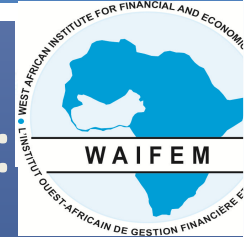


# GROWTH WITHOUT DEVELOPMENT IN NIGERIA: CONFRONTING THE PARADOX<sup>1</sup>

By

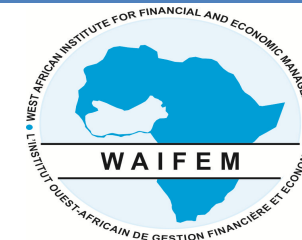
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<sup>+</sup>Paper presented at the 43<sup>rd</sup> Annual ICAN Conference held at the International Conference Centre, Abuja, 8 – 10, October, 2013

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# OUTLINE OF PRESENTATION

- INTRODUCTION AND MOTIVATION
- CONCEPTUAL ISSUES
- PERFORMANCE OF THE NIGERIAN ECONOMY:  
STYLIZED FACTS
- CONFRONTING THE PARADOX IN NIGERIA
- CONCLUDING REMARKS.



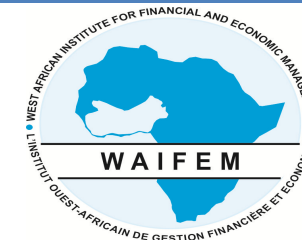
# 1. INTRODUCTION

- Importance of Growth in India, China, Malaysia, Indonesia, Singapore.
- Growth versus Poverty.
- Growth and Planning.
- Role of the Public Sector – private sector may remain the engine of growth but sustained development must be guided by a qualitative public sector consisting of qualitative leadership, skilled technocrats and bureaucrats
- Followership, growth and development



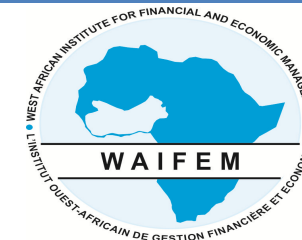
# 1. INTRODUCTION (CONT'D)

- Growth employment generation and poverty reduction.
- modernization and development .
- Inclusive growth and development.
- Nigerian economy and challenges
- Nigerian economy- growth, rising unemployment and
- rising incidence of poverty.



## 2. CONCEPTUAL ISSUES

- Growth, Inclusive growth and economic development.
- Conventional notion of growth and inclusive growth.
- Whether growth is taking place or not:
  - what is happening to unemployment?
  - what is happening to education?
  - what is happening to the provision of health services?
  - what is happening to the provision of shelter, food and water?
  - what is happening to poverty reduction and widening inequality



## 2. CONCEPTUAL ISSUES (CONT'D)

- What is economic development?
  - Not a linear process.
  - Marked by more or less violent clashes, has proceeded by starts and spurts, suffered set backs and gain new terrain.
  - struggle for economic emancipation.
  - process must be propelled by a group/class interested in a new economic order.
  - Group must see development as its utmost priority (development state economic philosophy).



## 2. CONCEPTUAL ISSUES (CONT'D)

- The notion of inclusive growth is to ignore how the cake should be distributed and rejects the multidisciplinary approach to development; growth has always been inclusive.
- All economic agents have always been involved in the process – as the production possibility frontier shifts based on innovations, ideas and knowledge and technology, an economy moves to a higher growth trajectory.
- Government would then worry about equity, fairness and creating a conducive environment to sustain growth and inclusive development.

## 2. CONCEPTUAL ISSUES (CONT'D)



- There cannot be economic development without growth but there can be growth (even if it is inclusive) without development
- Real challenge facing development is how to formulate strategies to poverty reduction.
- Poverty reduction is a function of growth, distribution and the change in distribution.



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY: STYLIZED FACTS



- In 1980, the rate of inflation was 10%; rose sharply to 40.7% in 1987 then plummeted to 4.7% in 1985.
- During the period 1980 – 1985, the economy registered negative growth rates with the rate of unemployment slightly above 5% with negative real interest rates.
- Structural Adjustment Programme of 1986 and outcomes.
- 1987 – 1998 was characterised by sluggish growth of the economy, high lending rates and negative real interest rates.
- From 2000 – 2011 there was some evidence to better manage the economy.
  - inflation rates though double digit was within the acceptable threshold.



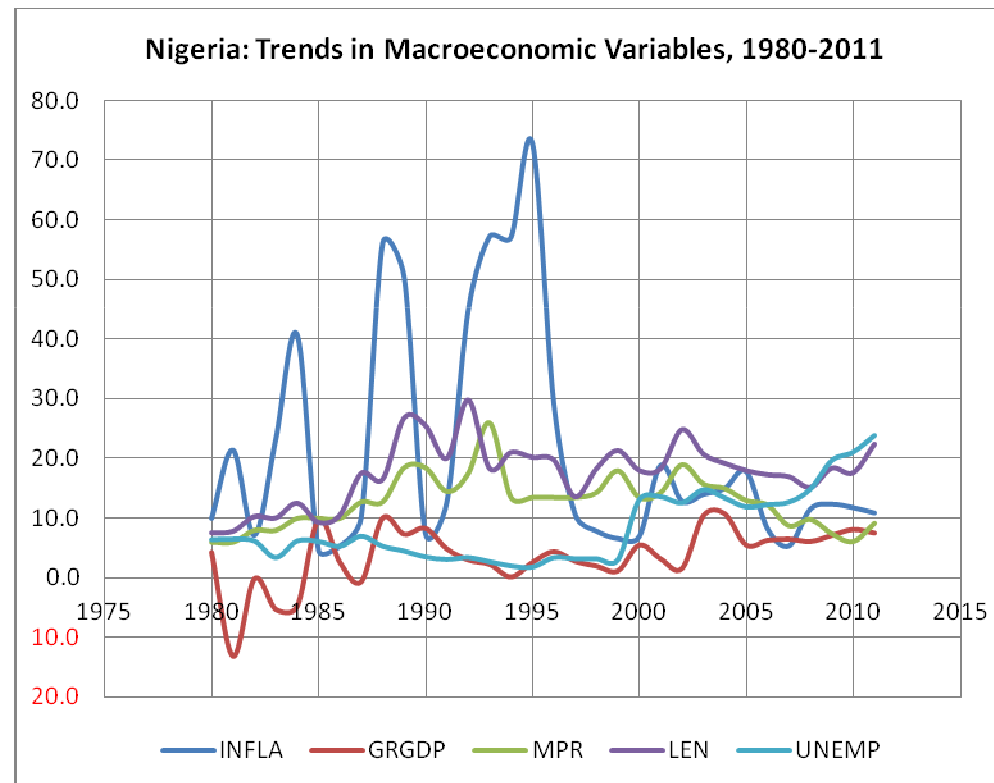
### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)

- economy grew by almost (7%).
- rising unemployment rate (24%).
- output loss hence economy was producing below its potential output.
- Growth was non-employment generating; unemployment rate rose from 13.6% in 2001 to 19.7% in 2009 and 24% in 2012 and it is projected to keep rising (Figures for youth unemployment even higher); jobless growth.

# 3. PERFORMANCE OF THE NIGERIAN ECONOMY

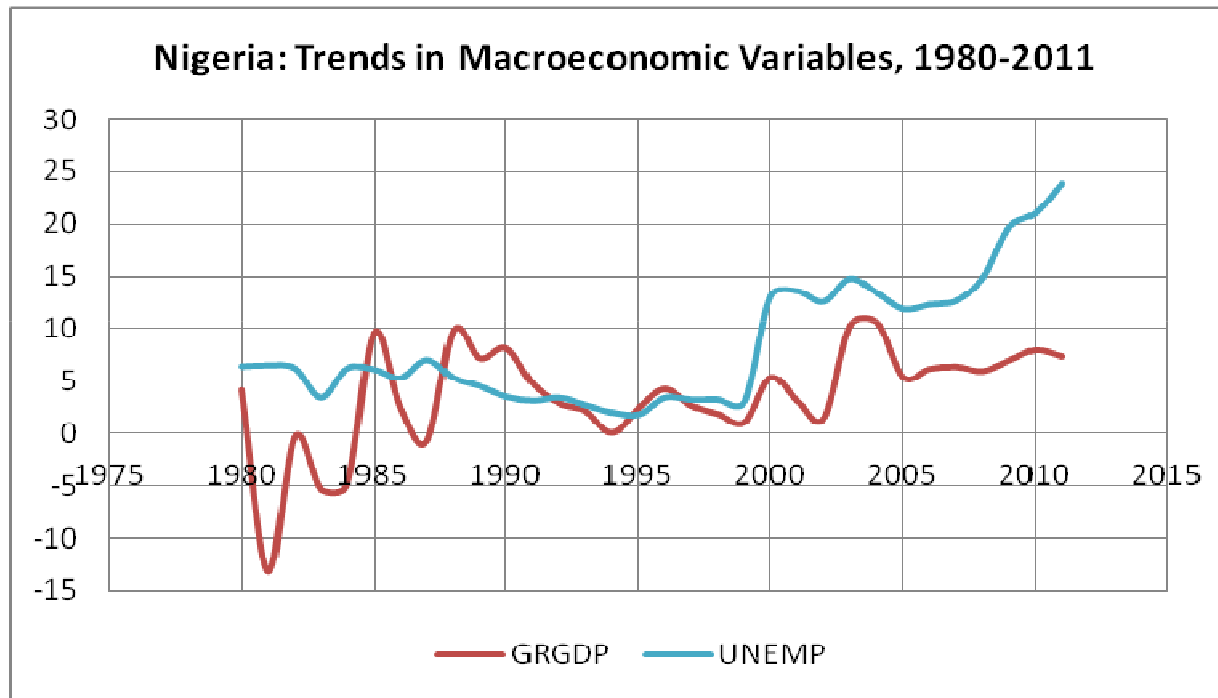


Figure 1



# 3. PERFORMANCE OF THE NIGERIAN ECONOMY

Figure 2

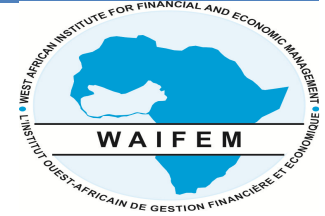


### 3. PERFORMANCE OF THE NIGERIAN ECONOMY



- Sectoral contributions to growth in 2012 and 2013 (Q<sub>1</sub> and Q<sub>2</sub>).
- In 2012, agriculture contributed about 40% to GDP; comparing Q<sub>1</sub> and Q<sub>2</sub> in 2012 to the same quarters in 2013, agriculture's contribution dropped slightly while its growth remained at 4%; decline is noticeable in 2012.
- Agricultural sector has the potential to generate growth and employment.
- The contribution of petroleum and natural gas averaged 15%. But the growth of the sector was negative.

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- Sector itself needs diversification apart from the wider diversification of the economy away from petroleum.
- Sector remains the major foreign exchange earner for the economy.
- Dangerous to depend on an exogenous source of revenue to finance development.
- Contribution of manufacturing to GDP confirms the primitive nature of the Nigerian economy; contribution has remained at almost 4% in the last five years; for a start the contribution of manufacturing to GDP must be at least 25 percent.

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- Telecommunication and post contributed 31.8% to GDP in 2012 and grew by 7% when compared to previous years.
- **The Transformation Agenda stipulates that the economy must grow at double-digit for structural transformation to take place.**
- Using a base growth rate of 11.1%, the economy must grow double-digit for about 15 years; the present economy growth rate is off target.
- China recorded double-digit growth rates for more than 20 years to be able to move millions out of poverty.

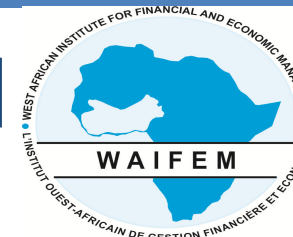
### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- Managers of the Nigerian economy must examine the various sectors and their contribution to GDP.
- The building and construction sub-sector's contribution to GDP was 3.27% in 2012 and 2.39% in Q<sub>2</sub> of 2013; real estate presents similar patterns.
- Growth in the building, construction and real estate would enhance growth and generate employment. Thus policy must be directed at enhancing the housing sub-sector in order to generate employment and reduce poverty thus confronting the paradox.



# 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 1. Nigeria: Sectoral Contribution to Real GDP at 1990 Constant Prices, 2012 – 2013 (Q<sub>1</sub> – Q<sub>2</sub>) in %**

Item	2012				Total	2013	
	Q <sub>1</sub>	Q <sub>2</sub>	Q <sub>3</sub>	Q <sub>4</sub>		Q <sub>1</sub>	Q <sub>2</sub>
Agriculture	34.47	40.69	42.62	38.20	39.21	33.69	40.06
Solid Mineral	0.33	0.38	0.43	0.37	0.38	0.34	0.40
Crude Petroleum & Natural Gas	15.80	13.86	13.42	12.59	13.76	14.75	12.90
Manufacturing	1.12	3.96	3.53	7.12	4.20	1.14	3.98
Telecommunication & Post	7.29	7.28	6.73	7.01	7.05	8.53	8.37
Finance & Insurance	4.07	3.98	2.92	2.83	3.37	3.96	3.95
Wholesale & Retail Trade	23.39	17.12	18.81	20.66	19.92	23.75	17.32
Building & Construction	3.01	2.21	1.68	2.09	2.19	3.27	2.39
Hotel & Restaurants	0.69	0.56	0.53	0.47	0.55	0.74	0.60
Real Estate	2.03	2.03	1.73	1.70	1.85	2.10	2.12
Business & Other Services	1.07	1.12	0.84	0.83	0.95	1.09	0.60
Others	6.74	6.81	6.76	6.13	6.58	6.66	6.74

Source: National Bureau of Statistics, Abuja.

## 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 2. Nigeria: Sectoral Growth of GDP (1990 Constant Prices)  
2012 – 2013 (Q<sub>1</sub> – Q<sub>2</sub>) in %**

Item	2012					2013	
	Q <sub>1</sub>	Q <sub>2</sub>	Q <sub>3</sub>	Q <sub>4</sub>	Total	Q <sub>1</sub>	Q <sub>2</sub>
Agriculture	4.37	4.21	3.89	3.62	3.97	4.14	4.52
Solid Mineral	11.65	11.72	12.61	13.59	12.52	12.00	11.84
Crude Petroleum & Natural Gas	-2.32	-0.73	0.08	-0.79	-0.91	-0.54	-1.15
Manufacturing	5.17	7.59	7.78	7.70	7.55	8.41	6.81
Telecommunication & Post	34.06	29.38	31.57	32.44	31.83	24.53	22.12
Finance & Insurance	3.57	5.01	4.08	3.48	4.05	3.61	5.18
Wholesale & Retail Trade	8.42	8.65	9.62	11.19	9.61	8.22	7.44
Building & Construction	13.28	12.73	11.52	12.55	12.58	15.66	14.87
Hotel & Restaurants	11.45	12.30	12.33	12.54	12.15	13.61	13.69
Real Estate	9.34	10.81	10.24	11.09	10.44	10.06	10.88
Business & Other Services	7.67	11.26	9.11	10.46	9.69	8.63	11.33
Others	4.97	4.84	5.25	5.57	5.18	5.37	5.06
Real Growth at Basic Prices	6.34	6.39	6.48	6.99	6.58	6.56	6.18
Non.oil Growth	8.14	7.63	7.55	8.21	7.88	7.89	7.36

*Source: National Bureau of Statistics, Abuja.*



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)

- Growth, Employment and Poverty

**Table 3: Nigeria: Labour Market Indicators, 2006 – 2011 (Million)**

Item	2006	2007	2008	2009	2010	2011
Nigeria Population	140.4	145.0	150.0	154.3	159.2	164.3
Economically Active	78.9	81.4	84.1	86.7	89.5	92.4
Labour Force	57.5	59.3	61.2	63.1	65.1	67.2
Employed	50.3	51.7	52.0	50.7	51.2	51.1
Unemployed	7.1	7.5	9.1	12.4	13.9	16.1
Newly Unemployed	-	0.46	1.6	3.3	1.5	2.1

Source: National Bureau of Statistics: **2011**  
**Annual Socio-Economic Report, Abuja**

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



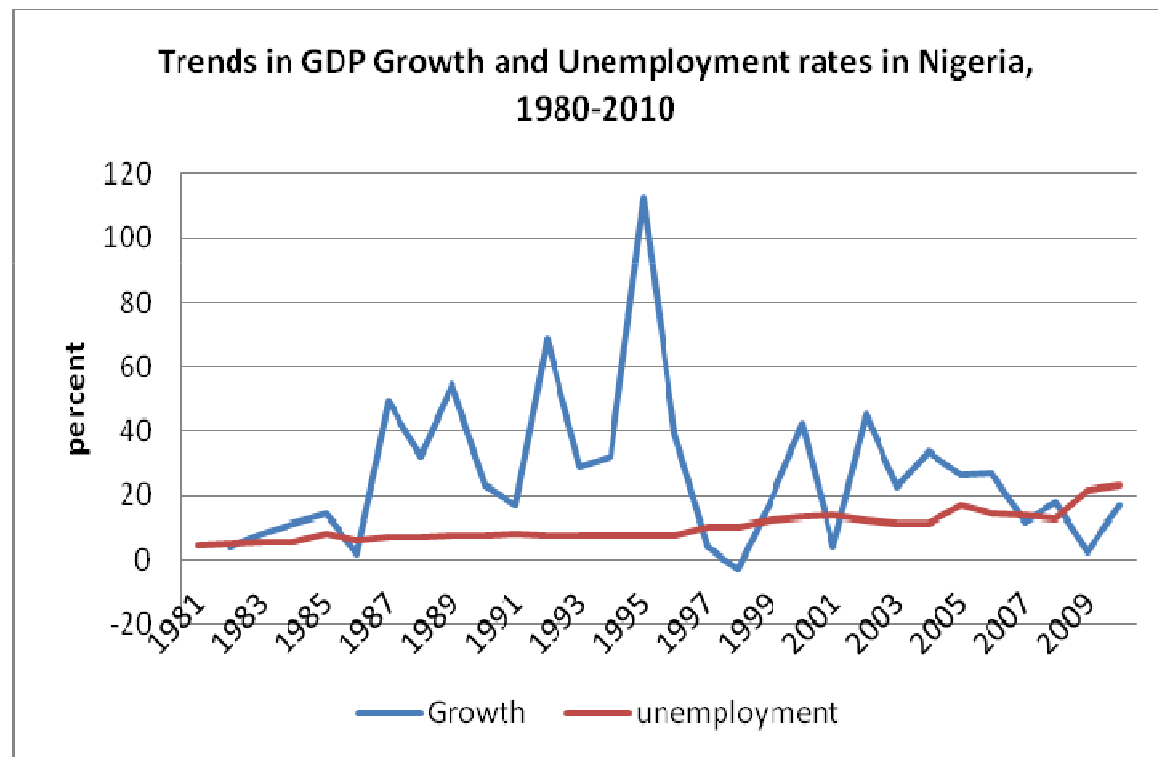
Figure 3



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



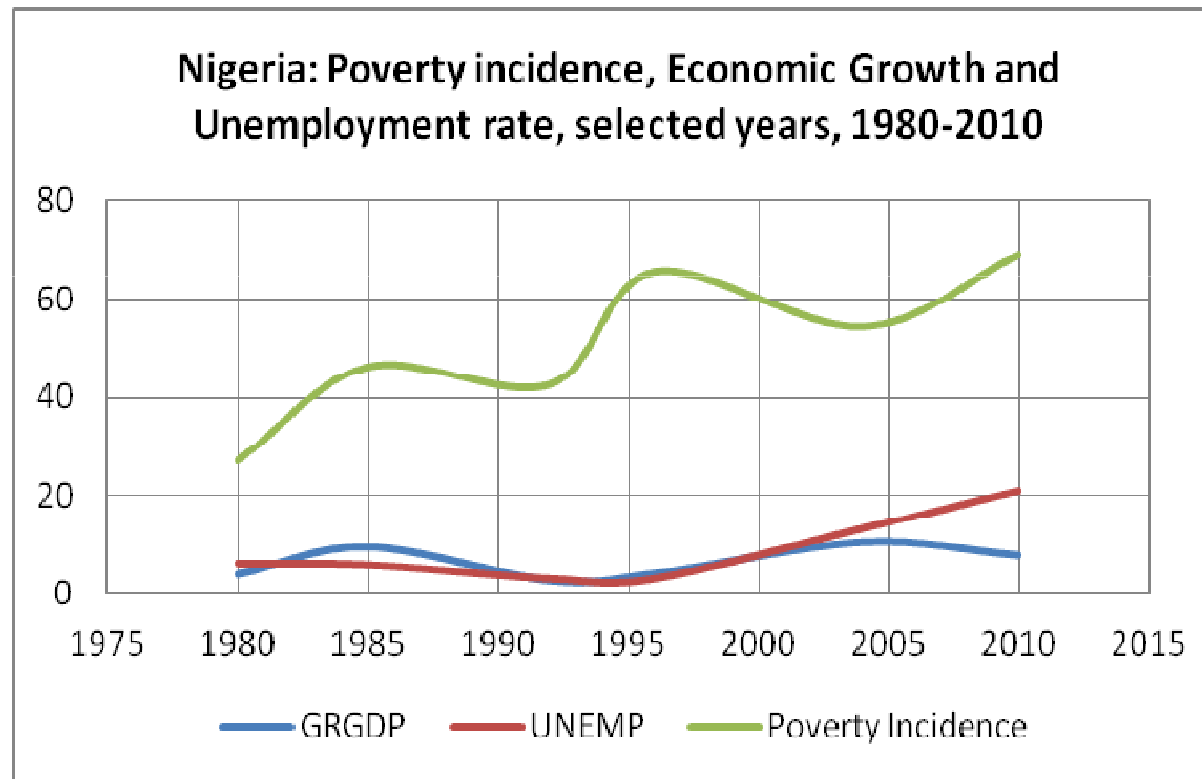
Figure 4



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



Figure 5



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- In 2006, out of a population of 140.4 million, 78.9 were economically active; from this, the labour force was about 58 million while 7.1 million were unemployed. The absorption from the labour force remained marginal from 2008 – 2011 reflecting the period of high unemployment.
- Another disturbing trend is that in 2011, unemployment rate for ages 15 – 24; 25 – 44 and 45 – 59 was 37.7%, 22.4% and 18% respectively. These rates are quite high for a very active population.

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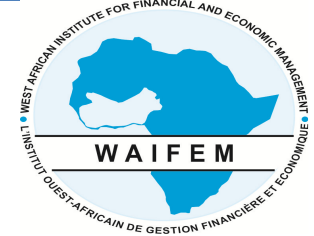
### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- In addition, the rural unemployment rate in 2011 was 38.2% compared to 33.5% in the urban area. In 2011, the unemployment rate for those with doctorate degrees was 9.1 percent. Despite the positive growth rates, millions of the unemployed fall within the ages of 15 – 44 years.
- If growth is taking place, then poverty should be declining. The evidence shows that the incidence of poverty has been rising. In 1980, the incidence of poverty stood at 27.2 percent. It increased to 54.4% in 2004 and rose sharply to 69% in 2010. In 2010, 112.47 million Nigerians were in poverty. From 2004- 2010 the average growth of the economy



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



was 7%.

Robust growth resulting in rising incidence of poverty and rising unemployment; rising discomfort and misery indices – What a paradox!

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### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 4. Poverty In Nigeria, 1980 – 2010**

Year	Poverty Incidence (%) (Head Count)	Estimated Population (Million)	Population In Poverty (Million)	Non-Poor	Moderately Poor	Extremely Poor
1980	27.2	65.0	17.1	72.8	21.0	6.2
1985	46.3	75.0	34.7	53.7	34.2	12.1
1992	42.7	91.5	39.2	57.3	28.9	13.9
1996	65.6	102.3	67.1	34.4	36.3	29.3
2004	54.4	126.3	68.7	43.3	32.4	22.0
2010	69.0	163.0	112.47	31.0	30.3	38.7

Source: National Bureau of Statistics (NBS). *Nigeria's Poverty Profile, 2010*

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 5. Geo-Political Structure of Poverty in Nigeria, 2010**

Zone	Food Poverty	Absolute Poverty	Relative Poverty	Under \$1 Per Day
North Central	38.6	59.5	67.5	59.7
North East	51.5	69.0	76.3	69.1
North West	51.8	70.0	77.7	70.4
South East	41.0	58.7	67.0	59.2
South South	35.5	55.9	63.8	56.1
South West	25.4	49.8	59.1	50.1



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)

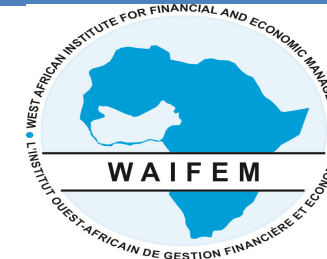
- Zonal incidence of poverty shows that the South-West zone has the least incidence while the North-West zone has the highest proportion of the poor by all dimensions of poverty measurement closely followed by the North-East zone.
- When you examine the outcomes of growth in other countries, the results make economic sense. For Indonesia, GDP grew by 6.2% between 2011 and 2012, the rate of inflation averaged 4.9% while the rate of unemployment was about 6% - reasonable growth rates coupled with single-digit inflation with almost full-employment output; the pattern is similar for Malaysia, China, and Singapore.

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



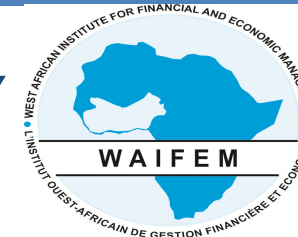
- Regarding human development index (HDI); for Nigeria HDI value for 2012 was 0.471 which is in the low human development category.
- Nigeria is positioned 153 out of 187 countries and territories. Between 2005 and 2012, Nigeria's HDI value increased from 0.434 to 0.471, an increase of 9% or an average annual increase of almost 1.2%.

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- Between 1980 and 2012, Nigeria's life expectancy at birth increased by 6.8 years, mean years of schooling increased by 0.2 years and expected years of schooling increased by 2.4 years.

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 7: Nigeria: HDI Trends Based on Consistent Time Series Data, New Component Indicator and New Methodology**

Year	Life Expectancy At Birth	Expected Years of Schooling	Mean Years of Schooling	GNI per capita (2005 ppp )	HDI Value
1980	45.5	6.6	-	1,571	-
1985	45.9	8.4	-	1,202	-
1990	45.6	6.5	-	1,274	-
1995	45.1	6.5	-	1,303	-
2000	46.3	7.2	-	1,285	-
2005	49.0	79.0	5	1,540	0.434
2010	51.4	9.0	5.2	1,928	0.462
2011	51.4	9.0	5.2	2,017	0.467
2012	52.3	9.0	5.2	2,102	0.471

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



**Table 8. Nigeria's HDI Indicators for 2012 Relative to Selected Countries And Groups**

	HDI Value	HDI Rank	Life Expectancy at Birth	Expected Years Of Schooling	Mean Years of Schooling	GNI per capita (PPPUS\$)
Nigeria	0.471	153	52.3	9.0	5.2	2,102
Ethiopia	0.396	173	59.7	8.7	2.2	1,1017
Congo (Dem Rep)	0.304	186	148.7	8.5	3.5	0,319
Sub-Saharan Africa	0.475	-	54.9	9.3	4.7	2,010
Low HDI	0.466	-	59.1	8.5	4.2	1,633

Source UNDP Human Development Report



### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



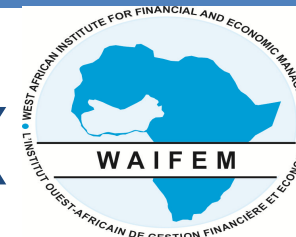
- A recent survey (NBS, 2013) on tracking the performance of the millennium Development Goals (MDGs) shows that Nigeria has done well in the following areas –
  - Grade 6 school completion rate
  - under-five mortality rate (per 1000 live births)
  - infant mortality rate (per 100,000 live births)
  - maternal mortality rate (per 1000,000 live births)

### 3. PERFORMANCE OF THE NIGERIAN ECONOMY (CONT'D)



- But the country has not performed well (MDGs) in these areas:
  - % of population using improved drinking water
  - % of population using improved sanitation facility
  - improved drinking water piped into dwelling, plot or yard.
- Growth without development does not imply that some Nigerians are not benefiting from growth; there is an emerging middle class benefiting from growth.

## 4. CONFRONTING THE PARADOX



•The empirics on the Nigeria economy show clearly that though certain macroeconomic fundamentals like the inflation rate may move in the right direction, others such as unemployment, lending rates are not. In addition, poverty is rising and most of the social indices point to an economy that is growing but not experiencing development; primary production and export of crude petroleum define the economy. The discomfort and misery indices are also rising.



## 4. CONFRONTING THE PARADOX (CONT'D)

- In order to confront the seeming paradox, there must be a general consensus that there is a disconnect between growth and development. For example, it is proper to state that the unemployment situation is indeed a crisis – 24 percent rate of unemployment and rising is definitely above the 5 percent benchmark. Apart from the output loss, the social vices linked to unemployment particularly youth unemployment cannot be over-emphasized. Consequently, confronting the paradox of growth without development requires the following:



## 4. CONFRONTING THE PARADOX (CONT'D)

- A proper diagnosis of the problems/challenges facing the economy with a view of arriving at an appropriate development framework. The leadership and policy-makers seem to have imbibed planning of the economy yet there is over-dependence on the market mechanism; there are certain aspects of the economy where the market mechanism should be used as an instrument. For example, the concept of inclusive growth will not reduce sharply the rate of unemployment. The present intervention such as the SURE-P and Youth Enterprise with Innovation (YOUWIN) programmes are short-term and may provide quick – wins but may not be sustainable if they are not integrated into the planning process. Studies have confirmed that government policies despite implementation challenges are still relevant in Nigeria (Ekpo, 2011).



## 4. CONFRONTING THE PARADOX (CONT'D)

- **What is the economic philosophy of government? The Transformation Agenda is not an economic philosophy but a strategy for moving the economy away from commodity export dependency.** If the economic philosophy is anchored on neo-liberalism then the impact of government intervention would take a very longtime, if at all, to bear fruits. This philosophy centers on the so-called trickle-down effect which is known for marginal results. A developmental state economic philosophy as a minimum would fast-track development; countries like Singapore, Malaysia, India and Japan have adopted modified versions of a developmental state economic philosophy. Within this context, emphasis would be on inclusive development.



## 4. CONFRONTING THE PARADOX (CONT'D)

- **Role of the State.** A strong state sector would guide and manage the development process. In his contribution to a 'new structural' approach to development, Stiglitz(2012) argues that even well functioning market economies are, on their own, neither efficient nor stable. **Government not only has a restraining role, it has a constructive and catalytic role – in promoting entrepreneurship, providing the social and physical infrastructure, ensuring access to education and finance and supporting technology and innovation.**



## 4. CONFRONTING THE PARADOX (CONT'D)

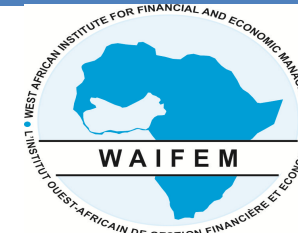
- **Infrastructural development.** This involves both hard and soft. Examples of hard infrastructure are highways, post facilities, airports, railways, telecommunication systems, electricity grids, and other public utilities. Soft infrastructure comprises institutions, regulators, social capital, value systems as well as other social and economic arrangements like investment in education and health. Infrastructure is crucial as it affects the individual firm transaction costs and the marginal rate of return on investment. The present administration must be commended for unbundling PHCN and it is hoped that in no distant future epileptic power supply would be a thing of the past. No economy develops with power from generators; businesses in Nigeria spend billions of Naira in private power supply.





## 4. CONFRONTING THE PARADOX (CONT'D)

- **Quality of leadership.** This is an important element in the development process. A core of leadership committed to development by ensuring that millions of persons are rescued from poverty is essential. The leadership must regain the confidence and trust of the people.
- **Growing the Real Sector.** The modernization of agriculture and industrialization of the economy would generate employment as the economy grows. A vibrant real sector would result in the diversification of the economy with multiplier effects to the economy. To ensure the growth of the real sector, lending rates must decrease to single-digit. Government has the power to break the oligopolistic structure of banks by forcing 'competition' in the sub-sector.



## 4. CONFRONTING THE PARADOX (CONT'D)

- **Residential Construction.** The housing sub-sector remains a growth and employment generating component of investment. It is urgent that policies directed at the housing sub-sector be implemented; the provision of housing to low, middle and high income earners would generate jobs for all skills; the growth of the housing sub-sector has been very marginal.



## 4. CONFRONTING THE PARADOX (CONT'D)

- **Investment in Knowledge.** Apart from the continuous investment in education and skills acquisition, it is important to support ideas and innovations; it is essential that funds be provided to encourage the development of knowledge and eventual marketing of ideas. The private sector cannot optimally support this process. Government has the capacity to provide such funds so that new knowledge, ideas and innovations can be domesticated in the economy. This calls for a link between universities, research institutions and the market. The outcomes of such relationship would ensure sustainable growth and development of the economy.



## 4. CONFRONTING THE PARADOX (CONT'D)

- **Nigeria's Federalism, Growth and Development.** Nigeria is a federation with 36 states, 774 local governments and a Federal Capital Territory (FCT). The federating units have their own economies that are even larger than some countries in SSA. These sub-economies must also grow and generate employment, reduce poverty and guarantee inclusive growth. It is unhealthy for the economies in the states to solely depend on federal allocations to meet recurrent expenditures. States should be able to conceptualize, formulate and implement economy policies

## 4. CONFRONTING THE PARADOX (CONT'D)



that would ensure the growth and development of their economies. Most of the states have very high rates of unemployment hence attempt to reduce these rates would also affect the national rate. It is very difficult to find manufacturing, business and economic activities in most states of the federation. The provision of quality goods and services would enhance growth and development as well as reduce poverty in the states and local governments. Nigeria's federalism should be more competitive than cooperative.



## 5. CONCLUSION

- We have examined growth without development within the Nigerian context and argued that a country cannot experience sustained economic development without impressive growth rates. The positive growth of the Nigerian economy has not translated into development as evidenced by very high and rising rates of unemployment, poverty incidence of almost 70 per cent and low human development index.



## 5. CONCLUSION (CONT'D)

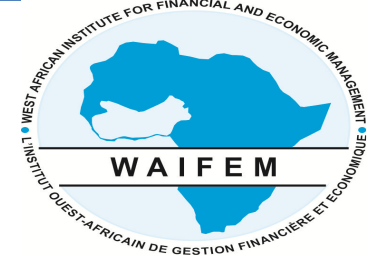
- This is against the background that certain macroeconomic fundamentals such as the rate of inflation (now single-digit) are moving in the right direction. However, lending rates which are crucial in revamping the real sector remain quite high and therefore serve as a disincentive to investment. When Asian economies registered impressive growth rates of double digits over a long period of time, their unemployment rates were below 5 per cent; in addition, millions of their citizens were moved out of poverty.

## 5. CONCLUSION (CONT'D)



- In order to confront the paradox of growth without development, we suggested the implementation of a developmental state economic philosophy, investment in the housing sub-sector, infrastructural development particularly power, strong state sector, the need for states and local governments to be competitive and develop their own economies as well as investment in knowledge, ideas and innovations. It is the responsibility of government to guarantee sustained development that is inclusive. Confronting the paradox requires not only the necessity of re-thinking the development blueprint but also the need to think outside the box.





**THANK YOU FOR YOUR  
KIND ATTENTION  
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