

CHAPTER ONE

1.1 Introduction

At the dawn of this twenty-first century, strong efforts are being made round the world to accelerate the pace of economic growth and development. Concerns such as poverty eradication, empowerment of women, improvement in education, health and environmental protection for people living in the developing countries have received increased attention in world. The increasing attention paid to growth, development and social capital in the global arena is silently, but steadily overthrowing the economic and social conflicts that are prevalent in most developing countries.

There is a general belief that the economic development of any country depends on the quantity and quality of its resources (renewable and non-renewable), the state of technology and the efficient utilisation of resources in both the production and consumption processes. Resources-rich developing countries have the responsibility and the challenge to ensure that the benefits accruable from these resources filter down to the poor. However, it is evident that Africa is presently riddled with poverty, disease, ignorance, food insecurity and famine, with a large external debt and continued mismanagement of human, material and physical resources (Iwuagwu, 2000:22). It is not surprising, therefore, that 22 of the 36 poorest countries of the world are in Africa.

The United Nations Assembly in September 2000 approved an eight-point development target, tagged the Millennium Development Goals (MDGs). The broad objectives of the MDGs are to reduce poverty and extreme hunger by half; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability and develop a global partnership for development by 2015 in all the poor countries of the world (United Nations, 2003:2). The declaration could be heralded as a timely gesture; at least for the first time, the international community sought in one voice and unity to address poverty as a global problem. The approval of the MDGs by the UN has further reinforced the need for developing countries to embrace economic development as paramount in their respective countries.

In the case of Nigeria, despite its large renewable and non-renewable resources, the country is still grappling with mounting economic problems of unemployment, hunger, poverty, external debt burden and decaying public infrastructures. The development challenges facing Nigeria are not of improving one sector or region at the expense of another or of introducing policy distortions and inefficiencies in resource allocations to the benefit of one group, which in the past led to increased poverty for others, but rather to adopt growth and social service-oriented policies that will enable all Nigeria's inhabitants to improve their welfare (Nwaobi, 2004:5). President Obasanjo (2006:11) admitted that the building blocks for the diversification of the Nigerian economy and the priority sources of growth for the economy are agriculture, manufacturing, solid minerals and construction. In other words, accelerating the pace of growth and development of the agricultural, manufacturing, mining (solid minerals), education, healthcare and other non-oil sectors will lead to faster integration and improvement in the welfare of the vast majority of the population of Nigeria.

Despite its temporary economic setbacks, Nigeria needs substantial investment in physical and human infrastructure and social capital (see Blignaut & Parsons, 2005). The most urgent needs as far as social capital is concerned are to develop the ability of different ethnic tribes to work together in "enlightened self-interest" for a common purpose in groups and organisations; to expand institutionalised social dialogue; and to rebuild and renew the economic value of high trust. Rebuilding Nigeria's socio-economic capital could entail a tripartite mechanism involving the government, labour and the civil society being part of the democratic structure and the development of a culture of seeking solutions together, and of building capacity, partnership, economic and political settlement. In other words, to renew the economic value of the country, concerted effort and emphasis is needed on technological dynamism in Nigeria's economic activities, and a long-term vision of its place in the global economy is imperative.

The goal of this study is to present development scenarios and policy implications of harnessing Nigeria's resource potentials through domestic and foreign financial resource mobilisation and investment to foster diversification and growth in Nigeria's agricultural, manufacturing, mining (solid minerals), educational and healthcare sectors, using a multivariate cointegration econometric dynamics Engle-Yoo (1991) third step model. In the following section, the background to Nigeria's economic problem is discussed. Then, the

statement of the problem, the objectives of the study and its justification, and the structure of the study are presented.

1.2 Background to the problem

The agricultural and manufacturing sectors have been the bedrock of the Nigerian economy. Table 1.1 below shows that these sectors kick-started the development process in the country. For instance, the agricultural share of the GDP decreased from 62.9 per cent in 1960 to 39.0 per cent in 1990. It further decreased to 26.3 percent in 2000, showed some upward improvement from 34 percent in 2001, 36 in 2002 and declined slightly to 32 percent in 2005. However, the agricultural share to the GDP has not reached the 62.9 percent mark of 1960. The manufacturing share of GDP in 1960 was 4.8 per cent. It showed a significant contribution up to 1975, but declined to 5.4 per cent in 1980. It significantly improved its share of the GDP to 8.1 per cent in 1990, but its contribution decreased to 3.7 percent in 2000. It increased again from 7.77 percent in 2001, declined to 6.51 in 2002. The manufacturing share to the GDP has consistently decreased from 4.7 percent in 2003, 3.06 percent in 2004 and at the lowest mark of 2.79 in 2005.

Table 1.1 Changing sectoral structure of GDP in the Nigerian economy (1960 – 2005)

Sectors	1960	1970	1975	1980	1990	2000	2001	2002	2003	2004	2005
Agriculture	62.9	48.8	30.1	22.2	39	26.3	34	36	32	34	32
Manufacturing	4.8	7.2	5.6	5.4	8.1	3.7	7.77	6.51	4.7	3.06	2.79
Energy (Oil)	1.6	10.8	32	27.3	13.8	47.52	36.26	34.58	41.5	37.22	38.77
Mining & Quarrying	0.58	0.58	0.33	0.25	0.29	0.11	0.11	0.11	0.11	0.11	0.12
Transport & Communication	4.9	2.8	3.2	4.1	3.4	2.8	2.3	2.52	2.5	3.41	2.91
Building & Construction	4.8	5.1	5.5	8.5	1.9	2	1.14	1.21	1.2	1.46	1.47
Trade & Finance	12.4	12.8	17.2	25	21.4	12.6	11.85	12.78	11.86	13.91	14.1
Other	8.02	11.9	6.07	7.25	12.1	4.97	6.57	6.29	6.13	6.83	7.84
GDP	100	100	100	100	100	100	100	100	100	100	100

Sources: 1) The changing structure of the Nigerian economy and implications for development. CBN publication 2000 p114

2) Central Bank of Nigeria Annual Report and Statement of Accounts 31st December 2005 p176.

The energy sector, which was 1.6 percent of the GDP in 1960, started increasing, up to 13.8 percent in 1990. Energy share to the GDP has consistently increased from 47.52 in 2000, to 41.5 percent in 2003. It recorded 37.22 percent and 38.77 percent in 2004 and 2005 respectively.

The mining and quarrying sector which recorded 0.58 percent share to the GDP in 1960 had suddenly stagnated from 0.58 in 1970 to 0.12 percent in 2005. It is interesting to note that agriculture still retained first position with its share of GDP at 32 percent in 2005. According to Ajayi (1984:123), agriculture was the mainstay of the economy and leading sector in Nigeria in the 1950s and 1960s; during this period, a predominant share of the GDP originated in agriculture. Simpson (1987:194) further explains that the small independent farmers of independent Nigeria accounted for 70 per cent of its exports. It is significant that by almost all economic measures, the economic progress of Nigeria distinctly accelerated after 1957 and manufacturing started to grow, though this was essentially an urban phenomenon (Simpson, 1987).

However, the discovery of crude oil in large commercial quantities and the attendant oil boom between 1974 and 1980, which are attributable to the Israeli-Arab War, earned about \$8.62 and \$25.3 billion respectively for Nigeria. In spite of the global oil market glut, which started in 1981, Nigeria earned about \$200 billion from oil exports between 1970 and 1990. This represented about 95 per cent of the total foreign exchange earned in the economy (Adeola, 1994:10).

The oil boom had three major important implications for the Nigerian economy. First, there is evidence of the serious effects of “Dutch disease”, usually diagnosed when a resource rich country earns significant increases in revenue from a sector’s raw material export, so that the resulting boom tends to “crowd out investment” in other sectors that might be more likely to support development (see Sachs & Wamer, 2001). The boom encouraged the government to embark on an ambitious industrialisation strategy, which emphasised import substitution. The investment programme and the policy of import-substitution (ISI) pursued during this period was predominantly in favour of light industries over the capital goods industry. As argued by Onah (1986), Nigeria’s import substitution strategy, based on a system of protection, led to a home-market bias in resource allocation in favour of consumer and raw material production. Table 1.2 shows that the importation of capital goods was generally high during this period as the overall share of total imports was highest at 58.0 per cent especially in 1983.

Similarly, the raw material imports exhibited an upward trend, especially in 1985 with 41.4 percent and 45.3 percent in 1995 within this period. It was a sign of the failure of the agricultural sector to feed the expanding domestic industries. According to Olorunshola (1996:54) and Ogunlana (1999:71), Nigeria consolidated its import substitution industrialisation strategy, which meant essentially replacing imported manufactures with locally produced products.

Table 1.2: Values of capital goods and raw materials imports, their growth rates and percentage share of total imports (1981-2005).

Year	Total Import	Capital Goods Imports (₦' Million)	As % of total imports	Raw materials imports (₦' Million)	as % of total imports
1981	12,599.10	4,018.00	31.1	3,152.40	24.4
1982	10,100.20	4,119.50	32.8	3,163.00	25.2
1983	8,903.70	3,168.00	58	2,479.30	25.5
1984	7,178.30	2,307.20	32.1	2,183.2	29.7
1985	5,536.90	2,768.60	34.9	3,284.60	41.4
1990	45,717.90	18,515.70	40.5	14,995.47	32.8
1995	755,127.70	162,352.50	21.5	342,072.85	45.3
2000	985,022.39	242,829.69	24.6	292,037.47	29.6
2001	1,371,409.10	338,079.16	24.7	407,283.13	29.7
2002	1,457,091.43	358,516.43	24.6	431,357.15	29.6
2003	1,507,422.81	350,057.39	23.2	479,439.07	31.8
2004	1,638,353.67	390,170.69	23.8	486,425.54	29.7
2005	2,496,423.69	579,669.58	23.2	768,399.22	30.8

Sources: 1) The changing structure of the Nigerian economy and implications for development. Central Bank of Nigeria publication 2000 p.201

2) Central Bank of Nigeria, Annual Report and Statement of Accounts. 31st December 2004 p169

3) Central Bank of Nigeria, Annual Report and Statement of Accounts. 31st December 2005 p197

As shown by Elkan (1995a:83), countries that have pursued import substitution policies by protecting industry have placed themselves at a disadvantage, in that their industries are too inefficient to compete in world markets. Furthermore, most investment programmes were left uncompleted and abandoned due to high unit costs, long gestation period and low foreign exchange earning potential, coupled with declines in the foreign exchange revenue to finance such projects identified in the First, Second, and other Development Plans.

Auty (1995:19), in his analysis of “the resource curse” thesis, explains that resource-rich countries may squander their resource advantage, because an over-optimistic estimate of their prospects leads to the pursuit of lax economic policies. A corollary is that resource-poor countries, mindful of their marginal position, may compensate for their disadvantage by adopting firmer and more far-sighted policies. According to Ilorah (1999:153), although the oil sector itself never did put pressure on the others directly, since its labour requirements were negligible, the policy response by the authorities towards the oil revenue generated adverse effects on the agricultural sector. The implications for Nigeria’s dependence on one export product (crude oil) have been highlighted by Arnold (1997:126), Agba (2000:52), and Abolo (2001:35).

Besides, to industrialise, a country requires substantial capital investment, which is possible through either earnings of foreign exchange from exports, borrowing in the international financial markets, or allowing foreign businessmen to invest in the economy. Since the beginning of the oil glut, Nigeria’s earnings from exports have been fluctuating downward with the consequent debt crisis pushing the economy into depression to the extent that the international community is reluctant to grant further credit facilities until the country shows a practical demonstration of improved ability to pay (Aremu,1997:1-2).

The second, the inflow of oil revenue motivated the military government to pursue the Indigenisation and Technology Transfer Decree of 1972 and 1977 (the Nigerian Enterprises Promotion Decree No.3). Prior to the Indigenisation Decree, the economy was mainly dominated by foreign investment, for instance, in 1967, 70 percent of the equity capital was foreign owned (Adejogbe, 1987:34). The Federal Military Government of Nigeria under General Gowon formulated the Indigenisation Policy, promulgated it into a Decree 1972 and later spelt it out as the Nigerian Enterprises Promotion Decree in 1973. According to the Decree:

“ (1) All enterprises specified in Schedule 1 of this Decree are hereby subject to the provisions of this Decree, exclusively reserved for Nigerian citizens or associations, or accordingly: -

a) as from the appointed day, no person, other than a Nigerian citizen or association, enterprise in Nigeria; and

b) no alien enterprise on or after the date of commencement of this Decree shall be established in Nigeria.

(3) Nothing in this section shall, as from the date of commencement of this Decree and before the appointed day, preclude the sale or transfer by any person of any of the enterprises affected by this section. The Decree further spelt out offences and penalties. In the attempt to achieve economic independence, the policy of Indigenisation Decree was geared towards:

a) increasing indigenous participation in activities that are economic in character;

b) maximising and locally retaining profits;

c) raising the level of production of intermediate and capital goods;

d) increasing the contribution of industry to the national economy;

e) the promotion of indigenous manpower; and

f) increasing Nigerian participation in decision making in the management of the large commercial and industrial establishments.

As shown by Aremu (1997:24), the indigenisation policy was confrontational to Foreign Direct Investment and did not guarantee control, since foreign parent company still exercised effective control over their local affiliates in the country.

Lessons and experience with the introduction of the Decree show that the government did not do its homework well, given that the Nigerian economy was still characterised by inadequately skilled manpower, low levels of technology, private domestic capital and a lack of the requisite business skills and capacity for sound national economic management. The decree also portrayed Nigeria as a high-risk investment environment (see Whiteman, et al, 2001:8-9). Furthermore, early opportunities and benefits derivable from Foreign Direct Investment and transfer of technology accruable to Nigeria's economy were lost.

The development of the agriculture and livestock sub-sectors of any country should first aim to generate food and fibre for the teeming population, local industries, and then in some cases, for exports. Available statistics, however, show that generally, budgets at both the national and state levels in Nigeria have not been supportive of agriculture (Okuneye, 2002:18).

Past agricultural development programmes, such as the National Accelerated Food Production Programme (NAFPP), which was started in 1973, Operation Feed the Nation (OFN), started in 1976 and the Green Revolution Programme (GRP), launched in 1980, were all judged to be failures. According to Evbuomwan (1997:26), the Nigerian government launched various schemes, programmes and projects, primarily to increase agricultural output and improve the well-being of the masses, but most of these ambitious programmes did not succeed due to poor planning and ineffective implementation. Special programmes such as the Community Bank, Directorate for Food, Road and Rural Infrastructure (DFRRI), the National Directorate for Employment (NDE), the Peoples Bank, the Better Life for Rural Women, Family Support Programmes, Family Economic Advancement Programme (FEAP), the Open Apprenticeship Scheme (OAS), to mention just a few, were established by different administrations, to address various manifestations of poverty such as unemployment, lack of access to credit, and the rural and gender dimensions of poverty. The response of various administrations to poverty problems appears to have been ad-hoc, uncoordinated and based more or less on a fire-brigade approach. While none of these programmes was completely without merit, the truth is that they did not have a significant, lasting and sustainable positive effect (National Planning Commission, 2004:100).

Nigeria experienced a troubled political history since its independence in 1960. It has had multiparty democracy, civil war and rule by the military, a return to civilian rule, then a return of the military again. In the 1990s, the country was ruled by an increasingly corrupt military, bankrupt of ideas and clinging onto power at all costs (Arnold, 1997:124). If authoritarianism (read as strong government) facilitated development as argued in the past, then Nigeria, whose track record of military dictatorial rule is arguably unsurpassed in Africa, would be by far the most developed country on the continent (Joseph, 2000:11). However, Chong (2004:190) argues that Taiwan and South Korea have both achieved a relatively equal distribution of income during autocratic regimes. This implies that Nigeria has been unable to develop, because it lacks the political will and commitment and suffers from too much corruption on the part of leadership in the country. Osaghae & Ikeotunye (2000:7) maintain that Nigeria has failed to develop in spite of its vast human and material resources, because these resources have been badly mismanaged and looted in the context of the rogue state run by military tyrants.

Table 1.3 Political regimes in Nigeria (1966-2006)

Period	Type of government	<i>Head of Federal Government</i>
1960-1966	civilian	T. Balewa
1966-1975	military	Y. Gowon
1975-1979	military	M. Muhammed and Obasanjo, A.M
1979-1983	civilian	S. Shagari
1983-1985	military	B. Buhari
1985-1993 Aug.	military	I. Babangida
1993-Aug-Nov.	interim	E. Shonekan
1993 Nov -1998	military	S. Abacha and A Abubakar
1999-2006	civilian	A. M. Obasanjo

Source: Ndiomu, C. 2000 pp.14-18.

The political regimes in Nigeria can be classified into military and civilian, as shown in Table 1.3. Of the 46 years of independence, 28 years have seen military regimes ruling. The civilian regime following independence was parliamentary, fashioned after the British model, while the 1979-1983 civilian regime was modelled after the American presidential system (Gana, 2000:37). A common trend was the military seizing power after accusing the preceding regime (military or civilian) of corruption, nepotism, ineptitude and the inability to offer solutions to the economic problems of the country. Each of the governments had been quick to promise and express the desire to improve the standard of living of the vast majority of the people by stimulating growth and development (Alalade, 2000:48).

The first civilian regime, which ruled from 1960-1966, adopted a market-oriented approach to economic management with strong planning and control. The second regime that held power between 1966-1975 focused its economic policy on demand management. The third regime, that ruled between 1975-1979, opted for a market system biased towards demand management, planning and control systems. The fourth regime, 1979-1983 decided to continue this market system with the introduction of heavy doses of austerity measures to control demand and the high escalating inflationary trend in the country. The fifth regime which ruled from 1983-1985 continued the market system of its predecessor, but introduced further control and stabilisation measures. The sixth regime, which ruled from 1985-1993, favoured a strict market system with a package of structural adjustment programmes. The seventh regime was an interim

government that lasted for less than a year, in 1993, and opted to continue with the deregulation policies of its predecessor. In the period between 1993-1998, the regime embraced a market-oriented management philosophy with a bias towards guided deregulation. The civilian regime that was voted into power in 1999, and is still in power, still continues this market system (Ndiomu, 2000:14-18). However, the current regime has also introduced the dimension of a private sector-led development strategy by speeding up the privatisation of non-performing public enterprises. It achieved some measure of recovery in terms of dealing with corruption and diversifying the economic base of Nigeria (OECD-ADB, 2006:421).

This analysis aims to show that, though different economic development policies and strategies have been pursued in the past by the various governments in Nigeria, none has been able to redirect the economy to the path of growth and recovery. However, the current civilian regime, which came to power in 1999, has demonstrated its commitment to leading the country toward achieving the international growth target by 2015.

Ake (1996:1) asserts that political conditions in Africa, and also in Nigeria are the single greatest impediment to development. African politics would appear to have been constituted to prevent the pursuit of development and the emergence of relevant and effective development paradigms and programmes. The commitment of leadership to development is problematic. The difficulty is not that they do not want development, but rather that these are really not attempting to bring it about. Their intentions and actions filter through complex layers of self-interest, and the policies that emerge effectively cease to be policies for development, as opposed to, for instance, strategies for survival, power or accumulation (Ake 1996:64). Initially, most African leaders hoped that someone else would take on the burden of development, while they concentrated on the struggle for power and accumulation, concludes Ake.

The greed to rule and the problem of corruption also constitute major impediments to the economic development of Nigeria. Transparency International, an independent organisation based in Germany, has consistently ranked Nigeria as one of the most corrupt in the world. Thomas (2000:144-145) identifies some of the many channels whereby corruption can weaken economic growth:

- a) Misallocation of talent including under-utilisation of key segments of the society, such as women;
- b) Lower levels of domestic and foreign investment;
- c) Distorted enterprise development and growth of the unofficial economy;
- d) Distorted public expenditure and investment and deteriorated physical infrastructure;
- e) Lower public revenues and less provision of the rule of law as a public good; and
- f) Capture of the state by the corporate elite of the “purchased” law and policies of the state, thereby undermining growth of output and investment of the enterprise sector.

Nigeria is believed to have benefited from its oil exports, which have earned the country large amounts of foreign exchange over the years, but has failed to effectively invest the oil wealth and hence boost the productive capacity of other sectors. This suggests why the country has failed in the past to achieve meaningful and purposeful development. Admittedly, Olusanya (2000:5) points out, since independence, successive Nigerian governments have battled against some inherent management problems militating against the development of the national economy, but with little success.

There is little doubt, therefore, that the dwindling fortune of the country’s real sectors could be largely attributed to the effect of “Dutch disease” in the economy. The import substitution and industrialisation strategy adopted in the country is at variance with the industrial export-led development strategy pursued by other oil exporting developing countries like Malaysia and Indonesia, to mention but two, that have become Newly Industrialised Countries (NICs). The indigenisation policy and the subsequent promulgation of Enterprise Promotion Decree No.3 undertaken by the military government in 1973 were also at variance with policy inducements of Foreign Direct Investment (FDI) and accruable to technological transfers in the economy. The greed to be in power that the Nigerian military had felt for many years, the attendant corruption and rent-seeking class, created by the military regime in the country, have constituted a clog in the wheel of the country’s development process.

According to Camdessus (2001:3), “the hope of all Nigerians, and the hope of the international community, is that the same determination that has brought Nigeria out of the dark shadow of

military dictatorship can now banish the failure of discredited economic policies from the people of Nigeria.”

1.3 Problem statement

The Nigerian economy was at the same level of development as countries such as Brazil, Indonesia, Malaysia and Pakistan in the 1950's - 60's, but today it is far behind all of them in terms of its overall level of economic development (Egbochuku, 2001:8). In essence, Nigeria has lagged behind other oil producing countries in terms of development, especially as most of these countries are now emerging as newly industrialised countries (NICs).

Obadan (2001:21) summarises the development challenges facing the country today as follows: how to revive the prostrate economy, promote efficient and respectable economic growth, and increase productivity; and how to establish and sustain a viable and stable macroeconomic framework in the context of a stable democratic political system. In light of deteriorating social indicators, the government must urgently begin to reduce poverty, create employment opportunities and revive the infrastructural services in the country

In September 2000, at the dawn of this twenty-first century, while Nigeria was still searching for development break-through, at the 55th Millennium Summit, a global development mandate was given to all developing countries in partnership with the rich countries and development institutions and agencies, to: reduce poverty and extreme hunger; ensure universal primary education; eliminate gender disparity in primary and secondary school; reduce infant and child mortality by two thirds; reduce maternal mortality by three quarters; ensure universal access to productive health; and ensure sustainable development and reverse the loss of environmental resources by 2015 (United Nations, 2003). The MDGs declaration by the UN is a wake up call for Nigeria to redouble its economic development efforts towards achieving rapid and diversified development in the twenty-first century.

Reflecting on the performance of Nigeria's economy, Abdulahi (2002:67) concludes that it is still not satisfactory for the average Nigerian citizen. Problems, therefore, exist given that the different development planning, objectives and efforts put in place by the various past governments aimed at poverty reduction and general economic development, have not

achieved the desired objectives. The problem is either that the agricultural, manufacturing, mining and quarrying, education and health policy objectives are not well articulated or that certain actions by the governments and others within the economy have tended to encourage variables that hinder the implementation and realisation of economic development in the country.

Nevertheless, three pertinent pivotal questions that will drive the aim of achieving a rapid and sustainable development in Nigeria are: 1) Why is Nigeria still an underdeveloped and low-income country?, 2) What should the country do to make rapid economic progress? and 3) How can it attain a diversified and sustainable economic development and growth?. This study aims to respond to these questions. In the section that follows, the objectives of the study are presented.

1.4 Objective of the study

The broad objective of this study is to explore policy scenarios that could enable Nigeria to achieve rapid economic development success, using a multi-sectoral cointegration econometric model. The dynamic cointegration Error Correction Mechanism of Engle-Yoo (1991) as the econometric model for Nigeria can provide a policy simulation laboratory in which exogenous changes in some aspects of the policy environment can be analysed for the economy-wide effect. Explicit focus is on agriculture, manufacturing, and the mining and quarrying (solid minerals). So far, development models for Nigeria have tended to focus primarily on the use of partial equilibrium and traditional econometric policy analyse. As a result, they often ignore the much-needed feedback from error correction (ECM) in the long-run dynamic adjustment of the macro economy. The application of Engle-Yoo (1991) third step dynamics for analysing economic development policy in Nigeria, therefore, represents a major improvement to the limited scope and to the methodological deficiencies of previous studies of this magnitude.

The model has the capability of establishing the linkage and interaction between the agricultural, manufacturing, mining of solid minerals and other variables from the rest of the economy. In essence, the multi-sectoral cointegration econometric framework and model can provide useful insights and guidance for exploring macroeconomic and development policy issues. This can

enable Nigeria to move towards achieving rapid economic development. This model thus represents a distinctive feature of this study and a significant departure from earlier studies in development policy in Nigeria. To achieve the high, sustained economic growth rates needed to reach the global development goals, Nigeria will need to quicken the pace of its economic development, attain and sustain broad balanced development in the various sectors of the economy.

Five sectors considered to be critical in this study include: agriculture, industrial (manufacturing), mining and quarrying (for non-renewable resources), education and health. Their choice can be explained as follows:

- a) Agriculture is one of Africa's most important sectors. It has two major components; namely, food production and export commodities, and a more productive sector that would boost growth (World Bank, 2004a:211);
- b) Progress in industrialisation is highly dependent upon agricultural development;
- c) The mining and quarrying of solid minerals sector could play an important role in rural areas and in the national economy as a whole by serving as sources of employment and income. The earned income could improve the people's lives, enabling many to invest in good quality housing, businesses and livestock;
- d) Formal education plays a role in the development of human capital. Moreover, Koven & Lyons (2003:50) has linked education to economic progress for individuals and for the society; and
- e) Maintaining a healthy population is an important goal in its own right. This is crucial to the development of a productive workforce, which in turn is essential for economic development (World Bank, 2000:134).

Other objectives of the study are to:

- a) Asses the challenges, progress and efforts of the stakeholders towards achieving the global development goals in Nigeria;
- b) Identify and evaluate the role of domestic financial institutions in the mobilisation of financial resources for productive investment to complement foreign investment in the development process in Nigeria; and

- c) Suggest a pragmatic and practicable development model as a policy guide towards the implementation and achievement of rapid development and thus attain the MDGs in Nigeria.

1.5 Contribution and justification for the study

This study aims to contribute to the understanding of macroeconomic development policy stimulations, using the multivariate Engle-Yoo (1991) cointegration econometrics dynamic third steps model. This focuses on the linkages between variables reflected in the agriculture, manufacturing, mining and quarrying, and other relevant sectors and socio-economic factors. Nigeria needs to improve on its knowledge base policymaking, particularly the inter-sectoral linkages between economic and social factors. The direct and indirect macroeconomic policy effects and feedback from the model, distinguishes it from earlier works in development policy in Nigeria. The Engle-Yoo (1991) multivariate cointegration econometrics dynamic model for Nigeria is developed to conduct quantitative policy analysis. The model structure explores policy framework scenario options that may be able to provide feasible solutions for the problems facing Nigeria in achieving its development goals.

This study is also justified for a number of other reasons, including:

- a) The achievement of rapid economic development through the transformation of the country's real sectors will not only reduce poverty by providing food security. By increasing agricultural and industrial production, increasing exports, and per capita income and consumption, it can also help to build a literate and healthy workforce and foster peace and security in Nigeria;
- b) The achievement of a diversified economic development and the MDGs in Nigeria through the transformation of the non-oil sectors will strengthen and broaden the productive base of the country, so that it no longer relies heavily on the petroleum sector as the major earner of foreign exchange to the country;
- c) Since this is the first time the delayed development in Africa and indeed in Nigeria is being addressed globally, attention should be concentrated in channelling global financial resources to the agricultural, industrial, mining and quarrying, educational and healthcare sectors, because of their strong linkage to and high value-added effect to the rest of the economy.

- d) The achievement of rapid and diversified development in Nigeria through the country's agricultural, industrial, mining, educational and healthcare sectors can help raise the economy to being a global player; and
- e) An empirical analysis of the macro economy-wide framework using the Engle-Yoo dynamic cointegration econometric model for Nigeria is deemed suitable and relevant for providing feedback and policy options for attaining rapid economic development success in the country.

1.6 Outline of the study

This study is structured into seven chapters. The remaining part of the thesis is arranged as follows: Chapter Two contains the literature review. It focuses on contemporary and relevant issues in the economic development of developing countries. Included here is an overview of the state and trends of development in Nigeria. Its development prospects, a review of a general development model from the newly developed countries of South East Asia. Also discussed is a development model that can be applied to Nigeria.

Chapter Three discusses the policy framework of the MDGs, efforts and challenges, and the role of external partners. It focuses on the Official Development Assistance (ODA), international trade, Foreign Direct Investment (FDI) and debt relief. Chapter Four focuses on the relevance and the analysis of the growth sectors in Nigeria, emphasising agriculture, manufacturing, mining and quarrying, education and health.

Chapter Five deals with the theoretical and analytical framework of the study; it sets out the structure of the model and a general model of agriculture. Models 1 to 4 of agriculture, and the basic hypotheses and expectations for each variable in the agricultural model. This chapter also contains a model for manufacturing and basic hypotheses and expectations for each variable included in the model. The structure of the model for mining and quarrying is also discussed, with basic assumptions and expectations for its variables.

Chapter Six contains the empirical analysis and presents the estimated econometric models. The analysis of the results of the cointegrated estimated models for agriculture, manufacturing and mining and quarrying, and their implications are analysed. The dynamic simulation results,

the actual and forecasted models, and the policy scenarios based on the empirical results are also discussed in this chapter.

Chapter Seven reviews the major findings, and makes concluding remarks. Policy recommendations and implications from the study are discussed, as well as the robustness or limitations of the model and suggested further areas of study.