UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

ECONOMIC DEVELOPMENT IN NIGERIA THROUGH THE AGRICULTURAL, MANUFACTURING AND MINING SECTORS: AN ECONOMETRIC APPROACH

by

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Thesis submitted in partial fulfilment of the requirements for the degree of

PhD (ECONOMICS)

in the

Faculty of Economic and Management Sciences

at the

UNIVERSITY OF PRETORIA

PRETORIA AUGUST 2007

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DECLARATION

I, Dennis Chiekweiro Uzoigwe declare that the dissertation / thesis with the above title which I hereby submit for the degree of PhD in the Department of Economics at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at another University.

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DEDICATION

This study is dedicated to my God, the Almighty Jesus Christ, for sparing my life from a ghastly auto accident that claimed the lives of more than two-thirds of the 52 passengers of a Lagos-bound bus on which I was travelling on my way to board the aeroplane to the University of Pretoria after the Christmas holidays in 2004.

ACKNOWLEDGEMENTS

This study has been possible because of God's and my family's support over the past years.

My unreserved gratitude goes to my supervisors, Prof. A.C. Jordaan and Prof. J.N. Blignaut, who in spite of their busy schedules and programmes found time to read the work in great detail and offer constructive ideas. I will always remain grateful to them for the speedy and great attention they gave to me. Prof. J.N Blignaut got me interested in the topic during one of my consultations with him. Since then he has helped me with materials and has steered the direction of the research through interesting and intellectual conversations.

I am very much indebted to the coordinator of the postgraduate programme, Prof. Charlotte Du Toit, for her encouragement and support. I must thank Prof. Renee van Eyden, who, when my personal computer crashed, helped me out with one from the department.

I am grateful to the Head of Department, Prof. Jan van Heerden, and to Prof. N.J.C. Schoeman, Prof. S. Koch, Prof., Margarat Mabugu and the other lecturers at the Department of Economics for their intellectual contributions throughout the period of my research. To my great friend and lecturer Dr. Johannes Jordaan I say, thank you and God bless.

My thanks to Maria Prozesky for her language editing.

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ABSTRACT

In the 1960s, Nigeria was on a par, in terms of aspirations to attain a very high level of economic growth and development, with its fellow-oil producing and exporting countries such as Malaysia and Indonesia, but has since failed to keep pace with them. Nigeria's agricultural, manufacturing and mining and quarrying sectors have played a continuous and significant role in the development of the country's economy. The approval of the millennium development goals (MGDs) by the United Nations General Assembly therefore raises three pivotal questions for Nigeria. 1) Why is Nigeria still an underdeveloped and low-income country? 2) What should the country do to make rapid economic and social progress? and 3) How can it attain a high level of economic development and growth?.

This is the background of this study, which is an empirical investigation into the factors affecting Nigeria's bid to achieve sustainable economic growth and development with particular reference to such sectors as agriculture, manufacturing and mining and quarrying (solid minerals) over the period of 1970-2005. This involves the analysis of the relevance of the health care and education sectors and examination of impediments to past economic development, a development model applicable to Nigeria, the efforts made and the challenges facing the country in achieving the MDGs, and the role of foreign development partners in complementing Nigeria's development efforts.

The methodology adopted for this study is sectoral-econometric modelling, using the Engle-Yoo (1991) model, which contributes to bridging the gap seen in empirical studies in the application of a multivariate dynamic econometric cointegration model on the effect of domestic and foreign financial resources investment for the development of the growth sectors in the Nigerian economy. The model captures the essential linkages between the growth sectors and the country's efforts to achieve a high level of economic development.

The results from the simulations are broadly consistent with findings described in theoretical and empirical literature. There is a strong positive relationship between the gross output of the agricultural, manufacturing and mining and quarrying sectors and labour input and public capital expenditure for the growth sectors. Also there is a strong positive relationship between the agricultural credit guarantee scheme, fertiliser and the gross output of agriculture. Furthermore, the findings show a positive impact of the structural adjustment programme with the agricultural and manufacturing production. Dynamic simulation of results was undertaken to assess the path of the 10 percent dynamic adjustment (shocks) on the relevant exogenous variables and the response properties show remarkable and positive significant impact due to the shocks. The estimated actual and forecast values of the equations in the model show notable increase in the amount and growth of the gross domestic product of the real sectors in Naira billion from 2005 to 2008.

The study calls to question rigid government control over the mining and quarrying sector. The importance of mining and quarrying in accelerating the pace of economic growth in Nigeria should rather motivate the government to deregulate and reform the sector. This will enable the government to attract investors into the sector, while effectively planning to encourage the proliferation of small-scale artisan, medium-scale and large-scale miners. The deregulation of the mining and quarrying sector will boost production, growth and development through employment creation, increased income of household miners and upliftment of the social and economic status of the vast majority of Nigerians.

Some of the reasons identified for Nigeria's poor economic performance include: the serious effect of "Dutch disease", reflected in the country's inability to manage and diversify its oil wealth to transform and achieve dynamic industrial (manufacturing), agricultural, mining,

health and educational and other growth sectors. Nigeria also suffers the effects of a troubled political history, during which military rule persisted for extended periods.

This study shows the importance of improving the knowledge base for policymaking, where intersectoral linkages between economic and social factors can be identified, and direct and indirect macroeconomic policy effects discerned. This distinguishes the study from earlier work in Nigeria on development policy. Achieving a high level of economic development through transforming the country's real sectors will not only reduce poverty by providing food security, increased agricultural and industrial exports, increased per capita income and consumption, but will also bring about improved literacy and a healthy workforce and foster peace and security in Nigeria. In addition, success in transforming the real sectors will strengthen and broaden the productive base of the country, which currently relies heavily on the petroleum sector as the major earner of foreign exchange. In order to achieve a high level of economic development and growth, attention should be concentrated on channelling global financial resources to the above-mentioned sectors because of their strong linkages with and powerful value-added effect to the rest of the economy.

Under the new democratic dispensation, there ought to be large investment into the growth and support sectors from domestic and external sources if the country is to attain the international growth target of achieving a high and sustainable level of economic development. Therefore, with a strong will to become a patriotic civil society, stable and prosperous, and enough wisdom to elect leaders with good will and fairly good knowledge of the country's economy, great prospects lie before the Nigerian economy.

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB:	African Development Bank
ADF:	Augmented Dickey-Fuller
CBN:	Central Bank of Nigeria
DAC:	Development Assistant Committee
ECM:	Error correction model
et al.:	et alii, means others
FDI:	Foreign Direct Investment
FOS:	Federal Office of Statistics
GDP:	Gross Domestic Product
HICPs:	Highly indebted poor countries
HIV/AIDS:	Human Immune Deficiency Virus/Acquired-Immune Deficiency Syndrome
IMF:	International Monetary Fund
LDCs:	Less Developed Countries
LN:	Logarithm
MAP:	Multi-country aid programme
MDGs:	Millennium Development Goals
MMSD:	Ministry of Mines and Steel Development
₦ :	Symbol for Nigeria's currency note
NDE:	National Directorate of Employment
NEEDS:	National Economic Empowerment and Development Strategy
NEPA:	National Electric Power Authority
NEPAD:	New Partnership for Africa's Development
NICs:	Newly industrialised Countries
NISER:	National Institute of Social and Economic Research
OECD:	Organisation for Economic Co-operation and Development
ODA:	Official Development Assistance
OLS:	Ordinary Least Squares
SAP:	Structural Adjustment Programme
SSA:	Sub-Saharan African
UK:	United Kingdom
UN:	United Nations
USA:	United States of America