Diversification of The Nigerian Economy for Sustainable Development

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Abstract

The economic dangers of extreme dependence on a single product are very obvious. It is against this backdrop that this paper examines the need for the diversification of the Nigerian economy for sustainable development. The study discusses the concepts of economic diversification and sustainable development, the rationale for the diversification of the Nigerian economy, benefits derivable from diversifying the Nigerian economy and the challenges of economic diversification in Nigeria. The study concludes that achieving Nigeria's quest for economic diversification and its sustainable development objectives depend on and urgently requires addressing the myriad of challenges of economic diversification. These include: policy impediment, poor infrastructure, low level human capital development, corruption and mismanagement, weak institutional framework, low level of technology and poor access to funding. This paper recommends the need for **a** leadership, audacious enough to engender social change that Nigeria requires to push its quest for economic development that addresses key sectors of the economy.

Introduction

Nigeria is diversified in terms of its people and culture. There are more than 300 tribes or ethnic nationalities with diverse cultures and religions. The country has a population of about 170 million people (Central Intelligence Agency, 2013). Its unity and stability is based on that diversity. It is also climatically diverse, from the tropical jungles and swamps of the south-south to the temperate belt around Jos and Obudu, to near desert conditions in parts of the far north. The various parts of the country are also very well endowed with all sorts of mineral and other resources. With all the human and natural resources, the country's economy depend on one major commodity, namely oil. There is a need to broaden its revenue base.

At independence in 1960, the main source of Nigeria's revenue was agriculture and solid minerals. The discovery of petroleum in the country in the 1960s and the blooming of petroleum in the global market led to Nigeria's over dependence on petroleum and a gradual but consistent neglect of agriculture and other sectors of the economy. The Nigerian economy has for decades precariously leaned on the fragile leg of crude oil. Consequently, it has had a chequered growth trajectory driven by the vicissitudes of oil prices. Presently, petroleum accounts for over 90% of Nigeria's export revenue and over 80% of the government's budget. Most of this petroleum revenue has been mismanaged through corruption and disoriented, myopic and short term economic programmes (Anyaehie, & Areji, 2015).

At the advent of democracy in 1999, Obasanjo's first full national budget in 2000 was under N600 Billion, but now there is as much as between 800% to 900% increase over that, yet one can only see little development but only a litany of excuses while the vision 20-2020 remains a mirage. Vision 20-2020 is Nigeria's strategic plan and quest to turn around her long term development challenges by maximally creating and appropriating existing opportunities and potentials inherent in the economy to launch herself into the club of the twenty most industrialized nations of the World by the year 2020. The plan spans the immediate, short, medium and long term space and measures to reinvent the economy(Suberu, Ajala, Akande & Olure-Bank,

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2015). However, there is little to show that there is a time table to this effect, not to talk of following it. While other countries were taking oil money and putting same into other sectors, which is diversifying, Nigeria has been using surplus oil money and putting it back into oil. In so doing, Nigeria has been confirming the saying that "its problem is not money but how to spend it". This emerging trend suggests the reasons why in the last nine years the economy of the country was growing without job creation and poverty reduction (Onodugo, Benjamin & Nwuba, 2015)

It is equally unfortunate that the different tiers of government in Nigeria cannot pay their workers, not to talk of embarking on any meaningful project without reliance on petroleum revenue. The situation has left the economy of the country at the mercy of the vagaries of international petroleum market. Again, the neglect of other sectors of the economy has left majority of her work force unengaged or under-engaged, creating a large pool of unemployed that becomes easy tools for crime and criminality in the country. Although various reasons have been adduced for Nigeria's poor economic performance, the major problem has been the economy's continued excessive reliance on the fortunes of the oil market and the failed attempts to achieve any meaningful economic diversification. This therefore informed the need to correct the existing structural distortions and put the economy on the path of sustainable growth through diversification of non-oil sectors of the economy.

Theoretical Framework

Development is the process of enhancing the economic, socio-cultural, political, legal and technological living standards of a people through the exploitation of natural resources. It becomes sustainable when it meets the needs of the people not only now but also for the future generations. Anyaehi & Areji (2015), posit that the main goal of development is to satisfy human needs and aspiration. It involves actualization of human potentialities, and proper understanding and management of the environment and the resources therein for sustained and continual improvement of quality of human life, both for now and the future.

Development is sustainable when a country is committed to a national policy on environment that ensures proper management of natural resources in a manner which meets the needs of the present and future generations (Emaviwe, 2016). Nwabueze and Ozioko (2016) observe that sustainable development leads to the fulfillment of societal ideals considered relevant to the needs and aspirations of the society. Factors which influence such development are based on human ability to explore, invent and utilize. To pursue sustainable development is to ensure socially responsible economic development while protecting the resources base for the benefit of future generations.

Economic diversification is when the country has incomes from many different sources that are not directly related to each other. Uzonwanne (in Mbaegbu 2016), sees economic diversification as the strategy of making the economy dependent on a wide range of products and sectors instead of relying on a few or just one product. It also means integrating the economy into different regions of the global economy so that a robust economic growth and sustainable development can be generated.

Economic diversification is generally taken as the process in which a growing range of economic outputs is produced. It can also refer to the diversification of markets for exports or the diversification of income sources away from domestic economic activities i.e.,income from overseas investment (United Nations, 2014). Economic diversification means different things depending on the context. The predominant way of thinking about it is what is known as economic complexity, which is the idea that countries should not be dependent upon a small number of products for their economic livelihoods. For example, a country that has an economy based predominantly on oil production is neither particularly complex nor economically diverse. On the other hand, a country that has a strong manufacturing base, a vibrant services sector, a burgeoning natural resource sector, and a booming agricultural sector is quite complex and diverse.

With regard to Nigeria, economic diversification is the process of avoiding over-dependence on crude oil to the neglect of agriculture, manufacturing, extractive industry, services/trade and the other emerging sectors and revenue earners. Available statistics indicate that since the 1970s when the Civil War ended and Nigeria experienced oil boom, there has been over reliance on crude oil as the main revenue earner. For example between 1980-1990 total revenue was N47,657,000,000 out of which revenue from oil was N46,244,000,000. Oil share of revenue was 97.24% (NNPC Annual Statistical Bulletin 1994 in Mbaegbu, 2016)

Before the dominance of oil, Nigeria used to export agricultural products namely: oil palm produce, cocoa, groundnut, cotton, etc. The solid minerals exported included tin ore, iron, cobalt, coal, colombite, etc. With the reliance on oil all these non oil exports were neglected and Nigeria became a mono cultural economy; depending on the vagaries of oil prices in the world market for its revenue and economic progress. The essence of diversification is to make Nigeria go back to a non oil economy based on the quadrupod of agriculture, manufacturing, trade/services and the other emerging sectors like entertainment and telecommunication.

Work in the area of economic diversification can contribute to efforts of all Nigerians, to:

- Exchange experiences and opportunities on the development and dissemination of measures, methodologies and tools aimed at increasing economic resilience;
- Exchange experiences and lessons learned in economic diversification, including ways to develop institutional capacity, and improve understanding on how economic diversification can be integrated into sustainable development plans, especially those that promote sustainable economic growth and eradication of poverty.

Rationale for the Diversification of the Nigerian Economy

The prevailing economic situation has prompted Nigeria to work harder to further diversify the economy to enhance government revenue. This is not something new; this is what Nigeria has been clamoring for since the 1970s and 80s: to diversify its economy and improve its revenue base towards sustainable development. In fact, between 1988 and 2012, crude oil as a share of government revenues has fluctuated between 70% and 80%; often higher than 70% and in some cases higher than 80%. Interestingly, the decline started in 2011 when the crude oil share of government revenues declined from 80.95% in 2011, to 75.88% in 2012, to 67.25% in 2013, and 67.12% in 2014 (National Bureau of Statistics, 2015).

At the time, some misinterpreted the data by suggesting that this reflected improvement in the diversification of government revenue as the share of oil to revenue was declining. The truth was that revenue from oil was declining due to a reduction in the price and quantity of oil produced. True diversification occurs when the share of oil revenue drops due to a significant rise in the value of non- oil revenue. But in this case non- oil revenue stayed more or less constant but oil revenue dropped due to constraints in the sector but was erroneously touted as an improvement in revenue diversification (Yemi, 2016)

Since around 2011, there has been renewed clamoring for economic and revenue diversification, although policy makers have tended to sometimes turn a blind eye as revenues were so high, but now, crude oil economy has fallen and non-crude oil economy is not doing any better. This in turn is hampering government's ability to provide essential public services and thus hampering development.

Consequently, efforts have been made over the years by Nigerian governments to grow the non-oil sector of the economy by initiating supportive policies and incentives to encourage the diversification of the economy. These policies can be categorized into three, namely:

- Protectionism Policy (1960 to 1986) - Import substitution industrialization was aimed at expanding the industrial base, enhancing cash crop exports, encouraging farmers to expand their farms and increasing the production of cash crops. The ultimate goal was to protect domestic industries that were set up to produce import substitutes.
- Trade Liberalisation Policy (1986 SAP era)- Trade policies of this era was aimed at deregulation, commercialization, privatization and liberalization of the economy in order to achieve greater openness to and integration with the world economy; and to tackle the challenges of imbalances in the economy and thereby pave way for sustainable economic

growth and development, and

- Export Promotion Policy (Post SAP period) - Government policies from 1999 till date are aimed at facilitating the diversification of the economy through policy support to SMEs to enhance the export of their products. Export grant is given to exporters to cushion the impact of infrastructural disadvantages faced by Nigerian exporters and to make exports competitive in the international market (Onodugo, Benjamin & Nwuba, 2015).

Despite these policies measures by the Nigerian governments aimed at diversifying the economy, Nigeria still stands the risk of not meeting the targets of almost all the developmental indices. This is largely because of the following factors:

- The impact of climate change threatens to escalate in the absence of adequate safeguards and there is a need to promote the integrated and sustainable management of natural resources and ecosystems and take mitigation and adaptation action in keeping with the principle of common but differentiated responsibilities;
- Hunger and malnourishment, while decreasing in some parts of the country, remain persistent in other parts, and food and nutrition security continues to be an elusive goal for many; - Income inequality within and among people in the country has been rising and has reached an extremely high level, invoking the spectre of heightened tension and social conflict;
- Rapid urbanization in some parts of the country, calls for major changes in the way in which urban development is designed and managed, as well as substantial increases of public and private investments in urban infrastructure and services;
- Energy needs are likely to remain unmet for hundreds of millions of households, unless significant progress in ensuring access to modern energy services is achieved;
- Recurrence of financial crises needs to be prevented and the financial system has to be redirected towards promoting access to long-term financing for investments required to achieve sustainable development (UN/ DESA, 2013).

Benefits Derivable from Economic Diversification in Nigerian

The benefits derivable from diversification vary from one economy to the other. The under mentioned are some of the benefits of diversification (Ezeudu, 2014).

Exploitation of local resources: Economic diversification enhances the efficient exploitation of the country's abundant material and mineral resources which are converted into products for consumption.

Employment generation: Economic diversification creates job opportunities to individuals thereby reducing the problem of unemployment in the country.

Resource mobilization: Diversification encourages and enhances effective resource mobilization of skills, knowledge and machines which might otherwise remain unutilized and idle.

Import substitution: Import substitution is means of replacing imported products with domestic production. The exploration and utilization of local resources has replaced the importation of some products which deplete the nation's reserves.

Export promotion: Diversification promotes the production of goods that are exportable, hence reduces the country's overdependence on foreign made goods thereby earning and saving foreign exchange.

Increased GDP: The value of output of goods and services realized from diversification enormously contributes to the GDP of the nation.

Poverty Reduction: Diversification provides jobs to many unemployed persons thereby reducing the rate of poverty and social vices in the country.

Wealth creation: Diversification leads to development of entrepreneurs and as a result serves as a source of income to the nation through the payment of taxes generated from their businesses. These taxes are in turn used by the government for the uplifting and development of the nation.

Challenges of Economic Diversification in Nigeria

Despite policy measures by the Nigerian

governments aimed at diversifying the economy, government policies in this area have not been effective. This is due to a number of challenges which include:

Policy Impediments: A major challenge to the diversification of the Nigerian economy is policy impediment in the form of inadequacy, inconsistency, and instability of existing policies on diversification (Bassey, 2012). Even where there are sound policies, they may not be met due to the problem of ineffective implementation, non-enforcement or poor coordination. Sometimes well-intended policies are deliberately thwarted by implementing technocrats.

Poor Infrastructure: This is a national challenge in Nigeria because the development and diversification of the economy is faced with the challenge of poor economic and social infrastructure. Bad road network, erratic power supply, scarce potable water, poor healthcare facilities, poor transportation and communication network, scarcity of investible fund, and poor and unstable educational system are among the main constraints to economic development and diversification of the economy (Anyaehie & Areji, 2015).

Low level of human capital development: Human capital is a broad concept which identifies human characteristics which can be acquired and which increase income. It is commonly taken to include peoples' knowledge and skills, acquired partly through education, but can also include their strength and vitality, which are dependent on their health and nutrition (United Nations, 2010). The Nigerian educational system is tailored to bureaucracy and not to productivity. Nigerian educational system produces educated graduates without skills. Certificate acquisition is treasured above skill and productivity. It is unfortunate that the nation is playing down skill acquisition and technological institutions for universities. This has led to massive pool of unemployed graduates which continue to strain the economy

Corruption and Mismanagement of Resources: Anyaehie and Areji (2015), observe that the endemic nature of corruption in Nigeria makes it very difficult to effectively manage the nation's economy and sustain any policy that will transform the economy. The economy and its policies are corruptibly sabotaged to satisfy individual or sectional interests. The huge earnings of the nation end in private hands. They do not make significant impact on the living standard of the people or on the economic fortune of the nation. It is the endemic corruption that denies the nation the most needed revenue for infrastructural and economic development.

Weak Institutional Framework: The institutional framework for economic diversification in Nigeria is weak (United Nations, 2010). As a matter of fact, it is shamefully weak.This is because to kick-start the economy, the government needs to be seriously committed to the course. There is poor state of corporate governance and institutions in the country due to poor ethical standards in both public and private organizations. These frustrate the achievement of the goals of different economic and social policies. Nigerian government has over the years, resolved to embark on economic development and diversification but most of the policies yielded marginal effect as they were truncated along the line due to weak institutions and political instability occasioned by personal and sectional interests.

Low level of Technology: This constraint is particularly prominent in the agricultural and manufacturing sectors. There is generally ineffective technology development strategy in Nigeria which slows down technology diffusion/dissemination and prevents other sectors of the economy from keeping pace with global trends (Ikpi, 2010). The low level of the development of technology and industrialization has contributed a great deal to Nigeria's poor economic performance since independence.

Poor access to Finance: Insufficient public and private sector funding of other sectors of the economy such as agriculture, solid minerals development, industrial development, education, entrepreneurship and small scale business among others, have no doubt contributed to the challenges of diversification.

This is because those sectors of the economy remained undeveloped and therefore dependent on one sector.

Conclusion

Efforts have been made over the years by Nigerian governments to grow the non-oil sector of the economy by initiating supportive policies and incentives to encourage the diversification of the economy. The critical question is that despite the multiple articulation of the rationale and development plans for resource diversification in the Third and Fourth National Development Plans (1976-1986) as well as the subsequent series of policy regimes (such as Vision 2010 and Vision 2020), the implementation process remains largely stalled and unfulfilled? There is a high level of consensus in academic literature and the critical press that achieving these developmental objectives depends on and urgently requires addressing the myriad of challenges identified. Undoubtedly, the bulk of the responsibility for achieving Nigeria's quest for diversification rests on the government. The wide range of challenges identified would need to be addressed for sustainable development to be achieved in Nigeria

Recommendations

Based on the foregoing discussion, the following recommendations are made:

1. Poor Leadership has been at the heart of the Nigerian political problem since independence. There is therefore a need for a leadership, audacious enough to engender social change that Nigeria requires to push its quest for economic development through sound policy measures that address key sectors of the economy. The leadership should also ensure effective implementation and regular evaluation of the degree of effectiveness of such policies.
2. There is an urgent need for government to ensure adequate and proper development of infrastructure in Nigeria. There is equally the need to upgrade the basic infrastructure to a functional level. In particular, good road networks, constant power supply, potable water, good and functional healthcare facilities, functional communication network, investible fund, and stable and functional educational system must be ensured for any meaningful diversification to take place.
3. The development of human resource capacity for the achievement of economic diversification is critical. This can be achieved by tailoring the Nigerian educational system to productivity by equipping the recipient with the knowledge and skills needed for the performance of productive tasks which will help the society to meet its developmental needs.
4. Government should be sincere and more committed to its anti-corruption campaign by strengthening the anti-corruption agencies in the country. The anti-corruption agencies should equally beam their search light on various sectors of the economy. This will help reduce the menace and improve the economy.
5. There is need for the government to develop strategic institutional framework for corporate governance and good ethical conduct in both public and private organizations through sensitization and awareness campaigns for ethical re-orientation. This will help towards the achievement of the goals of different economic and social policies.
6. Nigeria needs to embark on the acquisition of the technology that is appropriate and useful to it as a nation. That America has sent men to space does not mean that Nigeria must also send men to space. We need to look at our environment, see what our local people do, and fabricate machines, tools and equipment that will assist them to do these things more efficiently
7. There is need for increased access to finance and improved funding of other sectors of the economy such as agriculture, manufacturing, solid minerals development, entrepreneur-ship education, research and development, etc. Encouraging private-sector investment and participation in funding and develop-ment of these sectors of the economy is equally critical as government alone cannot be able to fund these other sectors successfully.

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