# ECONOMIC GROWTH OF NIGERIA: THE CHALLENGES OF SUSTAINABILITY AND DIVERSIFICATION

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## 1. Introduction

Nigeria is the largest country in population and was recently upgraded as the country with the largest economy in Africa. In this paper, the political, social and environmental context of the Nigerian economy is critically scrutinized from independence to date. The paper examines the economic growth pattern of the country within two major periods of our political life, the pre democratic period from 1960 – 1999 and the democratic period from 1999 to date.

Considering the quality of leadership, the context of economic and political policies, the paper showed that the Nigerian economy performed below expectation during the first period due to political instability, lack of good leadership and macroeconomic policy reversals. This poor economic performance led to near economic collapse in the first period under consideration. Conversely, the paper showed that with the advent of democratic governance, sound and effective leadership and sound macroeconomic policy, the country has been able to achieve continuous and rapid economic development.

The paper however identified the issues of poverty, job creation and low human development index as factors affecting the common citizenry from feeling the full impact of the economic growth of the nation. The paper concludes by recommending various policy interventions to achieve total economic emancipation and growth for the country.

## 2. The Nigerian Economy: Political, Social and Environmental Context

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 6$^{th}$ worldwide and first in Africa in terms of farm output; with regards to industrial production the country is ranked 44$^{th}$ in the world and third in Africa in terms of factory output. Nigeria ranked 63$^{rd}$ 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.

The major objective of this paper is firstly to analyze why the economic indicators situation has not translated to meet the social and welfare aspirations of the ordinary Nigerian and to highlight the various challenges confronting the nation in guarantee sustainability of the growth of the economy and the various programmes and action initiated by government to ensure the sustainability and diversification of the Nigerian economy. The final objective of the paper is to highlight the factors and mitigating actions to meet the challenges and diversification of the Nigerian economy.

In discussing the sustainability and diversification challenges of the Nigerian economy, the paper is divided into six sections. The first section is the introduction, while section two is a review of the general performance of the Nigerian economy under two main classes, pre – democratic dispensation (1960 – April, 1999) and the post-colonial era (May, 1999 – current period). The third section discusses the general theoretical framework for sustainability and diversification in the Nigerian economy, the fourth section identifies the major factors sustainability and diversification challenges to the Nigerian economy and section 5 concludes.

## 3. General Performance of the Nigerian Economy

### 3.1. Nature and Structure of the Nigerian Economy

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.

### 3.2 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 this 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 AbubakarTafawa 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 Sani Abacha |
| 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, 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.

### 3.2.1 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 down ward 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.

### 3.2.2 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 reconstruct 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 out rightly.

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.

### 3.3. 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).

### 3.3.1. 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 non-governmental 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-rootedmacroeconomic 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 main streaming, 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:

a. Poverty eradication
b. Economic empowerment of the citizenry, especially women
c. Provision of skill acquisition for youths and reduction of unemployment among youths.
d. Provision of universal basic education to all Nigerians

e. Revitalization of agriculture as a means of raising the incomes of rural dwellers and
f. 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 period, 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 31st 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 $5.16billion 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.

#### 3.3.2. 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. NgoziOkonjo – 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. One, strong, inclusive, 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).

### 3.3.3. 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 connectively 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

### 3.4. 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 t0 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 as 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 thenon-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 growths were 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.

### 3.5 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 14years 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.

## 4. Conceptual and Theoretical Issues about Economic Growth in Nigeria

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?

### 4.1. Poverty Reduction

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 11: 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 11, 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 inthe Northern part of the country, while the SouthWest experiences the lowest poverty rates. Average poverty rates for the North East and NorthWest 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 SouthWest, 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 to22.9%. 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 12 while the rebased poverty figures are shown in Table 13.

**Table 12: Household Surveys Conducted by the Nigerian Bureau of Statistics**

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

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

**Table 13: 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 13, the GHS data would suggest that all three Southern macro-regions, together with the North Central region, experienced declines in estimated poverty rates between2010-2013. 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 NorthEast 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 13 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 from1991. A number of areas classified as rural in1991 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.

### 4.2. Job Creation

The National Bureau of Statistics (NBS)has temporarily ceased publishing figures on unemployment in Nigeria, pending a decision on the adoption of a new official methodology. Previous official estimates of unemployment increased steadily to 23.9%of the active labor force by 2011. However, the official definition of unemployment was quite unusual, including all members of the work force who had not worked 40 hours during the previous week. This definition, which was adopted in 2001 by the National Consultative Committee on Statistics, is currently in the process of being revised.

The NBS is now monitoring job creation in the country. A survey conducted by the NBS revealed that the Nigerian economy generated 1,167,740 jobs in 2013. Fifty four percent of these jobs were created in the informal sector, 37% in the formal (private)sector, and 9% in the public sector. The fastest growth in job creation in the formal sector came from trade, real estate, and housing services.

The unemployment rate in Nigeria according to a usual (ILO) definition is likely lower than 10%. This is the conclusion that comes from unofficial assessments, including that of the NBS, and does not contradict the fact that the scarcity of jobs is economic problem number one in Nigeria. As in many other developing countries, most Nigerians cannot afford to be completely unemployed. Those without good productive employment therefore typically engage in various low productivity and low paying tasks for survival. The employment problem in Nigeria may be better understood as an under employment problem corresponding to a scarcity of high productivity jobs, and in many cases of highly qualified candidates to fill those jobs. These additional jobs and qualifications need to be created in Nigeria through accelerated private sector growth in the cities and improvements in the country's education system.

### 4.3. Human Capital Development

Human capital is an important factor for the wealth of a nation due to its influence on the overall production of the country. Technological progress can provide more efficient production-methods like machines and computers, but skilled labour is necessary to manage and develop them as well as to improve the quality and productivity of the existing labor. The formation of Nigeria's human capital is therefore of great importance in the coming years if Nigeria wants to be competitive in the future.

However, Nigeria is having a problem with its human capital. The Human Development Index (HDI) provides a measure of human capital development in three dimensions: income, health, and education. In 2012 Nigeria ranked 156 out of 187 in the United Nation

Human development Index, while the latest values of HDI shows that Nigeria is ranked 153 with the value of 0.459among 186 countries. The value places Nigeria in the bottom, meaning that Nigeria is considered to have low level of human development. The comparative value for Sub-Saharan Africa is 0.475, 0.910 for the United States and 0.694 for the world averages. The HDI of Sub-Saharan Africa as a region increased from 0.365 in 1980 to 0.475 today, which places Nigeria a little below the regional average with an HDI of 0.471.

The value for the education index is 0.457, compared to the average in the US of 0.939. The expected years of schooling in Nigeria is 9.0 (16.00 in the US), while the mean years of schooling for adults over 25 years is 5.2 years (12.4 years in the US). Additionally, Nigeria is also facing a relatively high inequality, worsening the problem regarding the formation of human capital. The income distribution for the poorest (bottom 10%) is 1.6% while it is 40.8% for the richest (top 10%). Among 114 countries the income distribution places Nigeria respectively in 94$^{th}$position for the poorest and 17th for the richest.

Even though human capital is only one factor of many that drives development and associated economic growth, it is very important factor for the development process for a developing country like Nigeria. The productive capacity of a country is related to the level of human capital, explaining why human capital formation must be considered of great importance in the future.

It is obvious that for the full benefits of economic growth to be fully achieved, there is a need for further research on the veracity of the problem, its depth and its spread across the country. There is also the need to formulate new macroeconomic policies to complement the present transformation agenda to stem the aforementioned problems.

## 5. Sustainability and Diversification Challenges of the Nigerian Economy

To sustain the economic development achieved by the country and sustain the effort at promoting non – oil export there is an urgent need for the following action to be taken;

1. The Nigerian government must ensure consistency and leadership in the pursuance of the goals and objectives of the power sector.
2. Effort should be made to coordinate economic policies between the Federal and state governments for effective delivery and policy outcome.
3. Government must pursue its plan on infrastructural development to ensure that the cost of doing business in the country is reduced.
4. Efforts should be made to check corruption and maintain fiscal discipline on the budget.

## 6. Summary and Conclusion Measures

The paper took an historical excursion into the economic history of the nation. The paper highlighted the factors that led to poor economic performance in the period 1960 – 2000 as compared to the period 2000 – date. The paper showed that good leadership, sound macroeconomic policies and effective governance are the receipy for consistent and sustained economic growth. The paper also identified poverty reduction, job creation and improvement of the human development index as the major paradox of our economic growth and development and concludes by suggesting various measures to ensure the continued sustainability and diversification of the Nigerian economy.

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