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CAN THE PRIVATE SECTORS FACILITATE ECONOMIC GROWTH AND THE REALISATION OF MDG IN DEVELOPING COUNTRIES? EVIDENCE FROM NIGERIA

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ABSTRACT

This study examined whether or not private sector involvement will accelerate economic development of Nigeria. Data for this study was collected mainly from secondary sources and marginally complemented with primary data. Primary data were obtained from participants of the workshop meant to validate study findings. While secondary data were obtained from the report of previous studies embodied in journal publications, newsletters, magazines, books and internet sources Survey design method was used with data collected from respondents through a carefully designed set of questionnaires. The data collected were analysed using SPSS. Study findings among others revealed that the Nigerian economy seems to do better any time the private sector is allowed more time to operate than during central planning. It also shows that the reason for the current growth of the economy without creating job lies in the structure of the Nigerian economy that is delicately hinged on the extraction and sale of the crude oil which directly benefits only about 5% of the working population including the politicians that manage its proceeds. The study identified some sectors that were turned around due to more deregulation and privatisation. It also highlighted some of the challenges that hinder more private sector involvement in economic development of Nigeria.

Keywords: Private Sector, Development, Privatization, Deregulation.
JEL Classification: O10, 011, 012, O23.

1. INTRODUCTION

The quest for socio-economic development among developing economies has turned full cycle with various options having been experimented. At the outset of independence, most of them took to central planning with government at the driving seat of the economic development. During this regime, government was both the player and the umpire thereby fostering the concept of *l'Etatprovidence,* the Provider State (Ulimwengu, 2006). It invested in providing utilities as well as directly doing the business itself. The reasons cited was that most of the development investment was beyond the financing capacity of most business organisations and gestation period too long to retain the interests of strictly private business concerns. Further, it was believed that where it was possible for private organisations to provide these services that it would lead to pricing these essential services beyond the reach of the citizens they were meant for.

However, Nigerian experience shows that after many years of central planning and public sector-driven economy, it was found that the return on the huge public investment was

negative as a result of monumental waste, mismanagement of resources, gross inefficiency in operations and worst of all, they became conduit pipes for personal enrichment of government officials. This experience, together with the Breton Woods Institutions neo-liberal thinking packaged in form Structural Adjustment Policies (SAP), all suggested that government should shed its garb as the know-it all in the management of the economy if the stride of development is to be fast tracked (Mabogunje, 2000). From the mid-1990s up until recently, government at various levels and in diverse ways, have given expression to this development approach by experimenting with full and partial commercialisation and/or privatisation of government corporations with varying degrees of successes. The current development paradigm is therefore increased liberalisation of the management of the economy to allow for other critical stakeholders to contribute their quota in development.

This paradigm of development has fortuitously begun to gain wider acceptance in the wake of Nigeria's commitment, alongside 188 other countries, to the implementation of the hackneyed Millennium Development Goals (MDGs) in 2000. The mid- point assessment of the performance of the programme in 2010 shows that in spite of over N430bn spent on various MDGs projects between 2006 and 2009, the progress recorded in most of the key benchmarks is not equally commensurate and therefore calls into question the ability of realising most of the MDGs targets by 2015 if nothing happens (MDGs Countdown strategy, 2010). See Table 1 for status report.

Available evidence shows that one of the weakest links when it comes to situational analysis of MDGs performance update is the target of eradicating extreme poverty and hunger. Radical progress in poverty alleviation and/or eradication requires a combination of sustainable growth that creates job and redistributes wealth. Unfortunately, growth in Nigeria, as is the case in most Sub Saharan African countries, fails to deliver jobs (UNRISD, 2010). This trend is what is informing convergence in the literature that to fast track progress in the area of poverty and extreme hunger eradication in particular and the attainment of MDGs in general, calls for more participatory approach to development. Participation increases the likelihood of attaining the project objectives and its sustainability as well as promoting a more equal distribution of projects benefits to the beneficiaries/poor (CIDA, 1986). It is against this background that this paper seeks to explore the extent to which Nigeria's economic development can be fast-tracked by tilting the economy in favour of the private sector increased involvement.

1.1 PROBLEM CONTEXT AND STUDY RATIONALE

The MDGs are time-bound and quantified targets for addressing extreme hunger in its various forms- income, poverty, hunger, disease, lack of adequate shelter and exclusion-while promoting gender equality, education and environmental sustainability (Mohammed et al, 2011). Apparently, an offshoot of globalisation, MDGs set global benchmarks and agenda for development with overwhelming support across many nations of the world. However, assessment results at the end of the second trimester reveals slim chances of realising MDGs targets if things continue as they are. Available global reports show that before the economic crises, the number of poor people, defined in the MDGs as those living on less than $1.25 a day had fallen from 1.8 billion in 1990 to 1.4 billion in 2005. Progress across regions was, however, varied with East Asia experiencing the sharpest fall and sub-Saharan Africa the least (World Bank, 2009; UNDESA, 2010). More recent assessment report reveals that even if globally the poverty rate is reduced by half by 2015, about one billion people will still be mired in extreme poverty by 2015. Furthermore, according to estimates of the Food and Agriculture Organization of the United Nations the number of malnourished individuals rose above the one billion mark in 2009 for the first time (UN 2010, FAO, 2009).

In Nigeria, available evidence shows that even though the number of poor people has reduced, about half of its 150 million people (the largest number in Sub-Saharan Africa) live on less than a dollar a day. Other indicators do not differ significantly from poverty incidence. For example, net enrolment is 88%, under five mortality rate is 157/1000, maternal mortality rate is 545/100,000 live births, HIV/AIDs prevalence is 4.2% and only 59% of the population have access to safe water (MDGs Nigeria,2010). Further, need assessment report reveals that Nigeria needs a staggering US$170 billion to finance its plans to achieve MDGs. It is expected that at least US$72 billion and US$30 billion would be sourced from states and local governments and external sources respectively. All these and more show that it is imperative to shift from state-led development approach to a more inclusive approach involving the private sector. This much was confirmed by the private sector forum (PUSS) organised by DFID in 2010.

Table 1: Progress towards MDG targets and current status (June 2010)

s/n	**Goal**	**Status**
1	Eradicate Extreme Hunger and Poverty	Slow: there is less poverty than in 2000 but data is not clear. Five out of every ten Nigerians still live in poverty. Growth has not been sufficiently equitable or generated enough jobs to reduce poverty further. Nutrition has improved significantly
2	Achieve Universal Primary Education	Average: Many more children are in school. Nine out of every ten eligible children attend school as a result of universal basic education programme interventions and enrolment in private schools. However, disadvantaged groups are still excluded and the quality of education remains poor.
3	Promote Gender Equality and Empower Women	Average: Some improvement in gender parity. Nine girls attend school for every ten boys. Economic and political empowerment remains elusive. A common reason for the disparity in rates of girls and boys completing schooling, especially at secondary level, is poor or non-existent water and sanitation facilities
4	Reduce Child Mortality	Average: significant reductions but progress needs to be accelerated
5	Improve Maternal Health	Slow: The data for 2008 show a significant improvement, but the gap between the current situation and the target is still very large
6	Combat HIV & AIDS, Malaria and other diseases	Average: The prevalence of HIV/AIDs in the population has fallen from 5% to under 4%. Rates of malaria infection have dropped, but still account for 300,000 deaths a year on average. The hard work is still to come. Impressive progress against polio.
7	Ensure Environmental Sustainability	Slow: Access to safe water and sanitation has not improved significantly and other environmental challenges such as erosion, coastal flooding and climate change are growing
8	Develop a global partnership for development	Average: the benefits of debt relief have not been matched by an increase in aid. Trade and access to markets is still unequal. Rapid increase in access to information and communication technologies, tele-density and regional initiatives (NEPAD, ECOWAS, etc)

Source: Millennium Development Goals Countdown Strategy 2010 to 2015 pp 17

1.2 OBJECTIVES OF THE STUDY

The specific objectives of this study *inter alia* are:

- To highlight broad issues in economic development as they relate to the necessity for private sector involvement;

- To examine industrial evolution of the country and what specific issues it raises for a development agenda that is inclusive of the private sector;
- To identify sectors where private sector involvement has improved development performance; and,
- To identify key challenges associated with private sector involvement in economic development of Nigeria.

1.3 METHOD AND MATERIALS

This study sourced data from mainly secondary sources with the little primary data coming from stakeholders' workshop meant to validate study findings. The primary data was obtained directly from participants of the workshop selected from government ministries, departments and agencies, civil society organisations, financial institutions and private business organisations. The secondary data was obtained from the report of previous studies embodied in journal publications, newsletters, magazines, books and internet sources

2. THEORETICAL FRAMEWORK AND REVIEW OF LITERATURE

This section seeks to briefly review existing literature with respect to highlighting the theoretical approaches to economic growth, poverty alleviation and development.

2.1 BROAD GENERIC PARADIGM OF DEVELOPMENT: AN OVERVIEW

The issue of development has been an age-long challenge. Right from the earliest stage of group formation and ancient civilisations, the question of how to improve the well-being of members of a community has been of paramount issue. Since then, various approaches have and still are being experimented. In all of the approaches there seems however, to be a common denominator, which is the centrality of economic factors- income growth and poverty reduction–as the main driver of development. Lately however, studies are highlighting the necessity of complimentary social and political institutions, policies and milieu in the general process of development. Two main approaches will be adopted in examining the available paradigms of development. First is the general economic theories of development, and the second, is broad approaches used in poverty reduction.

2.1.1 GENERAL ECONOMIC THEORIES OF DEVELOPMENT

The development economic literature is dominated by four major paradigms available for nations aspiring to develop. These are linear growth states model, theories of patterns of structural growth, international dependency theories and the neo-classical free market propositions. For want of space and time we shall briefly explain the essential kernel of each of these theories.

(a) Linear Stage Growth Model

Albeit this model was popularised by an American economic historian W.W. Rostow (1960). Earlier submissions by Karl Marx historical materialism and Auguste Comte stages of development all share similar thoughts on development. The essential thrust of this model as enunciated in Rostow's model is that it was possible to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the preconditions for take-off into self-sustaining growth, the take-off, the drive to maturity and the age of high mass consumption. He further stated that one of the principal strategies of development necessary for

take-off was the mobilization of domestic and foreign savings to generate sufficient investment to accelerate economic growth.

This view assumes that domestic and foreign savings only are sufficient for growth. The theory was supported by the Harrod-Domar model (1939; 1946) which demonstrated that countries with higher savings ratio are expected to grow faster than those with lower rates and that the main obstacle to or constraint on development is the relatively low level of new capital formation in most developing countries. In practice, however, it has been observed that the mechanisms of development embodied in the theory of stages of growth do not always work. This is not because savings and investment are not a necessary condition for growth but because they are not a sufficient condition. Savings and investment will propel growth if and only if such other conditions as integrated commodity and developed financial (money and capital) markets, highly developed infrastructure, well-trained and educated workforce, the motivation to succeed, and an efficient government bureaucracy/institutions, etc. are prevalent.

(b) The Structured Change Model

The major proponent of this model is Arthur Lewis (1950). Unlike the linear growth model, this paradigm believes that development is anchored on the structural processes that enable an economy to transfer for use excess labour with zero marginal productivity from traditional (subsistence agricultural) sector to highly productive industrialised modern sector. The progenitors of this model imagined that most developing economies consists of two widely and rigidly demarcated sectors- the traditional sector predominated by subsistence agricultural producers on the one hand and the modern sector largely consists of industrial highly productive sector on the other. Thus, the process of growth is conceived in the ability of the managers of the economy to move surplus labour with zero marginal productivity from the former to the highly productive sector of the latter that is capable of absorbing such idle labour. This theory in many more respects than one is defective. The assumption of full employment in the modern sector that is capable of absorbing excess labour from the traditional sector is at best a utopia. Available evidence show that there are more cases of urban congestion and unemployment than there is in the rural areas. What is more, capital accumulation and transformation of the modern sector can involve labour- saving and capital intensive and may not provide the imaginary jobs the proponents of the model envisaged.

(c) The International Dependency Model

The essential thrust of this model is that development contexts and challenges of the developing economies can only be understood within the inherent divide between the rich and poor countries and between the rich and poor within a country in highly complex dominance-dependence relations provided by the capitalist system. This model conceives that the entire capitalist system is made up of the dominant rich nations (developed countries) as those in the centre of the power orbit of the capitalist system while the less developed countries are at the periphery. In this relationship it has been observed that the pursuit of the interest of the dominant global players in the capitalist system will always infringe and limit the ability of the developing countries to pursue and sustain independent development stride. And even within the developing economy, there are pockets of elite class that benefit from the current power relations that would work to perpetuate the economic status quo and would roundly resist attempts to restructure the power equation. Incidentally, this relatively small but powerful group are at the helm of the political power. The practical implication of this theory is that we can only understand certain historical events in the development trajectory of developing economies such as slave trade, colonialism and neo-colonialist events within the prism of the theoretical

prescription of this model. In other words, the core capitalistic nations at the centre directly or indirectly intervene and influence the socio-economic activities and policies of those in the periphery and ensure that the latter meets the former's economic interest.

2.2 BROAD STRATEGIC APPROACHES IN POVERTY REDUCTION

This is generally the second approach that was prescribed by the global west for the economic development of the developing countries. As hinted earlier the underlying assumption is that even though that development has broad socio-economic and political factors that influences it, its main driver however, is largely economic. Consequently, the proponents focused on policy prescriptions and framework that work to reduce poverty.

Owing to the critically of poverty and its excruciating effect on the well-being of mankind, several approaches have been propounded in trying to alleviate it. However, we shall concentrate on the key three dominant approaches especially in the late last century and at the outset of this millennium (Gottschalk 2008; McKinley 2004; Gottschalk 2008; UNCTAD 2006 in UNRISD, 2010).

2.2.1 Poverty Reduction Strategy Papers

Poverty Reduction Strategy Papers otherwise known as PRSP captures all attempt to prescribe the economic and social policies that governments in low-income countries should pursue to achieve growth and reduce poverty. It shares a strong linkage with the structural adjustment policies of the 1980s, which sought to correct the macroeconomic imbalances of crisis-affected countries by providing a shift from discretion to rule-based economic management. The attendant deflationary and social consequences of these structural adjustment policies prompted the international community, in 1996, to conceive the Heavily Indebted Poor Countries (HIPC) initiative, whose main thrust is on reducing countries' debts while helping to stimulate growth and reduce poverty. It is in the pursuant of this objective that the PRSPs emerged as a framework aimed at ensuring that resources released by debt relief would be used for poverty reduction. The IMF established in 1999 the Poverty Reduction and Growth Facility (PRGF) which subsequently became the key instrument for providing loans. The PRGF was meant in theory to support the PRSP objectives of growth, poverty reduction and country ownership. In practice, however, it remained narrowly focused on achieving fiscal stability. Rather than being designed to support PRSPs, therefore, it often influences the entire macroeconomic frameworks of the countries involved with the single goal of realising low inflation target. The resulting fiscal frameworks tend to be pro-poor in the sense that aid policy has been re-focused towards basic services. However, they have failed to achieve long run growth, especially in terms of infrastructure investment and support for other growth-related activities that will expand capacity in agriculture and manufacturing concerns.

2.2.2 Programmes That Targets The Poor

Special programmes targeting the poor became popular in the 1980s as the next preferred paradigm of development for developing economies. The reasons adduced for this popularity is that inadequate resources made it difficult to pursue programmes to achieve broad overall social welfare programmes for all and shift in emphasis on targeting the poor. Further, SAP was seen to have favoured more of the elites and it makes sense to balance out by embarking on programmes that targets the poor. The sectors that these approaches usually focused were education and health among other sectors thought to have been priced out of reach of ordinary citizens. While there are many potentially positive benefits inherent in this approach

to development, it is however, fraught with many shortcomings. First, identifying and reaching those most in need requires a some measure of state administrative capacity that is often absent in most developing countries, or that has been made less effective due to structural adjustment policies and public sector retrenchment. Second where poverty is pervasive, as often the case with most developing countries, targeting is unlikely to make significant impact because the majority of the people are poor. Furthermore, targeted programmes that are not linked to a broader strategy aimed at ensuring that all citizens have access to basic services may worsen exclusion, resulting in lower quality services for the poor. Finally, targeting also works against the building of bridges among classes, groups and generations that enhance social cohesion and solidarity.

2.2.3 Millennium Development Goals (MDGs)

The third approach and the most current approach to development is the commitment by most nations to pursue the global development benchmark under the MDGs. Clearly this approach is a clear demonstration that world leaders share common challenges and that they can come together to address these major challenges of our time collectively. The MDGs acknowledge the multidimensional nature of poverty, transcending simplistic measures of income to identifying other elements that define the experience of being poor. In addition to income metrics which is currently put at those leaving below $1.25 a day, the MGGs recognises other targets like alleviating hunger, promoting universal primary education, reducing maternal and child mortality, advancing gender equality and easing the burden of major diseases. The MDGs generally represent a cautious approach to social development. A number of critical issues and hindrances to overcoming poverty have not been fully addressed by this approach, including the mechanisms required to achieve the goals either as individual nations or working in concert with others. Other grey areas that this approach did not clarify include the role of employment; growing levels of inequality; the place of macroeconomic policy stability and the political and social factors that impinge on effective governance in the developing countries.

Some of the lessons that can be gleaned in the above examination of the various development paradigms are that no one theoretical framework can provide one shot explanation to all the problems and challenges of development for all the time. Most of the proponents initiate their ideas according to the prevailing economic circumstances of their time and even when it guided economic progress during the time of its currency it certainly would be deficient to explain economic development at other times.

3. DYNAMICS OF PRIVATE SECTORS IN THE NIGERIAN ECONOMY

The Nigerian economy has undergone series of changes over time with different policy regimes having been tried. However, for purposes of clarity we shall calibrate the Nigerian development path into three discernable but not rigid epochs. The first is that of central planning through the use of medium term plans (1960-1986), this is followed by the structural adjustment regimes (1986-1994) and then the last phase is the era of economic reforms using Poverty Reduction Strategy Papers (1999-date).

Shortly after independence, the leadership that took over the reins of power merely replicated the central approach to economic management adapted from the outgoing colonial leaders (Akindele et al; 2005). Consequently, series of medium-term development plans was adopted as a major framework for developing and restructuring the economy. The First National Development Plan, 1962-1968, was developed to accelerate the growth of the economy. The plan gave adequate priority to agriculture and industrial development as well as training of high-level and intermediate manpower. However, the objectives of this plan were not fully actualised

following disruptions to economic activities during the hostilities between Nigeria and Biafra. Consequently, the Second National Development Plan, 1970-1974, was launched primarily to reconstruct and rehabilitate infrastructure that had been damaged during the civil war. Thus, the government invested a lot of resources into the construction and rehabilitation of infrastructure as well as improving the incomes of the people. It was during this time that the Indigenization Decrees of 1972 and 1974 put the commanding heights of the Nigerian economy in the hands of Nigerians within the context of nationalism. The Third National Development Plan, 1975-1980, was designed under a more favourable financial condition of huge oil revenues that accrued to the nation from the mid-1970s. However, the execution/Implementation of the Fourth National Development Plan, 1981-1985, was affected by the collapse of the international oil prices. In 1982 the government introduced the Economic Stabilization Act as an immediate reaction to dwindling oil earnings and major external sector imbalances. This was aimed at reducing government expenditure and conserving foreign reserves in order to improve the country's balance sheet (Sanusi, 2010). Another measure that was put in place to reduce the effect of the dwindling fortunes of the economy was called 'austerity measures'- this was essentially a belt-tightening policy to signalling a clear departure from boom to trough.

By the mid-1980s it was obvious that the economy cannot continue to limp under the burden of mismanagement of the boom during the central planning epoch. As a result in 1986, the government accepted the International Monetary Fund prescribed Structural Adjustment Programme (SAP). The essential thrust of SAP is to disengage most African governments from economic activity as well as from their role as providers of social services such as education and health, termed in those years by the World Bank and the International Monetary Fund, as 'non-productive' sectors as well as removing cumbersome administrative controls and creating a more market-friendly environment underpinned by measures and incentives that would encourage private enterprise and more efficient allocation of resources (Mobogunje, 2000; Sanusi, 2010). SAP successes were limited and short-lived on two accounts. One is that the necessary socio-economic and political institutional framework that should have fast tracked the assimilation of the benefits of SAP was either non-existent or very weak. Another is policy reversals from the Military regime at the time that were more accustomed to central economic management than deregulated economy.

The management of the economy changed in 1999, following the return of democratic governance in the country. This policy regime has witnessed the introduction of series of reforms that were aimed at redressing the distortions in the economy and to restore economic growth after the economy almost disappeared under the previous regime. Economic management approach under this epoch is the use of PRSP to guide the economy away from public sector led economy to private sector driven economy. Consequently, in 2004 the government's economic agenda was formally launched and tagged the National Economic Empowerment and Development Strategy (NEEDS). This was subsequently succeeded by 7 point agenda. Since then the economy has achieved consistent growth and reforms in key sectors of the Nigerian economy. A lot is still to be done, but it is clear that if gains and democracy are sustained, there is hope for the future of the Nigerian economy.

Available data shows that the Nigerian economic performance directly correlates to the policy regimes used in the management of the economy. The average growth rate of real GDP that was 5.9 per cent in the period 1960- 70 rose to 8.0 per cent in 1971-73; subsequently, the Nigerian economy expanded rapidly, as oil production and export rose phenomenally. The average GDP growth rate later dropped to 3.2 per cent during 1976-80. This was as a result of the glut in global oil prices. This level was sustained in the period 1982-90 following improved performance in agricultural and industrial sub-sectors. Otherwise it would have fallen drastically. See table 2.3 below for details.

Table 2.3 Average Growth Rate of Real GDP (Percentages)

Period Real	GDP
1960 – 1970	5.9
1971 – 1973	8.0
1976 – 1980	3.2
1982 – 1990	3.2
1991 – 1998	1.9
1999 – 2007	8.3
2008 – 2009	6.3

Sources: National Bureau of Statistics

It is important to note that the economic performance rose sharply during the economic adjustment policies of the eighties when the SAP and economic liberalization policies were adopted. Thus, annual GDP grew from a negative 0.6 per cent in 1987 to 13.0 per cent in 1990. However, due to policy reversals by the then military administration the average growth rate of real GDP dropped to 1.9 per cent during 1991-1998. This was in spite of the favourable developments in the agricultural and services sub-sectors of the economy. Real GDP growth rate picked up to 8.3 per cent during the period 1999-2007, reflecting improved economic policy of NEEDS era which in the main sought to restructure the economy from public sector to private sector. Despite the decline in real GDP growth rate to 6.3percent in the period 2008-2009, the major drivers remained agriculture, wholesale and retail trade, and services sectors. One can conclude that the last ten years can be referred to as a period of economic revival as shown by almost all macroeconomic indicators (Table 2.4).

Table 2.4 Selected Macroeconomic Indicators

Indicator	2003	2004	2005	2006	2007	2008	2009	Average
Real GDP growth rate	9.57	6.58	6.51	6.0	6.5	6.4	6.7	6.2
Inflation	13.9	15.4	17.9	8.5	6.6	15.1	12.0	13.3
Growth in m2	24.97	12.26	34.61	30.6	44.2	58.0	17.1	31.8
Current account balance/GDP	6.95	17.62	28.23	18.5	11.8	17.5	11.9	13.4
FDI(US $ billions)	2.0	1.86	4.98	13.9	5.6	5.8		4.3
External reserves(US$bn)	7.47	16.95	28.3	42.3	51.3	53.0	42.4	27.0
Exchange rate(end period	129.4	133.5	132	128.2	117.9	132.5	149.6	125.8
External Debt(US $ billions)	3.3	3.5	2.0	3.5	3.6	3.7	3.9	3.21

Source: CBN Annual Report and Statement of Accounts Various Issues

A critical analysis of the performance of the Nigerian economy reveals that economic growth does not immediately translate to poverty reduction and improved welfare of the masses. The culprits for this mismatch between growth and poverty reduction and welfare of the average Nigerian citizens are the structure of the Nigerian economy on the one hand and the approach, style and nature of political leadership. We shall briefly examine these factors. Structurally, the Nigerian economy can be classified into three major sectors namely primary sector made up of agriculture and natural resources; secondary sector made up of —processing and manufacturing; and tertiary sector which consists of mainly services. The first and second put together comprises what is regarded mainly as the real sector. Within each of these sectors the economy is characterized by structural dualism. The agricultural sector is an admixture of subsistence and modern farming, while the industrial sector comprises modern business enterprises which co-exist with a large number of informal micro-enterprises.

The main potential driver of the Nigerian economy is the agricultural sector whose main role is that of feeding the population, meeting the raw material needs of industries, and providing substantial surplus for export. It has potential to employ over 70% of the labour force when fully developed. The bane of the Nigerian economy is that this key driver of the economy has been left unattended to and unfortunately disconnected from the secondary sector to which it

should been intricately related with. Consequently, this main driver of the economy is sleeping on its seat and has failed to achieve its catalytic role in jump starting the economy. Its contribution to total GDP has fallen over the decades, from a very dominant position of 55.8 per cent of the GDP in 1960-70 to 28.4 per cent in 1971-80, before rising to 32.3, 34.2 and 40.3 per cent during the decades 1981-90, 1991-2000 and 2001 – 2009, respectively (see table 2.6 for details). According to Sanusi (2010) this fall is not because a strong industrial sector is displacing agriculture but largely as a result of low productivity, owing to the dominance of peasant farmers and their reliance on rudimentary farm equipment and low technology. Another feature of the sector is under-capitalization which results in low yield and declining output, reduced labour employment among others.

Table 2.5 Highlights of Nigeria's Performance

Poverty	Fifty-five percent of the population lives on less than one dollar per day. This is one of the highest poverty rates in sub-Saharan Africa.
Gender	Gender disparities in Nigeria are great and show up in both education and health.
Fiscal and Monetary Policy	New macroeconomic policies have resulted in declining expenditures-to-GDP ratios, a budget surplus in 2004, and an increase in foreign reserves. Inflation remains in the double digits.
Business Environment	Corruption is rampant, though recent government efforts had made modest improvements. Rule of law and regulatory quality are weak. The poor business Environment is a severe constraint to doing business.
Financial Sector	Domestic credit to the private sector is strong. The banking system seems to be efficient with interest rate differentials of 6.5 percent.
External Sector	Primary indicators conceal important structural problems, including a heavy dependence on oil exports, protectionism, and a distorted foreign exchange market. With the recent approval of debt relief by the Paris club, debt sustainability does not appear to be a problem.
External Sector	Primary indicators conceal important structural problems, including a heavy dependence on oil exports, protectionism, and a distorted foreign exchange market. With the recent approval of debt relief by the Paris club, debt sustainability does not appear to be a problem.
Economic Infrastructure	Very poor quality infrastructure continues to hamper growth, though recent improvements are impressive. Electricity is the top concern.
Health	Nigeria's health situation is extremely troubling. Reproductive health indicators and HIV/AIDS are of particular concern. Domestic health spending is woefully inadequate and implementation is poor.
Education	The education system needs great improvement in Nigeria as in much of sub-Saharan Africa. Female enrolment is adequate by regional standards, but low in absolute terms. The system is characterized by unqualified teachers, limited Pupil–teacher contact, high pupil–teacher ratio, and a lack of materials.
Employment and Workforce	Women's rate of workforce participation mirrors the gender disparities of other indicators. Growth in non-oil sectors has been volatile, hampering job creation. Unemployment remains high. Labour laws, however, are favourable for job creation.
Agriculture	The agriculture sector performs below potential. Growth is not expected to continue in the long term unless productivity-boosting methods and technology are introduced. Poor infrastructure also plays a role in decreasing export potential. The historical maintenance of an overvalued exchange rate related to high oil-export revenues and Dutch Disease have substantially hampered agricultural exports.

Source: Nigeria economic assessment, USAID, 2006

The industrial sector comprises the manufacturing, mining (including crude petroleum and gas) and power generation. It is expected that the manufacturing sector should add value to the primary product, increase GDP, employment and exports. The economy has not made significant progress because this all important contribution has not happened.

Table 2.6 Sectoral Contributions to GDP

S/N0	Activity Sector	1960-1970	1971-1980	1981-1990	1991-2000	2001-2009
1.	Agriculture	55.8	28.4	32.3	34.2	40.3
2.	Industry	11.3	29.1	41.0	38.6	28.4
3.	Manufacturing	6.6	7.3	6.1	4.9	3.9
4.	Building & Construction	4.8	8.3	2.3	1.8	1.8
5.	Wholesale & Retail Trade	12.8	17.6	14.5	13.8	14.0
6.	Services	15.3	16.5	9.8	11.5	15.5
	TOTAL Value Added	100.0	100.0	100.0	100.0	100.0
	Diversification Index	0.2	0.4	0.4	0.4	0.3

Source: National Bureau of Statistics

Before independence in 1960, the Nigerian economy was mainly agrarian. Since attainment of independence, the successive Nigerian governments have made spirited efforts at transforming the nation into an industrial economy. Industry as a whole contributed only 11.3 per cent of the GDP in 1960-70, growing significantly in the next two decades to a high of 41.0 per cent in 1981-1990, owing largely to the crude petroleum and gas production during the decades. The contribution contracted to 38.6 per cent in the 1990s and further to 29.4 per cent during 2001-2009. Indeed, the contribution of the manufacturing component has on average been below 5.0 per cent in the last two decades. Even the relatively high contribution of oil sector to the industrial sector contribution is being driven largely by crude production and not by the core processing and refining of the primary products.

The contribution of wholesale and retail trade and services has more or less remained stable while that of building and construction rose sharply from 5.3 per cent in the 1960s to 8.3 per cent in the 1970s, but fell consistently, thereafter, to 1.8 per cent during 2001-2009. During and some few years after SAP, the main manufactured exports were textiles, beer and stout, cocoa butter, plastic products, processed timber, tyres, bottled water, soap and detergents as well as iron rods. However, some of these products have disappeared from the export list owing to poor enabling environment. The components of the mining sub sector in Nigeria are crude petroleum, gas and solid minerals. Prior to the advent of petroleum minerals such as coal and tin were the main mineral exports. However, with the emergence of crude oil, the relative importance of solid minerals diminished. Indeed, since the 1970s, the largest mining activity has been crude oil production, which became dominant in terms of government revenue and export earnings. Table 3.7 for details.

Table 3.7: The Composition of the Nigerian Export

Component	2004	2005	2006	2007	2008	2009
Oil Exports	97.5	98.3	97.8	97.9	99.0	95.8
Total Non-oil Export	2.5	1.7	2.2	2.1	1.0	4.2
Agric	33.0	41.9	37.8	39.7	58.3	46.9
Minerals	2.0	4.0	8.5	6.3	7.7	6.7
Semi-Manufactured	48.9	40.6	37.9	39.4	17.0	29.2
Manufactured	5.0	9.8	11.1	10.3	8..7	9.1
Other Exports	11.2	3.9	4.7	4.3	8.3	8.1

The above review of the development of the Nigerian economy brings to the fore important lessons that will highlight the need for more private sector involvement on the one hand and fast tracking of the economy on the other. This section will be discussed using the following outline:

- The relationship between policy regimes and development of the economy
- Growth without poverty alleviation

- The disconnect among the various sectors of the Nigerian economy
- Growing through targeting of the key growth sectors: lessons from the south Asian economies
- Case studies of sectors that have successfully transformed through increased private sector involvement.

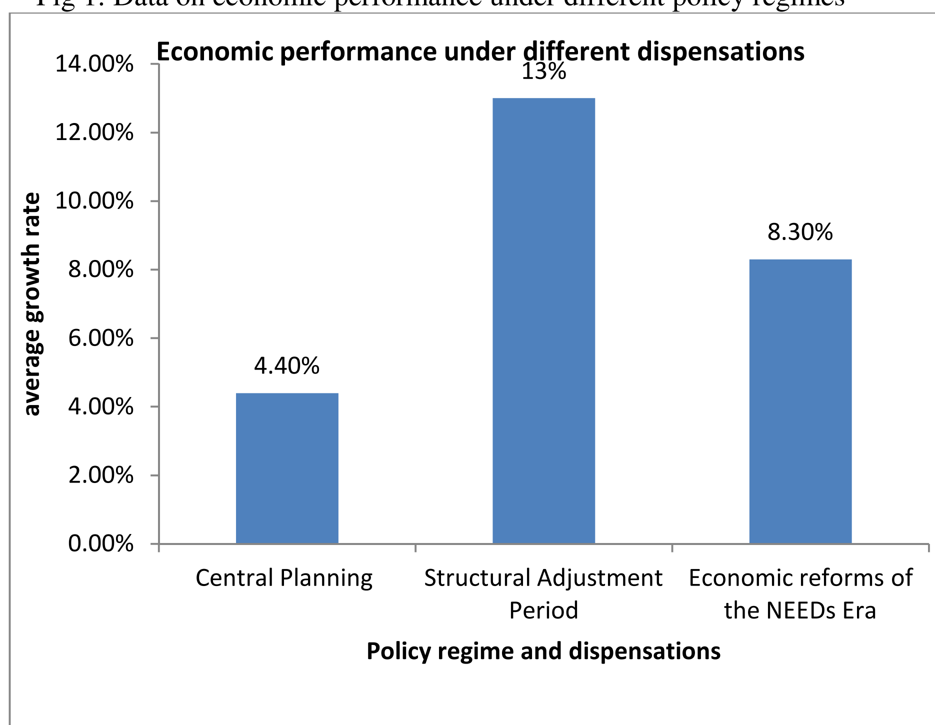
The analysis of the performance trend of the Nigerian economy reveals that there is a relationship between the various government policy thrusts and economic development. Analysis reveals that the economy seems to do better any time the private sector is allowed more time to operate than during central planning.

Table 4.1 data on economic performance under different policy regimes

s/n	Policy regime	Performance	Nature of government	Remarks
1	Central Planning 1960 - 1970 1971 - 1973 1976 - 1980 1982 - 1985 1991 - 1998	GDP Averaged 4.4 %	Military/Republican	
2	Structural Adjustment Period (SAP) 1987-1990	GDP Averaged 13.0%	Military	
3	Economic reforms of the NEEDs Era 1999-2007	GDP averaged 8.3%	Democratic	

Source: adapted from NBS and Sanusi, 2010

Fig 1: Data on economic performance under different policy regimes



4. DISCUSSIONS

The World Bank Doing Business Environment and Competitiveness Reports for the last two successive editions (BECANS, 2007 and 2010; Doing business Report, 2011) highlights

that the Nigerian business environment is characterized by high cost of doing business. The end-result is that the products of Nigerian firms are way beyond the purchasing power of Nigerians and prices uncompetitive for global exports. The sources of these high cost of doing business are multiple taxation, high cost in terms of time and fees for obtaining land and licenses, just to mention but a few.

A major challenge that faces the Nigerian economy is poor economic and social infrastructure. The Nigerian roads are bad and unusable, power supply is epileptic and there is limited supply of clean water, quality health care is inadequate and expensive. Over the years, monies meant to improve these infrastructures are not well managed and in most cases are misappropriated. To alleviate this deficiency most businesses resort to self-provisioning of these infrastructure. The implication is that small business organisations which could not provide these funds drop-out of business while those that were able to provide them succeed in raising their cost of doing business and rendering their products uncompetitive.

A necessary pre-requisite for the smooth operation of businesses is a peaceful and secured environment. This factor has become an elusive one in the Nigerian environment. For some time violent agitations by the indigenes of the Niger Delta on how the resources from their region should be shared and the conduct of the multinationals that exploit oil and gas resources, have made the environment quite insecure. Recently, a combination of socio-economic and ethno-religious uprising such as Boko Haram, kidnapping, etc, in the different parts of the country has further exacerbated the insecurity profile of the country. All these have scared away venture capitalists and reduced the investment propensities of nationals.

Businesses operate within the prevailing macroeconomic environment. The Nigerian macro-economy is anything but stable. Nigerian economy is disproportionately hinged on the proceeds from the sale of crude oil whose price vagaries swing the Nigerian economy like a pendulum. Consequently, the exchange rate, foreign reserve, budget projections and the ensuing balance of payment all hinge on the price of the crude oil. The struggle by the political class to take charge of this oil income has heated up the polity and turns political election into do or dies affair. The oil and gas sector is capital intensive and thus neither provides employment nor linkages with the other sectors of the Nigerian economy. The level of fiscal indiscipline of political leaders is discomforting. Over 60% of the nation's income is used for recurrent expenditure with little left for capital build-up. All these make the macroeconomic environment difficult for the operation of private businesses in the country.

5. CONCLUSIONS

The central goal of this paper is to examine whether or not private sector involvement will accelerate economic development of Nigeria. Study findings among others revealed that the Nigerian economy seems to do better any time the private sector is allowed more time to operate than during central planning. It also shows that the reason for the current growth of the economy without creating job lies in the structure of the Nigerian economy that is delicately hinged on the extraction and sale of the crude oil which directly benefits only about 5% of the working population including the politicians that manage its proceeds. The study identified some sectors that were turned around due to more deregulation and privatisation. It also highlighted some of the challenges that hinder more private sector involvement in economic development of Nigeria.

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