CHAPTER THREE

POLICY FRAMEWORK TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS IN NIGERIA.

3.1 Introduction

The upsurge of interest in studying the economic development of poor countries dates back to official calls for a new international economic order, usually by the United Nations (UN) and its various agencies. Thomas (2000:4) notes that development goals and targets have been reiterated in several areas related to poverty alleviation, and the goals have been agreed upon at a series of OECD, UN and World Bank conferences, national governments and international agencies remain unable to mount concerted and successful development efforts to remedy the situation.

However, the 1999s have witnessed the spontaneous creation of several national pressure groupings in different parts of the world, whose platform is the abolition of world poverty (Thirlwall, 2003:18). The development of the third world, which above all needs the eradication of poverty, is now regarded as one of the major problems facing mankind. This is one of the world's greatest social and economic challenges.

One of the most memorable moments of this trend came when the UN Assembly rose from the Millennium Summit, in September 2000, with the eight-point MDGs, binding countries to do more and join forces in the fight against poverty, illiteracy, hunger, lack of education, gender inequality, disease and environmental degradation. Commitments were made to specific time-bound targets and goals, all focused on the development of the third world. The Summit Report focuses the problem, saying that no country can achieve economic growth and development and reduce poverty, while its people cannot read or write, or while its people struggle with malnourishment and sickness. Yet as the new millennium began hundreds of millions of people still lack the minimal accepted levels of education, health and nutrition that so many in industrialised world take for granted (World Bank, 2001:7).

The MDGs state the paramount task of development, such as improving the welfare of all people on earth to help them realise their human potential, to reduce insecurity and increase opportunity, and to ensure that benefits secured in the current generation are sustained and augmented in the next generation (World Bank, 2003c:3). The MDGs set specific targets for improving poverty, education, and the status of women, health, environmental conservation and global development cooperation. Now widely accepted as a framework for measuring development progress, the goals focus the efforts of the world community on achieving significant, measurable improvements in people's lives. They establish yardsticks for measuring results, not just for developing countries, but also for developed countries that would help to fund development in programmes for the multilateral institutions that help countries implement the programmes.

Each of the goals is important by itself, but should be viewed together with the rest, because they are mutually reinforcing. Better healthcare, for example, improves school enrolment and reduces poverty. Better education leads to better health, and increasing income gives people more resources to pursue better education and healthcare and a cleaner environment (World Bank, 2003d). The purpose of this chapter is to set out and also highlight the background and policy framework of the MDGs. In most cases, the challenges facing and progress towards the goals are also assessed.

3.2 Policy framework of the MDGs

The goals are interrelated and mutually reinforcing, while they aim to eradicate poverty, human suffering and misery in developing countries. The eight development goals approved by the UN Assembly (United Nations 2003) are shown in Table 3.1.

Table 3.1 The MDGs, targets and main challenges

Goal Number 1	**Eradication of extreme poverty, extreme hunger and malnutrition**
The target	To halve the proportion of people living on less than a dollar a day and those who suffer from hunger by 2015
The main challenge	In the developing world an estimated 1.2 billion people survive on less than $1 a day, 800 million are undernourished and 153 million children under age five are underweight. In Sub-Saharan Africa half of the population lives in poverty.
Goal Number 2	Universal primary education
The target	To ensure that all boys and girls complete primary school by 2015
The main challenge	The major challenge is that an estimated 114 million children of primary school age in the world are not enrolled in school, depriving one in every five children of access to even the most basic education.
Goal Number 3	**Promotion of gender equality and empower women:**
The target	To eliminate gender disparities in primary and secondary education, preferably by 2005, and at all levels by 2015
The main challenge	Gender disparity exists everywhere in the world. Overcoming women's disadvantages in the labour force and increasing their representation in public life also help to encourage girls to attend and stay in school. There is urgent need of overcoming the social and economic obstacles that stop parents from sending their daughters to school, girls safety and lack of suitable toilet facilities inhabits attendance.
Goal Number 4	**Eradication of child mortality:**
The target	To reduce by two thirds between 1990 and 2015 the under-five mortality rate
The main challenge	Close to 11 million children under the age of 5 die in the world every year, well over 1,200 every hour, mostly from easily preventable or clinically treatable sicknesses. Child mortality is closely linked to poverty.
Goal Number 5	**Improvement of the health of mothers:**
The target	To reduce by three quarters, between 1990 and 2015, the maternal mortality rate
The main challenge	Globally, some 500,000 women die in pregnancy or childbirth each year, one every minute. Most of these deaths occur in developing countries. The rich countries' average maternal mortality ratio is around 21 deaths per 100,000 live births, while this ratio may be as high as 1000 deaths per 100,000 live births in poor countries.
Goal Number 6	**Combating of HIV/AIDS, malaria and other diseases:**
The target	To halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other diseases
The main challenge	HIV/AIDS is the leading cause of death in sub-Saharan Africa and, worldwide, the fourth greatest killer. Sub-Saharan Africa is the most affected region, but other regions, including South Asia and the Caribbean, are experiencing rapid increases in the incidence of HIV/AIDS. Malaria is endemic in large parts of the developing world, particularly in tropical and sub-tropical regions. WHO estimates that 300-500 million cases occur each year, leading to 1.1 million deaths (WHO:2002). Almost 90 percent of all cases of malaria occur in sub-Saharan Africa, where children are the most affected and malaria may account for as much as 25 percent of child mortality. Since children mostly bear the greatest burden of malaria, the millennium declaration focuses mainly on monitoring children under five years of age.
Goal Number 7	**Ensuring environmental sustainability**

The target	To integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources by 2015 to reduce by half the proportion of people without access to safe drinking water; by 2020, to achieve significant improvement in the lives of at least 100 million slum dwellers
The main challenge	Almost 2.4 billion people do not have access to improved sanitation and some 1.2 billion do not have access to an improved source of water.
Goal Number 8	**Development of a global partnership for development**
The target	To ensure that rich countries take responsibility for establishing equitable access to their markets and technology and for creating a favourable financial environment. Good governance and focus on social needs and human capital are essential for developing countries to achieve the goals within their own territories
The main challenge	Pledges to increase development assistance should be honoured and progress on relieving the debt burdens of poor nations needs to be stepped up. The promise of the Doha round of international trade negotiations should be fulfilled, including the reduction of agricultural subsidies, which disadvantage farmers of developing countries in the world market.

3.3 The MDGs: efforts, progress and challenges in Nigeria.

This section deals with the assessment of the efforts and progress made and the challenges facing Nigeria in its efforts to reach the MDGs by 2015. The new civilian administration in Nigeria has since 1999 prepared an economic development plan that focuses on the economic and social empowerment of Nigerians, wealth creation, employment generation, poverty reduction and value re-orientation. This programme, called the National Economic Empowerment and Development Strategy (NEEDS), is rooted in the experience of past failed plans, an articulation of a clear national purpose or vision, and a realistic appraisal of what is feasible within the medium to longer-term framework (National Planning Commission, 2004:12).

Table 3.2 below highlights the implications of alternative growth scenarios for per capita income and poverty reduction in the medium and long-run. The scenarios assumes that the respective growth rates are maintained until 2030, with no demographic transition (constant population growth rate of 2.8%), and also constant urbanisation growth rate.

Table 3.2. Implications of alternative growth scenarios for key development indicators

		2000 Actual	2015	2030
A	Per capita income average growth performance (1999-2002):3.6%	$300	$328	$352
	Poverty incidence (assuming 3.6% annual growth	70%	70%	80%
B	Per capita income assuming 5% annual growth	$300	$416	$576
	Poverty incidence (assuming 5% annual growth)	70%	70%	70%
C	Per capita income assuming MDGs-compatible growth rate of 7% per annum	$300	$556	$1,031
E	Urbanisation (with 5% annual rate growth)	42 million (35%)	87 million (48%)	182 million (66%)

Source: National Planning Commission, 2004. p23.

a) Scenario A considers the implication of Nigeria's maintaining the average growth performance recorded over the last four years (1999-2002), about 3.5% until 2030. Assuming that per capita income was $300 in 2000, by 2015 it should have increased by just US$28, and by 2030 by $52, leaving Nigeria as one of the poorest countries in the world if current trends in the rest of world continue. Poverty obviously will have worsened and, given the poverty-growth elasticity, its incidence could be as high as 80 percent in 2030.

b) Scenario B considers the implications of re-enacting the average growth performance in the late 1980s (5%); that is, the growth rate required to prevent poverty from escalating, but not enough to reduce it. Essentially, the poverty incidence will stay constant at 70% percent even in 2030, while per capita income will increase to $416 by 2015 and $576 by 2030, still leaving the average Nigerian very poor.

c) Scenario C considers the implications of Nigeria's fundamentally changing its strategy and achieving an average 7% percent growth rate per annum, which is compatible with the MDGs, and with reducing the incidence of poverty by half by 2015. This growth rate leads to the halving of the incidence of poverty by 2015, and leaves less than 20% percent of the population below the poverty line in 2030, provided that growth is broad- based and pro-poor (National Planning Commission, 2004: 23).

The rather gloomy scenarios, A and B, which derive from Nigeria's historical experience, are also in the context of rather high population growth rate (National Planning Commission, 2004:23). As illustrated in Table 3.2, Nigeria needs a vibrant and growing economy to be able to reduce the level of poverty in the country. With its many renewable and non-renewable resources, offering opportunities to jump-start faster growth with sound macroeconomic policies

National Planning Commission, (2004:32-33) policy objectives include:

a) Sustaining high but broad, non-oil base growth of GDP at a rate consistent with poverty reduction and employment generation;
b) Diversifying the productive structure away from oil/mineral resources;
c) Ensuring international competitiveness of the productive sector; and
d) Systematically reducing the role of government in the direct production of goods and strengthening its facilitation and regulatory functions.

In the light of these macroeconomic policy objectives, the Nigerian government intends to deploy the following key instruments to achieve its growth and development strategy (National Planning Commission, 2004), the policy objectives include:

a) Privatisation, de-regulation and liberalisation;
b) Coordinated national sectoral development strategies for agriculture, and industries (especially small and medium scale enterprises);
c) Infrastructural development, especially electricity, transport and water;
d) Addressing the problems of financing the real sector and mobilising long-term savings and investment;
e) Effective regulatory regimes;
f) Targeting of programmes to promote private sector growth and development
g) Strengthening the machinery for tax collection, and tracking of all government revenues paid into different bank accounts, as well as for recovering debts, misappropriated and looted funds and payments for work not executed;
h) Tracking/responding to comparative/international standards;
i) Promotion of investments;
j) Export promotion and diversification of exports away from oil;
k) Seeking of debt reduction to make Nigeria's debt service sustainable;
l) Restructuring of the composition of credit to the private sector to boost production;
m) Provision of more credit to the private sector especially long term credit for real sector development;
n) Tackling of corruption and improvement of the efficiency of government accounts, and

o) Redefinition of the role of the government as a facilitator providing an enabling environment for the private sector to invest and operate in a free market-system.

Further challenges to achieving the MDGs include poverty, the most difficult challenge facing Nigeria and its citizens. Poverty is also a major hurdle that must be overcome in the pursuit of sustainable socio-economic growth. The welfare of the Nigerian child is also accommodated in (National Planning Commission, 2004:108) through the implementation of Child Right Implementation Committees at both the federal and state levels. The Committees are charged with the following responsibilities:

a) Protection of children from communal, armed conflict as specified in the Child Rights Act; Protection of children from all forms of abuse, neglect and exploitation, such as: economic exploitation, sexual exploitation, in the production and trafficking of narcotic drugs, use of psychotropic substances, and use in criminal activity
b) Protection from child trafficking; Protection from all forms of hazardous work; and
c) Recognition of the child's right to participate in recreation, leisure, association and matters affecting his/her life through promotion of representation, association and participation opportunities (National Planning Commission, 2004).

Table 3.3 Projected sources and means of employment generation

Sources of growth	Projected means of employment generation
Agriculture and rural development	▪ Productivity enhancement for peasant farmers ▪ New jobs in the rural areas arising from improved rural infrastructure ▪ Increased employment from commercial agriculture
Manufacturing and small and medium scale enterprises	▪ Increased production through coordinated programmes between federal and state governments ▪ Federal and state collaboration in the development of industrial clusters and parks
Solid minerals	▪ Prospective new investment resulting in increased mining and exploration activities ▪ Improvement in infrastructure at mining sites
Information and communications telecommunication	▪ Expansion of the telecommunication industry and the coming on board of second national carrier generating more direct and indirect employment
Services (especially tourism)	▪ Increase in distributive trade as a consequence of growth in the productive sectors and services ▪ New focus on tourism leading to more direct and indirect employment ▪ Growth in the entertainment industry especially export of home video leading to increased employment in the sector
Oil and gas	▪ The enforcement of local content policy leading to more jobs in the sector

	▪ Envisaged growth in the gas sector
Power	▪ Increased participation of Independent Power Providers (IPPs) expanding productivity and leading to greater demand for both skilled and unskilled workers in the sector
The social services (education)	▪ Commencement of Universal Basic Education (UBE) and the increasing growth of private provision of education and skilled training
Works and housing construction	▪ Use of public works in the construction of roads and other public utilities especially by state and local governments ▪ New and continuing boom in housing constructions all over the country continuing to generate huge employment
Intervention schemes	▪ Micro-credit and concessional credit to provide start-up capital for new business l generating new jobs

Source: National Planning Commission, 2004. p104

The plan aims also to ensure that the most vulnerable groups in society are protected using the targeted instruments shown in Table 3.4.

Table 3.4 Targeted instruments for the empowerment of the most vulnerable

Vulnerable group	Instruments/Interventions
▪ Rural poor	Access to credit and land; participation in decision-making; agric-extension services; improved seed, farm inputs and implements; strengthening of traditional thrift/savings/insurance schemes
▪ Urban poor	Labour-intensive public works schemes; affordable housing; water and sanitation skill acquisition/entrepreneurial development; access to credit and land; maternal and child health
▪ Women	Affirmative action (proportional or 30% representation) in all programmes; education, including adult education; scholarships; access to credit and land; maternal and child health
▪ Youth	Education; entrepreneurial development; skills acquisition and access to credit; prevention and control of HIV/AIDS and other sexually transmitted diseases
▪ Children	Children's parliament; juvenile Justice administration; Universal Basic Education; Girl Child Education; care of orphans and vulnerable children (HIV/AIDS-affected children); prevention and treatment of childhood diseases,
▪ Rural communities	Social infrastructure; water; rural roads; electricity; schools; health facilities; communications

Source: National Planning Commission, 2004. p104

The Nigerian government has also provided safety nets to help prevent the poor from becoming poorer and the non-poor from slipping into poverty. The safety nets give further protection for women and other vulnerable groups from diverse social perils, this is highlighted in Table 3.5.

Table 3.5 Safety nets for the protection of the women, poor and vulnerable groups.

Sources risks	Key risk group	Formal response
NATURA-drought, flood, erosion, rainstorm and food loses due to pests.	Well-to-do, poor, rural male, rural female, rural youth, rural female youth	Irrigation, agriculture extension services, forestation/agro-forestry, agricultural insurance
ENVIRONMENTAL-deforestation, desertification, oil spillage	Poor, rural male, rural female, rural male youth, rural female youth	Environmental measures to stem pollution, tree-planting campaigns, agro-forestry, incentives to convert to alternative energy use, enforcement of standard oil field practices
LABOUR-loss of job, drop in income	Poor, urban male youth, urban female youth.	Institutionalisation of unemployment insurance
SOCIAL-HIV/AIDS, infant and maternal mortality	Well-to-do, poor rural male, rural female, urban male, urban female, urban female youth, rural female youth	Comprehensive health centers, government immunization and inoculation programmes (NPI), health insurance scheme, HIV/AIDS programme. UBE
Gender-unwanted pregnancies and sexually transmitted diseases, job discrimination, harmful traditional practices	Poor, rural female, rural female youth, urban female youth.	Timely sex education at appropriate stage in school. social welfare counselling, enforcement of rights and appropriate legislation, advocacy
LIFE EVENTS-death of spouse, old age	Well-to-do, poor urban male female, rural female youth	Pensions and reform of inheritance laws.
CONFLICT-ethnic conflicts, armed robbery and child abuse	Well-to-do, poor, urban male, urban female, urban male youth, urban female youth	Police, social welfare counselling, national refugee commission, criminal justice system.
MACROECONOMIC-macroeconomic instability, unemployment.	Poor, urban male, urban female, urban male youth, urban female youth	Stable macroeconomic policy Social safety nets.

Source: National Planning Commission, 2004. p109

3.4 General appraisal and challenges facing the country in meeting the MDGs

The well-being of the society is entrusted to the state and its human development, which is partially measured by the extent to which all its citizens enjoy good health, education, shelter and the other amenities of life that are generally regarded as social services. Such basic human services as health, electricity (energy), sanitation, education, communication, housing and drinking water constitute social services, lack of access to these services by human beings is both a direct and indirect measure of human poverty (Ukwu,2002:44-45). The government's social and human development objective is to accelerate the provision of electricity, water, roads, health and sanitation in urban and rural areas, to provide reliable employment opportunities, redistribution of income and national economic growth are still much to be desired. According to the OECD-ADB (2006: 419), poverty and social indicators with respect to the MDGs in Nigeria compares unfavourably with the average low-income countries. The performance of the Nigerian economy based on the ranking of 125 economies of the world is shown in Table 3.6.

Table 3.6 The performance of the Nigerian economy based on the ranking of 125 countries/economies of the World in 2006-2007

▪ Infrastructure	Rank in the world	▪ Technological readiness	Rank in the world
Quality of electricity supply	119	Personal computers	107
Telephone lines	110	Technological readiness	86
Overall infrastructure quality	92		
▪ Health and primary education		▪ Market efficiency	
Infant morality	118	Prevalence of trade barrier	106
Life expectancy at birth	115	Intensity of local competitiveness	104
HIV prevalence	113	Brain drain	101
Primary enrolment	113	Ease of access to loan	91
Tuberculosis prevalence	110	Efficiency of legal framework	82
Malaria prevalence	106		

Source: Global Competitiveness Report 2006-2007. World Economic Forum. pp.312-313

Table 3.6 highlights the latest global assessment of the performance of 125 countries based on infrastructure; health and primary education; technological readiness and market efficiency. The assessment of the Nigerian economy based on infrastructural development shows some major disadvantages in terms of the quality of electricity supply, telephone lines installed, and overall infrastructure quality. Evidence suggests that electricity supply and overall infrastructure quality in Nigeria have not improved (World Bank, 2005:131-132).

Furthermore, findings based on the World Bank (2006:82-83) African economic and social indicators for Nigeria show that the gross national income per capita $430 is below the average for Sub-Saharan Africa (SSA) $600; life expectancy at birth is 44 years below the average for the SSA 46 years; maternal mortality rate (per 10,000 live births) is 800 below the average for the SSA 874; HIV prevalent rate (ages 15-49) 3.9 percent below the average for the SSA 6.1; student teacher ratio (primary school) 36 below the average for the SSA 46. The gross primary enrolment, total (of relevant age group) 99 percent above the average for SSA 92. The ratio of girls to boys in primary and secondary schools records 88 for Nigeria and the average for SSA 88. Similarly, Labour force participation rate, female (ages 15-64) 47 percent is below the average for SSA 63 percent; and improved sanitation (of rural population with access) 48 percent below the average for SSA 55. The findings show that the millennium development goals (MDGs) poverty and social indicators for Nigeria compare unfavourable with the average for low income country (OECD, 2006:419) The social and economic development indicators show that Nigeria it is still faced with challenges and has not performed above the average for Sub-Saharan Africa.

3.5 The role of foreign partners in achieving the MDGs in Nigeria

Achieving the internationally agreed development goals, including those contained in the Millennium Declaration, demands a new partnership between the developed and developing countries (UN, 2002a:5). A developing country like Nigeria needs to mobilise domestic resources in addition to attracting international financial flows, and promoting various factors including: international trade as engine for development, technical cooperation for development, FDI, sustainable debt financing and external debt relief. Mobilising and investing these resources effectively are necessary for accelerating the development and growth needed to raise the standards of living of the populace, eliminate poverty, improve social conditions and protect the environment (World Bank, 2005:24).

3.5.1 Official Development Assistance (ODA)

Aid flows in the form of official development assistance (ODA) could play important role as a complement to domestic financing for development in the Nigerian economy (Aremu, 2002:45). ODA can be critical in enhancing the business environment for the private-sector and indeed quickening growth and development. Aremu (2002) states that ODA is also a crucial instrument for supporting education, health, public infrastructure development, agriculture and rural development and food security. Table 3.7 highlights the major sources of total net aid flows to Nigeria compared with two other West African countries and the total for Africa between 1999 to 2004.

Table 3.7 Aid flows to Nigeria, Burkina Faso and Ghana 1999-2004 US$ million

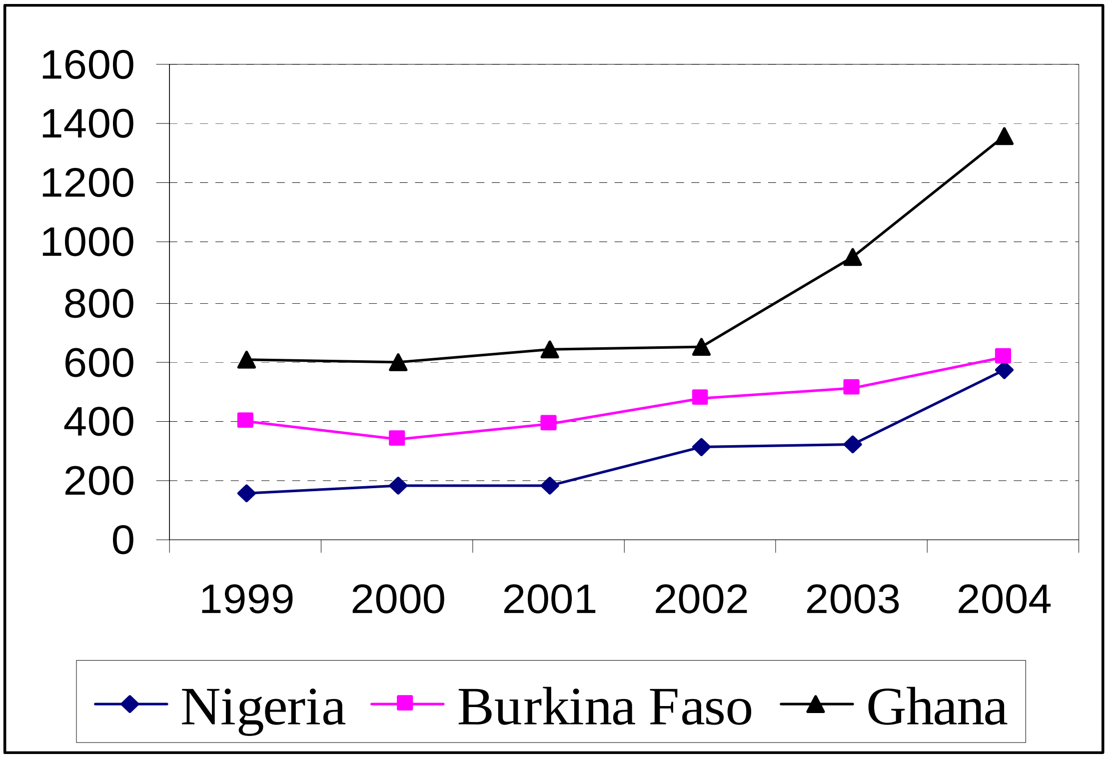
ODA net total, all donors				
	Nigeria	Burkina Faso	Ghana	Africa Total
1999	152	398	609	16074
2000	185	336	600	15717
2001	185	392	644	16681
2002	314	473	650	21540
2003	318	507	950	26781
2004	573	610	1358	29080
ODA net total, DAC countries				
	Nigeria	Burkina Faso	Ghana	Africa Total
1999	53	232	356	10340
2000	84	228	376	10373
2001	108	221	387	10159
2002	215	230	406	13362
2003	200	266	479	19158
2004	314	331	897	19301
ODA net total, Multilateral				
	Nigeria	Burkina Faso	Ghana	Africa Total
1999	96	157	250	5485
2000	100	104	222	5045
2001	79	158	254	6244
2002	101	198	238	7478
2003	118	238	462	7380
2004	260	278	451	9594

Source: OECD-ADB 2006 pp. 566-567

The analysis of the major sources of official development assistance (ODA) from all donors, from development assistant committee (DAC) countries and from the multilateral. The total net aid flows from all donors shows that Nigeria received US$152 million in 1999. In 2000, aid flows increased slightly to $185 million and by 2004, it reached $573 million. However, these amounts are far below the receipts in Burkina Faso, Ghana and the Africa's total within the period under consideration. Furthermore, aid from DAC countries mostly favoured Burkina Faso and Ghana than Nigeria. Similarly, the multilateral total net aid showed the same unfavourable trend for Nigeria especially for 1999 and 2001. Although the net aid flows to Nigeria from the multilateral source in 2000 and 2004 measured up favourably with those for Burkina Faso. However, Burkina Faso and Ghana received more ODA than Nigeria. It is evident from this analysis that ODA in Nigeria has not increased (World Bank, 2006:82-83; OECD-ADB, 2006:

566-567). Figure 3.1 is the graphical representation of the total net aid flows from all donors to Nigeria, Burkina Faso and Ghana within the period under consideration.

Figure 3.1 net total aid flows from all donors to Nigeria, Burkina Faso and Ghana 1999-2004.



Source: OECD-ADB 2006 pp. 566-56.

3.5.2 Trade and development

A universal rule based on an open non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberation, can substantially stimulate development worldwide, benefiting countries at all stages of development (UN, 2002b:11). Trade liberalisation and export growth seem to be positively correlated, and export acts as an engine of growth. How powerful the engine is depend on the production and demand characteristics of the goods produced and exported (African Development Bank, 2000:133). According to the UN (2002c:58), the expansion of world trade is closely related to growth in world output and income. Increased access to the markets of developed countries is therefore critical to the development of poor countries. Agricultural subsidies in developed countries amount to more than $300 billion a year, roughly six times the total official aid to poor countries. These subsidies hurt growth in agriculture, where the concentration of the poor in the developing countries is highest (World Bank, 2003e:8).

Recent development experience assigns a crucial role to trade and outward-oriented trade policy in the development process, and in particular to a policy focused on exports which serves to induce domestic firms to acquire the capabilities for facing foreign competition by adopting international standards and technology (Oyejide & Wangwe, 2003:225). Nigeria needs to engage in aggressive outward-oriented development strategies, especially in trade and in investment, to enhance the non-oil export earnings to finance development and growth-led projects in the country. If the country is to develop a deepening process of industrialisation, it should build a dynamic export sector. Economic development is closely linked with trade and industrialisation.

The remarkable achievements in terms of growth and development of the advanced economies of Asia, the so-called Asian Tigers (Hong Kong, Korea, Malaysia Thailand and Taiwan) are clear evidence of outward oriented-growth (Ogunlana, 1999:71). According to Ogunlana (1999), export of manufactured rather than primary produce has been the most viable export strategy for economic development. This accounts for many developing countries that have opened their trade regimes being prevented from reaping the benefits, because of the market-access barriers imposed by developed countries' especially on agriculture, textiles and clothing (World Bank, 2003f).

Economic development that is based on the export of primary commodities is often beset with problems of slow and unstable demand, unstable prices and severe competition from synthetics and other substitutes. Furthermore, the exports of primary commodities is more often influenced by vagaries of weather, pest, drought, diseases and, if they are minerals non-renewable supply, than are manufactured goods (Etuk, 1985).

Table 3.8. The composition of Nigeria's exports 1990–2005 (in percentage)

Description	Oil exports	Non-oil exports	Total exports
1990	97.03	2.97	100
1991	96.15	3.85	100
1992	97.94	2.06	100
1993	97.70	2.30	100
1994	97.40	2.60	100
1995	97.57	2.43	100
1996	98.22	1.78	100
1997	97.65	2.36	100
1998	95.47	4.53	100
1999	98.36	1.64	100
2000	98.72	1.28	100
2001	98.50	1.50	100
2002	94.57	5.43	100
2003	96.93	3.07	100
2004	97.53	2.47	100
2005	98.53	1.47	100

Sources: 1) Central Bank of Nigeria Annual Report and Statement of Accounts, for 31st December, 2001 p141
2) Central Bank of Nigeria Annual Report and Statement of Accounts, for 31st December, 2005 p197

Table 3.8 shows that Nigeria's export sector is still dominated by crude oil. It was only in 2002 that non-oil exports recorded 5 percent of the total exports within a period of sixteen (16) years starting from 1990 to 2005. This reveals that the country has not made any serious efforts to diversify its export base over the past decade. Stressing development in sub-Saharan Africa. Oyejide and Wangwe (2003:227) observe that sectors like agriculture and infrastructure, which would be supportive of industrial development, have lagged behind industrial requirements, exports have remained undiversified, undynamic and insufficiently competitive. Despite amounts of foreign exchange that accrue to Nigeria from crude oil exports, the level of economic development leaves much to be desired. The HDI ranked the country as among the least-developed in the world, with a high mortality rate, low literacy levels and low calorie intake, among other problems (UNDP (2000:160). This can be attributed to the tendency of Nigeria's past leadership to neglect agricultural and manufacturing production.

The country's principal trading partners as at 2001 is shown in Table 3.9, include the United States of America, the United Kingdom, Germany, and China. Table 3.9 clearly shows that China is fast dominating and becoming Nigeria's outstanding main trading partner.

Table 3.9 Trading activities between Nigeria and the rest of the world, 1997-2001.

	Totals, 1997-2001 $ mill.		Percentages, 1997-2001		Percentages, 2000-2001	
	Imports	Exports	Imports	Exports	Imports	Exports
INDUSTRIALISED NATIONS	25,827	56,827	61.3%	68.6%	58.8%	70.8%
USA	4,347	32,216	10.5%	38.5%	9.1%	41.9%
Canada	-	1,299		1.7%		1.1%
Japan	1,608	892	3.8%	1.1%	4.0%	1.1%
France	2,986	4,138	7.1%	5.1%	5.6%	5.0%
Germany	3,931	2,284	9.5%	2.7%	7.8%	2.6%
Italy	2,138	-	5.1%	0.0%	5.0%	0.0%
Netherlands	2,121	1,169	4.9%	1.4%	5.5%	1.4%
Spain	-	7,104		8.4%		9.3%
Switzerland	-	1,313		1.7%		1.4%
United Kingdom	4,389	864	10.5%	1.2%	9.7%	0.7%
AFRICA	1,948	8,325	4.5%	10.3%	5.2%	9.7%
Cameroon	-	839		1.0%		1.2%
Cote d'Ivoire	281	2,115	0.7%	2.6%	0.7%	2.4%
Ghana	377	2,467	0.9%	3.1%	0.9%	2.6%
South Africa	528	972		1.2%		1.0%
ASIA	10,694	10,579	25.0%	13.3%	27.2%	11.1%
China & Hong Kong	3,752	687	8.7%	0.8%	9.8%	1.1%
India	1,237	6,366	3.0%	8.1%	2.7%	7.1%
Indonesia	949	1,140	2.2%	1.3%	2.6%	1.9%
Korea	1,204	1,140	2.7%	1.3%	3.6%	1.9%
Singapore	1,084	-	2.6%	0.0%	2.7%	0.0%
Thailand	1,322	-	3.1%	0.0%	3.1%	0
OTHER	3,759	6,426	8.9%	7.8%	8.3%	8.5%
Brazil	1,614	4,021	3.8%	5.0%	3.6%	5.0%
Chile	-	760		0.9%		0.9%
Russia	240	-	0.5%	0.0%	0.8%	0.0%
WORLD	42,327	$ 82,146	100.0%	100.0%	100.0%	100.0%

Source: International Monetary Fund (2003). "Nigeria: Selected Issues and Statistical Appendix", IMF Country Report No. 03/60, p. 144 (Imports), 145 (Exports). [From IMF, Direction of Trade Statistics].

Another important outward–oriented policy that encourages and promotes trade flows that could accelerate rapid development in Nigeria is active participation in and transformation of the West African sub-regional trade (ECOWAS), together with other countries in Africa.

Apart from oil and mining activities, the principal manufacturing process in Nigeria involve primary processing-palm oil, groundnuts, cotton, rubber, chemicals, printing, ceramics and steel. Given the size of the Nigerian market, which is the largest in Africa, there is room for manufacturing (industrial) expansion (Arnold, 1997:125). Nigeria has not shared equally in growth of trade with her trading partners. The increase in volume of exports has been slower, especially in non-oil products, because of the low value-added nature of the manufactured goods, the low income elasticity of demand in the global market. However, Annan (2002) maintains that one of the fundamental challenges facing the international community is to ensure that potential gains from more interdependent world economies are enjoyed by all, particularly the poorest countries and communities. Many developing countries have shown their commitment to new ways of doing business in a globalising world by integrating rapidly into the multilateral trading system at considerable cost. Thirlwall (2003:8) believes that the issue for developing countries (including Nigeria) is not what to trade, but on which terms should trade take place with developed countries.

3.5.3 Foreign Direct Investment (FDI) in Nigeria

Private international capital flows, particularly FDI, along with international financial stability, is vital complements to national and international development efforts (Lall, 2005: 44-46). FDI contributes towards financing sustained economic growth in the long-term. FDI plays an important role in sustaining equity-finance. Capital investment contributes to technology spillovers through learning by doing, leads to improvements in productivity and facilitates the transfer of human capital skills. Achy & Sekkat (2006: 47), stress that FDI is an important source of private international capital flows. It creates employment opportunities and contributes to economic growth of the host country. FDI is most often accompanied by access to foreign markets, new technology, and training (Stiglitz; Ocampo; Spiegel; French-Davis & Nayyar, 2006:179). They further argue that the new investment in plant and equipment associated with FDI create employment and real growth.

Nigeria needs to attract FDI in order to raise productivity to the level needed to increase the living standard of the majority of the people in the country. Zarsky (2005:1) states that FDI can potentially transfer technologies, skills and global market links, which is lacking domestically, thus stimulating industrial growth. Creating an enabling business environment for FDI in Nigeria will no doubt help to generate the additional external funds required by the country to meet the increased growth and development target of poverty reduction by 2015.

However, Nigeria has to make concerted efforts to improve its level of infrastructure, strengthen it's banking system, develop the capital market and quicken the pace of the privatisation programme which it started over five years ago. Furthermore, there is a strong need for the country to promote appropriate regulatory frameworks for a liberal investment regime, the upgrading of human capital, strengthening of the judiciary system and eradication of corruption. Given the country's enormous renewable and non-renewable resources and a large market, a broad compliance to these conditions should induce the inflows of FDI to the economy.

Table 3.10 shows the FDI inflows to Nigeria and other West African countries namely Burkina Faso and Ghana, between 1999-2004. The analysis of FDI inflows have shown favourable trend to Nigeria compared with flows to Burkina Faso and Ghana. In 1999 for example, Nigeria received US$1,178 million, the flows increased to US$2,040 in 2002. As at 2004, FDI inflows into Nigeria stood at US$2,127 million. This can be attributed to favourable investment reform packages being undertaken by the new democratic administration in the country.

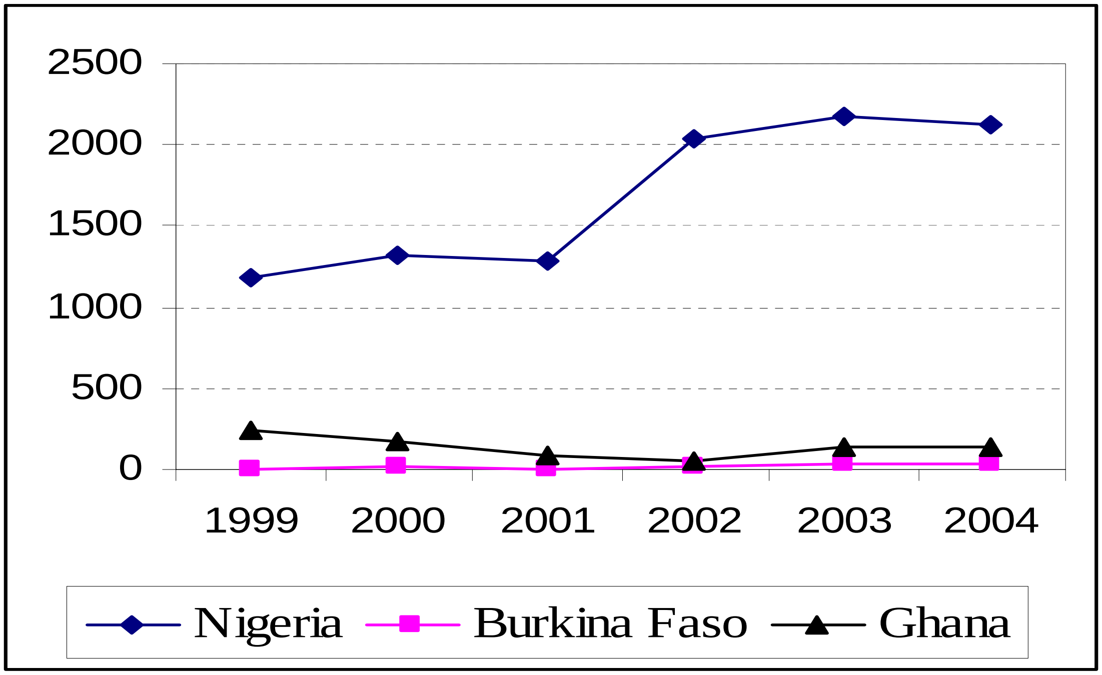
Table 3.10 Foreign Direct Investment flows to Nigeria, Burkina Faso and Ghana, 1999-2004 in US $ million.

	Nigeria	Burkina Faso	Ghana	Africa
1999	1178	8	244	11886
2000	1310	23	166	9627
2001	1277	6	89	20027
2002	2040	15	59	12994
2003	2171	29	139	18005
2004	2127	35	139	18090

Source: OECD-ADB 2006 pp. 566-56.

As an alternative for the ODA, Nigeria needs to focus on attracting more FDI into the country as this will help to boost the economy. Figure 3.2 is the graphical illustration of FDI inflows to Nigeria, Burkina Faso and Ghana within the period under consideration.

Figure 3.2 Foreign Direct Investment flows to Nigeria, Burkina Faso and Ghana, 1999-2004 in US $ million.



Source: OECD-ADB 2006 pp. 566-56.

3.5.4 External debt relief

External debt relief can play a key role in liberating resources that can be directed towards activities consistent with attaining sustainable growth and development. Therefore, debt relief measures should be pursued vigorously and expeditiously by Nigeria. According to the World Bank (2004), granting debt relief to heavily indebted poor countries can provide an opportunity for them to strengthen their economic prospects and poverty reduction efforts. In essence, debt relief impacts positively on progress towards the achievement of the development goals contained in the millennium declaration.

According to the African Development Bank (2000:96-97), the burden of external debt in West Africa is more severe than in other parts of the continent. The 11 West African countries are ranked as severely indebted, namely Benin, Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. This implies that the debt service of these countries as a percentage of their GNP exceeds 80 percent. Alternatively, the ratio of total debt service to export exceeds 220 percent. Only three West African countries, Benin, Senegal and Togo, are eligible for debt relief under the Highly Indebted Poor Countries (HIPC) scheme. Three countries Burkina Faso, Cote d'Ivoire and Mali, have been promised relief and the debts of Benin and Senegal have been judged sustainable at the current levels. Liberia is yet to qualify for highly indebted poor country status, but its debt burden is just as serious, amounting to $3 billion. Both Nigeria and Ghana are not eligible. It will be important to ensure that all highly indebted poor countries make use of the resources freed up by debt relief, to progress expeditiously toward poverty reduction and avoid the accumulation of new unsustainable debt (World Bank, 2003g:28).

Significant progress has been made towards providing deeper, broader and faster debt relief to some of the world's poorest countries in Africa, under the enhanced HIPCs initiative. According to Addison, Hansen and Tarp (2004:17) and Delphos (2004:236) 26 countries were receiving debt relief under this framework in 2002. The total amount was expected to reach to US $41 billion by 2006. In addition, the multi-country HIV/AIDS programme for Africa, the first of its kind under the MAP, is expected to commit flexible and rapid funding on terms agreed by individual countries based on their HIV/AIDS projects (Delphos 2004:236).

In his 2006 budget speech, President Obasanjo (2006:17) said Nigeria has successfully negotiated and accomplished the writing off of $18 billion of its debt of $30 billion owed to the Paris Club, and completed payback of the balance. This has significantly helped the country's outstanding total debt stock, which has decreased from $35 billion to $5 billion. The country's debt service burden has been reduced and the national budget expanded. The impact of debt relief can reduce income poverty. However, the amount depends on the characteristics of the country concerned and the elasticity of poverty reduction with respect to growth. The poverty impact of debt relief also depends on the scale of resources released from debt service for pro-services and infrastructure, and how effectively the system of public expenditure operates.

Such spending can be added to accumulated investment in a poverty-eradication project, and improved income for poverty reduction resulting from additional growth. It can also improve the non-monetary dimensions of poverty, reflected in better HDIs. According to the World Bank (2003h) and Reinikka and Svensson (2004), identifying the benefits from the resources released by debt relief is crucial for poverty reduction, and applies to new aid and public spending in general. But Addison, Hansen and Tarp (2004:17) argue that whether the growth benefits of debt relief are realised will depend on factors, which cannot be included in either econometric or computable general equilibrium (CGEs) models.

Nevertheless, Dabla-Norris, Matovu and Wade (2004:260-262) in their study find that resources released from debt relief can be of potential gain to the social sectors. Debt services are equivalent to 62-71 percent of total public spending on education and health in HIPCs. The study by Dabla-Norris, Motovu and Wade (2004:260-262) find that debt relief produces significant human capital and growth effects, with poverty falling. They also say that, though the primary focus was on primary and secondary education, the finding could be related to territory education, which shows significant long-term growth effects through the formation of large scale skills.

The clues from the results and analyses mentioned above imply that donor countries should focus on priority projects that have the capability of reaching and impacting on the poor. Monetary arrangements and evaluation of such policy are necessary so that the resources can reach the targeted destination. It is also important to task governments with adequate preparations, so that they show in clear and convincing terms how they intend to invest the funds released from debt in social and economic sectors. A satisfactory programme of action that aims to reach the poor, with detailed description of the goals, strategies and action steps of this programme could be made conditions for debt relief.

There is little doubt that the HIPC debt relief initiative could be used in Nigeria to increase the government subsidy for primary education or even make this education free for all poor people. This could raise the confidence of poor households to send their children to school, and also help to reduce child labour. For debt-relief resources to reach the poor, the donor countries need to scale down the volume of reforms and conditions attached to relief by focusing on pro-poor projects. Attaching stringent conditions for debt-relief could constrain recipient countries' ability to process and invest the funds released in the social sector. Lindahl (2005:47) believes that the achievement the MDGs depends on major investment in the social sector. This will comprise of primary education; child and maternal health; efforts to mitigate the spread of HIV/AIDS and other killer diseases.

The donors could also decide not to tighten the conditions for eligibility so that other debtor countries can also benefit from the HIPC initiative in time. The recipient countries could be given the benefit of the doubt during determination of debt and the level of reform required, in the negotiation period. In packaging the proposal, allowance should also be made for new unexpected shocks such as environmental disasters, changes in export commodity prices and oil crises. Most importantly, HIPCs initiatives need not compensate or constrain the poor countries' other avenues of earning foreign resources. In essence, the rich countries should not tighten up their trade policies. As shown by Beghin, Roland-Holst and Van der Mensbrugghe (2002), OECD farm subsidies reduce rural incomes in poor countries by US$62 billion annually. Perhaps it should be emphasised again that debt relief initiatives should not be seen as efforts by the OECD to block other sources of foreign exchange to the developing poor countries.

Nigeria and other countries that have benefited from debt relief, must now put in place evaluation and monitoring strategies to keep track of the impact of such funds in social and economic sectors. In line with this, these countries could accelerate efforts to improve data collection, not only on the household level, but also by conducting benefit-incident analysis of the increased government spending arising from debt relief and reporting state and local government spending across basic services. The monitoring team could consist of credible men and women from various segments of the civil society. Also, a comprehensive blue print of national capacity needs to be made available as a common framework plan to monitor progress. In addition, the national, state, local monitoring teams could be linked to the recently launched African Monitoring Faith-based NGO. Criteria the teams would look for could include, transparency of appraisal techniques and processes; the involvement of all Nigerians in the diaspora in the monitoring process; and, most importantly, commitment and determination on the part of the OECD to fighting corruption in developing countries by refusing to accept looted funds as private investment in monetary or asset forms in any banking and financial houses overseas owned by anybody in or from the developing world. It is important to stress that foreign investment houses should desist from accepting looted funds from poor countries.

3.6 Summary of the main findings and conclusions

In this chapter, the policy framework of the millennium development goals (MDGs) were discussed. Of critical importance are the four avenues through which the external partners and resources could flow to Nigeria to support domestic resources. The provision of financial resources to accelerate the pace of growth and development required to make maximum progress towards meeting the MDGs are needed. These avenues are official development assistance (aid), trade, FDI and debt relief. The four sources constitute potential opportunities for Nigeria to increase its foreign earnings and gain assistance to pursue its development goals.

However, comparing the development assistance into Nigeria with that of other developing countries namely Burkina Faso and Ghana all from West Africa between 1999 to 2004, it was surprising to find that Nigeria in the recent years has received less in ODA annually. This is compared to the total net flows in African ODA. It has shown that relying on official assistance to complement economic development in Nigeria may not be a good option. The inflow and activities of the FDI into Nigeria therefore offers a good development option. According to Zarsky (2005:1) investment is the life blood of economic growth. FDI is critical to boosting growth and development as it provides long-term sustainable capital for development. So far with the investment climate in Nigeria being improved, there have been quite a good number of FDI inflows in Nigeria especially into telecommunication and the mobile phone industry. More manufacturing and engineering companies are being expected to reside in the country. It is also found that Nigeria has improved and signed trade relationships with many foreign countries on bilateral and multilateral levels. However, negotiations on better and robust trade policy deals are on-going with advanced countries to grant greater access to developing countries' exports commodities and increase foreign exchange earnings to develop their economies. Nevertheless, the trading activity between Nigeria and its trading partners is being dominated by China. Between 1997 to 2001, China had increased its trade (imports) with Nigeria to 9.8 percent. This can be compared with that of the USA 9.1 percent and United Kingdom 9.7 percent within the same period.

Similarly, the HIPCs initiative provides debt relief measures to eligible countries, helping to free funds that can be ploughed into poverty-reduction projects (like rural electrification, provision of drinkable water, establishment of well equipped primary and secondary schools and payment of teachers). It also stressed the critical role of good governance in providing a good business environment and a safe landing for external funds from various sources. Nigeria has recently and successfully had a good deal with its Paris Club creditors. Most of its debts have been paid and others cancelled, debt-relief given to Nigeria to complement internal resources to accelerate growth and development in the country. In essence, ODA, FDI, trade and debt-relief arrangement can constitute important foreign pathways and roles in economic development of Nigeria. However, lots of concessions are needed from the developed countries to grant market access to Nigeria and other developing countries commodities. By implication, more employment opportunities and income could be created in Nigeria from the exports of non-oil commodities.

In the next chapter, the relevance of the agricultural, manufacturing, mining and quarrying, health and educational sectors as strategic sectors in fostering economic and development progress in Nigeria is discussed.