irrigation schemes, higher producer prices, the expansion of credit and improvements in the rural infrastructure are beginning to show results. Livestock farming is important, and poultry farming is rapidly increasing. This has not really gained much support.

Considerable response has however been made by the government on improving the agricultural sector. In a report published by the Nigerian Federal Ministry of Agriculture & Rural Development (2004), since after independence, agricultural policy has been designed to stimulate growth and development of agriculture so as to positively impact on the overall growth of the Nigerian economy. The response of the sector to the various policy measures has been mixed. Between 1970 and 1982, agricultural growth rate stagnated at less than 1% with sharp decline in the production of export crop. Per capita calorific food supply declined from surpluses in the 1960s to a deficit of 38% in 1982, while Nigeria turned a net importer of vegetable oil, meat, dairy products, fish and grains, notably rice wheat and maize with the food import bills rising astronomically. Some factors at work included increasing rate of urbanization, high population growth rate, impact of the civil war and unfavourable external environment.

The performance of the sector was undermined by disincentives created by the macroeconomic environment. The Economic Stabilization Act enacted in 1982 affected expenditures on agriculture and restricted imports of agricultural products and inputs. The trade policies which placed bans on imports of some foods and the provision of some other incentives induced marginal improvement in the performance of the sector. The minimum administrative control of economic activities and the wide scope for free market forces in the economy attendant on the 1986-88 Structural Adjustment Programme(SAP) led to policy shifts relating to agricultural pricing, trade, investment, production, extension

and technology transfer as well as credit. It was in this period that the first formal and deliberate agricultural policy was formulated and launched in 1988 with the strategies for its implementation.

Under SAP, the tariff structure was adjusted to encourage local production and to protect agricultural and local industries from unfair international competition. The Marketing Boards for scheduled crops were abolished. Bans were placed on the importation of a number of food items including most livestock products, rice, maize, wheat and vegetable oils. Agricultural input subsidies were phased out. A number of new institutions were created for agricultural and rural development namely; the Directorate of Food, Roads and Rural Infrastructure (DFRRI) and the National Directorate of Employment (NDE). Some existing institutions were also reorganised (e.g. the River Basin Development Authorities), while most public-owned agricultural enterprises were privatised or commercialized. These SAP measures to some extent had positive impact on the agricultural sector due mainly to price increase as a result of devaluation of the currency and ban on importation of wheat, rice and maize.

The ban placed on the importation of some food items increased the output of local production, especially rice. However poultry and fishery production became less profitable because of the resultant exorbitant costs of imported inputs attendant on SAP. Sharp rises in imported inputs such as fertilizer; agro-chemicals etc. were also witnessed while the cost of providing large scale irrigation rose because of the high cost of foreign components. The increase in the cost of the import component of equipment for research and technology development stultified their further growth. Although SAP substantially addressed problems of price distortions to farmers, new problems were created by the effects of the changes in macro-economic policies. Implementation bottlenecks arising from scarcity of basic farm inputs and slower rate of adoption of new technologies also contributed their quota in impeding achievement of policy objectives. These reduced the expected benefits of yield increases accruable from the adoption and use of modern farm inputs such as improved variety of seeds. The withdrawal of subsidies which increased production costs substantially reduced the profitability of agricultural

activities leading to reduction in size of farm holdings and enterprises. The problem of inefficient marketing persisted as a result of existence of imperfection in the markets, dwindling marketing infrastructures and limited availability of storage facilities.

What has the government done?

There have been several policy responses by the government to revitalize the agricultural sector in the country. The most current efforts in this direction are:

- i. Establishing the Land Resources Policy which will guide sustainable use of agricultural lands,
- ii. National Agricultural Mechanisation Policy, geared towards improving mechanization in the sector,
- iii. National Cooperative Development Policy and the National Seed Policy which assigns primary responsibility for commercial seed supply to the private sector while Government shall be responsible for foundation and breeder seed development, seed certification and quality control and certification and providing the enabling environment for the seed industry development.
- iv. The National Policy on Integrated Rural Development will integrate the rural economy into the mainstream of national development process to ensure its effective coordination and management and make the rural areas more in tune with the urban areas so as to moderate the rural-urban drift, redress the past neglect through provision of critical rural infrastructure and empowerment of the rural population to create wealth and eradicate rural poverty. These are prelude to the general review of the entire body of the national agricultural and rural development policy which is now due.

Institutional arrangements have been adopted for realising sector objectives in view of the fact that agricultural and rural development are sine qua non for generating economic growth. These include;

- i. The relocation of the Department of Cooperatives of the Ministry of Labour and its merger with the Agricultural Cooperatives

- Division of the Ministry of Agriculture,
- ii. the transfer of the Department of Rural Development from the Ministry of Water Resources to the Ministry of Agriculture; the scrapping of the erstwhile National Agricultural Land Development Authority (NALDA) and, the merging of its functions with the Rural Development Department;
- iii. scrapping of the Federal Agricultural Coordinating Unit (FACU) and the Agricultural Projects Monitoring and Evaluation Unit (APMEU) and the setting up of Projects Coordinating Unit (PCU) and streamlining of institutions for agricultural credit delivery with the emergence of the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB) from the erstwhile Nigerian Agricultural and Cooperative Bank (NACB) and the Peoples Bank and the assets of the Family Economic Advancement Programme (FEAP). New institutions are also evolving to enable the Nigerian agricultural sector respond to the imperatives of the emerging global economic order (NFMARD, 2004).

Nigeria's Experience with the Structural Adjustment Programme

After a broad (but in a brief outline) consideration of various policy measures in Nigeria, it is important to establish a close look at what bewildered the Nigerian economy when it adopted Structural Adjustment Programme. A brief look of the structural and defective trend of the nation's economy will help make for a better understanding. Because of the decline in the oil sector, the naira continued depreciating, especially after the relaxation of fiscal policy early in 1988. The effect of the SFEM in breaking bottlenecks, together with the slowing of food price increases, dampened inflation in 1986, but the easing of domestic restrictions in 1988 reignited it. Real interest rates were negative, and capital flight and speculative imports resumed. In 1989 the government again unified foreign exchange markets, depreciating—but not stabilizing—the naira and reducing the external deficit. Manufacturing firms increased their reliance on local inputs and raw materials, firms depending on domestic resources grew rapidly, and capacity utilization rose, although it was still below 50 percent. Concurrently, nonoil exports grew from US\$200 million in 1986 to US\$1,000 million in 1988. This amount, however, represented only 13 percent of export value at the level

of the 1970s, and cash crops like cocoa dominated the export market. Large firms benefited from the foreign exchange auction and enjoyed higher capacity use than smaller ones. Despite dramatically reduced labor costs, domestic industrial firms undertook little investment or technological improvement (Okigbo, 1991).

At its inception, structural adjustment was accompanied by falling real wages, the redistribution of income from urban to rural areas, and reduced health, education, and social spending. The decrease in spending on social programs contributed to often vociferous domestic unrest, such as Muslim-Christian riots in Kaduna State in March 1987, urban rioting in April 1988 in response to reduced gasoline subsidies, student-led violence in opposition to government economic policies in May and June 1989, and the second coup attempt against General Babangida in April 1990. Aggravated with other problems, the underlying truth remains that instead of improve the nation's economy, SAP rather sapped the economy and created more structural imbalances and stunted economic growth.

Unarguable, SAP was a policy measure adopted in the 1980s following the unfavourable conditions such as burgeoning debt burden and debt service obligations, and adverse balance of payments and huge and rising trade arrears, as well as excessive dependence on the oil sector as a source of foreign exchange. Also, there was serious decline or stagnation in agricultural production, poor performance of the industrial and manufacturing sector, worsened by scarcity and high dependence on external sources for industrial inputs, galloping inflation exacerbated by widening gaps between citizens demands or goods and services and the ability of the system to meet such demands even half way, severe unemployment problems in most urban and rural locations. These conditions which are in large measure akin to the experiences of many other African countries, in this debt burden era were exacerbated by inappropriate policies, unproductive capacity, lax implementation, limited administration and technical capabilities, the rise of magendo (parallel economies) and corruption (Callaghy, 1988).

To relate the problem further, Odu and Agida (2003) disclosed that Nigeria also faced debilitating external economic difficulties which had to do with its declining ability to attract new foreign aids, loans and investments and to maintain a beneficial level of credit worthiness in the international market place. These economic constraints assumed such a dimension that Nigeria was forced to do to major things. First, it attempted to raise more loans from such bodies as the International Monetary Fund (IMF), the World Bank and other international financial institutions that were already hesitating to do business with it. This was largely because of its low level of economic performance and weakened economic conditions. And secondly, it sought some temporary relief through rescheduling of its debt repayments and debt service obligations, much of which had accumulated as arrears. Even for this option, the country had great difficulties in negotiating agreements with creditors (bilateral and private).

No wonder Edame (2001) argued, it is an economic model with series of decision process; resource forecasting and planning mechanism employed by the government to enable her achieve the nation's economical and technological independence in the long run. SAP is an economic key that would transform the nation's underdeveloped economy to an industrialized and export oriented economy. He further noted, the way to achieve this is through the management of the countries socio-political and economic technology, and external environment of the economy to the best advantage also by reducing its restrictions or drawbacks to the lowest minimum. It is an economic adjustment programmes basically, a production resource re-allocation plan designed to eliminate overtime, the substantial deficit on the international account. The primary objective of the SAP was,

- (1) To restructure and diversify the productive base of the economy in order to reduce dependence on oil sector and on imports
- (2) Achieve fiscal and balance of payments viability
- (3) Lay the basis for sustainable non-inflationary or minimum inflationary growth; and

- (4) To lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the growth and potential of the private sector.

To attain the above objective Odu and Agida (2003) noted that the government attempted to achieve the above stated objectives include: The adoption of a realistic exchange rate policy coupled with the liberalization of the external trade and payments system; and adoption of appropriate pricing policies in all sectors with greater reliance on market forces and reduction in complex administration controls; and further rationalization and restructuring of public expenditure and custom tariffs. Affected by political instability, poor implementation, lack of adequate fund, it short time frame etc. the policy performed below expectation.

On the whole, its primary goal of revitalizing the economy and promoting rural development could not be attained, instead it created more uneasiness and structural collapse. The question asked here becomes, what had accorded for this. Was it because of unhealthy and unclearly defined policy or was it poor policy implementation or both. The next section on the path to be corrected on policy trends in Nigeria will discuss that.

Agricultural Development Projects (ADPs)

Primarily, the Agricultural Development Projects were designed to provide the pivot for the agricultural development in the society. It was assumed that productivity increases would come from the use of improved technology, especially planting material and fertilizer. The agricultural components of the projects were designed around systems for developing technology and transferring it to farmers, distributing modern inputs, and land development including small-scale irrigation of Fadama areas and land clearing. More so, investments in infrastructure and the need to be expand feeder road network, construction of farm service centers for input distribution, and facilities for proper agricultural structure like improvements in rural water supplies.

To sustain this, since 1974 the Bank has committed \$1.2 billion for Agricultural Development Projects (ADPs) to increase farm production and welfare among smallholders in Nigeria. OED reviewed five ADPs and a supporting Agricultural Technical Assistance Project (ATAP), all implemented between 1979 and 1990. Only two of the six projects had satisfactory outcomes. In general, rain-fed agricultural production was far below projections. Macroeconomic conditions, some national policies, and particular design and implementation problems prevented a more significant impact. Low-cost irrigated development of lowland areas (Fadama) was, however, quite successful. Village water supply components exceeded their targets. The ADPs have evolved to be "permanent" institutions for rural infrastructural development and agricultural services, but their role vis-a-vis the regular state departments needs to be reviewed.

The ADPs were designed in response to a fall in agricultural productivity, and hence a concern to sustain domestic food supplies, as labor had moved out of agriculture into more remunerative activities that were benefitting from the oil boom. Conversely, domestic recycling of oil income provided the opportunity for the government, with Bank support, to develop the ADPs. The projects provided agricultural investment and services, rural roads, and village water supplies. The government's adoption of the ADP concept put the smallholder sector at the center of the agricultural development strategy, and marked a clear shift away from capital-intensive investment projects for selected areas of high agricultural potential. The first ADPs in Nigeria were enclave projects each covering a specific region within a state. Their early results impressed both the federal and state governments, and there was pressure to replicate the approach across whole states. By 1989 all Nigeria's then 19 states had ADPs.

The Report of the Independent Evaluation Group, a World Bank Group (2004) discusses the trend of events below: To support its agricultural development goals the federal government introduced controls on food imports and continued its substantial subsidies on farm inputs, particularly fertilizer.

The technical assistance project was designed to support the ADPs and strengthen the capacity of the Department of Rural Development in the Federal Ministry of Agriculture (FMOA) to plan and coordinate agricultural production programs. The project was to be executed through an existing Agricultural Project Monitoring and Evaluation Unit (APMEU) which assisted monitoring and evaluation units in the ADPs, and through a newly-created Federal Agricultural Coordinating Unit (FACU), which was to provide technical assistance to the ADPs in agriculture and infrastructure, undertake studies, and prepare new projects.

Institutional Arrangements

To get the projects implemented efficiently, special agencies were created. Each of the statewide and enclave projects was run by a professionally managed semi-autonomous agency, linked to a state ministry through a coordination committee representing the state governor, the major ministries, and project management. Staffs were seconded to the agencies from existing government departments or appointed on contract. Their employment benefits were better than those of the regular state civil services. Both the ADPs and the technical assistance project relied heavily on expatriate consultants (233 positions for the six projects, although only 70 percent of ADP positions were filled), including some in executive positions. Though out of keeping with Bank operational practice the approach was rationalized on the grounds that the programs were large, food production had to be increased quickly, and enough Nigerian professionals could not be attracted into government service.

Implementation Challenges

1. Delays

The decline in oil prices that began in 1982 had a substantial fiscal effect in Nigeria and led to shortages of counterpart funds for these projects. In the two enclave projects, loan funds even had to be used to support local salaries and operating costs. In all projects, shortages of funds and delays in recruiting a full complement of staff meant that implementation was much slower than expected at appraisal. Closing dates were extended by 2.5 to 3.5 years in all projects.

2. Farming Systems

The emphasis on modern technology in the ADPs led their agricultural research and extension services to focus on relatively high-input technology for sole cropping systems. The majority of smallholders did not use these systems. Most smallholders, especially in the semi-arid north, used mixed/relay-cropping systems as a rational strategy to reduce risks. They were also conservative in their use of cash inputs, even though such items as fertilizer were heavily subsidized.

On the whole, available statistics show that the increase in total agricultural production in each of the ADPs was below appraisal expectations. Performance of rain-fed crops was especially disappointing, reflecting the difficulties with technology development and transfer programs and input supplies. While yields of some rain-fed crops—which accounted for a large share of agricultural output—rose in specific states, yields of others declined. There are shortcomings of adequate fund; mismanagement of funds, Overoptimistic crop production targets; Unproven or inappropriate assumptions about agricultural technology, and a disregard for farmers' perspective in projecting how fast technology would be adopted; Little regard for the socio-organizational aspects of rural development; Overemphasis on implementation targets rather than on the establishment of sustainable development and service mechanisms. This therefore calls for concern.

Issues that must be addressed

Notwithstanding the strategic institutional framework setup, there are still areas of concern which must be addressed if the prospects must be certain. These problems included:

- i. unconducive enabling environment where macro-economic policies and the agricultural policy are in disharmony thus resulting in escalating costs of production and reduced purchasing power of farmers;
- ii. Inconsistency and instability in macro-economic policies which do not engender confidence in the economy and tend to discourage medium and long term investments in agriculture;
- iii. Poor harnessing and conservation of natural resources especially

- land, forestry, fisheries and water resources;
- iv. Poor state of rural infrastructure which makes the rural environment unattractive to the younger generation;
- v. Poor funding of agricultural developmental activities both in quantum and release pattern;
- vi. Lack of appropriate technology to reduce the drudgery in agricultural production and processing activities;
- vii. Inadequate availability of inputs especially improved seeds, seedlings brood stock, fingerlings, credit, fertilizers, agro-chemicals and farm machinery; Poor targeting of beneficiaries resulting in the capture of government-provided production incentives by unintended beneficiaries;
- viii. Inadequate technology;
- ix. Weak agricultural extension delivery service resulting in ineffective dissemination of modern farming technologies and poor feedback mechanism for research to respond to farmer's needs;
- x. Low capacity of the organized farmer groups in service delivery; Ineffective control of pests and diseases;
- xi. Inadequate database for policy formulation, monitoring and evaluation as well as impact assessment, etc.

Measures for improving agriculture and rural development

Rural development is more than agricultural development, but critical to it development is enhancing an effective agricultural base. It is therefore important to identify useful measures that can help the government improve the sector. Some of these are,

1. Primary is improving agricultural research; this will help the development of useful methodologies in tackling present and upcoming constraints. Findings on areas like the control of water, the use of good seeds and modern inputs, improvements in crops that are drought resistant and the development of diversified farming systems that can cope with insufficient and irregular rainfall as well as better management systems in food production will complement policy initiatives;
2. promoting and implementing agricultural and rural development

schemes targeted at increasing on-farm and off-farm employment, and infrastructure for improved services and marketing;

3. Devise financial and participatory mechanisms for maintenance and repair of existing rural physical infrastructure as well develop more to make rural life meaningful;
4. Improve the land tenure and other property security of farmers and producers, especially that of poor farmers and women farmers, not only for social equity but also as incentives for better productivity and towards the sustainable management of the natural resources;
5. Enhance self-reliant participation of farmers in the planning and implementation of development activities at the local community level, by promoting participatory organizations of farmers and producers, particularly smallholders and women farmers;
6. Facilitate better mobilization of local human, social and financial capital. With appropriate support to build such local assets, farmers will be able to diversify local diets, create conditions for high return on inputs, reduce risks, and restore critical watersheds. This will lead to long-term and sustainable increases in productivity;
7. Intensified and diversified local production and establishing systems for marketing and setting prices. Individual farmers or farmers' communities must take the initiative for the former, while governments must take responsibility for developing and maintaining total networks. Market prices are crucial for creating the incentives that will encourage local farmers to increase production. Although prices are partly affected by external factors, governments still play a decisive role in fixing prices and, ultimately, in directly supporting national agricultural production;

8. Farmer-driven and Community based innovation and extension. Farmer participation in all stages of technology development and extension is a key factor of success. Case studies showed that agricultural and pastoral productivity is as much a function of human ingenuity and capacity as it is of biological and physical processes. Strengthened farmer capacity for technology development will be achieved by promoting farmer learning networks, in which farmer leaders can exchange experiences and lessons in developing local technologies;
9. Integrate agriculture with regeneration of the natural resource base. This is important because ecosystem functions are essential to ensure continuing food production, watershed management, predator-pest relationships. Successful farming systems meet both food production needs and also protect critical ecosystems, forests and ecological services.
10. Enhancing an effective mechanism for disease control, especially in livestock farming. Livestock production, though significant in contributing to food security and alleviating the problems of food variability and availability in Africa, it's hampered by diseases. Epidemics with high potential for trans-boundary spread regularly ravage livestock throughout Africa. Rinderpest is the most devastating, despite recent progress in controlling it. The tsetse flies, through the cyclical transmission of trypanosomiasis to both humans and domestic animals are another major constraint to livestock production, natural resource utilization and the pattern of settlement throughout large areas of Africa. The effective prevention of diseases is, however, possible through enhanced early warning, early and coordinated reaction and applied research.
11. Monitor and review the environmental effects of agricultural and rural development, and incorporate lessons learnt in developing appropriate strategies and programmes.

In conclusion, given the extensive nature of food insecurity and the severe resource constraints in many areas, it is necessary to complement actions aimed directly at improving agricultural production with efforts at more broad-based sustainable and participatory rural development. Increased participation in the decision making process to plan and design programmes intended to affect their production activities, enables farmers to grow more food, which translates into better diets and, under market conditions that offer a level playing field, into higher farm incomes. With more money, farmers are more likely to diversify production and grow higher-value crops, benefiting not only themselves but the economy as a whole. With the right policies and implementation, Nigeria and Africa as a whole is capable of tripling its agricultural output, thus accelerating effective rural development.

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CHAPTER 13



Food Security for Sustainable National Development in Nigeria

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Introduction

Issues on the global food crisis necessitating studies on how to enhance food security has for some time now featured on the front-page of national dailies. Hundreds of millions of people are starving and malnourished; the only change is that as the scope of the crisis has grown, it has become more difficult to "manage" the hunger that a failed food system accepts rather than feeds. Higher food prices are already causing social unrest around the world. Lives were lost in April in Haiti during several days of unrest. In recent months there have also been protests in at least 25 other countries, including Burkina Faso, Cote d'Ivoire, Cameroon, Gabon, Egypt, Senegal, Indonesia, Bangladesh, India and the Philippines. It has become increasingly difficult to maintain food security.

This challenge is leading the world into 'the new face of hunger'. The people hit hardest by this combination of factors are those living on the razor's edge of poverty. In rich countries people spend 10-20 percent of their income on food so they can afford to pay more. In many poor countries they already spend 60 percent, sometimes even 80 percent, of their budget on food. Affected groups include the rural landless, pastoralists and many small-scale farmers in Africa and elsewhere. But the impact is also on the urban poor. In many of the world's poorest cities people can suddenly no longer afford the food they see on store shelves because prices have soared beyond their reach. It's not a matter of availability, as we would see in a drought-like situation. It's about accessibility and it's especially impacting populations who are reliant on

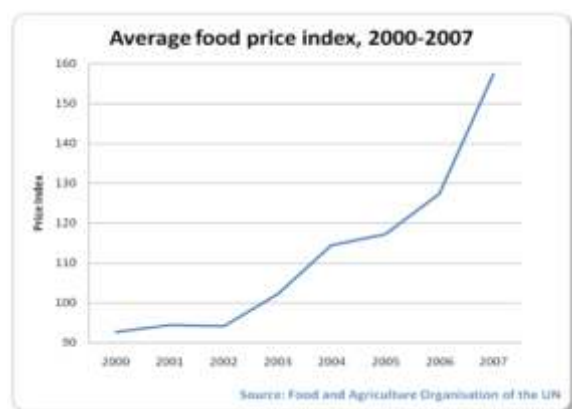
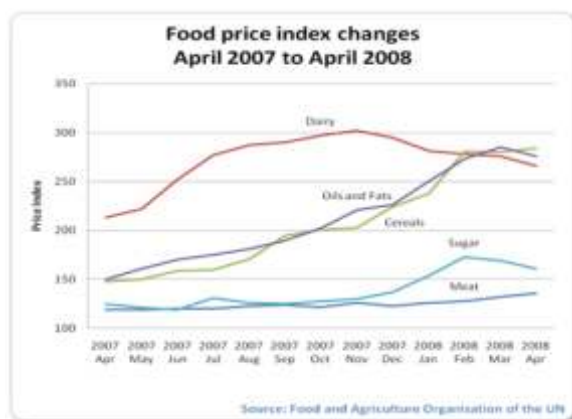
the markets (UNICEF, 2008). According to Mustafa, MacRae Mougeot & Welsh (2007) despite technological advances that have modernized the conditions of production and distribution of food, hunger and malnutrition still threaten the health and well-being of millions of people around the world.

Access to food is still perceived by many as a privilege, rather than a basic human right, and it is estimated that about 35 000 people around the world die each day from hunger. An even larger number of people (mainly women, children, and the elderly) suffer from malnutrition. Far from disappearing, hunger and malnutrition are on the increase, even in advanced industrialized countries like Canada, where each year an estimated 2.5 million people depend on food banks. About 30 million people in the United States are reported to be unable to buy enough food to maintain good health. "The number of people without enough food to eat on a regular basis remains stubbornly high, at over 800 million, and is not falling significantly. Over 60% of the world's undernourished people live in Asia, and a quarter in Africa. The proportion of people who are hungry, however, is greater in Africa (33%) than Asia (16%). The latest FAO figures indicate that there are 22 countries, 16 of which are in Africa, in which the undernourishment prevalence rate is over 35% (Melaku, 2005).

This dramatic rise and volatility of food prices has over the last year have shaken the global food system. Governments and the international development community generally have responded to various aspects of the food crisis, but questions remain about whether the right actions are being pursued, how best to respond, and what the future holds. It will be important to first assess some of the root factors responsible for the increase in not just food price but the conditions stifling accessibility of available food by consumers. The continuing reality of hunger and the unsustainability of current practices, both locally and globally, make food security an essential concern necessitate this study. It is aimed at developing appropriate policy strategy, other than the existing that will ensure food security and help in the reduction of poverty among nations.

Food Crisis: A Global Concern

International institutions face a crisis in surging food prices. Since the beginning of 2006, the average world price for rice has increased by 217 percent, wheat by 136 percent and corn by 125 percent. The consequences of these price increases are real. The poorest quartile of the population in developing nations historically spends nearly three-quarters of its income on food. This sizeable segment of the global population is especially vulnerable to fluctuations in food prices and faces great risk of suffering from malnutrition and even starvation. The graph below further shows this dramatic rises in world food prices.



As shown above, this steady increase or inflation does not just create social uneasiness, it further heighten political and economic unrest. It's

moving across the globe, leaving in its wake drastically increased levels of hunger and poverty.

Top international experts say millions of people are being pushed deeper into poverty and hunger by high food prices. According to the World Bank, the number is at least 100 million. WFP's research indicates that it could be as high as 130 million. On international commodity markets, food prices have gone up 54 percent over the last year, with cereal prices soaring 92 percent. Over the first four months of 2008 WFP paid an average of US\$430 for a metric ton of wheat, compared to US\$207 for the same period of 2007, an increase of 108 percent. WFP is also paying more for other key elements in its food basket: 33 percent more for maize, 50 percent more for rice, 73 percent more for vegetable oil and 61 percent more for pulses (FAO – World Food Situation, 2008).

World cereal reserves are expected to fall 5 percent this year, to their lowest point for 25 years (FAO - Crop Prospects, 2008). Approximately 1 billion people still live on less than US\$ 1 dollar a day, the threshold defined by the international community as absolute poverty, below which survival is in question. High food prices represent the biggest challenge that WFP has faced in its 45-year history. Analysis carried out by the organisation supports World Bank estimates that at least 100 million people have been pushed deeper into poverty by soaring food costs. WFP Executive Director Josette Sheeran has called this a silent tsunami for the world's hungry.

Recognising the seriousness of the challenge, on April 29 United Nations Secretary-General Ban Ki-moon announced the creation of a UN Task Force to work with donor and beneficiary governments to promote a comprehensive and unified response. On May 20-22 the UN Economic and Social Council (ECOSOC) held a special session on the Global Food Crisis. It ended with several policy measures, all in the effort to reduce the global scourge.

Unfortunately, a number of global economic and ecological problems continue to limit the prospect of global food security. World per capita

cereal production (62% of least-developed countries' [LDCs'] food consumption), for example, has been increasing only marginally in recent years. In fact, it has even been on the decline in sub-Saharan Africa and in Latin America and the Caribbean, particularly in low-income countries struck by economic reforms, natural and other disasters, and other factors. The LDCs' dependence on net food imports has been growing and is set to continue to grow; currently, 104 of 132 LDCs are net importers, although imports have brought little relief overall (Singer 1997). In sub-Saharan Africa, the number of chronically undernourished people more than doubled in 1970–91, notwithstanding that this region depended on food aid for half its total food imports. The population of this region is expected to more than double by 2020 (de Haen and Lindland 1997).

Regional and global economic crises and chronic problems of underdevelopment make the situation particularly bad in the developing world. The overall mean per capita income of so-called Black Africa, for example, is, at its best, no higher than it was in 1960, and the region has less weight in the global economy today than it did in the 1960s (Brandt 1997). Economic informalization clearly accompanies an economy's disintegration. Real prices in domestic food markets have increased over the last few years and are set to increase further. To improve food security and global food supplies, policy scenarios of the 2020 Vision Initiative require increased exports of staple foods from industrialized countries to the LDCs (von Braun 1997). But insufficient purchasing power among the world's poorest 800 million people remains a primary obstacle to such strategies.

Multilateral agreements in trade and investment further threaten the availability and accessibility of food for large segments of the world's population. Many experts agree that the reduction in world surpluses and the increase in international prices encouraged by the Uruguay Round of the General Agreement on Tariffs and Trade pose an immediate threat to regions already suffering severe food insecurity. The duration of this threat is unknown.

Global prospects for improving food security are further threatened by

environmental limitations on production increases, even in Green Revolution countries, and by growing poverty. In Asia, a large share of the population will soon be without access to adequate food supplies (Zarges 1997). So, despite the technical modernization of food production and distribution, hunger and malnutrition still undermine the health and well-being of millions of people and actually seem to be worsening, particularly among low-income urban residents. This led Dr Uwe Werblow (1997) of the European Commission in Brussels to recommend favouring production of more traditional food crops in rural areas and developing non-land-using production in peri-urban and urban areas.

Food Security and Urban Populations

Although the consequences can be visible, the causes and the scope of food-security problems for urban populations may not be apparent. From production to consumption, the food system comprises complex interrelated and interdependent parts: social and economic elements, agencies, processes, and structures. Their interdependent relationship requires a structural and systemic analysis focusing on global as well as local linkages. The rural–urban and local–global interrelationships make it impossible to study urban food-security issues in isolation. Yet, it is also clear that the extraordinary urban growth in the 20th century and increasing threats to food security for millions of urban dwellers merits particular attention. The scope and urgency of the problems require analyses of food-security questions for urban areas and new policies and practices to encourage the adoption of sustainable urban food systems.

Food security has become an increasing concern of urban populations. In their findings, von Braun, Joachim; Swami Nathan; Rosegrant & Mark (2004) identified four major challenges to focus this analysis. First, urban centres have expanded enormously, in population and in size. In the 20th century, urban growth has reached unprecedented levels in most parts of the world. In three recent decades alone, the urban population in developed countries doubled, from 448 million in 1950 to 875 million in 1990. In the same period the urban population in developing countries more than quintupled, from 280 million to 1.6 billion. In 1990, 33% of the

world's urban population was living in cities with 1 million or more inhabitants. By the end of this century, six of the largest cities will be found in the developing world. Having urban settlements approaching 30 million people will likely strain already overburdened services in countries with limited resources and extreme income inequalities. Urban expansion has converted a significant portion of green space and good-quality, often scarce, agricultural land. It has already increased water and air pollution and created serious waste-disposal problems. Also, zoning bylaws, speculative land markets, and soil and water contamination have created obstacles to effective local food systems and urban agriculture.

A second challenge has been the unevenness of access to food. Historically, poverty has been predominantly a rural phenomenon. Yet, as the majority of the world's population moves to urban areas, we are seeing a reversal in the regional distribution of poverty. World Bank (1990) figures indicated that in 1988 about 25% of the poorest segments of the developing world were living in urban areas. The World Bank also estimated that by 2000 this will reach 50% (World Bank 1990). In developing countries, the ranks of the urban poor have swelled as a result of such factors as the continuous migration of the rural poor into the cities, the limited ability of the urban informal sector to absorb the unemployed, the limited employment opportunities in formal labour markets, negative impacts of the global economic crisis, and the austerity measures adopted to deal with foreign debt. In Eastern Europe and the industrialized West the situation is not much better. A decline in full-time, secure, well-paid employment (the result of economic downsizing), the dismantling of the welfare state and social programs, and the feminization of poverty have turned urban poverty into a truly global phenomenon. Most observers agree that the increase in poverty has been the biggest threat to food security. Unfortunately, most of the solutions have been limited to patchwork remedies, such as food banks, food aid, and similar emergency responses.

The third challenge is overcoming the inability of the existing market and service agencies to respond to the highly diverse social and cultural mosaic of the urban population. The complexity of cities – the diversity

of their class, gender, ethnic, and demographic characteristics and their corresponding needs and access problems – creates new challenges in the attempt to ensure urban food security. Although the markets and traditional service agencies target certain “consumers,” thousands of others are marginalized. Food retail chains often ignore poor neighbourhoods in the North and South alike, and the location of bulk-produce stores in suburbs limits the access of smaller families, elderly people, people with disabilities, and those who depend on public transit. The diversity of food practices arising from most cities' complex ethnic composition also creates distinct access problems. Unfortunately, most retailers, food banks, and public-service agencies fail to respond to the unique traditions of cultural minorities and thereby pressure people into making significant dietary changes to conform to what the dominant food system provides.

The fourth challenge is the growing commoditization and globalization of the agri-food system. The majority of people in urban populations have very little understanding of how their food is produced, transported, processed, or distributed. The dominant structures of production, distribution, and marketing of food often ignore local solutions for efficient and accessible production and distribution. Although the global food system claims to offer more choice at an affordable cost for the individual consumer, it has actually created obstacles for more sustainable local food systems. In many places, even in-season, locally grown foods tend to be more expensive or more difficult to find than those shipped in from thousands of miles away (Bonanno et al. 1994; McMichael 1994; Goodman and Watts 1997). Often food grown locally is exported while thousands of local residents may be suffering hunger and malnutrition. Questions can be raised about the long-term economic, ecological, and political sustainability of the so-called success of the current food system, with its global division of labour, commodified food economy, increasing regional specialization, industrialized agriculture, and transcontinental networks of distribution.

Causes of Food Crisis

Higher food prices are rooted in several causes. Some of which include, increased energy costs, rising demand from economic growth in emerging economies, the growth of biofuels and increasing climatic shocks such as droughts and floods. Meanwhile, food reserves are at their lowest for 25 years and commodity markets extremely volatile, subject to sudden spikes and speculation. The situation has been exacerbated by the falling value of the dollar, which is the currency in which all major commodities are traded. In a bid to protect their own populations, many countries have imposed export bans or restrictions on certain food types. This tends to drive prices up further as food becomes less available. Others include;

1. War Crisis

In many parts of Africa, the production of food depends upon the intense manual labor of each family. When large areas of Africa are dislocated by war especially southern Sudan where a war of ethnic cleansing is being waged, or adults die from the scourge of AIDS, fields cannot be worked, and food cannot be produced. Many, especially women and children are forced to depend upon handouts of food. Unpredictable weather can also aggravate the situation. Starvation is claiming lives. One international relief agency recently discovered a village in a remote region of West Africa where more than 18,000 people were on the verge of starvation.

"Malnutrition is so great in this area," a relief worker explained, "that most of the children under five years old had starved to death before we arrived. An entire hillside was covered with fresh graves of the children who had recently died". Three fourths of poor people in Western and Middle Africa – an estimated 90 million people – live in rural areas and depend on agriculture for their livelihoods. One in five lives in a country affected by warfare. In conflict-torn countries such as Angola, Burundi, Mozambique and Uganda, the capacity of rural people to make a livelihood has been dramatically curtailed by warfare, and per capita food production has plummeted. (Africa News, UNICEF, 2008). This has affected productively level and poverty keeps raging like a wild fire.

2. Poverty

Poor people lack access to sufficient resources to produce or buy quality food. Poor farmers may have very small farms, use less effective farming techniques, and/or be unable to afford fertilisers and labour-saving equipment, all of which limit food production. Often they cannot grow enough food for themselves, let alone generate income by selling excess to others. Without economic resources and a political voice, poor farmers may be forced on to less productive land possibly causing further environmental deterioration. Addressing poverty is critical to ensuring that all people have sufficient food.

3. Health

Without sufficient calories and nutrients, the body slows down, making it difficult to undertake the work needed to produce food. Without good health, the body is also less able to make use of the food that is available. A hungry mother will give birth to an underweight baby, who then faces a future of stunted growth, frequent illness, and learning disabilities and reduced resistance to disease. Contaminated food and water can cause illness, nutrient loss and often death in children.

The HIV/AIDS pandemic has reduced food production in many affected countries as productive adults become ill or die. Lacking the labour, resources and know-how to grow staples and commercial crops, many households have shifted to cultivating survival foods or even leaving their fields, further reducing the food supply. Addressing health issues will improve utilisation and availability of food.

4. Water and the Environment

Food production requires massive amounts of water. It takes one cubic metre (1000 litres) of water to produce one kilogram of wheat and 3,000 litres of water to produce one kilogram of rice. Producing sufficient food is directly related to having sufficient water. Irrigation can ensure an adequate and reliable supply of water which increases yields of most crops by 100% to 400%. Although only 17% of global cropland is irrigated, that 17% produces 40% of the world's food. Increasing irrigation efficiency and limiting environment damage through salinisation or

reduced soil fertility are important for ongoing food availability. Where water is scarce and the environment fragile, achieving food security may depend on what has been called 'virtual water', that is, importing food from countries with an abundance of water. This may be a more efficient use of a scarce resource.

5. Gender Equity

Women play a vital role in providing food and nutrition for their families through their roles as food producers, processors, traders and income earners. Yet women's lower social and economic status limits their access to education, training, land ownership, decision making and credit and consequently their ability to improve their access to and use of food. Food utilisation can be enhanced by improving women's knowledge of nutrition and food safety and the prevention of illnesses. Increasing women's involvement in decision making and their access to land and credit will in turn improve food security as women invest in fertilisers and better seeds, labour-saving tools, irrigation and land care.

6. Disasters and Conflicts

Droughts, floods, cyclones and pests can quickly wipe out large quantities of food as it grows or when it is in storage for later use. Likewise, seeds can be destroyed by such environmental dangers. Conflict can also reduce or destroy food in production or storage as farmers flee to safety or become involved in the fighting. Previously productive land may be contaminated with explosive debris and need to be cleared before it can again be used for food production. Stored food, seeds and breeding livestock may be eaten or destroyed by soldiers, leading to long-term food shortages. Government spending needs to prioritise food security in the aftermath of conflict.

7. Population and Urbanisation

Population growth increases the demand for food. With most productive land already in use, there is pressure for this land to become more productive. Poor harvests and higher costs lead many poor farmers to migrate to cities to look for work. Expanding cities spread out across productive land, pushing food production further and further away from

consumers. This increases the cost of all the activities associated with producing and transporting food, and decreases the food security of the poor in cities.

8. Structural Changes in Trade

Many poor countries can produce staples more cheaply than rich nations but barriers to trade, such as distance from markets, quarantine regulations and tariffs make it difficult for them to compete in export markets against highly subsidised farmers in rich countries. This deprives poor farmers of income and entire countries of the agricultural base they need to develop other sectors of the economy. In addition, trade imbalances prevent poor countries from importing agricultural products that could enhance their food security.

9. Increase in Oil Prices

Initial causes of the late 2006 price spikes included unseasonable droughts in grain producing nations and rising oil prices. Oil prices further heightened the costs of fertilizers, food transport, and industrial agriculture. Other causes may be the increasing use of bio-fuels in developed countries and an increasing demand for a more varied diet (especially meat) across the expanding middle-class populations of Asia. These factors, coupled with falling world food stockpiles have all contributed to the dramatic worldwide rise in food prices.

10. Climate Change and Bio-Energy

Scientists have advanced evidence that climate change is a very serious challenge to food production. In this year's World Food Day, with the theme, "World Food Security: the Challenges of Climate Change and Bio-energy" questions were raised questions not only on issues of global warming but also on the other elephant in the room, the impact of the decision to go bio-energy at the expense of food production. Alexander Mueller, FAO Assistant Director-General for Natural Resources Management and Environment Department noted that, "Hundreds of millions of small-scale farmers, fishers and forest-dependent people will be worst hit by climate change," said Alexander Mueller, FAO Assistant Director-General for Natural Resources Management and Environment Department.

“Adaptation strategies, especially for the most vulnerable poor countries, where most of the over 920 million hungry people live, need to be urgently developed, reviewing land use plans, food security programmes, fisheries and forestry policies to protect the poor from climate change.” In the wake of the soaring food prices, the poor people in the developing world who ironically contribute the least of the green house emissions that are responsible for climate change are suffering the most. Although some countries in the developing world like Brazil are among the countries that have pioneered the development of bio-energy as a viable solution to the overuse of fossil fuels and consequently the production of green house gases, the fact remains that chief polluters like the US, under the guise of developing cleaner energy forms have instead shifted massive resources away from food production hence denying food for many developing countries, most of which are in Africa.

According to a research paper, effects of climate change on global food production under SRES emissions and socio-economic scenarios, “While global production appears stable, regional differences in crop production are likely to grow stronger through time, leading to a significant polarization of effects, with substantial increases in prices and risk of hunger amongst the poorer nations, especially under scenarios of greater inequality.” So the threats of climate change are a boon to food security especially in poor countries that cannot leverage these effects with improved technology and production methods. Kigali (2005) added that, the links between climate change and reduction in food security are numerous but discreet. A general increase in temperatures can lead to a more severe attack by insect pests, just as the fish stocks in the water will decline with an increase in temperatures and the rate of evaporation hence causing a decline of water levels in water bodies.

Food Security: Challenges & Policy Strategies

Food security is simply, the ability of individuals to obtain sufficient food on a day-to-day basis. It is a state in which all people in a locality, especially those who are most vulnerable, have stable access to healthy, culturally-appropriate food from non-emergency sources at all times or scavenging, stealing, or other coping strategies. It is a guarantee that

families have regular and permanent physical and economic access to a basic food supply whose quantity and quality are sufficient to meet nutritional needs.

Again, food security exists when all people, at all times, have physical and economic access to enough safe and nutritious food to meet their dietary needs and food preferences for an active and healthy lifestyle (World Food Summit 1996). To be food secure means that:

1. Food is available - The amount and quality of food available globally, nationally and locally can be affected temporarily or for long periods by many factors including climate, disasters, war, civil unrest, population size and growth, agricultural practices, environment, social status and trade.
2. Food is affordable - When there is a shortage of food prices increase and while richer people will likely still be able to feed themselves, poorer people may have difficulty obtaining sufficient safe and nutritious food without assistance.
3. Food is utilised - At the household level, sufficient and varied food needs to be prepared safely so that people can grow and develop normally, meet their energy needs and avoid disease.

In recent years, most of the research initiatives for food security have focused on four key components of the FAO's definition:

1. Availability – Providing a sufficient supply of food for all people at all times has historically been a major challenge. Although technical and scientific innovations have made important contributions focused on quantity and economies of scale, little attention has been paid to the sustainability of such practices.
2. Accessibility – The equality of access to food is a dimension of food security. Within and between societies, inequities have resulted in serious entitlement problems, reflecting class, gender, ethnic, racial, and age differentials, as well as national and regional gaps in development. Most measures to provide emergency food aid have attempted to help the disadvantaged but have had limited success in overcoming the structural conditions that perpetuate such inequities.
3. Acceptability – As essential ingredients in human health and well-being, food and food practices reflect the social and cultural diversity of humanity. Efforts to provide food without paying attention to the

symbolic role of food in people's lives have failed to solve food-security problems. This dimension of food security is also important in determining whether information and food-system innovations will be accepted in a country, given the social and ecological concerns of its citizens.

4. Adequacy – Food security also requires that adequate measures are in place at all levels of the food system to guarantee the sustainability of production, distribution, consumption, and waste management. A sustainable food system should help to satisfy basic human needs, without compromising the ability of future generations to meet their needs. It must therefore maintain ecological integrity and integrate conservation and development.

The stages of food insecurity range from food secure situations to full-scale famine. "Famine and hunger are both rooted in food insecurity. Food insecurity can be categorized as either chronic or transitory. Chronic food insecurity translates into a high degree of vulnerability to famine and hunger; ensuring food security presupposes elimination of that vulnerability. Chronic hunger is not famine. It is similar to undernourishment and is related to poverty, existing mainly in poor countries."

Several concerns have been shown seem the wake of this global issue. Examples include United Nations World Food Programme initiative, 2008 which is a collective approach to achieve food security; the Food Justice Advocacy and the Food Sovereignty, both ensuring that there is globally produced nutritious food to feed increasing world population etc

Other than the above mentioned policy strategy, enhancing effective food security - strong, sustainable, local and regional food systems that ensure access to affordable, nutritious, and culturally appropriate food for all people needs more to be desired. It will be predicated upon several strategies some of which include redirecting aid, developing infrastructure especially in rural areas where the vulnerability is high, increasing supply, increase in per capita income of the people, good and

sensitive governance with the ability to solve world problems, exemplified by transparent, accountable, and measurable in terms of impact. This can be attainable using the policy strategy discussed below,

Policy Strategies

Several papers propose ways to improve the availability and accessibility of food for urban residents and the feasibility of various forms of more self-reliant local food systems. The advocacy of Global Issues, 2008, forms another view to be reckon with. Some of its advocacies will be highlighted below. Self-reliance for each country is the objective of this paper. How this can be made policy is further discussed below:

1. Improving Food Production

Increasing the amount of food available is necessary to feed the growing population. The Green Revolution of the 1970s and 1980s led to huge increases in output, largely due to the cultivation of high-yielding varieties of rice and wheat, the expansion of land under production and irrigation, greater use of fertilisers and pesticides and greater availability of credit. In many countries these gains have reached their limit, and social and environmental issues must now be addressed. Further increases in food production depend on better integration of traditional knowledge with research; improving farming practices through training and the use of technology to increase outputs from current land without further loss of productive land; land reform to provide secure access to land for more people; and the provision of low-cost finance to help farmers invest in higher quality seeds and fertilisers and small irrigation pumps. While genetically modified seeds are being hailed as a means of improving crop outputs, there are also concerns about the ownership of seeds, adequate compensation for traditional knowledge and possible side effects.

2. Economic Growth and Trade Liberalisation

Increasing food production leads to greater availability of food and economic growth in the domestic and/or overseas markets. Generating income can provide access to more and varied foods and provide cash for use in other areas of the economy, such as small enterprise and

manufacturing, which in turn helps reduce poverty. Trade liberalisation is opening up markets slowly, but there are costly barriers to overcome. Work is underway through the Doha Round of multilateral trading negotiations in the World Trade Organisation to make trade rules fair, encourage trade liberalisation and assist developing countries to participate in the global trade environment.

3. Equitable Distribution of Food

While there are sufficient resources in the world to provide food security for all, policy and behavioural changes are necessary to guarantee a fair share for all people, especially the poor. Building on a series of global conferences, in particular the 1992 International Conference on Nutrition and the 1996 and 2002 World Food Summits, countries have developed national nutrition plans and policies in nine major strategic action areas that:

- a. include mainstream nutrition goals in development policies and programmes
- b. improve household food and nutrition security
- c. protect consumers through improved food quality and safety
- d. prevent and manage infectious diseases
- e. promote breastfeeding
- f. care for the socioeconomically deprived and nutritionally vulnerable
- g. prevent and control specific micronutrient deficiencies
- h. promote appropriate diets and healthy lifestyles
- i. examine, analyse and monitor nutrition situations.

The progress towards achieving these goals, however, has been much slower than intended.

4. Recognising the role of women

Gender equality is a prerequisite for the eradication of poverty and hunger. Many programs recognise the need for changes in access to food, land, credit, education, health and nutrition training and decision making in order to make effective use of women's roles in agricultural production and food preparation.

5. Food Aid

The need for food during emergencies such as drought, disaster, population displacement and conflict is addressed by the distribution of basic food supplies and fuel. Early warning systems can predict problem areas, allowing action to be taken to keep people in their homes and help them back to food self-sufficiency as quickly as possible. Food sourced locally rather than internationally minimises the costs and disruption to local markets. In severe situations feeding may be necessary but often food aid is linked with work, health or education to avoid dependency and address the long-term causes of food insecurity (Global Issues, 2008). Food is an essential part of life and the surest way to enhance food security is for individuals to self-reliance in access to nutritional food. Changes in the food system require public regulation and cannot be left to the vagaries of the marketplace. Although the achievements of the dominant food system are worth acknowledging, its fairness, sustainability, and feasibility are highly questionable.

i. Local food systems offer long-term sustainable solutions, both for the environment and for local and regional economic development. By linking the productive activities in the surrounding bioregion to the consumers in metropolitan centres, local food systems can reduce greenhouse gases and other pollutants caused by long-distance transportation and storage. They can reduce the vulnerability of food-supply systems to the impacts of weather and market-related supply problems of distant producers, offer greater choice through regional variations in biodiversity, provide fresher and more nutritious products in season, allow for more effective regional control of quality and chemical inputs, and create the potential for local development and employment opportunities. A regional or national network of local food systems does not necessarily diminish the possible advantages of the global food system for food security; rather, it would enhance these advantages.

ii. Cities need to encourage urban and peri-urban agriculture, aquaculture, food forestry, and animal husbandry, as well as safe waste recycling, as elements of more self-reliant local food-system initiatives. Food and nonfood production can tap idle resources and, through

income and savings, improve food security, local employment, and urban resource management. From a food-democracy viewpoint, one's right to be fed needs to embrace one's right to feed oneself. Future plans for the flexible, creative, and combined use of urban space and form need to include permanent and temporary food production within metropolitan regions and to create land reserves for productive green space.

iii. Cities and metropolitan regions need to give priority to the availability and accessibility of food and develop their own food-security plans as part of their social and economic planning. Food-policy councils should be formed to advise local governments and planners.

iv. Food banks and other community assistance programs should only be relied on as emergency measures, rather than being institutionalized as permanent mechanisms for food access. Food banks often serve two goals: to assist low-income consumers and to distribute surplus food. To reduce poverty and inequities in access, structural measures need to be undertaken to provide long-term food security. At the same time, mechanisms for distribution of surplus food can be developed to respond to specific community needs, without stigmatizing the poor.

v. No single solution will solve the problem of food insecurity. What is needed is a list of choices and a commitment to the principles of food security (listed above). The best recipe we can offer is to establish globally interlinked local food systems that use diverse technical, social, and economic resources to improve the availability and accessibility of sustainably produced and distributed, culturally acceptable food. Reaching this goal requires unique local solutions, as well as global cooperation to solve common problems.

vi. Moving beyond the notion that consumers act as rational beings who focus on their individual interests, the concept of food democracy (or food citizenship) recognizes that consumers can identify the interests of others (food workers, other consumers, future generations, and other

species) is important. Citizens, can participate in shaping the food system and the ways consumption of food in our communities expresses the values of family and culture.

Conclusion

To achieve lasting self-reliance at the national and household levels, initiatives must be founded on the principles of economic feasibility, equity, broad participation, and the sustainable use of natural resources. The overriding challenge facing agriculture is the need to increase production of food enough to feed our ever-growing population. Achievement of food security throughout the region will be of paramount importance during the remaining years of the twentieth century. In addition, agriculture must become a significant supplier of raw material to urban industry, while at the same time becoming an important market for urban products. Agriculture must also increase its earnings of foreign exchange, of which there is often a chronic shortage.

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CHAPTER 14



Tourism Potentials and Socio-Economic Development of Nigeria: Challenges and Prospects

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Introduction

In most developed and developing nations of the world, tourism is a major source of employment, gross domestic product (GDP) or national income, income to the tourism promoters and the tourism destination points/communities and a catalyst for socio-economic development of the communities concerned through social infrastructural amenities like electricity, water supply, communication, transportation, motor-able roads and health improvement facilities. It is unfortunate that in spite of these benefits of tourism, the Nigerian government, investors in tourism business and promoters and even the host communities where these tourism attractions are located seem not to bother much in developing and promoting tourism in the country. Because Nigeria is blessed with different types of tourism attractions like ecotourism, cultural tourism and man-made or artificial tourism, it is advocated here that proper attention should be paid to this sector as it has high potentials, prospects and brighter futures to assist Nigeria as a nation in its socio-economic development of today and tomorrow. What is required now is for all parties in tourism business and promotion to play their significant roles, the constraints notwithstanding, so that tourism will soon overtake oil and gas as a major source of the country's sustainable development, employment and foreign exchange and GDP.

Every country, Nigeria inclusive, has its sources of socio-economic development. The sources may include, but not limited to agriculture, oil and gas (petroleum), trade and investment (import and export business), education, health, tourism and hospitality, etc. Before and after the

Nigerian political independence, agriculture was the major source of the country's socio-economic growth and development, followed by other sectors. With the discovery of oil and its revenue potentials from 1958 to immediately after the Nigerian Civil War (1967 – 1970), the petroleum sector took over all other sources of the country's revenue, gross national product (GNP) or National Income. It was unfortunate that the tourism sector was neglected or not realized or given adequate attention it deserved or ought to deserve not realizing that tourism centers are God's creation; particularly those that were not man-made like wonderful spring, a terrific fall, wonderful outcrop of rocks, long terrain of beautiful plateau ground, etc (Etek, Eze and Esu 2012).

Tourism, according to Nwidum (2007), is expected to foster economic growth through foreign exchange earnings and increase in state revenue and, at a second level, on improvement in the people's well-being in the areas of job creation, revenue/income distribution and balanced regional development. It is unfortunate that tourism development in Nigeria has been threatened by such factors like financial problems, infrastructural constraints like poor road network, electricity, drinkable water, health facilities and lack of awareness among Nigerians on the benefits of tourism to the expected tourists and other Nigerians.

Keeping all these sources of socio-economic development of Nigeria constant and focusing on tourism, the issues this write up addressed are: what actually is tourism, why tourism, what are the tourism attractions in Nigeria, how are they developed, what have been their contributions to the socio-economic development of the Nigerian nation, the obstacles or challenges to their development and the prospects to enable the country meet the global competitiveness through tourism potentials and development?

The Nature and Concept of Tourism

Tourism, whether as a discipline or field of study, a profession, way of life, concept or any way it is looked at, has as many definitions as those involved in the business. As a result, few definitions are given here as our working definitions, not minding which view is superior or not to the other. A litany of definitions of tourism runs thus:

(1) Tourism is the business activity connected with providing accommodation, services and entertainment for the people who are visiting a place for pleasure (The Oxford Advance Learners Dictionary),

(2) It is the free movement of people for destinations outside their normal abode on a temporary short-term visit as well as the services created to satisfy the need arising from these movements, within and across international boundaries. It could be for advance health reasons, leisure, business, religion, education or other purposes not mentioned (Anijah-Obi 2001).

(3) It is the practice of traveling for pleasure and the business of providing for tours (i.e to make journey in, where one or more places are visited usually without hitch or recreation for specific purposes as in the situation of business and recreation) and services to tourists (The American Heritage Dictionary of English Language).

(4) It is an amalgam of leisure and recreation services and activities provided within an environment for visitor's satisfaction and enjoyment, hence a deliberate act of traveling out of one's home to another destination, together with the preparations that go into the act, for a specified period and for one or more purposes (Ebin 1999).

(5) It is also the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (Cooper et al, 1999:8).

The import of these definitions is that tourism is the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created and services provided to cater to their needs (Wall and Mathieson, 2006:1). The most common motivations for tourism, arising from the views expressed above, are rest and relaxation, visiting friends and relatives, business, education/study, medical treatments, pilgrimage and attendance at religious festivals, attendance at cultural festivals, exhibitions and conventions, attendance or participation at sports events and their combinations (Ward et al

1996:5).

Different private and public organizations in both developed nations like the United States of America, Israel, Saudi Arabia and the developing nations of the Sub-Saharan Africa – Nigeria, Ghana, South Africa, Rwanda, Kenya, etc, have different objectives for tourism promotion and development. Among these objectives, as identified by Kehinde (1993) are to increase inflow of foreign exchange through the promotion of international tourism, encourage every development of tourism based enterprises, accelerate rural/urban integration, foster socio-cultural unity among various groups, and promote and encourage active private sector participation. Others are to preserve the people's cultural heritage and historical movement, generate local employment both directly in the tourism sector and in various support and resource management sectors; stimulate profitable domestic industries, generate foreign exchange and stimulate improvements to local transportation and communication infrastructure that bring benefits to local people. The extent to which these benefits of tourism are available to a nation like Nigeria as a nation and the private and public organizations or institutions concerned in tourism promotion and development in Nigeria constitute the subject matter of this write up.

Tourism Types and Tourist Attractions in Nigeria

Because tourism is all about leisure and pleasure, people like to visit places and events that could afford them the opportunities for these leisure and pleasure. These places and events of interest could be natural, cultural or artificial (man-made events and situations). Based on this view, tourism types could be categorized into the follows:

(a) Natural or Eco-Tourism – that has to do with the beautiful natural or man-made issues or attraction sites like caves, plateau, mountains, water-falls, rocks, and other natural attractions such as wildlife, water resources and terrain resources. Ecotourism is the purposeful travel to natural areas to understand the culture and natural history of the environment, taking care not to alter integrity of the ecosystem, and producing economic opportunities that make the conservation of natural resources beneficial to local people (Eco-tourism Society, 1991).

(b) Cultural Tourism – that has to do with the cultural advantages and uniqueness of a people, either man-made or inherited. Among the cultural heritage of a people that could be a source of tourist attractions are dances, music, customs, dresses, historical monuments, images, arts and crafts, festivals like new yam, traditional religious rallies, traditional marriages and burials, etc.

(c) Man-made or Artificial Tourism – Tourism based on man's creation or technological innovations in the areas of entertainment (cinemas, theatres, parks, museum and other entertainment centers); sport and leisure (like swimming pools, sports clubs, social clubs and other leisure centers); accommodation (like hotels, motels, guest houses and camping holiday packs); restaurants, hotels and transport facilities like travel agents, tour operators and tour information centers, etc (Ezema 1993 and Okoli 2003).

Based on this categorization, a roll call of the tourist attractions in Nigeria is summarized as follows:

(1) Selected Natural Attractions in Nigeria: Abuja (Aso Rock, Obudu Guarar Falls), Akwa Ibom (Ibeno – Pkerete Beach, Nwanibo Hills), Bauchi (Yankari Games Reserves), Anambra (Udi Hill), Cross River (Zuma Rock, Kwa Falls, Ranch Resort, Oban Hills and Erin – Ijasha Water Falls), Enugu (Kogosi Warm Spring), Jos (Watse Rock), Kogi (Owu-Water Falls), Lagos (Lekki Beach), Ogun (Olumo Rock), Ondo (Bar Beach), Plateau (Assopt Water Falls, Wildlife Resort), Taraba (Mambila Plateau),

(2) Built Attractions: Cross River (Mary Slessor's House, Marina Resort and Ekpo Ekpo Bassey House in Calabar), Kebbi (Traditional Architecture) and Lagos (First Storey Building, National Museum and Slave House).

(3) Selected Social and Cultural Attraction: Akwa Ibom (Ekpo, Ekpri Akata and Raffia City), Cross River (Edele Dance – Itigidi, Mary Slessor Play – Akpap Okoyong, Mgbe Cult, Mnikom Dance, Ekeledi Dance and New Yam Festivals), and Plateau (Vwana Dance and Ngaraguta Leather Work) (Ekut et al, 2012).

Others are the ancient Raheh and Yamtarawala tombs and the Kyarini Park/Zoo in Borno State, Gurara Falls in Niger State and the ancient City Walls in Kano. The rest are the Royal Niger Company Commodities market Building at Kreigiani, near Omoku in Rivers State, Kiri Dam and the Zuig Natural Attraction in Adamawa State, Assop Water Falls in Plateau State, Owu Water Falls in Benue State and the Benin Museum, Emotan Statue; the ancient Palace of the Oba of Benin in Edo State, etc.

Arising from all these listings is that there is no state in Nigeria that has no tourist attraction for tourists; the problem being how they are harnessed, developed and promoted for the state, federal government, potential tourists and the communities hosting them in question. This is where the challenges come in but in all, Cross River State seems to be the tourism heaven of Nigeria because it has the highest number of tourism areas that are well funded and supported by the State Government, heavily promoted and developed and seem to attract both local and foreign or international tourists as far as Nigeria and tourism development is concerned. Cross River is the home for such tourism issues like the Amazing Grace Marina at Freedom Bay, the Kwa Rapids, The TINAPA (African's Premier Business Resort), Agbokim Water Falls, Obudu Ranch Resort and the Cross River National Park. Other areas are the monoliths of Alok and Nkarassi, Mary Slessor's Residence in Odukpani, Afi Mountain Nature Reserve, the Drilling Rehabilitation and Breeding Center CERCOPAN and Cultural festivals and carnivals.

Tourism and Socio-Economic Development of Nigeria

The contributions of tourism to the socio-economic development of Nigeria should address or answer the basic question about the meaning of development asked by Seers (1969:3) when he stated thus: The questions to ask about a country's development are: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt, this has been period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled.

In an attempt to answer this question, Todaro and Smith (2006:16) looked at development as a multinational process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development, in its essence, must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system move away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better.

The import of this view is that development is both a physical reality and a state of mind in which society has, through some combinations of social, economic and institutional processes, secure the means for obtaining a better life thus: to increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection, and to raise levels of living, including higher incomes, the provision of more jobs, better education, and human values, all of which will serve, not only to enhance material well-being but also, to generate greater individual and national self-esteem. In addition is to expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence, not only in relation to other people and nation-states but also, to the forces of ignorance and human misery.

It could, therefore, be stated that until these three core values of development – sustenance, self-esteem, and freedom are achieved in the country from the tourism sector, tourism could not be said to have achieved the expected socio-economic development goal or objective desired of it. The extent to which tourism has impacted positively or not on the socio-economic development of the Nigerian nation could be seen from its contributions towards the following areas:

(1) Tourism and Employment Opportunities:

A look into the different tourism centers and potentials in Nigeria as shown earlier and these important sectors of the tourism industry – sports and leisure, entertainment, travel, transport, catering and

accommodation among others, will show that in actuality, tourism has created opportunities for job or employment opportunities in Nigeria. This is because all these tourist sectors are handled by human beings – both skilled/specialists and unskilled labor in Nigeria and Nigerian citizens. That tourism creates jobs directly or indirectly through linkages is not a Nigerian case as it has been observed also that in Rwanda, employment opportunities are offered through national parks; guides, trackers, and antipoaching agents.

Some of the private tour operators also offer community – based tourism activities such as stays with local families, village walks, banana beer production, and even volunteer opportunities in local communities (Nielson and Spenceley, 2011). In the country, Uwingeli (2009) noticed that the Volcanoes National Park (VNP) employs at least 180 people, who work as guides, gorilla group trackers (for both tourism and research groups), and antipoaching teams deployed in the five protected sectors of the VNP. In addition, an estimated 800 community members around the VNP are involved in day-to-day management activities and benefit from opportunities and temporary employment and the revenue – sharing scheme. VNP management has helped to form two umbrella associations: one for conservation activities in the VNP and another for community development activities. Several hundred volunteers work with the two organizations as crop rangers, conservationists, porters, and community awareness representatives.

(2) Tourism and Poverty Reduction:

Poverty is an economic condition of lack of both money and such basic necessities of successful life as food, water, education, shelter and other basic life needs. Tourism could serve source of poverty reduction in Nigeria if the people (the poor) trapped in the vicious cycle of poverty are brought into the desirable cycle of riches. This could happen through the employment opportunities tourism could provide for them, offering of social infrastructure like good motorable roads to the communities hosting the tourist attraction centers, school and health facilities, electricity and other social means that could add life to the people in question. In all, with the increase in tourist centers and supported by tourists visiting/patronizing the areas, market women could sell their

goods, taxi drivers will be in business and other social activities in the areas concerned will improve, thus, reducing drastically the poverty rate in the places involved.

(3) Tourism and Nigeria's Gross Domestic Product (GDP):

Tourism is one of the major sources of increase in the nation's GDP and economic growth, GDP being the total final output of goods and services produced by the country's economy, within the country's territory, by residents and nonresidents, regardless of its allocation between domestic and foreign claims, and economic growth being the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income. The contributions of tourism to Nigeria's GDP for a period of ten years only (1993 – 2003), according to the Central Bank of Nigeria Annual Statement Account Report are shown in Table 1.

Table 1: Sectoral Contributions of Tourism

Year	Total GDP ₦ Billion	Amount Generated by Tourism Sector ₦ Billion		Contribution
1993	100.1	0.50	572	0.50
1994	101.36	0.50	57	0.49
1995	103.53	0.51	72.8	0.49
1996	107.02	0.52	191	0.49
1997	111.05	0.053	18.4	0.49
1998	112.95	0.55	18.3	0.49
1999	116.14	0.57	18.6	0.49
2000	120.64	0.59	18	0.49
2001	125.72	0.62	28	0.49
2002	129.83	0.65	18.6	0.50

Source: Central Bank of Nigeria Annual Report and Statement of Account for year ended 31st December 1997 and 2002 in Etuk et al (2012) Marketing of Tourism Services in Nigeria: A study with Special Reference to Cross River State, MINN Marketing Journal, Vol. 1, No. 1. June p.7.

The results of Table 1 show that in as much as there is a significant relationship between tourism and the nation's development, from 1999 to

2002 (about 4 years), there was not much remarkable improvement. As Etuk et al (2012) equally observed, on comparison bases, the performance in Nigeria in tourism is still very poor when compared with the scorecards of other African countries. Tourism is the largest contributor to the GDP of Zimbabwe after manufacturing and the agricultural sectors. Kenya's tourism contribution to GDP was 4.65% which is still higher than that of Nigeria that is still below 1% contribution. Other countries have impressive performances as follows: Spain 6.3%, Egypt 4.7%, Morocco 6.5% and Gambia 20.6% etc.

(4) Tourism and Foreign Exchange Generation:

In addition to income creation and employment opportunities, tourism equally helps a country to overcome balance of payment problem. This is because international tourists who buy tourism services add value to the receiving country's revenue accounts in that nation's invisible transaction (Fagbile, 2001). As the World Tourism Organization (WTO) report in 1975 shows, Nigeria has tourism receipts balance of 8.7% and tourism expenditure of 47.26% respectively. Being an invisible export, it is obvious that tourism is an active foreign exchange earner and a major employer of labor. Bullen et al (2011) notes that Barbados in the West Indies and Hawaii in the Pacific draw more than 50% of their national revenues from tourism. Nigeria can equally achieve this and more if the enabling environment that could put tourism in its proper position in the country is created and sustained.

(5) Other Contributions of Tourism to a Nation's Socio-Economic Development:

The other socio-economic development areas that tourism in Nigeria and elsewhere has made great impact, according to Bullen et al (2011) are summarized thus:

(a) Tourism is an Infrastructural investment stimulation and as such, social amenities like road, airports, communication network, electricity, portable water and other social facilities have been improved in some of the communities where the tourist attraction facilities are located/situated. These are made in order to make tourists or visitors comfortable. The presence of these social facilities has gone a lot to improve the living standards of both the tourists and the communities

concerned.

(b) Stimulation of such industries like hotels, restaurants, transport systems, souvenirs and handicrafts and guide services.

(c) Substantive revenue to the government through taxation in such events like World Cup, Olympic Games, African Cup of Nations, Miss World Pageant, etc.

(d) A source of local economy diversification, particularly in rural areas where agricultural employment may be sporadic or insufficient and acts as checks of rural-urban migration of the labor force since tourism development is accompanied by the provision of social infrastructure that will keep the migrants to the urban areas with the socio-economic consequences to both the rural and urban areas.

(e) Tourism equally fosters inter-cultural awareness and personal friendship between the tourists and the people, and communities and nations; stimulates improvement in transport and communication as well as rural economy and improvement of international understanding and world peace.

If all these benefits are already known to Nigerians and the Nigerian government and other private investors in tourism business in Nigeria, the question remains: why is it that tourism development and promotion has not achieved the results expected of it in Nigeria?

Obstacles to Tourism Development and Promotion in Nigeria

That tourism in Nigeria has not reached the expected height when compared with those of other African nations like Kenya, Rwanda, South Africa and other developed nations could be attributed to the following factors:

(1) Negative Image of Nigeria Internationally:

Tourism thrives in a friendly environment for both the tourists themselves and investors in tourism business. It is unfortunate that the international image of Nigeria is still dwindling faster due to cases of insecurity in the

country. Examples of the insurgencies are those created by the Niger Delta militants, kidnapping in the entire country, Boko Haram attacks, and other crime waves throughout the country. Religious crises in the country, ethnic or community conflicts, crises and violence and inconsistent government policies and regulations are driving many tourists and investors in tourism business away from the country. In addition are cases of corruption, fraud ('419' cases), armed robbery attacks and police/security check-points here and there as if the country is in a war or state of emergency with high degrees of bribery and molestation of visitors or tourists are added obstacles as no person or business firm will like to invest in an unhealthy environment.

(2) Unstable Macro Economic Policies:

The prevailing high rate of inflation in the country, coupled with unstable and widening exchange rate differentials between Nigerian currency (the Naira) and currencies of other nations like the American dollar and British pounds or the Euro etc, uncertainty in interest rates and conflicting Central Bank of Nigeria and Nigerian government monetary and fiscal policies are driving many investors and tourists out of the nation. As a result of these instabilities, investors in tourism business who would have gone into long term investment are discouraged from doing so in preference for short term investments that could not do much in promoting the business of tourism in Nigeria.

(3) Inadequate Infrastructural Bases:

It sounds funny that up till date, Nigeria is battling with such social infrastructure like good motor-able roads, constant electricity, pipe and portable water, constant communications supplies, good health facilities and other social forces that are prerequisites for better tourism. Most tourist centers are suffering from scarcity of these social infrastructures while those that have them are operating at very exorbitant costs; thereby, discouraging tourism and tourists' patronage.

(4) Financial Problems:

Tourism is a luxury and a voluntary activity which many poor Nigerians can ill-afford. Until recently, participation was restricted to the select few who could afford both the time and money to travel for pleasure and

leisure. There are still many Nigerians who may wish to go into tourism for its social benefits but could not afford such due to poverty while most of the same Nigerians who are financially balanced to do so, either because of ignorance of the benefits of tourism or fear of the unknown (like kidnapping, armed robbery attacks, and other social vices) followed by “time constraints” in pursuit of more money, do not do so. As such, many tourist centers are ill-patronized and lack the fund for further promotion and development. In some cases, most government-owned tourist centers are dying faster for lack of fund from the government that own them due to political instabilities, ignorance, greed and corruption, among other factors.

(5) Lack of awareness among the Local Communities:

Some of the local communities in Nigeria where some of the tourist attractions are located are still ignorant of the importance of tourism and its benefits to them, the government and the tourists (existing and potential). To them, they are the 'things' created by God and nothing more and as such, could do little or nothing to develop and promote them for their own benefits or partner with those investors who may be willing to do so. To some of the communities, such “natural centers” are forbidden to be touched or seen by outsiders or females as they are regarded as spirits, shrines, sacred places and events and should only be respected. Tradition and cultural ideologies or beliefs are, therefore, anti-development to tourism in Nigeria.

(6) Threat to extinction of wildlife:

In many parts of the nation, wild lives that could be preserved and packaged for tourism are fast disappearing due to threats to them. The oil exploration, and production, seismic operations and incessant heat and noise are fast driving many wild animals like elephants, gorilla, chimpanzee, monkeys and bush cattle and lion from their natural inhabitants to locations unknown. In some other parts of the country, illegal hunting, constant bush burning during farming and wanton harvesting of timber in the forests and other activities are not helping matters.

(7) Over Concentration on oil Revenue:

The so much dependent on oil revenue by both the federal, state and local governments through the monthly revenue or “excess crude” allocation and sharing is fast killing and under-developing the tourism sector in Nigeria. Because of the constant assurance that money must come to the purse of the government in question at the end of the month for little or no work done, most of the managers of these tiers of the governments in question see no reason spending money and time investing in other sectors like tourism with its benefits to them, even when the potentials are there for harnessing. As a result, the new ones are undeveloped while the existing ones are fast dying due to lack of support, funding, patronage and care. Arising from all these views is that tourism development in Nigeria is still facing problems due to inadequate manpower, poor enforcement of environmental laws against poachers, trade in endangered species, poor coordination and management of the centers and tourism policies, inaccessibility to tourist attracted sites, inadequate funding and lack of infrastructure, among other factors (Anijah-Obi, 2001).

Others are inconsistent government policies on the sector and other sectors of the economy, political instability and general state of uncertainty that are driving many investors in tourism business out of the country coupled with the ugly international image of the country abroad. The environmental degradation of most cities in the country is discouraging to most foreign tourists. Cases of refuse dumps even in the cities, tattered cityscapes, noise pollution, unreliable transport and communication systems, horrible roads and police check-points are not helping matters.

Emerging Possibilities for Tourism Development in Nigeria

Tourism, so far observed, is a source of income and improvement of well-being of local people in destination areas, employment opportunities, revenue for the nation and investors in the business, stress reducing agent but leisure and pleasure contributor to the tourists, among other benefits like social infrastructural development to the host communities of the tourist attraction or centers. Because it helps to promote the environment and culture of the people, it means that it has to be sustainable; hence sustainable development.

Sustainable development, according to the World Commission on Environment and Development (1987), is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Because it centers on fostering future states in which economic well-being and environmental quality can co-exist, sustainable development should, as a minimum, address the following elements: maintain ecological integrity and diversity, meet basic human needs, keep options open for future generations, reduce injustice and increase self-determination. For this to occur, it would be necessary for the nation in question to revive its economic growth; change the quality of growth; meet essential needs of the people such as jobs, food, energy, water and sanitation; conserve and enhance the resource base, reorient technology and manage risk, and merge environment and economics in decision making (Wall and Mathieson, 2006: 289).

Sustainable development requires a long-term perspective that works towards equity between people, and between people and other inhabitants of the planet. It also supports the empowerment of people to be involved in the decisions that influence the quality of their lives. Belatedly, the sustenance of culture has also been incorporated so that it is commonly argued that initiatives ideally should be economically viable, environmentally sensitive and also culturally appropriate.

Sustainable development in the context of tourism is looked at by Butler (1993:29) as tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and wellbeing of other activities and processes. Arising from this perspective is that sustainable development and its derivative sustainable development, should offer a way forward that simultaneously consider the economic, environmental and socio-cultural dimensions of development of any nation, of which Nigeria is one.

For the tourism industry to be sustainable, promote the socioeconomic development of the Nigerian nation, and benefit all the stakeholders in

the business (the investors, communities, government, financiers and all other interest groups), the recommendations made by the World Tourism Organization (WTO) (1999) should be considered and adopted in Nigeria. With emphasis on the Sub-Saharan Africa, the WTO suggests that special considerations that must be made by local authorities in developing tourism in the region should include the following:

- (1) Improving the conservation and interpretation of natural areas and their associated biodiversity and of paleontological / archaeological/historic sites in many places.
- (2) Giving more emphasis to developing urban tourism.
- (3) Improving tourist facilities, services, public health and safety and infrastructure in many places.
- (4) Encouraging more involvement and participation in tourism in local communities.
- (5) Ensuring that land is available where and when needed in an equitable manner for tourism development.
- (6) Providing more education and training of personnel to work effectively in all aspects of tourism and achieving greater public awareness about tourism, and
- (7) Improving the institutional framework for financing tourism development and managing the tourism sector.

It is believed that when these and other suggestions earlier made are put in their proper perspectives and all the other stakeholders in the tourism business do the right thing, at the right time, and at the right place, everything being equal, tourism will actually improve the socio-economic development of Nigeria and add more value to the GDP or National Income (NI) of the country. These stakeholders are the federal, state and local governments and their respective agencies, the private and public investors in tourism development and promotion, both local and international; the financial institutions within and outside the country, the local communities where these tourist attraction facilities are located; the media and other interest groups in the business.

Tourism business has prospects in Nigeria and the potentials are many. This is because many tourists are now more physically and intellectually active than before; as they wish to participate in recreation, sports and

adventure and learn about the history, culture, natural environment and wildlife of areas they visit. More tourists want to pursue their special interests and hobbies in areas of nature, historic and cultural, economic activities and professional interests. “Roots” tourism of tourists visiting their ancestral homes and 'nostalgic' tourism of persons visiting places where they or their countries had previous associations are becoming important. This is a case of religious tourism where many people within and outside the country is visiting sacred places in the nation.

In addition to the above, are cases where more tourists are concerned about maintaining and improving their health and, more of them seeking new destinations and new tourism products, and the rest taking more frequent but shorter vacations throughout the year. More older and active retired persons, many of whom are affluent, are traveling. Tourists are becoming more experienced and sophisticated in their travel habits and expecting good quality attractions, facilities and services, and 'good value for money' in their travel expenditures. Many business persons are travelling on business or attending international meetings and conferences on daily basis coupled with international holidaying.

More tourists are becoming more environmentally and socially sensitive and seeking well-designed, less-polluted tourists destinations, by-passing badly planned destinations that have environmental and social problems. Older tourist resorts are being upgraded and revitalized to meet present-day tourists' expectations, with this renovation being carried out in a carefully planned manner. Finally, the tourism sector is making increasing use of modern technology, such as internet, in areas such as reservation services and marketing and other potentials. In all, Nigeria is a fertile ground for tourism and tourism business as many tourist attractions are here and there, what is required is the enabling environment to be created for tourism business to grow, improve and contribute much to the socio-economic development of Nigeria and this is the challenge for all the stakeholders in the tourism business in Nigeria.

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CHAPTER 15



Industrialization and Economic Growth in Nigeria

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Introduction

Industrialization is regarded as a central object of economic policy in most developing economies. They see industrialization and agriculture as an integral part of development and structural change. Some economic analyst is of the view that industries play a vital role in the economic growth and development of any country. Generally, the industrial revolution which took place in Britain between the late 18th and 19th centuries has gotten much to do with the present set back on industrial development led to the factory process that metamorphosised into industrial production. Thus, history recorded that the industrial sector performance in Nigeria's economic growth is as old as the nation itself. It dates back to the amalgamation of the southern parts of the country in 1914 to for the geographical land mass called Nigeria. By a representative of the colonial administration of Britain Lord, Fr. Fredrick Lugard.

As soon as independence was over, the government of Nigeria embarked on import substitution as an industrial strategy in order to reverse the problem of deficit balance of trade and fasten industrialization among other reasons. Right from the first national development plan (1962-1968) to the fourth national development plan (1981-1985) rapid industrialization received priority in Nigeria's development objectives. The government sector for instance, the allocation of 16.2 percent of the budget plan to the manufacturing sector during the third national development plan (1975-1980) was the highest.

The industrial policies and strategies of development were adoption of import substitution strategy, expansion of indigenous equity participation in foreign owned enterprises, provision of integration, linkages and

diversification of industrial increased domestic resources content of industrial product and provision of financial and manpower resources to promote research and adoption of technology to encourage the small and medium scale industries and public sector participation and control of some large industrial products such as iron. To withstand the rising problems of the sector and economy in general, Nigeria embarked on structural adjustment programme (SAP) in 1986 on the assumption that structural adjustment programme (SAP) would corrects these problems. It has important implication on both the government and industry. It has brought government re-appraised of the regulatory environment, the structure of protection for local industries and the package of incentives available. For the private sector and industrialist in particular, SAP presented a new challenge which reported a more serious effort to control costs, increase production efficiency and remain competitive. In the spirit of SAP, the second tier foreign exchange market (SFEM) was introduced in 1987 to allow market forces determine the foreign exchange rate, remove price distortions and thereby effect a more efficient allocation of resources.

Because of inability of the existing policies to live up to expectation, government therefore in 1988 adopted a new approach to industrial development, which gave prominence to the role of the private sector. To give effect to this management approach, government, in August 1988, established the national committee on industrial development (NCID). The strategic management of industrial development (SMID) or industrial master plan (IMP) is predicted on the need to organize a network of sectors (referred to as strategic consultative groups) around on industrial activities with the aim of having a comprehensive and perception view of the investment problems in particular line of industrial activity. The (IMP) seeks to minimize the problems of policy and programme consistency in the development of the nations industries.

A number of fiscal and monetary policies together with institutional reform measures have been undertaken by the Olusegun Obasanjo administration since transition in May 1999. With these measures, it is envisioned that Nigeria will be transformed into a major industrialized nation and an economic power.

Theoretical Literature

Prior to Nigeria independence in 1960, the predominant economic activity were agricultural production and marketing of imported goods. Under colonial rule, Nigeria remained an agricultural country: exporting raw material to Britain and importing from its finished goods. Industrialization was not part of the colonial economic policy which anchored on making the colonies producers of primary raw material for foreign industries and importers of manufacturing goods. There in, lay the origin of dependence of Nigeria economy on commodity market of industrialized western world for its foreign exchange. While the internalization of the country was discouraged, rudimentary foundation for a modern Nigeria economy, however were laid. The process of colonial rule and formal economic exploration ended in 1996. Therefore, the use of the first indigenous administration set itself on attaining political independence, and transformation of the country into a modern industrial economy.

Early manufacturing activities predating independence were limited to semi-processing agriculture products as adjunct to the trading activities of the foreign companies. The agro based manufacturing units that were established include vegetable oil extraction and refining plants, starch making, tobacco processing, pottery raffia craft, mat making, wood carving and saw milling. They were followed by textiles, breweries, cement, rubber processing, plastic products, bricks making and pre-stressed concrete products. At the outset of domestic investment, capital was not sufficient and the indigenous private investors interested in large returns were preoccupied with trading, transport and construction of business, they lack the technical knowhow require in manufacturing activities (CBN, 2009).

Besides the construction of roads, generation of electricity power required capitals and maintenance of law and order which created a conducive environment for trade. No particular industrial policy was initiated by the erstwhile cononide administration to promote industrial development in the country.

Post independence, Nigeria saw the involvement of national development plans. Later replaced by the three year National Rolling Plans (Within the context of the structural adjustments programme (SAP) which provided the conceptual framework for the development objectives, strategies for industrialization, government participation in the process of industrialization and the fiscal and related policies for influencing industrial development. As in other developing countries, the principal features and set objectives of the development plans included, among others, the desire to lay on enduring foundation for the future expansion of the productive capacity of the economy, achievement of high economic growth through increase in the share of manufacturing value added (MVA) increase in export of manufactures, diversification of industrial activities and improvement in the standard of living of Nigeria's. The plans also sought to re-orientate the Nigerian entrepreneurs away from trading into manufacturing and processing activities as well as promote even development of the country through industrial dispersal.

The first National Development plans (1962-1986) was prepared and executed with the aid of foreign investment. Import substitution industrialization strategies were adopted with the aim of encouraging technological development, reduction in the value of import and encouraging foreign exchange savings by producing locally some of the imported consumer goods. The period saw the establishment of large scale capital intensive and import substituting light industry and assembly related, manufacturing ventures. Industries such as textile, wearing apparel paints, tyres and tubes, cement and other building materials producing units as well as grain milling factories were established as joint stock ventures between local and foreign companies which originally imported the goods, but has to diversify their business interest. The period also witnesses initiation of policies and provision of a wide range of incentives for the private sectors, including protection from competing importers.

Report on the second Nigeria economic summit (1995) specifically stated that, presently these are approximately 650 major agro-allies industries in Nigeria. They include: textile industries, cotton ginneries, flour mills, feed

mills, leather and leather goods industries, tanneries paper mills, breweries soft drinks, rice mills, confectionaries, tomatoes processing and timber industries. The total installed capacity for cereal processing alone in approximately 9 million metric tones annually. At present, these industries operate below 30 percent capacity like most other industries in the country. The pre SAP period saw several backward through direct farming. The prevailing economic environment which was characterized by high capital and production cost and very low returns on investment forced most of them to scale down their operation or even closed down. A viable portion which several manufacturing industries have taking to source their raw materials needs in the out grower scheme. Association, relationship that proved to be mutually beneficial to manufacturers and producers and which gives good cause for strong government intervention in the promotion of similar institution.

Report on the third Nigerian economic summit (1996) posits that the industrializations of the nation's economy should be private sector led, within conducive investment environment. Additionally, industries policy should emphasize on small and medium scale industries, including collage industries. Effort should be made also to geared towards local raw material utilization, including utilization of abundant energy source such as; gees, coal and electricity. The vision for a private sector centered on industrial profit is that it will meet local and export needs while focusing on areas in which the country has comparative advantage in many areas of industrial production.

Industrial Sector and Nigerian Economy

During Nigeria colonial era, Britain made no sincere effort to industrialize the nation. As a result, the industrial sector of Nigeria economy was relatively insignificant at independence in terms of its contribution to the GDP. Most of the earliest industries were established by the colonial trading companies and hand full of other multinational companies concentrated on the production of light industrial commodities such as detergents, soft drinks, leather work, textile and confectionary.

However, after independence in 1960, Nigeria attempt to leap directly into a modern industrial structure through public investment in large scale industries. The state assumed the dominate position for lack of a strong indigenous entrepreneurial class and the major aim was to avoid the foreign control of industrial activities (Akinlo 1996). The nation thus adopted the policy of import substitution industrialization strategy (1981) and established industrial development centres starting within Owerri in 1963. Ukaegbu (1991) informed that to achieve 181 objective, industrial equipment and raw materials should be transported into Nigeria, installed and used for routine production activities either by multinational corporations, the state or indigenous private businessmen. Based on the above situation. Ukaegbu concludes that Nigeria industries as well as with industries in many developing nations are characterize by their inability to revolutionize production. On the whole, Nigerian industries tend to be characterized by routine production activities, lack of backward linkage in the economy prevalence of highly-package technology performance of minor operations, lack of auxiliary industries and insignificant non-existent research and development (RID) activities.

The increase in industrial output in 1970 was due to the oil boom of that period which made foreign exchange available for importation of the needed industrial inputs. However, the oil glut of the late 1970s and early 1980s affected the industrial sector as stringent economic policies were put in place and many industrial businesses were closed down. The government embarked on deregulation, privatization and commercialization of public enterprises to reduce the financial burden of the government. Till today the industrial sector has been witnessing series of policy change to adjust the sector and direct it to the part of growth.

The capacity utilization of the sector was 76.6% in 1975 and 70.1% in 1980. It was impressive because of the increased foreign exchange caring during this period. But the oil glut of the early 80s adversely affected the sector. The capacity utilization crashed from 63.6% in 1982 to 40.3% in 1990 and 29.3% in 1995. It went up to 36.1% in 2000 and 41.1% in 2003. The value rose slightly to 45.0% in 2004 and 46.2% in 2005. The inconsistency in capacity utilization in the sector may be explained by the

inconsistency in our economic policies and other problems confronting the sector in terms of the sectors contribution to GDP, it is no different from capacity utilization, its contribution failed from 11.2% to 8.6% in 1985. In 1990 it was 7.8%, 6.7% in 1995, 5.9% in 2000, 6.4% in 2003. Its contribution to GDP fluctuates showing low epileptic and shanky the sector has been. Government policy on banning and unbanning of some vital inputs accounted significantly for the instability the growth rate of the sector is the worst of it. From impressive growth rate of 12.9% in 1982 to 4.2% in 1993. In 1990, it was 8.8% but 0.8% in 1994. It grew marginally to 3.6% in 2000 and 9.0% in 2003.

The cause of the poor performance of the sector may be summarized in the view of Ewakhids et al (2001) that on the whole, the Nigerian industrial sector of the late 1990s, and even up to the early 2000s, captured by the manufacturing sub sector appears to have evolved from a combination of pre-independence neglect and later, the overprotection of the import substitution industries.

Reasons for increased industrial output

Most developing countries see increased industrial output as a central objective of their economic policy, they see it as integral part of development and structural change. The government has always accorded it as an important place in its various development plans to ensure an increased level of self-reliance in supply of industrial product. The following are the reasons for increased industrial output.

1. To Alleviate Poverty/Standard of Living: With increase industrial outputs the standard of living of the people will increase or improve as a result of increase in goods and services, basic amenities and income capital.
2. To Reduce Unemployment Rate: Increased industrial output will reduce the number of people unemployed in the country when more people are employed in the industries.
3. To Increase Export/Import Substitution: With increased industrial output of the country more goods will be exported to another country

leading to favorable balance of payment and also reducing the heavy depending on imported material/goods. And also there will be an increase of improve in output i.e. GDP.

4. To Reduce Dualistic Economy: With increased industrial output most of the less developing countries of the world will be developed i.e. bringing the gap between developed countries and developing countries (the rich and poor).

5. To Achieve Vision 2020: Increased industrial output will help to achieve the government vision 2020 to be among the top 20 economics of the world. It is result to massive infrastructure development, sustainable economic stability/growth, security of life and property, economic stability good health facilities, quality education etc.

Problems of industrial development in Nigeria

It has been shown that low industrial output has helped substantially in reshaping the economic structure of Nigeria one may then ask: what are responsible problems for this slow rate of industrial development? The problems militating against rapid industrial growth are discussed as follows:

a. Lack of Capital/Finance:

In almost all discourse of the problems of industries whether by their owners or those interested in their wellbeing their financial problems have tended to overshadow others which they also encounter in their daily struggle for survival. The major source of financing industries the world over is the owners capital. In Nigeria as in many developing countries, this problem is accentuated the unwillingness of sole proprietors to allow the participation of outsiders in what is usually a personal/a family venture.

According to Okeke (1991) industries in Nigeria are afflicted with difficulties with over abundance of problem chief among them is lack of capital and over reliance on market serve. Besides the fact that financial constraint presents all small scale industries from producing less competitive with his large scale counterpart, it also limits his ability to

engage in aggressive selling technologies (Masha, 1986). Oshhunbiyi (1989) was in total agreement with the above observation he describes finance as a major problem confronting industrialists at various stages of their business. He stated further that “whether for the establishment of new industries or to carry out expansion plans, the inability to attract financial credit has hindered the growth of this sub-sector”.

Owualah (1992) observed that financial problems of industries arise from multifarious sources which broadly can be classified as endogenous and exogenous. The endogenous problems include those due to under capitalization, poor accounting and record keeping, management incompetence and financial indiscipline. The origin of exogenous financial problem is partly due to the behavior of institutional leaders and the capital market and partly, to past policy biases against them. Finally, it is also important to state that because of our depressed economy and our debt problems, industrialists are finding it difficult to obtain enough trade credit or source capital abroad to enable them expand their operations. It is also difficult to attract direct foreign investment capital or obtain multilateral aid due to high rate of inflation prevailing in the economy.

b. Lack of Technical Know How:

The technological knowhow and shortage of managerial manpower is another problem facing the Nigerian industries. According to Babinton Ashaye (1985) it is rare for the entrepreneur to have strong managerial and technical expertise. He said that many industrial entrepreneurs engage in industries where they do not have appreciable technological background or experience. He went further to say that “due to the size of such industrial units, technical advice and advisory department are normally non-existent hence there is lack of technical advice on operational problems in the workshop, development work on issues relating to efficient utilization of labour, equipment and also proper use of raw materials, improved product design, technical training for staffs and know-how to resolve problems of high production cost and poor quality of products.

Finally, Akinkugbe (1988) states that the lack of efficient organizational structure and practice of modern management techniques in industries

could be attributed to the lack of understanding of modern management practices certain owner manages coupled with their strong desire to run and invariably run their industries alone.

c. Weak Raw Material Based:

This is another problem of Nigerian industries. Due to poor state of its agricultural sector there has been lower weak production of raw materials, these resulted to excessive reliance on the external sector or capital equipment and raw material. That is Nigerian industries have been dependent on imported raw materials and capital goods. Most of the beverage industries cosmetics, cement rubber, (plastic producers), and some other food industries depends on imported raw materials for their production.

d. Inadequate Basic Infrastructural Facilities:

Infrastructural facilities like road network railway, river transportation, airways, water facilities, irrigation, machinery and equipment hampered industrial development in Nigeria, it has resulted to closing of the existing industries while new ones are not coming and also inconsistent/epileptic power supply has contributed to low production of the Nigerian industries. Although some of them have resolve to the use of diesel engines to run their industries which will result to high cost of production. Also these problem Michelin tyres have closed in Nigeria because of this problem.

e. Institutional and Administrative Bottleneck

These include various policies government put in place like excessive tax and these really decreased or reduced the coming of foreign industries in the country and folded the existing ones.

f. Militancy

This is one of the major problem against industrial development of Nigerian Delta/region, these militants has vandalized people line given or supplying gas to these industries, kidnapping of their workers thereby requesting a lot of money from these industries in that region.

Industrialization Policy Measures in Nigeria

Government has since independence in 1968 made conscious effort to reduce dependence on foreign manufacturers through supportive program aimed at making the local manufacturers meet local demand along the line of import substitution. In order to achieve the above objective, the Nigerian government has drafted for the country an industrial policy document to guide its achievement.

According to the Bureau of Public Enterprise (2005), Industrial policy can be defined as a systematic government involvement through specifically designed policies in industrial affairs, arising from the adequacy of macroeconomic policies in regulating the growth of the industry. It went further to say that the instrument of industrial policy include; subsidies, tax incentives, export promotion, government procurement and import restrictions. Others include direct investment which formed the pivot of industrial policy from 1970s to 1980s. Foreign exchange rate policy, monetary policy and trade policy also help to shape investment decision. The industrial policy of Nigeria intends to achieve the following objectives.

- i. To generate and raise the production
- ii. Increase export of locally manufactured goods
- iii. Create a wider geographical dispersal of industries
- iv. To improve the technological skill and capabilities available in the country.
- v. To increase local content of industrial output by looking inwards for the basic and intermediate inputs.
- vi. To affect foreign direct investment

To achieve the above, the Nigerian government has put in place some policy measures or policies, these policy measures are looked at from three perspectives. Funding industrial development, incentives to industry and institutional frame work.

Funding Industrial Development

Improving industrial production in Nigeria requires high financial resources. The private sector is expected to play the leading role while the

government focuses on the facilitatory role. To help the industrialist to obtain a cheap inventible fund, government adopted two major strategies.

- a. The provision of credit facilities on concessionary economic development banks.
- b. Provision of equity funds and long term loans by the banking sector for the promotion of small and medium enterprises.

Based on the above, government has allocated substantial resources for funding industrial growth through the Bank of Industry (BOI). The bank was created from the merge of National Economic Reconstruction Fund (NERFUND). The bank is expected to facilitate the production of primary industrial inputs by providing medium and long term loan for Agriculture and agro-allied industries. The bank emerged from the merge of people bank, Nigerian Agricultural and Corporation Bank and Family Economic Advancement Programme (FEAP).

To make funds available to small and medium scale enterprises (SMES) which help Nigeria government to achieve its objectives of self-reliance enhances poverty reduction etc. Government through the Central Bank has encouraged banks to set aside 10% of their annual profit as equity funds and long term loans for the promotion of SMES. To attract foreign capital the government has put in place structures that will encourage capital inflow to the economy. These measures include deregulation of the economic policy stability, reduction in number of regulatory agencies and establishing the Nigeria investment promotion commission (NIPC). It also embarked on port reforms and establishment of Export processing factories and improving the infrastructural facilities in the country.

To achieve the industrial development of the nation and promote a dynamic efficient and sustainable manufacturing sector, government has set up a package of incentives. The incentives geared towards encouraging the private sector to play a leading role, promote geographical dispersal of industries and increase industrial output and domestic resources utilization and industrial linkages. The incentives are divided into fiscal measure and export promotion.

1. Fiscal Measure

i. Tax Holiday: This is exemption of some industries especially the infant ones from the payment of tax for the period of at least 5 years to enable them grow.

ii. Tariff Protection: This is imposition of a heavy import duty on foreign goods so as to protect local industries from international competition.

iii. Import Duty Relief: This is the granting of import duty relief to the importation of capital equipment by the government. This helps the newly established firm to be able to procure capital equipment cheaply, thereby increasing their productivity.

iv. Reduction of Excise Duty: This simply means reduction in the amount paid as taxes for goods and services produced in the country. This helps to reduce business cost of production.

Export Promotion

Export incentives came on board in the 1980s with the introduction of Structural Adjustment programme (SAP) through the promulgation of the export decree No.17 of 1986. It includes:

i. Export Development Fund: The government set up this scheme to assist financially the private sector exporting companies to cover part of their export promotion activities. These include training, seminars, advertising and publicity export research etc.

ii. Export Expansion Grant: The scheme provided inducement to exporters who have exported N500,00. Worth of processed product its 20% grant on the total annual export and on receipt of confirmation of repatriation of export proceeds. It is administered by the Nigeria Export Promotion Council. Other policy measures include; duty draws scheme, depreciation allowance, currency retention scheme etc.

Institutional Framework

The institutions play advisory facilitatory roles in the industrialization process of the country. They make the business environment conducive

for successful take off. The institution include individual training fund (ITF) for man power development standard organization and quality for products. National Automotive Council (NAC) to execute the automotive policy of government. Others include; Central Bank of Nigeria (CBN), Industrial Data Bank (IDB), Industrial Inspectorate Department, Small and Medium Industries Development Agency (SMIDA). Raw Material Research and Development Council (RMRDC), National Agency for Food and Drug Administration and Control (NAFDAC) etc.

Policy Implications and Concerns for Nigeria

Industrialization plays a significant role in economic development. It acts as a catalyst that accelerate the pace of structures transformation and diversification of the economy, it enable a country to fully utilize its factor endowment and to depend less on foreign of finished goods or raw material for its economic growth, development and sustainability (Okafor, 2005).

Exchange rate in Nigeria will erased a radical change from the long operated fixed system between the 1960s and the first half of 1980s. It shifted dramatically from the second half of 1986 to a flexible regime when the structural adjustment programme (SAP) began. In Nigeria, it has always been realized that economic development requires growth and structural change. In considering the Nigerian economic development experience, it is instrumental to examine the growth and structural change in certain major aspect of the economy (Ajakaye, 2002).

Productivity is higher in the manufacturing sector than in other sectors. The structural change argument focuses on the dynamics of sectors. Manufacturing is assumed than other sectors. A transfer of productive resources to more dynamic sectors results to growth. When industrialization is compared to other sectors, the argument runs that the manufacturing sector offered special opportunities for capital accumulation. Capital accumulation can be more easily realized in spatially concentrated manufacturing than in spatially disposed sectors (Agriculture, Mining). This is one of the reasons while the emergence of manufacturing has been so important in growth and development. Sectoral capital stock estimates for developing countries are still scarce

but data indicates that after 1950 manufacturing is indeed far more capital intensive than other sectors (Szirmai, 2008).

The productive sector is in crisis as its average contribution to the nation's Gross Domestic Product over the past few years has not gone beyond 5%. Many years of neglect and mal-administration on the part of successive military and civilian government coupled with corruption and indiscriminate policy reversal have all conspired to render the manufacturing sector comatose. Government after government have failed to pursue policies that could create a vibrant real sector with the result that the impact of the manufacturing sector has steadily declined over the years and its contributes to national growth and development has been disapprovingly low, (Banmijoko, 2001).

Some of the factors that exert profound negative influence on manufacturing sectors includes; institutional framework and management strategies, inflation rate, trends and outcomes of exchange rate management strategies, poor or inadequate infrastructured facilities especially electricity power supply and thus have significant effect on the growth and development of Nigeria which led to economic diversification to other sectors of the economy. The major objective of this study is to examine the effect of industrial sector on economic development in Nigeria.

The agricultural sector was the focus of intense development interest during the 1990s, with food self-sufficiency the goal. The programme includes price stabilization plan and schemes to revitalize the palm oil, cocoa and rubber sectors. In the manufacturing sector, the government was backing a policy of local sourcing whereby locally produced raw materials were converted into finished products. By (1999), manufacturing accounted for less than 1% of Gross Domestic Product (GDP). Iwayemi (1988) argued for the importance of energy sector in the socio-economic development of Nigeria. He submitted that strong demand and increased supply would stimulate increased income and high living standards.

Okafor (2008) used descriptive analysis to corroborate the view of these authors by arguing that poor and inefficient electricity supply drives industrialization process. he submitted that one important indicator whether a country is industrialize or not, it is only on the megawatt of electricity consumed. He further argued that country electricity consumption per capital is kilo watt hours (KWH) are proportional to the state of industrialization of that country.

Ukpong (1976) established the existence of a positive relationship between electricity consumption and economic development. In addition, he submitted that the expansion of energy sector on the demand side is an important factor in accelerating the growth of the industrial sector. Ekpo (2009) elaborate on the folly of running a generator economy and its diverse effect on investment. He strongly argued that for Nigeria to start and accelerate the pace of economic growth and development, the country should fix power supply problem.

Conclusion

Based on the above revelation in this study, we conclude that the industrial output has a significant impact on economic growth and development in Nigeria. Furthermore, the analysis reveals that interest rate has a negative impact on economic development in Nigeria though not significant. To achieve the level of economic growth and development that is desired, the government have to strive to regulate the interest rate through liberalization or deregulation of interest rate in Nigeria. With decrease, rate of interest, investment would increase to encourage economic growth and development.

Policy Recommendations

Industrial sector is continues to be the backbone of economic growth and development based on this fact, and revelation from the empirical analysis conducted on this sector in Nigeria, we make the following policy pronouncement.

1. Creating a conducive environment to achieve strong performance of the industrial sector.

2. Sustaining efforts at generating local materials for infant industries and support the campaign of local content initiative.
3. Appropriate package of incentive to induce entrepreneurs to undertake profitable investment particularly for export oriented industries.
4. The deregulation of interest rate should be pursued to a local conclusion. This is because the problem of high interest rate has actually frustrates the efforts of prospective investors from acquiring loan for investment which has in turn affected and has negative implications for the economy.
5. The interest rate market must be closely monitored. However, the monetary authorities must intervene in this market from time to time in order to prevent any possible wild savings of the interest rate.
6. Development of strong institutional structures to support the growth and development of sustainable small and medium enterprises (SMES) sub-sectors.

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CHAPTER 16



Deregulation of Small Scale Business and Its Impact on Economic Development

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Preamble

This study investigated Deregulation of Small and Medium Scale Enterprise and Its Impact on Economic Development using a survey method. Ninety-eight (98) participants were selected purposively for this study and they comprise 50 males and 48 females with the mean age of 7.02 and standard deviation of 7.84. Four research questions were analyzed and the study revealed a positive relationship. Research question one shows that deregulation has produced positive impact on small scale business organization. Research question two shows positive impact of deregulation on small scale business organization in terms of perception. Question three shows that people have accepted deregulation as positively impacting on small scale business organization. The fourth question shows that majority of the respondents agreed that there is no sufficient awareness about the effects of deregulation. The findings made from the study revealed that Deregulation produced positive impact on small scale business organization as perceived by the respondents. Based on the findings of this study, it was recommended among others that Deregulation of small scale business organization would contribute positively to the development of the economic sector thereby improve the performance of SMEs in Nigeria

Background

Deregulation in Nigeria came about as an economic policy initiated by the Federal Government to liberalize significant sectors of the economy particularly in the oil sector. The communication sector which has already been deregulated has recorded great success over the years, same cannot be said from the research of the oil sector which has also been deregulated but has not really impacted much on the Nigerian economy. The impact of deregulation on the Nigerian economy cannot be over emphasized because it has brought about increasing efficiency and effectiveness in all areas of the economy. On business activity alone, it has constituted a major turnaround, consistent economic growth, development, stability, efficiency and effectiveness (Ibrahim, 2002). Nigeria is a country that gained independent from the British colonial master since 1960 (now 53years), during this period Nigeria was practicing federalism to govern her people. Within these span of years, the economy has not been at its peak, due to the fact that the country cannot boast of satisfying 50% of her citizen, leaving most of her citizen in abject poverty. Far gone Nigeria has odds with her economy, leading to low standard of leaving of her citizen, they are giving second class level over the globe.

Moreover, one may blame the leaders, because they control the country's economical source ruling out private ownership i.e privatization. It was observed that the trouble with Nigeria is essentially its entanglement with unproductive, indifferent, callous and selfish elite class, which specialises on greed and nepotism. This class of people in which majority of those in government belong lacks autonomy as far as it depends on the international capital, making it reluctant for them to spread the wealth of the nation to wider spectrum of the society where it is best needed. Nevertheless appraisal is being given to those who have ruled the nation and brought growth to the economy, who ruled in anticipation for growth, ruling out nepotism but with greater vision for the country. With these clearly stated its convincing that deregulation has got both positive and adverse effect on the nation's economy but depending on how the country's small scale business operators can handle business activities in Nigeria.

The character of the transition to what has been known as Nigeria's democracy did create considerable appreciation among various segments of the Nigerian polity. As the democracy is ageing, popular apprehension regarding the economy, honest and transparent governance, and social services (education, jobs, health care delivery etc.) increased. Recently, the Nigerian public has been introduced to some terms that are relatively new both in the economic and political sectors. These gained ground especially in the then administration of President Olusegun Obasanjo. Examples of these terms include: 'Dividends of democracy'; 'nascent democracy' 'Deregulation'; 'Privatization', etc.

However, deregulation in terms of definition and operation, is still very vague in the minds of the people. In basic economic terms, deregulation is capitalist oriented. It has become the major defense for the efficient operation of capitalist economy. It is based on a free market enterprise, when market forces determine prices and even wages.

“Deregulation is not just about price increases. It is the totality of liberalization using all indices to deregulate system. It is about multiplicity of players. It is about home based production effectiveness being used to benchmark supply. The government is convinced that it has no option but to deregulate the downstream business. Deregulation in its real sense means “absence of rules and controls in a trade or business activity” Deregulation is often passive to business activity because it symbolizes free trade. The rationale for this study stems from the fact that regulation has led to much failure, ultimate collapse and liquidation of many organizations. The government is convinced that it has no option but to deregulate the downstream business. Removing energy subsidies, as the IMF and the World Bank have urged, deregulation is essential for the national debt to be reduced. The unions believe that deregulation can only take place when the domestic refineries are running properly and able to meet local demand. Otherwise fuel prices will be vulnerable to a fall in the naira's exchange rate which will harm the public.

Authors who have contributed so much towards the realization of the benefits of deregulation are yet to create sufficient awareness to this effect. They are yet to demonstrate convincingly its major impact, more especially on small scale business enterprises. Nonetheless, its sudden boom especially now that the telecommunication sector is being deregulated has helped a lot in educating the general public about the positive effects of deregulation. This research paper therefore would simply want to contribute to this awareness by assessing the impact of deregulation on small scale business enterprises with a view to contributing to economic development.

Deregulation – An Overview

Deregulation is the removal or simplification of government rules and regulations that constrain the operation of market forces (Sullivan and Sheffrin 2002). Deregulation does not mean elimination of laws against fraud, but eliminating or reducing government control of how business is done, thereby moving toward a more *laissez-faire*, free market. It is different from liberalization, where more players enter in the market, but continues the regulation and guarantee of consumer rights and maximum and minimum prices. The stated rationale for deregulation is often that fewer and simpler regulations will lead to a raised level of competitiveness, therefore higher productivity, more efficiency and lower prices overall. Massimiliano and Dirk (2008) asserted that deregulation is different from liberalization because a liberalized market, while often having fewer and simpler regulations, can also have regulations to increase efficiency and protect consumers' rights, one example being anti-monopoly legislation. However, the terms are often used interchangeably within deregulated/liberalized industries.

Deregulation can be distinguished from privatization (Sullivan and Sheffrin 2002). Privatization can be seen as taking state-owned service providers into the private sector. This can result in making the privatized enterprise more subject to market forces than was the state-owned entity. But the degree to which there is freedom to operate in the market and the extent of competitiveness in the market for the goods and services of the privatized entity or entities may depend on other measures taken in addition to privatization.

According to Massimiliano and Dirk (2008), in some instances, partial privatization may be selected, where provision of some portion(s) of the state-owned service are provided by private-sector contractors, but the government retains the capacity to self-operate at contract intervals, if it so chooses. An example of partial privatization would be some forms of school bus service contracting, such as arrangements where equipment and other resources purchased with government capital funds are used by the contractor for a period of time in providing services, but ownership is retained by the governmental unit. In such situations the arrangement can be seen as a sort of contracting out of functions for which the government takes responsibility.

Moreover, deregulation refers to limiting government control over market forces. It's a trend that began in the early 1970s and is espoused by those in favor of a free market. It is currently one of the most frequently debated economic subjects, thanks to the concept's association with the current financial crisis. Merriam-Webster's Collegiate Dictionary defines "deregulation" as the act or process of removing restrictions and regulations.

According to Ajumogobia (2000), deregulation, as a concept, seeks free interplay of economic agents that enables market forces dictate prices. Whenever market prices are at unacceptable levels, stakeholders (perhaps the most responsible of them all) can only intervene through the market variables of demand and supply, and not administratively. Deregulation is thus expected to remove the bottlenecks in product distribution and lead to more efficient utilization of resources. At the heart of the deregulation of the downstream sub-sector is the controversy over appropriate pricing of petroleum products in Nigeria. The extremes have been whether the prices should reflect their full cost or contain subsidies, especially against obvious abuses and sharp practices in product sourcing and distribution.

According to Adams, (2001), he was of the opinion that deregulation is the removal or simplification of government rules and regulations that constrain the operation of market forces. Deregulation does not mean elimination of laws against fraud, but eliminating or reducing

government control of how business is done, thereby moving toward a more free market. The stated rationale for deregulation is often that fewer and simpler regulations will lead to raise level of competitiveness, therefore higher productivity, more efficiency, and lower prices overall.

Why Deregulation is Inevitable in Nigeria

The inevitability of deregulation in Nigerian downstream oil sector is quite obvious. No nation ever moved forward with regulation and over regulation of its economy. It is not an unnecessary throw-open of the economy for all Dicks, Toms and Harris as it may seems, and by so doing leaving the poor masses of this country at the mercy of market forces, (Olunloyo, 2009). Majority of Nigerians do not know the benefits of deregulation policy and those leaders that know mount intensive campaign against the regime because of their wrong perception. The people who are ganging up against the introduction of the policy in the downstream sector are doing it deliberately to scuttle government programmes in order for them to continue making money as against what the masses of this country stand to benefit at the long run.

According to Iheme (2010), there is no doubt that at the beginning of deregulation policy implementation, people will be hurt, but what we stand to gain surpasses the hardship. Broad perception of the programme should be given consideration and priority as it will pave way for new lease of life to majority of Nigerians at the end. When we deregulate, Nigerians will be relieved from all social tendencies associated with petroleum regulation. According to him, the elected leaders who know the benefits that will accrue to the nation are busy playing crude politics and engaging themselves in run-down syndromes at the expense of national development. Our lawmakers who are presumed and supposed to be exposed and enlightened in their inward and outward actions tend to behave otherwise. Iheme (2010) was forced to conclude that even the lawmakers themselves have displayed bankrupt knowledge of a deregulated economy. Deregulated economy gives room to everybody to participate and surmount any perceived market forces because deregulation leaves people with alternative choices. It encourages open economy where individuals play his/her role without interference and hindrance as against what is operational in Nigeria now.

Anyiam-Osigwe (2002) asserted that the concept of deregulation is nothing but essentially and importantly, the process of lessening the amount of government restrictions, controls, regulations and involvements in the administration of the economy sectors. It is an all-encompassing policy that will make government agency responsible for the administration of the oil sector; in this case, NNPC withdraws its involvement in importation, distribution and marketing of the products. The policy will enable the corporation to play an oversight function in the industry as against active participation. As it is presently constituted, NNPC is too deeply involved, which amounts to over regulation. Deregulation will therefore afford NNPC to fully monitor the players in the industry (the marketers, distributors and retailers nationwide whether major or minor) through the Department of Petroleum Resources (DPR). The Bill is a single document or legal framework which when passed into law will smoothen operations in oil and gas industry. Most of the available legislations presently are outdated and archaic, out of tune with what is available in the oil and gas industry worldwide.

According to Anyiam-Osigwe (2002), what the Federal Government is spending on the petroleum products refining, importation and distribution in form of subsidy are quite colossal. On monthly basis, subsidy alone takes about N50 billion compared to what goes to critical areas like health, education, power, aviation, water and road. Nothing is wrong with government to subsidizing, but what happens to vital areas that are yearning for total over-hauling? The withdrawn subsidy could be used to fix these infrastructures while Nigeria moves forward and graduate to the enviable advanced economy. This is why every concerned Nigerian has to move against regulation of the oil sector and support deregulation.

Udechukwu (2009) is of the view that before deregulation, utility companies charged their customers for all the necessary steps to get the natural gas from the gas well to the customer's home or business places. This includes purchasing the natural gas, delivering it to the customer, measuring the customer's use, providing emergency service, and billing the customer. These are part of what deregulation sets out to achieve in Nigeria. There will be customer-valued system, where operators in the

sector will place more priority on the needs of the consumers rather than consumers' worshipping the marketers as is operational in Nigeria.

Olunloyo (2009) asserted that one major effect of deregulation has been that customers may now choose to purchase only part of the full line of services that are offered by the utility. This ability to choose is called unbundling. The complete package of services has been unbundled so that a customer can choose to separate the oil/gas purchasing transaction from the delivery or transport transaction. Besides, deregulation will eliminate artificial scarcity by curtailing the activities of middle men who hoard, smuggle or engage in black marketing. Any of these syndromes leads to panic buying, which in turn engender queuing up at the various petrol stations, while it also causes fire disasters on the lives and properties of Nigerians. The dreaded corruption that has plunged our economy into total shamble which people say is more dominant in the oil sector will also be wiped out as there won't be any loop-hole for fraudulent characters to manipulate again. To stop these, deregulation becomes inevitable in the sector for the development of our economy.

SMEs and the Impending Deregulation of the Downstream Oil Sector

Small and Medium-scale Enterprises (SMEs) in most countries are recognized as an integral part of economic development. Their flexibility, dynamic adaptation to changing market condition, ability to respond to technological innovations and their contribution to employment and decentralization policies make them significant engines of economic growth and development. This is why the development strategies of many governments now factor in that particular attention must be paid to the SME sector as a prerequisite for long term social progress (Olunloyo, 2009). Unfortunately, SMEs in Nigeria are faced with the challenge of getting government's attention to build and sustain them by putting in place policies that are SME friendly. Presently, the issue of deregulating the downstream aspect of the petroleum sector, which took off in 2010, is one controversial issue raising dust among stakeholders. While some agree with the government to fully deregulate the sector, others contend the decision, saying that the government has no business talking about deregulation at this time, when the country is facing a lot of local challenges (Olunloyo, 2009).

In the midst of these arguments lies a burning question that should be answered genuinely by stakeholders, whether in support of deregulation or not. What is the fate of the SMEs in the face of deregulation? On its part, the Federal Government, has palliative to cushion the effects of deregulation, says it intends to intervene in the areas of railway rehabilitation, power, textiles and developmental finance to support the real sector, especially the Small and Medium Enterprise, in addition to the provision of low income housing and export-based industries (Daisi, et al,2009). The government reasons that the move will go a long way in addressing economic issues like unemployment and basic infrastructure.

Effect of the Deregulation of Small Scale Business and Its Impact on Economic Development

Since independence, the small scale sector has rendered a major contribution to the gross domestic product of the country and is important in stabilizing the economic growth of the country. They play a vital role in changing the industrial scenario and strengthening the industrial sector tremendously. They assist the utilization of assets for productive purposes with minimal initial resources. Small scale sector have contributed greatly in nurturing private enterprise and in hastening the economic development by generating employment, exports, and reducing local unevenness (Akande, 2010). It is important to look in to the entrepreneurial issues in the light of efficiency building and value addition of this particular sector to the whole economy, particularly after the opening up of the quantity restrictions and deregulation of certain sectors, which were earlier marked exclusively for the Small scale sector. If the result of the second All- Nigeria Census of Registered Small-Scale units by Small Industries Development Organisation (SIDO) is any indicator, the small-scale sector needs an emergency attention to save it from mass closure. The rate at which the Small scale units are closing down and others becoming non functional, we are likely to have a large unemployed workforce emerging out of the small scale sector and remaining jobless to add more burden to our already rising level of unemployment in the country.

Olunloyo (2009) opined that the immediate effect of the deregulation of national markets and devaluation has been large price hikes which have

resulted in a dramatic reduction in the buying power and contractions in the local market in both rural and urban areas. Retrenchment in the public sector has further contributed to reduced purchasing power. Cheaper consumer goods imports from other states and second hand clothes from the United States and Europe have saturated the local market. On the supply side, downsizing in the public sector has caused intense competition among small enterprises. This is mainly due to the large number of new entrants who also happen to possess superior skills and levels of education. Presumably, small enterprises have been the most vulnerable to both the contracting domestic market and increased competition.

Despite the preceding structural changes, economic agents operate in business environments characterized by fragmented and incomplete information where awareness of markets, technology, policy, regulations and finance is limited. For micro and small enterprises (MSEs) and enterprises located in rural areas, these problems are more accurate (Kuteyi, 2010). This constraint adversely affects entrepreneurial activity since the absence of information impinges on the scope for discovery of profitable opportunities.

In the context of globalization, it is doubtful how these enterprises will take advantage of emerging opportunities in local and export markets in the presence of both imperfect markets and information. Markets, therefore, fail poor entrepreneurs not just in terms of information chain processes but also in terms of input - they do not provide enough raw (Dewan, 2010).. It is acknowledged that information is a basic requirement for enterprise creation, growth and survival, and that information and communications technologies (ICTs) are capable of easing information gaps in the business sector. Unfortunately, little is known about institutions governing information flow in the MSE sector; the implementation of socially equitable projects; and perceptions of entrepreneurs about the information and communication technologies. Since networks are known to facilitate the flow, sharing and dissemination of information, it is important to understand how these social institutions operate. Since communication is essentially a social process, the essence of communication and development should not be to

change people, but to give. It must be noted that, though understanding information gaps is important, information is not the be-all and end-all of enterprise development. Enterprise development is a multi-dimensional process that requires an understanding of other critical factors such as credit, skills, markets, finances, and so on.

Importance of Small Scale Business Enterprise to a Nation Building

Historical facts show that prior to the late 19th century, cottage industries, mostly small and medium scale businesses controlled the economy of Europe. The industrial revolution changed the status quo and introduced mass production. The twin oil shocks during the 1970s undermined the mass production model, which triggered an unexpected reappraisal of the role and importance of small and medium sized enterprises in the global economy. Findings by economists over the years show that small firms and entrepreneurships play a much more important role in economic growth and development (Sule, 2006). Small and medium businesses was a tradition confined to economic development studies that focus on the role of enterprises in encountering poverty as well as in employment in poor countries. It is worth mentioning that the conception of big companies as the cornerstone of modern economy dates back on the onset of the industrial revolution and the concept of large-scale economies, small businesses were never viewed in terms of their ability to play a key role in the economy, but rather a source for big companies.

According to Akande (2005), many countries both developed and developing have come to realize the value of small businesses. They are seen to be characterized by dynamism, witty innovations, efficiency, and their small size allows for faster decision-making process. Governments all over the world have realized the importance of this category of companies and have formulated comprehensive public policies to encourage, support and fund the establishment of SME's. Developments in small and medium enterprise area *sin quo non* for employment generation, solid entrepreneurial base and encouragement for the use of local raw materials and technology. The relevance of small scale business enterprise to economic development is hotly debated but the consensus clearly endorses its usefulness. The mechanism of its contribution, however, remains a contested issue. On the side of optimism articulate the

roles of small scale business enterprise according to Osigwe (2002) are as follows:- 1. They are an integral element in the socio-economic structure at all stages of development. 2. They are intermediary stabilisers as well as positive dynamic promoters of economic development. 3. They are valuable tools for regional development and industrial decentralization. 4. They provide employment outside the cities and can proliferate industrial growth centres within a short time span. 5. They provide a wide base for flexible economic activities.

Methodology and Research Findings

Specifically, a survey research method was used. The survey research aimed at showing the relationship that exists between deregulation and small scale businesses, it describes the situation as it is without manipulation thereby addressing the following research questions.

1. Has deregulation produced any positive impact on small scale business organization as perceived by the respondents?
2. Is there any significant difference in the perceptions of the respondents as regards the positive impact of deregulation on small scale business organization?
3. Have the people accepted deregulation as positively impacting on small scale business organization?
4. Is there sufficient awareness about the effects of deregulation as perceived by the respondents?

Analysis of Research Questions

Question 1 Has deregulation produced any positive impact on small scale business organization as perceived by the respondents?

Questionnaire items 1, 2, 3 and 4 were used to answer this question.

Table 1: Respondents' responses to Research Question 1

S/N	Statements	Agree	Undecided	Disagree	Total
1.	My business has improved because of non-regulation.	48 (48.9%)	19 (19.3%)	31 (31.6%)	98
2.	Non-regulation in business has increased my business profit to a large extent.	27 (27.5%)	32 (32.6%)	39 (39.7%)	98
3.	There is no change in my business since government limit their control over market forces.	15 (15.3%)	9 (9.1%)	74 (75.5%)	98
4.	Non-regulation is responsible for the sudden boom in small scale business.	63 (64.2%)	12 (12.2%)	23 (23.4%)	98

Source: Field Survey 2014

Table 1 reflects that 48 (48.9%) of the respondents agreed, 19 (19.3%) were neutral; while 31 (31.6%) disagreed on item 1, which states that “My business has improved because of non-regulation”. With item 2 that says “Non-regulation in business has increased my business profit to a large extent”, 27 (27.5%) agreed, 18 (18.3%) were undecided, while 54 (54.0%) disagreed. According to item 3, “There is no change in my business since government limits their control over market forces”, 15 (15.3%) agreed, 9 (9.1%) were neutral, while 74 (74.5%) disagreed. Furthermore, on item 4, “Non-regulation is responsible for the sudden boom in small scale business”, 63 (64.2%) agreed, 12 (12.2%) were neutral, while 23 (23.4%) disagreed. This implies that a greater majority of the respondents agreed that deregulation has produced positive impact on small scale business organization.

Question 2

Is there any significant difference in the perceptions of the respondents as regards the positive impact of deregulation on small scale business organization?

Questionnaire items 5, 6, 7 and 8 were used to answer this question.

Table 2: Respondents' responses to Research Question 2

S/N	Statements	Agree	Undecided	Disagree	Total
5.	Many people have come to embrace deregulation as a means of business efficiency.	78 (79.5%)	8 (8.2%)	12 (12.2%)	98
6.	Non-regulation is about increasing efficiency and effectiveness in all areas of the economy.	24 (24.4%)	11 (11.2%)	37 (37.7%)	98
7.	Many people think that there will be price increase in commodity or services when everybody is free to do what they like.	27 (27.5%)	18 (18.3%)	53 (54.0%)	98
8.	I know that non-deregulation is about opening the market to enable different operators to enter so as to ensure efficiency.	20 (20.4%)	5 (5.1%)	73 (74.4%)	98

Source: Field Survey 2014

Table 2 reflects that 78 (79.5%) of the respondents agreed, 8 (8.2%) were neutral; while 12 (12.2%) disagreed on item 5, which states that “Many people have come to embrace non-regulation as a means of business efficiency”. With item 6 that says “Non-regulation is about increasing efficiency and effectiveness in all areas of the economy”, 24 (24.4%) agreed, 11 (11.2%) were undecided, while 37 (37.7%) disagreed. According to item 7, “Many people think that there will be price increase in commodity or services when everybody is free to do what they like”, 27 (27.5%) agreed, 18 (18.3%) were neutral, while 53 (54.0%) disagreed. Based on item 8, “I know that non-regulation is about opening the market to enable different operators to enter so as to ensure efficiency”, 20 (20.4%) agreed, 5 (5.1%) were neutral, while 73 (74.4%) disagreed. This indicated that there is significant difference in the perceptions of the respondents as regards the positive impact of deregulation on small scale business organization.

Question 3

Have the people accepted deregulation as positively impacting on small scale business organization?

Questionnaire items 9, 10 and 11 were used to answer this question.

Table 3: Respondents' responses to Research Question 3

S/N	Statements	Agree	Undecided	Disagree	Total
9.	People do not see any need for government limit their control over market forces.	17 (17.3%)	12 (12.2%)	69 (70.4%)	98
10.	Small scale business operators are now been encouraged to start up business because of non-regulation in business.	57 (58.1%)	11 (11.2%)	30 (30.6%)	98
11.	Many people are now empowered because of the non-regulation in starting up a business.	71 (72.4%)	7 (7.1%)	20 (20.4%)	98

Source: Field Survey 2014

Table 3 reflects that 17 (17.3%) of the respondents agreed, 12 (12.2%) were neutral; while 69 (70.4%) disagreed on item 9, which states that “People do not see any need for government limit their control over market forces”. With item 10 that says “Small scale business operators are now been encouraged to start up business because of non-regulation in business”, 57 (58.1%) agreed, 11 (11.2%) were undecided, while 30 (30.6%) disagreed.

According to item 11, “Many people are now empowered because of the non-regulation in starting up a business”, 71 (72.4%) agreed, 7 (7.1%) were neutral, while 20 (20.4%) disagreed. This shows that people have accepted deregulation as positively impacting on small scale business organization.

Question 4

Is there sufficient awareness about the effects of deregulation as perceived by the respondents?

Questionnaire items 12, 13, 14 and 15 were used to answer this question.

Table 4: Respondents' responses to Research Question 4

S/N	Statements	Agree	Undecided	Disagree	Total
12.	There is enough information about the gains of non-regulation on small scale business organization.	44 (44.8%)	13 (13.2%)	41 (41.8%)	98
13.	People need to be educated on deregulation as an economy policy.	65 (66.3%)	15 (15.3%)	18 (18.3%)	98
14.	I know that non-regulation on small scale business organization is about opening the market to enable competition.	26 (26.5%)	15 (15.3%)	57 (58.1%)	98
15.	I do not know what deregulation means until we notice its importance on the telecom business.	43 (43.8%)	16 (16.3%)	39 (39.7%)	98

Source: Field Survey 2014

Table 4 reflects that 44 (44.8%) of the respondents agreed, 13 (13.2%) were neutral; while 41 (41.8%) disagreed on item 12, which states that “There is enough information about the gains of non-regulation on small scale business organization”. With item 13 that says “People need to be educated on deregulation as an economy policy”, 65 (66.3%) agreed, 15 (15.3%) were undecided, while 18 (18.3%) disagreed. According to item 14, “I know that non-regulation on small scale business organization is about opening the market to enable competition”, 26 (26.5%) agreed, 15 (15.3%) were neutral, while 57 (58.1%) disagreed. Based on item 15, “I do not know what deregulation means until we noticed its importance from the telecom business”, 43 (43.8%) agreed, 16 (16.3%) were neutral, while 39 (39.7%) disagreed. This implies that majority of the respondents agreed that there is no sufficient awareness about the effects of deregulation.

The findings made from the study revealed that:

1. Deregulation produced positive impact on small scale business organization as perceived by the respondents.
2. There is significant difference in the perceptions of the respondents as regards the positive impact of deregulation on small scale business organization.
3. People have accepted deregulation as positively impacting on small scale business organization
4. There is no sufficient awareness about the effects of deregulation as perceived by the respondents
5. The study also established that deregulation will initiate positive impact in the management of small scale businesses.

Conclusion

The impact of deregulation on the Nigerian economy cannot be over emphasized because it has brought about increasing efficiency and effectiveness in all areas of the economy. On business activity alone, it has constituted a major turnaround, consistent economic growth, development, stability, efficiency and effectiveness. The needs for deregulation on small scale business organization have lots of benefit towards alleviation of poverty and efficient distribution of goods and services rendered by these organizations.

In this research work, the researcher has empirically verified and discussed the impact of deregulation on economic growth. Generally, it is observed that deregulation produced positive impact on small scale business organization as perceived by the respondents and this will have a positive impact on the economic growth in Nigeria. Given the fact that the small scale business sector is a very crucial sector in the Nigeria economy, there is the dire need for an appropriate and desirable production and export policy for the sector. In Nigeria, though crude oil has contributed largely to the economy, the revenue has not been properly used. Considering the fact that there are other sectors in the economy, the excess revenue made from the oil sector can be invested in them to diversify and also increase the total Gross Domestic Product (GDP) of the economy. In essence, deregulation can be attributed to the

sudden boom in small scale business, the operators within the small scale business are being empowered due to the non regulation and formalty procedures in starting up a business, and have in turn contributed to the expansion of telecommunications services and other related industrial sector by providing qualitative, competitive and affordable rates to customers and subscribers with an impressive return on their capital employed.

Deregulation is the way forward as experience has shown that when a sector of the economy is taken away from the government's control, it tends to do better. The deregulation of oil sector is designed to transfer fuel, diesel, and kerosene from one location to the other while the problems of scarcity are totally alleviated. So, also deregulation on small scale business organization will initiate positive impact in the management of small scale businesses.

Recommendations

Based on the findings and conclusion of this research work, it is inevitable to provide a set of policy recommendation for this research study.

1. Deregulation of small scale business organization would contribute positively to the development of the economic sector, initially there will be price increase as feared but eventually, there will be competition for sales among the various organizations and that will eventually force down prices to attract customers.
2. Government should create social and political conditions that are favourable to indigenous entrepreneurship development. The government should also support innovative and entrepreneurial efforts that would develop productive local industry, rather than encouraging a merchant economy that distributes luxury goods.
3. The government should drastically limit the participation of foreign capitalists in certain crucial areas of the economy where there is local capability, such as in small scale organizations, and encourage private Nigerian capitalists to do the job instead.

Where local capital is absent or weak, government should define the terms of multinational involvement at each level of the economy, monitoring each stage of the process closely and evaluating the output continually.

4. An institution, such as an “Entrepreneurship Board”, should be created to thoroughly find entrepreneurs, and provide them with venture capital.
5. The government should use appropriate national agencies to develop entrepreneurs, the aggressive marketing skills they need to commercialize innovations.
6. Nigerian entrepreneurs should study and understand its environment especially the economic, political, social, technological and demographic environments.

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CHAPTER 17



The Power Sector in Nigeria's Economy: A Factor for Economic Growth

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Introduction

The power sector in every country is a critical requirement for business growth and industrialization. Indeed, the real sector is driven by an efficient and effective power sector. As an integral feature of the infrastructural system, reliability of the power sector is instrumental to economic growth, particularly with reference to gross domestic product (GDP). Each country, irrespective of whether it is developing, less developed or developed, has a history of its power sector. Such history reflects a pattern of growth of the sector, its activities, challenges, contribution to the national economy and government's role.

The transmission of power provides convenience and a relatively low operating cost for individuals and companies. The impact of power availability as well as usage in both urban and rural areas is apparent in people's standard of living. In the first instance, regular and constant availability of power gives people access to rapid telecommunication and improves life status. Indeed, power has become indispensable in practically every sphere of human activity. Not only for domestic, commercial and industrial consumption, has power become the driver of the whole economy. By means of segmented methodology, power is generated, transmitted and distributed to all end-users (consumers) in all the sectors of the national economy.

The business of power generation is highly capital intensive. In more advanced countries, government and private companies were originally involved in the power sector until a period when governments gradually

allowed more (full) private participation. In most developing African countries, governments controlled power generation, transmission and distribution through agencies until the wave of privatization in the 1990s. With an increasing population and its implications for high demand for electricity, there is pressure on power generating companies to embark on futuristic planning and structural transformation.

Genesis of Power Transmission in Nigeria

In 1898 during the colonial era, a small generating plant was installed in Lagos. It was to develop later into what eventually became the national grid through government monopoly. By a federal government decree of April 1, 1972, the National Electric Power Authority (NEPA) was established with the mandate to develop and maintain an efficient system of power generation and transmission in Nigeria. Before then there was no uniformity in the system of power generation and transmission in Nigeria. Before the decree that initiated the first national attempt by government to standardize regulation in Nigeria, there were in existence as separate entities Niger Dams Authority (NDA) and Electricity Corporation of Nigeria (ECN). These entities had their areas of coverage, and were charged with the responsibility of supplying electricity through eight generating power stations which were at the time strategically located nationwide. It was the 1972 decree of the federal government that merged the two entities to constitute what later became the National Electric Power Authority (NEPA).

The installed capacity of the establishment rose to about 6,000 MW in 1990 from 700 MW in the 1970s. Similarly, the corresponding utility generation grew to 14,325 GWh in 1998 from 1,500 GWh. The power stations relied essentially on hydro and thermal methods for electricity generation. Between 1973 and 1999, some new power stations were built and integrated into the mainstream of power operations in Nigeria. These were the Ughelli Delta Power Station, Afam Power Station, Ijora Power Station, and Egbin Power Station. However, government embarked on the construction of the Lagos Thermal Power Station at Ikorodu from 1980-1986 to improve the supply of power to the increasing Nigerian population. The Lagos Thermal Power Station at inception had

a generating capacity of 1320MW. As at the time of completion, the plant was the biggest in West Africa.

Issues of Operational Structure

From the late 1980s, most of public enterprises in Nigeria began to show signs of deficiency. There were recorded cases of electricity outages, constant fuel shortages and structural deficiency in the operations of the National Electric Power Authority (later Power Holding of Nigeria). The problem in the power sector is equally traceable to the energy sector (Adeniyi, 2004). The power sector is significant to economic wellbeing in Nigeria, but it has been riddled with corruption, ineptitude, policy failure and lack of political will to pursue stated objectives (Adesina, 2012).

One of the major problems is the absence of valid data on consumers of electricity, exact capacity required and the demand and supply ratio. The absence of data has implications for policy making and productivity. According to Babajide (2009), a number steps have been taken by the government to restructure the power sector for efficiency, but such efforts have not yielded tangible results. The federal government has taken the bold step to privatize the power sector, but there is evidence of non-resolution of technical issues in the sector (The Guardian, 2012).

There are also indicators of incapacitation which may not sustain the marginal improvement in electricity supply. The Nigerian government has established Bureau Enterprises, National Electric Regulation Commission (NERC) and the National Council on Privatization (NCP) all of which have a role to play with specific objectives regarding privatization of the power sector. There are, however, conflicting issues and roles which tend to constitute hindrance to the restructuring of the power sector. The government launched a Power Sector Reform in 2010 which was designed to increase the quantity of power industry where the private sector can deliver power whenever consumers demand it (The Guardian, 2012).

There is abundant evidence to support the observation that physical failure is recorded in the power sector in spite of huge investment of

billions of dollars in the sector. (Seinde, 2011). There are certain insinuations that certain companies backed by discredited individuals have submitted bids to take-over aspects of the energy sector which may amount to further exploitation of consumers. There is already the on-going process of attracting and selecting bidders. The power sector is critical to investment, job creation and growth in Nigeria. Developments in the power sector have been linked to the status of many small scale enterprises. Small scale enterprises mostly thrive on the availability of regular power supply. Oguntuase (2012:80) argues that, “there is no way small scale enterprises can survive in a parlous power situation. This is undoubtedly the general situation in the power sector.

Nigeria is a member of the Organization of Petroleum Exporting Countries (OPEC), and it is expected that with the abundance of oil and petroleum resources, the power-sector should be soundly boosted. Indeed, according to Oluwa, cited in Oguntuase (2012:80), “The World Bank data rate Nigeria as having the lowest electricity consumption per capital among the 11 members of OPEC”. This is evidence of the poor performance of the power-sector when compared to the performance in each of the other 10 members of OPEC. The table is a vivid illustration of electricity consumption in Nigeria and other countries which belong to OPEC.

Table 1: Electricity Consumption by OPEC Members

Country	Electricity consumption per capital
Nigeria	123.76 KWH
Algeria	809.83 KWH
Angola	237.880 KWH
Ecuador	1.053.48 KWH
Iran	15,491.43 KWH
Kuwait	3,360.13 KWH
Libya	16,190.73 KWH
Qatar	6,813 KWH
Saudi Arabia	12,814.97 KWH
The United Arab Emirates	3,004.08 KWH

Source: Oluwa cited in Oguntuase (2012)

The power sector in Nigeria demands a radical change. Indeed, from the table above, there is clear evidence that the welfare of consumer in terms of power supply is incomparable to the welfare of consumers in member-nations of OPEC. The table is indicative of the management of the power sector and government's concern about the welfare of its citizens in each of OPEC member-states. Indeed, Nigeria's showing on the table is suggestive of a radical change in the power section for which privatization is being pursued.

Besides the presumed economic benefits that privatization of the power sector could brake available to Nigerians and the Nigerian economy, the projected financial earnings from the sale of Power Holding Company of Nigeria (PHCN) were fixed at N400 billion by the Bureau of Public Enterprises (Okere, 2012). It is governments' plan to cede 60 percent ownership to core investors while the remaining 40 percent ownership is to be share by the state and federal governments.

The Power Sector and Privatization

In many countries of the world, emerging markets and the dictates of globalization have compelled governments to embark on the privatization of public corporations and enterprises. A number of reasons, one of which is the perceived inefficiency of such enterprises, are responsible for this phenomenon. The concept of privatization is not new to African governments. What is probably of concern to researchers is the rationale behind government's decision for the action. Of course, for the countries that have embarked on privatization, studies still need to appraise the programme in the light of governments' objectives.

However, considering the consumers who are deemed as critical stakeholders in the regime of privatization, there is need to review the consumer theory of satisfaction against the backdrop of services that will be rendered by the newly privatized enterprises. With reference to Nigeria, the power sector has been acknowledged as a critical sector which holds the key to socio-economic development (Iwuye, 2009). Because of the crisis that has militated against the efficiency of the sector, its privatization has not only become a topical issue, it has

engaged the attention of researchers.

Concept of Privatization

Privatization is a global phenomenon which is basically the transfer of state-owned investment to the private sector extensively examined as a policy option to reduce the role of government in national economies. Drakic (2007) refers to privatization as the transaction of selling existing state-owned companies which still operate but below operational capacity. From another perspective, and in line with the philosophy of reallocating assets and functions from the public sector to the private sector, the general belief among economic policy makers is that the transfer of state companies to operate investors could play a significant role in the quest for economic growth and development, particularly in developing countries which are basically characterized by poor management of public assets and misappropriation of public funds (Augus, 2003).

In the view of the Paul and Uchida (2003), privatization may improve efficiency, provide fiscal relief, encourage wider ownership as well as increase the availability of credit for the private sector, provided it is implemented with strong incentives that will induce productivity. The concept of privatization is more often linked with economic objectives of both the state and individuals. Also, it is anchored on productivity. What is productivity if investment does not yield the expected returns? While investors are interested in profit maximization, they are equally motivated by the need to satisfy a ready market.

Consequently, privatization attracts local and foreign investors who view the potential of a company or industry as prosperous. In addition, privatization leads to increase in foreign direct investment which potentially improves the chances of economic growth and creation of employment opportunities (World Bank, 2002). The process of privatization is an effective way of effecting a fundamental structural change by promoting property and ownership rights which also directly create strong incentives for willing individuals. Several countries have intensified the drive towards efficient and competitive domestic

economic structures in order to achieve sustainable growth and development.

According to Sathyanarayana (1995:17), privatization is largely characterized by:

1. Partial or complete ownership change from government control to private management.
2. Partial or complete reduction in government's budgetary support.
3. Reduced political/bureaucratic intervention
4. Improved quality-performance
5. Willingness/ability to take the risk
6. A shift from free service to either nominal or rational pricing
7. Letting the market forces decide the need for a service and its continuance
8. Generating investible surplus for a sustainable growth

Privatization of public enterprises is dictated by the need to prune public spending and re-allocate scarce financial resources for more productive efficient activities. It tends to allow the private sector to play a more active role in the economy thus eliminating the drudgery of bureaucratic mechanism of the public sector from business. It has been observed that government's management of public enterprises does not stimulate economic growth (Adesina, 2012). The essence of privatization is economic rebirth, elimination of wasteful expenditure, prevention of loss man-hours and a structural design that allows both organization and personnel to operate more efficiently.

But the argument of Bala cited in Adeyemo and Salami (2008), that privatization has been able to replace public monopoly with private investment management. However, the major impact of the privatization reform in Nigeria is the introduction of increased competition and efficiency. This is particularly evident in the telecommunications, petroleum and banking sectors. This view tends to support the crusade for privatization in the Nigerian economy. Nigeria is part of the global economic village, and if privatization is the current economic wave, it holds economic wisdom to focus on the economic gains that it will bring

to the Nigerian economy. Kuye, cited in Adeyemo and Salami (2008), acknowledges the success and necessity of privatization in the United Kingdom, France, Canada, Turkey and Spain. In essence, privatization provides the tonic for economic management.

During the colonial era in Nigeria, public enterprises were established by the government to operate health, housing, electricity, transport and postal services. The focus of the government was to enhance people's welfare. In the 1970's, the government continued its investment in public enterprises by extending its control to manufacturing, oil and gas among others. Inefficient operations and wasteful expenditure, however, compelled the government to adopt a new economic stance seen in privatization as recommended by the World Bank and other Monetary Institutions (Adeyemo, 2005). An initiative to that effect was Constitution of the Technical Committee on Privatization and Commercialization (TCPC) by the Federal Government of Nigeria (Ogundokun, 1999). Since the market for electricity is constituted by members of the population who regularly demand for its supply, it will be appropriate to use the consumer perspective to test or appraise the privatization exercise in order to determine the extent to which it has been effective or otherwise.

The Theory of Consumer Satisfaction

The marketing concept presupposes that there are needs as well as satisfiers of those needs. Two parties are involved and a point of convergence or agreement is reached when the expectations of both parties are met in terms of what is being offered and what is being given in exchange (Howells, 2003). The concept of consumer satisfaction emerged from the theory of consumer behaviour. Extensive research has been conducted on customer satisfaction to provide the basis for understanding the direction of customer satisfaction (Sattyapriya, Nagabhusana and Nanda, 2012).

Customer satisfaction refers to the number of customers or percentage of customers whose experience with a company, its products or services exceeds a specified goal. Customer satisfaction provides a strong

indicator of consumer purchase decisions and demonstration of loyalty. In furtherance, customer satisfaction is the extent to which the perceived performance of a product or service matches a buyer's or user's expectations (Kotler and Armstrong, 2008). However, when the performance of a product or service is below a buyer's or user's expectation, such buyers or users become dissatisfied.

Customer satisfaction is the consumer's positive response to a product or service which prompts more loyalty and commitment. Indeed, customer satisfaction is derived from the use of product or service and it emanates from customers' evaluation of the product or service performance based on such characteristics as durability, value, technical nature and ease of use (Ghandi and Kang, 2010; Homburg and Giering, 2001). Customer satisfaction is the basis of a business survival because customers will seek an alternative choice once they realize that a product does not meet their needs. Consequently, customer satisfaction is a crucial link in establishing long term relationships (Karina, 2004 cited in Gandhi and Kang, 2010), and it is extremely difficult for any business to survive in a competitive market without establishing sound relationship with customers. Customer satisfaction sets off a cycle of variable affairs in terms of customer retention, good product perception, loyalty, commitment and long-term attachment to both product and organization by customers who are perceived to be satisfied with the product or service (Kotler, 2006).

However, there is a link between customer satisfaction and employee performance and productivity. Eskildson and Dahlgaard (cited in Gandhi and Kang, 2010) have asserted that without satisfied and motivated employees, it is relatively impossible to produce first class products and services, and, consequently, it is impossible to get to the level of satisfying customers as well as securing their loyalty. Generally, customers assume a benchmark of satisfaction. They tend to have a basis of comparison before determining that a product or service is satisfactory. Hornburg and Giering (2001) took a broader perspective to explain customer satisfaction. Accordingly, it is the result of a cognitive and affective evaluation made by customers.

In essence, a comparison standard serves as the basis by which a product or service is compared to its actual perceived performance (Broadale, 2009). Human judgment which is a behavioural tendency is brought into the process of product or service. In simple terms, in order to state whether a customer is satisfied with a product/service or not, a series of experiences from the customers' perspective is evaluated. It follows them that business organizations that offer a product or service in the market direct all efforts to satisfy their customers. Following the dictates of a market economy, business competes to satisfy customers as much as economic prosperity is based on increase in customer satisfaction (Malik, 2012).

However, the cost perspective is usually a focus for customers. This is the financial value that customers respond to, provided it is within their purchasing power. In the service industry, or particularly economics that are characterized by services more than manufacturing, quality service is a concept that consumers place premium on. Perceived service quality has a direct and positive influence on customer satisfaction (Malik, 2012). Dagger and Sweeney (cited in Malik, 2012) asserted that service providers lay more emphasis on service quality in order to achieve market leadership, principally because of intense competition in the service sector, and because of rising consumer sophistication in taste (Kotler and Armstrong, 2008). In all, customers generally have expectation. As reported by Szymauski and Hanard, cited in Malik (2012:68):

Therefore, if consumer's actual outcomes exceed expectations, the consumer will be considered as satisfied if expectations exceed outcomes, consumer will be considered as dissatisfied.

Although perceived service quality is customer's evaluation of the service performance and how it compares with their expectation, the issues of cost, timing, appropriateness and availability are embedded (Johnson, 2009). Customers are sensitive to cost, and too willing to measure the service in relation to its benefits and their expectation.

There appears to be some variation in measuring customer's satisfaction in relation to a product as well as measuring customer satisfaction in relation to a service (Jang, 2006). Services differ and may be difficult to measure because of their intangible nature. The only parameter may be the extent to which the service solves a problem and gives the user perceived satisfaction that a need has been overcome. But how the financial cost equates meeting that need poses another controversy.

Service quality and customer satisfaction are inter-related. Where service quality is higher, customer satisfaction is equally higher (Munusamy, Chelliah and Mun, 2010). There are two significant variables in discussing service quality. There are expected service and perceived service. Quality gives an indication of inferiority, superiority or excellence (Taylor and Baker, cited in Munusemy, Chelliah and Mun, 2010). Similarly, quality describes the overall impression of the relative inferiority or superiority of an organization and its services from the customers' perspective. This is the basis of customer behaviour which organizations must constantly consider. In modern competitive market places where business organizations astutely compete for customers, customer satisfaction has become a critical differentiation and a strong factor in designing business strategy.

Appraising Test of Privatization

The result of the privatization exercise in Nigeria's power sector can only be seen in whether the objectives of the exercise have been realized or not. It is also evident in what electricity consumers say of the performance of the power companies which eventually represent the power sector in the current dispensation. The questions to ask are: 1) Is power supply in Nigeria now stable? 2) Are electricity users in Nigeria currently satisfied with the supply of power? 3) In the current dispensation of privatization of the power sector, is power supply reliable? If majority of the populace cannot affirmatively provide a positive answer to all the queries above, then the privatization exercise in the power sector is both ineffective and inefficient.

Over the decades, power supply in Nigeria fluctuates unreliably. The unbundling of Power Holding Company of Nigeria (PHCN) has had no

significant positive effect on electricity generation and supply. It was intended that the transformation of NEPA to PHCN would make a remarkable improvement in its operation. According to the Transmission Company of Nigeria, an average of 4,000 megawatts was targeted for the month of October, 2015. But, Lagos State alone, which accounts for about 60 per cent of Nigeria's industrial and commercial activities, is estimated to require about 5,000 megawatts which is hardly supplied. The spiral negative effects of power outage are characterized by dwindling industrial capacity utilization in the manufacturing sector, job losses and high cost of doing business.

Conclusion and Recommendations

Privatization is embarked upon because the productivity of existing public enterprises is below expectation. The essence of privatization is to improve efficiency, and efficiency translates into productivity. Hence there is a perceived causal relationship between privatization and productivity. The issue of privatization in Nigeria has attracted both critics and proponents. But the basic objective has always been the revival of ailing public enterprises, this case, the power sector. The core economic objective of privatization is equitable allocation of resources and efficient use for maximum results. Indeed, privatization subjects itself to the forces of demand and supply. In essence, it allows consumers to make alternative choices as well as conveniently dictate the market. While privatization eliminates economic waste from governments' economic stable, it introduces shrewdness in the management and allocation of resources, thus given consideration in ethical terms to the needs, views and perception of consumers.

In the light of the technical process involved and the ideological perspective which government may attach to privatization, a major issue remains the welfare of consumers. Privatization does not only incorporate the perception of government or those of the private investors. Indeed, the major focus is the consumers for whom the services and products of the enterprises slated for privatization are delivered. If the perception and welfare of the consumers are considered, the valid argument should be its positive response to an ailing economy and a turn-around performance for non-performing

power companies. Consumer satisfaction should also be borne out of better services at reasonable prices as desired by consumers. Consumers desired efficient services, quality products, affordability, promptness of services, availability and alternative options should the need arise. Government's transparency in implementing the privatization policy should only result in operational efficiency of the enterprises to meet consumer's expectation.

Government still holds the key to effective and results-oriented regulation of the power sector in Nigeria. For this reason, government's power policy must be regularly reviewed in line with expectations of good performance. The power sector, to a large extent, dictates the performance of other sectors. Therefore, planning, monitoring and evaluation are necessary. These activities should be carried out by the appropriate regulatory agencies. Indeed, the private companies that have been given license to operate in the power sector should be monitored in line with government's power policy. There is, however, need for attention to be given to other alternative sources of power. Technical partnership with foreign investors, researchers and consortium initiatives are recent global trends in the power industry.

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CHAPTER 18



Foreign Donor Interventions and Economic Development: Impact Assessment of European Union Micro Project Programme in Nigeria

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Preamble

Efforts to develop the economy of developing economies of the world have often attracted the contribution of intervening agencies. Through the intervention programmes of the European Union Micro Project Programme (EU-MPP), Nigeria has benefited from these efforts. The study examines the impact EU-MPP6 on the socio economic wellbeing of the people of Cross River State, in terms of the provision of potable water. The study hypothesized that the provision of potable water by EU-MPP6 has not significantly improved the socio economic wellbeing of the people of Cross River State. Survey research design was adopted in the study. Data were obtained from primary and secondary sources. The primary data was obtained with the use of a research questionnaire. The population of the study consists of residents of the Akpabuyo and Etung local government areas of Cross River State. The sample of the study comprised 200 respondents. Results obtained from the analysis of data showed that the provision of potable water has significant impact on the socio-economic well-being of the populace. It was further recommended, among other things, the need to put in place an effective project maintenance system to ensure sustainability.

Introduction

A significant objective of foreign, otherwise referred to as international donor intervention in developing countries is the promotion of economic development and welfare, usually measured by its impact on economic growth and development. Audretsch & Feldman (1996) said

the premise that African countries are poor and cannot be developed without external intervention from the developed West has brought about the involvement of both bilateral and multilateral donor agencies in the development process of many African countries. The interventions have mainly being in form of the injection of capital into certain sectors of the economies of African states. However, some donor agencies have also intervened directly in certain programmes and projects in the developing countries, thereby completing government efforts in the development process (Umaru, 2012).

Amsden (1997) maintained that, after the Nigerian independence in 1960, many bilateral and multilateral donor agencies have responded to the development needs of the country by way of intervening in developmental programmes and projects. Lewis (1982) remarks that all donor nations have mixed purposes for intervening and that these can be categorized into three groups; first, economic assistance to further the donor's national interest in the following ways; a) strategic and defense purpose, b) ideological and or political purpose, and c) the donor's own economic and commercial interests, sought through expanded export, increase access to scarce materials or new opportunities for private investors.

The European Union has played an important role as a donor agency in the provision of economic benefits. According to Okon (2012), the European Union Micro Project Programme (EU-MPP) is an interventionist development programme aimed at the economic and social development of rural commodities, in this case, in response to the felt needs of those living in the "Niger Delta". The programme is the result of a co-operative instrument developed by the European Community between it and some of its member countries, to finance local micro-projects that have an economic and social impact on the lives of those in developing countries (Okon, 2012). The programme aspires to achieve, the provision of basic healthcare facilities, education, rural transportation, water supply, sanitation and electricity. It also aims at increasing awareness on issues of "gender and HIV/AIDs, the environment conflict and human rights, transparency and

accountability in local government administration, income generating and other non-conventional projects as may be desired by the participating community” (EU-MPP6 Fact Sheet, 2012).

It started out with “MPP3 (that is Micro Project Programmes in three states of the Niger Delta; Rivers, Bayelsa and Delta states). The vision of MPP3 in the development of the Niger Delta region was a laudable programme which must be commended by all stakeholders” (Ibaba, 2005). The implementation of MPP3 is said to have savored the hardship of the people for many years (Omoweh, 2004). It was “a direct way of empowering the people at the same time enveloping development as a gift of democracy to the remote areas as a bid of taping from the national cake” (Etekpe, 2007). He further added that, after the successful implementation of the MPP3 projects, the European Union decided to include three more States in its next phase, the MPP6.

According to MacRae (2012), MPP6 was implemented in six of the “nine states that made up the Niger Delta Region of the country”, which is also the crude oil producing region of the country. The states that benefited from the programme include “Abia, Akwa Ibom, Cross River, Edo, Imo and Ondo states”. Martins (2013) said, “It is pertinent to note that the MPP6 was never the only interventionists programme introduced in Nigeria within this period. What made it special and" worth expounding was the approach it adopted”.

Emerging studies have shown that, despite intervention of donor agencies to complement government efforts in providing social services, the development gap are till widen (MacRae 2012; Martns 2013; Anam, 2014). This leaves us with more questions than answers as to whether donor agencies are actually sincere with their proclaimed motive of intervening in developmental projects and programmes of developing countries, or they are simply creating a dependency syndrome among Third World countries so as to achieve their strategic interests even at the expense of the developing nations. However, Anam (2014) argued that, the micro project programmes (MPP6) as a poverty alleviation strategy initiative has raised people's productivity and creativity and

enhanced entrepreneurship and technological advancement. In addition, it plays a very crucial role in securing economic and social progress and improving income distribution in Cross River State (Becker, 2008). This study is set to examine the impact of EU-MPP6 projects in the provision of potable water in Cross River State, Nigeria.

Objective of the study

The study examines the impact of EU-MPP6 on the socio-economic wellbeing of the people of Cross River State, in terms of the provision of potable water.

Hypothesis

The provision of potable water by EU-MPP6 has not significantly improved the socio-economic wellbeing of the people of Cross River State.

Method and source of data

The study adopted survey research design. The method supports the use of large and small populations. Data were obtained from primary and secondary sources. The primary data was obtained with the use of a research questionnaire. The population of the study consists of all residents in the Akpabuyo and Etung local government areas of Cross River State. The sample of the study comprised 200 respondents.

Literature Review

According to Arora & Athreye (2002), economic development involves development of human capital, increasing the literacy ratio, improving important infrastructure, improvement of health and safety and other areas that aim at increasing the general welfare of the citizens. The terms economic development and economic growth are used interchangeably but there is a very big difference between the two. Economic growth can be viewed as a sub-category of economic development. Economic development is a government policy to increase the economic, social welfare and ensuring a stable political environment. Economic growth on the other hand is the general increase in the country's products and services output (Arrow, 1962).

Beine, Docquier & Rapoport (2001) said, economic development includes economic growth measured in terms of GDP and its distributional dimensions. In respect of this some economists include role of reducing poverty, provision of improving basic needs, goods and services and reduced inequalities in income distribution in the definition of economic development which can be achieved by increasing the rate of production and employment. Thus, the growth of productive employment is another dimension which is included in the definition of economic development (Bell, 2012).

Singer and Ansari (1977) define development in terms of decrease of poverty. "Economic development is meant not simply an increase in the GNP of a country but rather a decrease in poverty at an individual level. Probably the best indicators of poverty are low food consumption and higher unemployment. If these problems are effectively dealt along with growth of GNP and with a reasonably equitable income distribution then and only then can genuine economic development be talked of".

In 1980 The World Bank outlined the challenges of development as economic growth, and joined the views of observers taking a broader perspective when in its 1991 World Development Report, it asserted: "The challenge of development is to improve quality of life. Especially in the world's poor countries, a better quality of life generally calls for higher incomes but it involves much more. It encompasses as ends in themselves better education, higher standard of health and nutrition, less poverty, a clearer environment, more equality of opportunity, greater individual freedom, and a richer cultural life". Bell (2012) added that, in 1990's, economists defined development in terms of human welfare, better education, low unemployment, low malnutrition, disease, low poverty, more equality etc. and little importance has been given to GDP and its content. In 1990's development economists focused more directly on the development process. Mahbub-ul Haq, a leading Pakistani economist has remarked, "The problem of development must be defined as a selective attack on the worst forms of poverty. Development must be defined in terms of progressive and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment

and inequalities (Block & Keller, 2009).

In the United Nations Human Development Report (1994) the same idea was highlighted. The report asserts: “Human beings are born with certain potential capabilities. The purpose of development is to create an environment in which all people can expand their capabilities, and opportunities can be enlarged for both present and future generations. The real foundation of human development is universalism in acknowledging the life claims of everyone. Wealth is important for human life. But to concentrate on it exclusively is wrong for two reasons: First, accumulating wealth is not necessary for the fulfillment of some important human choices. Second, human choices extend far beyond economic well-being” (Anam, 2011). Economic development is thus a broad concept which includes both economic and non-economic aspects.

Amartya (1999) pointed out that “Development requires the removal of major sources of inequalities, poverty as well tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states”. Thus, we conclude that aggregate and per capita real incomes are not sufficient indicators of economic development. Rather economic development is concerned with economic, social and institutional mechanisms that are necessary for bringing large scale improvements in the levels of living of the masses.

Goulet (1971) considers three core values as an important basis and guideline:

1. Life Sustenance: The ability to meet basic needs: There are some basic needs (food, shelter, etc.) that are essential for improvement in the quality of life. So the basic function of economic activity is to overcome people from misery arising from shortage of food, shelter.

2. Self-esteem: A second universal component of the good life is self-esteem. Self-esteem refers to self-respect and independence and for development of a country it is an essential condition. Developing

countries need development for self-esteem to eliminate the feeling of dominance.

3. Freedom: A third universal value is the concept of freedom. Freedom here is understood as a fundamental sense of release from freedom, freedom from misery, institutions and dogmatic beliefs. It refers to freedom from three evils of want, ignorance and squalor.

McGranahan (1972) introduces social factors as an important phenomenon in the process of economic development. According to McGranahan, “development theory is much preoccupied with the rate of social factors as inputs or prerequisites for economic growth. It is widely believed that neglect of these factors has been a reason for disappointing rate of economic growth. At the same time it is evident that there is no simple universal law that can be stated regarding the economic impact of education, health, housing and other social components”.

According to Michael Todaro definition of economic development includes both economic and social choices and suggests that improving standard of living must guarantee economic and social choices and argues that development should “expand the range of economic and social choice to individuals and nations by freeing them from servitude and dependence, not in relation to other people and nation states, but also to the forces of ignorance and human misery”. Feldman & Kelley (2003) defines economic development “as an innovative process leading to the structural transformation of the social system” while Schumpeter defines development in terms of a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing”.

Reiterating, the assertion of economic development given by Professor Michael Todaro is an increase in living conditions, improvement of the citizens self-esteem needs and free and a just society. He suggests that the most accurate method of measuring economic development is the Human Development Index which takes into account the literacy rates &

life expectancy which in-turn has an outright impact on productivity and could lead to Economic Growth. However, economic development can also be measured by taking into account the GDI (gender related index) (Bok, 2009). The human dimension which reflects the need for change in socio economic wellbeing is the focus of this argument. Government and nongovernmental projects must directly and indirectly positively enhance the wellbeing of citizens.

Okon (2012) acknowledged that, the European Union Micro Project Programme (EU-MPP) “aimed at the economic and social development of rural communities and this is in response to the felt needs of those living in the region”. The programme is the result of a co-operative instrument developed by the European Community between it and some of its member countries, to finance local micro-projects that have an economic and social impact on the lives of those in developing countries. The programme is concerned with the provision of basic healthcare facilities, education, rural transportation, water supply, sanitation and electricity, among other development issues (EU-MPP6 Fact Sheet, 2012).

Anam (2014) disclosed that the EU programmes in the Niger Delta region of Nigeria are in phases. The first phase, which was referred to as MPP3 (covered 3 states; Rivers, Bayelsa and Delta), funded 858 micro projects. The second phase, MPP6 (covered 6 states of Abia, Akwa Ibom, Cross River, Edo, Imo and Ondo States) witnessed the execution of 1900 micro projects and now the third phase, MPP9 (Okon, 2012). The ongoing MPP9 is targeted at 1200 micro projects (Martins, 2013). He stated that the programme also includes an additional 125 pilot projects in the Etung Local Government Area of the Cross River State. The projects are to contribute to poverty reduction in rural and semi-urban communities through the promotion of community/ rural participation in the process. He maintained, “This it is hoped, will in turn contribute to strengthening peace and stability in the Niger Delta and achieving the Millennium Development Goals (MDGs). The MPP9 programme is funded by a grant of 9.2 billion naira from the 9th European Development Fund and represents a continuation and expansion of

earlier EU micro project interventions in the Niger Delta” (MacRae, 2012).

The micro project programme (MPP6) has been involved in several poverty alleviation projects in local government areas of Cross River State. These include boreholes drilling and water supply schemes, health care delivery projects, building and renovation of classroom blocks as well as environmental protection projects. The adoption of these projects is consistent and sustainable due to the fact that the poor have been identified (Bassey, 2014).

Potable safe water is a basic necessity of life. Water is needed in all human activities. Its importance in enhancing the well being of the rural class cannot be overstressed. Water quality is prerequisite for socioeconomic development (Ojo, 2001). In Nigeria, only 60 percent of households have access to adequate sanitation facilities remains low (UNDP, 2007). Tinubu (2007) stated that in Nigeria, more than half the population has no access to clean water and many women and children walk for hours a day to fetch it. Essien (2008) reported from his study on availability of safe water in Cross River State that water supply coverage is estimated at 35%. In recognition to the harmful effect of inadequate potable water supply on the health of people, the Cross River State government in corroboration with the international community and Nigeria respectively has continued to make efforts to address the needs for availability of safe water (Esrey, 2001).

According to World Health Organization (2010), safe drinking water and basic sanitation is of crucial importance to the preservation of human health, especially among children. Water-related diseases are the most common cause of illness and health among the poor in developing countries. The World Health Organization (2010) reported that 1.6 million deaths of children per year may be attributed to unsafe water, poor sanitation and lack of hygiene (WHO, 2010). Drinking or using unsafe water in food preparation leads to widespread acute and chronic illnesses and is a major cause of death and suffering worldwide in many different countries. Reduction of waterborne diseases and development

of safe water resources is a major public health goal in developing countries (Ottong & Bassey (2009).

Expanding access to water and sanitation is a moral and ethical imperative rooted in the cultural and religious traditions of communities around the world. Extending water supply and sanitation services have largely contribute to promoting good health among people in Cross River State (Nkpoyen, 2012). According to the World Water Council (2014), the availability of safe water has helped in improving the health of human beings in the community. Water has an economic value in its competing uses has been recognized as an economic good. This principle has brought about greater willingness to accept pricing in managing water with considerable debate on how pricing can be reconciled with affordability, especially the rural and urban poor consumers (Oludimu, 2004). Juma (2013) in his study on availability of safe water in rural communities reported that executing water is a significant step to community development approach in empowering and dwellers especially towards enhancing their socioeconomic conditions, by providing them with fresh and accessible water, thereby increasing their living standards.

Theoretical framework: Integrated development theory

The major proponent of this theory is Abasiekong (1982). According to Abasiekong (1982), integrated development is a comprehensive and coordinated approach of all persons and agencies concerned, aimed at involving rural people in determining policies, planning and implementation of programme that are designed to improve their economic social and cultural conditions and enable them to make a positive contribution to socioeconomic development.

The proponent of this theory maintains that development is concerned with everything, including the crops grown by the farmers, the goods sold and the road along which it is transported to the market by the traders, the schools attended by the children and the disease affecting a body. The theory therefore seeks to understand these linkages and to make appropriate provisions for the resultant effects of alteration in

one or few elements on the others (Nkpoyen, 2013). The integrated rural development model considers development to be a comprehensive and holistic strategy involving the improvement of the entire rural economy, and emphasizes the fact that the economic base in the rural areas has to be broadened through efforts to mobilize and better utilize human and natural resources by providing services, by creating motivation and purchasing power through distribution of income and employment opportunities, by establishing closer links between agricultural, industrial and service sectors in the rural areas and by improving the conditions of living regarding housing, water supply, education, healthcare delivery, etc. through assistance of micro projects programme.

The theory advocates that micro projects programme as a poverty alleviation strategy should be multi-dimensional, covering access to potable water, educational programme, improving the health status of the citizens and other institutional framework necessary to improve their socioeconomic lives. This also entails the cooperation and coordinated actions of all agencies involved in development to join forces with the community to ensure its development (Ottong and Bassey, 2009).

Data Presentation and Analysis

Data collected were properly checked to make sure all items were responded to. Thereafter, they were edited, coded and analyzed using one-way analysis of variance (ANOVA) statistical tool. The test of significance is based on the .05 level.

Table 1

Result of one-way ANOVA test of the influence of extent of provision of potable water on enhanced health status of respondents

View on provision of potable water	N	X	SD	
High	113	14.29	3.06	
Moderate	168	12.33	3.49	
Low	439	10.74	3.25	
Total	720	12.64	3.31	
Source of variation	SS	DF	MS	E-ratio
Between Groups	85.26	2	42.63	6.16
Within groups	4961.64	717	6.92	
Total	5046.90	719		

* $P < 0.05$, $F_{2,717} = 3.01$

The calculated F-value which represents the observed influence of provision of potable water on the socio-economic well-being of the people (with particular reference to enhanced health status) is equivalent to 6.16. As shown in the table, this is found to be greater than the critical F-ratio of 3.01 at 0.05 level of significance with 2 and 717 degrees of freedom. With this result, the null hypothesis was rejected while the alternate is retained. The interpretation of this is that the provision of potable water has significant impact on the socio-economic well-being of the populace.

Conclusion

The findings of this study provide us with some evidences to reach some specific conclusion. The study concluded that the provision of potable water has significant impact on the socio-economic well-being of the populace. There is need to provide a mechanism for the effective maintenance of government projects. A better way to do this is to involve community members in designing and implementing projects. The consultative process will allow rural people to express their goals and priorities. Experience advanced by scholar's shows that when rural people are given the opportunity to express their views, they add real

value to the quality of the resulting decision and guard the projects, with the consciousness that it is their own. This consciousness promotes greater responsibility in monitoring the sustenance of the project.

Akintola et al (1980) added training the rural people to provide some technical assistance in the course of implementing projects enables them to identify, prepare and implement their own subprojects, thereby augmenting their capacity to compete for investment funds. Project experts should therefore be employed to train members of the rural communities on basic technical skills, thereby improving their manpower power capacity to maintain basic projects after provision has been made by the government and its agency. We can therefore conclude using the position of Colwell & Greene (2008) that there is a dire need to resuscitate the rural economies by advancing their course.

Recommendations

Based on the conclusion reach above, the study recommends as follows,

1. There is need to improve the provision of infrastructural facilities in rural dwellers.
2. There should be more access to potable water in rural communities as most economic activities and health status of the people large depends on it.
3. There is need to set up maintenance mechanisms for rural projects including water facilities in rural areas. Most rural projects, water schemes in particular are not functioning due to faulty installation or lack of maintenance. This trend has to be corrected.
4. The major water development projects are concentrated in the urban areas. And most of these projects remain uncompleted, while those that were completed have long broken down without any serious plans to rehabilitate them. There is therefore need to improve, refocus provision priority to the rural areas where there is felt need for water supply.

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