A SURVEY OF PROBLEMS ASSOCIATED WITH UNDERDEVELOPED ECONOMIES

A CASE STUDY OF NIGERIA

BY

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(MATRICULATION NUMBER 10448)

St. Clements University
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In Partial fulfillment of the requirements for the award of the Doctor of Philosophy (Ph.D.) in Management with Specialism in Development Economics

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26th August, 2011

DECLARATION

I, Edward Ushilebe Modey, hereby declare that this Dissertation is a product of my own research efforts.

Edward Ushilebe Modey ……………………………..

Sign

APPROVAL

This is to certify that this dissertation titled *"A Survey of Problems Associated with Underdeveloped Economies, A Case Study of Nigeria"* by Edward Ushilebe Modey, was carried out under my careful supervision and guidance. I also certify that this dissertation has been approved for submission to St. Clements University, British West Indies, for the award of Doctor of Philosophy (Ph.D.) in Management with specialism in Development Economics.

……………..…………………….

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Administrator

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DEDICATION

This Dissertation is dedicated to the Lord God Almighty for his unspeakable guidance, wisdom, direction and provision to my prayers.

I also dedicate same to my children, Gina Modey, Frank Modey, Ben Modey and Faith Modey, who had to bear my absence during my studies.

To my late parents, Papa Modey Igim and Regina Modey, for my birth to face the endless challenges of life. Truly, the quest for knowledge is never ending.

I give God the glory for making my dreams come true.

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ABSTRACT

This study attempts to survey the problems associated with underdeveloped economies, with Nigeria as a case study. These problems include vicious circles of poverty, low capital, unemployment, inconsistent government policies, human resources constraints and mismanagement of resources. The objective of this study therefore, was to establish if poverty, economic backwardness, unemployment, inconsistent policies have a relationship with underdevelopment. The efforts of World Bank and IMF in economic development was examined critically. Questionnaire and interview were used to sample the opinion of respondents on the subject. The population consisted of Lecturers, students in Economics and Professional Economists. Primary and secondary data, statistical tables, pie charts, Graphs, chi-square were used and the hypothesis revealed that inconsistent policies, unemployment, poverty, corruption, discriminatory attitude of IMF and World Bank, were behind underdevelopment in Nigeria and other underdeveloped countries. The study recommends that Nigeria should harness the abundant resources for the benefit of all the citizenry. This includes diversifying the economy, re-invigorate agric sector, explore foreign markets, add value to natural resources, combat corruption, cooperation and assistance by World Bank, IMF and developed nations. All these are required to foster economic development in Nigeria and other developing nations. It is the writer's ardent believe that though Nigeria is endowed with rich stock of natural resources, it is grossly mismanaged, thus attracting deeply rooted poverty and underdevelopment. There is need to reverse this trend as noted above.

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CHAPTER ONE

1.1 INTRODUCTION AND BACKGROUND OF STUDY

Economics of development refers to the problems of the economics development of underdeveloped countries which has attracted the attention of Economists right from Adam Smith down to Maryx and Keynes. The Researcher's interest was similarly drawn to these obstacles to rapid economic development in underdeveloped nations to submit possible economic strategies to solve same.

Underdeveloped countries are also faced with the problem of vicious circles of poverty, low rate of capital formation, socio-cultural constraints, agricultural constraints, human resources constraints and foreign exchange constraints etc as noted by Jhingan, (2005). It is the Researcher's intention to look at these problems and offer suggestions to speed up economic development and improve the standard of living in developing economies by formulating economic theories and models of development and growth.

1.2 SIGNIFICANCE OF STUDY

In light of the above, the work examines some of the factors responsible for underdevelopment in developing countries such as poverty, economic backwardness, underdeveloped natural resources, inconsistent government policies, unemployment. The study focuses on Nigeria as one of the underdeveloped economies. All these factors have contributed in no small measure to the economic backwardness in Nigeria.

The significance of this study therefore, could be seen in the following perspectives:

i) The result of the study would help leaders, policy makers to map out sound economic policies/programmes to stabilize the economy thus foster economic development.

ii) This will help in combating unemployment and poverty to promote the standard of living of the citizenry.

iii) Put economic resources in use for the benefit of all.

iv) The result will help leaders to reposition the economy to participate beneficially in the global economy.

v) Make life meaningful for all Nigerians.

vi) The research would make contributions to knowledge as well as assist governments in developing economies take informed decisions in line with Anyanwu, (2000).

vii) Other researchers would also benefit as some may review such study for further investigations.

1.3 STATEMENT OF THE PROBLEM

It has been a challenge to underdeveloped countries to promote and sustain economic development. There is low capital formation, poor agricultural output, low level of per capita income, economic backwardness, high level of population growth, unemployment, technological backwardness, are among the problems of underdeveloped economies. Asheghian, (1995), noted that the following factors influence economic development:-

- Capital formation and economic development
- Agricultural and industry in economic development
- Monetary and Fiscal policies of foster economic development
- Deficit financing and price policies in economic development
- Population Growth in economic development
- Human capital formation and manpower planning to foster economic development
- Entrepreneurship in economic development
- The role of the state in economic development

1.4 OBJECTIVES OF THE STUDY

The objective of the study is linked to the hypothesis. This is in line with Osuala, (2005), who opined that the objective of the study should be clearly outlined and should have a bearing on the hypothesis. The objective of this study therefore, is to:-

a) Find out if there is a relationship between poverty and underdevelopment in developing countries.
b) Investigate if there is a relationship between economic backwardness and underdevelopment in developing countries.
c) Establish as to whether there is a significant relationship between inconsistent government policies and underdevelopment in developing countries.
d) Establish as to whether there is a significant relationship between unemployment and underdevelopment.
e) Examine the efforts of government, Central Bank, Commercial Banks, International Trade, Industrialization, World Bank, IMF and Development Bank in the economic advancement in underdeveloped countries.
f) Encourage/advice leaders and policy makers in developing countries to map out new economic strategies to speed up development in their regions.
g) Examine the basic problems and causes of economic backwardness in underdeveloped countries, (Ndiyo, 2005).

1.5 JUSTIFICATION OF THE STUDY

The Nigerian economy is characterized by under-utilization of economic resources, low level of capital formation, vicious circles of poverty, human resources constraints, unemployment, inconsistent government policies, socio-cultural constraints, wide spread corruption by leaders and the recent economic meltdown etc. Anyanwu, (2007), found that all these have contributed in no small measure to the economic backwardness in Nigeria.

It is the desire of all Nigerians to have in place the followings: -

a) Leaders/Policy makers who would endeavour to stabilize the economy to foster economic development.
b) Provide employment to promote the standard of living of the citizenry.
c) Put economic resources in use for the benefit of all.
d) Reposition the economy to participate beneficially in the global economy.
e) Make life meaningful for all Nigerians.

1.6 SCOPE, ANTURE AND LIMITATION OF STUDY

This thesis focuses on the characteristics and problems of underdeveloped nations and suggested economic strategies for improvements. Anyanwu (2000) argued that the scope of study should have a bearing on the research hypothesis. This study therefore, had this in mind while designing same. The study will examine the relationship between poverty and underdevelopment, economic backwardness and underdevelopment, government policies and underdevelopment and how unemployment exert negative influence on economic development. It does not cover all aspects of development economics due to factors posing limitation such as time, funds, materials etc.

1.7 STATEMENT OF HYPOTHESIS

Hypothesis, according to Kerlinger (1993), are "conjectural statements, tentative propositions, given to explain the facts that are causing a problems". In view of the above, the following statements have been hypothesized:-

1) There is no significant relationship between poverty and underdevelopment in developing countries.

2) There is no significant relationship between economic backwardness and underdevelopment in developing countries.
3) There is no significant relationship between consistent government policies and underdevelopment in developing countries.
4) There is no significant relationship between unemployment and underdevelopment.

1.8 RESEARCH QUESTIONS

In enumerating the underlisted economic problems, the following questions readily come to mind:

a) What is the relationship between poverty and underdevelopment in developing countries?
b) Is there any relationship between economic backwardness and underdevelopment in developing countries?
c) Is there any relationship between inconsistent government policies and underdevelopment in developing countries?
d) What is the relationship between unemployment and underdevelopment?
e) How could economic development be sustained in developing countries?
f) What are the efforts of the Nigerian Government to curb poverty, unemployment, inconsistent government policies which have negative effect on economic development?
g) What are the economic strategies to curb these problems?

Economic development generally refers to the problems of underdeveloped countries (Jhingan, (2005). The basic characteristics of underdeveloped nations constitute obstacles and problems to their governments, policy makers and leaders in their developmental efforts as depicted in:

- Debit crisis
- General poverty
- Underdeveloped natural resources
- Demographic features
- Unemployment and underemployment
- Economic backwardness
- Lack of Enterprise and initiative
- Insufficient capital equipment
- Technological backwardness
- Over reliance on foreign trade
- Inconsistent economic policies

These problems constitute a challenge to developing countries which has attracted attention of the Researcher.

1.9 EXPECTED FINDINGS

The Researcher is of the view that at the end of the study, factors like underdeveloped natural resources, unemployment, economic backwardness, lack of enterprises and initiative, insufficient capital, technological backwardness, inconsistent economic policies are some of the compelling negative forces behind underdevelopment in such regions. There is need to deal with these problems. Expected suggestions from respondents will therefore tackle these economic problems.

1.0 DEFINITION OF TERMS

- Underdeveloped Country

A country, society etc having few industries and low standard of living. Developing countries are underdeveloped, example Nigeria, Ghana, Gambia etc.

- **Developed Country**

A country with many industries and complicated economic system, financial aid to less developed countries. It is a country with high standard of living, e.g US, Britain, Japan, China, Germany, with well developed infrastructure and technology.

- Economist

A person who studies or writes about Economics. This includes Adam Smith, Richardo, Malthus, Mills, Keynes etc.

- **Devalue**

To reduce the value of money of one country when it is exchanged for another country's money.

- Developing Country

A country, society etc poor, and trying to make its industry and economic system more advanced. Nigeria, Ghana, Cameroon, Gambia are developing countries.

- Development

Gradual growth in a country so that it becomes stronger and more advanced. It is a growth in income, education, infrastructure, technology etc, it is improvement in living standard.

- Economic Growth

The ability of the economy to produce increasing quantities of goods and service which will raise the living standard of the people.

- Policy

A plan of action chosen by a political party, a business, organization, government.

- Poverty

The state of being poor, condition of object/deeply rooted poverty as is obtained in Nigeria, due to the mismanagement of our resources.

- **Corruption**

Dishonest or illegal behaviour especially of people in authority like government. Corruption includes bribery, greed, etc. It means using one's power illegally.

- Real National Income

A country's total output of final goods and services in real terms rather than in money terms.

- **GNP per capita**

Measures increase in per capita real income of a country over a long period. Increase in per capita income may not raise the real standard of living of the masses if government use up the increased income on military or it goes to the rich.

- **Sustainable Development**

This term lacks uniform interpretation. The UN World Commission on Environment and Development (1987) defined development as sustainable if it meets the needs of present without compromising the ability of future generations to meet their own needs. It involves three major interrelated areas: social, economic and environmental.

- **Theory**

A formal set of ideas that are intended to explain why something happens or exist. According to the theory of relativity, nothing can travel faster than light. Theories are based on ideas, principles etc.

- **Theorist**

A person who develops or propounds ideas and principles on a subject in order to explain why things exist. Economic theorist include Adam Smith, Richardo, Mills, Malthus etc used in this study.

- **Economic Backwardness**

This is one of the characteristics of underdeveloped countries. This is reflected in labour inefficiency, factor immobility, economic ignorance etc.

- **Absolute version of the purchasing power parity (PPP) theory**

A version of the PPP theory, postulating that the equilibrium exchange rate between the currency of two nations is equal to the ratio of their price levels.

- **Absorption Approach to devaluation**

An approach that emphasizes income effects and suggests that domestic expenditure must decline relative to income for devaluation or depreciation to improve the balance of payments.

- **Ad Valorem Tariff**

A Tariff expressed in terms of a percentage of total value of a commodity. For example, 10% of the value of baseball gloves, or 20% of the value of plywood imported.

- **Appropriabilitiy Theory**

A foreign direct investment stating that Multinational Corporations prefer to produce sophisticated technologies instead of simple ones, because they are more successful in appropriating returns from these technologies.

- **Brady Plan**

A plan proposed by Nicholas Brady, former US Secretary of treasury to deal with the developing countries' debt crisis. The Brady Plan enhances the Baker plan by augmenting the debt reduction and multilaterally financed loan guarantees.

- **Brain Drain**

The migration of highly skilled workers from developing countries to Advanced Countries.

- **Bretton Woods System**

An international monetary system established in 1944 by agreements between the United States, Great Britain and 42 other Nations who met at Bretton Woods, New Hampshire.

- **Capital Flight**

The transfer of funds from one country to another by firms or individuals. This occurs when the expected returns from keeping funds abroad are higher and more secure than keeping them at home.

- **Central American Common Market (CACM)**

A customs union established by Costa Rica, EL Salvador, Guatemala, Honduras and Nicaragua 1960.

- **European Monetary System (EMS)**

An organization formed by the European Union in 1979 to provide closer monetary cooperation leading to a zone of monetary stability in Europe.

- **External Diseconomy**

An externality that imposes costs on third parties. Pollution is an example of external diseconomy.

- **Externality**

Effects of a firm's production of goods on external parties that are not reckoned in the production decision. Externality can be divided into external economy and external diseconomy.

- **General Agreement on Tariffs and Trade (GATT)**

An organization created to promote freer international trade. Established in 1947 by 23 countries, (including USA), GATT has expanded over the years. In early 1994, it had 117 contracting parties from virtually all the advanced countries, developing countries and several former communist countries in Eastern Europe

- **General Agreement to Borrow (GAB)**

An agreement negotiated with the framework of the International Monetary Fund (IMF) in 1962 and renewed in1979. The group of ten advanced countries, namely, Belgium, Canada, France, Germany, Great Britain, Italy, Japan, Netherlands, Sweden and the United States. These consented to loan up to $6 Million to any member country experiencing huge short-term capital outflows.

- **Internal Balance**

The goal of full employment with price stability in a national economy.

- **Marginal propensity to consume (MPC)**

The ratio of change in consumption to a change in income.

- **Model**

A means explaining the relationship between different variables Models can be presented in three distinct forms:- Tables, Graphs, Equations.

- **Paris club**

An informal group of creditor governments who meet in the French Treasury to ensure that all creditor government grant comparable concessions to debtor nations. Paris club granted debt relief to the poorest and most heavily indebted nations such as sub-Saharan Africa.

- **Swap**

An arrangement by which two parties exchange one currency for another and agree that at a certain future date, each party receives from the other the amount of the original currency that was given up at the time of swap.

- **Third-World Countries**

Nations occupying the vast regions of Africa, Asia and Latin America, These countries are primarily identified by low standards of living, high rates of population growth, low levels of per capita income, high illiteracy rates and general economic and technological dependence on advanced countries. These countries are also referred to as underdeveloped, developing and less-developed countries.

- **World Bank**

An International Bank that was initially set up by the International Monetary Fund to provide loans for post-war reconstruction. Today, the Bank's major function is to provide financial resources for economic development in developing countries.

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CHAPTER TWO

LITERATURE REVIEW

2.0 The Term 'Underdeveloped; "Economic Development" and Growth"

The term "underdeveloped" has been used in a variety of ways. 'Underdeveloped' and 'undeveloped' countries are often used as synonyms. Jhingam (2005:22), defined underdeveloped country as one that has no prospect of development. One that has no potentialities of development. He stated that the Antarctic, the Arctic and part of Sahara are termed underdeveloped, while India, Pakistan, Uganda, Columbia, Panama may be called undeveloped.

According to Jhingan (2005:22) 'poor' and 'backward' are also used as synonyms for underdeveloped. A poor country does not mean a young country. Poverty simply refers to the low level of per capita income of a country and has nothing to do with a country's culture.

A more respectable term "developing country" is also being used in economic literature. Bauer (2007:22) regards the term "underdeveloped", "developing" and "less developed" as clearly euphemisms. Bauer terms it underdeveloped because it clearly suggests that the condition it describes is abnormally, reprehensible and readily rectifiable. He terms it developing because it leads to contradictions as references to the stagnation or retrogression of the developing world. According to him, poor or materially backward are the most appropriate expressions.

The World Bank uses the term "developing countries" and divides them into low income and middle income countries. Of late, a new term "Third World" is being used for underdeveloped countries.

The Oxford Advanced Learners Dictionary, 7th Edition (2005), defines underdevelopment as "a country, society etc having few industries and a low standard of living". It regards a developing country as underdeveloped. It further defined a developed country as "having many industries and a complicated economic system, financial aid to less developed countries", It defined a well developed country as "fully developed, fully grown".

Hubbard, R. G. and O' Brian A. P. (2006), defined Economic Growth as "the ability of the economy to produce increasing quantities of goods and services which will ultimately raise the standard of living of the people".

Perkins, and Radelet, (2001:7) distinguished between backward, advanced, traditional and modern economies.

The Authors stated that "backward" economy is traditional in its economic relationships. However precisely and neutrally the term is defined, it retains pejorative connotations, a touch of condescension, and therefore is not much used today. The more popular classifications implicitly put all countries on a continuum based on their degree of development. Perkins, and Radelet classify developed countries as "industrial countries in recognition of their level of development and industrialization. The highest income countries were referred to as post – industrial countries, in recognition of the modern service sectors like finance, research and development, medical services which accounts for the largest and most rapidly growing share of the economies of these countries.

A dichotomy based simply on income levels, poor versus the rich countries, has been defined by the World Bank. The World Bank's World Development Report (1994), classified developing countries by income into low-income economies of less than $785 per capita in 1996 and middle-income economies between $785, $9,636 in 1996. The latter group was further divided into incomes below $3,115 per capita, while the upper-middle-income were grouped in $3,115 - $9,636.

Middle Eastern Petroleum Exporters such as Oman, Saudi Arabia and Arab emirates with income range from $8,000 - $17,000 as per capita in 1996 have economies that are traditional. Other economies like Israel, Singapore, Hong Kong and other countries are considered by the United Nations as per capita income over $18,000 in 1996. The economies of Eastern Europe and Russia were grouped as middle-income.

Schumpeter, (1934) makes the distinction clearer when he defined "development" as a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing as a gradual and steady change in the long run which comes about by a gradual increase in the rate of savings and population.

This Schumpeter's view has been widely accepted and elaborated by majority of Economists. According to Kindleberger, "Economic growth means more output while economic development implies both more output and changes in the technical and institutional arrangement by which it is produced and distributed". Growth therefore involves more output derived from greater amounts of inputs and greater efficiency.

Friedmann (1972), defined growth as "an expansion of the system in one or more dimensions without a change in its structure", while development as "an innovative process leading to the structural transformation of social system".

Thus economic growth is related to a quantitative sustained increase in the country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade. Economic development, on the other hand, is a wider concept than economic growth. It is growth plus change. "It relates to quantitative changes in economic wants, goods, incentives, institutions productivity and knowledge or the upward movement of the entire social system". According to Jhingan (2005:5), economic development embraces both growth and decline. An economy can grow but it may not develop because of poverty, unemployment and inequalities may continue to persist due to absence of technological and structural changes.

Despite these apparent differences, some Economists use these terms as synonyms. Arthur Lewis in his Book "The theory if Economic Growth" wrote that "most often, we shall refer only to growth but occasionally for the sake of variety, to progress or development".

Maghori, (2008:3) defined development to include economic growth, increase in average income and factors like education, poverty elimination, inequality and unemployment within the context of growing economy. "Maghori stated that modern concept of development involves a substantial improvement in people's quality of life, access to education, health care, employment opportunities, availability of clean air, and safe drinking water, threat to crime etc.

The endowment of countries with natural resources is unequal. Countries like Nigeria, Iraq, Iran have rich oil and gas deposits within their territories, while others import fossil fuels. However, wealth of natural resources is not the most important determinant of development success, rather, the productivity with which countries use their productive resources, physical capital, human capital and natural capital is widely recognized as the main indicator of their level of economic development.

2.1 ECONOMIC DEVELOPMENT

Economic development refers to the problems of under-developed countries and economic growth of the developed countries (Jhingan 2005:4). Maddison (1970) made a distinction between the two terms viz:- "The raising of income levels is generally called economic growth in rich countries and in poor ones it is termed economic development." But this view does not specify the underlying forces which raises income levels in the two economies. Mrs. Hicks pointed out in this connection, that the problems of underdeveloped countries are concerned with the development of unused resources, even though their uses are well-known, while those of advanced countries are related to growth as most of their resources are already known and developed to a considerable extent.

Schumpeter (1934) clarified this subject when he defined economic development as "a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing". This definition is widely accepted and used by Economists.

According to Kindlerberger, economic development implies oboth more output and change in the technical and institutional arrangement by which it is produced and distributed. Economic development is related to qualitative changes in economic wants, goods, incentives, institutions, productivity and knowledge or the upward movement of the entire social system" Jhingan (2005:5).

Measuring Economic development:-

Economic development is measured in four ways:-

i) **GNP**

One of the methods to measure economic development is in terms of an increase in the country's real national income over a long period of time. But this in unsatisfactory due to the following reasons:-

a) "Real national income" refers to a country's total output of final goods and services in real terms rather than in money terms. Thus price changes have to be ruled out while calculating real national income.

b) The measure fails to take into account changes in the growth of population. Thus if a rise in real national income is followed by faster growth in population, there would be no economic growth.

c) The GNP figure does not reveal the cost to the society of environmental pollution, urbanization, industrialization and population growth.

d) It tells nothing about the distribution of income in the economy.

e) There are other factors which pose difficulties in measuring GNP:

- Some goods and services cannot be assessed in money terms, example, painting as a hobby and bringing up children by a mother.
- GNP is associated with double counting.
- Illegal activities like gambling are not costed and included.
- Transfer payments on pension and unemployment allowance, interest on public loans are not included in GNP.
- The GNP as an index of economic development has not been successful in combating poverty, unemployment, inequalities and raising living standards in developing countries. Robert McNamara, the then Governor of World Bank, admitted in February, 1970 on the failure of GNP growth rate as an index of economic development.

ii) GNP Per Capita

This measure relates to an increase in per capita real income of a country over a long period. Economists speak with one voice in defining economic development in terms of increase in per real income. Meier (2006:2) defines economic development "as the process whereby real per capita income of a country increases over a long period of time subject to the stipulations that the number of people below absolute poverty line does not increase and that the distribution of income does not become unequal". This implies that for economic development to be in place, the rate of increase in real per capita income should be higher than the rate of population. But difficulties still remain:

a) An increase in per capita income may not raise the real standard of living of the masses. Per capita real income could possibly increase while per capita consumption falls. Government may use up increased income on military or other purpose.

b) The masses may remain poor despite increase in real GNP per capita if the increase income goes to a few rich instead of the poor.

c) Real per capita estimates fail to measure changes in output due to changes in price level as index numbers used are mere approximations.

d) Furthermore, price level, exchange rates and values differ from one country to another. GNP fails to take account of basic needs like nutrition, health, housing, water, education as improvement of living standards by providing basic needs cannot be used to measure increase in GNP per capita.

iii) **Welfare**

Economic development could also be measured from the point of view if economic welfare. According to Okun and Richardson, (2005) economic development is "a sustained, secular improvement in materials well-being which is reflected in an increasing flow of goods and services." This indicator is also not free of limitations:

a) Firstly, the weights to be attached to the consumption of individuals since consumption of goods and services depends on tastes and preferences of individuals. Thus it is wrong to have the same weight in preparing welfare index of individuals.

b) The main difficulty arises in the valuation of output. The output may be valued by market prices whereas economic welfare is measured by an increase in real national output.

c) The next limitation is how welfare is produced. The expansion of real national output might have raised real costs (pain and sacrifice) and social cost in the economy.

d) It is needful to note that increase in national income may not necessarily mean improvement in economic welfare. It is possible that with the increase in real national income or per capita income, the rich get richer while poor get poorer.

iv) **Social Indicators**

Dissatisfied with GNP/GNP per capita as a measure of economic development, certain economists tried to measure it in terms of social indicators. They include a wide variety of items in social indicators like inputs (such as nutritional standards, number of hospital beds, doctors per head population).others included outputs corresponding to this input like improvements in health in terms of infant mortality rates, sickness rate etc. Basic needs focus on alleviation of poverty by providing basic human needs to the poor like health, education, food, water, sanitation housing.

The provision of these needs affects poverty in a shorter period with fewer monetary resources than GNP\GDP per capita strategy. Basic needs lead to a higher level of productivity and income through human development in form of educated and healthy people. The merit of social indicator is the fact that they are concerned with ends, the ends, being human development is a means to this ends.

Hicks and streeten,(1979), consider six social indicators for basic needs:

	Basic Needs	**Indicators**
i)	Health	life expectancy at birth
ii)	Education	literary signifying primary school enrolment percentage of population
iii)	Food	calorie supply per head
iv)	Water supply	Infant mortality and percentage of

v) Sanitation		Population with access to potable water infant mortality and percentage of population with access to sanitation
vi) Housing	None	

Aside from calorie supply per head, all other indicators are output indicators of which infant mortality is both the indictor of sanitation and clean drinking water facilities because children are prone to water borne diseases.

Limitations:

The following are the limitations of social indicators as a measure of economic development.

I. There is no unanimity among economists as to the number and type of items to be included in such index. Thus Goldstein (1985), takes only infant mortality as an indicator of basic needs to construct an index, Hagen, (1962), and UNRISD, (1970), use eleven items.
II. There is the problem of assigning weights to the various items which may depend upon the social, economic, political and social set-up of the country. This involves objectivity.
III. Social indicators are concerned with current welfare not related to the future.
IV. Majority of the indicators like education and health, are inputs and not outputs.
V. They involve value judgment and thus to avoid this, UN organizations use GNP per capita as a measure of economic development (Morris, 1979), Ranis and Stewart, (1979).

2.2.0 SUSTAINABLE ECONOMIC DEVELOPMENT

The term "sustainable development" lacks uniform interpretation. The United Nations World Commission on Environment and Development (1987) defined development as sustainable if it "meets the needs of the present without compromising the ability of future generations to meet their own needs". Maghori, (2008:5) sees sustainable development as "equitable and balanced development, as it concerns the interest of different groups of people within the same generation and among generations and do so simultaneously in three major interrelated areas – economic, social and environmental".

Maghori stated the economic objectives to include growth, efficiency and disability, while social objectives include full employment, equity, security, education, health, participation and cultural identity. According to Maghori, environmental objectives relate to healthy environment, rational use of renewable natural resources and conservation of non renewable natural resources, adding that the most critical problem of sustainable development in every country as well as globally, is the eradication of extreme poverty.

There are many definitions of sustainable development. But the most popular of which is by the Bruntland Report, (1980), presented by the International Union for the conservation of nature and natural resources. It defined sustainable development as "meeting the needs of the present generation without compromising the needs of future generations." Sustainable development means development should "keep going" and emphasizes on the creation of quality of life of all people through increase in real income per capita, improvements in education, health and general quality of natural environmental resources.

Pearce and Warford (2005:5) defined sustainable development as "a process in which natural resources base is not allowed to deteriorate and emphasizes the hitherto unappreciated role of environmental quality and inputs in the process of raising real income and quality of life.

2.3.0 OBJECTIVES OF SUSTAINABLE DEVELOPMENT

i) It aims at creating sustainable improvements in the quality of life for all people as the principal goal of development policy. It betters people's health, education and gives every one a chance to participate in public life.

ii) It aims at maximizing the net benefits of economic development subject to maintaining the stock of all the environmental and natural resources assets over time.

iii) Sustainable development aims at accelerating economic development with a view to conserving and enhancing the stock of environmental, human and physical capital without making future generations worse off – Jhingan, (2005:5).

2.3.1 POLICIES FOR SUSTAINABLE DEVELOPMENT

Agricultural and industrial development along with urbanization, spread of infrastructure and population growth have led to environmental degradation which harms human health, reduce economic productivity and caused loss of amenities. Environmental degradation and its negative effects can be reduced by economic and environmental policies viz:-

i) Reducing Poverty

Such development projects should aim at providing greater employment opportunities to the poor. Government could expand health and family planning services and education to the poor and help combat population explosion.

ii) Removing Subsidies

Subsidies for resource use by private and public sectors should be removed. Subsidies on use of electricity, fertilizers, pesticides, diesel, petrol, gas etc lead to wasteful use and environmental problems.

iii) Clarifying and Extending Property Rights

Places where the use of common lands, forest, irrigation systems, fisheries etc are regulated and rules for their proper use are laid down by the community, the ownership rights should be clearly specified in the administrative records.

iv) Market Based Approaches

There is also urgent need for adopting market based approaches for the protection of environment. These signal to consumers and industries the cost of using natural resources on environment. These costs are reflected in the prices paid for goods and services so as to guide industries and consumers to combat air and water pollution. The market based approach is used in both developed and developing countries.

v) Regulatory Policies

Regulatory policies also help to reduce environmental degradation. Regulators have to make decisions on prices, quantity and technology. Such decisions involve choice of use of technologies, resources and prices of pollution etc. It also lays down technical standards, regulations and charges on air, water and land use.

vi) Economic Incentives

Economic incentives also relate to price, quantity and technology: incentives take the shape of variable fees to resources user for the quantity of pollutants in air, water and land use.

vii) **Trade policy:**

Trade policy in relation to environment, is segmented into domestic and international trade policy. Domestic trade policy emphasizes on the establishment of less pollution industries away from the cities and use of environment friendly processes for pollution industries by adopting cleaner technologies.

As regards international trade policy, there is controversy as to whether liberalized trade causes environmental degradation. This controversy led to the conclusion that overall trade liberalization is likely to produce negative environment externalities rather than environmental gains.

viii) **Public participation / Global efforts**

Public awareness and participation are highly effective to improve environmental conditions, providing formal and informal education programmes on environmental degradation and cleanliness. In Japan, consumer cooperative popularize green products, which are recyclable, rechargeable and biodegradable.

In terms of global efforts, there are numerous international conventions and agreement on environmental protection and conservations which every country should follow. These include the Montreal protocol on phasing out ozone-depleting chemicals, the Basel Convention which relates to control of transboundary movement and disposal of hazardous wastes. Others include the Rio Declaration on environment and development agenda 21 and the GATT clauses on environment.

Jhingan, (2005:22) noted that there is threat of trade sanctions against countries that fail to honour agreements relating to biodiversity protection or greenhouse gas emissions, though some countries don’t adhere to them.

2.4.0 UNDERDEVELOPED COUNTRIES

MEANING

There is no single definition comprehensive as to incorporate all the features of an underdeveloped country. The term "undeveloped" has been used in a variety of ways. "Undeveloped" and Underdeveloped" countries are often used as synonyms. An underdeveloped country has no potential of development. An undeveloped country, on the other hand, has the potentialities of development. Thus, Antarctic, the Arctic and part of Sahara may be termed as undeveloped, while India, Pakistan, Uganda, Columbia, Panama etc, may be defined as undeveloped, 'poor' and 'backward'. A poor country does not mean a young country. Poverty simply refers to the low level of per capita income of a country. "Backward country" is a static term like underdeveloped. The terms 'poor' and underdeveloped are therefore interchangeable.

The terms underdeveloped and developing are inappropriate euphemisms: underdeveloped because it clearly suggests that the conditions it describes is abnormal, reprehensive and readily rectifiable. The term developing, because its use leads to such contradictions as references to stagnation or retrogression of the developing world. However, Bauer regards "poor" or materially "backward" as the most appropriate expressions. The world bank uses the term "developing countries" and divides them into low income and middle income countries. Of late, "third world" is being used. (Jhingan, 2006)

2.5.1 DIFFERENT CRITERIA OF UNDERDEVELOPMENT

It is rather humanly difficult to prescribe a precise criterion of underdevelopment. This is because underdevelopment can be defined in many perspectives: by the incidence of poverty, ignorance, disease, by misdistribution of national income, by administrative incompetence and disorganization. Although there is no single definition comprehensive as to incorporate all the features of an underdeveloped country, some criteria of underdevelopment are outlined below:

i) **Ratio of Population to Land area**

The first criteria of development is the ratio of population to land area. It is however, humanly difficult to ascertain whether a high or low ratio of population to area is an indicator of underdevelopment. There are underdeveloped countries in Africa and Latin America where there are "empty spaces" signifying a low ratio while there are underdeveloped countries like India, China, Burma, Pakistan, Malaysia and many South Asian countries which have high rate of population to area. This criterion is therefore, vague and superfluous.

ii) **Ratio of Industrial Output to Total Output**

This is another underdevelopment indicator. It may also be expressed as the ratio of industrial population to total population. According to this criterion, countries with low rate of industrial output to total output are classified as underdeveloped. This ratio however, increase along with the increase in per capita income. This criterion is not a valid indicator of underdevelopment.

iii) **Ratio of Capital to per head of Population**

This is another criterion. Nurkse (2007) defines underdeveloped countries as those which "compared with advance countries, are under equipped with capital in relation to their population and natural resources"! This criterion is invalid because:

(a) Capital deficiency is not related to absolute size of a country's stock of capital but to the ratio of capital to population or some other factor.

(b) The principle of marginal productivity holds that where the ratio of capital to other factors is low, marginal productivity is high. But it is difficult to infer from this that in underdeveloped countries marginal productivity of capital is high since capital is scarce.

(c) Furthermore, if capital deficiency is taken as an indicator of underdevelopment, other socio-economic factors are neglected. Jhingan, (2005) added that "Economic development has much to do with human, endowments, social attitudes, political conditions and historical accidents. Capital is necessary but not a sufficient condition of progress."

iv) **Poverty**

Another criterion uses poverty as the main cause of underdevelopment. Staley (2006:5) defined an underdeveloped country as "one characterized by mass poverty which is chronic and as a result of temporary misfortune and by obsolete methods of production and social organization which means poverty is entirely due to poor natural resources and hence could presumably be lessened by methods proved already in other countries"

v) **Low per capita Income**

This is the most commonly accepted criteria of underdevelopment. The United Nations experts hold that "we use underdeveloped country to mean countries which per capita income is low when compared with that of US, Canada, Australia and Western Europe." Such a definition is considered adequate and satisfactory, for they focus attention on one aspect of underdevelopment, namely, poverty. They did not analyze the causes of low consumption level, inhibited growth etc.

2.5.2 LIMITATIONS INHERENT IN NATIONAL INCOME COMPARISMS

Serious difficulties are encountered in measuring per capita national income in underdeveloped economies and their comparison with that of the advanced countries. The data on per capital national income are often inaccurate, misleading and unreliable due to the following:

(a) There is substantial non-monetized sector in underdeveloped countries, which makes calculation of national income difficult.

(b) Lack of occupational specialization in such countries thus making the calculation of national income by distributive shares or by industry origin difficult.

(c) In underdeveloped economies, people are mostly illiterates and do not keep any accounts and even when they do, they refuse to disclose their income correctly.

(d) National income estimates include only those goods and services, which are commercially used. But in undeveloped economies, people in rural areas produce goods for consumption. Data on such items are not included in national income.

(e) The computation of national income in terms of money underestimates the real income. It does not include the real cost of producing a product, the effort or sacrifice of leisure is foregone in production.

(f) National income estimates fail to measure adequately change in output due to changes in price level. Index used are just mere estimates and approximations.

(g) International comparisons of national income are inaccurate due to exchange rate conversion of different currencies of different countries. This makes the exercise non-sense.

(h) The calculation of per capita income in an underdeveloped economy is likely to be either understated or overstated due to unreliable and erroneous population figures.

2.5.3 CHARACTERISTICS OF AN UNDERDEVELOPED COUNTRY

In an effort to examine the problems of an underdeveloped country, it is useful to have in mind a general sketch of the economy of such country. Though it is difficult to locate a representative focus of attention on some of its characteristics:

i) General Poverty

An underdeveloped country is poverty - ridden as reflected in low GNP per capita. The World Development Report, 1998 noted that countries living in low income economies had GNP per capita of $760 or less.

The World Bank also pointed out vast income disparities among nations. Among the low-income countries were Nepal, Tanzania with GNP of $210, Nigeria $300, Uganda $320, Zambia $330, Bangladesh $350, Ghana $390, India $430, Pakistan $480, Zimbabwe $610, Indonesia $680 and China $750.

ii) Agriculture, the main Occupation

In underdeveloped economies, about two-thirds of the people live in rural areas and their main occupation is agriculture. In low-income countries like China, Kenya, Myanmal and Vietnam, over 71% of the population is engaged in agriculture while in US, Canada and West Germany, the figure is just 3,3,4 per cent respectively.

iii) A Dualistic Economy

Almost all underdeveloped countries have dualistic economy. One is the market economy and the other subsistence economy. One is in and near towns while the other is in rural areas. Again, one is developed, and the other less developed. Centered in the towns, the market economy is ultra-modern with all the amenities of life, viz radio, car, bus, train, telephone etc. Here too, there are government offices, business houses, banks and factories. The subsistence economy is backward and mainly agriculture – oriented.

Dualism is also characterized by advanced industrial system in place and an indigenous backward agricultural system.

iv) **Underdeveloped Natural Resources**

In these economies, the resources are unutilized, underutilized or misutilized. A country may be deficient in natural resources, but it may not be so in absolute sense. Thus a country may be poor in resources, but it is possible that in future it may become rich in resources as a result of the discovery of unknown and untapped resources.

v) **Demographic Features**

In such economies, diversity exist in the size, density, age – structure and rate of population growth. But the common feature is a rapidly increasing population every year. With low per capital income and low level of capital formation, it becomes difficult for such countries to support this additional population. (Jhingan, 1997:24)

vi) **Unemployment and Disguised Unemployment**

In underdeveloped economies, there is vast open unemployment and disguised unemployment. Unemployment is spreading with urbanization and spread of education. But the industrial sector has failed to expand along with the growth of labour force thus increasing unemployment.

vii) **Economic Backwardness**

In underdeveloped countries, the manifestation of economic backwardness is reflected in labour inefficiency, factor immobility, economic ignorance etc. The basic reason behind backwardness is low labour productivity compared with the developed world. There is thus low labour productivity has also breeded painful poverty as reflected in low nutritional standards, ill health, illiteracy and lack of training and occupational mobility. (Jhingan, 2005)

viii) **Lack of Enterprise and Initiative**

This is another feature of underdevelopment. Entrepreneurship is inhibited by social system, which denies opportunities for creative facilities. This can be traced to: -

- The force of custom
- The rigidity of status, distrust of new ideas and exercise of intellectual curiosity.

All the above factors combine to create atmosphere inimical to experiment and innovation.

ix) **Underdeveloped** nations are characterized by poor capital, low saving and low investing economies. In most of the underdeveloped countries, gross investment is about 5% - 6% to GNP compared with 15% - 20% in advance nations. Thus underdeveloped countries even find it though to cover depreciation of capital and replace existing capital equipment as noted by Jhingan, (1997:28).

x) **Technical Backwardness**

This is reflected in high average cost of production despite low money wages, a general low productivity of labour and capital, predominance of unskilled and semi-skilled workers etc. Deficiency of capital hinders the process of scrapping off the old techniques and installation of modern techniques.

xi) **Foreign Trade Orientation**

Underdeveloped countries generally are foreign trade-oriented as reflected in primary products and imports of goods and machinery. According to the recent World Bank data, exports of majority of developing countries are on the average of 80%. For instance, the share of Ethiopia is 99%, Burma 97%, Uganda 99%, Indonesia 96%, Malaysia 80%, Algeria 100% and Kenya 86%. Thus there is too much dependence on exports to the neglect of other consumption goods and a fall in world prices decreases their income on exports.

2.5.4 DEVELOPMENT FINANCIAL INSTITUTIONS

2.5.4.1 THE NIGERIAN BANK FOR COMMERCE AND INDUSTRY

The Nigerian Bank for Commerce and Industry (NBCI) was established in 1973 as a development bank specifically to provide long-term finance for various development projects and accelerate economic development. Examples of development banks are the Nigerian Industrial Development Bank (NIDB), 1964), the Nigerian Agricultural and Cooperative Bank (NACB, 1973), the Sierra-Leone National Development Bank and the National Investment Bank of Ghana etc.

Characteristics:

The bank has some distinguishing characteristics different from Commercial Banks. (Anyawocha, 2007)

a) The Nigerian Bank for Commerce and Industry, like other development Banks is government owned enterprise and obtains its funds from the government, from other financial institutions and international organizations. But sometimes they are jointly owned by government and private institutions or individuals.

b) Anyawocha, (2007), identified the following role played by the Bank in economic development: - The Nigerian Bank for Commerce and Industry, like NIDB and NCB above, do not accept deposits from the public and do not perform the functions of Commercial Banks. They are rather out for development and investments in the economy.

c) They provide medium and long-term loans, unlike commercial Banks that provide short-term loans.

d) They do not issue their own cheques as commercial banks do.

2.5.4.2 ROLE AND IMPACT ON DEVELOPMENT

i) The Nigeria Bank for Industry, like other development Banks, provide medium and long-term loans and capital to prospective investors in agriculture, industry and commerce. Most development projects and investments require long-term loans. Since commercial banks only provide short-term capital, Nigerian Bank for industry and other development banks fill the gap by providing medium and long term capital for investment and development of the economy.

ii) The Nigerian Bank for Industry, like NIDB and NACB above make direct investments in the various sectors of the economy. It makes investment into the industrial, commercial and other sectors of the economy. The Nigerian Industrial Development Bank also provides finance for industry while the Agricultural Banks focus on agricultural projects. They usually have joint enterprises with private investors on agriculture, industry and housing. The banks therefore contribute directly to economic development.

iii) The banks offer technical and financial advice to potential investors at the various sectors of the economy. They have experts in various fields of business and therefore advice investors on how best to carry out their business operations.

iv) They conduct studies on the economy. They carry out detailed studies of the economy with a view to identifying obstacles to economic progress in their various areas of endeavour and provide solutions to them.

v) They identify and embark on priority projects of the government. The government sometimes directs them to focus on certain region of the economy to promote developments and stimulate investment.

2.5.5 **AFRICAN DEVELOPMENT BANK (ADB)**.

The African development Bank was established in 1964 with its headquarters in Abidjan, Cote d'Ivoire, and officially started operations in 1967.

The ADB is a multilateral development Bank whose shareholders include 53 African Countries and 24 Non-African Countries from Asia, America, and Europe (i.e non-regional member countries). However, due to political instability in Cote-de'voir, the governors' consultative committee (GCC) has a meeting in February, 2003, in Accra, Ghana decided to move the Bank to its current temporary office in Tunis, Tunisia and has been in operation from there since 2003.

2.5.6 **THE AFRICAN DEVELOPMENT FUND (ADF).**

Established in 1973, the ADF comprises of ADF and state participants, which became operational in 1974. Its main objective is to reduce poverty in regional member countries by providing concessional loans and grants to them for projects and programmes as well as technical assistance and capacity building.

2.5.7 THE NIGERIAN TRUST FUND (NTF)

Established in 1976, the NTF was created by agreement between ADB Bank group and the Nigerian federal Government. Its objective is to assist the development efforts of member countries whose economic and social conditions and prospects require concessional financing. In April 2003, the ADB Board of Governors approved some proposals aimed at enhancing the effectiveness of NTF.

2.5.7.1 DEPARTMENTALIZATION:

The Bank's mission is to promote economic and social development through loans, equity investment and technology assistance. The following departments are put in place to carry out its activities:-

(i) **Financing of the public sector:**

This sector contains the principal loan terms by conditions which ADB offers to member countries or public entities that benefit by state guarantee.

A guaranteed loan is that made to a regional member country or in its territory where the borrower is domiciled.

(ii) **Legal**:

The bank group has underscored the need to reform the legal and judicial systems, which constitute an indispensable part of action likely to reduce poverty and stimulate economic and integrated development among regional member countries.

(iii) **Planning and Research:**

The development Research department's primary role is to provide advice an assistance to the president and senior management, address and identify macroeconomic, social and poverty issues in Africa.

(v) **Procurement:**

ADB-financed contract procurements are carried out in accordance with the requirements stipulated in the rules and procedure for procuring goods and works and use of consultants.

2.5.7.2 **ORGANIZATION OF ADB.**

The present organization of ADB is based on the 2001 structure, which defines the bank's organizational units and responsibilities viz:-

(i) **Board of Governors:**

This is the supreme organ of ADB composed of ministers and high-level official of economic and financial institutions of member countries. A governor represents each member country

(ii) **Board of Directors:-**

The Board of directors of ADF are resident in the headquarters of the Bank and meet for the business of the Bank as required.

(iii) **The president:**

Mr. Donald Kaberuka is the 7th elected president of ADB group. He came on board on first September 2005 in a ceremony in Tunis. There is a vice president

(iv) **Senior Management:**

This contains the bios and portraits of senior management of the Bank Group.

(v) **Review and Resolution mechanism:**

To ensure corporate accountability, transparency and respect for the process, the Bank has put in place review resolution mechanism to address its operation and staff related matters.

(vi) **Anti-corruption and fraud Investment:**

This organ combats corruption, fraud, and misconduct.

2.5.7.3 **OBJECTIVE /ROLE OF ADB IN ECONOMIC DEVELOPMENT IN AFRICA.**

The roles, objectives and function of ADB are similar to World Bank, except that its operation are limited to Africa. Anyaocha, (2007) list out the following role played by the bank in economic development.

(i) It stimulates economic and social development through the provision of loans for financing viable projects in member countries.

(ii) It provides technical assistance to projects through feasibility reports, financing and executing projects as well as assist member states to select priority projects.

(iii) It helps to promote private and public investment in projects in member countries to foster economic and social development of member states.

(iv) It fosters economic integration among member countries and thus creating employment opportunities therein which promotes the standard of Living in Africa.

2.5.8 FUNCTIONS OF CENTRAL BANK IN ECONOMIC DEVELOPMENT.

Historical Perspectives:

The central Bank is a government owned Bank, which helps to control and supervise the entire monetary and financial system of a country. It is the financial organ of the government and regulates, directs, assists and coordinates the operations of other financial institutions.

The west African currency board (WACB) was established in the English speaking west African countries in 1912 by the colonial government and operated in Ghana, Gambia, Sierra Leone and Nigeria. It performed the function of a central Bank.

2.5.8.1 REASONS FOR THE ESTABLISHMENT OF CENTRAL BANKS IN WEST AFRICA

The reasons behind the establishment of central Bank came from the defects of West African currency Board.

i) The existence of the West African currency Board (WACB) was a symbol of political domination representing British interest and imperialism in west Africa.

ii) There was need to establish Central Bank to help formulate and implement monetary and financial policies of the government. The former West African currency Board could not satisfy the government monetary policies.

iii) It was also needful to establish central Banks to control and direct the activities of Commercial Banks and other financial institutions to conform with economic policies and maintain monetary stability and speed up economic development which the WACB failed to do.

iv) Central Banks were required to foster the development and operations of the financial systems in the various countries and speed up economic development as this was poorly developed under the WACB.

v) There was also the need to establish Central Banks to help train indigenous personnel in monetary management as well as control their economies after independence.

2.5.9 THE FUNCTIONS/ROLE OF CENTRAL BANK IN ECONOMIC DEVELOPMENT

The Central Banks play useful role and function in the development of the economy (Anyaocha, 2007).

i) **Development of Money and Capital Markets**

The Central Banks help to develop the money and Capital Markets to finance economic development projects. Capital Markets provide medium and long-term capital for development purpose.

ii) **Provision of Money**

The Central Bank is the only authority legally empowered to issue currency in the economy. This money is made available for production, distribution and general economic development. This would have been impossible without issuance of money by Central Bank.

iii) **Control of Money Supply and Maintenance of Stable Prices**

The Central Bank regulates money supply through monetary policy like open market operations, bank rate etc.

iv) **Engagement in Productive Sector of the Economy**

By financing development projects, the Central Banks help to promote economic growth like the present development programme financed by the Central Bank.

v) **Direction on Commercial Bank Lending**

The Central Bank usually directs commercial banks to give some loan to priority projects or certain sectors of the economy to speed up economic progress.

vi) **Financial and Economic Adviser**

The Central Bank acts as financial and economic adviser to the government to influence economic development. The Central Bank participates in formulating the budget. It can formulate policies, which lead to increased government investment in capital projects.

vii) **Stimulation of Economic Development**

The Central Bank engages in external borrowing. If a country wants to raise a loan from the World Bank or IMF for instance, it is done by the Central Bank. Many development projects in West African Countries are financed by foreign loans obtained by the Central Banks.

By dealing directly with the foreign exchange market, the Central Bank helps to promote foreign trade and gives policy guidelines relating to foreign exchange. This facilitates foreign trade, importation of capital goods, increased foreign investments, which speeds up economic development.

The Central Bank also manages foreign assets and liabilities (i.e external reserves) to maintain international value of its currency, all aimed at boosting economic development.

viii) **Bank and Financial Adviser**

The Central Bank also keeps accounts on behalf of the Government and receives proceeds from taxation and other sources of revenue and makes payments on behalf of the government to foster development.

ix) **Acts as Bankers Bank**

The Central Bank acts as bankers to Commercial Banks. Commercial Banks use the Central Bank as their banker just like customers bank with commercial banks.

x) **Act as Lender of Last Resort**

When Commercial Banks run short of funds as a result of huge withdrawal by customers, the Commercial Banks run to the Central Bank as a last resort to borrow to meet their pressing needs and the Central Bank must not fail to assist in this direction. This is done to avoid a bank crisis, which may frustrate economic development.

xi) **Issue of Currency**

If the Federal Government wants to pump more money into the economy to foster development and employment, it is done by the Central Bank. The Central Bank also withdraws old currency and issue new ones in the economy.

xii) **Bankers to Discount Houses and other Finance Institutions**

The Central Banks also act as a banker to discount houses and other financial institutions, which operates in the money and capital markets.

Financial Institutions like Hire Purchase Companies, Insurance Companies, depend largely on the assistance, regulation and directions of the Central Bank.

2.5.9 THE ROLE/ FUNCTIONS OF COMMERCIAL BANKS IN ECONOMIC DEVELOPMENT

Commercial Banks play vital roles and functions in the development of the economy:

i) **Loans and Advances**

The Banks give out loans and advances thereby providing short-term and long-term capital to investors for development projects. This takes the shape of direct loans, overdrafts, discounting bills etc to its customers. This helps to speed up economic development.

ii) **Advise to Customers**

They give financial, technical and management advise to their customers on matters relating to investment. They advise investors on the various avenues to raise capital for investment to stimulate economic development

iii) **Facilitation of Transactions**

The banks facilitate transactions by the use of cheques and bank drafts by traders; industrialist. This saves the customers the problem of carrying huge cash around in their business operations. This reduces the incidence of money lost or stolen. They also make payments on behalf of customers and transfer money from one place to another to stimulate transactions in the economy.

iv) **Direct Involvement in Economic Development**

Commercial Banks invest directly in the productive sectors of the economy; they own shares in commercial, industrial and agricultural ventures. Sometimes, the banks establish their own concerns and provide the capital thus raising the level of development in the economy.

v) **Encouraging Investments**

Commercial Banks make it possible for businessmen and individuals to purchase the government treasury bills and development of the economy.

vi) **Facilitating International Trade**

They play a vital role in facilitating international trade and travel by making foreign exchange transaction easier. They make overseas payment for their customers by issuing letters of credit to importers and providing travelers cheques to overseas travelers.

vii) **Referees**

They act as referees to the integrity and financial standing of their customers. Indigenous investors could obtain references from their bankers thus facilitating investment opportunities. This helps to promote economic development.

viii) **Encouraging Savings**

The banks provide facilities and encourage savings. This stimulates the habit of saving and goes a long way to mobilize capital, which could be lent to investors. The banks therefore encourage capital accumulation, which helps to promote economic development.

2.5.10 THE WORLD BANK (IBRD)

The World Bank, also known as International Bank for Reconstructing and Development (IBRD), was established in 1945 under the Bretton Woods Agreement to smoothen the transaction from war-time to peace-time economy. It is a sister institution of International Monetary Fund (IMF).

a) **Membership**

Members of IMF are also members of IBRD. In 2000 it had 182 members. A country that resigns its membership is required to pay back all its loans and interest due and if the Bank incurs a loss in the year in which a member resigns, it is required to share in such losses.

b) **Organization**

The IBRD has three-tier structure with a President, Executive Directors and Board of Governors. The five largest shareholders of the Bank are US, UK, Germany, France and Japan who constitute permanent members to which the Executive Director Belongs.

c) **Funding Strategy**

IBRD's funding strategy has the following four basic objectives:

i) To ensure availability of funds to the Bank, the Bank seeks to maintain access to funds in the markets it borrows.

ii) The second objective is to minimize the effective cost of those funds to its borrowers. This takes the shape of currency mix of its borrowings and the time and terms of borrowings.

The time of borrowing is manipulated in two ways:

a) When the interest rates are expected to rise, the Bank seeks to increase it borrowings.

b) When interest rates are expected to fall, it seeks to defer borrowings.

iii) Another objective is to control volatility in net income and the overall loan charges. Thus from July, 1982, a pool-based variable lending rate system that uniformly adjusts interest charges applicable to the outstanding balance on all loans made under it, were put in place. The existing loans however, were not affected by this lending system. As majority of the loans and borrowings are incorporated into the new lending system in future, the volatility of interests will be much reduced.

iv) Another objective of this strategy is to provide appropriate degree of maturity transformation between borrowing and lending. Maturity transformation refers to the Bank's capacity to lend at longer maturities than it borrows and also provides its borrowers with a modest degree of maturity transformation.

2.5.10.1 **SOURCE OF FUNDS**

The Bank sources for funds from the following channels:

i) **Subscription by Members**

The IBRD is a corporate institution whose capital is subscribed by its members. It raises funds from its own medium and long-term borrowings in the international capital markets and currency swap agreements.

(ii) **Discount-note Programme:**

It places bonds and notes directly with its member government, government agencies and central Bank. It also offers issues to investors and in public markets through investment banking firms, merchant banks, commercial banks.

(iii) **New Borrowing Instrument**

This is the central Bank facility (CBF), which is a one-year US dollar dominated facility for borrowing from official sources, particularly central Banks.

(iv) **The IBRD also Borrows Floating Rate Notes (FRNs)**

This is meant to help it meet the objectives of funding strategy. In the FRN market, the IBRD gains access to investors like Commercial Banks and other financial institutions, which have not bought IBRD notes.

2.5.10.2 **IBRD's LENDING STRATEGY**

The Bank lends to member countries in the following ways:

a) marketing or participating in loans out of its own funds
b) By marketing or participating in direct loans out of funds raised in the market of member or borrowed by the bank.
c) By guaranteeing in whole or in part, loans made by private investors through the usual investment channels.

CONDITIONS FOR LOANS

It guarantees participants or makes loans to member countries on the following conditions:

(a) If it is satisfied that in the prevailing market conditions the borrower would be unable to obtain the loan under conditions which in the opinion of the Bank, are reasonable to the borrower.

(b) Loans are for specific projects of reconstruction and development, except in special circumstances.

(c) If a member in whose territory the project is located, is not the borrower, the member or central Bank fully guarantees the payment of the principal, the interest and other charge on the loan.

(d) The project on which the loan is required has been recommended by a competent committee in the form of a written report after a careful study of the proposal.

(e) The borrower or guarantor is in a position to meet its obligation on the loan.

(f) Development credits attract a service charge of 75% and generally carry 35-40 year final maturities with a 10 year grace for principal payments.

2.5.10.3 **OTHER FACILITIES**

(i) **Structural Adjustment Facility (SAF).**

Since 1985, IBRD introduced SAF to borrowing countries to reduce of balance of payment deficits while regaining their economic growth. SAF funds are used to financing general imports with a few exception like luxury and military imports. The Bank provides support to programmes ranging from 5-7 year through a series of 5 SAFs to borrowing country.

(ii) **Enhanced structural Adjustment Facility (ESAF).**

In 1987, the Bank set up ESAF to increase the availability of concessional resources to low-income member countries totaling SDR 6 billion financed by special loans and contribution from developed and OPEC countries:

(iii) **Training:**

The Bank set up a staff college in 1956 known as Economic Development Institute (EDI) for training senior officials of member developing countries to help them manage their economics, increase efficiency and investment progrannes. The EDI also organize seminars in Washington and other regions of the world.

(iv) **Technical Assistance:**

Technical assistance could be on engineering related field such as feasibility studies, engineering design and construction supervision. It could be institution related, studies, as diagnostic policy and institutional studies, management report and training.

(v) **Inter-organizational Cooperation:**

The IBRD also engages in formal agreements such as the cooperation with other organizations based on formal agreements such as the cooperative progarmmes with FAO, UNESCO, WHO, GATT, UNCTAD etc.

(vi) **Economic and Social Research:**

About 3% of its budget is allotted to Economic and social research. In 1983, it established a Research policy Council (RPC) to provide leadership in guidance, co-ordinating and evaluating Bank research.

(vii) **Operation Evaluation:**

It helps borrowers in post-evaluation of their Bank assisted projects. It has an operation Evaluation department which reviews projects, its performance and completion.

(viii) **Settlement of investment disputes:**

The bank set up international centre of settlement of investment disputes between states and nationals of other states. It successfully mediated in solving many international disputes like River water Dispute between India and Pakistan, Swiss Canal between Egypt and UK.

2.5.10.4 Functions of World Bank

The Would Bank performs the following functions:-

i) it assists in the reconstruction and development of territories 0f its member by facilitating capital investments for productive purposes and encourage the development of productive facilities and resources in less developed countries.

ii) It promotes foreign private investment by means of guarantees on participation in loans and other investment made by private investment and supplement such investment by providing finance for productive purposes.

iii) To provide long range balanced growth of international trade maintenance of equilibrium in the balance of payment of member countries by encouraging international investment for the development of their productive resources thereby raising productivity and standard of living of its members territories.

iv) To arrange loans made or guaranteed in relation to international loans through other channels to facilitate the execution of useful, small and large projects.

2.5.10.5 CRITICAL APPRAISAL OF THE IBRD

The IBRD has recorded success in achieving its principal objective of reconstruction and development. It helped in the reconstruction of Europe after the destruction in the Second World War. It has also helped developing countries alike in the process of growth. Since the 1970s, it has been lending to developing countries for infrastructural investment, raising productivity and the standard of living of the poor people. Out of the loans issued by IBRD of 18.5 Billion Dollars in the year 2000, member countries in Latin America and Caribbean, received 22%, Europe and Central Asia 16%, East Asia and Pacific 16%, Africa 12%, South Asia 11%, Middle East and North Africa 5 and 18% respectively. In spite of this, critics are not lacking in pointing out certain criticisms of its lending policies.

i) **High Interest Rate**

It is argued that the bank charges high and cut-throat interest rates on loans and annual commitment charge on undistributed balances and front-end fee. The Bank has recently adopted a new formula related to the cost of borrowing in calculating interest rates and front-end fee. Yet these interest rates are high-up-the-mountain (about 7.6% presently).

ii) **Less Aid to Developing Countries**

A lot of criticisms have been leveled against the bank for failure to meet the financial needs of developing countries. Its loans have touched the fringes of their total capital requirements for the economic and social upliftment of these developing economies. In spite of the establishment of International Development Association (IDA) in 1960, the bank is still guilty of its failure to successfully raise productivity and uplift the standard of living of the developing countries. Its lending operations account for only a fragment of the total net aid to developing countries. The poorest countries hardly receive 3.5% of the total loans.

iii) **Faulty Lending Procedure**

The bank's lending procedure lays emphasis on the repaying capacity of the borrowing country before granting any loan. Such a condition is rather harsh and discriminatory for developing poor countries which actually need financial help on a large scale. Thus the repaying capacity of poor countries follow the utilization of a loan and as the project is completed with loan assistance, the repaying capacity of the borrower increases gradually.

iv) **Discriminatory**

The Bank has also been criticized for its discriminatory purpose-wise and region-wise assistance to its members. It was from the 1990 fiscal year that the bank's lending policy was focused at developing nations, agriculture, rural development, energy, transformation, water supply etc.

v) **Hard Conditionalities**

The introduction of SAF and ESAF have rather made IBRD loans tighter. The borrowing country is required to follow an action programme like open trade, reform in public budgeting and debt management, revision of price policies, better planning of public investment and management of public enterprises etc.

2.5.10.6 OBJECTIVES OF WORLD BANK

i) The World Bank encourages the development of production facilities and resources in less developed countries.

ii) The Bank also promotes foreign private investment by means of guarantees on participation on loans and other investment made by private investors and supplement such investment by providing finance for productive purposes.

iii) It promotes long-range balanced growth in international trade and maintains equilibrium in the balance of payments of members countries.

iv) IBRD also encourages international investment for the development of their productive resources thus raising productivity and standard of living of its members territories.

v) It is the duty of the Bank to arrange loans made or generated by it in relation to international loans through other channels to facilitate the execution of small, medium and large projects.

The Bank has recorded success in some of its objectives but is criticized for its high interest rates, faulty lending procedures, discrimination and its hard conditionalities, Jhingan, (2005).

2.5.10.7 THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA): OBJECTIVES, RESOURCES AND EVALUATION.

The International Development Association (IDA) is the "soft loan window" of the World Bank which was established in 1960 and its President is the President of World Bank.

OBJECTIVE

a) The main objective is to provide assistance for poverty alleviation to the world poorest countries.

b) It provides concessional financial assistance and macroeconomic management services to poor countries to raise their standard of living. These include population control, development of health, nutrition and education to stamp out poverty.

Resources

Its resources include members subscription, general replenishment from industrialized countries, transfer from the net earnings of the Bank, special funds contribution and adjustments and accumulated surpluses. The initial capital subscription from members as at the time of its formation in 1960 was $787 Million. A special fund was created in October 1982 from contributions from member countries. Its major source of funds in the past three years is IDA replenishment of $15.5billion from 32 donor countries. IDA-10 which began in July, 1993, had been fixed at $22 Billion over the next three years. All its contributions to capital subscription, replenishment and special funds are paid in convertible currencies by part one member countries. The developing countries which constitute members of part two make their contributions of 10% in convertible currencies or gold and 90% in their own currencies.

Evaluation of IDA Activities

Between 1979 – 80, India had been one of the largest beneficiary of IDA assistance which constituted 40% of the total credits granted to less developed countries. During 2000, India still received $1.2Billion interest free IDA loans for elementary education, health, nutrition, food, safety, social safety programme, environment security and supervision.

Since its inception in 1960 as the "soft window" of the World Bank, IDA has been helping poorest countries to stamp out poverty and raise their standard of living. As a result of this assistance, infant mortality rate in less developed countries (LDC) has reduced to half of what it was earlier. The average life expectancy has increased by 10% and adult literacy rate has risen to 60%.

Despite these achievements however, IDA has failed to render development assistance for the complete removal of poverty in less developed countries. The already developed nations, especially USA has been a stumbling block in increasing IDA replenishments. Thus IDA assistance to poorest countries has fallen from 100% in 1988 to 85% in 2000. According to World Bank assessment, out of 350 IDA supported projects in developing countries, only 59% performed satisfactorily due to efforts of developing countries.

2.5.10.8 THE INTERNATIONAL FINANCE CORPORATION (IFC): ORGANIZATION AND ROLE

The International Finance Corporation (IFC) is the private sector arm of the World Bank family which was established in July, 1956. It is the major multilateral agency which promotes productive private investment in developing countries. It helps to finance private sector projects to mobilize finance for them in international financial markets as well as provide advice and technical assistance to business and government.

Membership

The article of agreement of the IFC are similar to that of the World Bank. A country has to be a member of the World Bank to join the IFC. In 2001, it had 182 members.

The Objectives of IFC

The objectives of which IFC was set up are laid down in Article 1 of its Article of agreement Viz "the purpose of the corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in less developed areas, thus supplement the activities of IBRD". It further states that, in carrying out this purpose, the corporation shall:-

(a) In association with private investors, assist in financing the establishment and expansion of the productive private enterprise to contribute to the development of member countries through investments without guarantee of payment by member government concerned.

(b) Seek to bring together investment opportunities, domestic and foreign private capital and experienced management.

(c) Seek to stimulate and help create conditions conducive to the flow of private capital, domestic and foreign, into productive investment in member countries.

Organization

IFC is an affiliate of World Bank and only member of World Bank can be a member. It has its own staff and its organization structure consists of the

President, Chairman, Board of Governors and Executive Directors on the pattern of the World Bank. The World Bank President is the Vice President of IFC. The corporation is segmented into eight departments of which four relate to capital markets, finance, management, legal matters and engineering which operate on functional basis.

Its Roles

The IFC renders assistance to a wide variety of sectors relating to large, medium and small industries including financial services, mining, petro-chemicals, power, oil and gas exploration, telecommunications, tourism, general manufacturing and agro-based industries.

i) **Direct Investment**

It invests in partnership with private investors from the capital exporting country and/or from the country in which the enterprise is located. The enterprise seeking loan from IFC should be industrial, located in a developing country and should satisfy the criteria for both economic development and reasonable commercial return.

The corporation’s assistance is not tied to expenditure in any particular country but must be spent in member countries.

ii) **Foreign and Local Capital**

It promotes productive private investment in developing countries by way of equity and loan investment, it also underwrites equity capital and helps in sponsoring and bringing investors together for new enterprises, and make feasibility studies for proposed projects.

(III) **TECHNICAL ASSISTANCE:**

The IFC provide project sponsor with the necessary technical assistance so that their enterprises are potentially productive and financially sound. Thus it undertakes financial studies, provides policy assistance to member government to develop. It creates the necessary investment climate to attract local and foreign private enterprise.

(iv) **Capital market development:-**

The corporation has a capital market development which provides specialized resources for studying the problems and needs of financial market of developing countries, it provides financial support and advice for the development of financial institutions and helps in developing legal, financial and institutional framework to encourage local and foreign capital in developing countries.

v) **Assisting Small Scale Industries**

It renders help to small scale industries in form of advice on projects and technical assistance. IFC has established four such facilities in developing countries in different regions.

There are the south pacific project facility, African project development facility, the Business Advisory Services for the Caribbean and Central American and the polish Business Advisory Service, IFC has also established African management services Company which provides skilled and experienced managers to small enterprises in African region. It also has technical advisory service in engineering which gives advice to government on small enterprise feasibility studies, technical construction and strategic planning.

Its Evaluation

Over the years, the IFC has played a catalytic role in promoting productive private investments in developing countries by providing equity capital, technical advice on money and capital markets, facilitating local and foreign enterprises to co-operate in joint ventures and in formation of small, medium and large sectors. But IFC is not entirely free from some lapses as its development assistance has done more to developed countries and very little to the least developing economies.

2.5.11 THE MULTINATIONAL INVESTMENT GUARANTEE AGENCY (MIGA): ROLE, OBJECTIVE AND EVALUATION.

The Multinational Investment Guarantee Agency (MIGA) is the newest of the World Bank family which was established in April, 1988. It was created to assist IFC and World Bank where the World Bank and IFC could not reach. It is a joint venture with the International Finance Corporation and has authorized capital of $1.08 Billion.

It's Objectives

MIGA has the following objectives:-

i) Its primary objective is to encourage the flow of direct foreign investment in developing member countries.

ii) To provide insurance cover to investors against political risk.

iii) MIGA's guarantee programme protects investors against four types of non-commercial risk viz:-

   a) Any danger involved in currency transfer.
   b) Expropriation
   c) War and civil disturbance
   d) Break of contract by governments

iv) MIGA also insures only new investments including expansion in existing investments, privatization and financial reconstruction.

v) It provides promotional and advisory services to governments and attract same to their investment climate.

vi) Another MIGA objective is to establish credibility among investors and higher credit rating in the global banking and financial markets of its members.

Its Role/Evaluation of Activities

In order to become a full-fledge member of MIGA, a country has to ratify the convention and pay up its capital subscription. By June 30th, 2000, 160 countries had signed the MIGA convention out of which 136 countries became full-fledged members.

Before investments are made, such projects are registered with MIGA subject to a limit of $50 Million per project. Included in its eligible investments are equity loans made or guaranteed by equity holders, and other types of direct investments. It covers insurance for projects for 15 years which may be extended to 20 years in exceptional cases. MIGA also insures eligible investments in cooperation with national insurance agencies and private insurers. All projects insured by MIGA have to support the environmental and development objectives of the World Bank.

MIGA provides promotional and advisory services to its developing member countries to help them attract more foreign direct investments. These services include the organization of investment promotion conferences, investment policy, round table conferences and special advisory assistance to governments of developing members countries. It operates this foreign investment advisory services in policy, institutional and in legal matters relating to foreign investments. It also gives such policy advice and programmes which promotes the backward linkages between foreign and local investors.

MIGA had signed a total of 226 contracts of guarantee for investments in 52 developing member countries. Its outstanding contingent liabilities stood at 2.8 Billion in 2000 fiscal year as noted by Jhingan, (2006:526). It issued 68 investment guarantee contracts worth 86.2 million and an insured project of foreign investment was 8.4 billion. It assisted private firms from 17 different countries in making investment in 27 host countries.

MIGA launched and actively promoted “IPA-Net” - a global, based information in exchange, communication network and market – place which facilitates exchange of information among the informational investment community.

MIGA guarantees therefore, serves as a catalyst for multinational investment and economic development in underdeveloped economies, Jhingan, (2006:527)

2.5.12 **INTERNATIONAL MONETARY FUND (IMF)**

Historical Perspective:

The International Monetary Fund (IMF) is an international monetary institution established by 44 nations under the Breton Woods Agreement of July, 1944, with the principal aim of avoiding the mistakes of 1920s and 1930s. Attempts by many countries to return to the old gold system after First World War failed miserably. This informed the adoption of a purely nationalistic policies whereby every country imposed trade restrictions, exchange controls and exchange depreciation in order to encourage exports. This further brought a decline in world trade and extension of economic depression. It was against this background that 44 nations assembled at the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, USA from 1st to 22nd July, 1944 to establish IMF to promote economic and financial co-operation among members to facilitate the expansion and balance growth in World Trade. It started from March 1st, 1947 and in June 1996, the Fund had 181 members. IMF membership now stands at 185.

2.5.12.1 **OBJECTIVES OF IMF**

The fundamental purpose and objectives of the Fund were spelt out in Article 1 of it’s Articles of Agreement which saw two amendments in 1969 and 1978 respectively. Its basic charter provides a framework within which the Fund functions. Its objectives are:

i) To promote international monetary co-operation through a permanent institution which provides a machinery for consumption and collaboration in international monetary problems.

ii) To facilitate the expansion and balanced growth in international trade and to contribute to the promotion and maintenance of high levels of employment, real income and the development of productive resources of all member countries.

iii) To promote exchange stability, maintain orderly exchange arrangements among members and avoid competitive exchange depreciation.

iv) To assist in the establishment of a multilateral system of payments in current transactions between member countries and eliminate foreign exchange restrictions which hampers the growth of World Trade.

v) To lend confidence to members by making the Fund's resources available to them under adequate safeguards thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive to national and international prosperity.

vi) In line with above, to shorten the duration and reduce the degree of disequilibrium in the international balance of payments of members.

Functions of IMF

The Fund operates to fulfill its objectives laid down in Breton Woods Articles of Agreement. (Jhingan 2006).

i) It is the duty of the Fund to ensure the provisions of the Articles are observed by member countries. The Fund also amends obsolete aspects of the Article and ensure compliance.

ii) The Fund gives short-term loans to its members to correct temporary balance of payment disequilibrium.

iii) The Fund is termed as "the guardian of good conduct" in the sphere of balance of payments. It aims at reducing tariffs and other trade restrictions by member countries. The Fund thus have surveillance over the policies being adopted by member countries.

iv) The Fund also renders technical advice to its members on monetary and fiscal policies.

v) It conducts research studies and publishes same in IMF staff papers, Finance and Development, etc.

vi) It provides technical experts to member countries having balance of payment difficulties and other problems.

vii) It conduct short term courses on fiscal, monetary and balance of payment for personnel from member nations through its Central Banking Services Department, the Fiscal Affairs Department, the Bureau of Statistics and the IMF Institute.

viii) The fund promotes economic stability and prevents crises, help resolve crises when they occur, promote growth and alleviate poverty.

ix) It encourages countries to adopt sound economic policies and conducts in-depth appraisals with country's authorities whether its policies are conducive to external and domestic stability.

x) It advises on policy adjustments that may be desirable. It also combines information from individual consultations to form assessments of global and regional developments and prospects.

xi) Technical assistance and training are offered mostly free of charge to help member countries strengthen their capacity to design and implement effective policies on fiscal policy, monetary and exchange rate policies, banking and fiscal system, supervision, regulation and statistics.

xii) It works to reduce poverty in countries around the globe, independently and in collaboration with World Bank and other organizations.

xiii) The IMF provides financial support through its concessional lending Facility through Poverty Reduction and Growth Facility (PRGF) and Exogenous Shocks Facility (ESF) through debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI). In most low-income countries, this support is underpinned by poverty reduction strategy. IMF also fights against money-laundering and terrorism.

2.5.12.2 THE ORGANIZATION AND STRUCTURE OF IMF

The IMF is accountable to the government of the member countries.

1) **Board of Governors**

At the apex of its organizational structure is the Board of Governors which is the Executive and decision-making organ of the Fund. It consist of one Governor from each of the IMF's member countries.

2) **Executive Board**

This organ consist of 24 members who carry out the day-to-day work of IMF at its Washington DC Headquarters. This work is guided by the IMFC and supported by IMF professional staff. The managing Director is head of IMF Staff and Chairman of the Executive Board. The Executive Board is the most powerful organ of the Fund and its Managing Director is responsible for its organization, appointments and dismissals. The Executive Board is the most powerful organ of IMF and exercises vast powers conferred on it by the Articles and delegated to it by the Board of Governors.

3) **Interim Committees (IMFC)**

Established in 1974, the Committee advices the Board of Governors on Management and adaptation of the Fund. It has 22 members.

4) **Development Committee**

Established in October, 1974, the Committee consist of 22 members who advise and report to the Board of Governors on transfer of resources to developing countries and make suggestions for their implementation.

2.5.12.3 STRENGTHENING THE INTERNAL FINANCIAL SYSTEM

This strategy is carried out through the followings:

i) Transparency at IMF, Standards and Codes, which are internationally recognized standards and codes in 12 areas.

ii) Data standards established to guide countries on their economic and financial data to the public.

iii) Fiscal Transparency facilities, Surveillance on economic policies by country authorities.

iv) Financial Sector Assessment Program (FSAP), Assessments of offshore Financial Centres (OFCs), Anti-money Laundering, Crises Resolution, Trade Finance in Financial Crises and sovereign debt restructuring.

2.5.12.4 CRITICAL APPRAISAL OF IMF

The IMF has been severely criticized for mishandling global financial crises in East Asia and Latin America and aggravating poverty in developing countries and encouraging bad policies by governments and financial investors and favouring developed countries.

a) **Fund Conditionalities**

IMF has evolved conditionalities which a country must fulfill before getting a loan. These conditionalities include expenditure reduction, balance of payments difficulties, economic priorities and their social and political requirements. The Fund has laid down some more conditionalities after the 1995 Mexican and Asian financial crisis viz: to liberalize trade by removing exchange and import controls, eliminate all subsidies so that exporters are not in disadvantageous position in relation to other trading countries and treat foreign lenders on equal footing with domestic lenders. Thus the fund exercise surveillance over exchange rates monetary, fiscal polices of borrowing countries which makes a mockery of its policy of non-interfering in their internal economic affairs.

(b) **High interest rates up the mountain:**

The fund charges cut-throat interest rates which constitutes a great burden to the borrowing countries. Thus developing countries like India are heavily burdened with debt service charge that makes fresh borrowings just negative.

(c) **Secondary role:**

The IMF plays a secondary role rather than central role in international monetary in "swap" arrangement among 10 central Banks of the leading developed countries which exchange each other's currencies and provide short-term credit to combat disequilibrium in balance of payments among these countries. This swap strategy has breeded the growth of Euro-currency market thus making the importance of IMF nonsense.

(d) **Failure to maintain exchange rate stability**

It has failed to stabilize exchange rate and order exchange rate arrangement among member countries. Since the Britton wood system collapsed in August, 1971 there have been a mixture of exchange rate systems of nationally-managed floating, and pegged exchange rates. No wonder Prof. Schwarz noted that IMF has lost its objective. Therefore, IMF objective are not worth the paper it is written on.

(e) **Failure to eliminate Foreign Exchange Restrictions:**

The fund has failed in achieving this objective as the world trade is pregnant with rampant restrictive and varying exchange controls and multiple exchange practices.

(f) **Discriminatory politics:**

IMF HAS sophisticated in discriminatory policies against the developing countries. No wonder it was branded "Rich countries Club". Although majority of its members are countries from Asia, Africa and Latin America, yet it is dominated by rich supper powers especially the United states. The rich member countries would always adopt rigid attitude on issues concerning increase in funds, resources and granting loans to developing countries.

(g) **Responsible for Asian crisis:**

IMF was responsible for the unexpected East-Asian crisis in Philippines, South Korea, Thailand, Indonesia and Malaysia. Prof Friedman in October, 1998 leveled the whole blame on IMF for all these economic havoc in developing economies.

2.5.12.5 **TIPS TO SALVAGE IMF:**

Although Horst Kohler, the new managing Director of IMF, admitted that "IMF is not a god that knows everything", efforts should be made to improve its policies and check future financial crisis. The following measures should be employed as a remedy:-

(j) For the East Asian, Latin American and other developing countries facing financial crisis, or others which fear contagion effect, IMF should give them financial help on concessional terms.

(ii) The fund should map out plans as to a "safety net" for countries during economic crises.

(iii) The IMF should formulate macro-economic policies for developed countries that provide safety to the growth in world output and trade and install safety net for the global economy.

(iv) It should persuade donor countries to increase their commitment towards government development aid to developing countries.

(v) IMF should advice and help re-organise the banking system and corporate sectors in developing countries.

(vi) It should suggest policy measures to countries to use open market system to avoid protectionism.

(vii) It should insist that member nations put an end to corruption and have good governance to speed up economic growth in their countries.

(viii) It should provide loans to developing countries on conditions that increase their internal resource and self financing to boost economic growth.

(ix) To stamp out lopsided voting strength which favours developed countries, quotas which decide voting strength should be more equitably distributed.

(x) The fund should change its loan policies to increase transparency, shorten maturity and change penalty interest rates.

(xi) It should eliminate development lending which ought to be provided by world Bank.

(xii) For an effective role as the global monetary and financial system, there should be transparency and financial system, there should be accountability and transparency of its functioning.

2.5.13 A CRITICAL APPRAISAL OF IMF ROLE IN INCREASING WORLD LIQUIDITY

The International Monetary Fund (IMF), is an international monetary institution which is the principal source of supply of world liquidity to its185 member countries. Over the years, it has adopted the following measures to increase and strengthen international liquidity:-

i). **SDRs:-**

In early 1970, it created a scheme for the creation and issuance of special drawing rights (SDRs) as unconditional service assets to influence the level of world reserves and thus curb the problem of international liquidity. There are SDRs worth 146 billion in the Funds General Account. The Fund also created SDRs and allocated them to member countries according to their quotas as well as special drawing account. The SDRs are held in international reserves of Central Banks and governments of finance of member countries and improve international liquidity to combat balance of payments disequilibria of member countries. Since 1981, there are 21.4billion SDRs in the fund and IMF acts as a clearing house in these transactions.

ii). **Quotas:-**

The bulk of the Fund finances comes from quota subscription of member countries. To meet global demand for liquidity, quotas are being increased every 4 years under the General Review of quotas. Thus it increased member quotas from 7.6 to SDRs (212 billion) in 1998.

iii) **Selling Gold and Borrowings:-**

The Fund increases its funds by selling gold to members. It borrows from governments, Central Banks, private organizations and industrialized countries, Bank for international settlements and OPEC countries.

iv) **Reserve Tranche:-**

The fund has a variety of facilities for lending to member countries to solve balance of payments deficits. If members have less currency with the fund than its quota, the difference is termed 'gold' or reserve tranche and members can draw up to 25% to meet its balance of payment needs.

v) **Credit Tranche:-**

A member can draw further from the balance of its quota in 4 installments upon 100% of its quota from credit tranche yearly. These drawings are conditional as members must meet the conditions to ensure financial stability. The fund has been raising the limits of member countries over the years, and new members can draw 300% of their quotas. These limits however exclude drawings from CCFF, BSAF, SAF and ESAF.

vi). **New Credit Facilities:-**

New facilities were created to members for loans which include Buffer stock financing facility (BSFF), Supplementary Financing Facility (SFF), Extended fund (EFF), Structural Adjustment Facility (SAF), Systematic Transformation Facility (STF) etc. These facilities provide members access to the fund's resources up to 150% of their quota and up to 450% over a three-year period.

vii) **IDA Replenishments:-**

This is another source for increasing world liquidity to poor developing countries. In recent years, IDA-9 Replenishment gave$15.55 billion in 1990, IDA-10 gave $18 billion in 1993, and in 1996 IDA-11 pushed out 22 billion for three years.

It's Criticism

a) The various fund schemes, in spite of the above role, have been criticized for favouring developed countries. Thus the allocations of SDRs are according to a country's needs, but then the allocation of these SDRs to underdeveloped nations is painfully too low as compared to their needs.

b) The SDRs schemes do not link the creation of international reserves with the need for development finance for developing countries. There is need therefore to create more SDRs with fair distribution to make for unconditional liquidity to match the greater needs of developing countries.

c) Unfortunately, due to the rigid attitude of United State and some developed nations, the Fund has been unable to allocate SDRs from January, 1982 despite repeated appeal of developing countries.

The fund has therefore, failed in its objectives of increasing international liquidity through SDRs. Consequently, faced with recession, inadequate flow of concessional aid, failing prices of commodities and raw materials, developing countries have been facing severe balance of payment and debt problems. To solve this problems, there is urgent need for fresh allocation of SDRs and distributed to developing countries.

2.5.14 GLOBAL PROBLEMS ASSOCIATED WITH INTERNATIONAL LIQUIDITY

Meaning

International liquidity is defined as the aggregate stock of internally accepted assets held by the Central Bank to settle deficit in a country's balance of payments. Jhingan, (2006:528). International liquidity, in other words, provides a measure of a country's ability to finance its deficit in balance of payments without resorting to adjusting measure. Shortage of liquidity hampers the expansion of global trade and its surplus leads to global inflationary pressures.

International liquidity is generally used as a synonym for international reserves which includes a country's official gold stock holding, its convertible foreign currencies, SDRs and its reserve position in IMF.

Economists like Heller and Mckinnon (2006) use a broader definition of international liquidity to include international borrowers, commercial credit operations and international financial structure in a country's reserves. In a broader perspective, international liquidity includes private as well as official holding of international liquidity of assets.

In the literature on international liquidity, a distinction is made between owned and borrowed reserves and between exchange surplus, after meeting all current and capital account obligations of a country with the rest of the world and "owned reserves". Similarly, the official gold stock of a country constitutes its owned reserves. Capital imports in form of borrowings from abroad and direct investment by foreign countries constitute borrowed reserves while both owned and borrowed reserves are the source of international liquidity.

2.5.14.1 CHALLENGES ASSOCIATED WITH INTERNATIONAL LIQUIDITY

The problems of international liquidity arise because the demand for international liquidity is more than its supply thereby implying shortage of international liquidity. The following are the principal causes of such shortage (Jhingan, 2006).

i) **BOP Deficits:**

There have been increasing balance of payment (BOP) deficits of majority of world countries especially the less developed countries. Too much dependence on exports has exposed these economies to international fluctuations in the demand for prices of their products which has become unstable due to international cyclical instability.

ii) **High Tariff Barriers**

Exports of less developed countries (LDCS) have not been increasing, thereby affecting their export earnings. One of such reasons for non-expansion of their exports has been high tariff barriers imposed by developed countries on their exports especially by their regional groups like EEC. In the same way, the less developed nations are trying to cut down their essential imports from the advanced countries by means of exchange controls, high tariffs, import quotas and similar protectionist devices to conserve foreign exchange which adversely affects their development process.

iii) **Attitude of Developed Countries:**

Most developed countries have surplus in their balance of payment and are creditors to underdeveloped nations and do not take any interest in getting rid of the surplus so as to increase international liquidity.

iv) **Unequal Distributional International Reserves**

The distribution of international reserves is based on their quota in IMF. Whenever IMF quotas are revised, the larger share goes to developed countries while underdeveloped countries are in disadvantageous position.

2.5.14.2 MEASURES TO REMEDY PROBLEMS OF INTERNATIONAL LIQUIDITY

The following are suggested measures to solve the teething problems of international liquidity:-

i) **Promoting Export Expansion**

Developing countries should reduce BOP deficits by promoting export expansion. The choice lies in concentrating on the expansion of primary or secondary products or both to earn foreign exchange.

ii) **Limiting Exports**

They should ban non-essential consumer goods and limit imports of specific goods by selective tariffs and physical quotas. This policy will enable them conserve foreign exchange.

iii) **Changing official exchange rate:-**

A developing country can change its official exchange rate by devaluing its currency to lower its export prices and thus increase its export and in turn reduce inflationary pressures and BOP deficits.

iv) **Restrictive Monetary/Fiscal Policies:-**

By following these policies, a developing country can cut down demand for products which will lower prices, reduce inflationary pressures and BOP deficits.

v) **Reduction in BOP Surplus:-**

Most developing countries have BOP surplus which should be reduced by:-

- Accepting national currencies of developing countries for payments.
- Removal of trade barriers to products of developing countries.
- Accepting products of developing countries in exchange for their products as done in USSR.

vi) **Expanding international Reserves:-**

IMF should expand international reserve by fresh allocation of larger quotas to member countries. Thus all new issues of SDRs should be distributed to developing countries to enable them pay the developed countries to solve their foreign exchange problems.

2.5.14.3 IMF AND THE BREAKDOWN OF THE BRETON WOODS SYSTEM

In July 1944, the allied countries met at Breton woods in USA to avoid the rigidity of the gold standard and the close of the 1930s in international trade and finance to encourage free trade. The new system was the present International monetary Fund (IMF) which worked out an adjustable peg system. Under the Breton woods systems, exchange rates between countries were pegged in terms of gold or US dollar at 35% per ounce of gold.

This related to a fixed exchange rate regime with changes in the exchange within a band. These adjustments however, were not available to US which had to maintain the gold value of dollar. If the exchange rate hit either of the bands, the monetary authorities were obliged to buy or sell dollars against their currencies. Large adjustments could be made where there were fundamental disequilibrium in BOP with the approval of the IMF with other countries. Member countries were forbidden to impose restrictions on payments and trade except for a transitional period. They were allowed to hold foreign reserve partly in gold and partly in dollars.

In the case of BOP, there was a reserve outflow by selling dollar and reserve inflow in case of a BOP surplus. Reserve outflows were a matter of concern under the Breton Woods System and so IMF insisted on expenditure reduction policies and devaluation to correct Bop deficits.

The first 25% of its quota was held in gold trenches which was automatic and the remaining under credit trenches which carried high interest rates.

- To provide long term loans, the World Bank was set up in 1945 and subsequently, two affiliates.
- The International Finance Corporation (IFC) in 1956.
- The International Development Association (IDA) in 1960.
- General Agreement on Tariffs and Trade (GATT) in January, 1948

To supplement its resources, the Fund started borrowing from industrialized countries to meet its international monetary requirements under the General Agreement on Borrow (GAB) from October, 1962. It further created special drawing rights (SDRs) in January, 1970 to meet the liquidity requirements of its members. Thus, the Breton Woods System worked smoothly from the 1950s to mid 1960s during which outputs increased with a reduction of tariffs under GATT while trade also rose.

THE BREAKDOWN OF THE BRETON WOODS SYSTEM

The following are the principal causes and consequences of the breakdown of the Breton Woods System.

i) **Built-in Instability**

The Breton Woods System had built-in instability which led to its breakdown. It was an adjustable peg system within plus or minus 1% of the par value of 35%. In case of fundamental disequilibrium, a country could devalue its currency with approval from IMF. But countries were reluctant to devalue their currencies because they had to export more goods to pay for dearer imports from other countries.

ii) **The Triffin Dilemma**

Since the dollar acted as a medium of exchange, a unit of account and store of value in the IMF system, every country wanted to increase its reserves of dollar which led to holdings of greater extent than needed. Consequently, the US gold stock continued to decline while the US balance of payments continue to deteriorate. Robert Triffin warned in 1960 that the demand for world liquidity was growing faster than supply because the incremental supply of gold was increasing little. This is the Triffin dilemma which led to the collapse of the Breton Woods System in August, 1971.

iii) **Lack of International Liquidity**

There was a growing lack of international liquidity due to the increasing demand for dollar in the world monetary markets. With the expansion of world trade, Bop deficits and surpluses of countries went up to the mountain. This necessitated the supply of gold and dollar. But the production of gold in

Africa was increasing little by little which led to large demand and holdings of the dollar. Countries also wanted to have more dollar holdings in order to earn interest. As the supply of dollars was inadequate in relation to the liquidity need of countries, the US printed more dollars to pay for its deficits which other countries accepted as reserves.

iv) **Mistakes in US Policies**

The Bop deficits of US worsened in the 1960s. To overcome this, US adopted policies which led to world crisis. Thus with the rising US government expenditures in the Vietnam War, the financing of US space programme and the establishment of the Great Society" (social welfare) programme in the 1960s led to large outflow of dollar from US. Yet the US monetary authorities (FED) would not devalue the dollar but rather adopted monetary and fiscal measures to cut down its BOP deficits.

v) **Destabilizing Speculation:-**

Since countries with fundamental disequilibrium were reluctant to devalue their currencies and also took time to get approval from IMF, it provided speculators opportunities to resort to speculation in dollars. When devaluation was actually made, there were large doses of devaluation than originally anticipated. This was enough reason for the UK to devalue its pound in 1967.

vi) **Crisis of Confidence and Collapse:-**

The immediate cause of the collapse of the Breton Woods system was the eruption of crisis of confidence in the US dollar. The pound was devalued in 1967 and there was no control over the world gold market. With the open market, the immediate cause of the collapse of the system was the rumor in March, 1971 that US would devalue the dollar. This led to a huge outflow of capital from US.

Between 15th August, 1971 and the Smithsonian Agreement of 18th December, 1971, 48 countries including the US, Japan and other industrial nations abandoned the fixed exchange rates. The "Group of ten" industrial countries met at Smithsonian Institution in Washington on 18th – 19th December, 1971 and agreed on a new system of stable exchange rate with wider bands. Thus as a first step, the US devalued its dollar by 8%, Japan, devalued the Yen by 17%, Germany their mark by 14%. The Smithsonian agreement widened the margin of fluctuations in exchange rate to 2.25% above or below the parties of central rates.

Another development in Europe was when the EEC countries limited fluctuation in their currencies relative to each other to a smaller band. This was known as "The snake in the tunnel", an agreement in which EEC countries were tied together and could fluctuate within narrow limits in relation to one another. All these were enough causes and consequences of the breakdown of the Breton woods system.

2.5.15 THE PRESENT INTRNATIONAL MONETARY SYSTEM (REFORMATION STATEGIES):-

In March 1979, the European monetary system (EMS) was found which created the European currency unit (ECU) which was a basket currency of a unit of account consisting of major European Currencies.

The EMS limits and regulates the exchange rates of member countries up to 2.25% exchange of Italy who's Lira fluctuated to 6%.

Mean-while, Jamaica agreement in January, 1976 formalized a floating exchange regime under the auspices of IMF. Majority of member countries of IMF floated their currencies and by 1978, a system of managed floating exchange rates came to stay. The second amendment of the IMF charter in 1978 saw member countries being limited in maintaining and establishing par values with gold and dollar.

The fund had no control over exchange rate adjustment policies of member countries but merely exercised surveillance of exchange rate policies of member countries.

This second amendment also reduced the gold position in the global monetary system in the following ways.

(i) Abolishing the official price of gold.
(ii) Declining same with the dollar in exchange arrangement
(iii) Eliminating the obligations of the fund and its members to transfer or receive gold.

Selling a part of the Funds gold holding.

The second amendment also introduced SDRS as chief reserve assets of the global monetary system whose value was expressed in currencies and not in gold. The present international monetary system has also evolved some strategies which include:-

(i) A new allocation of SDRS.
(ii) Increased nations quota in the IMF
(iii) Renewal of the General Agreement to Borrow (GAB)
(iv) The abolishment of the official gold price
(v) And the formation of the European monetary system (EMS) and the Euro.

The US, being the major country influencing the global monetary system, has permitted the dollar to float in relation to other currencies with a occasional interventions when the dollar reaches extreme heights or lows. Thus when the dollar is high (appreciating), the G – 5, i.e UK, Germany, Japan and France, agreed to intervene to bring the dollar down by the plaza accord in September, 1985. Subsequently the dollar appreciated substantially by more than 50%.

2.5.16 SUGGESTIONS ON REFORMATION STRATEGIES OF THE PRESENT MONETARY SYSTEM:-

Economists have submitted suggested measures to avoid the excessive fluctuations and large disequilibria in exchange rates for reforming the present world monetary system.

i) Coordination and Cooperation of Policies

A few economists, McKinnon in particular, suggested international cooperation and coordination of policies among the leading developed countries for exchange rate stability. According to McKinnon, US, Germany and Japan should have optimal degree of exchange rates among their currencies at equilibrium level based on purchasing power parity.

ii) Establishing Target Zones

Another Economist, Williamson, called for the establishment of target zones within which fluctuations in exchange rates of major currencies may be permitted.

According to Williamson, the forces of demand and supply should determine the equilibrium exchange rates.

There should be upper target zones of 10% above equilibrium and similarity a lower target zone of 10% below equilibrium exchange rates.

iii) Improving Global Liquidity

The reform package of the present world monetary system should improve global liquidity.

a) As a first step, both BOP deficit and surplus countries should take steps to reduce the persistent imbalance through exchange rate changes via internal policy measures.

b) Secondly, they should cooperate in "curbing" large flows of "hot money" that destabilize their currencies.

c) And thirdly, settle their BOP imbalances through SDRs rather than through gold or dollar as reserve assets.

d) Finally, there should be increasing flow of resources to developing countries as noted by McKinnon, (1993).

iv) **Leaning Against the Wind**

To reduce fluctuations in exchange rates, the IMF guidelines for management of floating exchange rates (1974) suggested a strategy of leaning against the wind. This implies that Central Bank should intervene to curb short-term fluctuations in exchange rates but long-term fluctuations should be adjusted by market forces.

v) Another Economic Scholar, Richard Cooper, suggested a global current bank with a global currency to serve as a global lender of last resort.

vi) George Soros (1993) opined that IMF should set ceilings for external finance for each member country beyond which access to private capital need to be insured. And that rather, there should be mandatory insurance by an international credit insurance corporation.

vii) Paul Krugman, (1992) suggested the reintroduction of capital controls as a "least bad response" to international crises.

viii) **Objective of Indicators**

To iron out exchange rate fluctuations, the IMF interim committee suggested the adoption of objective indicators as inflation-unemployment, growth of money supply, growth of GNP, fiscal balance, balance of trade and international reserves. This requires the adoption of restrictive monetary and fiscal measures to bring stability in exchange rates.

The above suggestions for reforms are closely inter-linked. Given the differences of opinion between developing and developed countries and even among the developed nations themselves, there is honestly no hope that any concrete proposal to reform the global monetary system would be accepted to all nations and to cut a long story short, the present system of managed floating exchange rate is likely to stay on.

2.6.0 THE DEBT CRISIS IN DEVELOPING COUNTRIES

The oil shocks of the 1970s and the reaction of the developed countries led to major debt crisis in less developed countries. To repay these debts, its interest and capital caused serious problems in such economies. The problem became severe in the 1980s which led to an increase in debt service payments from $18billion in 1973 to $140 billion in 1990. Consequently, many less developed countries (LDCS) found it difficult to service their debts and was feared that they would default in payment thereby leading to an international crisis.

CAUSES OF DEBT CRISIS

i) Oil Price Shocks

According to Jhingan, (2006:536), the principal causes of international debt crisis in the 1970s and 1980s was the increase in oil prices by more than four-fold and the second doubled them. This caused a large increase in the import bills of non-oil producing LDCS. Simultaneously, their export earning fell due to the recession in the developed countries. Thus, the current account BOP deficit of oil importation of LDCS increased wonderfully. Their ratio of debt to GNP rose from 15.4% in 1974 to 37.6% in 1986.

ii) Bad Macro-Economic Management

In attempt to cope with the problem of BOP deficit, the LDCS began Macro-economic management of their economies. They expanded their expenditures to meet up the demand for their economic development. This in turn led them to adopt expansionary fiscal and monetary measures with large borrowings from abroad. This resulted to inflation and huge external debts.

iii) Policies of Developed Countries and their Banks

The policies adopted by developed countries and their banks fuelled the debt crisis. The rise in oil prices increased the revenues of oil exporting countries but they were unable to absorb them within their economies. They deposited large volumes of "petrol-dollars" in the commercial banks of the developed countries. These banks accumulated huge funds which could not be used by the developed countries and the latter were faced with recession. While the LDSC needed funds for their economic development programmes, these banks cleverly "recycled" in form of loans to the less developed countries.

iv) Rising Interest Rates

The increased interest rates were also instrumental to the debt crisis. During the first oil-price hike, the real interest rates were low and even negative in developed countries due to inflation. This was enough to reduce the real burden of the loans. But the second oil shock increased both money and real interest rates between 1979-82. The rise in oil prices led to inflation in developed countries which adopted restrictive monetary policies to control inflation. Consequently, there was a sharp increase in money and real interest rates. As a result, the cost of servicing past debts and new debts increased in developing nations.

v) Trade Policies

Trade related policies of both LDCS and the developed countries also led to the growth in external debts in developing countries. The less developed countries followed the inward-oriented import-substitution industrialization till the 1970s. These policies brought initial gains but ultimately led to inefficiencies in the production of manufactured goods while agricultural and primary production was painfully neglected. The two oil price hikes led to recessions in the developed countries while the increase in non-tariff restrictions by the later led to reduction in export and export prices of less developed countries. During 1981-86, they suffered heavy annual average loss of $8 billion resulting from decline in export earnings. In modern terms, the cumulative loss suffered by LDCS was $95 billion.

vi) **Immediate Cause**

After 1979, less developed countries accumulated huge external debts which they found it difficult to pay in form of interest and principal. This led to immediate debt crisis in the 1980s. The crisis emerged in August, 1982 when the Mexican Central Bank announced that it had run out of its foreign exchange reserves and could not pay its $80 billion debt. Fearing that Argentina, Brazil and Chile might follow Mexico, the lender banks of developed countries started refusing new loans and demanded the repayments of earlier loans. This spread to Latin American countries and finally to Africa and East Asian LDCs as noted by Jhingan, (2006:537).

2.6.1 MEASURES AND SUGGESTIONS TO CURB THE DEBT CRISIS

The less developed countries have been receiving loans from official world agencies like IMF, World Bank, other banks and from individual countries on bilateral basis. Therefore, there can not be any clear cut solution to the debt problem. Some measures and suggestions however, include the following:

i) **Twin-Tract IMF Strategy**

According to this strategy, the IMF would continue to give financial assistance to provide time for the debtor countries to grow out of their debt problems. Secondly, to encourage structural adjustment programme in LDCS to increase their debt Service capacity in the long run.

ii) **Debt Rescheduling by Commercial Banks**

The creditor banks formed a Bank Advisory Committee (BAC) known as London Club to reschedule debts on case-by-case basis with individual debtor countries.

iii) **The Baker Plan**

To overcome the debt problem, the US Treasury Secretary, James Baker, proposed a scheme known as "Baker Plan" in October, 1985 based on the IMF twin – Tract approach. It provided for 20 billion of new loans by banks for a period of 3-15 years to LDCS and 9 billion to 15 most heavily indebted LCDS.

iv) **The Brady Plan**

In 1989, the new US Treasury Secretary, Nicholas Brady proposed a debt reduction strategy consisting of three main elements.

a) It asked IMF and World Bank to provide funds to debtor countries to repay their debts.

b) It urged banks to accept repayment of less than full amount to include debt service reductions and debt forgiveness.

c) It urged banks to accept repayment of less than full amount to include debt service reductions and debt forgiveness.

v) **Toronto Terms**

In 1988 in Toronto Economic Summit of the Paris Club, it was decided that debt relief to poorest developed countries with GNP per capita income of less than 600 could repay their loans over 25 years.

Long Term Suggestion

To solve the debt problem, there is need for concerted efforts on triple fronts namely, IMF, Developed countries and the less developed nations.

a) **IMF Solutions**

The IMF prescribed market-oriented adjustment programme which include:

i) Tight monetary and fiscal policies to reduce budget deficits in government spending of interest rates and inflation.

ii) Encouraging foreign investment by abolishing controls both internally and externally to give greater incentives to foreigners.

iii) Devaluing their currency to encourage more exports and greater competition through open trade policies.

b) **Measures by Developed Countries**

Since developed countries are creditors, they should:

i) Provide development assistance to the poor/less developed countries like grants to them.

ii) Wave major portions of the debts by debt forgiveness.

iii) Establish a fund which should provide guarantee to private loans by corporations and banks of developed countries in case of default.

iv) Developed nations should adopt appropriate measures to overcome price fluctuations in their primary products through creation of international buffer stocks, commodity agreements and compensatory financing.

c) **Measures by the Debtors LDCS**

The LDCS should adopt the following economic measures:

i) Strengthen and develop infrastructural facilities to encourage foreign investment.

ii) Reduce imports through trade restrictions within the provisions of WTO.

iii) Produce more quality products for domestic consumption as well as for exports. Greater diversification in quality products for domestic use and export essentials to face foreign competition.

iv) Monetary and fiscal policies should be in keeping with the overall objective of economic growth and stability, self reliant and little need for external debts.

THEORITICAL FRAMEWORK

2.7.0 THEORIES OF ECONOMIC DEVELOPMENT

2.8.0 THE MALTHUSIAN THEORY

Concept of Development

Malthus did not regard the process of economic development as automatic. Rather it required consistent efforts on the part of the people. The economist did not conceive any movement towards the stationery state but emphasized that the economy reached the slump many times before attaining the optimum level of development, and that the process of development was one of ups and downs of economic activities rather than smooth.

Malthus was concerned with the "progress of wealth "of a county. By this, the author meant economic development which could be achieved by increasing the wealth of a country. The wealth of a country depends partly upon the valuation of the produce.

But the wealth of a nation does not always increase in proportion to the increase in value, because an increase in value may sometimes take place under actual diminution of commodities.

POPULATION GROWTH AND ECONOMIC DEVELOPMENT

In his principles of political Economiy, Malthus was more realistic in the analysis of population growth in the context of economic development than in his "Essay of population". "According to Malthus, population growth by itself is not sufficient to bring about economic development. Rather, it Is the result of development process. As Malthus wrote "An increase in population cannot take place without proportional increase of wealth" As the rate of capital accumulation increases, the demand for labour also increases to encourage population growth. But mere population growth does not increase effective demand. Increase in effective demand leads to increase in wealth.

ROLE OF PRODUCTION AND DISTRIBUTION

Malthus regarded production and distribution as two grand elements of wealth. If combined in the right proportion, they can increase the wealth of a country. But if they are taken separately or combined in undue proportions, they may take many thousand years to increase wealth. So, Malthus emphasized maximum production and optimum allocation of resources to increase the wealth of a country in the short run.

FACTORS IN ECONOMIC DEVELOPMENT

Malthus defined the problem of economic development as one of explaining the difference between the potential gross national product and actual gross national product. But the principal problem is the achievement of a high level of potential gross national product.

According to Malthus, the size of potential gross national product depends on land, labour, capital and organization. When these four factors are employed in the right proportions, they maximize production in two major sectors of the economy viz:- The agricultural and the Industrial sector. It is the accumulation of capital, the fertility of the soil and technological progress that leads to increase in both agricultural and industrial production. Malthus also emphasized the importance of non-economic factors in economic development which come under politics and morals. These include the security of property, good constitution and excellent laws properly administered, hard working and regular habits and general rectitude of character.

The Process of Capital Accumulation

Of all the factors, it is the accumulation of capital which is the most important determinant of economic development. This source of capital accumulation is higher profits and profits come from savings of capitalists because workers are too poor to save. If capitalists save more and spend less on consumer goods in order to have higher profits, economic growth will be retarded. Malthus suggested a concept of optimum propensity to save. This he meant saving from the stock which was destined for immediate consumption and adding to that which will yield profit. This implies conversion of savings into capital. However, savings pushed excessively would destroy the motive of production.

Deficiency of Effective Demand

This view of Malthus is based on his denial of "Say's law of effective demand". Malthus does not agree with Say that there cannot be a general over-production or glut in the market. According to him, it is not true that commodities are always exchanged for commodities.

A great deal of commodities are exchanged directly for labour rather than for commodities. Thus there is excess supply of commodities in the market in relation to demand. This gap between supply and demand cannot be filled even by demand of capitalists. Capitalists believe in parsimony and deprive themselves of usual conveniences and luxuries to save from their revenue and add to their capital. They employ more productive workers who are consumers and in turn, are not able to buy all commodities they produce. Thus there is general over-production and glut of commodities in the market due to deficiency of effective demand or under-consumption. This leads to a fall in prices, profits, savings, investment and capital accumulation.

Economic Stagnation

Malthus held that the supply of labour is elastic in the short-run. He wrote "From the nature of population, an increase of labourers cannot be brought into the market, in consequence of a particular demand, till after the lapse of 16 or 18 years". But the supply of capital can be increased faster than the increase in the size of population. As capitalists invest on productive labour to increase the supply of capital, wages rise due to competition. A rise in wages do not increase effective demand because workers prefer leisure to increased consumption. So, there is a general glut of commodities. As a result, prices fall, profits decline, investments fall and the power and motive of accumulation are checked. Thus glut and under consumption lead to stagnation.

Measures to Promote Economic Development

Malthus made several policy recommendations to promote economic development:-

i) **Balanced Growth**

In Malthusian system, the economy is divided into agricultural and industrial sectors. It is technological progress in these two sectors that could lead to economic development. Capital is invested in agriculture until all the arable land is brought under cultivation, stocked and improved. Thereafter, there are no more opportunities for profitable investment due to diminishing returns. Therefore, investment opportunities exists only in the industrial sector. Diminishing returns to increased employment on land can be avoided only if technical progress in the industrial sector is rapid enough and investment takes place to absorb most of the population growth in the industrial sector and reduce cost of living of workers. Thus Malthus favoured balanced growth both in agricultural and industrial sectors for the economic development of the country.

ii) **Raising Effective Demand**

Technical progress alone cannot lead to economic development unless effective demand increases. Malthus suggested a number of measures to increase effective demand, viz:-

a) **By more equitable distribution of wealth and landed property**

Thus thirty or forty proprietors with incomes averaging between one to five thousand a year, would create much more effective demand for wheat, bread, meat and manufactured products than a single proprietor possessing a hundred thousand pounds a year. Malthus thus believe that few moderately rich people can raise effective demand more than one millionaire among the poor masses. The economist further favoured a ore equitable distribution of landed property to increase effective demand and production. According to him, if division of land into small proprietors is done to an extreme, it would adversely affect production.

b) Effective demand can be increased by expansion of the internal and external trade. It is both internal and external trade that promotes the desire to consume, which absolutely keeps up market prices of commodities and prevent a fall in profits. Trade also increase the value of products by exchanging that which is wanted less for what is wanted more.

c) Malthus suggested the maintenance of unproductive consumers to increase effective demand. He defined unproductive consumers as "those who do not produce material objects". It is under consumption which leads to glut and stagnation in the economy. Therefore, production can be raised by increasing consumption. Since capitalists are parsimonious and productive workers live upon subsistence wages, unproductive consumption on the part of the unproductive labourers and landlords will increase effective demand.

d) Malthus also suggested public works schemes to stamp-out unemployment and increase effective demand. He pointed out that the employment of the poor on roads and public works and a tendency among landlords and property-owners to build to improve the beauty of their ground to employ workmen and menial servants are the means to remedy evils arising from disturbance in the balance of production and consumption. He however noted two weaknesses in this measures:

i) It might prevent labour from "gradually accommodating itself to a reduced demand". He felt this could be remedied by giving low wages to workers.

ii) It would also necessitate increase in taxes to finance public works which would reduce private investment. This weakness was the advantage of public works because it would not have the tendency to diminish the capital employed by productive labour.

2.8.1 A CRITICAL APPRAISAL OF MALTHUS THOERY

Keynes claimed "Robert Malthus as the first Cambridge Economist" Rightly so, Malthus was Keynes's precursor. It was Malthus who denied Say's law of markets and laid emphasis on importance of effective demand. He pointed out the factors which hinder and promote economic development.

In particular, he pointed out the importance of technological progress, equitable distribution of wealth, internal and external trade, public works programme, good administration, hard work, balanced growth. These measures have come to be recognized as the "main planks" of modern economic growth. Despite all these virtues, Malthus theory has certain flaws: -

i) Secular Stagnation not Inherent in Capital Accumulation

Malthus argues that the process of capital accumulation leads to inherent secular stagnation. This is a wrong notion which arose from his interpretation of say's law. For Malthus, there is the possibility of permanent under consumption of all commodities. But the fact that under consumption is not a permanent phenomenon but temporary is significant. So, secular stagnation is not inherent in the process of capital accumulation.

ii) Negative View of Capital Accumulation

Malthus' view that capital accumulation leads to inherent secular stagnation is not correct from another angle. In actuality, capital accumulation does not lead to a reduction in the demand for consumer goods and fall in profits. As capital accumulation increases, the shares of wages and profits in aggregate income increases and so is the demand for consumer goods. Thus Malthus had a negative view of the process of capital accumulation.

iii) Commodities not Exchanged for Commodity Directly

Again, Malthus, in denying say, argued that commodities are not exchanged for commodities, but exchanged for labour. In fact, labour is not a correct measure of commodities. In the real world, commodities are measured by real tangible prices and not by labour.

iv) Unproductive Consumers Retard Progress

Another serious weakness in Malthus theory is that he suggested spending by "Unproductive consumers" to overcome under consumption and boost effective demand. This remedy tantamount to giving doles to workers and deliberately supporting idle persons. Such a measure slows down the rate of capital accumulation and economic development.

v) One-Sided Saving Base

Like Smith, Malthus had a one-sided base of savings. He misguidedly believed that it is only the landlords who save. But this is an erroneous view because major source of savings in society is the income earners and not profit-earners.

2.8.2 APPLICABILITY OF MALTHUS THOERY TO UNDERDEVELOPED COUNTRIES

Malthus was one of the pioneers in the field of economic development who wrote about poverty and underdevelopment of underdeveloped countries in his "principles of Political Economy" He wrote about economic backwardness such as in Spain, Portugal, Hungary, Turkey, Ireland, together with nearly the whole of Asia, Africa and Latin American countries. Hence his theory of economic development has more relevance to underdeveloped countries today than theories of other classical writers.

Malthus' division and analysis of economy "into agricultural and industrial sectors" is highly realistic in the context of underdeveloped countries. Underdeveloped countries are dualistic economies where agricultural sector lags behind the industrial sector. Despite technological progress, the former sector is subject to the law of diminishing returns. The latter sector operates under the law of increasing returns. Consequently, the agricultural sector retards the progress of industrial sector.

Malthus analysis of causes of poverty is highly realistic in the context of the present day underdeveloped countries. For him, poverty of the peasantry is not due to scarcity of land. It is found because peasants do not have capital to make improvements on land. On the other hand, large land owners do not practice intensive cultivation due to the small size of the market. This is because the bulk of the population subsists on labour-intensive agriculture, and are poor, while industrial output is low. The industrial sector remains limited in size and fails to provide employment. Thus each sector acts as a "drag" on the growth of the other. Consequently, peasants, landlords, workers and industrialists have a backward sloping supply curve of effort. The above analysis of Malthus appears as a condition prevailing in any backward country of Asia, Africa and Latin America.

The relation which Malthus established between population growth and economic development is fully applicable to underdeveloped countries. According to him, in countries where population alone increases, the increase in wealth is the slowest. This has been aptly proved true in Asian and African countries.

The views of Malthus relating to factors which promote development are fully applicable to underdeveloped countries. None can deny the role of production, optimum distribution, capital accumulation, fertility of soil and technological progress and of non-economic factors of good administration, excellent laws, hard work, honest, character etc in promoting development in such countries.

Besides, some of the suggested policy measures by Malthus are also applicable to underdeveloped countries. He stressed the importance of structural changes to diminish the relative importance of agriculture of land reforms, balanced growth of agriculture and industry, extending internal and external trade to widen the market, equitable distribution of wealth and land, public works programme.

These measures are found in the development plans of all underdeveloped countries.

There are certain portion of Malthus theory which are not applicable to underdeveloped countries. These are:-

1) **Under consumption:-**

Malthus theory of under consumption does not have any relevance to these countries. In his analysis, under consumption implies abundance of non-marketable goods due to deficiency of effective demand. In the context of underdeveloped countries, it refers to the low level of consumption due to low level of production.

2) Malthus maintained that lack of effective demand was due to parsimony of capitalist. As remedy, he opined, "unproductive consumption" on the part

of capitalist and unproductive workers. All these are not applicable to conditions prevailing in underdeveloped countries. In underdeveloped regions, income levels are extremely low, of which the propensity to consume is simply high and savings are just negligibly low.

The problem here is not of raising effective demand through increased consumption as it would lead to inflation. Rather, the problem is to raise the levels of employment, and increase saving for development.

2.9.0 **MILL'S THEORY**

Historical Perspective:-

John Stuart Mill, the eldest son of James Mill, was known for his contemporaries as an infant. Mill learnt Greek at three, Arithmetic and History at the age of Six, and Latin at the age of eight, logic at twelve, economic at thirteen and Benthamite political philosophy at the age of fifteen. He read and leant all these at home under his father, James Mill and had the habit of going for walks with him and narrating to the father what he had read the previous day. Ricardo was a close friend of James Mill at whose instigation he had written his "principles of political Economy and Taxation". So, John Mill knew Ricardo personally, visited him as a child and had been taken on walks by the latter. naturally, Mill become the defender of Ricardian doctrines against critics. In 1848, Mill published a Book the principles of political economy" with some application to social philosophy. This book saw seven editions during Mills life-time and was the accepted text both in British and American universities for about 50 years and replaced by Marshall's principles of Economics in 1990.

THE THEORY

Mill regarded economic development as a function of land, labour and capital. While land and labour are two original factors of production, capital is stock of previously accumulated products of former labour. Increase in wealth is possible only if land and capital help to increase production faster than the labour force. It is productive labour that produces wealth and capital accumulation. The rate of capital accumulation is a function of the proportion of the labour force employed productively. Profits earned by employing unproductive labour are merely transfers of income. Unproductive labour does not generate wealth of income. It is the productive labourers who do productive consumption. Productive consumption is that which goes to maintain and increase productive power of the community.

CONTROL OF POPULATION GROWTH:-

Mill believed in the Malthus theory of population. By population, the economist meant the number only of the working class. He was therefore worried about the growth of productive laboures who worked for hire. Mill believed population control was essential for improving the conditions of the working class so that they might enjoy the fruits of technological progress and capital accumulation. The author propagated birth control (as against moral restraint).

WAGES FUND:-

According to Mill, the elasticity of the supply of labour is very high in response to a rise in wages. Wages generally exceed the minimum subsistence level. Wages are paid out of capital; hence they are limited by existing fund of capital meant for paying wages. Thus the wage per head can be derived by dividing the total circulating capital by the working population. Wages can be increased by aggregate fund of capital employed in hiring labour. If wages rise, supply of labour will be high. Competition among workers will not only bring down wages but also keep some labourers out of job. This is based on mill's notion that demand for commodities is not demand for labour. It means income invested has a decline in investment. So, an increase in investment leads to increase in wage fund and economic progress.

RATE OF CAPITAL ACCUMNULATION:-

According to mill the rate of capital accumulation depends on:-

a) The amount of fund from which saving can be made.

b) The strength of the disposition to save.

Capital is the result of saving, and savings come from abstinence from present consumption for the sake of future goods. Though capital comes from of saving, it is nevertheless consumed. This means that saving is refraining from spending. Since saving depends on the net produce of industry, they increase with profit and rent which make up the net produce. On the other hand, the strength on the disposition to save depends on:-

- The rate of profit
- The desire to save or what Mill call "the effective desire of accumulation".

According to Mill, profits depend on the cost of labour. So the rate of profit is the ratio of profits to wages. When profits rise, or wages fall, the rate of profits increases which, in turn, raises the rate of capital accumulation. Similarly, the desire to save increases the rate of capital accumulation.

Rate of Profit

According to Mill, the ultimate tendency in an economy is for the rate of profit to decline due to diminishing returns in agriculture and increase in population. In the absence of technical improvements in agriculture and the growth rate of population being higher than the rate of capital accumulation, the rate of profit is within a hand's breadth of the minimum and the country is at the verge of stationary state.

However, the tendency of profits to be at minimum can be checked by the following factors:-

(i) Capital losses during a crisis
(ii) Technical improvements
(iii) The expansion of foreign trade
(iv) Government borrowing for unproductive expenditure
(v) By capital exports to colonies to produce consumer goods for the home country. However, not all these factors can continue indefinitely. So, profits will ultimately have the tendency to be at minimum level and the rate of accumulation declines.

Stationary State

Mill felt a stationary state was imminent, at most a few years ahead and no more, its arrival being postponed by the above factors. The economist welcomed its arrival because it would simply lead to improvements in income distribution and a large remuneration for labour. But this could only be possible by control of labour through prudent habits and education. Thus in Mill's stationary state, there could be no increase in population or stock of capital, profits having reached the minimum necessary to prevent net disserving by the whole economy. There might still be a rising standard of living due to improvements in the standard of living and increased leisure through technical progress.

Role of the State

Mill was in favour of the policy of laissez-faire to be a general rule. And added that "every departure from it, unless required by some great good, is a certain evil". The economist therefore assigned the minimum role to the state in economic affairs. As a strong believer of laissez-faire, Mill favoured reforms in the institutional framework of the market. And wanted the state to pass laws against commercial frauds and enforce them strictly. Mill also recommended compulsory education and a system of examination by the state, because the educated cannot be a "perfect judge of a commodity". And that successful production depends more on the qualities of human agents than on circumstances in which they work. Mill also declared himself in favour of the regulation of working hours as public action is sometimes necessary to give effect to self-interest of individuals. Mill was further in favour of free trade but against protection and defended the imposition of protective duties temporarily in case of infant industries.

2.9.1 CRITICAL APPRAISAL OF MILL'S THEORY

Off all classical economists, Mill stands out unique by building a theory of all the factors essential for economic development in our modern times. Mill enumerated the importance of such factors as the rate of saving, profit rate, rate of capital accumulation, technical improvements, equitable distribution, expansion of foreign trade and institutional changes etc.

But Mill was not original as an economist. According to Prof. E. Roll and Prof. Stigler, Mill was not trying to build a new system but only added improvements here and there to the Ricardian system. Mill tried to improve upon Ricardo fundamentally in two respects:-

- The stationary state.
- The wages-fund doctrine.

But these have been subjected to criticisms along with his other notions.

i) Stationary State not a Reality

Ricardo believed that the stationary state would come about in the future when capital accumulation stops. For Mill, the stationary state was already near. Mill welcomed its arrival as it would lead to improvements in the distribution of income. Mill however, turned out to be a "false economic prophet" because the stationary state he foresaw has not arrived, nor does it show any signs of arrival.

ii) **Wrong Notion of Wages Fund**

Unlike Ricardo, Mill believed wages fund were paid out of capital as advances. He therefore argued that trade unions can raise wages.

Economists have vehemently criticized mill's wages-fund theory. Cannon called it" the biggest blunder made in economic theory in modern times' Marshall called it "the vulgar form of the wages-fund theory". The fact being that mill related wages-fund to capital rather than to national dividend.

iii) **Wrong Malthusian Theory**

Mill was unduly pessimistic about the growth of population on the basis of Malthusian theory. The Malthusian theory was proved wrong in capitalist countries of the world.

iv) **Law OF Diminishing Returns not Operative**

Mill's belief in the law of diminishing returns on land has also been proved wrong by technological progress that has taken place in advanced countries.

v) **Laissez-Faire Not a Practical Policy**

Mill favoured the policy of laissez-faire in economic affairs. Such a policy is however impractical and no economy can grow without the state help in one form or the other.

2.9.2 APPLICABILITY OF MILL'S THEORY TO UNDERDEVELOPED COUNTRIES

Mill's views about capital accumulation, diminishing returns, population growth, and limited role of the state are applicable to underdeveloped countries. The rate of capital accumulation can be increased by increasing the net produce of industry and by strengthening the disposition to save. The latter in turn, depends upon the rate of profit and desire to save. These are highly practical solution for increasing the rate of capital accumulation in underdeveloped countries.

Land is limited in underdeveloped economies, consequently, the law of diminishing returns operates with full force and the productivity of land is low-Mill not only pointed to the operation of the law of diminishing returns, but also advocated technological improvement on land for increasing its productivity which is the accepted cardinal principles for economic development in such regions.

Mill believed in Malthus theory of population but with the singular difference that the former devoured control through birth control not by moral restraint alone. The experience of underdeveloped countries proves that the Malthusian theory is applicable and that the population can be controlled only by adopting birth control as recommended by Mill.

Mill was a staunch free trader and believed in the policy of laissez-faire. Naturally, the economist assigned minimum role to the state. And wanted state intervention applicable in full to developing countries.

Mill recommended reforms in the distribution of ownership of the means of production through measures as ceiling on inheritance, peasant proprietorship, profit sharing and cooperation. These are very relevant in the context of underdeveloped countries as there are inequalities of income and wealth. Similarly, mill suggested reforms in the institutional framework of the market, since underdeveloped countries are characterized by market imperfections, reforms in the institution set-up are essential. His emphasis on compulsory education and reduction of working labour-hours. Is true as it was when he wrote his principles in 1848. As a matter of fact, no development is possible in underdeveloped countries without assigning of some role to the state.

2.10.0 ECONOMIC PLANNING

There is no agreement among economists as to the meaning of economic planning. However, planning is a technique, means to an end being the realization of pre-determined and well defined aims and objectives laid down by a Central Planning Authority. The end may be to economic, social, political or military objectives. Therefore, the issue is not between a plan or no plan, it is between different kinds of plan as postulated by Jhingan, (2006:488).

Professor Lewis referred to different perspectives in the planning literature viz "planning means only checking what money the government will spend in the future, if it has the money to spend" Lewis went further "a planned economy is one which the production units or firms use the resources of men, materials and equipment allocated to it by quota and dispose off its products exclusively to persons and firms indicated to it by central order.

Finally, according to Lewis, "Planning is sometimes used to describe the means which the government uses-to enforce upon private enterprise the targets which have been previously determined".

Professor Robbins defines planning as "collective control or suppression of private activities of production and exchange." To Hayek, planning means "the direction of productive activity by a central authority". Dr. Dalton defined economic planning, as "the wades sense of the deliberate direction by persons in charge of large resources of economic activity towards chosen ends".

Among the popular definitions is that of Dickinson who defines planning as "the making of major economic decision what and how much to produce, how, when and where to produce, to whom it is to be allocated, by the conscious decision of a determinate authority, on the basis of comprehension survey of the economic system as a whole".

Even though there is no agreement on the subject, majority of Economists understand planning as the deliberate control of the economy by a central authority for the purpose of achieving definite targets and objectives within a specified time period (Jhingan, 2005).

2.10.1 THE NEED FOR ECONOMIC PLANNING

i. The rationale for planning arises in underdeveloped countries to improve and strengthen the market mechanism, which works imperfectly due to ignorance. To remove market imperfections, to mobilize and utilize efficiently available resources, to determine the amount and composition of investment, to curtail structural rigidities, the market mechanism is required to be perfect in underdeveloped economies through planning.

ii. The need for planning is also to remove the widespread unemployment and disguised unemployment in such economies. Capital being scarce and being unabundant, the problem of providing gainful employment IS on the increase. Only centralized planning authority can solve this economic challenge.

iii. It is believed by some Economists that private enterprise in underdeveloped economies are not interested in developing the social and economic overheads due to their unprofitability. It is motivated by personal gain rather than social gain. It therefore, devolves on the state to create social and economic overheads in a planned way.

iv. Money and capital markets are grossly underdeveloped in developing countries. This factor poses an obstacle to growth in industry and trade. Such maladjustments can only be removed by the state through economic planning.

v. Planning for development is indispensable for removing poverty in undeveloped nations. In order to promote national and per capita income, to reduce inequalities in income and wealth, to increase employment along with newly won national independence, planning is the only tool to be employed by underdeveloped countries.

vi. Planning is important because, if you don't plan, then you have planed to fail. This is a general saying.

vii. Planning therefore means in a sense, no more than better organization, consistent and far-seeing organization and comprehension of all-Sided organization. Direction, regulations, controls on private activities and increasing the sphere of public activity, are all parts of organizational effort.

2.10.2 PLAN FORMUALTION AND REQUISITES FOR SUCCESSFUL PLANNING

According to Jhingan (2005), the formulation and success of a plan requires the following:-

(i) **Planning Commission**

The first prerequisite is a planning commission organized in a proper way. It should be divided into divisions and subdivisions under economic experts, statisticians, engineers etc dealing with the various aspects of the economy.

(ii) **Statistical data**

A prerequisite for sound planning is a thorough survey of the existing potential resources of a country together with its deficiencies. As Baykov puts it "every act of planning, in so far as it is not mere fantastic castle building, presuppose a preliminary investigation of existing resources. Such a survey is essential for collection of statistical data on the available mineral, capital and human resources of the country."

(iii) **Objectives:-**

The plan may lay down among others the following objectives:

- To increase national income and per capita income
- To expand employment opportunities
- To reduce inequality of income and wealth
- To raise agricultural production
- To industrialize the economy
- To achieve balanced regional development
- To achieve self-reliance etc.

The various goals and objectives should be realistic, mutually compatible and flexible in keeping with requirements of the economy. (Ibid: 427).

(iv) **Fixation of Targets and Priorities:-**

The next phase is to fix targets and priorities to achieve the set down objectives and goals in the plan.

These should be global and sectoral, bold enough to cover every segment of the economy. They may include production targets, millions of tons of foodstuffs, coals, steel etc.

Mobilization of Resources:

A plan defines the public sector outlay for which resources are required to be mobilized. There are various internal and external, sources for financing a plan, savings, profits, net marketing, borrowings, taxation and deficit financing are principal internal sources in the public sector while net-budgetary receipts corresponding to eternal assistance relate to external sources of financing a plan (Lewis, 1966).

(vi) **Balancing the Plan:-**

A plan should ensure proper balance in the economy to avoid shortages or surpluses in the economy.

There should be a balance between saving and investment, between supply for goods and demand for them, between demand for imports and the available exchange.

(vii) **Incorrupt and Efficient Administration:-**

A strong, efficient, incorrupt and sound administration is the singque-non of successful planning. But this is grossly lacking in developing economies. Lewis regards incorrupt and efficient administration as the first condition for a successful plan. The central cabinet in an underdeveloped country should not take important economic decisions hurriedly without being properly examined by technical advisers.

(viii) **Proper Development Policy:-**

This must be put in place to avoid pitfalls in development process. Professor Lewis listed the following main elements of a development plan:

- Investigation of development potentials, national resources, market research
- Provision of adequate infrastructure - water, power, trans, communication
- Provision of specialized training facilities, general education etc
- Improving legal framework on education activities - land tenure, corporations
- Creation of better markets for commodities, security, banking, insurance' Better utilization of resources through inducements and controls

- Promoting increase in savings in private and public sectors.
-

(ix) **Economy in Administration:-**

Every effort should be made to effect economy in administration particularly in the expansion of ministries and state departments.

(x) **An Education Base:-**

For a clean and efficient administration, a firm education base is essential. For a successful plan the ethical and moral standards of the people must be taken care of. One cannot expect economy and efficiency in administration unless the people are taken care of. One cannot expect economy and efficiency in administration unless the people possess high ethical moral values.

(xi) **Theory of Consumption:-**

According to Prof. Galbraith, an important requirement of modern development planning is the theory of consumption. Underdeveloped nations should not follow the consumption pattern of the developed countries. The theory of consumption should be democratic prime attention must be accorded to goods that are within the range of the middle income earners that can be afforded by a typical family. Thus cheap bicycles in a low income country are more important than cheap automobiles.

(xii) **Public Cooperation**

Public cooperation is one of the important levers for the success of plan. Planning requires unstinted Public Cooperation of the people. Economic planning should be above party politics but at the same time, must have been the approval of all parties. Galbraith, (1962).

2.11.0 THE ECONOMY OF NIGERIA

Nigeria is well- endowed with vast:

Natural Resources

- Oils & gas - the 7th largest producer of oil in the world. Imagine the barrel of crude oil export per day and the recent surge in global oil price - amount realized! Between May 1999 & June 2008, Nigeria earned N30.78 Tr from oil (Punch, 31/10/08).
- Non oil mineral resources:--

  The underutilized solid minerals including tin, coal etc.

ii **Human resources**

- Population - 140 million (NPC, 2006) - providing cheap labour and one of the largest markets in the sub region. Nigeria is unique in Africa, with the country accounting for half of the population and more than 2(3 of the output within the West Africa sub region.
- It contributes 11.0 and 16.0% of total output and foreign reserve respectively in Africa while accounting for 15% of its population.

2.11.1 THE STATE OF DEVELOPMENT IN NIGERIA

In spite of the huge resources, the performance of the Nigerian economy has remained very low and is characterized by:

- Abject poverty
- Gross unemployment
- Wide income inequality etc.

- **Some facts about Nigeria:**
  - Human Development Report (UNDP - 2001);-
  - Over 70% of Nigeria's population live below poverty line,
  - There is little evidence to show that Nigeria's public expenditure has

made any impact on the living conditions of the majority of the population.

- **UNDP Human Development Indices (HDI) Report, 2006:-**
  - Ranked Nigeria 159th out of 77 countries, UNDP in its 2007/2008 HDI Report rank--ed Nigeria 158!
  - Nigeria's HDI score is 0.470 and is lower than the average score for the SSA (Sub Sahara Africa) countries of 0.493.
  - It is also lower than those of the South Africa (0.674), Algeria (0.733) and Egypt (0.708).
  - Equally dismal is Nigeria's ranking for the individual components of the 2007 HDI
- Nigeria ranked 165tl1, 104tl1, 138tl1 and 160th in life expectancy, adult literacy, gross educational enrolment and GDP per capita respectively. The 2007 human poverty index for developing countries with a value of 37.3%. Also, Nigeria poverty index compare poorly with the rest of the economies i.e South Africa, Algeria and Egypt (The 4 largest economies in Africa).

2.11.2 THE CORRUPTION FACTOR IN THE NIGERIA DEVELOPMENT EQUATION.

CORRUPTION:-

According to Osoba (1996) "Corruption is an anti-social behaviour conferring improper benefits contrary to legal and moral norms, and which undermine the authorities to improve the living conditions of the people".

According to Transparency International:- "Corruption is the misuse of entrusted power for private gain".

Lipset & Lenz, (2000) " Held that corruption is efforts to secure wealth or power through illegal means for private gain at public expense; or a misuse of public power for private benefit."

Elements of Corruption

Why corruption is endemic and pervasive in Nigeria. This may be due to:-

Social Conditions:-

- Large population with perverse poverty.
- Weak sense of patriotism - self-interest as against public or national interest.
- Greed.
- Peer/family/community pressure.
- Illiteracy.
- Moral decadence - dwindling moral values.

• **Opportunities and incentives:-**

- Weak accounting / auditing system.
- Weak sanction regime - not enough deterrence.
- Large investments of public capital controlled by unscrupulous few.
- Public service operations - manual which encourages direct contact between officials and contractors.
- Low/poor reward system, especially in the public service.

• **Information Deficits:-**

- Limited access to relevant information
- Restricted freedom of the press
- Weak accounting practices, including lack of timely provision of information on financial management.

• **Weak Democratic Ideals:-**

- Weak electoral process.
- Godfatherism and "Political investment"

- **Weak Institutions:-**
  - Weak judicial process/system
  - Weak governmental enforcement mechanisms.
  - Weak ethical standards in most agencies of government and business organizations is a serious setback.

Others Include

- Obsession with materialism.
- Compulsion for a shortcut to affluence

- Glorification and admiration (of ill-gotten wealth by the general public)

- The impact of this vice on development is detrimental and cuts across social, economic and political spheres in Nigeria.
- It is difficult to quantify exactly how much have been stolen through corruption and the burden on the Nigerian polity and economy but the impact can only be better explained in terms of the damage done in terms of underdevelopment and economic backwardness. (Wokoma, 2008)

- **Some notable cases of corruption/resources mismanagement in Nigeria:**

Sani Abacha

- Alleged to have stolen between $12 to $16Billion aided by Swiss banking institutions.

Tafa Balogun

- Alleged to have laundered millions of his state's resources

Health Ministry Saga

- Alleged misused about N300M
- DSP Alamiseiyegha

Alleged to have laundered millions of his state’s resources

2.11.3 EFFECTS OF CORRUPTIONGN NIGERIA ECONOMY

- **Specifically, Corruption**
  - Increases the cost of business through the price of illicit payments.
  - Creates substandard works & or abandonment of projects e.g Ajaokuta steel project etc.
  - Disincentive to investment - does not allow for competitiveness.
  - Deprives government of needed revenue or resources for development.
  - It erodes the ethical bases of the country.
  - Creates negative national image with the adverse consequences.
  - Deprives the country of aids and support from donor agencies/development partners.
  - Politically, it distorts electoral processes, reduces accountability and distorts representation in policy making
  - Corruption in the judiciary compromises the rule of law; distorts court rulings and law enforcement.
  - The destructive effects of corruption vary from country to country ranging from rare, widespread to systemic.
  - In spite of government efforts, the latter seems to be the case in Nigeria.

2.11.4 COMBATING CORRUPTION IN RESOURCE UTILIZATION AND MANAGEMENT TO FOSTER ECONOMIC DEVELOPMENT.

- For sound and sustained socioeconomic development in Nigeria, deliberate efforts must be made by both government and stakeholders to address the menace of corruption.
- These efforts should be all inclusive, prevent, regulatory, enforcement and punitive.

Wokoma, (2008) listed the following measures to combat corruption in resource utilization and management in Nigeria to foster economic development.

Public Expenditure Tracking System (Pets)

- PETS focuses on trailing the flow of public funds with emphasis on tracking the extent to which resources allocated to activities actually reach the target groups.
- Attention should also focus on the manner, quantity and timing in release of resources to the units responsible for program delivery.
- If property used, PETS can provide useful evidence on "leakages", delays and outright corruption.
- **Advantages include:**
  - It supports the pursuit of accountability and ensures that scarce public resources are utilized for the purpose for which they are intended.
  - It helps to identify bureaucratic bottlenecks that often undermine effective *delivery* of services.

Strengthen Ongoing Public Sector Reform

- Recruitment - guided by merit.
- Enhance use of information technology in:-
  - Public sector accounting system.
  - Payroll management – to curb incidents of ghost workers that caused inflated corruption – induced wage bills.
- Sustain monetization of benefit.5- to curb the abuse of open ended privileges and entitlements of public officials.

Enhance Local Inter-agency and International Cooperation. Corruption is a global crime. Cooperation would help to facilitate:

- Information exchange
- Investigation and
- Prosecution of corrupt practices.

Public procurement procedure

- ICT driven - to minimize direct contact between procurement officers and contractors.
- Greater involvement of the media/civil societies in the procurement process especially to monitor and report on project implementation and illegal/corrupt practices.

Public Support:-

Encourage greater support from the public especially in supporting investigation processes through provision of relevant information on corruption, money laundering.

Anti-graft agencies and other relevant institutions.

- Funding and capacity building.
- Need for anti-graft agencies to focus more on preventive and detective approaches.
- Strengthen/establish anti corruption units in ministries/ parastatals.

Strengthen Asset Declaration Regime

- Strict adherence to and periodic evaluation of declared assets, particularly, those occupying key positions.

Judicial Reforms

- Imposition of appropriate sanctions to serve as deterrence to others.

Legal Framework

- Whistle - blower protection Act - security against retribution.
- FOI Bill - to enhance access to information.
- Review of the immunity clauses on public office holders.

Efficient Compliant System

- For people to report suspected corrupt practices including use of dedicated post office box e-mails and phone numbers to anti-corruption agencies.

2.11.5 PREREQUISITE MECHANISMS IN COMBATING CORRUPTION IN NIGERIA

Like many developing economies, Nigeria is permeated by deeply entrenched corrupt practices. Solution to this crime must be homegrown. It is imperative to state that a country's ability to combat corruption depends on the viability of institution, legal and regulatory frameworks as well as international cooperation.

Where these frameworks are weak and there is no transparency, accountability and integrity, all efforts to curb corruption will be thwarted (Wokoma, 2008).

- To reduce the corrosive impact of this crime in a sustainable way, it is important to go beyond the symptoms to tackle the causes.
- Stakeholders in the fight must move beyond platitude to craft concrete actions against corruption in all its manifestations.
- The fight also demands a greater deal of political will to follow through on anti-corruption programme until corruption is brought low.

- Above all, there must be broad-based partnerships cutting across national and international frontiers.

2.12.0 GLOBAL ECONOMIC MELTDOWN AND ITS EFFECT ON NIGERIAN ECONOMY

The economic down turn which started in 2008 in the sub-prime mortgage sub-sector of the United States of America has turned out to be a major global economic crisis.

The enormity of the crisis is evident· from the scaly terminologies ascribed to it by financial experts and commentators. In his book on the crisis titled "Financial shock mark Zandi" the chief economist at Moody's economy described the crisis as "financial avalanche that has pushed global economy into is worst down turn since the great depression of the 1930's".

Faber David, in his book titled "And then the roof caved in" characterized the crisis as "a global economic free fall". Thomas Sowel, author of another 2009 book "The Housing Boom and Burst" described the crisis as the greatest economic collapse since the great depression".

In the wall street Journal contribution of 28th July, 2009, Lehert Justine called the crisis "the greatest recession", an apparent analogy to the great depression.

Richard Quest of the Cable News Network (CNN) calls it "The global economic meltdown".

Economic down turns are normal features of modern market economies. Indeed, several global economic upsets have occurred in recent times including:

- The global market crash of 1987.
- Thai Baht and Russian bands crisis of the late 1990's
- The technology stock bust of 2001 in USA.

Features of Economic Meltdown

The economic crisis has a number of peculiar features which distinguish if from comparable crisis before it:-

- It is the longest global economic recession since the great depression, Okafor (2009). According to the Bureau of economic research, the down= started in USA in 2007. The fact that it had continued to date implies that it had already lasted over 22 months. Before now, the, longest post great depression (global recession where those of 1973/74 and 1981/82 each which lasted for 16 months.
- The crisis spread faster around the world and was more diffused among all sectors of the global economy than other economic down turns before it.
- Financial experts and regulators seemed to have understated the potency of the crisis at the initial stages. Even the erudite economist and former chairman of the US Federal Revenue Bank, Allen Greenspan) openly admitted that he under rated the potency of the crisis when it first erupted in the sub-prime mortgage sector of the US housing market in 2007.
- At the initial stage, the expectation was that Nigeria would not be afflicted harshly by all fall outs from the crisis. Indeed, the CBN demonstrated strong confidence and even boasted that the fundamentals of the Nigerian economy were sufficiently strong to make the country unassailable by the crisis.
- The severity of the crisis and the diversity of its negative impacts on the world economy make it more devastating than earlier recessions in recent history.

i. It inflicted deep economic cuts in the GDP of most countries.

ii. Job losses caused by the crisis have been in double digit percentages in most economies.

iii. It has doubled unemployment rate in many countries.

iv. It caused a sudden evaporation of the wealth of stock market investors because of the steep fall of stock

2.12.1 **CAUSES OF THE FINANCIAL CRISIS:**

Even in the though the causes of economic meltdown vary from country, it has been generally accepted that greed, corruption and bad corrupt governance were the principal causes world-wide. In the advanced economies of the west, evidence emerged (which was at first difficult to believe) that criminal manipulation of company balance sheets created a much more favourable picture about their finances than was the reality. The Enron Company which unexpectedly went burst is, probably best known example of accounting books manipulation in our times. In Nigeria, the Lagos State Government funds were trapped in it.

In the US there also was a crisis in the management of mortgages which were inflated. Up to a time, it was a boom and investors made huge profits on their mortgage investments. This encouraged people and financial institutions all over the world to finance mortgages in the USA hoping to earn profits which proved both unrealistic and unsustainable. With time, there were massive defaults in repayments leading to foreclosures which caused chaos, doom and gloom in the housing market. Because investors in the business were world-wide, the financial crisis in the US had a contagion effect on the world economy. Soon enough, the cash crunch led to the crippling of the auto industry as well. Effective demand dwiled as credit dried up in the American economy.

2.12.2 **"MAGO MAGO" BANKING SYSTEM**

The banking outfits such as the Madoff scheme were central to the financial meltdown in the US because unlike depository banks, they were hardly regulated by governments. This was why Madoff could get away with fraud on a huge scale and for so long! Many Americans were financially crippled by Madoff's greed. It is noteworthy that the American Financial regulators failed to investigation of Madoff in spite of several tip-offs! Were they corrupt or negligent?

2.12.3 **THE NIGERIA SITUATION:**

The financial crisis in Nigeria is more complex to decipher. It is, however, well established now that the Nigerian Banking system is both corrupt and inefficient. The highly commendable work of the governor of the central Bank of Nigeria (CBN) Sanusi Lamido Sanusi, has exposed the stench in the country's banking industry.

Huge unsecured loans were given by the banks; their CEOs allegedly manipulated bank books and helped themselves to customer funds. Above all, bank shares were manipulated to deceive! Things were presented from a public relation - (PR) perspective and many were led to purchase bank shares which were almost worthless. While this alleged scam was on, the bank presented a polish image by maintaining an elaborate scheme of deceit! Many Nigerians were ruined by a number of banks who loaned them money to purchase their worthless shares! Bank CEOs in a number of instances criminally used their customers' accounts to borrow money from banks under their charge (Jibo, 2009)

The Niger Delta Crisis

The Niger Delta Crisis (caused by violent agitation for increased revenues to be paid to the oil producing states in South-South) led to a sharp decline in oil revenues as explained above. As a result, Nigeria has experienced a financial crisis which has caused the federal government to draw-down its foreign reserves recently. The consequences on investor - confidence are yet to be determined. It is noteworthy that with amnesty granted by the Yar' Adua regime to the militants of the Niger Delta, crude oil production has increased and Nigeria's foreign reserves are expected to rise. All Nigerians that have faced financial pressures as a result of the Niger Delta crisis are happy with the new turn of events in the oil producing areas. It is hoped that the peaceful atmosphere in the area will be sustained and the financial crisis in Nigeria will be resolved for the benefit of all that do business here.

Corruption

It has been clearly established by international agencies and by Nigerians themselves that corruption is the greatest challenge posed to economic and financial stability in the country. The 2009 Transparency International (TI) rating indicates that corruption is on the increase in the country,. Given its pernicious impact on socio-economic efforts, it is not too difficult to appreciate that corruption has caused Nigeria great set- backs because it has stunted national development.

Anti Corruption Agencies

Even though the anti-corruption agencies (the EFCC and ICPC) are doing their best to reduce the level of corruption in the country, it is clear that much remains to be done in that regard. It is unhappy with the way anti-corruption laws are implemented. As long as massive corruption persists in Nigeria, it is likely to continue to impact negatively on the economy.

2.12.4 PERSPECTIVES ON THE ECONOMIC MELTDOWN

1. It should be emphasized that contrary to liberal western posturing, it is now beyond debate that, corruption and greed (which often motivates it) are universal problems.
2. Corporate governance, be it in the US or Nigeria, is open to abuse and has contributed to the meltdown especially the abuse of these institutions by insider deals. (Enron).
3. Consumers are open to manipulation world-wide and many of them are also victims of their own greed. (Nigeria stock crash).
4. Professionalism is threatened by sharp practice-Accountants cook the books (Mortgage documents were falsified in the US by employees of Ameriquest which was a leading wholesale leader).
5. National economic(:s are mismanaged to the detriment of their financial systems creating a boom/bust cycle. (USA Economic Depression of 1930s and 1981).

2.12.5 RECOVERY ROAD-MAP

Several strategies have been employed to resolve the global economic meltdown. Broadly speaking, these can be grouped into structural and ethical dimensions.

(a) **Structural Response**

In the wake of the economic meltdown, several economic institutions have been restructured to cope with the serious challenges identified. First, as stated above, several government treasures were directed to respond to challenges they did not anticipate. The so-called stimulus packages offered to ailing banks and business establishments world-wide were a structural response. The greatest structural challenge was the disappearance from the scene of long-established entities such as Lehman Brothers which were liquidated. The take-over of AIG by the US government is another example of the serious restructuring which needed to be done to overcome the economic meltdown.

In Nigeria, it was believed that mega banks were the solution to inadequacies in the banking system.

When the economic meltdown happened, the former CBN governor, Charles Soludo, gave the impression that Nigeria was "Insured" against it. With his exit, his successor has discovered that the banks needed to be restructured to make them less prone to insider abuse. Former Chief Executive officer (CEOs) of the five most abused banks were sacked and are being persecuted. They have been replaced by new CEOs.

Other economic institutions e.g. the Securities and Exchange Commission (SEC) have been restructured. Many companies have downsized their work force or are in the process of doing so. More than ever before, the size of business is a serious policy issue world-wide. (Jibo, 2009).

(i) **Cuts in interest rates:-**

Cuts in interest rates were affected at the instance of governments to stimulate expenditure, including

new investments. Many companies which borrowed treasury funds in the US have started making repayments. This has been interpreted as indicators that these firms are making a recovery.

(ii) **Infrastructure development:-**

In a country like Nigeria, the economic meltdown is likely to linger longer than in the US because its infrastructure is both underdeveloped and decayed. Roads are death traps in many parts of the country; electricity supply is a big challenge. Previous governments did not square up to these challenges in a meaningful manner. Consequently, Nigeria is today lagging behind in this vital area of economic development. This has affected human development and poverty remains rife.

The current efforts of the Yar'Adua's administration in infrastructural development should be lauded and supported by all Nigerians and the international community. No significant economic development can happen in a country with Nigeria's extant situations of poor roads, dead railways and poorly developed air-travel facilities.

(iii) **Economic diversification:-**

With the instability in the oil market, it has become imperative for Nigeria to diversify its economy to avoid the current unhealthy overdependence on oil wealth. If Nigeria invests more in its agriculture, it will achieve a measure of food security; offer increased rural employment and incomes, and have the raw materials to sustain agro-based processing industries. One persuasive argument is that afforestation, for example, can lead to more efficient use of Nigeria's fallow land and greatly enhance incomes within 2-10 years of tree planting. Given America's plan to source alternative energy to reduce its reliance on externally sourced oil, perhaps Nigeria has not many options left than to diversity its economy.

(b) **Ethical Road-Map:-**

Very early in his presidency, Barack Obama was perceptive to state that the economic meltdown in the US was largely caused by the misconduct of those running the banks, stocks and insurance industries. He was appalled by the rates of bonuses which the CEOs of several of these organizations were enjoying. Since large sums of treasury were invested in these firms to turn them around, he considered large bonuses for their CEOs immoral!. And he is determined to set worthwhile ethical guideline in these so-called private companies.

Nigeria's ethical challenge is more serious. Here, people live on the treasury and behave as if they are the CEO's of large profitable, private companies! It matters not to them that the majority of Nigerians live in abject poverty. To overcome Nigeria's current economic challenges, there is the need to transform our value system and become more committed to safeguarding the basic decent human values of love of fellow citizen; equitable sharing of God-given resources and the nurturing of good governance founded on a democratic culture. This will entail doing the following:

(1) **Electoral reforms**

Unless the issue of electoral reform is satisfactorily resolved, Nigeria is unlikely to have requisite political environment to pursue the other large goals like socio-economic development. It is, therefore, necessary for the National Assembly to expedite action on this. The 2011 general electoral reforms should be held based on a large consensus on its rules and conducts.

(2) **Social Justice**

Many ethnic nationalities in Nigeria and Australia, for example, feel that they are not receiving their due from the state. The most dramatic example of this feeling and what it can give rise to has been discussed above. The people of the Niger Delta have been pacified and it is necessary to sustain the agreement reached therein. Other groups should be listened to especially those agitating for amenities, or even those who want new states. Without social justice, the country will be restive and this will discourage both domestic and foreign investment and the general economic development in Nigeria.

(3) **Engagement with the International Community:**

Nigeria has made great contribution to the International Community by sending peace-keeping troops to world troubled spots. The ant-apartheid struggle in South Africa got much support from Nigerian experts serve as technical aid corps in several countries. It is time to enjoy the goodwill it has cultivated. It is particularly important for Nigeria to engage South Africa, for example, on mutually beneficial terms. The MTN telecoms deal should be followed up with similar ones in other sectors of the economy.

(4) In this regard, it is necessary to develop the country's tourist potentials. As Europe and America recovers from the economic meltdown, their citizens will look abroad for fun, relaxation and friendship. Nigeria should offer these at a fee! In the past, a feeling of xenophobia was noticed in certain policy-makers when the issue of tourism was mentioned. It was felt in such circles that tourists will debase our cultures and spread immorality. This was before the interest was intended! Today, even China is finding it difficult to shut out "undesirable" internet sites! The world is a global village and engagement with it should help recovery from the economic meltdown. Nigeria needs to copy international best practices in economic management.

(5) **Budget implementation:-**

Since the return to democratic rule in 1999, budget-making and implementation has been a problem.

Before the economic meltdown, it was unclear why huge sums were appropriated but did not make much impact on the challenges they were targeted at. It emerged that huge sums were "left" unspent and a large slice of these were misappropriated, or out rightly stolen. In this regard, the decision by the Yar'Adua administration that unspent budgetary funds be remitted to the treasury by Ministries, Departments and Agencies (MDAs) at the end of the financial year is a very sound patriotic one.

In the face of severe national financial constraints, this writer only urges the administration to remain resolute in its implementation. This should be part of a broader fiscal policy which targets sound management of the financial system as a whole: treasury, banking, and stocks. The result of this should be a strong Naira which ought to guarantee enhanced standards of living for Nigerians at home and abroad.

(6) **Wages, Pension and bills:-**

For a meaningful economic recovery to happen in Nigeria, there is the need for government to do a simple thing. Pay workers their wages promptly, pay pensions as they fall due, and settle bills for goods and services rendered, promptly. This is the stimulus package the Nigeria economy requires! Domestic debts have piled up and have caused economic stagnation at the macro and micro levels of the economy. It is paradoxical that some Nigerians have access to funds from the banks which they had no intention to repay, whilst others have rendered essential services to the state and are owed money! This is a simple, but telling, example of economic mismanagement in Nigeria. A related matter is that of infrastructural decay. Why is expensive infrastructure, like refineries, allowed to decay? In which country will roads be left to deteriorate to impassability before they are attended to? Which country will repay billions of dollars loans when its key infrastructure is deflated? These contradictions must be resolved urgently if Nigeria desires sustainable economic growth which is a pre-requisite for it to achieve its vision 20 20 20!

The current economic meltdown has thrown up universal structural and ethical challenges in governance.

It has now been established beyond doubt that only transparent and best management practices guarantee economic growth and prosperity for all.

Nigeria cannot make economic recovery until it applies these standards in its electoral system, corporate governance, and public life in a sustained manner. America and Europeans have also realized that lip-service commitment to these standards comes with big economic set-backs!

2.13.0 EXPORT PR0CESSING ZONE AS PIVOTS OF ECONOMIC DEVELOPMENT

2.13.1 HISTORICAL PERSPECTIVE:

The export processing zone (EPZ) has been in operation for more than forty (40) years, but the concept was mooted in Nigeria in the early 1970s following successful experiences recorded in the scheme in some parts of the world like the far East and Shannon in Ireland. Given proper implementation and financing an export processing zone, would contribute immensely toward the growth of an economy with particular reference to employment creation, foreign exchange earnings, linkages with other industries and general improvement in supporting activities. Participation in the scheme is guided strictly by the decree setting up the scheme with the export processing zone Authority (NEPZA) as the main body to enforce the rules and regulation of the operations of the zone.

Investment opportunities coming to the zone are bright as Nigeria has the advantage of a large internal market and the availability of abundant raw materials (an advantage not enjoyed by many other zones in the world) The export processing zone as an economic concept is a bold and positive attempt by the Federal Government to export its export base, and to diversify industrial activities to Cross River State with abundance of untapped raw materials which will benefit not only the catchments area but Nigeria as a whole.

There will be a general improvement in supportive activities in the immediate vicinity of the capital city of Calabar, like housing development, hotel development, international School and recreational facilities. The Business of Estate surveyors and values is likely to enjoy a boost as there would be more speculation on land and property generally.

The impression being created in the developing countries, particularly Nigeria, is that the concept of Export Processing Zone is a refinement of an old idea mooted a long time ago and traced back to the Roman times. Trade and commerce have been as old as human existence itself. Cities bordering the Mediterranean sea, particularly the Phoenicians and some European countries whose livelihood was dependent on commerce and Trade employed the less developed form of the export processing zone in the middle ages. With colonialism sweeping through the world in the 18th century, free trade zones were established at strategic points along international routes, e,g" Eibraltar (1705), Singapore (1818), Hongkong (1842)" These zones were trade zones emphasizing packaging, storage and transshipment as the main activities. In the 20th century, the concept of free zone gained popularity in Europe and was expanded beyond mere packaging, storage and transshipment. Infact, an export manufacturing free zone was in vogue in Shannon, Ireland (1950), Taiwan (1965) Korea (1971) and the Philippines (1972). Later the idea found its way to the Caribbean, south America, the pacific, Africa and Australia. Today, there are more than three hundred (300) zones located in more than fifty (50) countries around the world, which operate as export free (processing) zones .

In Nigerian, the idea of Nigeria (WTCN) by one of its founders chief Adebayo Adeleke. The concept was a reaction to the declining share of foreign investment enjoyed by the developing countries especially Africa which accounts for less than 4% of total world investment. Since the 80's, there has been a progressive decline in revenue form oil because of Nigeria dependence on a "mono- product" for foreign exchange earnings. There has been a continuous fall in the prices of its primary products like cocoa, rubber, groundnuts etc in the world market. Arising from the above scenario, there was an urgent need to attract foreign investment on concessionary conditions

the prime movers of the idea in Nigeria, that the policies of successive Governments since
independence have tended to discourage foreign investment and encourage capital flight. This trend had continued over the last fifteen (15) years and had considerably dwarfed the growth of the economy- hence the relevance of the new economic EPZ concept in Nigeria.

2.13.2 **DEFINITION:**

The term Export processing zone (EPZ) refers to a designated Area by law or decree, separated by high walls for the purpose of attracting both local and foreign investors to set up factors to process primary raw materials obtained locally or imported. The main attraction of the Export processing zone is that both the local and foreign raw materials and machines imported into the zone will be duty-free. According to decree NO.34 of 1991, section 14 (1), "SUBJECT TO ANY ABSOLUTE SPECIFIED PROHIBITION IMPOSED BY THE CUSTOMS, EXCISE TARRIFF ETC, (consolidation) decree 1988. The Nigeria export promotion zones authority and any approved enterprise shall be entitled to import into the zone, free of customs duty, any capital goods, consumer goods, raw materials, components or articles intended to be used for the purposes of, and in connected with, an approved activity, including any article for the construction, alternation, reconstruction, extension or repair of premises in a zone or for equipping such premises". These concessions coupled with removal of administrative bottlenecks will lower the cost of production remarkably and there-in lies one of the main attractions of the Export processing zone.

As a further meaning and definition of the term "Export processing zone", Tom Kelleher, an expert, and consultant on Export processing zone matters in Ireland summarized the characteristics of EPZ under five (5) beadings:-

2.13.3 GEOGRAPHIC AREA:-

Export processing zone is limited to a specific geographic area ranging from 30 ha to 300 ha. In most cases it is fenced in and patrolled, to forestall various problems that could militate against the success of the zone, Successful security measures in any zone depend on the location of the zone, the type of goods produced,
the reputation of the zone users and the belief and attitude of the management of the zone.

Importation:

Goods and raw materials could be imported into the zone without restriction. The laws of the customs territory would not apply in the zone. However, dangerous drugs and pornographic movies are not allowed.

Operation:

Various activities are allowed to operate in the zone like package, manufacture or assembly. Some zones allow distribution activities, while others encourage the growth of computer and financial services for export.

Shipment of goods:

Most goods produced in the zone are for export. But in countries with large internal markets like Nigeria, Local sales are permitted. In some cases goods consumed within in the zone are subject to taxes.

Legal status:

Apart from customer laws, all other laws operating in the country apply to the zone. Any crime committed against the individual or the state would be handled according to the laws of the land.

2.13.4 EXPORT PROCESSING ZONE AS AN INSTRUMENT OF ECONOMIC DEVELOPMENT

For a country to develop in a balanced fashion, all activities must be exploited in a concerted and consistent manner over a period of time to pass the test for perspective planning (Odey, 1999). Countries that have enjoyed real development started by developing their agricultural sector as a base for industrial take-off. Taiwan which has achieved economic miracle provides an excellent example. No country can develop in isolation, no matter how richly endowed in material and human resources.

This explains why countries, the world over, continue to seek for ways and means to attract foreign investments to complement local efforts especially in countries with low levels of technology. In doing this, some countries like the Far East were fore-sighted to create generous condition early enough in their history which lured investors to their countries to set-up industries. The results are manifested in their economic miracle today. One of the measures adopted to attract investment is the export processing zone (EPZ), which was used as a policy/promotion instrument targeted ~ 'export-oriented manufacturing investment! The compelling reasons for pursuing the option of export - oriented development strategy are:-

(i) The state of infrastructural development is poor and therefore necessitated the urgent need to concentrate services in a well chosen site pregnant with supportive Industrial facilities.

(ii) Customs formalities and procedures regarding imports/exports are cumbersom7~ complex and can be simplified by the operation of the export processing zone (EPZ).

(iii) The difficulty encountered by investors in complying with other formalities like immigration, customs, regulations etc could be met by the concept of 'one window' strategy adopted by the export processing zone (EPZ). This liberalization of these conditions will open the flood gate for foreign investment and thereby pave the way for rapid economic development especially in the catchment area.

2.13.5 IMPACT ON DEVELOPMENT

Odey (1999) argued the EPZ could have a positive impact on the economy.

Specifically, a properly planned and developed export processing zone (EPZ) can have the following impact on economic development:

(i) Diversification of the export base of the country.

(ii) Generation of foreign exchange from non-oil sources as over dependence on one source is subject to Devastating external shocks as Nigeria is experiencing in the international oil-market.

(iii) Technological transfer to enhance the National technological capacity. It is generally believed that embraced export processing zone (EPZ) have benefited tremendously e.g. Dubai, Taiwan, Korea and Shannon in Ireland economies.

(iv) Generation of employment opportunities both skilled and semi-killed. It is expected that about ten thousand (10,000) jobs will be created by the export processing zone (EPZ) in Calabar.

(v) It will bring about Regional development through the dispersion of industries.

(vi) Satellite towns could spring up as the influx of investors will force people to seek for a quieter abode many kilometers away from the city with all the necessary accompanying facilities.

(vii) There will be a general improvement in supportive activities in the catchment area in general and the immediate vicinity in particular like (a) Housing Development (b)Hotel Development (c) Schools (d) Recreational Activities and (e) Raw material sourcing etc.

(viii) The development of linkages with domestic industrie~thereby reviving the level of economic activity.

2.13.6 CROSS RIVER STATE CONTRIBUTION TO THE SCHEME:

Even though, the export processing zone (EPZ) is a Federal Government project, the Cross River State Government has made substantial contribution towards its development (Odey, 1999:6)

1. The parcel of land in which the zone is located, measuring 208, 846 hectres around the port area was contributed by the Cross River State Government.
2. In 1991, a study group was sent to Shannon, Ireland, including a staff of the Ministry of industry, Business Development and Tourism (Mr. Effenji F. Odey).
3. Another group was sent to Taiwan in 1992.
4. Provided an office complex for a Laison office of the (EPZ) export processing zone before movement to their permanent office at the zone.
5. Allocated a 31 - Hectre piece of land in Bacoco, Calabar, for the resettlement of the Nasarawa community displaced from export processing site (EPZ).
6. The Cross River State Government also provided supportive infrastructure facilities at Bacoco such as grading and opening of roads, Electricity and water.
7. The state government sent representative as part of the Federal Government delegation to South East Asia in 1997 to scout for Investment opportunity
8. The government in conjunction with the 18 Local Government Areasof the state are building an integrated palm oil/kernel factory at the zone to encourage the catchment states to do same.

9. The State sponsored a Regional summit of chief Executive of the catchment states of export processing zone (EPZ) on 13th July, 1988.

EMPLOYMENT STATISTICSOF EXPORT PROCESSING ZONE IN THE WORLD

SIN	COUNTRY	NO EMPLOYED
l.	Dominican Republic	100,000
2.	Mauritania	100,000
3.	Mexico	400,000
4.	Morocco	80,000.
5.	Tunisia	60,000,
6.	Liberia	700
7.	Senegal	1,200
8.	Palestan	2,500
9.	Srilanka	50,000

Source: Shannon International Development, Ireland 1991.

2.13.7 WHY CALABAR WAS SELECTED

The UNIDO consultants carried out feasibility/viability study of the project and gave the following reasons. The UNIDO Consultants also selected Calabar Port for the following reasons:

a) Under utilization of the Calabar Ports when compared with congested Lagos and Port Harcourt Ports.

b) Relatively peaceful and near crime free nature of Calabar compared with Lagos, Warri and Port

c) Low age structure and moderate cost of living compared to Lagos, Warri and Port Harcourt.

d) Low age structure and moderate cost of living compared to Lagos, Warri and Port Harcourt. This will lower the cost of production remarkably, a condition most sought after by EPZ Investments.

e) Abundance of raw material resources especially agro-based to feed the factories,

f) Nearness of International Air-Port to complement the sea port)dual advantage enjoyed by Calabar.

g) Low industrial base of the state will quicken dispersion of economic opportunities and regional development.

Backward Linkage:

Backward linkage will be profound, spanning through almost all spheres of economic life namely industrial, commercial/tourism and infrastructural development.

Industrial

Since most of the raw materials would be sourced locally from our Agro-resources like cocoa, rubber, palmoil/kernel, timber, and mineral resources like limestones, kaolin, quartz and sea food for canning, there will be an increase in the tempo of activities in this sector to feed manufacturers at the zone. The products from small scale industries will feed the EPZ factories.

Commercial

There will be an increase in the tempo of commercial activities within the catchment area of the South- East and South - South zone of the country. About 25% of the products from the zone will be sold to the local market. International Trade (Exports) will promote Nigeria's favourable balance of payment and receipts.

Tourism

The influx of investors to Calabar will create a market for leisure activities on weekends. Recreational/Tourism services have to be developed to cope with the demand for them.

Infrastructural Development

Already the infrastructural development at the site is one of the best in the world.

- There will be a Railway linkage to the port Area. Calabar
- International -Air-Port will be extended.
- A new Air-port to handle heavy cargo is likely to be opened at Odukpani. The Calabar Port is being dredged
- Dualization of Odukpani Junction - Calabar Road is considered
- Ikom Bridge is going to be replaced.

Employment

The EPZ will employ about 10.000 workers within the first five (5) years of its operation. This will be both skilled and semi-skilled.

Need for other EPZ

Nigeria does not need another EPZ now. Rather than embark on the development of many EPZs simultaneously, the first premier EPZ in Calabar should be developed fully and implemented successfully before considering the establishment another based on successful experience from Calabar.

Any attempt by the Federal Government to develop EPZs based on political consideration will tantamount to "biting more than it can chew", at any given time. If Calabar EPZ is allowed to *take-off* successfully, it will generate confidence among investors and serve as a reference point for others to *(Odey 1999:2).*

2.14.0 HUMAN CAPITAL DEVELOPMENT AS INSTRUMENT OF ECONOMIC DEVELOPMENT IN NIGERIA,

Development and its complexities have drawn several scholarly attentions. With varying perspectives, development leads to good change manifested in increased capacity of people exerting control *over* material assets, intellectual resources and ideology and obtain physical necessities of life like food, clothing and shelter, employment, political participation, economic dependence, adequate education, gender equality, health and sustainable development. No wonder scholars have argued that the purpose of development is to improve the people's lives by expanding their choices and freedom. (Anam, 2009:1).

In attempt to reduce poverty, African nations (including Nigeria) have formulated series of development policies. Despite these attempts, no significant level of development is recorded in these countries. In 1990, the Unites Nations Development program (UNDP) launched its Annual Human Development Report tagged "Development with a human face, It focuses on more than economic indicators such as growth rates, per capital incomes and debts. Its Human Development Index (HDI) looked at three distinct criteria.

Life expectancy, education and income. The 2006 HDI ranked 177 countries including 51 African countries. Out of the 31 low Human Development category, 29 were in Africa, while 20 were classified as "Medium Human Development" category. Only 2 countries (Seychelles and Mauritius) were ranked as "high" level human development.

The Nigeria development policies, have over the years, centered on economic objectives like strengthening international relatives, price stability, employment, expanded tax base and sustainable growth, in the shape of fiscal policies, regulation of financial institutions, trade, tax policies, infrastructure development, crime prevention etc.

Human capital formation and capacity development transcends mere acquisition of intellectual ability through formal education. It has to do with the transformation of the totality of man to enhance its productivity. Anam, (2009:2) noted that human capital investment therefore, is indispensable component of the economic development.

It is a force that helps tackle inequalities and poverty in a nation. Presently, advanced investment in Nigeria has dwindled as severe financial and economic constraints have affected all segments of the economy. Thus the three tires of government have assumed the financing of the education sector.

However, the educational level in Nigeria cannot meet its human capital needs. Antai and Anam findings (2008) revealed that compared with Ghana, Cameroon, Kenya, Zimbawe, Philippines, Thailand and Mexico, Nigeria's budgetary allocation on education is not acceptable as it is much lower than these countries.

The discussion on many facets of education in relation to human capital development especially within a decentralized framework indicates the rationale for policy actions which would include the following:

a) Decentralization of educational planning and management down to village/Rural levels. This is advocated to make communities responsible for basic' education of its people and thus build a sense of ownership of the educational arrangements aimed at extending basic education to different clientele groups. The decentralization in the educational sector should be a accompanied by a similar process in other development ministries and departments.

b) Decentralizing educational curriculum planning process to design, adapt and implement same that are particularly responsive to human capacity needs. This should involve the active involvement and participation of major stake holders.

c) A synergy on all concerned with human capital development in public and private sector and their concerted and coordinated action should be an absolute must for various developmental services to converge on skill development initiatives and make a dent on it.

d) To meet challenges of the day, African governments particularly Nigeria, need to give human capital a higher priority than ever before and modernize their human capital policies and practices. Agencies must become more competitive in attracting new employees with critical skills.

As the nation's largest employer, the federal government must take the initiative on human capital and exploit the opportunity to lead by example (Aigbokham et al, 2006). It is therefore imperative for the local, State, Federal Government and African countries in general to focus attention on human capacity building and strive to enthrone an enabling environment for the industrial sector to thrive in both rural and urban levels as a way of priming the economy.

2.15.0 INFRASTRUCTURAL DEVELOPMENT IN NIGERIA TOWARDS MEETING THE MILLENNIUM DEVELOPMENT

The role goals infrastructure is so significant to the socio-economic development of a country, especially a developing country like Nigeria. Indeed, so important is infrastructure to economic development that more than a decade ago, Economists in the USA, a highly developed economy, devoted considerable attention to the role of infrastructure investment in its economy. In recent times, Economists, policy makers and other pundits have similarly focused their debates on the most efficient form of infrastructure development in the public and private sectors of the economy. Harris (2003) in the World Bank working paper No.5, dwelt extensively on this subject. Harris postulated that "governments cannot avoid the inescapable realities that infrastructure services have to be paid for, whether provision is public or private. Most concerns about the sustainability of private infrastructure reflect the difficulties governments encounter in sustaining cost-recovering tariffs and commercial principles. The real issue is not public infrastructure versus private infrastructure. It is more simple, the issue is "less infrastructure verse more" (Chigbuo, 2005:2)

Infrastructural development ensures the consistent harnessing of sectoral linkages in the economy for efficient resource mobilization and utilization. Some of these infrastructures include roads, railways, airports, seaports, power, gas, refineries. It includes communication networks like mobile, fixed wireless, ICT, water and sanitation. As at mid 1990s, 65-70% of water and sanitation projects were financed by the public sector, 5% by the domestic private sector, 10 - 15% by the international private companies. Chigbuo, (2005:2) found that the role of social and economic infrastructure in economic development of a nation is a very wide and controversial issue and has been a subject of many empirical studies

Nigeria and the millennium development goals

The eight Millennium Development Goals bind countries to join forces and fight against poverty, illiteracy, hunger, lack of education, gender inequality, child and material mortality, disease and environmental depredation. The millennium Development Goals (MDGs) specifically target the developing world, with goal number eight calling on rich countries to relieve debts, increase aids and give poor countries fair access to their markets and technology. The MDGs are a test to build stronger partnerships. (Chigbue, 2005) stated that developing countries have the responsibility to undertake policy reforms and strengthen governments to liberate the creative energies of its people and accelerate the pace of economic development and measure results.

2.15.1 GOAL NUMBER ONE: ERADICATING EXTREME POVERTY AND HUNGER

By having the proportion of people who live on less than one us dollar a day, those who suffer from hunger; this goal aims at eradicating extreme poverty and hunger by 2015. According to the UN secretary General's 2003 Report on the implementation of the MDG, the proportion of people living in extreme poverty in sub-Saharan Africa and Western Asia has increased since 1990 while in Latin America and the Caribbean it is unchanged. South Eastern Asia and South Central Asia are making progress in meeting the income poverty goals. This is quite encouraging as two-third of all those living on less than one dollar a day live in Asia.

In Nigeria, the proportion of the population living under a dollar per day from 1984-2003 was 70% while GDP per capita was $1,050. The National poverty head count as a percentage of the population from 1984-2003 was 34%. From 1989 - 2002, a sample of the richest and the poorest people indicated that 40.8% of the income was owned by the richest group and 1.6% by the poorest. The percentage of children under five years of age suffering from moderate to severe underweight was 29% (Chigbuo, 2005).

2.15.2 GOAL NUMBERS TWO: ACHIEVING UNIVERSAL PRIMARY EDUCATION

This is aimed at ensuring that children everywhere, and girls alike, would be able to complete primary school. In Nigeria, according to figures available from studies, primary school gross enrolment ratio in 2001/2002 indicated the total ratio of 119% while that of male and female was 123% and 107% repressively. Percentage progression to secondary level as at 1993 was 52% while net enrolment ratio as at 1992 was 60% with male and female 53%. The number of school teachers as at 2002 was 590, 655 and pupil per teacher ratio as at 2002 was 42 on average.

2.15.3 GOAL NUMBER THREE: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

This aims at eliminating disparities in primary and secondary education by 2005 and at all levels of education by 2015. In Nigeria, the female/male ratio of participation in economic activities expressed as percentage as at 1995 was 56% and the percentage of house holds headed by women as at 1999-2001 was 17%. According to UN secretary General's Reports, progress has been recorded in most regions but Africa, Asia and Oceania are still short of the target of eliminating gender disparities.

2.15.4 GOAL NUMBER FOUR:- REDUCE CHILD MORTALITY

This aims at reducing by two-thirds the mortality rate in children less than five years of age. Reports indicate that some regions have made some measure of progress toward achieving the child mortality target but in sub-Saharan Africa, there is considerable progress from 1990-2001, while in South Central and Western Asia and Oceania, progress is slow. In Nigeria, life expectancy at birth in 2003 was 45 years while infant mortality per thousand was 98; mortality of children under five years per thousand was 198 while the percentage of children immunized against measles between 1997 - 2003 was 35%.

2.15.5 GOAL NUMBER FIVE: IMPROVE MATERNAL HEALTH:

This is aimed at reducing by three-quarters the ratio of women dying in child birth. The situation in Nigeria reveals that maternal mortality per 100,000 live births as at 2000 was 800 while percentage of births attended by trained health personnel between 1990-2003 was 35%.

2.15.6 GOAL NUMBER SIX:- COMBAT HIV/AIDs, MALARIA AND OTHER DISEASES:

The target is to halt and reverse the spread of HIV/AIDS, malaria and other major diseases. Studies have shown that HIV/AIDS is 'the leading cause of death in sub-Saharan Africa and world-wide. In Nigeria, the estimated number of people living with HIV/AIDS as at 2003 (adults and children) was 3.6 million, adults 15-4 years 3.3 million, children 0-14 years 290,000, women 15-49 years 1.9 million, adults and children cases of death was 310,000.

2.15.7 GOAL NUMBER SEVEN:- ENSURE ENVIRONMENTAL SUSTAINABILITY:

This aims at integrating the principles of sustainable development into country policies and programmes and reversing the loss of environmental resources, by halving the proportion of people without sustainable access to safe drinking water by 2015 and by achieving significant improvement in lives of at least 100 slum dwellers by 2020. About 2.4 billion people lack access to improved sanitation and 1.2 billion have no access to improved source of water. Although effort is being made in this direction, but the trend is generally negative and countries are likely to face acute water shortages if decisive measure is not taken.

2.15.8 GOAL NUMBER EIGHT: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT:

This deals with official development assistance, market access, debt sustainability etc. twenty-six heavily indebted poor countries are receiving debt relief and many low-income countries are benefiting from duty free exports to markets in developed countries. In Nigeria, the recen~elief deal with the Paris club implies that this goal can be achieved even much earlier than the target date of 2015.

2.15.9 CHALLENGES IN FINANCING INFRASTRUCTURE:

The underlying problem with financing infrastructure can be traced to market power associated with economies of scale. Too often, government interventions have made matters worse. Financial markets have been repressed and distorted by state ownership, monopolies, directed or subsidized credit and other policies appealing to the short term interest of politicians and favoured groups. These undermined financial sector development, firm-labour productivity and economic growth. Chigbuo, (2005) noted that infrastructure provision has been painfully undermined by governments using state ownership and regulation to pursue objectives unrelated to efficient service delivery, typically favouring some groups over broader interests and introducing new sources of inefficiency which usually hit smaller firms hardest. Governments are however confronting these issues but its progress is slow and uneven.

Thus many governments including Nigeria are addressing these challenges by increasing competition among providers of finance and infrastructure, secure their property rights and regulate them so as to recognize trade-off between market failure and government failures.

2.15.10 INFRASTRUCTURE REFORM IN NIGERIA:

The agency charged with the implementation and administration on privatization programme, the Bureau of public Enterprises (BPE) has been at the forefront in its efforts to reform the Nigerian economy through infrastructure reforms. This has largely been through reform and other legal/regulatory framework and policy initiatives aimed at creating a conducive environment for privatized enterprises to be viable into the future. It is also aimed at creating a conducive atmosphere for the private sector to assume its role as the engine of growth for the economy.

This arrangement is to enable the private sector actively participate in hitherto government controlled sector thereby allowing government to focus on its traditional roles of providing good governance, security, social welfare etc.

Estimates by several international organizations and researches point to the substantial investment required in developing countries. These include annual amount of $120b, in the electricity sector from 2001 to 2010 (International Energy Agency, 2003) and $49b for water and sanitation from 2001-2015. China's infrastructure investment needs remain massive, estimated at $2 trillion during the period 2001-2010 (Asian Development Bank, 2002).

From 1992-2003, total international investment in developing countries infrastructure was estimated at $622 billion, an average of $52 Billion a year and 3.8% of total gross domestic investment in developing world.

Telecommunication:

Considerable progress has been made in privatizing, restructuring and introducing competition into segments of the telecommunication industry. Privatizations have occurred through sale of assets to strategic investors (major International Companies) through equity offerings in Local and international markets. In most countries, the private sector is now dominant.

In Nigeria, since 1999, through restructuring activities of BPE, the telecommunication sector has been completely liberalized resulting from what was dubbed "the Telecoms Revolution".

Benefits:-

The benefits recorded in the short-run in relation to the liberalization of the Telecoms sector are:

(i) One of the fastest growing in the world.
(ii) Fasted growth teledensity in the world
(iii) GSM Revolution:

Four GSM operators

(a) (MTN, V-obile, glo-bacom, M-Tel). etc.
(b) 10 million lines from only 400,000 few years ago
(c) N4 billion new investment by MTN alone
(d) Thousand of new jobs directly/indirectly.

Considering the MGDs and its indicators in Nigeria, its complexity enabling environment is a strategic issue that needs to be well throughout because of the important it plays in the economy and the upliftment of standard of living of its citizenry.

2.16.0 EFFICIENCY MODELS IN SOUND RESOURCE UTILIZATION AND MANAGEMENT IN NIGERIA

i. Economic and Social Development

The concept!(Economic and social Development" has been given different definitions of' experts, however, for the purpose of this scholarly work the definition by the Georgia Economic Developers Association (GEDA) as cited in

Abdullah (2007) will suffice. GEDA defined economic development as a "sustainable process of creating economic and social opportunity for all citizens, stimulating business investment, diversifying the public revenue base and enhancing quality of life. Going by this definition, the subject should stimulate informed discussion on how well economic and social opportunities have been created for all citizens, what has been done to encourage business investment in Nigeria, the extent to which national resources have been utilized and managed as well as the state of quality of life of Nigerians. Social Development is a development paradigm that is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potentials and lead productive, creative lives in accordance with their needs and interests. People constitute the real wealth of nations. Abdulahi, (2008) postulated that, development is about expanding the choices people have to live that they value. And it is thus about much more than economic growth, which is only a means of enlarging people's choices. It involves having greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives".

Resource:-

A resource can simply be defined as a tool that can be drawn upon to help accomplish results. On the other hand, management has been defined as the process of allocating an organization's resources (inputs) for the purpose of producing outputs (goods and services) desired by the customers so that organizational objectives are achieved. It is also the acquisition and optimum utilization of human and non human resources for the achievement of organizational objectives, efficiency and effectively. While the definitions above relate to managing resources in an organization, resources management at the national level can be regarded as the judicious use of the wealth of a nation to achieve the development plans of the nation. It is the use of the talents, tangible and intangible assets of achieves political social, legal, technological and economical development, among other things. The resources include materials, human, financial, technology and other gifts of nature which abound on land, beneath the earth, in seas and oceans or out rightly in the space. Abdullah (2008) stated here that today, resources management involves the availability, timely identification, equitable allocation and judicious utilization of the resources with genuine sense of priority and accountability.

ii. NIGERIA'S RESOURCE PROFILE:-

Nigeria is a country blessed with abundant resources, favourable vegetation, alluring topography, vast deposit of mineral resources and a large reserviour of resourceful manpower. Its population size and some inherent dynamics should make it not only the largest market in black Africa but also a haven for foreign investors. How justifiable is this assertion one many ask? The following resources indices of the country will throw light on the subject:-

In terms of human resource (population), Nigeria is big. The Country is:

The nation with the highest population in Africa (about 140m, (NPC 2006), one out of every 5 Africans is Nigerian. The population provides cheap labour and one of the target markets in the sub region.

The 9th most populous country in the world, one out of every 50 persons in the world is a Nigerian.

Economically, Nigeria is abundantly blessed. She is rich in petroleum and other minerals.

- The 7th biggest producer of petroleum in the World and the 6th largest exporter of oil in the World with oil revenues accounting for 95% its Foreign Exchange earning, 75% of budgetary revenue and 67% of GDP. Between May 1999-June 2008, Nigeria earned N30.78 Trillion (Punch 31/10/08).
- Has the 11th largest oil reserve in the world.

- One of the biggest gas reserves in the world with 176 trillion standard cubic feet of gas reserve, producing an average of 5.5 billion cubic feet per day. No wonder therefore, the country is known in the energy circle as a "gas province".
- Abundantly rich in solid minerals such as tin, columbite, coal, limestone, gypsum, Kaolin, lead, zinc, clay, marble, cassiterite, iron ore, granite etc.

Geographically, Nigeria is most strategically located.

- She is a coastal state that is accessible by lan~air, and sea.
- The country is located in the tropics with abundant rainfall and sunshine.
- Blessed with vast fertile land for agricultural production with 36% of her 923,000 sq. km of its land was mass being arable land.
- Nigeria is also insulated by providence or at least less vulnerable to natural disasters like earthquakes, landslides, volcanic eruptions, hurricanes and flood etc.

Earnings Ability:-

- The vast resources of the country have accorded it a good revenue base.
- Generated a total of N19,502,212,851,162.82 from 1970-2007
- N3,055,085,200,OOO.00 from 1970 - 1998 (23yrs).
- N16,447,127,651,623.85 accounted for the period June 1999 - May 2007 (8yrs).

Unfortunately however, long as the list of these resources is, and as vast as the resources are, the management and performance report card reveals a very disappointing result. A situation which would have been transformed for the general good of all is now turned into a deteriorating economic environment characterized by wide spread poverty '(70.2% of Nigerians are in this class), disappointingly, low return on public sector investment, deteriorating infrastructure resulting in poor service delivery, low industrial capacity utilization and high unemployment. In other words, mismanagement of the economy, political instability, and unstable macro-economic policy environment have subjected the economy to slow growth. As noted by Abdullah, (2008:4), available statistics points to the fact that the performance of Nigeria in overall development since independence (about 48 yrs ago) has been abysmally poor and confronts the world with a most perplexing paradox that one can best describe as "the inability of Nigeria's abundant resources to produce satisfactory human and national development”.

In the Economic sphere, Nigeria is:

- One of the twenty poorest countries in the world in terms of quality of life. The 2007/2008 UNDP Human Development Index (HDI) ranked Nigeria 158 out of 177 countries.
- One of the 15 countries with the lowest per capital ($1,128) Norway $37,670, USA $37,562, Ghana $2,238, while Cameron $2,118.
- A country whose manufacturing capacity utilization has been falling consistently since 1975, dropping from 76.6 to 42.1 % in 2001 and by 2006, more than 50% of the manufacturing firms have gone under.
- The manufacturing sector which is supposedly the bedrock of meaningful industrial development accounts for less than 1% of export and less than 3.65% to GDP with the service sector accounting for about 26%.
- Out of the average 5.5 billion cubic feet of gas produced per day, only 2.6 BCF is utilized, while the balance is flared. What a sheer waste of valuable resources and environmental hazard!
- Although the country is energy rich, the people are energy poor and

electricity is epileptic, while PHCN which is the parent company responsible for generation, transmission and distribution of electricity has become a flashing element. The country's electrification rate is put at 46%, while 71.1 million of the population are without electricity

Social Front:

- Has the second highest proportion of poor people in the world with 70.8% of Nigerians living of less than $1 a day. The average Nigerian is poorer now than twenty-five years ago, explaining why poverty is so devastating and pervasive. Ghana 44.8%, Cameron.l7.l%
- One of the 13 countries with the shortest life expectancy averaging 46.5 years, while the percentage of the population above 65 years is 2.4%.
- Approximately 48-49% of the labour force remains unemployed and does not produce. Among 15 countries with the least expenditure on health (l.4⁰/c)
- Percentage of population that has no access to health services is 4;%
- Adult literacy rate is 69.1%
- One of 22 countries with the highest infant maternal mortality rates in the world with 194/1000, while Norway 3/1000, USA 5/1000, Ghana 59/1000, and Malaysia 9/1000.
- Nigeria's Human Balance sheet is the worst among OPEC countries.
- In corruption rating, Nigeria is still at a very poor position and despite efforts by Government to tackle this issue, the country has sophisticated in corruption.

From the foregoing, it can therefore be said that there is an embarrassing Resources-Development disequilibrium in Nigeria and that actual performance has fallen short of potentials and expectations.

The major challenges therefore are how to manage our naturally endowed and God given resources effectively, efficiently and economically to ensure that the yearnings and aspirations of the citizenry are met.

After all, the joy of life is derived from convenient and comfortable living, which is obtainable mainly from the satisfactory transformation of available resources and how well the resources are managed. Indeed, it is not the abundance or otherwise of these resources that matter, rather, it is the way and manner by which the resources are put together, allocated and utilized for the social economic benefit of the populace.

Inconsistent Policies/Economic Arrogances

The country has undergone several economic changes, some phenomenal, some ordinary and myopic, while others were pedestal and self serving. The path to National economic development in Nigeria has been ridden with lots of policy inconsistencies and policy somersault. Nigeria has all the resources for development, but unfortunately, the country has failed to develop due to resources-development disequilibrium occasioned by vicious cycle of economic waste and deep ulcerated economic injuries on the country by its resource managers.

Nigerian leaders have developed the habit of insensitivity to the realities of the citizenry, squandered resources and opportunities, devalued its dignity and pride as a people, mortgaged its future and eroded all the advantages the county has as a people. The custodians of state powers ran down its basic institutions, made corruption to flourish, while flagrant violation of the rule of law is the fashion. The negative consequent of this arrogances and misguided development of power, opportunities and resources is vividly clear for to see.

iii EFFICIENCY IN RESOURCE ALLOCATION AND UTILIZATION

Though efficiency has several meanings, but generally, it relates to how well an economy allocates and utilizes scarce resources to meet the needs and wants of citizens. Therefore, an economic system is said to be economically efficient in the utilization of resources if:

- No one can be made better off without someone else worse off.
- More output cannot be obtained without increasing the amount of inputs. In other words, nothing more can be achieved given the resources available.
- Production and provision of goods and services proceeds at the lowest possible per-unit cost.

Efficiency is a relationship between ends and means. When there is a situation of inefficiency, it implies claiming to achieve the desired ends with less means, or that the means employed could produce more of the end desired. "Less" and "more" in this context necessarily refer to less and more value. Thus, economic efficiency is measured not by relationship between the physical quantities of ends and means, but by the relationship between the value of the ends and the value of the means.

According to Abdullah, (2008:4) efficiency is a relative term. It is vital that this point be understood. Efficiency is never absolute; it is always relative to some criterion. The criterion for economic efficiency is value. A use of resource that increase value is an efficient use and any resource utilization that decreases value is an inefficient use.

2.16.1 EFFICIENCY MODELS

There are several alternate criteria for economic efficiency, these include:

iv PARETO EFFICIENCY MODEL OR PARETO OPTIMALITY

This is an important concept in resource management with broad applications. It implies that given a set of alternative allocation and utilization of resources, say provision of goods and services or income for a set of individuals, a movement from one allocation to another that can make at least one individual better off without making any other individual worse off. Resource allocation and utilization is Pareto efficient or Pareto optimal when no further Pareto improvements can be achieved. This is often called a stronger Pareto Optimum (SPO).

-An action is Pareto efficient only if it makes somebody better off without making anybody worse off. f12.~ict~iQ- t:"

Since most actions do make people worse off, the Pareto criterion is too restrictive to be generally useful, and it is replaced by the Kaldor-Hicks criterion, which requires that:

- An action is Kaldor-Hlcks efficient only If It can benefit those who gain from It after they have compensated those who lose from It.

That way of adapting the Pareto criterion is Known as *compensation principle* and it is not strictly valid unless the compensation is actually paid.

In real-world practice, the compensation principle often appealed to is hypothetical. That is, for the alleged Pareto improvement (say from public regulation of the monopolist or removal of tariffs) some losers are not (fully) compensated. The change thus results in distribution effects in addition to any Pareto improvement that might have taken place. The theory of hypothetical compensation is part of Kaldor-Hicks efficiency (Ng, 1983).

v. KALDOR-HICKS EFFICIENCY MODELS:-

This model was developed by Nicholas Kaldor and John Hicks as a measure of economic efficiency that captures some of the intuitive appeal of Pareto efficiency, but has less stringent criteria and is hence applicable to more circumstances. Under kaldor-Hicks efficiency, an outcome is considered more efficient if a Pareto optimal outcome can be reached by arranging some compensation from those that are made better off to those that are made worse off.

Using Kaldor-Hicks efficiency, an outcome is more efficient if those that are made better off cloud compensate those that are made worse off, so that a Pareto improving outcome results. For example, a voluntary exchange that creates pollution would be a *Kaldor-Hicks improvement* if the victims of the pollution are fully compensated.

The Kaldor-Hicks Model is widely applied in the management of resources under an efficient welfare economic system. It forms an underlying rationale for cost-benefit analysis. In cost-benefit analysis, a project (for example, a new airport) is evaluated by comparing the total costs, such as building costs and environmental costs, with the total benefits, such as airline profits and convenience for travelers. (However, as cost-benefit analysis may also assign different social welfare weights to different individuals, e.g more to the poor, the compensation criterion is not always invoked by cost-benefit analysis).

The project would typically be given the go-ahead if the benefits exceed the costs. This is effectively an application of the Kaldor-Hicks criterion; because it is equivalent to requiring that the benefits should be enough that those that benefit could compensate those that have lost out. The criterion is used because it is argued that it is justifiable for society as a whole to make some worse off if this means a greater gain for others.

vi. **X-EFFICIENCY MODEL**

The concept of x-efficiency was introduced by Harvey Leisenstein, this model is concerned about the effectiveness with which a given set of inputs are used to produce outputs. If a country is producing the maximum output it can, given the resources it employs, such as a men and machinery, and the best technology available, it is said to be x-efficient. X-inefficient occurs when x-efficient is not achieved.

X-inefficiency is not the only type of inefficiency in the economics of resource allocation and utilization. X-inefficiency only looks at the outputs that are produced with given inputs. It doesn't take account of whether the inputs are the best ones to be used or whether the output are the best ones to be produced which is referred to as allocative efficiency. For example, an economy that employs brain surgeons to dig ditches might still be X-inefficient, even though reallocating the brain surgeons to curing the sick would be more efficiency for society overall.

vii. **Allocative Efficiency Model**

Under this model, the limited resources of a country are allocated in accordance with the wishes of citizens. An allocative efficiency economy produces an "optimal mix" of goods and service. An economy will be allocatively efficient if it is producing the right kind of goods and services for the right people at the right time and price. An allocative efficiency is therefore one which has no or very minimal imperfections.

In an efficiency allocative economy, there are no externalities, meaning that the demand curve is also equal to the social benefit of the additional unit, while the supply curve is equal to the social cost of the additional unit. Therefore, the market equilibrium, where demand meets supply, is also where marginal social benefit meet marginal social cost. At this point, net social benefit is maximized, meaning this is the allocatively efficient outcome.

However, when a market fails to achieve allocative efficiency and resources are not allocated efficiently there is said to be market failure. Market failure may occur with imperfect knowledge, differentiated goods, resources immobility, insufficient production, externalities, or inequality of citizens' and producers' bargaining powers.

viii **Distributive Efficiency Model**

Distributive efficiency occurs when goods and services are received by those who have the greatest need for them. Abba Lerner first proposed the idea of distributive efficiency in 1944.

The concept of distributive efficiency is based on the law of diminishing marginal utility .According to this economic law, as a person gets more to spend, he will buy things that give him less and less utility. Lerner applied the concept of utility and its associated "law of marginal utility" to the distribution of income in society. The law of diminishing marginal utility implies that poorer people will gain more utility from money for additional spending than the wealthy. For instance, if a homeless family is given a gift certificate for a house, they will be able to use it to provide shelter for themselves. If a very rich person is given such a gift, he may spend it on a vacation residence which he will only use a few weeks of the year.

As such, aggregated utility would be maximized by taking wealth form the rich and giving it to the poor, and the state of optimized utility would be perfect economic equality. As Lerner puts it, "if it is desired to maximize the total satisfaction of a society, the rational procedure is to divide income on an equalitarian basis" (Lerner1944"32).

However, in real situations, the total amount of wealth is not fixed, and it has been argued that too much redistribution of income can reduce incentives for economic growth and development. Knowing this, Lerner qualified his earlier statement: "The principle of equality would have to compromise with the principle of providing such incentives as would increase the total of income available to be divided" (Lerner 1944:36) In this view, a balance must be reached between equality and incentives.

2.16.2 EFFICIENT UTILIZATION OF RESOURCES AS A PREREQUISITE FOR NATIONAL DEVELOPMENT

The point must be made that resources are made for man and not man for resources. Besides, man is and should be the centre piece of resource management. In that capacity, it is man who makes or unmakes in resource management and it is man who bears the costs of in-efficient resource management and enjoys the benefits- of proper management of resources. Therefore, if Nigerian nation is to develop, resource must not only be effectively harnessed, but also efficiently allocated and utilized by business firms, individuals and other purposive organizations such as government agencies and parastatals. The significance of resources and efficiency in utilization to national development is better expressed by the recalling the assertion made by Emerson (1982) as follows:-

"He, who knows what sweets and virtues are in the ground, the waters, the pants, the heavens, and how to come at these enchantments is the rich and royal man, Only as far as the masters of the world have called in nature to their aid, can they reach the height of magnificence"

It is an excusable assumption even though casua~ that mighyeconomic giants as the US achieved the magnificence told in Emerson's epigraph above in large part because they were abundantly endowed with resources and more importantly for their ability to efficiently utilize these resources. Since things of value can be traded for other things of value, and this permit the vestiture of capital according to its most lucrative prospect, then the resources wealth to be what Jeffrey Sahs and Andrew Warner call "a virtual since qua non of national wealth and economic property"

Nigeria is supposed to be the richest African country. Unfortunately, however, Nigeria is not. The veracity and depth of the poverty incidence give.credence to this. Undoubtedly, successive government have attempted to change the erstwhile "marshy" Nigerian economic landscape, introduce/and implemented various multi-faceted economic reforms aimed at diversifying the economy, improve efficiency to put the economy on sound footing. However, the impacts of these various reforms have not been fully reflected in the quality of life of Nigerians. The economy is, therefore, still largely dependent on oil. Government is yet to fully diversify and expand the non oil sectors. The manufacturing sector, in particular, is still under serious pressure from massive importation contributing only a meager 3.65 percent. The agriculture sector cannot be said to have improved for the cost of feeding is still high. Earnings from the oil sector have been on the increase as a result of rising global prices of crude oil. The country's infrastructure is down, power supply is highly epileptic, the roads are still highly ill-maintained, and there is inadequate housing, health and educational facilities.

In sprit of the above not "too rosy" picture, the Nigerian economy still possesses a prosperous future. What is simply needed is significant improvement in the utilization and efficiency in the management of national resources. For instance, the economy is gradually opening up foreign direct investment with more foreign investors showing interest in the country's economic opportunity. The establishment of the Bureau of Public procurement (Due Process), the Privatization and Public Service Reforms-(including public Expenditure and Budget Reforms), the Extractive Industry Transparency Initiative (NEITI), financial sector reforms, the fiscal responsibility act, as well as the frontal attack on corruption through the EFCC and ICPC are all expected to improve the efficiency of the system.

It is the writers submission and ardent believe that there can only be social and economic development when resources are properly harnessed, efficiently allocated and efficiently utilized. The efficiency needed in the utilization of resources must be the whole and obvious not the part. Public expenditure management system which is a critical element of management of the nation's resources must be further reformed to ensure that public resources are used transparently and efficier1Y. The lesson to learn from the above and indeed the situation of Nigerian is all Nigerians have responsibility of providing good and enjoyable life to the people. The joy of life is derived from convenient and comfortable living that is obtainable only from the efficient and effective management of these resources.

It is the way and manner by which the resources are put together for the benefit of the populace that matters. A nation built on treachery, disorderliness, gross in efficiencies security, arrogance and disregard for the rule of law can not thrive, not at all, while ignorance, hunger and diseases has never been and can never be a foundation for sustainable growth and development. The time it act and change the course of history is now!

2.17.0 THE NIGERIAN ECONOMIC REFORMS TO BOOST ECONOMIC DEVELOPMENT

The Nigerian nation has passed through many economic reforms which were purely extended national perspective plans that attempted to mobilize human, material and national resources of the nation to achieve goals of national life. There was the 1962-68 plans, then 1970-74 plan,1975-80 and 1981-85 plan. Often, these plans went beyond mere economic prescriptions to address social, human and political goals. Thus the 1970-74 plans defined the national objective of building:-

(1) A united, strong and self-reliant nation.
(2) A great and dynamic economy.
(3) A just and egalitarian society.
(4) A land of bright and full opportunities for all citizens.
(5) A free and democratic society.

But in implementation, these plans hardly involved fundamental restructuring of the national economy.

They were merely monetarist prescription that did little or nothing to address the structural and fundamental distortions in the economic, social and political life of the nation. Thus in spite of decades of planning, Nigeria remained:-

(a) A public-sector led economy with a bloated government presence in every facet of national life. Government remained the major employer of labour and the most prominent player in the economy and social spheres of existence.

(b) As a direct consequence of the above factor, a nation whose private sector grew a "rent-seeking and unproductive culture of over-dependence on government patronage and contracts, with little or no value added" (Harneit-sievers, 2004). The resultant effect was the development of a weak private sector with guarantees of profit from little productivity through failures and distortions in public sector operations and policies as noted by (Osisioma,2007). Till today, the private sector which should have been the engine of economic growth, still suffers certain constraints like risks of unstable macro-economic regime and political terrain, weak regulatory framework, weak infrastructure and human capital and weak financial system (yusut,2000).

(c)A mono-crop economy, with preponderant influence of one commodity (oil) in determining the nation's revenue-expenditure profile and balance of payment status. In the years before the commercial exploitation or oil, the "combine vector" of agricultural products was the primary mover of the economy. Since then, oil has become the king on Nigerian economic landscape. Indeed, the economy is held hostage to the vagaries of the world market for oil. Anytime the international oil market sneezed, the Nigerian economy caught cold.

(d) A nation without effective industrial infrastructure for economic take-off. There is no petro-chemical industry to fuel industrialization process, no effective iron and steel complex to produce flat steel, a deficient power and energy sector, insecure and in hospitable environment bedeviled with poor communications.

(e) An extractive and primary economy that produced unrefined raw materials for exports, either agricultural products or crude oil. Manufacturing was at a very rudimentary stage and industrialization remained an inconsequential factor in the nation's economic equation.

(f) An economy with a weak and tottering national currency that was the "whipping boy" of the international financial community and perennial balance of payment problem. The oil boom sparked off an oppressive culture of importation and all interests converged on the appropriation and consumption of oil revenue. But not on the development of productive forces.

(g) Industrialization held out some promise, but most of the concrete projects were over-ambitious, poorly planned and implemented, ill-timed, corruptly over-costed, politically located and grossly unsuccessful. It is pertinent that after 50 years of national planning and reform, these debilitating economic symptoms have persisted in the Nigerian economy. No wonder Harneit-sievers (2004) described Nigeria as a "rentier stage or a rent-based political and economic structure, whose major source of revenue does not derive from taxation on productive activities undertaken by its economically active population, but by collecting a convenient income from sources into which it invests little or nothing" This over-dependence on income from oil is known among economists as "the Dutch disease" (Osisioma, 2007).

(h) However, the problem with this malaise is beyond mere economics. Where wealth in natural resources combined with a weak economy, its poor management and government in a nation, the disease turns into what this researcher calls a "resource curse"

2.17.1 THE STABILIZATION/AUSTERITY MEASURES OF SHAGARI ADMINISTRATION.

During the 1980s in Nigeria, the need for economic reforms assumed a more urgent and strident note.

The above economic measures of Shagari administration came in the early 1980s. The sharp drop in the international spot market oil price resulted in plummeting national revenues, putting in dire peril all the budgetary projections and planning for the period. The hurried and fire-brigade approach to the emerging problem, failed to address the root causes of a national economy in great distress and fundamental disequilibrium.

2.17.2 THE STRUCTURAL ADJUSTMENT PROGRAMME OF BABANGIDA'S ADMINISTRATION.

The structural adjustment programme (SAP) introduced in 1986 by the Babangida's administration provide a background policy document for much latter-day attempts at economic and social reforms in the polity:

SAP was well-intentioned to address the fundamental and structural imbalance in the economy, strengthen the currency, build a viable, sustainable industrial infrastructure upon which real economic growth and development can be founded, foreign exchange transactions were to be liberalized. The reforms also focused on import and excise duties, government pricing policies, corrupt and inefficient public sector agencies and parastatals were rationalized and the design of complimentary measures to stimulate domestic production and employment generation and boost the capacity for non-oil exports and revenue generation were to be optimized.

Sadly, the unintended effects of SAP neutralized the lofty goal and objectives of that reform exercise. More than two decades after, the value of naira remained at all-time low, cost of factor inputs took a vault, prices of finished goods went beyond the reach of average Nigerian, ware house filled with unsold stock, consumption demand ebbed as the middle class was squeezed out of existence, capacity utilization in firms dropped below the 25% mark, distress in Banks and Corporate firms became the order of the day.

2.17.3 THE ALLIANCE FOR AFRICA'S INDUSTRIALIZATION BY AFRICA'S LEADERS IN COTE D'IVOIRE, 1996

In October 1996, African leaders met in Abidjan, Cote D'ivore and launched the Alliance for Africa's industrialization as a dynamic mechanism to boost the UN second industrial development Decade for Africa. Among the 14 points resolved to pursue collectively were:-

(a) To strengthen the participation of the private sector in the formulation and implementation of programmes for the Alliance.

(b) To internalize the Alliance into the national economic development process by involving all the development ministries, private sector sub-regional groupings

(c) To formulate medium-and long-term industrial policies and strategies at national and sub-regional levels designed to respond to the challenges of globalization and international competitiveness.

This was the background scenario as a new set of hands began again to tinker with the .1e'o'er of its national economic life.

2.17.4 THE ABACHA'S NATIONAL ECONOMIC POLICY (VISION 2010)

The Abacha's administration introduced the vision 2010 policy document in 1998.A committee of 248 members including 25 foreign stakeholders resident in Nigeria' was constituted on 27th November 1996 to "develop a blueprint that will transform the country and place it firmly on the route to becoming a developed nation by the year 2010" (vision 2010 Report, 1998). The committee isolated 53 sub-committees and 8 clusters of sub-committees covering 13 critical success factors, 17 economic issues, 17 special issues and 6 general issues.

The vision sought a parading shift in the mind-set or all Nigerians to imbibe new core values, norms and standards that would align with the requirements of the global realities, rapid economic changes, globalization and liberalization.

As usual with most Nigerian reform experiments, Abacha's reform policy hardly survived its originator.

The policy document with all its lofty promises and potentials was quickly consigned to the dustbin of history with the demise of its architect.

2.17.5 THE OBASANJO'S NATIONAL ECONOMIC EMPOWERMENT AND DEVELOPMENT STRATEGY (NEEDS)

The Obasanjo's National Economic Empowerment and development strategy charmingly and captivatingly termed "(NEEDS)' audaciously claimed superiority over all previous economic reform attempts. It claimed to be "a response to the development challenges of Nigerian, lay a solid foundation for sustainable poverty reduction, employment generation, wealth creation, value orientation. "NEEDS was to mobilize the resources of Nigerian to make it a prosperous and united nation to generations to come"(Obasanjo, hi 2004).

The authors of this reform agenda anchor their claims of superiority on three main factors:-

(i) Its participate, process in which all Nigerians were given a chance to contribute.

(ii) Its scope and coordination for the first time integrates state and federal governments in coordinating and planning framework that recognized the federalist reality of the Nigerian polity.

(iii) Its content as a reform-based strategy with clear and focused thrust on empowerment, wealth creation, employment generation, poverty reduction and value re-orientation (5Qludo, 2004).

2.17.6 **NEEDS STRATEGIES:-**

The needs reform programme rests on four key strategies:-

a. **Reforming Government and institutions:-**

The goal was to restructure, right-size, re-professionalize and strengthen the government and public institutions for effective service delivery, check waste, and inefficiency, corruption, project abandonment and instances of relentless lending through fiscal responsibility Bill.

b. **Growing the private sector:-**

As the engine of growth and wealth creation, the private sector was to generate employment, poverty reduction. The government being the enabler, facilitator and regulator, while the private sector is the executor, direct investor and manager of businesses, key elements in this policy thrust were:-

- Privatization
- Deregulation and liberalization. Infrastructure development
- Explicit sectoral strategies for agriculture and SMES.

c. **Implementing a Social Carter**

This was the execution of a people-oriented programme on health education, employment, poverty reduction, empowerment, security and participation. Explicit programmes included youth re-orientation, employment, vibrant mortgage and housing development led by private sector and all-inclusive empowerment programme for women, children, the handicap and the elderly.

d. **Value Re-Orientation**

This involved mobilizing Nigerians to embrace the virtues of honesty, hard work, selfless service, moral rectitude and patriotism. The complementary tools for the realization of the above goals included:

i) Pension Reforms
ii) Energy and power
iii) Desegregation of NEPA in 18 successor companies
iv) The GSM Telecoms
v) Extractive industries Transparency initiative.
vi) The Corruption and Allied Offences Commission (ICPC)
vii) The Economic and Financial Crime Commission (EFCC)
viii) Reforms in the financial sector.

2.17.7 ACHIEVEMENT OF NEEDS

The frenzy of the reform has assumed a fever pitch in the financial sector with some of the landmark achievements including:-

a. The consolidation, merger and recapitalization of banks in the Nigerian economy from N2 billion mark to N25 billion.
b. The debt-exit deal that saw Nigeria off-loads; a foreign debt burden of $35 billion in one fell swoop.
c. The listing of nine Nigerian Banks in the financial Time Best 1,000 Global Banks ranking for 2006.
d. A foreign reserve portfolio which hit $36.63 billion mark by August, 2006, despite the significant drawdown from the reserves for the last tranche payment in the Paris club debt exit deal in April, 2006.
e. The recapitalization efforts for Nigerian insurance companies, with a deadline of February, 2007 for the industry.
f. The introduction of micro-finance institutions with enhanced capital requirement of N20 million, with the community banks, being

potentially the backbone of the micro-system.

g. According to Okeke, (2006:4), the convergence in the first week, of July 2006, of the "Blck" and official markets in foreign exchange

2.18.0 DEREGULATION AND PRIVATIZATION AS REFORM TOOLS

The five growth drivers of the Needs Reforms Strategy are liberalization/revitalization, security, job creation, improved investment and infrastructure. The entire policy construct was premised on certain imperatives:-

(i) Greater budget monitoring
(ii) Promotion of the private sector.
(iii) More stable interest rates.
(iv) Better debt management.
(v) Optimistic annual growth rate of the economy above 5% from the current 3%

Indeed, since the Babangida's administration introduced its Structural Adjustment Programme (SAP) in 1986, the principle of deregulation has occupied a dominant position in the policy construct of Nigeria's economic planners.

Deregulation

(Osisioma, 2007) stressed that deregulation connotes the removal of all forms of regulations that have stultified the spirit of free-market enterprise, and the deliberate encouragement of the private sector to assume responsibility for the commanding heights of the economy. The process, synonymous with liberalization, involves the deliberate and systematic removal of regulatory controls, structures and complex operational guidelines in the administration and pricing mechanism in the economy. It further entails the rationalization of government participation in the economy in a manner that does not constitute a cog in the wheel of growth. Thus, the process involves:-

a) Minimizing the role of government in purely commercial and industrial activities that private sector operators are best suited to handle.

b) Dismantling the regime of rules, laws and regulations that impede the free flow of economic activities in the country, and which deter mobility of resources from within and outside the country.

c) Removal of subsidies and supports that may discourage enterprising and creative business investment. Individual business men are freed to source for funds, personnel and technical expertise wherever found. Bringing to an end all price-fixing, uniform pricing and government role in product marketing and distribution in the economy.

Allowing total cost recovery principle to prevail in issues of product pricing. Thus purely economic factors determine pricing of goods and services in the economy.

Allowing free course to the operation of the price-mechanism in the economy

Privatization

Privatization connotes the transfer of assets ownership and control from the public sector to the private sector, often on the premise that the transfer will improve efficiency. It is a political policy choice designed to reduce the level of state and in turn increase private ownership and involvement in the management of public corporations. Since privatization involves shifting transactions from public corporations to market-regulated domain, it brings with it a presumption of government failure. (Herbert, 1998) noted that, this presumption is reinforced world wide as interest in privatization as a driver of macro-economic efficiency. Privatization is regarded as instrument of development for the followings:-

a) Reduction of overall fiscal burden
b) Development of the private sector and overall competitiveness of an economy.
c) The broadening of ownership of productive assets.
d) Increase in economic efficiency.
e) Reduction in administrative burdens.
f) The development of the capital markets, capital and Technology
g) Raising of revenue for the Treasury
h) It fosters economic efficiency in all its ramifications.

2.18.1 EFFICIENCY AND DEREGULATION

State ownership of productive enterprise is seen to impair efficiency of resource use. Economically, inefficient operations are not competitive in global markets. Thus if deregulation achieves increased economic efficiency, it contributes indirectly to competitiveness. Efficiency tends to be equated with productivity, where productivity is defined as some ratio between outputs ad inputs. Basically, deregulation stresses the transfer of control of resources to those who have the ability and motivation to make the best use of them, resulting in higher output and lower prices. This is called allocative efficiency. Kuttner (1999) identifies three dimensions of efficiency: -

i. Productive efficiency:-

This efficiency arises from increased specialization (technology) and market incentives, resulting from increased output from the same level of resources used. The extent to which the re-allocation of productive assets to new ownership and management fosters enhancement in financial performance, to that extent, deregulation results in productive efficiency.

ii. Keynesian Efficiency

This relates to the impact of deregulation on the level of intensity of source utilization. Keynes argued that economic equilibrium need not entail full use of all factors of production, thus a higher level of utilization of existing capacity is indication of efficiency. Therefore, if deregulation intensifies the level of overall utilization of existing capacity, then it leads to increased efficiency, and by extension, a more productive option.

iii. Adaptive Economic Efficiency:-

This derives from Schumpeter's theory of economic development which stresses the role of the entrepreneur, describing the economy's dynamic performance with respect to growth and innovation. It relates to the existence of institutions (Beliefs, rules, procedures, standards) and organizations that provide incentives and the capacity to acquire and use knowledge in performing economic activity.

(Ernst, 2000) noted that, all theories of economic efficiency touch on the ways in which strategic and operational decisions in privatization affect competitiveness directly and indirectly. The consensus among economists is that privatization enhances overall efficiency of an economy.

2.18.2 CRITICAL SUCCESS CONDITIONS

For privatization to impact successfully on competitiveness of firms, it must address certain structural characteristics and determinants of competitiveness. Four major sets of forces shape the conditions for the pursuit of competitive advantage by individual firms.;-

(i) Factor Conditions

The factor endowments that shape the environment for the pursuit of competitive advantage comprise "Basic" and "advanced factors". The basic factors include physical resources, climate, geographical, demographic and natural resources. The advanced factor conditions are the product of investment by individuals, government firms, skills and knowledge base of work force, stock of technology, marketing, availability and cost of capital resources, type and quality of physical infrastructure.

There are also generalized factors that are relevant to all sectors of the economy and specialized factors that affect a particular industry. The existence of high-quality institutional mechanism for specialized factor creation in a dynamic context is a powerful element in any competitive strategy.

ii **Demand Conditions:-**

These refer to the nature of demand for the industry's products or services viz:- quality, price, reliability and timelessness. The closer the conditions approximate to those prevailing in global markets, the easier it is for firms to pursue a consistent competitive strategy. A privatization programme should aim at perpetuating these values with a view to aiding the development of competitive advantage.

iii **Related and Supporting Industries:-**

The presence of internationally competitive firms engaged in the same or similar activities is critical to the development of competitive advantage. The support takes two forms:

a) They offer opportunity to coordinate and share activities. Cooperation can provide economics of scale; facilitate innovation by sharing knowledge relating to that firm.
b) They however also act as competitors, encouraging better performance and stimulating innovation. This relationship between firms and

industries engaged in related activities is branded "competition", a strategy blend of cooperation and competition.

iv. **Firm structure and Rivalry:-**

This relates to the conditions governing creation, organization and management of companies, goals and employment motivation (Porter, 1990).

2.18.3 MONITORING AND EVALUATION OF NEEDS PROGRAMMES

One critical area of service for all professionals and patriotic Nigerians is in the monitoring and evaluation of needs programmes.

Monitoring refers to the activities involved in recording progress in programme implementation. It is the continuous and periodic review of programmes/projects implementation by management to assess delivery, identify challenges, ascertain problem areas and recommend remedial action. It is thus primarily concerned with the delivery process ensuring that inputs through activities are transformed into output, analyzing their quality and quantity. It involves surveillance in order to record achievements, failures and constraints during implementation of the programme (national Planning Commission, 1997).

2.18.4 CRITICAL REQUISITE FACTORS

To meet the range of accountability requirements in programme. Project monitoring, the UNDP Training Module recognizes six levels of field monitoring:-

i) **Start-up systems monitoring:-**

This is aimed at ensuring that appropriate management and coordinated structures are put in place to ensure efficient and effective programme implementation.

ii) **Financial Monitoring:-**

Involves tracking of actual expenditures made by the implementing agencies, determine whether financial allocation is adequate for the job at hand, actual expenditures and whether or not are in keeping within approved budget allocations.

iii) **Inputs Monitoring:-**

This relates to follow-ups on inputs procured, quantity and quality of materials and equipment acquired, time-line for delivery etc.

iv) **Outputs/Capacity Building Monitoring:-**

This level dwells on monitors, whether qualitative and quantitative targets are achieved in implementation and whether in keeping with objectives and goals established.

v) **Impact/Sustainability Monitoring:-**

Involves overall assessment of programme outputs to ascertain their positive/negative effects on the beneficiaries and communities. Sustainability refers to the staying power and enduring quality in programmes, to have a lasting impact on the lives of the citizenry.

v) **Annual Audit/Evaluation**

Covers financial audit, reports on achievements, progress review and independent evaluation. While monitoring refers to the recording of progress in programme implementation, evaluation is concerned with determining the effectiveness and impact of the programrT1.e output. Evaluation therefore, is not necessarily the end of the programme life, but an ongoing review as the programme progresses.

2.18.5 CRITICAL ISSUES FOR CONSIDERATION BEFORE PRIVATIZATION

Certain factors must be born in mind before deciding as to whether or not to privatize. Heath (1996) raised eight critical factors for consideration for any economy embarking on privatization programme:-

a). To what extent would the exercise best be done in privatizing a large number of the state enterprises if the population lacks the saving to purchase the shares?

b) Whether or not to structure the state enterprises before privatization during the process of privatization or after wards. The first option makes possible to obtain a good price for the sold companies. The second option ensures that those who will control the enterprise acquire same in the form they want, while the third option enables new owners to shape the enterprise and invest therein to suit their aims and objectives.

c) Whether the government is pursuing maximization of revenue from the sales or the attainment of efficiency in the operations though competition or deregulation.

d) Resolve as to whether it is better to go slowly in the privatization exercise with only small enterprises, or privatize them all as quickly as possible.

e) How should an enterprise be valued for sale, particularly for corporations not listed on the stock exchange and whose products/services are considered strategic?

f) Determine the national institutions needed to be put in place before privatization, consider what could be left until later (example, development and growth in capital market, the breath and depth of commercial and merchant banking operations).

g) Bearing in mind that markets cannot function well unless there is actual or potential competition, how can the public sector monopolies be prevented from becoming private sector monopolies?

h) What should be done about loss-making enterprises for which there are no buyers at the "right" market price? To these questions, the researcher is tempted to add the following factors worthy of consideration: -

(i) The safeguards in place to ensure that a few wealthy individuals do not high-jack the nation's "common wealth" for themselves.

(ii) The ways and means the exercise could be used to reduce rather than exacerbate inherent inequalities and inequities in the polity.

(iii) In a situation of delicate ethnic and geopolitical balancing, consideration must be made as to how the exercise can be carried out to ensure equity for all Nigerians.

In a study carried out by Afeikhena (2002) on NITEL reforms, he came to conclusion that there was remarkable improvement in internal efficiency using total factor productivity analysis. The study further revealed that the reform undertaken resulted in increased profitability, network expansion and modernization of telecommunication services.

This researcher believes that deregulation is a world-wide phenomenon and is in line with the realities of today's globalized economic situation. The exercise can free government to carry on the business of efficient and effective governance to enable it properly act as the champion of the under-privileged and. protector of the weak and correctly play its critical role of regulator and watch dog of societal activities in the development of the economy.

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CHAPTER THREE

3.0 METHODOLOGY

A field investigation was conducted on the problems of underdeveloped countries with particular emphasis to Nigeria as case study. The areas targeted were the planning department in Corporate Affairs Commission, Abuja, Economic Departments in University of Calabar and Abuja as well as Professional Economists in Abuja and Calabar.

3.1 DETERMINATION OF POPULATION

For the purpose of this research task, the population was carefully carved out which includes Economists in the planning department in Corporate Affairs Commission, Abuja, students and Lecturers in the Economics Department in University of Calabar and Abuja.

Professional Economists in Abuja and Calabar were grouped for discussion on problems of underdeveloped economies. Respondents were grouped under male, female, Age, Nationality, Occupation, income, lecturer, student in order to draw conclusions and obtain information regarding the subject under study.

3.2 SAMPLING METHOD

A sample refers to a subset of a larger population. A number of sampling units (fewer than the aggregate) was drawn from the population and examined in some detail. A questionnaire was administered through personal interview with students and Lecturers to determine their views on problems and suggested solutions of developing countries.

3.3 SAMPLING FRAME

Before a study, using sampling procedure, it is important to define the population to be surveyed carefully. Yales (1953) provided general framework for researchers to note in designing a sampling frame as follows: -

- Adequacy
- Completeness
- No duplication
- Accuracy
- Convenience

The guideline was followed in designing sampling frame.

3.4 JUSTIFICATION FOR USING SAMPLING METHOD

- It is easy to select from available list of population.
- It allows for combination of a given sample size in the population.
- Allows for large usage of sample size.
- Flexibility in management.
- Cheap to adopt.
- Allows equal chance to each individual in the population to be included in the sample.
- Less biased.

3.5 RESTATEMENT OF THE RESEARCH HYPOTHESIS AND QUESTIONS

i) There is no significant relationship between poverty and underdevelopment in developing countries.

ii) There is no significant relationship between economic backwardness and underdevelopment in developing countries.

iii) There is no significant relationship between consistent government policies and underdevelopment in developing countries.

iv) There is no significant relationship between unemployment and underdevelopment.

3.6 RESEARCH QUESTIONS

a) What is the relationship between poverty and underdevelopment in developing countries?

b) Is there any relationship between economic backwardness and underdevelopment in developing countries?

c) Is there any relationship between inconsistent government policies and underdevelopment in developing countries?

d) What is the relationship between unemployment and underdevelopment?

e) How could economic development be sustained in developing countries?

f) What is the effort of the Nigerian Government to curb poverty, unemployment, inconsistent government policies which have a negative effects on economic development?

g) What are the economic strategies to curb these problems?

3.7 IDENTIFYING A SUITABLE SAMPLING FRAME

In designing the research study, the researcher took into account the need to make inferences from sample of the populations in order to answer research questions and also meet the research objectives. Thus consideration was given to the following processes: -

- ❖ Need to identify a suitable sampling frame base on the research questions
- ❖ Need to decide on a suitable sampling size.

- ❖ Select appropriate sampling technique and sample.
- ❖ Ensure the sample is representative of the population.

The sampling frame for this study includes:-

- Economists in Corporate Affairs Commission, Abuja
- Students and Lecturers in Economics Department Unical
- Students and Lecturers in Economic Department in University of Abuja.
- Professional Economists in Calabar and Abuja.

3.8 DATA ANALYSIS

The resulting data obtained from the study was analyzed. Responses from respondents were summated using simple statistical representation such as chi-square table, frequency table, Graph, pie chart. The result, using these statistical instruments, provided a platform not only to compare responses among respondents but also to measure the intensity or degree of disagreement or agreement to statements made to support the factors behind underdevelopment in developing economies.

3.8.1 RANDOM SAMPLING

This was adopted because it is easy to select from available list of population. It allows all possible combinations of a given sample size in the population an equal probability for each individual of being included in the sample.

Its accompanying disadvantage of non-likely inclusion of all units from portions of population, high data collection costs etc, was addressed.

In terms of sample size, 90 – 100 students, lecturers and Economists were engaged on the subject under study.

3.9 PILOT STUDY TO TEST VALIDITY AND RELIABILITY

The questionnaires were pre-tested before embarking on a full scale field work in order to finalize the design structure and ensure the instruments provides the desired data. The responses from students, Lecturers and Economists from Calabar and Abuja where the questionnaire were pre-tested assisted in no small measure in modifying same before the field administration.

Competent staff, experienced and knowledgeable in the area of survey were well briefed and engaged for the field work. Personal interviews by the researcher facilitated in generating data and information used for the study.

3.10 PRIMARY AND SECONDARY DATA

Primary and secondary data were used. The researcher noted the need for researchers to consider the need to re-analyze an existing data in order to consider the research question to meet research objectives. It is therefore imperative to address the research questions using a combination of primary and secondary data. The secondary data which was both quantitative and qualitative was accommodated through literature review, informal discussions with experts, colleagues, seminars, conferences and other published books. Primary data was generated through questionnaires administered on respondents.

3.11 DATA COLLECTION INSTRUMENT

A questionnaire was administered through personal interview with students, lecturers in Economics of University of Calabar and Abuja as well as Economists in Corporate Affairs, Abuja to determine their views on problems and suggested solutions of developing economies.

The goal of a formal research design is to test the hypothesis or answer the research question posed (Cooper and Schindler, 2001). The research design therefore, expresses both the structure of the research problem and the plan of investigation used to obtained empirical evidence in relation of the problem (Deming, 1960).

The questionnaire is recognized as an important method of quantitative data collection and therefore, attempt was made to design it in a way as to capture accurate data and high response rate. In designing the questionnaire, it was assumed that the respondents being major stakeholders on the subject were sufficiently informed on same.

Questionnaires were developed and administered by the researcher between December, 2008 and February, 2009. 50 questionnaires were distributed to Economists in the Planning Department in Corporate Affairs Commission, Abuja, 25 to the students/Lecturers in University of Abuja and 25 to Lecturers in University of Calabar.

On the whole, a total of 100 questionnaires were distributed to the target population elements comprising the following: -

(a)	Economists in CAC, Abuja	-	50
(b)	Lecturers in University of Abuja	-	25
(c)	Students/Lecturers in Unical	-	25
	Total	-	100

A convenient sampling method was employed to select the sample. The idea is to enable the researcher access all the respondents during the data-collection exercise. To make the sample selection approximate probability sampling, every 3rd entrant student/Lecturer to the Economic Department of the University was approached and inquire if he or she was in Economic department, if he is, a questionnaire is administered to him/her. Thus I interviewed every 3rd student/Lecturer in Economic Department in University of Calabar and Abuja.

I also visited the Economists in the planning department in Corporate Affairs Commission, Abuja. 40 Management Staff, and 10 Junior Staff (50 in all) were carefully chosen and questionnaires administered to them. The information so collected from this sample augmented that generated from the University.

The questionnaires administered to students/Lecturers were the same with those administered to Corporate Affairs Commission, all the questions focused on the hypothesis and objective of the study. Thus, data were gathered over a three-month period.

In constructing the questionnaire in terms of wording and layout, consideration was given to its usefulness as a guide for decision making.

Efforts were made to eschew biased wordings in the framing of the questionnaire. Cooper and Schindler (2001) observed that strong adjectives can be particularly distorting in the formation of questions. Questions were asked bearing in mind the different background of respondents such as: -

3.11.1 **Respondent Motivation**

Closed questions have been found to require less motivation and answering them is less threatening to respondents (Cooper and Schindler, 2001). Closed questions are preferable in large survey as they reduce the variability of response, make fewer demands on interviewer skills and much easier to analyze (Cooper and Schindler, 2001). Dohrenwend (1965), observed that experimental studies suggest that closed questions are equally superior to open-ended questions in many more applications than is commonly believed.

3.11.2 **Communication Skills**

Open-ended questions require a stronger grasp of vocabulary and a greater ability to frame responses than do closed questions. Often, respondents find it difficult to answer open-ended questions. (Ndiyo, 2005:5).

In order to extract the best from respondents, the following response strategies were adopted in designing the questionnaire:-

3.11.3 Question Sequence

Arrangement of questions play a significant role in achieving the desired response. Consequently, stimulating questions were asked first before more sensitive ones. The questions were structured to extract the best from the respondents based on the following strategies:-

- Free response
- Dichotomous response (yes or no).
- Multiple choice response providing more than one alternative.
- Checklist Response
- Rating and ranking responses.
- Respondent interest and reactions to the questions
- Meaning – words understood by respondents.
- Continuity and flow of questions from one to another.

3.11.4 IMPROVING QUESTIONNAIRE RETURN RATES

The following steps were taken to improve the return rates of distributed questionnaires (Dillman, 2000):-

- Questionnaire length was made limited to facilitate return rates of distributed questionnaires.
- Cover letters were used to dispatch the questionnaires. This is a logical vehicle for persuading individuals to respond promptkly.
- Repeated visits and phone calls to respondents, through costly, was adopted to ensure good response.
- Questions were easy to read.
- Offered clear response direction.
- Provide information about the survey in a cover letter of advance notification.
- Personalize all communications with respondents.

- Follow-up contacts through phone to encourage response.

3.11.5 **Response Rate**

The likelihood of having non-responses was taken into consideration in the research design. Saunder et al (1997) noted that non-response could be due to three interrelated problems such as:-

- Refusal to Respond.
- Ineligibility to Respond
- Non-contact.

De Vaus (1991) suggested a strategy of excluding ineligible respondents by calculating the response rate below: -

$$\text{Response Rate} = \frac{\text{Total number of response x 100}}{\text{Total number in sample – (ineligible + unreachable}}$$

$$\text{Thus } \frac{n \times 100}{re\%}$$

Where na = Actual sample size required

n = Minimum sample size

re% = Estimated Response rate.

Estimating the likely response rate from a sample to which a researcher sends a questionnaire or interview schedule has been found to be very difficult (Saunders et al, 1997).

However, response rate of about 30% has been reported to be reasonable for postal surveys (Owen and Jones, 1990). For interviews, a response rate of approximately 50% has been reported adequate (Kervin, 1992, Saunders et al 1997). Dillman (1978) recorded response rate of between 50% and 92% for questionnaire surveys and between 73 and 99% for telephone interviews.

3.11.6 **Quality of Research Data**

The issue of credibility of research findings was seriously taken into account in the research design. Reducing the possibility of doubting the credibility of research findings informed why attention was paid to the issue of reliability and validity. Eastherby-Smith et al, (1991) noted two critical questions the researcher should address in the cause of carrying out a study of which it was followed:-

- Will the methods adopted yield the same result on different occasions?
- Will similar observations be made by different researchers on different occasions?

Robson (1993) identified four threats to reliability of research results to include: -

i) Subject error
ii) Subject bias
iii) Observer error
iv) Observer bias

The researcher was aware of the potential problems extraneous influences have on respondents in offering valid and candid answers to questions posed during field study.

Consequently, elaborate steps were taken to ensure confidentiality and anonymity of respondents to questionnaires. Care was also taken to ensure that data derived from the study are valid and relevant to the research objectives. Specifically therefore, steps were taken to put proper things in place as follows: -

3.11.7 **Identification of Research Population**

Efforts were made to ensure that the choice of population under study was logical to guarantee generalization to be made across the whole population.

3.11.8 **Data Collection: -**

Concerted efforts were also made to ensure that processes adopted in collecting data yielded valid results.

3.11.9 **Data Interpretation**

Appropriate theoretical frameworks were chosen in data interpretation, induction and deduction processes were employed to arrive at conclusion on each of the hypotheses. Thus conclusions were drawn from both existing facts and valid reasons given by respondents on the subject under investigation.

3.11.10 **Development of Conclusions**

The researcher was conscious of the need to ensure that conclusions drawn should stand up to the closest scrutiny.

Asika (2001) observed that research design may be said to be valid if it enable the researcher elicit correct responses from the sample subjects. In this study therefore, the research design was considered valid based on the fact that the desired responses were gotten from sample populations. Furthermore, the content validity was determined by ensuring that all the questions asked in the questionnaire fully address the research objectives and hypotheses.

3.4 **Processing of Data**

The data resulting from the study could be both quantitative and qualitative and as such need to be processed and analyzed. The essence is to put the data in contextual form to enable the researcher answer the research questions as well as address the research objectives. Consequently, quantitative analyses using simple tables, pie charts, Graph, chi square and statistical analysis were carried out in order to establish relationships between the various variables. Abdullahi (2004) noted the need to ensure that in all cases where diagrams and tables are used, the following steps be taken: -

i) That the tables and diagrams have brief and clear descriptive title.
ii) That the units of measurement be clearly stated.
iii) That the sources of data are clearly stated.
iv) That notes to explain abbreviations and legends be clearly stated.
v) The size of the sample on which the values in the table are based is stated.
vi) The diagrams have clear axis labels.
vii) That table has clear column and row leadings.

The analysis carried out enabled the researcher establish relationships between variables and trends in patterns of associations.

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CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

This chapter attempts to present the general characteristics of the population used in the study. The data for individual hypothesis were tabulated for overall analysis. Efforts were therefore made to analyze data generated from the study, which includes qualitative and qualitative information collected from four groups of respondents. The four groups of respondents were.

i) Economists in CAC, Abuja
ii) Lecturers and students in University of Abuja
iii) Students/Lecturers in University of Calabar
iv) Economists in Calabar & Abuja

The instrument used for generating the data analyzed was the questionnaire, which was structured in a way as to elicit as much responses as possible on the core study area which dwells on the factors behind underdevelopment in Nigeria. The questionnaires were distributed and retrieved from these groups of respondents for analysis. The questions posed tried to identify the nature and constrains to economic development. In all the categories of subject areas studied, efforts were made to identify critical factors responsible for economic backwardness in Nigeria as a focus and underdeveloped economies in general

The mean, standard deviation, relative percentage and correlations among independent variables were also computed, chi-square tests was used to test for significant differences in the variables used while z-test of t-test was used to test for significant differences between two groups (e.g male and female, single and married).

4.1 Responses to Questionnaires

The study recognized the importance of determining the response rate in order to validate and justify the findings hence the response rate was calculated and the margin of error in the sampling process was determined viz

Response rate:

= Total no of responses X 100

Total No. of sample- (No Response + Invalid (Response)

Given the No. of sample Element	=	100
No of elements that responded	=	57
No of elements that did not respond	=	35
No. of invalid response	=	5

Three questionnaires were not delivered to sample elements

Response rate = 57 x 100

100 –(35 +5)=57%

Actual sample size=105

The retrieval rate for the questionnaires tendered in the survey was equally determined by simple calculation and deductions made as follows:

Total No. of questionnaires retrieved=57

Total No. of questionnaires distributed=100

Retrieval Rate: Total No. of retrieved x 100

Total number distributed

=57 x 100

100 =57%

Actual sample size = 105

The retrieval rate of 57% was considered reasonable considering the difficulties in getting people to respond to questionnaires on study of this nature in Nigeria. In this study, for responses involving the Guthman scale and other similar ratings, the coefficient of reproducibility was determined as follows: Coefficient of reproducibility

$$= \frac{\text{Total Errors}}{\text{Total Responses}}$$

It is pertinent to note that coefficient of reproducibility of between 90% - 100% is considered a standard (Asika, 2001). The characteristics of the survey responses is further elucidated in the subsequent sections.

4.2 Distribution Pattern of Responses

Three critical segment of respondents to the objective of the study were:

a) Economists in CAC, Abuja
b) Lecturers and students in University of Abuja
c) Students/Lecturers in Unical

The general distribution pattern of the questionnaires is presented in table 3.0 while the sectoral analysis of segment coverage of the responses is depicted in figure 4.0

Table 4.0: Distributions of Responses

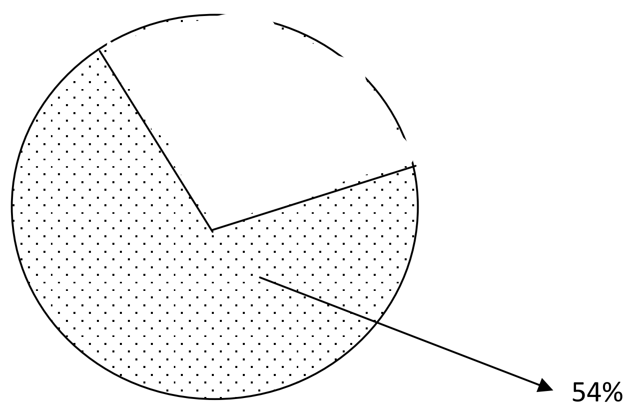
S/N	ELEMENT	SURVEY SENT	SURVEY RETRIVED	PERCENTAGE RESPONSE
1	CAC, Abuja	50	27	55%
2	Lecturers/Student Uni-Abuja	25	15	60%
3	Students/Lecturers Unical	25	15	60%
	Total	**100**	**57**	**57**

Source: researcher's Fieldwork, 2009

4.3.0 Distribution Pattern of Survey Responses

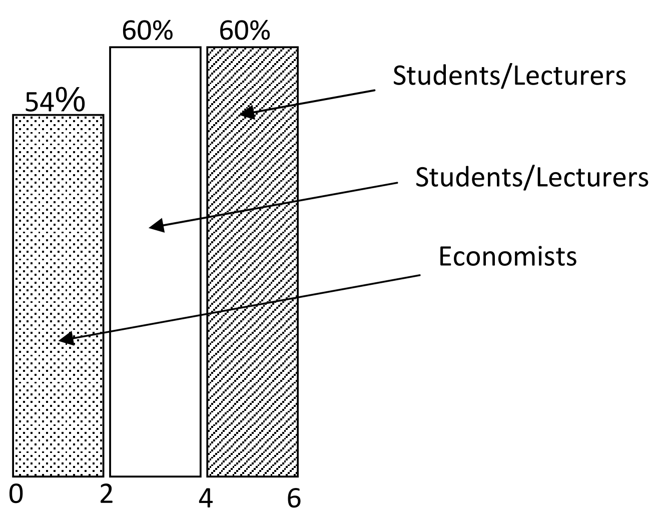
The critical sectors of the respondents surveyed included students lecturers and economists. The distribution of survey responses reflects well above 50% response rate for all sectors of the population element studied. There were more responses from CAC (27). This is understandable considering the number of questionnaires sent compared lecturers/students (15).

Figure 4.1 Distribution Patterns of Responses



Further analysis of the distribution pattern of responses from each segment of the population element shows that CAC represents 54%

Figure 4.2: Graphical representation of Respondents



Source: **Researcher's Fieldwork, 2009**

As seen from the graph above, responses by economists, represents 54% students and lecturers, 60% from University of Abuja, while 60% was similarly recorded from lecturer/students of Unical.

4.4 Respondents Characteristics

Table 4.1: The table below presents the biographic data of the respondents. It shows that the respondents were well represented in terms of sex, age, education, employment, marital and income ranking.

Table 4.1: Distribution of Gender of Respondents

Factors	**Male**	**Female**	**Frequency**	**Percentage**	
				Male	Female
Sex (Students)	15	10	25	33.3%	18.78%
Lecturers	10	15	25	23.22%	28.27%
Economist	20	30	50	44.44%	54.54%
Total	**45**	**55**	**100**	**100%**	**100%**
Age	**Male**	**Female**	**Frequency**	**Percentage**	
				Male	**Female**
<25yrs	10	15	25	22.22%	28%
25-40	20	20	40	44.44%	36%
40>	15	20	35	34.33%	36%
Total	**45**	**55**	**100%**	**100%**	**100%**
Educational Status	**Male**	**Female**	**Frequency**	**Percentage**	
				Male	**Female**
GCE/SSC/OND	10	20	30	22%	36%
HND/BSC/NCE	20	15	35	44%	28%
MSC/Ph.D	15	20	35	34%	36%
Total	**45**	**55**	**100%**	**100%**	**100%**

Marital Status	Male	Female	Frequency	Percentage	
				Male	Female
Single	10	10	20	22%	18%
Married	35	45	80	78%	82%
Total	**45**	**55**	**100**	**100%**	**100%**
Employment Status	**Male**	**Female**	**Frequency**	**Percentage**	
				Male	**Female**
Employed	25	35	60	56%	64%
Unemployed	10	10	20	22%	18%
Self Employed	10	10	20	22%	18%
Total	**45**	**55**	**100**	**100%**	**100%**
Income Level	**Male**	**Female**	**Frequency**	**Percentage**	
				Male	**Female**
<N20,000	5	**5**	**10**	14.29	11.11
N21,000-50,000	7	5	12	10.20	11.11
N51,000-100,000	5	10	15	15.28	22.22
N101,000-200,000	8	15	23	22.85	34.33
> N200,000	10	10	20	28.57	22.22
Total	**35**	**45**	**80**	**100%**	**100%**

Source: Researcher's Fieldwork, 2009

4.5 Analysis on Respondents Characteristics

Gender classification of respondents shows that male respondents were 45 out of this, students were 15, lecturers 10 and professional economists 20

Female students were 10 (i.e 18%) female lecturers 15, (i.e 28%) while female economists were 30 giving 54%. Respondents between 25-40 years were 20, (36%) those below 25years were 15 (28% while those above 40yrs were 20 (34%) giving a total of 55.

The educational status indicates that respondents with GCE/SSC/OND were 10 male and 20 female, giving a total of 30 (22% & 36%) Holders of HND and Bsc were 20 males and 15, representing 44%/28%. Msc & Ph.D were 15 male, female 20, totaling 35 with 34% and 36% respectively.

Marital status saw a figure of 35 married men representing 78% while female were 45 with 82%. A total of 35 males were under gainful employment, while unemployed male and female totaled 20 giving 22% and 18% respectively.

Respondents of income level below N20,000 were 10 (14.29%) and 11.11%) those between N21,000-50,000 were 12 (20% & 11.11%). Those between N51,000-N100,000 were 15 (15.28% &22.22%) Those earning N101,000-200,00 were 23, while income earners above N200,000 were 20, with 28.57% and 22.22% respectively.

4.6 Factors Causing Underdevelopment in Underdeveloped Nations

underdeveloped countries are faced with problem of poverty and economic backwardness. This has contributed to underdevelopment in developing countries including Nigeria. This study therefore attempted to validate this observation by asking respondents surveyed to agree or disagree with the statement. Their views are presented in table 4.3

Table 4.3 Factors Causing Underdevelopment

S/NO	RESPONSE	NO. OF RESPONDENT	PERCENT (%) RESPONDENT
1	Agree	21	77.8
2	Disagree	2	7.4
3	No Idea	4	14.8
	Total	**27**	**100**

Source: Researcher's Fieldwork, 2009.

A considerable number of respondents (77.8%) were of the view that poverty and economic backwardness have unduly slowed down economic development in underdeveloped countries especially Nigeria. However, 14.8% of the respondents could not make any categorical opinion on same; 7.4% of them completely disagreed.

Furthermore, the researcher attempted to validate the statement as to whether inconsistent government policies could be responsible for underdevelopment. The study therefore asked respondents to agree or disagree with the statement. Their views are reflected in table 4.4

This scholarly work also tried to seek the opinion of respondents as to whether there is a significant relationship between inconsistent government policies and underdevelopment and whether unemployment has a bearing on economic development.

Specifically speaking, the questions posed to respondents by the researcher were as follows:

i) Is there any relationship between inconsistent government policies and underdevelopment in developing countries?
ii) What is the relationship between unemployment and underdevelopment in developing countries?
iii) Can economic development be sustained in developing countries?

Table 4:4 represents the responses in respect of the opinion on inconsistent government policies on underdevelopment

Table 4.4: Inconsistent Government Policies

S/N	Response	No Of Respondents	Percentage (%) Respondents
1	Agree	23	85.2
2	Disagree	2	7.4
3	No Response	2	7.4
	Total	**27**	**100**

Source: Researcher's Fieldwork, 2009

Most of the respondents (85.2%) were of the view that inconsistent government policies are as a result of change in government and account in no small measure to underdevelopment in developing economies, especially Nigeria. Those holding contrary opinion or ignorant were 7.4% respectively.

4.6.1 Unemployment and Underdevelopment

As to whether unemployment in the economy could contribute to underdevelopment in underdeveloped country like Nigeria, the researchers findings from respondents opinion is reflected hereunder.

Table 4.5: Unemployment and Underdevelopment

S/N	Response	No Of Respondents	Percentage (%) Respondents
1	Agree	20	74.1
2	Disagree	6	22.2
3	No Response	1	3.7
	Total	**27**	**100**

Source: Researcher's Fieldwork, 2009

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CHAPTER FIVE

DISCUSSIONS OF THE RESULTS

5.0 FACTORS ON UNDERDEVELOPMENT IN NIGERIA AND OTHER REGIONS.

Several factors account for underdevelopment in developing countries, especially Nigeria. Below are some of these factors/Models.

a) **International Dependence Model:**

The International Dependence Model gained increasing support among intellectuals of developing countries in the 1970s. the model believes that developing countries are plagued by institutional, political and economic bottlenecks at domestic levels and depend on and are dominated by rich countries (Maghori, 2008:13) This supports the findings of this study.

b) **Neocolonial Dependence Model:**

The Neocolonial dependence model is an indirect off shoot of the Marxist thinking. The model noted that the existence and continual underdevelopment in underdeveloped economies is attributable to historical evolution of unequal relationship between international capitalist (rich) countries and poor countries. The neocolonial view of underdevelopment in the developing worlds' continuing worsening poverty is largely due to the existence and policies of industrial capitalist countries of the northern hemisphere and their extension of small but powerful elite in the underdeveloped economies as recorded by (Maghori, 2008:13). This support this study's view that poverty is one of the factors behind underdevelopment in the developing world including Nigeria.

c) **The false Parading Model:**

The false parading model attributes underdevelopment in developing countries to faulty and inappropriate advice provided by well meaning but uninformed and biased international "expert" advisers from developed world and multinational donor organizations. The stock of trade of the foreign experts is to offer sophisticated and elegant concepts, as well as. Theoretical structures and complex econometric models of development that often lead to inappropriate and incorrect government policies (Onwe, 2008:13). In addition, leading University intellectuals, trade Unionists, high level government economists and other civil servants in developing countries get training from developed countries and institutions where they are served with unhealthy doses of alien concepts, elegant but inapplicable theoretical models. The result is that desirable institutions and structural in focus are neglected or at least paid scant attention. The end result here is economic backwardness in underdeveloped economies.

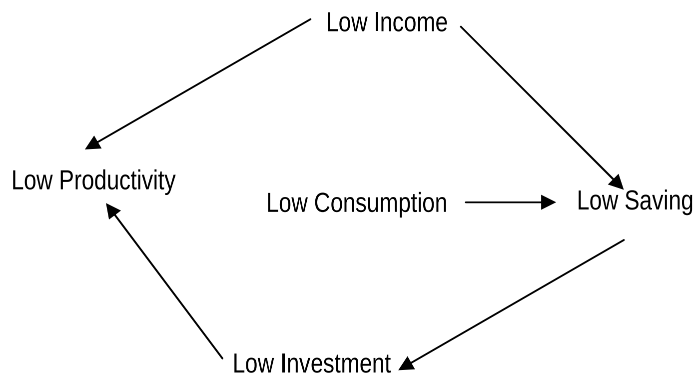
d) **Public Choice Theory:**

Result of the researcher scholarly works showed that "Public choice theory "which has gone beyond argument is another factor behind underdevelopment. This theory argues that governments can do nothing right because public choice theory assumes that politicians, bureaucrats, citizens and state, act solely for self interest using power and authority of government for their selfish interest. The result is not only misallocation of resources but more painfully, a general reduction in individual freedom.

e) **Poverty**: Simply put, poverty is a pronounced deprivation of well-being. At the core of all development problems is the elimination of wide-spead poverty and growing income inequality in underdeveloped countries and Indeed, Nigeria (Maghori, 2008:18). Results from this study proved that poverty is one of the causes of underdevelopment in line with Moghoris view above. Maghori, (2008) further noted that poverty is understood as material deprivations,such as living with low income, low consumption which manifests by poor nutrition and poor living conditions, social deprivations like vulnerability to disease, voicelessness in key society's institutions and inability to improve standard of living.

Figure 5.0**: Vicious Circle of Poverty**

To explain the undesirable phenomenon (Poverty), the following diagram explains further



Source: Researchers Fieldwork, 2009

As seen in the above diagram, Maghori argued that low incomes in underdeveloped countries lead to low savings resulting to low investment and decrease in productivity. Low productivity also leads to persistent poverty, thus closing the vicious circle of poverty.

He noted that underdeveloped economies are poor and doomed to remain poor.

The Gender Gap: Women and Education; In almost all developing countries, young females receive considerably less education than young malison 66 out of 108 countries, women enrollment in primary and secondary education is lower than men by at least 10%. For all developing countries taken together, studies howed that female literacy rate was 29% lower than the male. Maghori, (2008:33) observed that this gender gap is widest in underdeveloped countries like South Asia, sub-Saharan Africa and the middle East. The scholar noted that Latin America and Caribbean have already managed to do away with such gender gap in schools.

The implication is that such gender disparities in developing economies is working contrary to the policy of human capital development with a resultant negative effect on economic development. Maghori also asserted that vast opportunities for improving the quality of education is lacking in developing countries. This also retards rapid economic development while the gender gap reinforces outright social inequality.

The researcher is of the view that closing the educational gender gap by expanding educational opportunities for women is economical for the following reasons:

i) Increase in women productivity in families, farms, factories etc
ii) Improved child health nutrition
iii) Multiplier effects on the quality of the nations human resources.
iv) Significant impact on breaking the vicious circle of poverty.

f) **Migration and Urbanization:** Studies have shown that one of the complex delima of developing process is the historically unprecedented movement of people from rural to urban centers. While it is true that cities offer cost reducing advantages of economies of scale, numerous economic and social increased crime rate, pollution, congestion tend to outweigh these historical urban advantages. The researcher noted with outright dismay that part of the blame for all these inadequacies rest with governments of underdeveloped economies.

g) **Unemployment:-** Unemployment implies that an applicant has the ability, qualities, and willingness to work but cannot find one. Put specifically, a person is said to be unemployed when he or she is able and willing to work and is available for work but does not have work. Unemployment presupposes zero income. This retards economic development.

In most developing countries like Nigeria, Ghana Gambia etc, the supply of labour far outstrip demand, resulting in extremely high rates of unemployment and under employment. Data on unemployment for 20 countries in developing countries show that 15 out of 200 countries had rates above 9% and 13 countries had rates above 10%. Unfortunately, reliable data on unemployment in Africa and Asia are unavailable. A major contributory factor is rural-urban migration.

Unemployment could be classified in the following ways:-

- **Frictional unemployment-** Include young people looking for job or changing jobs.
- **Structural unemployment-** Arising from mismatch of skills and opportunities when the pattern of demand and production changes.
- **Demand deficit unemployment:-**

Refers to keynegian unemployment when aggregate demand falls and wages and prices have not adjusted to restore full employment.

- **Voluntary unemployment-**

An unemployed worker either has a low or no income. This means high incidence of poverty, high degree of income inequality which gives rise to underdevelopment. This unemployment has slowed down the pace of economic development in underdeveloped countries as revealed by this study.

5.1 CHARACTERISTICS OF EMPLOYMENT PROBLEM IN UNDERDEVELOPED ECONOMIES

(i) **High urban rates:-** A recent survey of 20 developing countries shows that 13 of the countries had over 10% rates. A UN data indicates that the combined unemployment and underemployment rate in 1995 was 28.7% in Argentina, over 30% in Philippines and 42% in Cameroon.

(ii) Informal and traditional sector using relatively crude method of production, tailoring, petty trading etc.

(iii) Graduate unemployment: in Nigeria, for example, up till early 1980's University graduates had jobs waiting for them on graduation. Today, graduates of ten years or more are still seeking for employment.

Maghori, (2008:58), noted with dismay that the dimensions of employment problems in underdeveloped countries, especially Nigeria, go beyond shortage of work opportunities, under-utilization and low productivity, but also includes growing divergence between inflated attitudes and job expectations especially among educated youths and the actual jobs available in urban and rural areas.

5.2 **Suggested Policy Approaches to Curb Unemployment**

This scholarly work believes there exist possible approaches designed to improve the serious unemployment situation in developing countries viz:

- Development policies should focus more on rural areas because of their central importance of agricultural development.
- The educational system should be modified to ensue a direct linkage between education and employment. Output of the educational system should be related to the demand for various categories of labour.
- Expansion of educational system especially at higher levels.
- In terms of population policy, population and labour supply should be carefully reduced as essential ingredient in any strategy to combat severe unemployment.
- Another policy focus is choosing appropriate labour intensive technologies of production.
- To broaden employment opportunities, underdeveloped countries should adopt technology that is labour absorptive. Closely related to the above is the adoption of a wage policy.

The researcher noted that technological adoption, innovation and development constitute a source of increased productivity and a major tool of economic competitiveness in the world market and the most important driver of economic growth.

5.3 **Abusive Usage of Foreign Aids**

During this study, the researcher engaged respondents to air their views on the use of foreign aid. Most respondents opined that, rather than foster economic development in Nigeria and other developing economies, foreign aids have been abused, mismanaged and misdirected by leaders as follows:

- Foreign aid is often used for extremely wasteful projects which attract large losses year after year.

- Foreign aid does not bring about increase in net investment
- It has failed woefully to increase the income-earning capacity of less developed countries and are rather saddled with large external public debts

These factors have retarded economic development in underdeveloped economies.

5.4 **Policies for Sustainable Development**

Development is the process of improving the quality of all human lives as noted by Jhingan (2005:50). The three critical aspects of development are:

i) Raising People living levels
ii) Creating conducive conditions to the growth of the people self-esteem.
iii) Increasing people's freedom of choice by increasing varieties of consumer goods and services.

Jhingan (2005) and another notable scholar, Tatyana (2004)held that choice between policy investments should aim at harmonizing conomic development with sustainable development. Such policy measures include:

- Reducing poverty by providing greater employment opportunities to the poor.
- Removing subsidies on the use of electricity, fertilizers, pesticides, diesel, petrol, gass irrigation water etc
- Clarifying and extending property rights
- Adopting market based approaches by pointing to consumers and industries on the cost of using natural resources on environment.
- Using regulatory policies to curb environmental degredation.
- Use of economic incentives such as price, quantity and technology

5.5 Sustainable Development Strategy to Boost Economic Development

Government of developing countries, Nigeria in particular, are the most important actors in the development process and no amount of foreign aid can be effective in a country where the government is corrupt and fails to implement good economic policies to enable the economies to grow. Maghori, (2008) noted that government can play a significant role in coordinating the involvement of all the development agents including the private firms, public agencies and civic associations with the frame work of a national sustainable development strategy.

Todaro and Smith, (2003) stated similarly that government involvement in developmental effort is indispensable in the following areas:

a) Provision of universal basic health care and primary education
b) Protecting the economically vulnerable
c) Creating and maintaining an effective legal system with strong law enforcement and well-functioning courts
d) Promoting and safe guarding market competition in the private sector.
e) Improving public access to the information and knowledge needed for development.

Jhingan, (2005) opined that to foster economic development, countries in underdeveloped economies must focus on sustainable economic development strategies in the following areas;

1) Due to rapid destruction of most of the worlds natural resources, it is crystal clear that, in order to meet the needs of growing world population, a radical and early change in consumption and production pattern is needful.

2) To meet the needs of underdeveloped countries, environmental devastation must be hated and the productivity of existing resources stretched further to the benefit of the citizenry.

3) Insecure land tenure, lack of credit inputs and absence of information often prevent the poor from embarking on resource augmenting investments that would help preserve environmental assets from which they derive their livelihood hence preventing environmental degradation. It is more often, a matter of providing institutional support to the poor than fighting inevitable process of decay

4) The increased accessibility of agricultural inputs to small farmers and the introduction of sustainable methods of farming will help create attractive alternatives to current environmentally destructive patterns of resources use.

5) Policies should be geared towards reducing congestion, vehicular and industrial emissions and poorly ventilated domestic stoves which inflate the tremendously high environmental cost of urban crowding.

6) As income and consumption levels rise, there is a likely net increase in environmental destruction. This poses a challenge to government to meet increasing consumption while keeping environmental degradation at minimum.

5.6 OPINION OF RESPONDENTS ON UNDERDEVELOPMENT OF THIRD WORLD COUNTRIES INCLUDING NIGERIA

Economic development is a critical factor, which serves as a challenge to undeveloped economies (third world countries). For development to be sustained in such regions, there must be innovative economic policies and improved technology. Certain factors were identified as hindering rapid economic development in these areas. It was against this background that respondents were asked to list the major factors, which hinder rapid economic advancement in developing countries, particularly Nigeria.

The following factors were identified as major constraints to economic development. Respondents were asked to rank them as highly significant or highly insignificant.

Table 5.0:

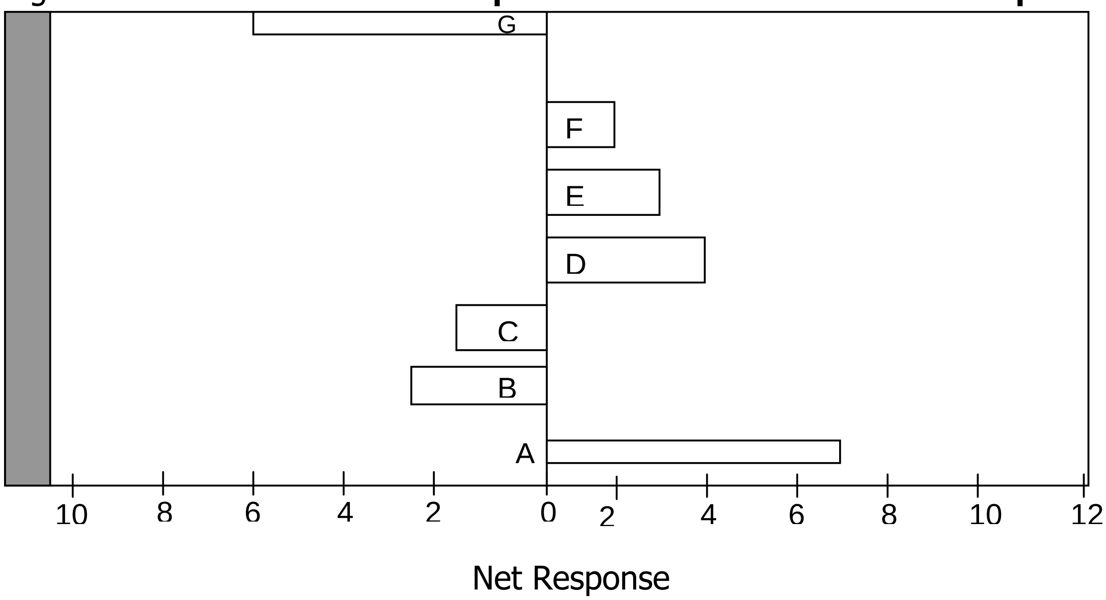
S/N	Factors	Highly Significant	Insignificant	Significant	Highly Significant	Net Rep.	Ranking
A	Under managed	-1	-1	+6	+6	10	1st
B	Lack of Initiative	-7	-2	+5	0	-4	6th
C	Change and Inconsistent Policies	-1	-3	+5	+5	4	2nd
D	Debt crisis on econ. Dev.	-3	-3	+4	+4	2	3rd
E	Corruption	-2	-4	+6	+2	2	4th
F	Economic	-4	-4	+3	+3	-2	5th

	backwardness						
G	Low per capita income	-6	-5	+3	0	-8	7th

Source: Researcher's Fieldwork 2009

Coefficient of Reproducibility =93.3% (Nr=No Response).

Figure 5.1 **Distribution of Responses: Factors on Underdevelopment**



Source: **Researcher's Field Work, 2009**

Undermanaged economic resources in developing countries was considered as a highly significant factor behind economic underdevelopment inconsistent government policies, debt crisis, corruption and economic backwardness are ranked consecutively in the table above as some of the factors causing underdevelopment.

The researcher further identified four categories of critical factors showing down economic development in underdeveloped countries and indeed Nigeria.

Respondents were engaged by the researcher to sample their candid opinion on this subject understudy. Their views are presented in table 5.1

Table 5.1: Further Critical factors Behind Underdevelopment

S/N	Factors	Responses	Percentage % Response
1	Greediness of leaders/Politicians 5 yes Niger delta Crisis 5 No No Response	10 4 1	66.7% 26.7% 6.6%
	Total	**15**	**100%**
2	Underdeveloped infrastructure 4---- Yes Low level of education 4--- No No Response	8 3 4	53.3 20.0 26.7
	Total	**15**	**100%**
3	Econ. Meltdown 2---- Yes World Powers 3---- No No Response	5 3 7	33.3 20.0 46.7
	Total	**15**	**100%**
4	IMF Yes World Bank No	3 3	20 20

	No Response	9	60
	Total	**15**	**100%**

Source: Researchers Fieldwork, 2009

High No response, coefficient of reproducibility <93.3%

The respondents indicated that one of the major factors responsible for economic backwardness is the greediness of leaders and politicians and the Niger Delta crisis in Nigeria (66.7%). Underdeveloped infrastructure and low level of education ranked 53.3%, economic meltdown and world powers ranked 33.3% while IMF and World Bank had 20%. Some respondents however, said 'no' while others had no response.

5.7 **Result of Past Studies: -**

Result of the above studies reveal that leaders and politicians in developing countries are neck-deep in greediness and corruption especially in Nigeria. Wokoma (2008) noted that like many developing economics, Nigeria is permeated by deeply entrenched corrupt practices. Wokoma further held that greediness and corruption of leaders increase cost of business, creates substandard works and abandonment of projects, deprives government of needed revenue, erodes ethical base of the country and distorts electoral processes and reduce accountability.

The Niger Delta crisis had similarly slowed down economic development in Nigeria. In line with result of this study, Jibo, (2008) found that the Niger Delta crisis in Nigeria had not only caused violent agitation for increased revenues to be paid to the oil producing states in the South South region, but also caused the Nigerian Federal Government experience a financial crisis as the government had to draw-down its foreign reserves with an adverse effect on economic development.

In line with the researcher's findings, studies by scholas have also proved that lack of infrastructure has slowed down economic development. Chigbuo (2005:68) wrote "but too often, government interventions have made matters worse". She added that "infrastructure provision has been undermined by government using state ownership or regulation to pursue objectives unrelated to efficient service delivery typically favouring some groups over broader interests and introducing new inefficiency".

On the issue of low education, this has effected development in these economies as there is still a high percentage of illiterates in developing countries.

This research discovered that the World Bank and IMF have not helped matters. These institutions have rather broadend and deepened the slow pace of development in developing countries. Jhingan, (2005) wrote that the World Bank loans have just touched "the fringes of the total capital requirements for economic and social upliftment of development in developing countries. Since the establishment of IDA in 1960, the poorest countries hardly receive 3.5% of the total loan".

IMF has equally frustrated economic development in developing countries. Result of this research agree with previous studies. IMF was responsible for the unexpected East-Asian crisis in Philippines, South Korea, Thailand, Indonesia and Malaysia (Thingan, 2005). No wonder Prof. Friedman in October, 1998 leveled the whole blame on IMF for all these economic havoc in developing economies.

IMF has sophisticated in discriminatory policies against the developing nations. No wonder it was branded "Rich Countries Club". Although majority of its members are countries from Asia, Africa and Latin America, yet it is dominated by rich supper powers, especially United States. This rich member countries would always adopt rigid attitude on issues concerning funds, resources and granting of loans to developing countries Jhingan,(2005).

5.8.1 TESTING HYPOTHESIS ON THE EFFECT OF POVERTY AND ECONOMIC BACKWARDNESS ON ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES:

The table below shows the tabulation on the opinion of 54 Respondents on the view that poverty and economic backwardness affects economic development in developing countries.

Table 5.2: Observed Frequencies on Poverty and Economic Backwardness

OPINION	POVERTY	ECONOMIC BACKWARDNESS	TOTAL
YES	24	21	45
NO	2	5	7
UNDECIDED	1	1	2
TOTAL	27	27	54

(Source: Researcher's field work, 2009)

To calculate the expected frequency for each cell, we use the formula

$$\varepsilon_{ii} = \frac{R_i \times C_j}{T} = \frac{\text{row total x column total}}{\text{grand total}}$$

The Researcher obtained the expected frequencies as follows:

Table 5.3: Expect Frequencies on Poverty and Economic Backwardness

OPINION	POVERTY	ECONOMIC BACKWARDNESS
YES	22.5	22.5
NO	3.5	3.5
UNDECIDED	1.0	1.0

(***Source:*** Researcher's field work, 2009)

To test the null hypothesis at 0.05 level is as follows:

Ho: Economic development is influenced by poverty and economic backwardness in developing countries.

To compute the value of X^2 we use the formula

$$X^2 = \frac{\sum_{i=1}^{3}}{i=1} \frac{\sum_{j=1}^{2}}{j=1} \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

$$\Rightarrow X^2 = \frac{(24 - 22.5)^2}{22.5} + \frac{(21 - 22.5)^2}{22.5} + \frac{(2 - 3.5)^2}{3.5} + \frac{(5 - 3.5)^2}{3.5}$$

$$+ \frac{(1 - 1)^2}{1 \quad 1} + \frac{(1 - 1)^2}{}$$

$$X^2 = \frac{(1.5)^2}{22.5} + \frac{(-1.5)^2}{22.5} + \frac{(-1.5)^2}{3.5} + \frac{(1.5)^2}{3.5} + 0 + 0$$

$$= 0.1 + 0.1 + 0.64 + 0.64$$

$$X^2_{Cal} = \underline{\underline{1.48}}$$

To obtain the tabulated value of $X^2_{TAB,}$

$\propto$ = 0.05 was used.

d.f = (r – 1) (c – 1) = (3 – 1) (2 – 1) = 2 x 1 = 2

∴ The critical region is:

$X^2_{0.05(2)} = 5.99$

However, since $X^2_{CAL} = 1.48 < X^2_{TAB} = 5.99$

The investigator accept the null hypothesis that Economic development is influenced or affected by poverty and economic backwardness.

5.8.2 **TESTING HYPOTHESIS ON THE EFFECT OF INCONSISTENT GOVERNMENT POLICIES AND UNEMPLOYMENT ON ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES:**

The table below shows the tabulation of the opinion of 30 respondents on the view that inconsistent government policies and unemployment affects economic development in developing countries.

TABLE 5.5: Expected Frequencies of Response

OPINION	INCONSISTENT GOVERNMENT POLICIES	UNEMPLOYMENT	TOTAL
YES	13	6	19
NO	2	8	10
UNDECIDED	0	1	1
TOTAL	15	15	30

(***Source:*** Researcher's field work, 2009)

To calculate the expected frequency for each cell, the study used by the formula,

$$e_{ij} = \frac{R_i \times C_j}{T} = \frac{\text{row total x column total}}{\text{grand total}}$$

The Researcher obtained the expected frequencies as follows:

OPINION	INCONSISTENT GOVERNMENT POLICIES	UNEMPLOYMENT
YES	9.5	9.5
NO	5.0	5.0
UNDECIDED	0.5	0.5

(***Source:*** Researcher's field work, 2009)

To test the null hypothesis at 0.05 level, was as follows:

Ho: Economic development is not independent on (i.e. affected by) inconsistent government policies and unemployment in developing countries.

To compute the value of X^2 we use the formula

$$X^2 = c\sum_{c=1}^{3} \sum_{j=1}^{2} \frac{(0ij - eij)}{eij}$$

$$\Rightarrow X^2 \frac{(13 - 9.5)^2}{9.5} + \frac{(6 - 9.5)^2}{9.5} + \frac{(2 - 5.0)^2}{5.0} + \frac{(8 - 5.0)}{5.0}$$

$$+ \quad \frac{(0 - 0.5)^2}{0.5} + \frac{(1 - 0.5)^2}{0.5}$$

$$X^2 = \frac{12.25}{9.5} + \frac{12.25}{9.5} + \frac{9}{5} + \frac{9}{5} + \frac{0.25}{0.5} + \frac{0.25}{0.5}$$

$$= 1.2895 + 1.2895 + 1.8 + 1.8 + 0.5$$

$$X^2_{CAL} = \underline{\underline{7.179}}$$

To obtain the tabulated value of X^2_{TAB}, the study used

$\propto = 0.05$

d.f = (r – 1) (c – 1) = (3 – 1) (2 – 1) = 2 x 1 = 2

$\therefore$ the critical region is:

$X^2_{0.05\,(2)} = 5.99$

However, since $X^2_{CAL} = 7.179 > X^2_{TAB} = 5.99$ the study reject the null hypothesis, the economic development is not independent on inconsistent government policies and unemployment. This implies that inconsistent government policies and unemployment does not affect economic development in developing countries. This is because Nigeria depends mainly on oil revenue for developing the country, thus inconsistent government policies and unemployment does not have effect on its economy.

However, human resources and good policies contribute to economic development. Therefore, in developing economies, inconsistent government policies and unemployment therefore affect the pace of development therein.

5.9 EFFECT OF POVERTY ON ECONOMIC DEVELOPMENT: -

Result from this scholarly work has proved that poverty has a negative effect on economic development in developing countries and indeed Nigeria. This has been proved by past studies. Wokoma (2008:3) noted that "in spite of the huge resources, the performance of the Nigerian economy has remained very low and is characterized by abject poverty and gross unemployment" The Human Development Report (UNDP-2001) recorded that "over 70% of Nigerian population live below poverty line". There is little evidence to show that Nigeria's public expenditure has made any impact on the living conditions of majority of the population. Further reports about Nigeria's economic score-card is in a sorry condition.

The UNDP (HDI) Report (2006) ranked Nigeria 159 out of 177 countries, the same UNDP 2007/2008 HDI Report ranked Nigeria 158th. Thus Nigeria's HDI is 0.470 and is lower than the sub-Saharan Africa (SSA) countries Egypt (0.708).The Human Poverty Index for developing countries, while rated Nigeria 80th out of 108 developing countries with a value of 37.3%. Nigeria's poverty index also compares poorly with the rest of same economies like south Africa, Algeria and Egypt which are the largest economies in Africa.

Inconsistent Government Policies: -

The result of this study showed that inconsistent government policies have distorted economic development in Nigeria and other developing economies. This is also in line with result of past studies. Abdullahi (2008:2) brands it “policy sumasault”.

He noted that the path to national economic development in Nigeria has been ridden with lots of policy inconsistencies which have made Nigeria to lag in economic development due to resources development disequilibria occasioned by vicious cycle of economic waste and deep ulcerated economic injuries inflicted on the country by its resource managers

5.10 **Economic Backwardness**

Nigria has population of over 140 million (NPC 2006) with perverse poverty with weak sense of patriotism, self-interest as against national interest (Wokoma, 2008). The country is noted for peer /family and community pressure, deeply-rooted illiteracy, moral decadence characterized with dwindling moral values. The nation is noted for weak accounting and auditing system, large investments of public capital controlled by inscrupulous few, low/poor reward system especially in public service, restricted freedom of the press. The country is also characterized with weak democratic ideals, weak institutions, poor judicial process and system weak governmental enforcement mechanism, obsession with materialism, compulsion for short cut to affluence and glorification and admiration of ill-gotten wealth by the general public. All these factors have hindered economic development.

In line with results of this study, past studies have unfolded more critical factors crippling economic advancement. Osisioma, (2007), noted that Nigeria is a mono-crop economy with preponderant influence of one commodity (Oil) in determining its revenue expenditure profile and balance of payment status. In the years before the commercial exploitation of oil, the "Combined Victor" of the agricultural product was the primary mover of the economy. Since then, oil has become the "King" on Nigeria's economic landscape. Thus the economy is held hostage to the vagaries of the world market for oil. Anytime the international oil market "sneezed", the Nigeria economy caught cold.

The country is noted for extractive and primary economy that produce unrefined raw materials for export, either as agricultural products or crude oil. Manufacturing was at a very rudimentary stage and industrialization remained an inconsequential factor in the nations economic equation (Osisioma, 2007).

The country has economy with a weak and tottering national currency that was the "whipping boy" of the international financial community and perennial balance of payment problem. The oil boom sparked off an oppressive culture of importation and all interest converged on the appropriation and consumption of oil revenue but not on the development of productive forces.

Industrialization held out some promise, but most of the concrete projects were over-ambitious, poorly planned and implemented, ill-timed, corruptly over-costed, politically located and grossly unsuccessful. No wonder Harreit-sievers (2004) described Nigeria as "a renitier stage or a rent-based political and economic structure whose major source of revenue does not derive from taxation on productive activities undertaken by its economically active population, but by collecting convenient income from sources into which it invests little or nothing" The over-dependence on income from oil is known among economists as "the Dutch disease". All these factors have frustrated economic development.

However, the critical problem with this malaise is beyond mere economics. Where wealth in natural resources combined with a weak economy , its poor management and governance in a nation, the "disease" turns into what this researcher calls "a resource curse", another critical factor retarding economic development in Nigeria.

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CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.0 SUMMARY OF FINDINGS

The focal objective of this study is to investigate the factors behind underdevelopment in Nigeria and other developing Nations. Results from the study revealed that the underlisted factors contribute to underdevelopment therein:

(d) **Poverty and Economic Backwardness:**

Result from respondents surveyed, indicated that poverty and economic backwardness have unduly slowed down the pace of economic development in the above regions.

(b) **Inconsistent Government Policies/Unemployment**

The study also asked respondents as to whether inconsistent Government policies are responsible for underdevelopment. The result was that inconsistent government policies, unemployment, have contributed in no small measure to underdevelopment in Nigeria and other developing countries.

(c) **International Dependence Model:**

Findings by Maghori (2008:13) indicated that developing nations are plagued by institutional, political and economic bottlenecks at domestic levels and depend heavily on and are dominated by rich countries. This supports the findings of this study and is a major setback in economic development.

(d) **The False Parading Model:**

The researcher found that the false parading model attributes underdevelopment in developing countries and indeed Nigeria, to faulty and inappropriate advice from uninformed and biased international expert advisers from developed and multinational donor organization. These foreign experts offer sophisticated and elegant concepts, theoretical structures and complex econometric model which lead to inappropriate and incorrect government policies with a resultant backwardness in economic development in developing countries. Result by Onwe, (2008:13) supports this findings.

(e) **Gender Gap: Women and Education**

Results from this study also proved that, in almost all developing countries like South Asia, Sub-Saharan Africa and Middle East, the gender gap is widest as male children are accorded education than female. The implication is that such gender disparities in developing economies are working contrary to the policy of human capital development and this retards development. The observation by Maghori, (2008:33), is in line with this findings.

(f) **Migration and Urbanization:**

The researcher found that one of the complex dilemma in developing countries including Nigeria is the unprecedented movement from rural to urban centers. This has increased crime rates, pollution, and congestion which also retard economic development. This scholarly work also noted with dismay that part of the blame for all these inadequacies rest with governments of underdeveloped countries. Results by Maghori, (2008:34), is in line with this findings.

(g) **Abusive Usage of Foreign Aids**

During this study, the researcher engaged respondents in an interview to air their views on the use of foreign aids. The result was that, rather than foster economic development, foreign aids have been abused, mismanaged and misdirected by leaders and this is crippling the economies of developing countries.

(h) **Corruption/Greediness by Leaders:**

Result of this study also revealed that leaders and politicians in developing countries, especially Nigeria, are neck-deep in greediness and corruption. Wokoma, (2008:5), noted that, "Nigerian is permeated by deeply entrenched corrupt practices by leaders". This is in line with findings of this study. He noted that corruption of leaders increase cost of business, creates substandard works, abandonment of projects, deprives government of revenue, erodes ethical base of the country and distorts electoral processes and reduce accountability.

(i) **The Niger Delta Crisis**

The study also observed that, this factor has also frustrated development particularly in Nigeria. In line with result of this study, Jibo, (2008:5) found that the Niger Delta crisis in Nigeria have caused the Federal Government to experience financial crisis in its revenue from oil and compelled to draw-down its foreign reserves with adverse effect on economic development.

(j) **Lack of Infrastructure:-**

In line with the researcher's findings, studies by scholars have also proved that lack of infrastructure has retarded economic development in Nigeria and other regions. Chigbuo, (2005:68), noted that government intervention, inefficiency, irrelevant objectives, favouritism, have broadened underdevelopment in these economies

(k) **World Bank and IMF:-**

This research discovered that these institutions have rather fueled and deepened the slow pace of development in developing countries. World Bank and IMF make policies to favour the developed nations at the neglect of the underdeveloped countries. In line with this findings, Jhinghan, (2005), wrote that the World Bank loans have only touched "the fringes of total capital requirements of the underdeveloped countries".

IMF has equally frustrated economic development in developing countries. IMF was responsible for the unexpected East-Asian crisis in Philippines, South Korea, Thailand, Indonesia and Malaysia (Jhingan, 2005).

No wonder Prof. Friedman, in October, 1998, leveled the whole blame on IMF for all these "economic havoc" in developing countries.

IMF has also sophisticated in discriminatory, policies against underdeveloped countries. No wonder it was branded "Rich countries club". This scholarly work revealed that although majority of IMF members are from Asia, Africa and Latin America, yet it is dominated by rich supper powers, especially United States. The rich countries would always adopt rigid attitude on policies concerning funds, resources and granting of loans to underdeveloped countries as noted by Jhingan, (2005).

6.1 CONCLUSION:-

The factors fueling underdevelopment in developing countries, as revealed by this study, include poverty, economic backwardness, inconsistent policies, dependence on western countries, migration and urbanization, abusive and mismanaged foreign Aids, corruption, Niger Delta crisis, lack of infrastructure, attitude of World Bank and IMF and unemployment. These factors could be segmented under two headings:-

a) INTERNAL OR SELF-INFLICTED FACTORS:-

These factors are termed by the researcher as "self inflicted" because they originate from within underdeveloped countries. Human element (leaders and Government) in underdeveloped countries are responsible for these factors and therefore, foster underdevelopment in their regions.

Included in these factors are poverty, corruption and greediness, dependence on western countries, gender disparity, mismanaged resources, migration and urbanization, unemployment, inconsistent polices. The implication is that some of the underdeveloped countries, like Nigeria, are one of the critical factors of their own economic problems. Unless and until such people have a change in their orientation, economic development cannot be sustained.

b) **EXTERNAL FACTORS:-**

These factors also cripple economic advancement in underdeveloped countries and are outside the region and therefore beyond their control. The implication is that, since such factors are beyond the control of developing nations, their fate depend on the western powers,. Such factors include economic dependence, World Bank and IMF policies and foreign aids.

c) **THE NIGERIAN ECONOMY**

Nigeria is endowed with a rich stock of natural resources cutting across agriculture and the solid mineral sectors. Despite the enormous economic benefits associated with these resources, only crude oil and gas have been tapped to drive the nation's development agenda. Consequently, the nation's development profile features a paradox: on one hand, the nation is endowed with abundant natural resources, on the other, its people are deeply impoverished and are amongst the poorest in the world. The nation's extreme reliance on the oil and gas industry to the exclusion of other sectors constitute chronic underdevelopment that characterize Nigeria's development profile. In order to reverse the trend and foster sustainable development in Nigeria, there is need to embrace NRM principles which promote prudent utilization of natural resources and the protection of the environment to support human activities.

In spite of the above not "too rosy" picture, the Nigerian economy still possesses a prosperous future. What is simply needed is significant improvement in the utilization and efficiency in the management of national resources. For instance, the economy is gradually opening up foreign direct investment with more foreign investors showing interest in the country's economic opportunity. The establishment of the Bureau of Public Procurement (Due Process), the Privatization and Public Service Reforms-(including Public Expenditure and Budget Reforms), the Extractive Industry Transparency Initiative (NEITI), financial sector reforms, the fiscal responsibility act, as well as the frontal attack on corruption through the EFCC and ICPC are all expected to improve the efficiency of the system.

It is the writer's submission and ardent believe that there can only be social and economic development when resources are properly harnessed, efficiently allocated and efficiently utilized. The efficiency needed in the utilization of resources must be the whole and obviously not the part. Public expenditure management system which is a critical element of management of the nation's resources must be further reformed to ensure that public resources are used transparently and efficiently. The lesson to learn from the above and indeed the situation of Nigerian is all Nigerian have responsibility of providing good and enjoyable life to the people. The joy of life is derived from convenient and comfortable living that is obtainable only from the efficient and effective management of these resources.

It is the way and manner by which the resources are put together for the benefit of the populace that matters. A nation built on treachery, disorderliness, gross in-efficiency, in-security, arrogance, hunger and diseases has never been and can never be a foundation for sustainable growth and development. The time it act and change the course of history is now!

6.2 RECOMMENDATIONS

6.2.1 Natural Resources Management in Nigeria

Natural Resource Management in Nigeria needs to be reformed in order to harness the nation's abundant resources for poverty reduction and sustainable economic development. Against this background, the following recommendations are pertinent:

i) **Integrate NRM into the Nation's Development Policy Agenda:** In view of the rich natural resources endowment in Nigeria and the lack of an agenda to harness the resources for sustainable development, there is urgent need to create an NRM agenda aimed at harnessing the nation's natural resources for economic development. The agenda also embraces biodiversity and ecosystem management approaches that protect the integrity of the environment to support the activities of the present and future generations.

ii) **Diversify the Economy:** Currently, the oil and gas industry dominates the other sectors of the economy, contributing the bulk of the nation's annual GDP. Consequently, policy makers should fast tract exploitation of the nation's solid mineral resources spread all over the nation's ecological zones. This process will generate foreign exchange earnings and boost non-oil export revenue. Solid minerals are also a veritable source of primary commodities that can provide raw materials to domestic industries and enhance capacity utilization, which has plummeted across the various sectors of the economy, particularly in the past couple of decades.

iii) **Re-Invigorate Agricultural Sector:** The prolonged marginalization of the nation's agricultural sector is at the heart of Nigeria's chronic food insecurity and endemic poverty, particularly in the rural areas. Therefore, there is need to empower small-scale farmers, who produce the bulk of the nation's staple foods. The agenda comprises the application of micro-credit as an instrument of economic empowerment aimed at providing resources to small-scale farmers to purchase critical inputs, including improved seeds and seedlings, fertilizers, agro-processing machinery, etc. This process is expected to spur agricultural output and boost farmer's income with a resultant promotion of economic development.

iv) **Explore Foreign Markets:** Policy makers need to explore lucrative markets for Nigeria's natural resources in both industrialized and emerging markets. In an increasingly competitive and globalized economic framework, policy makers must increase concerted efforts to secure better terms of trade for the nation's commodities. This is aimed at diversifying Nigeria's foreign exchange earnings away from crude oil and embraces other commodities that have the potential to fetch the nation precious foreign exchange.

v) **Add Value to Nigeria's Stock of Natural Resources:** In order to maximize the utility of Nigeria's natural resources for accelerated economic development, there is need to process primary commodities into intermediate goods and manufactures. This is aimed at generating higher levels of revenue in the global markets. Also, it is a process that spurs industrialization and fosters domestic employment ad the attraction of Foreign Direct Investment (FDI).

vi) **Foster Public-Private Partnership Agenda:** The best approach to harness the nation's abundant stock of natural resources is to forge sustainable partnership between the public and private sectors of the economy. The public sector should provide social and physical infrastructure, as well as an enabling environment through administrative and economic incentives necessary to spur private investors that can drive natural resources development in Nigeria.

vii) **Embrace Extractive Industries Transparency Initiative (EITI):** EITI is a novel mechanism aimed at engendering transparency and accountability in the extractive industries. The mechanism involves the publication of revenues generated from extractive industries by the private and public sectors and how they are appropriated. It also involves the prudent application of revenue generated from extractive industries by the public sector for the delivery of social services and sustainable reduction of poverty.

6.3 Programme/Project Monitoring

To meet the range of accountability requirements in programme/project monitoring, the UNDP Training Module recognizes six levels of field monitoring:

i) **Start-Up Systems Monitoring**

This is aimed at ensuring that appropriate management and coordinated structures are put in place to ensure efficient and effective programme implementation.

ii) **Financial Monitoring**

Involves tracking of actual expenditures made by the implementing agencies, determine whether financial allocation is adequate for the job at hand, actual expenditures and whether or not are in keeping within approved budget allocations.

iii) **Inputs Monitoring**

This relates to follow-ups on inputs procured, quantity and quality of materials and equipment acquired, time-line for delivery etc.

iv) **Output/Capacity Building Monitoring**

This level dwells on monitors, whether qualitative and quantitative targets are achieved in implementation and whether in keeping with objectives and goals established.

v) **Impact/Sustainable Monitoring**

Involves overall assessment of programme outputs to ascertain their positive/negative effects on the beneficiaries and communities. Sustainable refers to the staying power and enduring quality in programme, to have a lasting impact on the lives of the citizenry.

vi) **Annual Audit/Evaluation**

Covers financial audit, reports on achievements, progress review and independent evaluation. While monitoring refers to the recording of progress in programme implementation, evaluation is concerned with determining the effectiveness and impact of programme output. Evaluation therefore, is not necessarily the end of the programme life, but an ongoing review as the programme progresses.

6.4 POLICIES FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Agricultural and industrial development along with urbanization, spread of infrastructure and population growth have led to environmental degradation which harms human health, reduce economic productivity and caused loss of amenities. Environmental degredation and its negative effect can be reduced by economic and environmental policies viz:-

i) Reducing Poverty

Such development projects should aim at providing greater employment opportunities to the poor. Government could expand health and family planning services and education to the poor and help combat population explosion.

ii) Removing Subsidies

Subsidies for resource use by private and public sectors should be removed. Subsidies on use of electricity, fertilizers, pesticides, diesel, petrol, gas etc lead to wasteful use and environmental problems.

iii) Clarifying and Extending Property Rights

Places where the use of common lands, forest, irrigation systems, fisheries etc are regulated and rules for their proper use are laid down by the community, the ownership rights should be clearly specified in the administrative records.

iv) Market Based Approaches

There is also urgent need for adopting market based approaches for the protection of environment. These signal to consumer and industries the cost of using natural resources on environment. These costs are reflected in the prices paid for goods and services so as to guide industries and consumers to combat air and water pollution. The market based approach is used in both developing countries and underdeveloped economies.

v) Regulatory Policies

Regulatory policies also help to reduce environmental degradation. Regulators have to make decisions on prices, quantity and technology. Such decisions involve choice of use of technologies, resources and prices of pollution etc. It also lays down technical standards, regulations and charges on air, water and land use.

vi) Economic Incentives

Economic incentives also relate to price, quantity and technology: incentives take the shape of variable fees to resources user for the quantity of pollutants in air, water and land use.

vii) Trade Policy

Trade policy in relation to environment, is segmented into domestic and international trade policy. Domestic trade policy emphasizes on the establishment of less pollution industries away from the cities and use of environment friendly processes for pollution industries by adopting cleaner technologies.

As regards international trade policy, there is controversy as to whether liberalized trade causes environmental degradation. This controversy led to the conclusion that overall trade liberalization is likely to produce negative environment externalities rather than environmental gains.

viii) Public Participation/Global Efforts

Public awareness and participation are highly effective to improve environmental conditions providing formal and informal education programmes on environmental degradation and cleanliness. In Japan, consumer cooperative popularize green products, which are recyclable, rechargeable and biodegradation.

In terms of global efforts, there are numerous international conventions agreement on environmental protection and conservations which every country should follow. These include the Montreal protocol on phasing out ozone-depleting chemicals, the Basel Convention which relates to control of transboundary movement and disposal of hazardous wastes. Others include the Rio Declaration on environment and development agenda 21 and the GATT clauses on environment.

Jhingan (2005:22) noted that there is threat of trade sanctions against countries that fail to honour agreements relating to biodiversity protection or greenhouse gas emissions, though some countries don’t adhere to them.

6.5 IMF

Although Horst Kohler, the new Managing Director of IMF, admitted that *"IMF is not a god that knows everything,"* effort should be made to improve its polices and check future financial crisis. The following measures should be employed as a remedy:

a) For the East Asian, Latin American and other developing countries facing financial crisis, or others which fear contagion effect, IMF should give them financial help on concessional terms.

b) The fund should map out plans as a *"safety net"* for countries during economic crises.

c) The IMF should formulate macro-economic policies for developed countries that provide safety to the growth in world output and trade and install safety net for the global economy.

d) It should persuade donor countries to increase their commitment towards government development aid to developing countries.

e) IMF should advice and help re-organize the banking system and corporate sectors in developing countries.

f) It should suggest policy measures to countries to use open market system to avoid protectionism.

g) It should insist that member nations put an end to corruption and have good governance to speed up economic growth in their countries

h) It should provide loans to developing countries on conditions that increase their internal resources and self financing to boost economic growth.

i) To stamp out lopsided voting strength which favours developed countries, quota which decide voting strength should be more equitably distributed.

j) The fund should change its loan policies to increase transparency, shorten maturity and charge penalty interest rates.

k) It should eliminate development lending which ought to be provided by World Bank.

l) For an effective role as the global monetary and financial system, there should be accountability and transparency of its functioning.

6.6 EDUCATION

The discussion on many facets of education in relation to human capital development especially within a decentralized framework indicates the rationale for policy actions which would include the following:

- Decentralization of educational planning and management down to village/Rural levels. This is advocated to make communities responsible for basic education of its people and thus build a sense of ownership of the educational arrangements aimed at extending basic education to different clientele groups. The decentralization in the educational sector should be accompanied by a similar process in other development ministries and departments.
- Decentralizing in educational curriculum planning process to design, adapt and implement same that are particularly responsive to human capacity needs. This should involve the active involvement and participation of major stakeholders.
- A synergy on all concerned with human capital development in public and private sector and their concerted and coordinated action should be an absolute must for various developmental services to converge on skill development initiatives and make a dent on it.
- To meet challenges of the day, African government particularly Nigeria, need to give human capital a higher priority than ever before and modernize their human capital policies and practices. Agencies must become more competitive in attracting new employees with critical skills.

As a nation's largest employer, the federal government must take the initiative on human capital and exploit the opportunity to lead by example (Aigbokham et al, 2006). It is therefore imperative for the local, State, Federal Government and African countries in general to focus attention on human capacity building and strive to enthrone an enabling environment for the industrial sector to thrive in both rural and urban levels as a way of priming the economy.

6.7 COMBATING CORRUPTION IN RESOURCE UTILIZATION AND MANAGEMENT TO FOSTER ECONOMIC DEVELOPMENT.

For sound and sustained socioeconomic development in Nigeria, deliberate efforts must be made by both government and stakeholders to address the menace of corruption.

These efforts should be all inclusive, prevent, regulatory, enforcement and punitive.

Wokoma, (2008 listed the following measures to combat corruption in resource utilization and management in Nigeria to foster economic development.

Public Expenditure Tracking System (Pets)

- PETS focuses on trailing the flow of public funds with emphasis on tracking the extent to which resources allocated to activities actually reach the target groups.
- Attention should also focus on the manner, quantity and timing in release of resources to the units responsible for program delivery.
- If property used, PETS can provide useful evidence on "leakages", delays and outright corruption

Advantages Include

- If supports the pursuit of accountability and ensures that scarce public resources are utilized for the purpose for which they are intended.
- It helps to identify bureaucratic bottlenecks that often undermine effective delivery of services.

Strengthen ongoing Public Sector Reform

- Recruitment – guided by merit.
- Enhance use of information technology in
    - Public sector accounting system.
    - Payroll management – to curb incidents of ghost workers that caused inflated corruption – induced wage bills.
- Sustain monetization of benefits – to curb the abuse of open ended privileges and entitlements of public officials.

Enhance Local Inter-agency and International Cooperation

Corruption is a global crime. Cooperation would help to facilitate:

- Information exchange
- Investigation and
- Prosecution of corrupt practices.

Public Procurement Procedure

- ICT driven – to minimize direct contact between procurement officers and contractors.
- Greater involvement of the media/civil societies in the procurement process especially to monitor and report on prject implementation and illegal/corrupt practices.

Public Support

Encourage greater support from the public especially in supporting investigation processes through provision of relevant information on corruption, money laundering.

Anti-graft Agencies and other Relevant Institutions

- Funding and capacity building
- Need for anti-graft agencies to focus more on preventive and detective approaches.
- Strengthen/establish anti corruption units in ministries/parastatals.

Strengthen Asset Declaration Regime

- Strict adherence to and periodic evaluation of declared assets, particularly, those occupying key positions.

Judicial Reforms

- Imposition of appropriate sanctions to serve as deterrence to others.

Legal Framework

- Whistle – blower protection Act – security against retribution.
- FOI Bill – to enhance access to information.
- Review of the immunity clauses on public office holders.

Efficient Compliant System

- For people to report suspected corrupt practices including use of dedicated post office box e-mail and phone numbers to anti corruption agencies.

6.7.1 Prerequisite Mechanisms in Combating Corruption in Nigeria

Like many developing economies, Nigeria is permeated by deeply entrenched corrupt practices. Solution to this crime must be home growth. It is imperative to state that a country's ability to combat corruption depends on the viability of institution, legal and regulatory frameworks as well as international cooperation.

Where these framework are weak and there is no transparency, accountability and integrity, all efforts to curb corruption will be thwarted (Wokoma, 2008).

a) To reduce the corrosive impact of this crime in a sustainable way, it is important to go beyond the symptoms to tackle the causes.
b) Stakeholders in the fight must move beyond platitude to craft concrete actions against corruption in all its manifestations.
c) The fight also demands a greater deal of political will to follow through on anti-corruption programme until corruption is brought low.
d) Above all, there must be broad-based partnerships cutting across national and international frontiers.

6.8 INDEBTEDNESS BY NIGERIA AND OTHER DEVELOPING ECONOMIES

MEASURES AND SUGGESTIONS TO CURB THE DEBT CRISIS

The less developed countries have been receiving loans from official world agencies like IMF, World Bank, other banks and from individual countries on bilateral basis. Therefore, there can not be any clear cut solution to the debt problem. Some measures and suggestions however, include the following:

i) Twin-Tract IMF Strategy

According to this strategy, the IMF would continue to give financial assistance to provide time for the debtor countries to grow out of their debt problems. Secondly, to encourage structural adjustment programme in LDCS to increase their debt service capacity in the long run.

ii) **Debt Rescheduling by Commercial Banks**

The creditor banks formed a Bank Advisory Committee (BAC) known as London Club to reschedule debts on case-by-case basis with individual debtors countries.

iii) **The Beaker Plan**

To overcome the debt problem, the US Treasury Secretary, James Baker, proposed a scheme known as "Baker Plan" in October, 1985 based on the IMF twin – Tract approach. It provided for 20 billion of new loans by banks for a period of 3-15 years to LCDS and 9 billion to 15 most heavily indebted LCDS.

iv) **The Brady Plan**

In 1989, the new US Treasury Secretary, Nicholas Brady proposed a debt reduction strategy consisting of three main elements.

i) It asked IMF and World Bank to provide funds to debtor countries to repay their debts.

ii) It urged banks to accept repayment of less than full amount to include debt service reductions and debt forgiveness.

iii) It urged banks to accept repayment of less than full amount to include debt service reductions and debt forgiveness.

v) **Toronto Terms**

In 1988 in Toronto Economic Summit of the Paris Club, it was decided that debt relief to poorest developed countries with GNP per capita income of less than 600 could repay their loans over 25 years.

Long Term Suggestion

To solve the debt problem, there is need for concerted efforts on tripled fronts namely; IMF, Developed countries and the less developed nations.

a) **IMF Solutions**

The IMF prescribed market-oriented adjustment programme which include:

i) Tight monetary and fiscal policies to reduce budget deficits in government spending of interest inflation.

ii) Encouraging foreign investment by abolishing controls both internally and externally to give greater incentives to foreigners.

iii) Devaluing their currency to encourage more exports and greater competition through open trade policies.

b) **Measures by Developed Countries**

Since developed countries are creditors, they should:

i) Provide development assistance to the poor/less developed countries like grants to them.

ii) Wave major portions of the debt forgiveness.

iii) Establish a fund which should provide guarantee to private loans by corporations and banks of developed countries in case of default.

iv) Developed nations should adopt appropriate measures to overcome price fluctuations in their primary products through creation of international buffer stocks, commodity agreements and compensatory financing.

c. **Measures by the Debtors LDCS**

The LDCS should adopt the following economic measures:

i) Strengthen and develop infrastructural facilities to encourage foreign investment.

ii) Reduce imports through trade restrictions within the provisions of WTO.

iii) Produce more quality products for domestic consumption as well as for exports. Greater diversification in quality products for domestic use and export essentials to face foreign competition.

iv) Monetary and fiscal policies should be in keeping with the overall objective of economic growth and stability, self reliant and title need for external debts.

v) **Expanding International Reserves**

IMF should expand international reserve by fresh allocation of larger quotas to member countries. Thus all new issues of SDRs should be distributed to developing countries to enable them pay the developed countries to solve their foreign exchange problems.

6.9.1 SUGESTIONS ON REFORMATION STRATEGIES OF THE PRESENT MONETARY SYSTEM

Economists have submitted suggested measures to avoid the excessive fluctuations and large disequilibria in exchange rates for reforming the present world monetary system.

i) **Coordination and Cooperation of Policies**

A few economists, McKinnon in particular, suggested international cooperation and coordination of policies among the leading developed countries for exchange rate stability. According to McKinnon, US, Germany and Japan should have optimal degree of exchange rates among their currencies at equilibrium level based on purchasing power parity.

ii) **Establishing Target Zones.**

Another Economist, Williamson opined for the establishment of target zones within which fluctuations in exchange rates of major currencies may be permitted.

According to Williamson, the forces of demand and supply should determine the equilibrium exchange rates.

There should be upper target zones of 10% above equilibrium and similarity a lower target zone of 10% below equilibrium exchange rates.

iii) **Improving Global Liquidity**

The reform package of the present world monetary system should improve global liquidity.

- As a first step, both BOP deficit and surplus countries should take steps to reduce the persistent imbalance through exchange rate changes via internal policy measures.
- Secondly, they should cooperate in "curbing" large flows of "hot money" that destabilize their currencies.
- And thirdly, settle their BOP imbalance through SDRs rather than through gold or dollar as reserve assets.
- Finally, there should be increasing flow of resources to developing countries, McKinnon, (1993).

iv) **Leaning Against the Wind**

To reduce fluctuations in exchange rates, the IMF guidelines for management of floating exchange rates (1974) suggested a strategy of leaning against the wind. This implies that Central Bank should curb short-term fluctuations in exchange rates but long-term fluctuations should be adjusted by market forces.

v) Another Economic Scholar, Richard Cooper, suggested a global current bank with a global currency to serve as a global lender of last resort.

vi) George Soros (1993) opined that IMF external finance for each member country beyond which access to private capital need to be insured. And that rather, there should be mandatory insurance by an international credit insurance corporation.

vii) Paul Krugman, (1992) suggested the reintroduction of capital controls as a "least bad response" to international crises.

viii) **Objective of Indicators**

To iron out exchange rate fluctuations, the IMF interim committee suggested the adoption of objective indicators as inflation-unemployment, growth of money supply, growth of GNP, fiscal balance, balance of trade and international reserve. This requires the adoption of restrictive monetary and fiscal measures to bring stability in exchange rates.

The above suggestions for reforms are closely inter-linked. Given the differences of opinion between developing and developed countries and even among the developed nations themselves, there is honestly no hope that any concrete proposal to reform the global monetary system would be accepted to all nations and to cut a long story short, the present system of managed floating exchange rate is likely to stay on.

6.10 DEVELOPMENT PLANNING IN NIGERIA AND OTHER DEVELOPING COUNTRIES

According to Jhingan, (2005), the formulation and success of a plan requires the following: The researcher recommends the following to boost economic development.

i) Planning Commission

The first prerequisite is a planning commission organized in a proper way. It should be divided into divisions and subdivisions under economic experts, statisticians, engineers etc dealing the various aspects of the economy.

ii) Statistical Data

A prerequisite for sound planning is a thorough survey of the existing potential resources of a country together with its deficiencies. As Baykov puts it "every act of planning, in so far as it is not mere fantastic castle building, presuppose preliminary investigation of existing resources. Such a survey is essential for collection of statistical data on the available mineral, capital and human resources of the country"

iii) Objectives

The plan may lay down among others the following:-

- To increase national income and per capita income
- To expand employment opportunities
- To reduce inequality of income and wealth
- To raise agricultural production
- To industrialize the economy
- To achieve balanced regional development
- To achieve self-reliance etc.

The various goals and objectives should be realistic, mutually compatible and flexible in keeping with requirements of the economy, (Ibid: 427).

iv) **Fixation of Targets and Priorities**

The next phase is to fix targets and priorities to achieve the set down objectives and goals in the plan.

These should be global and sectoral, bold enough to cover every segment of the economy. They may include production targets, millions of tons of foodstuffs, coals, steel etc.

v) **Mobilization of Resources**

A plan defines the public sector outlay for which resources are required to be mobilized. There are various internal and external sources for financing a plan, savings, profits, net marketing, borrowings, taxation and deficit financing are principal internal sources in the public sector while net-budgetary receipts corresponding to eternal assistance relate to external sources of financing a plan, (Lewis, 1966).

vi) **Balancing the Plan**

A plan should ensure proper balance in the economy to avoid shortages or surpluses in the economy.

There should be a balance between saving and investment, between supply for goods and demand for them, between demand for imports and the available exchange.

vii) **Incorrupt and Efficient Administration**

A strong, efficient, incorrupt and sound administration is the sinqua-non of successful planning. But this is grossly lacking in developing economies. Lewis regards incorrupt and efficient administration as the first condition for a successful plan. The central cabinet in an underdeveloped country should not take important economic decisions hurriedly without being properly examined by technical advisers.

viii) **Proper Development Policy**

This must be put in place to avoid pitfalls in development process. Professor Lewis listed the following main elements of a development plan:

1) Investigation of development potentials, national resources, market research.
2) Provision of adequate infrastructure – water, power, trans, communication.
3) Provision of specialized training facilities, general education etc.
4) Improving legal framework on education activities – land tenure, corporations.
5) Creation of better markets for commodities, security, banking, insurance.
6) Better utilization of resources through inducements and controls
7) Promoting increase in savings in private and public sectors.

ix) **Economy in Administration**

Every effort should be made to effect economy in administration particularly in the expansion of ministries and state departments.

x) **An Education Base**

For a clean and efficient administration, a firm education base is essential. For a successful plan, the ethical and moral standards of the people must be taken care of. One cannot expect economy and efficiency in administration unless the people are taken care of. One cannot expect economy and efficiency in administration unless the people possess high ethical moral values.

xi) **Theory of Consumption**

According to Prof. Galbraith, an important requirement of modern development planning is the theory of consumption. Underdeveloped nations should not follow the consumption pattern of the developed countries. The theory of consumption should be democratic, prime attention must be accorded to goods that are within the range of the middle income earners that can be afforded by a typical family. Thus cheap bicycles in a low income country are more important than cheap automobiles.

xii) **Public Cooperation**

Public cooperation is one of the important levers for the success of a plan. Planning requires unstinted Public Cooperation of the people. Economic planning should be above party politics but at the same time, must have been the approval of all parties, Galbraith, (1962).

Wages, Pension and Bills

For a meaningful economic recovery to happen in Nigeria there is the need for government to do simple thing. Pay workers their wages promptly, pay pensions as they fall due, and settle bills for goods and services rendered, promptly. This is the stimulus package the Nigeria economy requires!

6.11 SUGGESTIONS FOR FURTHER STUDIES

Research is continuous and seldom does a researcher exhaust his field of study. There is always room for other researchers. Given the limitations encountered by this researcher, the investigator suggests to other researchers who may wish to study the same or related topic in future to increase the sample size for more representativeness. More studies should be carried out on strategies to harness the abundant resources in Nigeria to foster economic development for the benefit of all the citizenry.

APPENDIX A

QUESTIONNAIRE

SECTION A

Please tick [√] the appropriate boxes.

Sex: Male [ ] Female [ ] Age [ ]

Employment Status: Employed [ ] Self Employed [ ] Unemployed [ ]

Marital Status: Married [ ] Single [ ]

Educational Status: GCE/WASC/SSCE [ ] OND/NCE [ ] HND/B.Sc. [ ]

Average Monthly Income: <15,000 [ ] 15,000-29,999 [ ] >29,999 [ ]

Leader Position [If any]…………………………………………………………

Dear Respondent,

I am conducting a study on problems associated with underdeveloped economies:- A case study of Nigeria and you have been chosen as one of the respondents.

Kindly contribute by answering the questions that follow as honestly as possible.

Your name is not required.

Thanks.

APPENDIX B

QUESTIONNAIRE

Please tick [√] in the appropriate box

Gender: Male [ ] Female [ ]

Position: Intermediate Staff [ ] Management Staff [ ]

(1) How Long have you worked in your organization?

1-7 years [ ] 8-15 years [ ] 16 years and above [ ]

(2) Are there economic backwardness in Nigeria? Yes [ ] No [ ]

(3) Are resources in underdeveloped countries well managed?

Yes [ ] No [ ]

(4) Do debt crises constitute the problems of underdeveloped countries? Yes [ ] No [ ]

(5) Do general poverty contribute to economic backwardness in Nigeria Yes [ ] No [ ]

(6) Do lack of initiative form part of the problems of underdevelopment in Nigeria? Yes [ ] No [ ]

(7) Do unemployment constitute part of the problems of underdevelopment in this region? Yes [ ] No [ ]

(8) Is lack of adequate capital part of the problem of underdevelopment in this region? Yes [ ] No [ ]

(9) What is the level of per-capita income in underdeveloped countries and Nigeria? Low [ ] High [ ]

(10) What is your suggestion to curb these economic problem?

....

....

(11) Are infrastructures well developed in Nigeria? Yes [ ] No [ ]

(12) Does this affect economic development? Yes [ ] No [ ]

(13) Do educational backwardness affect economic development?

[ ]

Yes No

(14) Do corruption of leaders affect the development of the economy? Yes No

(15) Has Economic meltdown affected the development of Nigeria? Yes No

(16) Does weak electoral process affect the pace of development of the country? Yes No

(17) Do weak judicial process and system affect the level of development in this nation? Yes No

(18) Is weak governmental institutions a contributory factor to underdevelopment? Yes No

(19) Does weak governmental enforcement mechanism contribute to economic backwardness in Nigeria? Yes No

(20) Is World Bank contribution to underdeveloped countries satisfactory? Yes No

APPENDIX C

QUESTIONNAIRE

Please tick (√) in the appropriate box.

1. How long have you been in your university?
   1-2 years [ ] 3years [ ] 4-6 years [ ] Above 6 years
2. Are there economic problems behind underdevelopment in developing countries e.g Nigeria? Yes [ ] No [ ]
3. Is it possible to solve these problems? Yes [ ] No [ ]
4. What is the extent of management of economic resources in Nigeria? Effective [ ] Not Effective [ ]
5. Are there consistent economic policies made by government/policy makers and leaders in Nigeria? Yes [ ] No [ ]
6. Do change of government and economic policies affect development in the region? Yes [ ] No [ ]
7. Are all leaders in underdeveloped countries capable in managing their economies? Yes [ ] No [ ]
8. Are underdeveloped countries blessed with abundant resources?
   Yes [ ] No [ ]
9. Does this influence the level of economic development ?
   Yes [ ] No [ ]
10. Do debt crisis constitute economic backwardness in Nigeria? Yes [ ] No [ ]
11. Are the governments and leaders in developing countries capable of managing their economies like their colonial masters? Yes [ ] No [ ]
12. Are World Powers (US, France, China, Britain, Germany) contributing effectively to development of underdeveloped economies?
    Yes [ ] No [ ]
13. Is the contribution of foreign aids effective in the development of Nigeria? Yes [ ] No [ ]

14. Are you satisfied with the level of development in Nigeria?

    Yes [ ] No [ ]

15. Are the Colonial masters partly responsible for underdevelopment in Nigeria? Yes [ ] No [ ]

16. Are other developed countries contributing enough to the development of Nigeria? Yes [ ] No [ ]

17. Do underdeveloped countries like Nigeria obtain loans from IMF with ease? Yes [ ] No [ ]

18. Are you satisfied with IMF and World Bank loans to Nigeria?

    Yes [ ] No [ ]

19. Have foreign policies contributed to underdevelopment in Nigeria? Yes [ ] No [ ]

20. Are the developed countries' contribution enough to the development of Nigeria? Yes [ ] No [ ]

APPENDIX D

QUESTIONNAIRE

Corporate Affairs Commission,
Okoi Arikpo House,
3rd Floor,
10 Calabar Road,
Calabar.

10th December, 2008.

Dear Sir/Madam,

I am a Ph.D student in Economic Department, St. Clements University Churchill Building, Front Street, Grand Turk and Caicos Islands, British West Indies. I am currently conducting a research as part of the qualifying requirements for the award of Ph.D in Development Economics.

I am researching on the topic "A Survey of Problems Associated with Underdeveloped Economies: A case study of Nigeria".

Your sincere and honest response to the questions below is solicited. You are assured that any information supplied is purely an academic exercise, which will be treated with utmost confidentiality, please.

Thanks for your anticipated co-operation.

Yours sincerely,

Edward U. Modey

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