## COURSE GUIDE

## ECO 441 ECONOMIC PLANNING I

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#### Introduction

ECO 441 is designed to introduce you and teach you the basics and rudiments of Economic Planning. In this course, attention is given to the theories, practices, processes and strategies of economic planning as adopted by Nigeria, some selected developing countries and other selected developed countries for desired economic growth and development. It is concerned with the explanations of the theories, processes and strategies involved in economic planning thatcan be adopted by the central authority to exercise their conscious effort of achieving definite targets and objectives within a specified time. In this wise, economic planning incorporates all aspects of human aspirations to accelerate the pace of a country's social, economic and political development. More specifically, it is a study that shows the strategic economic planning theories of deliberate control and direction of the economy, by a central authority through various tools and sub-systems within the main system, to achieve definite targets and objectives within a specified time.

You will be taught the rudiments and basics of economic planning theories as it relates to the functionality of the economy for desiredEconomic growth and development by the central planning authority to achieve desired set goals and objectives in Less Developed Countries of which Nigeria is one vis-à-vis the experiences of developed countrieslike the United States of America, Soviet states, France, China, India, Singapore, and Malaysia.

## **Course Competencies**

This course will expose students to the basics and rudiments of Economic Planning. Topics covered include: meaning, terminologies and contemporary issues, concepts and approaches of economic growth and development, economic development planning experience in Nigeria and planning experiences in other countries of the World

There are twelve (12) study units in the course and each unit has its objectives. You should read the objectives of each unit and bear them in mind as you go through the unit. In addition to the objectives of each unit, the overall aims of this course are to:

- (i) Introduce you to the meaning, principles, processes, strategies and rationale of Economic Planning.
- (ii) Teach you the relationship that exists between economicdevelopment planning and the price system.
- (iii) Expose you to the challenges of economic development planning.
- (iv) Give you a detailed analysis of the national economic development planning experience in Nigeria.
- (v) Show you the objectives, achievements and shortcomings of various national economic rolling plans in Nigeria.
- (vi) Teach you planning experiences in the United States of America, France, China, India, Singapore, and Malaysia.

## **Course Objectives**

To achieve the aims of this course, there are overall objectives which the course is out to achieve though, there are set out objectives for each unit. The unit objectives are included at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check on your progress. You should always look at the unit objectives after completing a unit. This is to assist the students in accomplishing the tasks entailed in this course. In this way, you can be sure you have done what was required of you by the unit. The objectives serve as study guides, such that students could know if they can grab the knowledge of each unit through the sets of objectives in each one

The objectives of this course are to:

- Allow students to know the various theories, principles, practices, processes and strategies of Economic Planning of less developed and developed countries.
- Educate students on different national economic rolling plans embarked upon by the different governments in Nigeria to target sustained economic growth and development.
- Educate learners on the need to adopt a realistic vision plan and implementation as reflected in the progress of economic growth and development of developed nations.
- Allow students to draw a comparison between the economic development plan of less developed and developed countries.

## **Working Through this Course**

To complete this course, you are required to read the study units, referenced books and other materials on the course.

Each unit contains self-assessment exercises called Student Assessment

Exercises (SAE). At some points in the course, you will be required to submit assignments for assessment purposes. At the end of the course, there is a final examination. This course should take about 12weeks to complete and some components of the course are outlined under thecourse material subsection. You have to work through all the study units in the course. There are four modules and twelve study units in all.

## **Study Units**

There are 12 units in this course which should be studied carefully and diligently.

The breakdown of the four modules and twelve study units is as follows:

# Module 1: Economic planning: Meaning, Terminologies and Contemporary Issues

Unit 1: Meaning of Economic planning

Unit II: Features and Types of Planning in developing nations

Unit III: Theories and Models of Economic Planning

# Module 2: The Concept and Approaches of Economic Growth and Development

Unit 1: Economic growth and economic development

Unit II: Sustainable development

Unit III: The concept of underdevelopment

## Module 3 Economic Development Planning Experience in Nigeria.

Unit 1: The concept of national planning in Nigeria; Pre-independence to SAP era

Unit II: National economic plans during and after the SAP era

Unit III: Visions and policy statements of economic plans in Nigeria

### Module 4: Planning Experiences in other Countries of the World.

Unit I: Planning experience of selected developed countries

Unit II: Planning experience of India and Asian tigers

Unit III: Comparisons of the economic plan of less developed anddeveloped nations

Each study unit will take at least two hours, and it includes the introduction, objectives, main content, self-assessment exercise, conclusion, summary and references. Other areas border on the Tutor-Marked Assessment (TMA) questions. Some of the self-assessment exercises will necessitate discussion, brainstorming and argument with some of your colleagues. You are advised to do so to understand and get acquainted with the historical economic event as well as notable periods.

There are also textbooks under the reference and other (online and off- line) resources for further reading. They are meant to give you additional information if only you can lay your hands on any of them. You are required to study the materials; practice the self-assessmentexercise and tutor-marked assignment (TMA) questions for a greater and in-depth understanding of the course. By doing so, the stated learning objectives of the course would have been achieved.

## **References and Further Readings**

For further reading and more detailed information about the course, the following materials are recommended:

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#### **Presentation Schedule**

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marked assignments and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guide against falling behind in your work.

#### Assessment

There are two types of assessment of the course. First, are the tutor-marked assignments; second, there is a written examination.

In attempting the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment following the deadlines stated in the Presentation Schedule and the Assignments File. The work you submit to your tutor for assessmentwill count for 30 % of your total course mark.

At the end of the course, you will need to sit for a final written examination of three hours duration. This examination will also count for 70% of your total course mark.

## How to get the Most from the Course

In distance learning the study units replace the university lecturer. Thisis one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace and ata time and place that suit you best.

Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your books or other material, and when to embark on discussion with your colleagues. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit.

You should use these objectives to guide your study. When you have finished the unit you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will significantly improve your chances of passing the course and getting the best grade.

The main body of the unit guides you through the required reading from other sources. This will usually be either from your set books or from a readings section. Some units require you to undertake a practical overview of historical events. You will be directed when you need to embark on a discussion and guided through the tasks you must do.

The purpose of the practical overview of certain historical economic issues is twofold. First, it will enhance your understanding of the material in the unit. Second, it will give you practical experience and skills to evaluate economic arguments, and understand the roles of history in guiding current economic policies and debates outside your studies. In any event, most of the critical thinking skills you will develop during studying are applicable in normal working practice, so you must encounter them during your studies.

Self-assessments are interspersed throughout the units, and answers are given at the ends of the units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self-assessment exercise as you come to it in the study unit. Also, ensure to master some major historical dates and events during studying the material.

The following is a practical strategy for working through the course. If you run into any trouble, consult your tutor. Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

- 1. Read this Course Guide thoroughly.
- 2. Organize a study schedule. Refer to the `Course overview' for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information, e.g. details of your tutorials, and the date of the first day of the semester is available from the study centre. You need to gather together all this information in one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your dates for the working breach unit.
- 3. Once you have created your study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their coursework. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- 4. Turn to Unit 1 and read the introduction and the objectives for the unit.
- 5. Assemble the study materials. Information about what you needfor a unit is given in the `Overview' at the beginning of each unit. You will also need both the study unit you are working on andone of your set books on your desk at the same time.
- 6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
- 7. Up-to-date course information will be continuously delivered to you at the study centre.
- 8. Work before the relevant due date (about 4 weeks before due dates) and get the Assignment File for the next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the exam. Submit all assignments not later than the due date.
- 9. Review the objectives for each study unit to confirm that youhave achieved them.
- 10. If you feel unsure about any of the objectives, review the study material or consult your tutor.
- 11. When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit byunit through the course and try to pace your study so that you keep yourself on schedule.

- 12. When you have submitted an assignment to your tutor for marking do not wait for its return 'before starting on the nextunits. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.
- 13. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in this Course Guide).

## **Online Facilitation**

Online Facilitation offers the opportunity for students to engage with facilitators on the course materials. Typically, the facilitation exercise comprises of three main activities:

- 1. Video Conferencing Sessions: Here the facilitator will come online for one hour based on a predetermined schedule (see <a href="https://mylearningspace.nouedu2.net/info/time-table">https://mylearningspace.nouedu2.net/info/time-table</a>). The facilitator will briefly explain concepts in a course module or unit under consideration after which he/she answers questions students may have on the course material. All the video conferencing session will be recorded and made available on the NOUN Learning Space for review and the benefit of those that could not join the sessions.
- 2. Discussion Forums: An online discussion forum is a learning tool that gives students a place to express their opinion and understanding regarding the topic outlined for discussion. Students will be able to challenge one another to think deep on the course. The online facilitator will guide the process.
- 3. Chat Sessions with other students in the course Students may participate in the activities using internet-enabled smart devices i.e. smartphones, tablets, laptops and desktops. Throughout the exercise students are expected to exhibit basic online etiquette.

All NOUN's online platforms remain accessible to staff and students. Specifically, the online learning platforms can accessed via https://mylearningspace.nouedu2.net/ and https://elearn.nouedu2.net. The timetable for Online Facilitation can be accessed on https://mylearningspace.nouedu2.net/info/time-table.

## **Course Information**

Course Code: ECO 441

Course Title: Economic Planning 1

Credit Unit: 2

Course Status: Compulsory

Course Blub: Semester: 1 Course Duration: 12 Weeks Required Hours for Study

## **Course Team**

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## **Ice Breaker**

## MAIN COURSE

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#### MODULE 1

## Economic planning: Meaning, Terminologies and Contemporaryissues

Unit 1: Meaning of Economic Planning

Unit II: Features and Types of Planning in Developing Nations

Unit III: Theories and Models of Economic Planning

Unit 1: Meaning of Economic Planning.

#### **Unit Structure**

- 1.1 Introduction
- 1.2 Objectives
- 1.3 Economic Planning
  - 1.3.1 What are planning and economic planning?
  - 1.3.2 Objectives of economic planning
  - 1.3.3 Rationale for planning
- 1.4 Summary
- 1.5 References/Further Reading/Web Resources
- 1.6 Possible Answers to SAEs



#### 1.1 Introduction

You must have read the Course Guide and it is assumed that you have familiarized yourself with the introductory comments. This unit is the first among the three constituents units of this module. The main thrust of this unit is to introduce you to the meaning of Economic Planning as a concept, show its objectives, and highlight the rationale for planning. This unit is fundamental to the understanding of subsequent units and modules. This is simply because other units and modules will be discussed based on the fundamental concepts explained here, hence, requires your maximum attention and understanding. Planning involves the setting of goals, objectives and targets and determining how they will be achieved. As a student of economics, you should know that economic planning is a deliberate governmental attempt to coordinate economic decision making over the long run and to influence, direct, and in some cases even control the level and growth of a nation's principal economic variables to achieve a predetermined set of development objectives.



## 1.2 Learning Outcomes

At the end of this unit, you should be able to:

- □ Define in your own words what economic planning is as established by scholars.
- □ Enumerate the objectives of economic planning available toplanners. Identify the rationales for economic planning.



## 1.3 Economic planning

Generally, our focus in this course is to understand the meaning of economic planning, its applications and its implementation to achieve set economic development targets of a drawn actual economic plan. You need to know that planning is essential in whatever we do, both at the micro and macro level of human existence, given the limited resources at our disposal which is of paramount importance to even the planning authorities, that is, the government, for them to meet up with the set targets of developing the economy using available resources. The questions of poverty, high unemployment rate, high inflation rate, high cost and standard of living, decay infrastructural facilities, high exchange rate, low level of savings and investments, inequalities in income distributions etc, to mention but few could be betteranswered if proper economic development planning is given a priority and drawn to meet up with the set targets. Therefore, planning is essential in anything we do. To start with, we need to examine what planning is all about. This will provide a convenient platform to have a full grasp of the entire course content.

Let us begin our understanding of economic planning by first defining the word \_planning'. According to Otokiti S. O. (1999), planning as understood by economists implies centralized control, conscious and deliberate layout of the national resources with a definite end in view, incorporating all economic aspect which is well-coordinated and integrated to eliminate duplication and wasteful competition. For example, as a layman, putting up a building requires a knowledge of the requirements like sand, gravel, cement, etc, how much it costs, the time it will take to build it and the number of labourers required. Hence proper planning is needed. In the economy, the macroeconomic decision of answering the basic economic problem questions of evenly distributed resources is the pure responsibility of the government which calls for careful strategic planning. Therefore, to plan is to act in the light of definite predetermined objectives by designing and manipulating factors which govern the achievement of the given targets to attain specific goals within the time limit which the planner sets to achieve.

Otokiti (1999), define economic planning as a deliberate control and direction of the economy, by a central authority through various tools and sub-systems within the main system, to achieve definite targets and objectives within a specified period. On the other hand, Todaro and Smith (2011), define economic planning as a deliberate and conscious attempt by the state to formulate decisions on how the factors of production shall be allocated among different users or industries, thereby determining how much of total goods and services shall be produced in one or more ensuing periods. Jhingan (2011), define economic planning as a deliberate control and direction of the economy by a central authority to achieve definite targets and objectives within a specified time

In the light of the above definitions of economic planning, as economics students,

you should understand that there have to be a vision, mission, targets and timing periods for a definite plan to be actualised. Countries like USA, UK, INDIA, MALAYSIA, and SINGAPORE, carefully took their economic planning formulation and implementation seriously which positions them in the place they occupy now in the committee of nations in the world. However, this is not the case with the less developed countries of which Nigeria is one. This has contributed to the level of economic backwardness that is visible in their economies. It is also important tostate that there are objectives of economic planning that are available to planners.

#### **Self-Assessment Exercise**

Briefly discuss the meaning of the word economic planning.

#### 1.3.1 Objectives of economic planning.

In this section, we shall look at the objectives of economic planning. The following are the objectives of economic planning as outlined by Pooja Mehta.

#### 1. Economic Development:

The main objective of every economic planning is to achieve the goal of economic development. Economic development is necessary for less developed countries because they can solve the problems of general poverty, unemployment and backwardness through it. Economic development is concerned with the increase in per capita income and the causes behind this increase. To calculate the economic development of a country, we should take into consideration, not only the increase in its total production capacity and consumption but also the increase in its population. Economic development refers to the raising of the people from inhuman elements like poverty, unemployment and ill-health etc.

#### 2. Increase Employment:

Another objective of economic planning is a better utilization of manpower resources and increasing employment opportunities. Measures should be taken to employ millions of people during the plans.

#### 3. Self-Sufficient:

It has been the objective of the plans that the country becomes self-sufficient regarding food grains and industrial raw materials like iron and steel etc. Also, growth is to be self-sustained for which rates of saving and investmentare to be raised. This objective should be to get rid of dependence on foreign aid by increasing export trade and developing internal resources.

#### 4. Economic Stability:

Stability is as important as growth. It implies the absence of frequent end excessive occurrence of inflation and deflation. If the price level rises very high or falls very low, many types of structural imbalances are created in the economy. Economic stability has been one of the objectives of every plan in developing

countries, especially in Nigeria and India. Some rise in prices is inevitable as a result of economic development, but it should not be out of proportion.

#### 5. Social Welfare and Services:

The objective should be to promote labour welfare, economic development of backward classes and social welfare of the poor people. Development of social services like education, health, technical education, scientific advancement etc. should always be the concern of economic planning of any economy.

#### **6. Comprehensive Development:**

All-round development of the economy is another objective that should be given consideration. Development of all economic activities vis-à-vis, agriculture, industry, transport, power sectors etc. should be sought to be simultaneously achieved. Likewise, other less developed ruralregions should be incorporated into the plan for proper development to reduce rural-urban migration in the economy.

## 7. To Reduce Economic Inequalities:

Every plan is aimed at reducing economic inequalities. Economic inequalities are indicative of exploitation and injustice in the country. It results in making the rich richer and the poor poorer. Several measures have to be taken in a plan to achieve the objectives of economic equality, especially by way of progressive taxation and reservation of jobs for the economically backward classes.

#### 8. Social Justice:

Another objective of every plan is to promote social justice. It is possible in two ways, one is to reduce the poverty of the poorest section of the society and the other is to reduce the inequalities of wealth and income and redistribute it evenly.

#### 9. Increase in Standard of Living:

The other objective of a plan is to increase the standard of living of the people. Standard of living depends on many factors such as per capita increase in income, price stability, equal distribution of income etc.

#### 10. Modernization of the economy

African countries especially Nigeria still use crude implements in the agricultural sector. The lack of modern technology always leads to low productivity in both the agricultural and industrial sectors. Adequate planning through human capital development and the use of modern technology can enhance growth in the agricultural and industrial sectors, thereby leading to the modernization of the economy.

Given these objectives, it is pertinent that the central authority, which is the government, is left with no choice but to adopt holistic economic measures and blue print plan aimed at achieving sustained economic growth and development of the economy. Let us consider the rationales for economic planning.

#### **Self-Assessment Exercise**

Enumerate and discuss five objectives of economic planning in less developed countries.

#### 1.3.2 Rationales for planning in less developed countries

One of the principal objectives of planning in developing countries is to increase the rate of economic development. According to Gadgil (2002), planningfor development implies external direction or regulation of economic activity by the planning authority which in most cases is identified as the government. LDCs are characterized by a low level of savings, a n d lowlevel of income, and therefore what is prevalent in such countries are poverty-ridden people. This vicious economic circle can only be broken by planned development. This can be achieved through importing capital from abroad known as a foreign direct investment (FDI) and localized forced savings to support the level of industrialization.

Therefore, the rationale and the need for planning in such countries are the following.

### 1. Strengthen the market mechanism

The market mechanism works imperfectly in LDCs because of the ignorance and lack of familiarity with it. This is so because the production factor; money and capital markets are not organized properly, thus the price system fails to bring about adjustments between aggregate demand and supply of goods and services. Therefore, to remove market imperfection, mobilize and utilize efficiently the available resources, determine the amount and composition of investment and overcome structural rigidities, the market mechanism is required to be perfected in LDCs through planning using a workable economic planning blueprint.

## 2. The necessity of removing unemployment.

Unemployment is a situation where resources are not fully utilized. Capital is scarce and labour is in abundance thereby creating the problem of providing gainful employment and resulting in absence of sufficient enterprises and initiatives. This requires urgent attention by the planning authority in LDCs to immediately adopt an economic planning roadmap that can salvage the situation.

#### 3. The development of agricultural and industrial sectors.

The agricultural sector is known to produce food for households, rawmaterials for industries and foreign earnings for the government when exported abroad. The industrial sector on the other hand utilizes the raw materials from the agricultural sector for the production of further finished goods that can be used for infrastructural development like roads, railways, power stations etc. Therefore there should be a conscious attempt by the LDC's planning authority to have a roadmap of planning strategies for the development of their agricultural and industrial sectors.

## 4. The necessity of removing the nation's poverty

The need for reducing inequalities in income and wealth raising per-capital income, increasing employment opportunities, all-round rapid development and

national independence substance requires a careful ad conscious idea of planning targeted through a planning model that can achieve this. This was seen in the rapid development and transformation of the USSR now Russia, a poor country at that time before target industrial planning was introduced, embraced and adopted.

To sum this up, planning for economic development is undertaken presumably because the pace of direction of development taking place in the absence of external intervention is not considered to be satisfactory and because it is further held that appropriate external intervention will result in increasing considerably the pace of development and directingit properly.

#### **Self-Assessment Exercise**

Enumerate and discuss the rationales for planning in less developed countries.



## 1.4 Summary

In this unit, we have attempted to show various definitions of economic planning from various scholars of repute. Also, from the point of view of harmonization, you have learnt that all the definitions agreed with the fact that economic planning as understood by the majority of economists implies deliberate control and direction of the economy by a centralauthority to achieve definite targets and objectives within a specified time. It is believed that understanding this unit has given you a basis for the understanding of the next unit and subsequent modules. It is expected that the reader is anxious of reading more about the features and various types of planning in less developed countries and developed nations which will be duly served in the next unit.



## 1.5 References/Further Reading/Web Resources

- Akosile, I. O., Adesanya, A. S. & Ajani, A. O. (2012). *Management of development A Nigeria perspective* (1st ed.). Olas Ventures, Mushin, Lagos. Nigeria
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#### Pearson Education Ltd, Edinburgh Gate Harlow.



## 1.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

Planning is essential in anything we do. According to Otokiti (1999), Todaro and Smith (2011), and Jhingan (2011) define economic planning as a deliberate and conscious attempt by the state to formulate decisions on how the factors of production shall be allocated among different users or industries, thereby determining how much of total goods and services shall be produced in one or more ensuing periods.

#### **Answers to SAEs 2**

- 1. Economic Development
- 2. Increase Employment
- 3. Self-Sufficient
- 4. Economic Stability
- 5. Social Welfare and Services
- 6. Comprehensive Development
- 7. To Reduce Economic Inequalities
- 8. Social Justice
- 9. Increase in Standard of Living
- 10. Modernization of the economy

#### **Answers to SAEs 3**

- 1. Strengthen the market mechanism
- 2. The necessity of removing unemployment
- 3. The development of agricultural and industrial sectors
- 4. The necessity of removing the nation's poverty

## **Unit II: Features and Types of Planning inDeveloping Nations**

#### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Planning in Developing and Less Developed Countries
  - 2.3.1 Types of Planning in less developed countries
  - 2.3.2 The main features of economic planning in developing countries
  - 2.3.3 Relevance of development models to economic planning
- 2.4 Summary
- 2.5 References/Further Reading/Web Resources
- 2.6 Possible Answers to SAEs



#### 2.1 Introduction

The reader must have familiarized themselves with the explicit explanations in the first unit of this module which discusses what economic planning is and what it entails. This unit is the second among the three constituents units of this module. The main thrust of this unit is to show the features and various types of economic planning. It will also highlight the relevance of development models to actual economic planning. This unit is also fundamental to the understanding of subsequent units.



## 2.2 Learning Outcomes

At the end of this unit, you should be able to:

- Show the various types of economic planning that can be identified.
- Enumerate the relevance of development models to economic planning.
- Identify the features of economic planning in Less Developed Countries.



## 2.3 Planning in Developing and Less Developed Countries

#### 2.3.1 Types of Planning in less developed countries

There are various types of planning which are discussed vividly below as pointed out by Jhingan (2011). Let us now examine them one by one.



Figure 1: Type of Planning Source: <a href="https://encrypted-page-12">https://encrypted-page-12</a>

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## 1. Democratic Planning and Totalitarian Planning:

In totalitarian or authoritarian planning there is central control and direction of all economic activities under a single plan. There is planning by direction where consumption, production, exchange, and distribution are all controlled by the state. In totalitarian planning, the planning authority is the supreme body. It decides the targets, schemes, allocations, methods and procedures for implementation of the plan. There is absolutely no opposition to the plan. People have to accept and rigidly implement the plan.

In democratic planning, the philosophy of democratic government is accepted as the ideological basis. People are associated at every step in the formulation and implementation of the plan. The cooperation of different agencies, voluntary groups, and associations play a major role in the execution of the plan. Democratic planning respects the institution of private property. The price mechanism is allowed to play its due role. The government only seeks to influence economic and investment decisions in the private sector through fiscal and monetary measures. The private sector operates side by side withthe public sector. Democratic planning aims at the removal of inequalities of income and wealth through peaceful means by taxation and government spending on social welfare and social security schemes. Individual freedom prevails and people enjoy social, economic and political freedoms.

#### 2. Planning by Direction and Planning by Inducement:

Planning by direction is an integral part of a socialist society. It entails the complete absence of laissez-faire. There is one central authority which plans, directs, and orders the execution of the plan under pre-determined targets and priorities. Such planning is comprehensive and encompasses the entire economy. Planning by inducement is democratic planning. It means planning bymanipulating the market. There is no compulsion but persuasion. Thereis freedom of enterprise, freedom of consumption and freedom ofproduction. But these freedoms are subject to state control and regulation. People are induced to act in a certain way through various monetary and fiscal measures. Thus, planning by inducement canachieve the same results as are likely to be achieved in planning bydirection but with less sacrifice of individual liberty.

#### 3. Short, Medium and Long term Planning

Short term plans are plans that accommodate immediate plans in an economy. The plan looks into country or state present situations and creates an avenue of the action plan to improve on the situation. The plan is also known as activity

planning because it deals with the daily development and management of resources. In Nigeria, the Structural Adjustment Plan (SAP) was an example of a short-term plan which was designed for two years. The plan along the line had a shift from a "project-based" to a policy-based planning system and placed more emphasis on a private sector-led economy that the prevailing public-sector-led system (Uche, 2019). A medium-term plan is a strategic plan or roadmap for a period above two years but not more than five years. The plan is neither short nor too long in terms of implementation, it involves a process that shows results in a couple of years. This plan can enable a country or individual to project a specific target, especially given the duration. An example of medium-term plan in Nigeria is the National Economic Empowerment Development Strategy (NEEDS), State Economic

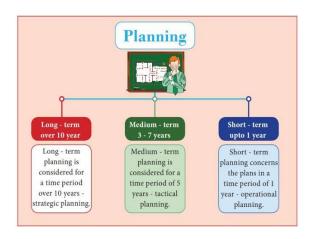


Figure 2: Planning Duration **Source:** <a href="https://encrypted-">https://encrypted-</a>

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**Empowerment** Development Strategy (SEEDS) and Local Economic **Empowerment** Development Strategy (LEEDS); are a programme that will cover between 2003 and 2007 (Uche, 2019). The long term plan is plans whose targets are fixed for a long period of term covering more than 10 years and above. The plan involves a goal that takes a longer period and required more steps. Long term plan aims to permanently resolve issues and maintain success over time. In this case, the

government sets out objectives on how the economy will develop in future and then intervenes to achieve those objectives. Example of long term plan includes Vision 2010 and 2020 which was launched during Gen. Sani Abacha and President Olusegun Obasanjo's regime respectively (Uche, 2019).

#### 4. Financial Planning and Physical Planning:

Financial planning refers to the technique of planning in which resources are allocated in terms of money. Financial planning is essential to remove maladjustments between supplies and demand and for calculatingcosts and benefits of the various projects. Thus, financial planning is thought to secure a balance between demands and supplies, avoid inflation and bring about economic stability.

Physical planning refers to the allocation of resources in terms of men, materials and machinery. In physical planning, an overall assessment is made of the available real resources such as raw materials, manpower, etc., and how they have to be obtained so that bottlenecks may be eliminated during the plan. Physical planning requires the fixation of physical targets concerning agricultural and industrial production, socio-cultural and transportation services, consumption levels and respect of employment, income and investment levels

of the economy. Physical planning has to be viewed as overall long-term planning rather than short-term piecemeal planning.

## 5. Perspective Planning and Annual Planning:

Perspective planning refers to long-term planning in which long-range targets are set in advance for a period of 15, 20, or 25 years. According to Myrdal, perspective planning should be started during the experimental period. A perspective plan, however, does not imply one plan for the entire period of 15 or 20 years. Inreality, the broader objectives and targets are to be achieved within the specified time by dividing the perspective plan into several shortperiod plans of 4, 5 or 6 years. Not only this, a five-year plan is further broken up into annual plans so that each annual plan fits into the broad framework of the five-year plan. Plans of either kind are further divided into regional and sectoral plans. Regional plans pertain to regions, districts and localities and sectoral plans pertain to plans for agriculture, industry, foreign trade etc. Annual planning can also be incorporated into a budget which is made by a country yearly. For example, we shall see this type of planning that Nigeria undertook. The distinction between a perspective plan and the annual plan is that the perspective plan has administrative difficulties due to fulfilment of its setup objectives because such plans is rigid due to unforeseen changes. But annual plan, on the other hand, serves individual interest rather than national interest, as such, it doesn't work in a dynamic environment.

## 6. Indicative Planning and Imperative Planning:

This is the French system of planning which is based on the principle of decentralization in the operation and execution of the national plans. This type of planning is not imperative but flexible. In indicative planning, the private sector is neither rigidly controlled nor directed to fulfil the targets and priorities of the plan. Even then, the private sector is expected to fulfil the targets for the success of the plan.

The state provides all types of facilities to the private sector but does not direct it, rather indicates the areas in which it can help in implementing the plan. On the other hand, under imperative planning, all economic activities and resources of the economy operate under the direction of the state.

There is complete control over the factors of production by the state. The entire resources of the country are used to the maximum to fulfil the targets of the plan. There isno consumer sovereignty in such planning. Decisions about what and how much to produce taken by the managers of firms and factories on the directive of the planning commission or central planning authority. Since government policies and decisions are rigid, they cannot be changed easily.

## 7. Rolling and Fixed Plans:

In a rolling plan, every year three new plans are made and acted upon. First, there is a plan for the current year which includes the annual budget and the foreign exchange budget. Second, there is a plan for many years, say three, four or five. Third, a perspective plan for 10, 15 or 20 or even more years is presented every year in which the broader goals are stated and the outlines of future development are forecast. The annual one-year plan is fitted into the same year's new three, four or five-year plan, and both are framed in the light of the

perspective plan.

In contrast to the rolling plan, there is a fixed plan for four, five, six or seven years. A fixed plan lays down definite aims and objectives which are required to be achieved during the plan period. For this purpose, physical targets are fixed along with the total outlay. Physical targetsand financial outlays are seldom changed except in emergencies. Planning in India (Five-Year) and Russia (Seven-Year) is of the fixed type. In Nigeria, rolling plans and fixed plans were also considered and used at one point or the other. This will be critically discussed in the subsequent module of this course.

### 8. Centralised and Decentralised Planning:

Under centralized planning, the entire planning process is under acentral planning authority. The authority formulates a central plan, and fixes objectives, targets, and priorities for every sector of the economy. The principal problems of the economy – what and how much to produce, how and for whom to be produced etc, are decided by this authority.

The entire planning process is based on bureaucratic control and regulation. Naturally, such planning is rigid. There is no economic freedom and all economic activities are directed from above.

On the other hand, decentralized planning refers to the execution of the plan from the grassroots. Under it, a plan is formulated by the central planning authority in consultation with the different administrative units of the country. The central plan incorporates plans under the central schemes, and plans for the states under a federal set- up. The state plans incorporate district and village level plans. Under decentralized planning, prices of goods and services are determined by the market mechanism despite government control and regulation in certain fields of economic activity.

#### **Self-Assessment Exercise**

Enumerate and discuss five types of planning in less developed countries.

#### 2.3.2 The main features of economic planning in developing countries.

By now, the various types of planning available must have been clear to you. The following are the main features of economic planning in developing countries. In developing countries, we can identify some features of economic planning:

- i. The governments mobilize domestic resources and also raise foreign finance to carry out such projects which are expected to induce productive activities in the private sector. This involves the development of infrastructure and heavy industries. For example, Nigeria borrows from foreign creditors like IMF, ADB, Paris club etc. to finance infrastructural projects in the past.
- ii. The governments adopt certain monetary and fiscal policies to stimulate private economic activity and to ensure harmony between the social objectives of the government and the behaviour of the private producers and businessmen. Let it be known to you that in developing economies, decision makingin the economy is also a pointer to the fact that both private business owners

and the government contributes to resource mobilization in the economy.

- iii. People enjoy economic, social and religious freedom. People have the freedom to conduct such economic activities as consumption, production, exchange, investments etc. in the national interest and social welfare of the community as a whole.
- iv. People's co-operation is sought in the preparation of the plan. There is a close relationship between the welfare of the people and economic activities.
- v. One of the aims of planning is to coordinate the activities of the public and private sectors.
- vi. People's co-operation is sought in achieving the targets of the plan by giving them proper incentives.
- vii. Economic activities are conducted both to earn profit and promote social welfare.
- viii. Under democratic planning, both pricemechanism and government decisions are important.
- ix. Objectives of the public sector and private sector are coordinated.
- x. It is quite a flexible plan. There is enough scope to modifythe targets of the private sector. Targets of the Public Sector are subject to change according to changed circumstances.
- xi. It tends decentralization
- xii. Its main objective is to raise the standard of living of the people quickly. As such, consumer goods industries are given as much importance as heavy industries.

From the above features of planning in the mixed developing economy, it is clear that the market and economic planning are complementary to one another.

#### **Self-Assessment Exercise**

Identify and explain the main features of economic planning indeveloping countries.

## 2.3.3 Relevance of development models to economic planning.

The following are the relevance of development models to planning. We shall critically discuss this in Economic planning II which is the concluding part of economic planning course material.

- a. It provides a framework for checking of consistency or theoptimality of the official plan targets.
- b. It provides a framework for the actual setting of targets.
- c. It provides a framework for the evaluation and selection ofprojects.
- d. It provides an insight into the structure of the economy and itsdynamics

to help better policy decisions.

- e. It assists in budget and budgeting control.
- f. It helps the preparation of a feasible plan.
- g. It helps the projection and forecasting of measurable changes.
- h. It helps in adjusting competing participants within the available time path
- i. It helps the planning authorities to know their objectives, instrument variables and the functional relationship of the variables in the desired plan and how to achieve it.
- j. It gives the planner a clear direction to follow on a projected economic plan.

#### **Self-Assessment Exercise**

Briefly explain five relevance of development models to the economic planning of your country.



#### 2.4 Summary

In this unit, we have attempted to show the types of Planning in less developed countries, the main features of economic planning in developing countries and the relevance of development models to economic planning. From the point of view of harmonization of all these rationales, you have learnt that all these are a good model road map for successful economic planning and development. It is believed that your understanding of this unit has given you a basis for the understanding of the next unit and subsequent modules. It is expected that you should be anxious of reading more about theories and models of economic planning which will be duly served in the next unit.



## 2.5 References/Further Reading/Web Resources

- Akosile, I. O., Adesanya, A. S. & Ajani, A. O. (2012). *Management of development A Nigeria perspective* (1st ed.). Olas Ventures, Mushin, Lagos. Nigeria
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## 2.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

- 1. Democratic Planning and Totalitarian Planning
- 2. Planning by Direction and Planning by Inducement
- 3. Short, Medium and Long term Planning
- 4. Financial Planning and Physical Planning
- 5. Perspective Planning and Annual Planning

#### **Answers to SAEs 2**

- 1. Mobilize of domestic resources
- 2. Adoption of monetary and fiscal policies
- 3. Economic, social and religious freedom
- 4. Co-operation
- 5. Coordinate activities
- 6. Proper incentives.
- 7. To earn profit and promote social welfare.
- 8. Price mechanism
- 9. Plan quite flexible
- 10. It tends decentralization
- 11. Raise standard of living

#### **Answers to SAEs 1**

- i. Framework for checking of consistency
- ii. Framework for evaluation and selection of projects.
- iii. Better policy decisions.
- iv. Budget control.
- v. Feasible plan.

# **Unit III: Theories and Models of Economic Planning Unit Structure**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Planning Models
  - 3.3.1 What are Economic Planning Models?
  - 3.3.2 Types of Planning Models
  - 3.3.3 Classical Theories of Economic Development Planning
- 3.4 Summary
- 3.5 References/Further Reading/Web Resources
- 3.6 Possible Answers to SAEs



#### 3.1 Introduction

Our concluding discussion in this module will give us an introductory insight into what we shall consider in Economic Planning II of this course. This unit is the third and last among the three constituents units of this module. The main thrust of this unit is to discuss the theories and models of Economic Planning as a concept, and show the meaning of planning models and theories of economic planning. This unit is also fundamental to the understanding of subsequent units and modules. As a student of economics, you should know that a planning model specifies the relationships between endogenous and exogenous variables and aims at ensuring the consistency of the proposed plan for economic development. It is also meant to yield an optimally balanced collection of measures which can help the planning authority in the drawing of an actual plan.



## 3.2 Learning Outcomes

At the end of this unit, you should be able to:

- Define what economic planning models are, as scholarly defined and in your own words.
- Enumerate and discuss types of planning models available to actual development plan making.
- Identify the theories of economic development planning that areavailable.



## 3.3 Economic Planning Models

## 3.3.1 What are Economic planning models?

Generally, our focus in this unit is to understand the meaning of techniques and models of Economic planning. You need to know that planning is essential in whatever we do both at the micro and macro level of human existence. Quantifying what we want to achieve as set targets and how to realize them

given the limited resources at our disposal is of paramount importance to even the planning authorities that is the government for them to meet up with the set targets of developing the economy using available resources. This can only be done using quantitative equations which express relationships among economic variables to explain and predict past and future events under a set of simplifying assumptions known as a Model. Planning models have been increasingly used in less developed countries of which Nigeria is one, for the drawing upof plans for economic development. To start with, I consider it important for us to examine what Planning models are all about. I believe this will provide a convenient platform for us to have easy assimilation.

Let us begin our understanding of the models of economic planning by first defining the word Models'. According to Jhingan (2011), a model expresses the relationships among economic variables which explain and predict past and future events under a set of simplifying assumptions. In other words, a model consists of a series of equations each of which represents the association among certain variables. The planning Model, therefore, is a series of mathematical equations which help in the drawing up of a plan for economic development. JhinganM.L (2011). On the other hand, Otokiti S.O (1999) views an economic model as an organised set of relationships that describes the functioning of an economic entity whether it concerns, the individual, house hold or firm, the local government system, the regional or national economies, or the world economy under a set of simplifying assumptions. He also posits that in the context of planning economic models provide a logically, systematic and internally consistent operational framework, based on structural interrelationships of sets and participants in the economy under consideration. A planning model, in other words, sets out the relationship between the crucial (key) variables in the process of planned economic development within the stipulated time horizon of the plan. You should also know that most planning models belong to the category of what is known as decision or policy models. In these models a set of plan objectives is specified, policy measures to achieve these objectives are isolated and their interrelationship worked out.

It is imperative to let you know that model may have endogenous and exogenous variables. Endogenous variables are those whose values are determined from within the system, examples of such are national income, consumption, savings, investment etc. On the other hand, exogenous variables are determined from outside the system, Examples of such are prices, exports, imports, technological changes etc. Therefore as a student of economics, you should know that a planning model specifies the relationships between endogenous and exogenous variables and aims at ensuring the consistency of the proposed plan for economic development. It is also meant to yield an optimally balanced collection of measures known as Model Targets which can help the planning authority in the drawing of an actual plan. It is also important to let you know that there are types of planning models which we shall consider in the next section of this unit.

#### **Self-Assessment Exercise**

Briefly discuss the meaning of the word economic planning models.

## **3.3.2** Types of Planning Models

Having understood what economic planning models are, we need to discuss the various types of development planning models. Most development plans have traditionally been based initially on some more or less formalized macroeconomic model. Such an economy-wide planning model can be divided into three basic categories.

- 1. Aggregate growth, Macroeconomic or Simple Models
- 2. Multi-Sector Models
- 3. Decentralised Models

## 1. Aggregate growth, Macroeconomic or Simple Models

The first category is the aggregate growth, macroeconomic or simple models which involve macroeconomics estimate of planned or required changes in principal economic variables. It deals with the entire economy in termsof a limited set of macroeconomic variables deemed most critical to be determined by levels and growth rates of national output; that is savings, investment, capital stock, exports, imports, foreign aid etc. The model provides a convenient method for forecasting output (and perhaps also employment) growth over a three to five year period. Harrod Domar and two gap models are of this type.

#### 2. Multi-Sector Models

The second category is the multi-sector models. Multi-sector include inputoutput, social accounting and computable general equilibrium (CGE) models whichascertain among other things, the production, resources, employment and foreign exchange implication of a given set of final demand targets within an internally consistent framework of inter- industry product flows. It is a sophisticated approach to development planning in whichthe activities of the major industrial sectors of the economy are interrelated by a means of a set of simultaneous algebraic equationsexpressing the specific production processes or technology of each industry. All industries are viewed both as producers of outputs and users of inputs from other industries. For example, the agricultural sector is both a producer of output e.g. (wheat) and a user of input from the manufacturing sector e.g. (machinery, fertilizer), therefore there is an interdependence of industry which could lead to direct and indirect repercussions of planned changes in the demand for the products of any one industry on outputs, employment, and imports of all other industries can be traced throughout the entire economy in an intricate web of economic interdependent. This inter-industry model can be used to determine intermediate material, import, labour and capital requirements with the result that a comprehensive economic plan with mutually consistent production levels and resource requirements can in theory be achieved.

#### 3. Decentralised Models

The third stage or category of planning models is the decentralized model. It is the type that has a sector of project-level variables which are used to prepare models for individual sectors or projects. This type of model is usefulin the early stages of a country's economic development when information is available for only individual sectors or projects, project evaluation or project appraisal and social cost-benefit analysis are techniques that fit into this category. The most important component of plan formulation is the detailed selection of specific investment projects within each sector through the decentralized models. You will be exposed in detail to the workings of these models and their co-efficient in economic planning II next semester.

#### **Self-Assessment Exercise**

Discuss the basic models available in economic development planning formulation in less developed countries.

## 3.3.3 Classical Theories of Economic Development Planning

We shall be looking at some of the theories of development planning as applied by some economies of the world and its reflections as stated by Dang and Pheng Sui (2015) in their paper — Infrastructure Investments in Developing Economies. It is discussed below. Let us start by comparing the theories as argued out by development economists as follows.

## 1. The Linear Stages of Growth Theories

The first generation of economic development models was formulated in the early years after World War II. These early models focused on the utilityof massive injections of capital to achieve rapid GDP growth rates. The two famous models are Rostow's stages of growth model and the Harrod–Domar model (Todaro and Smith, 2009).

Theorists of the 1950s and early 1960s viewed the process of development as a sequence of historical stages. This view was popularized by Rostow(1995). Building on the historical pattern of the then developed countries, Rostow (1960) claimed that the transition from underdevelopment to development would pass through five stages: the traditional society, the preconditions for take-off, the take-off, the drive to maturity and the age of high mass consumption. The decisive stage is the take-off, through which developing countries are expected to transit from an underdeveloped to a developed state. The increasing the rate of investments is considered to be necessary to induce per-capita growth. Like Rostow's stages of growth model and the Harrod–Domar model emphasized that the prime mover of the economy is investments. Every country, therefore, needs capital to generate investments. The principal strategies of development from the stage approach were commonly used by developing countries in the early post-war years.

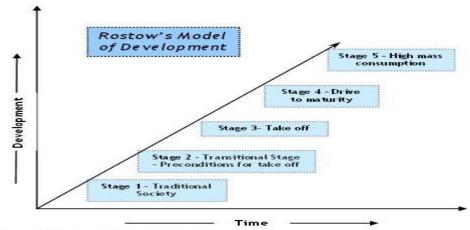


Figure 3: Rostow's Model of Development

Source: <a href="https://lensshift.s3.us-east-">https://lensshift.s3.us-east-</a>

<u>2.amazonaws.com/uploads/resource\_item/image/86/thumb\_developmenthinking.files.wordpr\_ess.com\_2013\_08\_rostows.jpg</u>

With a target growth rate, the required saving rate can then be known. If domestic savings were not sufficient, foreign savings would be mobilized. Every economy is assumed to have the same necessary conditions and would pass through the same phasing, stage by stage. But that economic growth path, which historically had been followed by the more developed countries, is not the only pathway. The development process is highly nonlinear according to Chenery (1960). Countries may pursue distinct development paths, economies may miss stages, or become locked in one particular stage, or even regress depending on many other complementary factors such as managerial capacities, and the availability of skilled labour for a wide range of development projects (Todaro and Smith, 2009).

#### 2. Structural Change Theories

During most of the 1960s and early 1970s, economists generally described the development process as structural change by which the reallocation of labour from the agricultural sector to the industrial sector was considered the key source for economic growth. Two well-known representatives of this approach are the two-sector model Theories of Economic Development model (Lewis,1954), and the structural change and patterns of development (Chenery,1960).

In Lewis'(1954) two-sector model or theory of surplus labour, labour increasingly moves away from the agricultural sector to the industrial sector. However, with an unlimited supply of labour from the traditional sector, these transferred workers continually received only subsistence wages. The excess of modern sector profits over wages and hence investments in the modern sector continued to expand and generate further economic growth on the assumption that all profits would be reinvested. Both labour transfer and modern sector employment growth were in turn brought about by output expansion in that sector. This process of modern sector self-sustaining growth and employment expansion facilitated the structural transformation from a traditional

subsistence economy to a more modern developed economy to take place. Like the Harrod–Domar model, the Lewis model considered savings and investments to be the driving forces of economic development but in the context of the less developed countries. However, Lewis' assumptions are not valid such as those relating to rural surplus labour, and the proportional rate of expansion in capital accumulation in the modern sector (Todaro and Smith, 2009).



Figure 4: Structural Change Model

Source: <a href="https://encrypted-">https://encrypted-</a>

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qp=CAU

Although promoting the roles of savings and investments, the structural change and patterns of development analysis extended in comparison with the Lewis model. The analysis identified that the steady accumulation of physical and human capital is among the conditionsnecessary for economic growth, apart from savings and investments.

By focusing on the pattern of development rather than theory, the structural change models may mislead policy-makers. Since the reallocation of labour from the agricultural sector to the industrial sector is considered the engine of economic growth, many developing countries implemented policies that often promote the industry and neglect agriculture. But the negative effects of policies that turned against that vital sector have come to be widely recognized (World Bank, 2000). Criticisms of these models were reinforced by the fact that in many developing countries, poverty was prevalent.

#### 3. International Dependence Theories

The international dependence theory was very popular in the 1970s and early 1980s. The dependence theorists argued that underdevelopment exists because of the dominance of developed countries and multinational corporations over developing countries. The theory is considered an extension of Marxist theory (Hein, 1992). The poor countries are said to be dependent on the developed countries for market and capital. However, developing countries

received a very small portion of the benefits that the dependent relationship brought about. The unequal exchange, in terms of trade against poor countries, made free trade a convenient vehicle of —exploitation for the developed countries. Developed countries can exploit the national resources of developing countries by getting a cheap supply of food and raw materials. Meanwhile, poor countries are unable to control the distribution of the value added to the products traded between themselves and the developed countries. The growth of international capitalism and multinational corporations caused poor countries to be further exploited and more dependent on developed countries. Poor countries therefore could not expect sustained growth from that dependence. Following the international dependence theory, developing countries should therefore end the dependence by breaking up their relationships with the developed world, as well as by closing their doors on the developed countries (Elkan 1995; Ghatak 2003; Ferraro 2008).

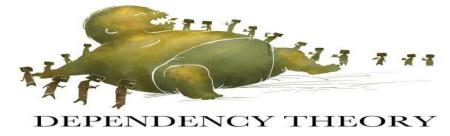


Figure 5: Dependency Theory Source: www.infososiologi.blogspot.com

The models gained increasing support among the developing countries because of the limited results of the stages and structural change models. However, the failures of the model were reflected in the developing countries that followed the autarky policy. These countries often experienced stagnant growth and finally decided to open their economies once again such as China, Tanzania and India (Ferraro 2008; Todaro and Smith, 2009). Meanwhile, the experience of the newly industrialized economies of East Asia, namely Hong Kong, Singapore, Malaysia, Taiwan and South Korea, during the 1970s and 1980s showed that their success had been the result of emphasizing trade with the advanced industrial countries. The negative impacts of the policy of autarky rendered the theory out of favour in the 1980s.

#### 4. Neoclassical Counter-Revolution Theories

In the 1980s, neoclassical counter-revolution economists used three approaches, namely the free-market approach, the new political economy approach and the market-friendly approach, to counter the international dependence model. In contrast with the international dependence model, these approaches mainly argued that underdevelopment is not the result of the predatory activities of the developed countries and the international agencies but was rather caused by the domestic issues arising from heavy state intervention such as poor resource allocation, government-induced price distortions and corruption (Meier 2000). As a response to public sector

inefficiency, economists of the counter-revolution thinking, for example, Bauer (1984), Lal (1983), Johnson (1971), and Little (1982), focused on promoting free markets, eliminating government-imposed distortions associated with protectionism, subsidies and public ownership.

Neoclassical economists focused on the market to find a way out for the developing countries. Policies of liberalization, stabilization and privatization, therefore, become the central elements of the national development agenda. Foreign trade, private international investments and foreign aid flowing into the developing countries were expected to accelerate the economic efficiency and economic growth of these countries. Empirically, the models, however, did not bring about the expected results. The growth rates per capita have diverged among countries (Azariadis and Drazen 1990). Several African countries focusing on these issues achieved an average growth rate of only 0.5 % per year. With weak and inadequate legal and regulatory framework, not to mention the different institutional, cultural and historical contexts of the developing countries, the free-market in these countries failed to stimulate economic development (World Bank, 2000).

#### 5. The New Growth Theory

Endogenous growth or the new growth theory emerged in the 1990s to explain the poor performance of many less developed countries, which have implemented policies as prescribed in neoclassical theories. Unlike the Solow model which considers technological change as an exogenous factor, the new growth model notes that technological change has not been equal nor has it been exogenously transmitted in mostdeveloping countries (World Bank, 2000). New growth theorists (Romer 1986; Lucas 1988; Aghion and Howitt 1992) linked technological change to the production of knowledge.



Figure 6: New Growth Theory
Source: <a href="https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcQryG1mVA5brNQm4fnHN1dd3C1LNFabIjAjqg&usqp=CAU">https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcQryG1mVA5brNQm4fnHN1dd3C1LNFabIjAjqg&usqp=CAUU</a>

This concept became central to the classical economy, as did Ricardo's distribution theory, which divided national the products into three social classes: wages workers, profits for capital owners, and rents for landlords (Nolen, 2021). The new growth theory emphasizes that economic growth results fromincreasing returns to the use of knowledge

rather than labour and capital. The theory argues that the higher rate of returns as expected in the Solow model is greatly eroded by lower levels of complementary investments in human capital (education), infrastructure, or researchand development (R&D). Meanwhile, knowledge is different from

other economic goods because of its possibility to grow boundlessly. Knowledge or innovation can be reused at zero additional cost. Investments in knowledge creation therefore can bring about sustainedgrowth. Moreover, the knowledge could create spillover benefits to other firms once they obtained the knowledge. However, markets failed to produce enough knowledge because individuals cannot capture all ofthe gains associated with creating new knowledge through their investments. Policy intervention is thus considered necessary to influence growth in the long term. The new growth models, therefore, promote the role of government and public policies complementary investments in human capital formation and the encouragement of foreign private investments in knowledge-intensive industries such ascomputer software and telecommunications (Meier, 2000). Although the new growth theory helps to explain the divergence in growth rates across economies, it was criticized for overlooking the importance of social and institutional structures (Skott and Auerbach, 1995). Its limited applicability lies in its assumptions. For example, it treats the economy as a single firm that does not permit the crucial growth-generating reallocation of labour and capital within the economy during the process of structural change. Moreover, there are many other factors which provide the incentives for economic growth that developing countries lack such as poor infrastructure, inadequate institutional structures and imperfect capital and goods markets (Cornwall and Cornwall, 1994). Policy-makers will therefore needto pay careful attention to all of the factors that determine the changes and their impacts on the aggregate growth rate.

# 6. Theory of Coordination Failure

The foundation of the theory of coordination failure is the idea that the market may fail to achieve coordination among complementary activities. When complementaries exist, that is when returns of one investment depend on the presence or extent of other investments, there exist two scenarios.

On the one hand, optimally, all investors as a whole are better off with all investments to be achieved at the same time. On the other hand, it would not make sense for an investor to take similar actions when he believes that others may not do the same as well. The market is said to have failed to coordinate investors 'actions in this way. Coordination failure, therefore, leads the market to an (equilibrium) outcome inferior to a potential situation in which resources would be optimally allocated and all agents would be better off. As a result, underdevelopment equilibrium is possible (Hoff and Stiglitz, 2000). The theory of coordination failure became influential in the 1990s.

#### **Self-Assessment Exercise**

Briefly discuss four theories of economic development planning.



## 3.4 Summary

In this unit, we have attempted to show various definitions of models and techniques of economic planning from various scholars of repute. Also, from the point of view of harmonization, you have learnt that all the definitions agreed with the fact that the planning model is a series of mathematical equations which help in the drawingup of a plan for economic development, we have also considered types of planning models and the theories of economic development planning. It is believed that your understanding of this unit will prepare you well forthis course. It is expected that you should be anxious of reading more about the next module.



# 3.5 References/Further Reading/Web Resources

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#### 3.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

Economic planning models consist of using quantitative equations which express relationships among economic variables to explain and predict past and future events under a set of simplifying assumptions known as a Model.

#### **Answers to SAEs 2**

- i. Aggregate growth, Macroeconomic or Simple Models
- ii. Multi-Sector Models
- iii. Decentralised Models

# **Answers to SAEs 3**

- a. The Linear Stages of Growth Theories
- b. Structural Change Theories
- c. International Dependence Theories
- d. Neoclassical Counter-Revolution Theories

#### **MODULE 2**

# The Concept and Approaches to Economic Growth and Development

Unit 1: Economic development and economic growth

Unit II: Sustainable development
Unit III: Concept of underdevelopment

#### Unit 1: Economic Development and EconomicGrowth

#### **Unit Structure**

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Development and Growth
  - 1.3.1 Meaning and concept of economic development and growth
  - 1.3.2 Measurement of economic development
  - 1.3.3 Human Development Index
- 1.4 Summary
- 1.5 References/Further Reading/Web Resources
- 1.6 Possible Answers to SAEs



#### 1.1 Introduction

Our discussion in the first module of this course was to introduce us to the general knowledge of economic planning. We shall again continue in this knowledge by looking at the concept and approaches of economic growth and development which will be duly discussed in this second module of this course. Therefore our task in the present module is tolook at economic development and economic growth, sustainabledevelopment and the concept of underdevelopment. For the above reasons, we shall familiarize ourselves with the meaning of economic development and growth, measurements of economic developments and the human development index which shall be duly served in this unit. It is, therefore, necessary for you to concentrate so that you can understand the explanations that will be given.



# 1.2 Learning Outcomes

At the end of this unit, you should be able to:

- Define what economic development and economic growth are.
- Show and identify the measurements of economic development.
- Understand what the human development index is all about.



# 1.3 Development and Growth

#### 1.3.1 Economic Development and Economic Growth

Speaking in a broad term, economic development refers to the problems of underdeveloped countries and economic growth to those of developed countries. A scholar known as 'Maddison' makes the distinction between the two terms in this sense that; the raising of income levels is generally called economic growth in rich countries and in poor ones it is called economic development. But this view does not specify the underlying forces which raise the income levels in the two types of countries. \_Professor Hicks points 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, most of their resources being already known and developed to a considerable extent.

The terms 'development' and 'growth' have nothing to do withthe type of economy. The distinction between the two relates to thenature and causes of change. Schumpeter 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, while growth is a gradual and steady change in the long run which comes about by agradual increase in the rate of savings and population. This view of Schumpeter has been widely accepted and elaborated by the majority of economists. Kindle Berger in his opinion, posit that 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 may well involve not only more output derived from greater amounts of inputs but also greater efficiency, i.e. an increase in output per unit. Development goes beyond this to imply changes in the composition of output and the allocation of inputs by sectors. Friedmann in his opinion considers growth as an expansion of the system in one or more dimensions without a change inits structure, and development as an innovative process leading to the structural transformation of the social system.

Thus economic growth is related to a quantitative sustained increase in the country's per capita output or income accompanied by an expansion in its labour force, consumption, capital and volume of trade. On the other hand, economic development is a wider concept than economic growth.



Figure 7: Economic Growth and Development

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It is taken to mean growth plus change. It is related to qualitative changes in economic wants, goods, incentives, institutions, productivity and knowledge or the \_upward movement of the entire social system. It describes the underlying determinants of growth such as technological and structural changes. In fact, economic development embraces both growth and decline. An economy can grow and not develop but it may continue to persist due to the absence of technological and structural changes. But it is difficult to imagine development without economic growth in the absence of an increase in output per capital, particularly when the population is growing rapidly.

Despite these apparent differences, some economists use these terms as synonyms. Arthur Lewis in his write up \_The Theory of Economic Growth' writes that \_most often we shall refer only to growth but occasionally for the sake of variety, progress or development. Therefore, for an economy to experience development, the basic social indicators of a good health care system, affordable housing, constant electricity supply, available portable water supply, efficient educationsystem, good road network, availability of infrastructural facilities etc have to be given priority in such an economy.

#### **Self-Assessment Exercise**

In your understanding, differentiate between economic growth and economic development.

# 1.3.2 Measurement of Economic Development

Economic development is measured in four ways; according to Jhingan, (2011)

- 1. GNP: This is known as Gross National Product which is the total monetary value of goods and services produced in a country in a yearwith net incomes from abroad. One of the methods to measure economic development is in terms of an increase in the economy's real national income over a long time. But this is not a satisfactory definition due to the following reasons.
- i. Real national income refers to the country's total output of final goods and services in real terms rather than in money terms. Thus price changes will have to be ruled out while calculating real national income. But this is unrealistic because variations in prices are inevitable. In this measure, the phrase \_over a long period implies a sustained increase inreal income. A short-period rise in national income which occurs duringthe upswing of the business cycles does not constitute economic development.
- ii. This measure fails to take into consideration changes in the growth of the population. If a rise in real national income is accompanied byfaster growth in population, there will be no economic growth but retardation.
- iii. The GNP figure also does not reveal the costs to society of environmental pollution, urbanization, industrialization and population growth. It considers natural resources to be free and treats the earth as a business in liquidation'
- iv. Further, it tells us nothing about the distribution of income in the economy.
- v. Moreover, there are certain conceptual difficulties in the measurement of GNP which are discussed as under.
  - a.GNP is always measured in money, but there are several goods and

services which are difficult to be assessed in terms of money, e.g painting as a hobby by an individual, the bringing up of children by the mother. According to a UN report, on an average two thirds of women's work and a quarter of men's work never enter into GNP calculations. By excluding all such services from it, the GNP will work out less than what it is.

- b. Another difficulty in calculating GNP is that of double countingwhich arises from the failure to distinguish properly between final and intermediate products. There always exists the fear of a good or service being included more than once. If it so happens, the GNP would work out to be many times the actual.
- c.As a corollary, it double counts both addictions and cures. Firstly, when food and wine are consumed. Secondly, when money is spent on the food industry and for curing alcoholism.

But GNP as an index of economic development has not been successfulin reducing poverty, unemployment and inequalities, and raising living standards in developing countries. Robert McNamara, the then Governor of the World Bank, admitted in February 1970 the failure of the GNP growth rate as an index of economic development in these words; 'In the developing world, and the end of the decade: malnutrition is common, in- fact mortality is high, life expectancy is low, illiteracy is widespread, unemployment is endemic and growing, the redistribution of income and wealth is severely skewed'. Thus GNP cannot be regarded as a measure of economic development.

- 2. GNP per Capita. The second measure relates to an increase in the per capital real income of the economy over a long period. Economists are one in defining economic development in terms of an increase in per capita real income or output. In the opinion of Meier, economic development is seen as the process whereby the real per capita income of a country increase over a long period, subject to the stipulations that the number of people below an \_absolute poverty line' does not increase, and that distribution of income does not become more unequal. This indicator of economic growth purports to emphasize that for economic development the rate of increase in real per capita income should be higher than the growth rate of the population.But difficulties remain.
- i. An increase in per capita income may not raise the real standard of living of the masses. It is possible that while per capita real income is increasing, per capita consumption might be failing. People might be increasing the rate of saving or the government might itself be using up the increased income for military or other purposes.
- ii. There is another possibility of the masses remaining poor despite an increase in the real GNP per capita if the increased income goes to the few rich instead of going to the many poor.
- iii. Such a measure subordinates other questions regarding \_the structure of the society, the size and composition of its population, its institutions and culture, the resource patterns and even the distribution of output among the society's members'
- iv. The real per capita income estimates fail to measure adequately changes in output due to changes in the price level. Index numbers used to measure

changes in the price level are simply rough approximations. Moreover, the price levels vary in different countries. Consumer's wants and preferences also differ in each country. Therefore, the national income figures of different countries are often misleading and incomparable.

v. International comparisons of the real GNP per capita are inaccurate due to the exchange rate conversion of different currencies into a common currency, i.e. US dollars, through the use of official exchange rates. These nominal exchange rates do not reflect the relative purchasing power of different currencies. Thus the comparisons of GNP per capita of different countries are erroneous.

Despite these limitations, the real GNP per capita is the most widely used measure of economic development.

3. Welfare: There is also a tendency to measure economic development from the point of view of economic welfare. Economic development is regarded as a process whereby there is an increase in the consumption of goods and services of individuals. According to Okun and Richardson, economic development is a sustained, secular improvement in material well-being, which we may consider to be reflected in an increasing flow of goods and services.

This indicator is also not free from limitations. The first limitation arises concerning the weights to be attached to the consumption of individuals, consumption of goods and services depends on the tastes and preferences of individuals. It is, therefore, not correct to have the same weights in preparing the welfare index of individuals. Secondly, in measuring economic welfare caution has to be exercised about the composition of the total output that is giving rise to an increase in per capita consumption, and how this output isbeing valued. The increased total output may be composed of capital goods. It may be at the cost of a reduced output of consumer goods. Thirdly, the real difficulty arises in the valuation of the output. Theoutput may be valued at market prices whereas economic welfare ismeasured by an increase in real national output of income. In fact, witha different distribution of income, prices would be different and both the composition and value of national output would also be different. Fourthly, from the welfare point of view, we must also consider not only what is produced but how it is produced. The expansion of real national output might have raised the real costs (pain and sacrifice) and social costs in the economy. For instance, the increased output might haveresulted from long hours and the deterioration of the working conditions of the labour force. Fifthly, it is not essential that with the increase in national income, the economic welfare might have improved. It is possible that with the increase in real national income/per capita income, the rich might have become richer and the poor poorer. Thus, a mere increase in economic welfare does not lead to economic development till the distribution of national income is equitable or justifiable. Lastly, we cannot equate an increase in output per head with an increase in economic welfare, let alone social welfare without additional considerations. To specify an optimum rate of development, we must make value judgments regarding income distribution, the composition of output, tastes, the real cost and other particular changes that are associated with the overall increase in the real income.

4. Social Indicators; Dissatisfied with GNP/GNP per capita asthe measure of economic development, certain economists have tried to measure it in terms of social indicators. Economists include a wide variety of items in social indicators. Some are inputs such as nutritional standards or the number of hospital beds or doctors per head of population, while others may be output corresponding to these inputs such as improvements in health in terms of infant mortality rates, sickness rates, etc. Social indicators are often referred to as the basic needs for development. Basic needs focus on alleviation of poverty by providing basic human needs to the poor. The direct provision of such basic needs such as health, education, food, water, sanitation and housing affects poverty in a shorter period and with fewer monetary resources than GNP/ GNP per capita is a strategy which aims at increasing productivity and incomes of the poor automatically over the long run. Basic needs lead to a higher level of productivity and income through human development in the form of educated and healthy people. The merit of social indicators is that they are concerned with ends, the ends being human development. Economic development is a means to these ends. Social indicators tell us how different countries prefer to allocate the GNP among alternative uses. Some may prefer to spend more on education and less on hospitals. Moreover, they give an idea about the presence, absence or deficiency of certain basic needs.

Hicks and Streeten consider six social indicators for basic needs as seen in the Table below:

Table 2.1: Indicators of Basic Needs

S/N	Basic need	Indicators
1	Health	Life expectancy at birth
2	Education	Literacy signifying primary school enrolment as
		percent of population.
3	Food	Calorie supply per head
4	Water supply	Infant mortality and percentage of population with access to potable water
5	Sanitation	Infant mortality and percentage of population with access to sanitation.
6	Housing	None.

Source: Jhingam M.L (2011)

#### **Self-Assessment Exercise**

Discuss the four measurements of economic development with relevant examples.

#### 1.3.3 Human Development Index

The Human Development Index (HDI) is a tool developed by the United Nations to measure and rank countries' levels of social and economic development based on four criteria: Life expectancy at birth, mean years of schooling, expected years of schooling and gross national income per capita. The HDI makes it possible to track changes in development levels over time and to compare development levels in different countries.

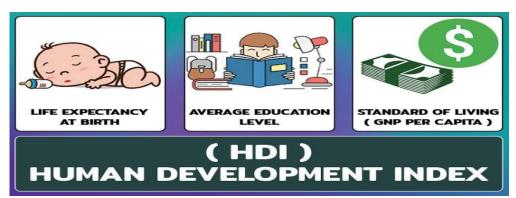


Figure 8: HDI

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 $\underline{tbn0.gstatic.com/images?q=tbn:ANd9GcSp5vm1CTcrgz7px2UkCcY2kZTCP9qmSnvDNw}\\ \underline{\&usqp=CAU}$ 

It is also a global index utilized to rank the development of countries by examining the achievements of the inhabitants of the country. The index factors in three important elements: standard of living, life expectancy, and literacy level. The index is not 100% accurate in its determinations due to inconsistencies and lack of data in certain parts of the world. The index was established in 1990 by the United Nations.

In 2010, the index ranked Norway, Australia, New Zealand, the United States and Ireland at the top of its list for "very high humandevelopment." The countries that fell at the bottom of its "low human development" list were Mozambique, Burundi, Niger, Congo and Zimbabwe. The index also shows that countries with lots of income do not always spend that money in ways that create high lifeexpectancies or education levels.

Human Development Report (HDR) combines three dimensions:

- 1. A long and healthy life: Life expectancy at birth
- 2. Education Index: Mean years of schooling and Expected years of schooling
- 3. A decent standard of living: GNI per capita (PPP US\$)
  In its 2010 Human Development Report, the UNDP began using a new method of calculating the HDI. The following three indices are used:
  - 1. Life Expectancy Index (LEI) =  $\underline{LE 20} = 85-20$ LEI is 1 when Life expectancy at birth is 85 and 0 when Life expectancyat birth is 20
  - 2. Education Index (EI) =  $\{MYSI\} + \{EYSI\}$  {2}
  - 2.1 Mean Years of Schooling Index (MYSI) =  $\{MYS\}$  {15} Fifteen is the projected maximum of this indicator for 2025.
  - 2.2 Expected Years of Schooling Index (EYSI) = {EYS}{18}Eighteen is equivalent to achieving a master's degree in most countries.
- 3. Income Index (II) =  $\underline{In\{GNIpc\}}$   $\underline{In\{100\}}$  In (75,000)  $\underline{In\{100\}}$  II is 1 when GNI per capita is \$75,000 and 0 when GNI per capita is

\$100. Finally, the HDI is the geometric mean of the previous threenormalized indices:

LE: Life expectancy at birth

MYS: Mean years of schooling (Years that a person 25 years of age orolder has spent in school)

EYS: Expected years of schooling (Years that a 5-year-old child will spend in schools throughout his life).

GNIpc: Gross national income at purchasing power parity per capita

In the final analysis, Nigeria's HDI value and rank for 2014 was 0.514 which put the country in the low human development category, positioning it at 152 out of 188 countries and territories. Between 2005 and 2014, Nigeria's HDI value increased from 0.467 to 0.514, an increase of 10.1 percent or an average annual increase of about 1.07 percent.

#### **Self-Assessment Exercise**

What do you understand by Human Development Index?



#### 1.4 Summary

In this unit, we have attempted to show the meaning of economic development and economic growth, covering what measurements of economic development is all about, and showing the Human Development Index and its formula. You have learnt that the economy can only be said to grow and develop when its people's standard of living, life expectancy, and literacy level are better-off. Your understanding of this unit should encourage you to be familiar more with the topics in this module as you read ahead to the next unit.



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# 1.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

Development is a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing, while growth is a gradual and steady change in the long run which comes about by agradual increase in the rate of savings and population.

#### **Answers to SAEs 2**

- i. Gross National Product
- ii. GNP per Capita.
- iii. Welfare
- iv. Social Indicators

#### **Answers to SAEs 3**

Human Development Index (HDI) is a tool developed by the United Nations to measure and rank countries' levels of social and economic development based on four criteria: Life expectancy at birth, mean years of schooling, expected years of schooling and gross national income per capita.

# **Unit II: Sustainable Development**

#### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Sustainable Development
  - 2.3.1 Meaning and definition of sustainable development
  - 2.3.2 Objectives of sustainable development
  - 2.3.3 Elements of Policies for sustainable development
  - 2.3.4 Sustainable Development Goals (SDGs)
- 2.4 Summary
- 2.5 References/Further Reading/Web Resources
- 2.6 Possible Answers to SAEs



#### 2.1 Introduction

It is good that we have familiarized ourselves with economic growth and development as well as its measurements and human development indices. We shall again be looking at sustainable developments bearing in mind itsmeaning, objectives, and elements of policies for sustainable development. An in-depth explanation of the above topics shall be provided. It is advisable that you critically concentrate as we move along with the explanations that will be given.



# 2.2 Learning Outcomes

At the end of this unit, you should be able to:

- Define what sustainable development is
- Understand the objectives of sustainable development.
- Highlight and explain elements of policies for sustainabledevelopment



#### 2.3 Sustainable Development

# 2.3.1 Meaning and Definition of SustainableDevelopment

According to the report 'Our common future by Ms Harlem Brundtland, sustainable development is defined as development that satisfies the needs of the present without compromising the ability of future generations to satisfy theirs. This report, published in 1987 by the United Nations World Commission on Environment and Development, insists on the need to protect the diversity of genes, species, and all terrestrial and aquatic ecosystems in nature. This is possible in particular via measures to protect the quality of the environment and by the restoration, development, and maintenance of habitats that are essential to species. This implies the sustainable management of the use of the animal and plant populations being exploited. In other words, it is

the rational management of human, natural, and economic resources that aims to satisfy the essential needs of humanity in the very long term. Sustainable development implies the fulfilment of several conditions: preserving the overall balance, respect for the environment, and preventing the exhaustion of natural resources. Reduced production of waste and the rationalization of production and energy consumption must also be implemented. Sustainable development is presented as a more or less clean break from other modes of development, which have led and are still leading to worrying social and ecological damage on both a worldwide and a local scale. To be sustainable, development must combine three main elements: fairness, protection of the environment, and economic efficiency.



Figure 9: Sustainable Development Source: <a href="https://data:image/jpeg;base64.uri-content">https://data:image/jpeg;base64.uri-content</a>

A sustainable development project must be based on a better-developed mode of consultation between the community and the members it comprises. The success of such a policy also depends on consumers accepting certain constraints and citizens observing certain requirements about transparency and participation. Securing economic development, social equity justice, and environmental protection the goal is of sustainable development. Although these three factors can work in harmony, they are often found to conflict with one

another. During the latter half of the 20th-century economic development for a better standard of living has been instrumental in damaging the environment. We are now in a position whereby we are consuming more resources than ever, and polluting the Earth with waste products. More recently, society has grown to realise that we cannot live in a healthy society or economy with so much poverty and environmental degradation. Economic growth will remain the basis for human development, but it must change and become less environmentally destructive. The challenge of sustainable development is to put this understanding into practice, changing our unsustainable ways into more sustainable ones that will last us.

#### **Self-Assessment Exercise**

Explain the term sustainable development.

#### 2.3.2 Objectives of Sustainable Development

Sustainable development aims to balance our economic, environmental and social needs, allowing prosperity for now and futuregenerations. Sustainable development consists of a long-term, integrated approach to developing and achieving a healthy community by jointly addressing economic, environmental, and social issues, whilst avoiding the overconsumption of key natural resources.

Sustainable development encourages us to conserve and enhance ourresource base, by gradually changing how we develop anduse technologies. Countries must be allowed to meet their basic needs of employment, food, energy, water and sanitation. If this is to be done sustainably, then there is a definite need for a sustainable levelof population. Economic growth should be supported and developing nations should be allowed growth of equal quality to the developednations.

The UK Government has recognised four objectives for Sustainable Development. These include (i) social progress and equality, (ii) environmental protection, (iii) conservation of natural resources and (iv) stable economic growth. Everybody has the right to a healthy, clean and safe environment. This can be achieved by reducing pollution, poverty, poor housing and unemployment. No one, in this age, or the future should be treated unfairly. Global environmental threats, such as climate change and poor air quality must be reduced to protect human and environmental health. The use of nonrenewable resources such as fossil fuels should not be stopped overnight, but they must be used efficiently and the development of alternatives should be encouraged to help phase them out. Everybody has the right to a good standard of living, with better job opportunities. Economic prosperity is required if our country is to prosper and our businesses must therefore offer a high standard of products that consumers throughout the world want, at the prices they are prepared to pay. For this, we need aworkforce equipped with suitable skills and education within a framework to support them.

#### **Self-Assessment Exercise**

Mention and explain the objectives of sustainable development.

#### 2.3.3 Important Elements of SustainableDevelopment Policies

Let us carefully look at some important elements that sustainable development policies should contain. They are discussed as follows.

1. Delivery of public goods.

Many of the benefits from government interventions needed to promote sustainable development have the characteristics of public goods (basic research, information, health and education). Also, many of these public goods are global, as they will benefit several countries (e.g. information on the state of global ecosystems). Effective delivery of these public goods requires overcoming obstacles to co- ordination, through burden-sharing rules that recognise the different responsibilities and response capacities of individual countries.

2. Cost-effectiveness.

Policies should aim at minimising their economic cost. This will require ensuring that the costs of each extra resource spent are equal across the range of possible interventions. Cost-effectiveness allows the minimisation of aggregate costs and the setting of more ambitious targets in the future.

3. Environmental effectiveness.

Policies should also secure the following under this:

i. Regeneration- i.e. renewable resources should be used efficiently and

their use should not be permitted to exceed their long term rates of natural regeneration;

- ii. Substitutability—i.e non-renewable resources should be used efficiently, and their use limited to levels that can be offset by renewable resources or other forms of capital;
- iii. Assimilation i.e. releases of hazardous or polluting substances to the environment should not exceed its assimilative capacity, and concentrations should be kept below established critical levels necessary for the protection of human health and the environment. Whenassimilative capacity is effectively zero, zero release of such substances is required to avoid their accumulation in the environment;
- iv. Avoiding irreversibility— i.e. irreversible adverse effects of human activities on ecosystems and bio-geochemical and hydrological cycles should be avoided. The natural processes capable of maintaining or restoring the integrity of ecosystems should be safeguarded from adverse impacts of human activities. The differing levels of resilience and carrying capacityof ecosystems should be considered, to conserve theirpopulations of threatened, endangered and critical species.

# 4. Policy integration.

Unsustainable practices may result from incoherent policies in different domains. Sectoral policies, in particular, are often introduced without due regard for the externalities being targeted by environmental policies, leading to inconsistencies and spill-over effects. Improving policy coherence requires better integration of economic, environmental, and social goals in different policies.

#### 5. Policy Precaution.

Threats of exceeding critical thresholds in the regenerative capacity of the environment are subject to uncertainty. Accordingly, when designing policies for sustainable development, countries should apply precautions as appropriate in situations where there is a lack of scientific certainty.

6. International co-operation.

With deepening international interdependency, spillovers become more pervasive. A narrow focus on national self-interest is not viable when countries are confronted with a range of environmental and social threats that have global implications.

7. Transparency and accountability.

A participatory approach is important to successfully meet the challenge of sustainable development, as the criteria for sustainability cannot be defined in purely technical terms.

This requires that the process through which decisions are reached is informed by the full range of possible consequences, and is accountable to the public. Invariably, sustainable development policies should be all-encompassing to achieve economic development goals

#### **Self-Assessment Exercise**

Mention and explain five elements that sustainable developmentshould contain.

# 2.3.4 Sustainable Development Goals (SDGs)

The goals of sustainable development were built on the premises of the Millennium Development Goals (MDGs). The SDGs have 17 goals which encompass an increase in economic growth, providing jobs, fighting inequality, industrialization, sustainable cities and human settlements, favourable ecosystem, climate change, sustainable production and consumption, building peace and unity, and equal justice in all institutions of the state. The goals of SDGs are applicable to all countries either developed, developing or underdeveloped. The SDG have 17 core objectives which aim at ending poverty and other deprivations with strategies of improving education, health and economic growth, as well as reducing inequality and tackling climate change by preserving the ecosystem. The Division for Sustainable Development Goals (DSDG) in the United Nations Department of Economic and Social Affairs (UNDESA) provides support and capacity building for the SDGs and their related thematic issues in key areas of water, climate, energy, oceans, urbanization and technology (UN, 2022). The

DSDG plays a key role in the evaluation of UN system-wide implementation of the 2030 agenda and in outreach activities relating to SDGs (UN 2022).

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Figure 10: Sustainable Development Goals

Source: <a href="https://encrypted-">https://encrypted-</a>

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The 17 sustainable development goals established by United Nations in 2015 are:

- 1. **No Poverty:** The aimed at eradicating all forms of poverty which consist of lack of food, shelter, social security and access to finance through conventional forms of financial inclusion. This goal aim at mobilizing resource to end poverty and establishment of poverty eradication policies framework.
- 2. **Zero Hunger:** This goal aim at providing food security by ending hunger through nutritional balance and sustainable agriculture in rural areas.
- 3. **Good Health and Well-being**: This is to ensure good health and promote well-being for all of all ages. The goal has to do with the reduction in maternal mortality rate, fighting communicable diseases, sexual and reproductive care through family planning, reducing road accidents and death, and reduce illness and death from hazardous chemicals and pollution.
- 4. **Quality Education**: The goal is to ensure inclusive and sound education and promote lifelong learning opportunities for all ages. This is to provide standard education in both urban and rural areas, with qualified teachers in

all subject matters.

- 5. **Gender Equality:** The aim is to achieve a balance of social and economic status as well as empower all women and girls in our societies. This will enable the society to end all forms of discrimination against women, by having access to property ownership and engaging in empowerment programmes. Also, there should be the participation of women in leadership and decision-making processes.
- 6. **Clean Water and Sanitation:** To ensure availability and sustainable management of water and sanitation for all. This includes provision for safe and affordable drinking water, freshwater supply, end to open defecation, access to sanitation and hygiene, and restoring water-related ecosystem.
- 7. **Affordable and Clean Energy:** This aims at ensure access to affordable, reliable, sustainable and modern energy for all. To promote access to research, technology and innovation for clean energy, and also increase the share of renewable energy in the global energy mix.
- 8. **Decent Work and Economic Growth:** To provide full and productive employment for all to achieve inclusive and sustainable economic growth. The aim is to provide job opportunities, especially for the teaming youths, and also end all forms of slavery and child labour.
- 9. **Industrialization, Innovation and Infrastructure:** SDG aims to build resilient infrastructure, promote sustainable industrialization and foster innovation.
- 10. **Reduced Inequality:** This goal has to do with the reduction in income inequalities, by promoting social, economic and political inclusions; and also ensuring equal opportunities and ending discrimination.
- 11. **Sustainable Cities and Urban Settlements:** This is to make cities inclusive, safe, resilient and sustainable, through adequate and affordable houses, transport systems and safe guarding of the cultural and natural heritage.
- 12. **Sustainable Production and Consumption:** One of the aims of SDG is to ensure good use of resources, improve energy efficiency, and sustainable infrastructure. Is to provide basic and decent jobs in terms of production and supply chain management, and ensure a better quality of life for all by minimizing the use of natural resources and toxic materials.
- 13. **Climate Change:** The aim is to integrate climate change measures into policies and planning, thereby building a mechanism to raise the capacity for planning and management. Climate change has made some environments devastated which are caused by droughts, wildfires, famine, floods, hurricanes etc.
- 14. **Life Below Water:** This aim conserves and sustainably uses the marine, oceans and seas resources for sustainable development. This is to reduce ocean acidification by protecting the aquatic animals and restoring the ecosystem. Also support small scale fishers and a standard treaty for international sea laws.
- 15. **Life on Land:** This includes conserving and restoring the terrestrial and fresh water ecosystem, by putting end to deforestation, land degradation, desertification and eliminating of poaching and trafficking of species on

land. The aim is to protect biodiversity, natural habitats and genetic resources.

- 16. **Peace, Justice and Strong Institutions:** SDG aims to promote peaceful and inclusive societies that are free from social vices, bribery and corruption, by providing access to justice and fundamental freedoms.
- 17. **Partnership for the Goals:** To strengthen the means of implementation and revitalise the global partnership for sustainable development, especially through capacity building, finance, technology, trade etc.

#### **Self-Assessment Exercise**

Discuss ten (10) Sustainable DevelopmentGoals (SDGs) by United Nations.



# 2.4 Summary

In this unit, we have attempted to discuss the meaning and definition of sustainable development, objectives of sustainable development and elements of policies for sustainable development. You have learnt that sustainable development encourages us to conserve and enhance our resource base, by gradually changing how we develop and usetechnologies. Countries must be allowed to meet their basic needs of employment, food, energy, water and sanitation. If this is to be done sustainably, then there is a definite need for a sustainable level of population. Economic growth should be supported and developing nations should be allowed growth of equal quality to the developed nations. You expected to read ahead against the next unit.



# 2.5 References/Further Reading/Web Resources

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# 2.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

Ms Harlem Brundtland defined sustainable development as development that satisfies the needs of the present without compromising the ability of future generations to satisfy theirs.

#### **Answers to SAEs 2**

- i. Social progress and equality
- ii. Environmental protection
- iii. Conservation of natural resources
- iv. Stable economic growth.

#### **Answers to SAEs 3**

- a. Delivery of public goods.
- b. Cost-effectiveness.
- c. Environmental effectiveness.
- d. Policy integration.
- e. Policy Precaution.
- f. International co-operation.

#### **Answers to SAEs 4**

- i. No Poverty
- ii. Zero Hunger
- iii. Good Health and Well-being
- iv. Quality Education
- v. Gender Equality
- vi. Clean Water and Sanitation
- vii. Affordable and Clean Energy
- viii. Decent Work and Economic Growth
- ix. Industrialization, Innovation and Infrastructure
- x. Reduced Inequality

#### **Unit III: The Concept of Underdevelopment**

#### **Unit Structure**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Concept of Underdevelopment
  - 3.3.1 Meaning of underdevelopment
  - 3.3.2 Visible criteria or indicators of an underdeveloped countries
  - 3.3.3 Need for Planning in Underdeveloped Countries
  - 3.3.4 Obstacles to economic development
- 3.4 Summary
- 3.5 References/Further Reading/Web Resources
- 3.6 Possible Answers to SAEs



#### 3.1 Introduction

In this unit, attention will be given to the concept of underdevelopment, focusing on the meaning of underdevelopment, visible criteria or indicators of underdeveloped countries and obstacles to economic development. It is advised that you follow an in-depth explanation of the above topics that will be provided as it will assist in the assimilation and proper understanding of this unit.



# 3.2 Learning Outcomes

At the end of this unit, you should be able to:

- □ Know the Meaning of underdevelopment.
- ☐ Highlight the visible criteria or indicators of underdeveloped countries.
- □ Understand the obstacles to economic development.



# 3.3 Concept of Underdevelopment

#### 3.3.1 Meaning of Underdevelopment

As a student of economics, you should know that in economics, underdevelopment is when resources are not used to their full socio-economic potential, with the result that local or regional development is slower in most cases thanit should be. Furthermore, it results from the complex interplay of internal and external factors that allow less developed countries only a lop-sided development progression. According to the United Nations experts, —an underdeveloped country is one in which per capita real income is low when compared with the per capita real income of the United States of America, Canada, Australia and Western Europe. In this sense, an adequate synonym would be poor countries.

This definition brings out an important feature of underdevelopment, namely,

poverty. But poverty is not always an adequate criterion to judge whether a country is developed or under-developed. For a country to be called under-developed there must be un-utilised or under-utilised natural resources which may be used for production to raise per capita income and standards of living of the people. If the resources of a country are meagre and scanty, then even after having fully developed them, they will remain poor.

Underdeveloped nations are characterized by a wide disparity between their rich and poor populations, and an unhealthy balance of trade.

Symptoms of underdevelopment include lack of access to job opportunities, health care, drinkable water, food, education and housing. The world consists of a group of rich nations anda large number of poor nations. It is usually held that economic development takes place in a series of capitalist stages and that today's underdeveloped countries are still in a stage of history through which the now developed countries passed long ago. The countries that arenow fully developed have never been underdeveloped in the first place, though they might have been undeveloped. All economies of the world are not equally developed. Some are more developed and advanced than others. Therefore, the economics of the world have been classified into developed economies and under-developed economies.

Previously, the undeveloped economies were called backward economies and the developed economies were known as advanced economies. But the terms backward and advanced are now considered unsatisfactory and misleading.

Therefore, the terms developed and under-developed began to be used in place of advanced and backward. But it is not easy to give a precise definition of an under-developed economy.

Professor Jacob Viner has provided a more satisfactory and adequate definition of an under-developed economy. According to Professor Viner, an under-developed country is one, —which has the good potential prospects for using more capital or more labour or more available natural resources, or all of these to support its present population on a higher level of living or if its per capita income level is already fairly high to support a larger population on a lower level of living. Thus, Professor Viner has emphasized that for a country to be called under-developed there must be possibilities and potentialities for its development. In other words, in an underdeveloped country resources must be lying un- utilised which can be used for increasing the rate of production and thereby raising the level of living of the people.

Thus, according to him, the basic criterion of under-development is whether there exist potential prospects for development and raising the standards of living of the people.

Similar to Professor Viner, Eugene Staley has also provided a definition. According to him, an underdeveloped country is characterized:

- i. Mass poverty is chronic and not the result of some temporary misfortune and
- ii. By obsolete methods of production and social organization which means that poverty is not entirely due to poor natural resources and hence could presumably be lessened by methods already proved in other countries.

Thus Eugene Staley emphasizes the existence of poverty as well as the

potentialities for development and raising standards of living. We conclude that an under-developed country is one which is poor but which has the future possibility and prospect of removing poverty and raising the levels of living of its people by utilising the idle and under-utilised resources for production. Since there exist potential prospects for development in almost all poor countries, therefore all poor countries are generally described as underdeveloped. These days the under-developed countries are usually called developing or less developed countries (LDCs). The developing countries are also calledthe Third World countries of which Nigeria and India were part. The First World consists of the Western developed countries like the UK, USA, Canada, France, Germany etc, whereas the erstwhile Communist Countries led by Soviet Russia like Croatia, Slovenia, Serbia, Serbia, Georgia, Hungary etc were referred to as the Second World countries.

#### **Self-Assessment Exercise**

Explain the term under-development.

#### 3.3.2 Visible Criteria or Indicators of Underdeveloped Countries

According to Jhingan (2011), an underdeveloped country has no potential for development. The Antarctic, the Arctic and parts of the Sahara may be termed undeveloped, while India, Nigeria, Pakistan, Uganda, Peru, Panama, etc. may be called underdeveloped countries. A poor country does not mean a young country. Poverty simply refers to the low level of per capita income of a country. This claim seemed to have changed as some of these countries are fast developing.

- 1. The first criterion of underdeveloped is the ratio of population to land area. But it is very difficult to ascertain whether a high or a low ratio of population to the area is an indicator of underdevelopment. There are many underdeveloped countries in Africa and Latin America where there are \_empty spaces'signifying a low ratio. While there are several other underdeveloped countries like India, Burma, Pakistan, Myanmar and many other South Asian countries which have a high ratio of population to the area. This criterion is, therefore, vague and superfluous.
- 2. Another indicator of underdevelopment is the ratio of industrial output to total output. It may also be explained as the ratio of industrial population to the total population. According to this criterion, countries with a low ratio of industrial output to total are considered underdeveloped. But this ratio tends to increase with the increase in the per capita income. Therefore, the degree of industrialization is often a consequence rather than a cause of economic prosperity in a country. In countries where agriculture is developed, tertiary or service industries tend to grow spontaneously because increasing disposable agricultural surplus creates demand for the products of the industrial sector. Thus, this criterion is not a valid indicator of underdevelopment.

- 3. The third criterion of underdevelopment is the low ratio of capital to per head of population. Nurkse defines underdeveloped countries as those which compared with the advanced countries are underequipped with capital concerning their population and natural resources. But the dearth of capital is not a satisfactory criterion of underdevelopment for the following reasons:

  (a) Capital deficiency is not related to the absolute size of a country's stock of capital but the ratio of capital to population or some other factor.
  (b) The principle of Marginal Productivity explains that where the ratio of capital to other factors is low, the marginal productivity of capital is high. But it is difficult to infer from this that in underdeveloped countries marginal productivity of capital is high since capital is scarce, or that high marginal productivity of capital suggests a scarcity of capital. Poor organization, low skills, unfavourable weather, etc. may tend to keep the marginal productivity of capital low in underdeveloped countries.
- 4. Another criterion indicates poverty as the main cause of underdevelopment. Staley defines an underdeveloped country as one characterised by mass poverty which is chronic and not the result of some temporary misfortune and by obsolete methods of production and social organization, which means that poverty is not entirely due to poor natural resources and hence could presumably be lessened by methods already proved in other countries. This definition points toward some of the important characteristics of underdeveloped countries. It cannot be denied that underdeveloped countries have unexploited natural resources, scarcity of capital goods and equipment, obsolete techniques of production and defects in socio-economic organization, cannot be. But it does not emphasize the basic criterion of underdevelopment, viz, low per capita income.
- 5. Thus one of the most commonly accepted criteria of underdevelopment is the low per capita real income of underdeveloped countries as compared with the advanced countries. According to the United Nations experts, —We use (the term underdeveloped country)to mean countries in which per capita real income is low when compared with the per capita real incomes of the United States of America, Canada, Australia and Western Europe. But such definitions which explain an underdeveloped country in terms of low per capita level of income can by no means be considered adequate and satisfactory. For they focus attention only on one aspect of underdevelopment, viz, poverty. They do not analyse the causes of low consumption levels, inhibited growth and of the underdevelopment potential of an underdeveloped economy.

# **Self-Assessment Exercise**

Enumerate and discuss the criteria features of underdeveloped countries.

#### 3.3.3 Need For Planning in Underdeveloped Countries:

Planning is essential for both developed and underdeveloped countries. It assists the developed countries to maintain a balanced growth. In underdeveloped

countries, planning aid in reducing poverty level thereby aims at raising the standard of living. The following are the need for planning in both developing and underdeveloped countries:

## 1. Remove the poverty and inequalities:



Figure 11: 2017 Inequality in Nigeria

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Planning enables both developing and underdeveloped countries to break the vicious circle of poverty. Many of these countries are characterized by low income, which leads to low savings and investment, and further low capital formation and low productivity; this will then in turn lead to poverty. Proper planning raises the national and per capital income, thereby reducing inequities in income and wealth, as well as increasing employment opportunities.

#### 2. Development of Agriculture and Industrial Sector:

Many developing and underdeveloped countries are still operating on the traditional systems of agricultural and industrial production. A good working plan can transform these sectors into a more productive economy by acquiring the necessary technology. Both sectors are interwoven with industry heavily depending on agriculture for raw materials.

#### 3. Infrastructure Development:

Most underdeveloped countries are facing the problem of infrastructural development. These countries are mostly faced with the problem of transport, road network, power, schools, health etc. These problems can only be solved through adequate planning, which can be facilitated by budget. In some cases, the infrastructural development can be geared by the private sector with the government providing enabling environment.

#### 4. To increase the rate of Economic Development:

Planning aids economic development through economic policies that stabilize both the monetary and fiscal policies. These policies assist in increasing the level of income thereby increasing the investment as well as capital formation. This process can also lead to financial inclusion of the rural areas, thereby mobilizing more capital formation for the economy.

#### 5. To improve and Strengthen the Market Mechanism:

The rationale for planning is to strengthen the market mechanism. The underdeveloped countries are characterized by an informal sector and unorganized market mechanism, with a large part of the non-monetized sector. It is only through an appropriate plans that markets such as product, factors, money and capital markets can be well organized.

#### **6.** Balanced Development of the Economy:

Planning always aims at balancing the sectors of an economy. The economy of most developing and underdeveloped nations are always skewed towards a single area. For example, Nigeria's economy is more oil and gas than any other sector. Most of the countries of this nature have little presence of diversification, with a large dependence on importation. Proper planning can lead to rapid economic development, especially through accelerated domestic and foreign investment (Alfa & Tukur, 2012).

# 7. Development of Money and Capital Markets:

Planning does not only accelerate the agricultural and industrial sectors, it also leads to the development of the financial sector. Planning leads to expansion of the capital market and regulation of the money market because lack of it coordination always serves as obstacle to the growth of industries.

#### **Self-Assessment Exercise**

Why the need for planning in underdeveloped countries?

## 3.3.4 Obstacles to Economic Development

There are many obstacles to economic growth and development indeveloping countries.

Let us look at a few of them.

#### 1. Governance challenges:

Related to the leadership problem is bad governance. Governance among others is defined as a system of values, policies, and institutions bywhich a society manages its economic, social, and political affairs through interactions within the state, civil society and private sector. Thus governance comprises the mechanisms and processes for citizens and groups to articulate their interests, work together and mediate their differences, and exercise their legal rights and obligations with rules, institutions, and practices that set limits and provide incentives for individuals, organizations and firms. Good governance refers to the question of how a society can organize itself to ensure equality of opportunity and equity (social and economic justice) for all citizens. It also promotes peoplecentered development.

# 2. Corruption Challenges:

Although corruption is a global scourge, Nigeria appears to suffer the most from it because the leaders are pathologically corrupt. Everyone appears to believe that the nation has a — culture of corruption. Over the years, Nigeria has earned a huge sum of money from crude oil, which has gone down the sinkhole created by corruption. In an article, \_oil giant that runs on the grease of politics', Nigeria was described as a rich nation floating on oil wealth \_but almost none of it flows to the people. Top public servants are very rich because they harbour the mentality that public money belongs to no one. National dailies are awash with news of how public officials are acquiring million dollar homes (within

and outside Nigeria) and stock piling stolen public money in financial institutions abroad.

## 3. Infrastructural and Institutional challenges:

Any person familiar with Nigeria would agree that some of the main challenges facing the economy are poor social infrastructure and institutions; bad roads, erratic power supply, limited access to potable water and basic healthcare, ineffective regulatory agencies, and much more. And the plethora of policies in the society is ineffective due to broken institutions and dilapidated infrastructure (Hoff, 2003).

# 4. Market challenges:

Lack of genuine competition in the system is among the challenges facing the economy. Real capitalistic economies are controlled by market forces or what Adam Smith brands as the invisible hand of the market. The self-regulating nature of the market determines where one lives and works, how much one earns, and what one can buy. Although every economy (developed, developing or underdeveloped) needs some form of government intervention.

#### 5. Cultural issues:

Some scholars argue that some countries lack the right culture for economic development. Their people might not want to take risks to start new businesses. Their people might feel that traditional cultural duties are more important than showing up to work every day. These sorts of cultural issues can slow down a country's growth.

#### 6. Foreign debt:

Sometimes, countries have to take actions that they do not want to take because they need to pay off their creditors. They might have to do things that bring money in the short term even if that hurts their ability invest for the long term.

#### 7. Lack of adequate human resources:

This may be a type of governmental problem. Many developing countries lack the educational infrastructure needed to develop a workforce that could support a more modern economy.

#### 8. Foreign competition:

Developing countries have to compete against companies from the developed world. This can be very difficult. It can force developing countries to stay with making low value-added products using cheaplabour instead of becoming more modernized

#### 9. Leadership challenges:

The leadership problem that has confronted Nigeria since independence appears to be worsening because the state of the polity is rapidly deteriorating. Very few of the leaders, if any, work for, —common good'. Over the years a wave of reform programmes have been undertaken but the society lacks committed political leadership to implement them to address the problems facing the economy. Thus leadership is a responsibility.

#### 10. Public officer's insincerity:

This greatly hampers development in the sense that certain policies which are supposed to be executed by public officers, if not sincerely overseen will lead to backwardness and jeopardy on the part of the country's economic development. A good example is the recent budget padding by some of Nigeria's public officer which delayed the process of passing the 2016 budget.

#### **Self-Assessment Exercise**

Highlight and discuss six obstacles to development in Nigeria



# 3.4 Summary

In this unit, we have examined the meaning of underdevelopment, highlighted the visible criteria or indicators of under-developed countries, and understand the obstacles to economic development. For a country to be called underdeveloped there must be un-utilised or under-utilised natural resources which may be used for production to raise per capita income and standards of living of the people. If the resources of a country are meagre and scanty, then even after having fully developed them, they will remain poor. It is strongly believed that your understanding of this unit and module will usher us into the next module. It is expected that you should read ahead to prepare for the next module.



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#### 3.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

An underdeveloped country is one in which per capita real income is low when compared with the per capita real income of the United States of America, Canada, Australia and Western Europe. For a country to be called under-developed there must be un-utilised or under-utilised natural resources which may be used for production to raise per capita income and standards of living of the people.

#### **Answers to SAEs 2**

- 1. The first criterion of underdeveloped is the ratio of population to land area.
- 2. Another indicator of underdevelopment is the ratio of industrial output to total output.
- 3. The third criterion of underdevelopment is the low ratio of capital to per head of population.
- 4. Another criterion indicates poverty as the main cause of underdevelopment.
- 5. Low per capita real income of underdeveloped countries as compared with the advanced countries.

#### **Answers to SAEs 3**

- 1. Remove the poverty and inequalities
- 2. Development of Agriculture and Industrial Sector
- 3. Infrastructure Development
- 4. To increase the rate of Economic Development
- 5. To improve and Strengthen the Market Mechanism
- 6. Balanced Development of the Economy
- 7. Development of Money and Capital Markets

#### **Answers to SAEs 4**

- i. Governance challenges
- ii. Corruption Challenges
- iii. Infrastructural and Institutional challenges
- iv. Market challenges
- v. Cultural issues
- vi. Foreign debt

#### **MODULE 3**

# **Economic Development Planning Experience in Nigeria**

Unit 1: The concept of national planning in Nigeria; Pre-independence to SAP Era

Unit II: National economic plans during and after the sap era

Unit III: Visions and policy statements of economic plans in Nigeria

# Unit 1: National planning in Nigeria; Pre-independence to SAPEra

#### **Unit Structure**

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Development Plans in Nigeria I
  - 1.3.1 Nigeria Pre-Independence Development Plan: (1945-56)
  - 1.3.2 Nigeria Post-Independence Development Plan: (1962-74) 1st and 2nd Plan
  - 1.3.3 Nigeria Post-Independence Development Plan: (1975-85) 3rd and 4th Plan
- 1.4 Summary
- 1.5 References/Further Reading/Web Resources
- 1.6 Possible Answers to SAEs



#### 1.1 Introduction

Our discussions from preceding modules had introduced to us what we need to know about things used in the proper economic planning of nations.

There is no country, whether developed or less developed that will not embark on an economic development plan to achieve its desired economic goals and targets. Planning entails the determination of control, direction and methods of accomplishing the overall organization or national objective. Plans must be directed and controlled towards achieving desired objectives. Development planning involves processes which ensure that national policies and strategies are realized and development concerns at all levels are fully integrated into the overall national development thrust. Therefore in this module development planning experience of Nigeria from independence to date shall be discussed.



# 1.2 Learning Outcomes

At the end of this unit, you should be able to;

- □ Discuss Nigeria's Pre-Independence development Plan: (1945-56)
- Explain Nigeria's Post-Independence Development Plan: (1962-68)(70-74) 1st and 2nd Plan
- □ Understand Nigeria's Post-Independence Development Plan:(1975-80)(81-85) 3rd and 4th Plan:



# 1.3 Development Plans in Nigeria I

#### 1.3.1 Nigeria's Pre-Independence development Plan: (1945-56)

Development plans have been accepted as a suitable strategy to address development challenges in Nigeria. Therefore, the analysis of various development plans in Nigeria since independence becomes necessary. Nigeria's planning experience began with the Ten-Year Plan of Development and Welfare for Nigeria which was introduced in 1946 by the colonial government (1945-1956) sequel to a circular from the Secretary of State for Colonies to all British colonies, directing the setting up of a Central Development Board (Onah, 2010). The Ten Year Plan of Development and Welfare for Nigeria could not be termed as plan in the real sense because it contained mainly a list of uncoordinated projects in various regions. The objective of the plan, though not stated was to meet the perceived needs of the colonial government rather than any conscious attempt to influence the overall performance of the Nigerian economy then (Egonmwan and Ibodje, 2001). The primary interest of the colonial government was to produce agricultural products such as groundnuts, palm oil, and cocoa that were required by the British factories. No attempt was made to articulate and incorporate the needs and interests of the Nigerian people into the objectives and priorities of the development plans (Onah, 2010). Ayo (1988) observes that the programme —suffered from non-specialized colonial administrators' approach to development planning, the inadequacy of planning machinery and the absence of clearly defined national objectives.

Irrespective of the weaknesses of the plan, it served as a launchpad for subsequent development plans in Nigeria. We shall see this in subsequent units in this module.

#### **Self-Assessment Exercise**

Briefly discuss Nigeria's pre-independence economic plan aspresented by the then colonial administration.

# 1.3.2 Nigeria's Post-Independence Development Plan:1st(1962-68) and 2nd(70-74)Plan

#### 1. First National Development Plan 1962-1968):

Immediately after the attainment of independence in 1960, the first National Development

Plan (1962-1968) was launched. The objectives of the plan were:

- 1. To bring about equal distributions of national income.
- 2. To speed up the rate of economic growth.
- 3. To generate savings for investments to reduce its dependenceon external capital for the development of the nation.
- 4. To get enough capital for the development of manpower.
- 5. To increase the standard of living of the masses particularly inrespect of food, housing, health and clothing.
- 6. To develop the infrastructure of the nation (Onyenwigwe 2009).

It had a proposed total investment expenditure of about a N2,132million. The public sector was expected to invest about N1,352.3 million while the remaining investment expenditure of N780 million was expected to be made by the private sector (Obi, 2006). Though the plan appeared impressive, due to political upheaval in the country which resulted in 30-month of civil war, the plan almost became redundant. According to Nnadozie (2004), the objectives and targets of the 1962-68 plan were too large and over-ambitious and therefore out of tune with the financial technical and managerial capabilities of the country. This made the plan lack clarity and precision in the formulation of objectives and targets (Onah, 2010). Despite the weaknesses of the plan, some major projects were executed during that period. These included the Nigerian Security and Minting Plant, the Jebba Paper Mill, the Sugar Mill, Niger Dam, the Niger Bridge, Onitsha, Kanji Dam and Port Harcourt Refinery.

# 2. The Second National Plan (1970-1974):

After the civil war, national reconstruction and rehabilitation were the focus of attention of the Federal Government. To hasten the growth of the national economy and ensure equitable distribution of national income, it became imperative to launch the Second National Development Plan. Initially, the plan was meant to cover the four years, 1970-1974, it was later extended to cover the fiscal year of 1974- 1975. The plan put forward five national objectives: a United, strong and self-reliant nation; a just and egalitarian society; a land of bright and full opportunities for all citizens; and free and democratic society (Onyenwigwe, 2009). Ayo (1988) outlines the differences between this plan and others as:

Besides being much bigger and more diversified in its project composition, it was the first truly national and fully integrated plan which viewed the economy as an organic unit: the twelve states were fully integrated into the national development plan. Also, unlike the first plan, the second plan was formulated wholly by Nigerians.

The total capital projected expenditure of about 4.9 billion was contained in the plan. Out of this figure, the proposed public sectorinvestment was 3.3 billion while the private sector was expected to invest 1.6 billion (Obi, 2006). The highest order of priorities in public sector projected expenditures were accorded to transport and communication, manufacturing, housing and education (Onah 2010). The second National Development Plan laid much emphasis on indigenization. In the opinion of Okowa (1991) —indigenization was seen by this plan as an instrument towards the long term objective of economic independence. Although the Second National Development Plan also attached importance to agriculture, industry and the development of high level and intermediate level manpower, theplan was beset with problems as in the first National Development Plan. Onah (2010) alludes to the fact that —the high priority given to agriculture and industry was not matched with action during the implementation of the plan. One of the basic tenets of the Second National Development Plan is the indigenization policy. The indigenization policy was carefully designed to encourage Nigerians to participate fully in the commercial, industrial and financial activities of the Nigerian economy.

Several indigenization decrees were made to realize the objectives of this policy. It is a sad commentary that closes to two years after the enactment of the first indigenization Decree (1972), outof about 950 affected enterprises, only 314 or 33 percent were confirmed as having fully complied with the provisions of the decree (Onah, 2010). It should also be emphasized that despite the indigenization policy, there were over 16 multinational oil companies representing the United States, Dutch, Japanese, British, Italian, German and French interests that had a firm and massive grip on Nigeria's Petroleum. (Koha, 1994). An interesting feature of the Second National Development Plan was the objective of creating a free and democratic society that was being challenged by the military government. This objective was put in place without considering any discussion on political development in the plan document and any means of returning to civilian rule. Despite the inadequacies of the plan,it witnessed achievements in the areas of industry and agriculture. The industrial sector recorded more improvements. Many industries in the war-affected areas were rehabilitated, coupled with the establishment of two salt factories in Kaduna. Super phosphates project and two vehicle assembly plants were also established. Other achievements included the establishment of Colleges of Technology and Trade Centers by stategovernments and the reconstruction of about 3,000 kilometres of roads.

#### **Self-Assessment Exercise**

Briefly discuss the premise on which the objectives of the first and second Nigeria economic plans as proposed by the government wereanchored bearing in mind their successes and failures.

# 1.3.3 Nigeria's Post-Independence Development Plan: (1975-80(81-85) 3rd and 4th Plan

#### 1. The Third National Development Plan (1975-1980):

The Third National Development Plan had a projected jumbo investment of N30 billion which was later increased to N43.3 billion. This represented ten times that of the Second Plan and about 15 times that of the First Plan (Obi, 2006). The objectives of the plan were:

- 1. Increase in per capita income.
- 2. More even distribution of income.
- 3. Reduction in the level of unemployment.
- 4. Increase in the supply of higher level manpower.
- 5. Diversification of the economy.
- 6. Balanced development and indigenization of economic activities.

The approach of the plan was to utilize resources from oil to develop the productive capacity of the economy and thereby permanently improve the standard of living of the people. Therefore, the plan was premised on the need for the public sector to provide facilities for the poorersections of the population including electrification, water supplies, health services, urban housing and education.

The assessment of the plan showed it focused to give priority to projects and programmes that would directly impact positively on the rural dwellers, but the meager allocations to agriculture and social development schemes did not

indicate a sincere intention of the government to achieve the objective. According to Okigbo (1989), agriculture and social development indices (education, housing, health, welfare etc) that have a direct bearing on the living conditions of the rural population received only 5 percent and 11.5 percent respectively of the financial allocations contained in the plan. It is appropriate to state here that the meagre allocation to agriculture and social development schemes, which were priority areas, indicated the —lack of focus of the planners on careful sifting of the criteria for allotting principles! (Onah, 2010). In this context, nobody should expect the plan to achieve the desired objectives like other plans before it, the third plan did not achieve its set targets. Irrespective of the inadequacies of this plan, it witnessed achievements in some areas. In the opinion of Okowa (1991), —in terms of achievement, the manufacturing sector recorded the fastest growth rate with an average of 18.1 percent per annum. Some other sectors that witnessed growth were building and construction and government services.

# 2. Fourth National Development Plan (1981-1985):

The Fourth National Development Plan (1981-85) came on board in 1981. It was the first that the civilian government prepared since the intervention of the military in Nigerian politics in 1966. The objectives of the plan according to Obi (2006) were:

- i. An increase in the real income of the average citizen;
- ii. More even distribution of income among individuals and socio-economic groups
- iii. Reduction in the level of unemployment and underemployment;
- iv. Increase in the supply of skilled manpower;
- v. Reduction of the dependence of the economy on the narrow rangeof activities;
- vi. Increased participation by the citizens in the ownership andmanagement of productive enterprises;
- vii. Greater self-reliance that is, increased dependence on localresources in seeking to achieve the various objectives of the society;
- viii. Development of technology;
- ix. Increased productivity and
- x. The promotion of a new national orientation conducive to greater discipline, a better attitude to work and a cleaner environment.

The projected capital investment of the plan was put at N82billion. Outof this figure, the public sector investment was to invest N70.5 billion while the private sector was expected to invest N11.7 billion (Obi, 2006).

According to Adedeji (1989), the plan was —the largest and most ambitious programme of investment launched in Nigerial. The plan also adopted as its main strategy the use of resources generated from oil to ensure all-round expansion in the production capacity of the economy and to lay a foundation for self-sustaining growth (Egonmwam & Ibodje, 2001). It was anticipated in the Fourth Plan that exports led by petroleum products would generate enough funds to actualize the plan that had been formulated.

Eventually, the revenue realized from exports was far below anticipated

projections. It is a sad commentary that only 54 percent of the export proceeds projected for the period were realized in 1984. For instance, it was projected that N79.449 million would be earned from petroleum exports between 1980 and 1984, but only N52.78 million, (66.4 percent) of the projected figure was earned (Okigbo, 1989).

The aim of debt is to have a positive effect on the economy by enhancing it GDP (Alfa, Ewugi & Gomina, 2022). With the dwindling resources to finance the Fourth Plan, the Nigerian economy witnessed debt service and balance of payment problems coupled with a high level of inflation. Most of the projects that were started at the beginning of the plan period could not be completed and these together with several spillover projects from the previous plan had to be abandoned (Jaja, 2000). The growth rate of Gross Domestic Product (GDP) per annum was only 1.25 percent compared to 5.5, 13.2 and 4.6 percent under the previous National Development plans (Onah, 2010). Another problem with this plan was a rise in the cost of living that led to a reduction in the standard of living of the common man. There was also a phenomenal increase in unemployment among school leavers in the country. The external reserves kept on declining. Commenting on the plan, Alapiki (2009) observed that —the plan period 1981-85 proved to be the most dismal in the economic history of Nigeria at that time. The Fourth National Development Plan recorded some achievements in some areas despite its drawbacks. The implementation of the Agricultural Development Programme (ADP) in most states was completed, and the commissioning of Egbin Power Station, Dry Dock Project at snake Island, Lagos and the 87 telephone exchanges located all over the federation which increased the number of subscribers to telephone lines from 188,000 in 1981 to 297,000 in 1985 were some of the achievements. (Egonmwan and Ibodje, 2001).

# **Self-Assessment Exercise**

Briefly discuss the premise on which the objectives of the third and fourth Nigeria economic plans as proposed by the government were anchored bearing in mind its success and failure.



# 1.4 Summary

In this unit, we have attempted to discuss the Nigeria's Pre-Independence development Plan: (1945-56), explain Nigeria's Post-Independence DevelopmentPlan: (1962-74) 1<sup>st</sup> and 2<sup>nd</sup> Plan and understand Nigeria's Post-IndependenceDevelopment Plan: (1975-85) 3<sup>rd</sup> and 4<sup>th</sup> Plan. It is a pity that despite these entire laudable plans, it fails to achieve its objectives as expected. It is believed that your understanding of this unit has given you a basis to understand the next unit. You are advised to prepare for the next unit as you read along.



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UNDP (2013). Human Development Report. New York: UNDP.



#### 1.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

Nigeria's planning experience began with the Ten-Year Plan of Development and Welfare for Nigeria which was introduced in 1946 by the colonial government (1945-1956) sequel to a circular from the Secretary of State for Colonies to all British colonies, directing the setting up of a Central Development Board (Onah, 2010).

#### **Answers to SAEs 2**

- i. To bring about equal distributions of national income.
- ii. To speed up the rate of economic growth.
- iii. To generate savings for investments to reduce its dependenceon external capital for the development of the nation.
- iv. To get enough capital for the development of manpower.
- v. To increase the standard of living of the masses particularly inrespect of food, housing, health and clothing.
- vi. To develop the infrastructure of the nation

#### **Answers to SAEs 3**

- 1. Increase in per capita income.
- 2. More even distribution of income.
- 3. Reduction in the level of unemployment.
- 4. Increase in the supply of higher level manpower.
- 5. Diversification of the economy.
- 6. Balanced development and indigenization of economic activities.
- 7. An increase in the real income of the average citizen;
- 8. More even distribution of income among individuals and socio-economic groups
- 9. Reduction in the level of unemployment and underemployment;
- 10. Increase in the supply of skilled manpower;
- 11. Reduction of the dependence of the economy on the narrow rangeof activities

# Unit II: National Economic Plans During and After SAP Era

#### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Development Plans in Nigeria II
  - 2.3.1 The Fifth National Development Plan and SAP (1986-89)
  - 2.3.2 The Perspective Plan and Rolling Plans (1990-1998):
  - 2.3.3 Macro objectives of rolling plans in Nigeria
- 2.4 Summary
- 2.5 References/Further Reading/Web Resources
- 2.6 Possible Answers to SAEs



#### 2.1 Introduction

Having studied the national development plans in Nigeria before independence to pre SAP era critically, it is imperative to familiarise you with the topic to be discussed in this unit. The SAP era was a period where adjustments were expected to be made by all and sundry bearing in mind the economic situation at that time. SAP, whichis the Structural Adjustment Programme, was aimed at belt-tightening to salvage Nigeria's economy which was on the verge of collapse on account of rising inflation, high exchange rate, high unemployment rate, increase poverty, low per-capita income, poor infrastructural facility, high level of corruption, low value of the naira etc to mention but few. Therefore, our discussion in this unit will describe the national economic plans during and after the SAP era. You need to pay attention as we move on.



# 2.2 Learning Outcomes

At the end of this unit, you should be able to;

- □ Understand the Fifth National Development Plan and SAP (1986-89)
- ☐ Ascertain the Perspective Plan and Rolling Plans (1990-1998):
- □ Discuss the macro objectives of rolling plans in Nigeria



# 2.3 Development Plans in Nigeria II

# 2.3.1 The Fifth National Development Plan and SAP (1986-89)

Due to the poor implementation of the Fourth National Development Plan, machinery was put in place for the preparation of the Fifth National Development Plan. To facilitate the exercise, a conference was held at the University of Ibadan in November 1984 to deliberate on the appropriate mechanisms for the Fifth National Development Plan. The conference suggested

some measures which formed the cornerstone of the policies and strategies incorporated in the Fifth National Development Plan.



Figure 12: Structural Adjustment Programme Source:https://encrypted-

 $\underline{tbn0.gstatic.com/images?q=tbn:} ANd9GcRcpgcHRQehqBUb8pqyta2WJTGlYcs6YaXtXQ\&usqp=CAU$ 

The objectives of the Fifth National Development Plan were:

- i. Diversification of the nation's economy away from the mono-cultural one to which it had been pushed by the fortunes of the oil sector;
- ii. Revitalization of the agricultural sector to achieve thorough integrated rural development programmes;
- iii. Domestic production of raw materials for local industries to reduce the importation of locally manufactured goods and
- iv. Promotion of employment opportunities to arrest the deteriorating mass unemployment (Onyenwigwe, 2009).

The primary focus of the plan was to correct the structural defects in the economy and create a more self-reliant economy that would largely be regulated by market forces. The economy was therefore expected to be restructured in favour of the production sector especially those of agriculture and manufacturing (Onyenwigwe, 2009). More than ever; the linkagebetween the agricultural and manufacturing sectors of the economy was to be emphasized during the plan (Ayo, 1988). The Fifth National Development Plan did not materialize. It was later incorporated into the Structural Adjustment Programme (SAP). The two year SAP brought toan end the five-year planning model in Nigeria. One major objective of SAP was the adoption of a realistic exchange rate policy to reduce the inflationary rates and promote economic self—reliance. The Federal government changed the two-year model to three-year rolling plans. SAP failed because it was not faithfully and well implemented.

#### **Self-Assessment Exercise**

Highlight and briefly discuss the objectives of the fifth Nigeria development plan.

## 2.3.2 The Perspective Plan and Rolling Plans (1990-1998):

The Babangida administration had abandoned the previous fixed five-year development plans and replaced them with two types of national plans viz: a perspective plan which was to cover 15-20 years to provide an opportunity for a

realistic long-term view of the problem of the country and the rolling plan which was to cover three years subject to review every year to ascertain whether the economy is progressing or not. You should know that a perspective plan is a long-term plan or plan (11- 20 years) while the rolling plan is a medium-term plan otherwise called a short term plan (2-5 years). On the other hand, an annual plan is regarded as a yearly plan otherwise called a budget. The perspective plan which was to start from 1990 together with the rolling plans did not take off until 1996 when Abacha set up the Vision 2010 Committee. The main report of Vision 2010 submitted to the Abacha government in September 1997 among other things recommended that the vision should provide the focus of all plans including long (perspective), medium (rolling) and annual plans (budgets) (Adubi, 2002). Therefore, the Vision became the first perspective plan for the country even though it failed to proceed beyond Abacha's death in 1998. The three-year rolling plan became operational in 1990 with the introduction of the First National Rolling Plan (1990- 1992). The primary objective of the rolling plan was to afford the country the opportunity of revision in the —midst of increasing socio-political and economic uncertainties (Ikeanyibe (2009). But the preparation of medium-term plans turned out to be a yearly event and became almost indistinguishable from annual budgets. Rolling plans are being prepared annually at all levels of government. At the end of about ten rolling plans from 1990 to 1999, Nigerians are not better off than they were during the years of fixed medium-term planning (Okojie, 2002).

## **Self-Assessment Exercise**

What do you understand by perspective plan, rolling plan and annual plan?

# 2.3.3 Macro objectives of rolling plans in Nigeria

The following are the macro objectives of rolling plans in Nigeria as highlighted by Akosile, Adesanya and Ajani (2012) in their textbook as follows.

- i. Consolidation of the gains of the Structural Adjustment Programme (SAP) and pursuance of policies and programmes designed to sustain the adjustment process and strengthen the base for amarket economy.
- ii. Enhancing the level of socio-political awareness of Nigerians.
- iii. Creating and Enhancing employment opportunities for Nigerians
- iv. Consolidating the achievement in the area of food production andindustrial raw materials.
- v. Continued effort to reduce the adverse effect of the economicdownturn and the adjustment process on the most affected groups.
- vi. Laying a solid foundation for self-reliant industrial development is a key to self-sustaining dynamic and non-inflationary growth.

## **Self-Assessment Exercise**

Highlight five macro-economic objectives of Nigeria's rolling plan and expatriate further on it.



# 2.4 Summary

In this unit, we have attempted to discuss the Fifth National Development Plan and SAP (1986-89), ascertain the Perspective Plan and Rolling Plans (1990-1998) as well as discuss the macro objectives of rolling plans in Nigeria. The primary objective of the rolling plan was to afford the country the opportunity of revising the plan in the —midst of increasing socio-political and economic uncertainties and perspective plan as a long term project pursuit. You are expected to read ahead of the next unit for easy assimilation.



# 2.5 References/Further Reading/Web Resources

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UNDP (2013). Human Development Report. New York: UNDP.



## 2.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

- 1. Diversification of the nation's economy away from the mono-cultural one to which it had been pushed by the fortunes of the oil sector;
- 2. Revitalization of the agricultural sector to achieve thorough integrated rural development programmes;
- 3. Domestic production of raw materials for local industries to reduce the importation of locally manufactured goods and
- 4. Promotion of employment opportunities to arrest the deteriorating mass unemployment.

#### **Answers to SAEs 2**

Perspective plan is a long-term plan or plan (11- 20years) while the rolling plan is a medium-term plan otherwise called a short term plan (2-5years). On the other hand, an annual plan is regarded as a yearly plan otherwise called a budget.

#### **Answers to SAEs 3**

- i. Consolidation of the gains of the Structural Adjustment Programme (SAP) and pursuance of policies and programmes designed to sustain the adjustment process and strengthen the base for amarket economy.
- ii. Enhancing the level of socio-political awareness of Nigerians.
- iii. Creating and Enhancing employment opportunities for Nigerians
- iv. Consolidating the achievement in the area of food production and industrial raw materials.
- v. Continued effort to reduce the adverse effect of the economicdownturn and the adjustment process on the most affected groups.

# Unit III: Visions and Policy Statements of Economic Plans in Nigeria

#### **Unit Structure**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Nigerian Vision and Policies
  - 3.3.1 Overview of Nigeria vision 2010 economic plan.
  - 3.3.2 National Economic Empowerment Development Strategy
  - 3.3.3 Vision 2020
  - 3.3.4 The Seven-Point Agenda
  - 3.3.5 The Transformation Agenda
  - 3.3.6 The Economic Recovery and Growth Plan (ERGP)
  - 3.3.7 Challenges of economic developments plans in Nigeria
- 3.4 Summary
- 3.5 References/Further Reading/Web Resources
- 3.6 Possible Answers to SAEs



## 3.1 Introduction

The need to have a long term development plan was informed by the success stories of long term planning from the fast and miracle developed countries of the world most especially the East Asian Tigers of South Korea, Malaysia, Hong Kong, Singapore and Taiwan. Their successful implementation of their long term economic and social goals has become what other less developed countries of which Nigeria is one now copy. We shall therefore discuss the various vision statement, like vision 2010, Vision 2020, seven-point agenda, the Transformation agenda and the economic recovery and growth plan. An indepth explanation of the above topics shall be provided. It is advisable that you critically concentrate as we move along with the explanations that will be given.



# 3.2 Learning Outcomes

At the end of this unit, you should be able to:

- □ Show the overview of Nigeria's vision 2010 economic plan.
- □ Discuss the NEEDS, Vision 2020, and other policy statements
- □ Understand the challenges of economic developments plans inNigeria



# 3.3 Nigerian Vision and Policies

# 3.3.1 Overview of Nigeria Vision 2010 Economic Plan

Vision 2010 was a projected economic plan for Nigeria to improve economically. Nigeria is a less-developed country, whose politics have been

shaped by chronic military dictatorships, dependence on oil, ethnic and social cleavages, and a population too large to feed. In the creation of Vision 2010, 248 members developed plans that would hopefully guide the country out of poverty and other national crises. Sub-committees worked on solving key issues that needed to be resolved.

The main objectives expressed in Vision 2010 are increased political stability, economic prosperity and social harmony. However, the Vision includes several more specific environmental/climate-related objectives. One such goal is to increase the national forest reserves (from 10% in 2003) to 25% by 2010. Other objectivesalso include obtaining full compliance with existing regulations, decreasing theemission of dangerous gases in to the atmosphere to zero and eliminatinggas flaring by 2008. Other areas of concern include the following: Politics - Stable democracy with a federal system, rule of law, and political accountability. Economy - Decrease in oil dependence (now over 90% of the country's export earnings) and increase in GDP.

Education - Better educated population (as of then, only 50% of children between 5 and 24 enrolled in primary, secondary, and higher education).

Urbanization - Nigeria has a high urban increase rate (5-7%) and growth needs to be managed. Rural development should be stressed.

Unemployment - is very high in Nigeria; even bankers and doctorshad become unemployed.

Infrastructure (internal framework) - poor electricity, telecommunications, freshwater supply, poor road networks, lack of affordable housing.

Corruption - a history of military leaders has resulted in corruption for personal gain at the expense of the people.

Women's inferiority - women generally have greater health problems and fewer education facilities than men. The literacy rate of adult women is significantly low. To meet up with the above challenges through the vision, the following solutions were recommended as ways out.

- 1. Institute and maintain democratic elections in the Fourth Republic. Nigeria has a history of military dictatorships and coup d'états which short-lived the republics.
- 2. Increase in the private sector to enhance competition.
- 3. Money created should allow for infrastructure to be rebuilt.
- 4. Increased female access to education and job opportunity should raise literacy and equal gender rights.
- 5. Devote over one-quarter of the government's budget to education.

If better education is promoted, workforce can provide for more labour. Criminal activity and violence have resulted from a lack of youth education. New scientific and medicinal advancements can be made with better education systems.

After the blueprints were drawn, implementing these strategies became difficult. Following Abacha's death in 1998, Abdusalami Abubakar took control as Head of State. General Abubakar endorsed Vision 2010, as he had worked on the formation of the plan. Economicplans were always introduced but not

very successful. There was a lack of discipline in Nigeria to carry out the needs of these plans, so they did poorly. If Vision 2010 hopes to be successful, it will require the nation as a whole to cooperate and take the initiative to look past each other's ethnic differences. Invariably, the vision was not achieved and the policy failed as usual due to poor implementation, corruption and bureaucracy.

#### **Self-Assessment Exercise**

Vision 2010 policy fails because of poor implementation, corruption and bureaucracy; Discuss

# 3.3.2 National Economic Empowerment Development Strategy (NEEDS)

From our earlier discussions, we know that successive governments have attempted one form of economic policy or the other. We shall again look at some of it as discussed below. You are admonished to concentrate on the explanation given below.

National Economic Empowerment and Development Strategy (NEEDS) (2003-2007): When the Obasanjo's government was re-elected in 2003, it realized the necessity for a comprehensive sociopolitical and economic reform of the country since the previous plans did not put the Nigerian economy on sound footings. It was in this context that the National Economic Empowerment and Development Strategy (NEEDS) which appeared to be a road map to address the development challenges in Nigeria was launched. The basic thrust of NEEDS focused on: empowerment, wealth



Figure 13: NEEDS Source: <a href="https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9Gc">https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9Gc</a> RAZd7RaZ15b7RsahZRJpJEIyckcu1dAv t5eA&usqp=CAU

creation, employment generation and poverty reduction as well as value reorientation. The document was also to cover states and Local governments. At States level, it was called the State Economic Empowerment and Development Strategy (SEEDS), while at the Local government level it is called Local Economic Empowerment and Development Strategy (LEEDS). It is worrisome that the government has not realized most of the professed objectives of NEEDS. Within the period of NEEDS 2003-2007, Nigeria's annual budget crossed the threshold of billions into trillions of naira, but the per capita income of Nigeria fell into the one dollar per head level of the poorest countries. Education, which is expected to empower citizens, witnessed an increase in the number of educational institutions from primary to tertiary institutions. The universities increased from about forty in 1999 and mainly belonging to federal and state governments to about eighty-nine in April 2007, with greater private sector participation. It is regrettable that despite the increase in the number of educational institutions, the cost of education is very exorbitant. For example, an average private university charge fees as high as N600,000 per session. This

has led to a reduction in a number of citizens that can have access to higher education. Therefore, the empowerment of such citizens is grievously hampered. NEEDS had planned to create about seven million jobs by 2007, but the reality is that most policies adopted by the government to realize this objective were inimical to employment generation. In her efforts to reform government institutions, many employees have lost their jobs. The Central Bank of Nigeria alone severed 804 employees through mandatory retirement in 2005 (CBN, 2005). In the area of infrastructural development, NEEDS also failed to achieve the expected objectives. Electricity, which coincidently was a major policy choice area of the government, rather than show improvement, seemed to have declined tremendously (Ikeanyibe, 2009). The poor supply of electricity in the country reached a dangerous proportion by 2007 and persists in 2016. Adegboyega (2006), observed that —we have to look beyond Obasanjo's reform package if we must get out of the power quagmire. As a medium-term plan, most of the objectives of NEEDS should have been achieved before the expiration of Obasanjo's administration in May 2007. The truth is that NEEDS as an economic development planning policy did not achieve the expected results like previous development plans in Nigeria. The four main objectives viz: employment generation, poverty reduction, wealth creation and value reorientation remained only on paper.

## **Self-Assessment Exercise**

Highlight and discuss the meaning of NEEDS policy in federal state and local government.

#### 3.3.3 Vision 20: 2020

The Nigerian government under President Olusegun Obasanjo launched the Vision 20:2020 in 2007 as a development planning initiative; the major objective is to make efficient use of human and natural resources to achieve rapid economic growth and to translate the economic growth into equitable social development for all citizens. The essence of the programme is to make Nigeria one of the first 20 economies in the world by the year 2020 (Iheanacho, 2012). It promises to move Nigeria from its position of 41st in the world to the 20th best by 2020 and to make Nigeria the African Financial centre of choice by that same year (Ugwu, 2009). The Yar'adua administration carried over the Vision 20:2020 from the Obasanjo's administration. On the basis of Oyebode (2007) and Iluyomade (2008), Ugwu (2009) observed that most of the yardsticks used in the statistics of Vision 20:2020 were economic indicators of growth in Gross Domestic Product (GDP) and Gross National Product (GNP). Daggash (2008) who was then a Minister and Deputy Chairman of the National Planning Commission opined that Vision 2020 had clear goals and it includes engendering peaceful, harmonious and stable democracy by 2020; sustenance of sound, stable and globally competitive economy with an estimated GDP of not less than \$900billion and per-capita GDP of over \$4000.

Other goals include the provision of infrastructure, modern and a vibrant system of education, improved health sector and delivery services that can guarantee a life expectancy of not less than 70 years; a modern and technologically based agriculture sector, a competitive manufacturing sector, etc (Ibietan and Ekhosuehi, 2013).

The rural areas in Nigeria must be transformed from age-long poverty and misery

centres to urban status of world standard. Nigeria's education, health, power, agriculture, manufacturing and other sectors must receive such miraculous boosts that in 10years time, the country will compare with high-income OECD nations in



Figure 14: Vision 20:2020 Source: https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcQ3fwbPwlh4ulr QksL8kzfeWduiTuW65xQECA&usqp=CAU

all development respect (Eneh, 2011). Nigeria must move from its 152nd (2014) position in the UNDP human development ranking to the first 20 positions in the world. Eneh (2011) therefore reports that Nigeria's Vision 20:2020 like other development plans and initiatives is nothing but a mere vision until it is realized. Ibietan and Ekhosuehi (2013) observed that Vision 20:2020

also tailored the paths of other plans by presenting areas/issues it was not to cover in an omnibus manner without breaking it down into phases. The assumption of prudent economic management which the vision was built upon for its success is still lacking in Nigeria. At present, Nigerians are beset with hunger and starvation, a dilapidated road network, poor power supply, an underdeveloped rail system and insecurity of lives and property, high unemployment rate, low level of exportation, high inflationary rate and flying exchange rate etc. Is Vision 20:2020 attainable under the present state of affairs? Based on the previous experience of the failures in Nigeria's development plans and initiatives the Vision 20:2020 is bound to fail if not well monitored, articulated and implemented.

#### **Self-Assessment Exercise**

Discuss the Vision 20:2020 government policy of Nigeria.

#### 3.3.4 The Seven-Point Agenda

The administration of President Yar'adua presented a seven-point agenda for development in Nigeria and it is aimed at tackling the numerous problems of power and energy; food security and agriculture; wealth creation and empowerment; transport sector; land reforms; security; education. In power and energy, the agenda aim at the development of a sufficient and adequate power supply to ensure Nigeria's ability to compete as a modern economy and achieve full industrialization by the year 2015. The plan is to increase the power supply to 10,000 megawatts (MW) in 2011 and 50,000 MW by 2015. At the core of the infrastructural reform is the need to move from an extractive industry fraught with corruption with no value added to the productive sector of the economy. Food security, is anchored on the desire for wealth creation through development of modern technology, research, financial injection into research, production and the development of agricultural inputs. It was expected that the agricultural sector will lead to a 5-10 fold increase in yield and food production, thereby resulting in massive domestic and commercial outputs and technological

knowledge transfer to farmers. Transport reforms would involve road and rail development, with rehabilitation and modernization of the Nigerian railway and the construction of a new road networks across the country as well as constant rehabilitation of existing ones. For education, it involves a strategic educational development plan to ensure excellence in both the tutoring and learning of skills in science and technology by students who will be seen as the future innovators and industrialists of Nigeria. The assurance of security of life and property is to improve the internal and external investment climate. Thus, security is seen as not only a constitutional requirement but also a necessary infrastructure for the development of a modern Nigeria.

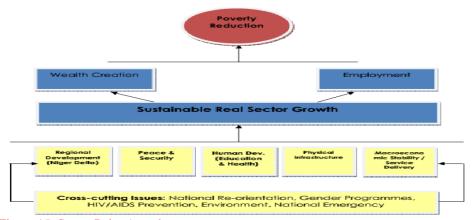


Figure 15: Seven-Point Agenda
Source: <a href="https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcT\_9vJxAetxd-NCZt\_mFvFOfNFbIx1evOfwxQ&usqp=CAU">https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcT\_9vJxAetxd-NCZt\_mFvFOfNFbIx1evOfwxQ&usqp=CAU</a>

Ibietan and Ekhosuehi (2013) recorded that the seven-point agenda was an off-shoot of the United Nations Millennium Development Goals (MDGs) and it was expected by 2015 to run concurrently with its agendas of eradicating extreme poverty and hunger, achieving universal primary education, reducing child mortality and improving maternal health, ensuring environmental sustainability, and developing a global partnership for development. The seven-point agenda of the Yar'adua administration was somewhat an uncoordinated plan and looked more like an administration's mantra with much talk than actions. It rather aligned itself from the MDGs which were much of "goals from outside." Though some of the objectives were achievable, the programme did not go beyond the usual policy formulations that lacked the necessary implementation mechanism which had been the major challenge of other plans in Nigeria. The seven-point agenda died immediately with the sudden demise of President Yar'adua.

#### **Self-Assessment Exercise**

Highlight and discuss the major coordinate policy of seven-point agenda.

# 3.3.5 The Transformation Agenda

The Transformation Agenda was launched by President Goodluck Jonathan to run from 2011 to 2015 and it promised to be a policy and programme that will transform Nigeria into an economic powerhouse in the world. The agenda aimed to address the surge in governance in terms of public service reform, anticorruption, foreign policy and economic diplomacy, poverty and insecurity. Provision of good infrastructure through a reliable power supply, transport, housing, waterways and seaports. Providing human capital development such as education, health, labour and productivity, women and youth development. For real sector development, emphasis were made on agriculture, manufacturing, solid minerals, oil and gas. The Transformation Agenda seeks to catapult Nigeria into economic growth and national development (Gyong, 2012).



Figure 16: Transformation Agenda

Source: <a href="https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcRQG4I42-">https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcRQG4I42-</a>

7R1XIUDd7IZ4UTDk3MBIslG9nY9g&usqp=CAU

In the end, the agenda was marred with high-level corruption which became the biggest obstacle to the realization of the transformation agenda which invariably brought stagnation of economic growth and development (Afolayam, 2011; Gyong, 2012; Aloa and Aloa, 2013). Another issue with the agenda were that funds that are meant for developmental purposes were carried away by public office holders and this led to the increasing rate of poverty, unemployment, diseases, inequality and insecurity in the life of the country (El-Rufai, 2012). The Transformation Agenda connotes a clear-cut agenda for development purposes, but it equally tailored the path of other development plans of Nigeria as it was marred with a lack of implementation and inconsistencies.

#### **Self-Assessment Exercise**

Explain the major component of the transformation agenda.

# 3.3.6 The Economic Recovery and Growth Plan (ERGP)

The continuous search for the optimal development strategy in Nigeria led to the introduction of ERGP by the present administration of President Mohammed Buhari (PMB) in 2017. The ERGP differs from previous plans in several ways. The Plan outlines bold new initiatives such as ramping up oil production to 2.5mbpd by 2020, privatizing selected public enterprises/assets, and revamping local refineries to reduce petroleum product imports by 60 percent by 2018.



Figure 17: ERGP
Source: <a href="https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcSurm9cxJ8AaI6jTmt9YRKogZMQRFLAn-4f4Q&usqp=CAU">https://encrypted-tbn0.gstatic.com/images?q=tbn:ANd9GcSurm9cxJ8AaI6jTmt9YRKogZMQRFLAn-4f4Q&usqp=CAU</a>

Other initiatives of the plan include environmental restoration projects in the Niger Delta region, which demonstrate the Federal Government's determination to bring environmental sustainability to the forefront of its policies. The broad objective is to restore growth by achieving macroeconomic stability and economic diversification. Investing in people through social inclusion, job creation and youth empowerment, and improved human capital. Also to have a globally competitive economy by investing in infrastructure, improving the business environment, and promoting digital-led growth. As Kyarem and Ogwuche (2017) observed, a policy gap exists in the ERGP and that is the absence of how to manage an after-recession economy which should serve as a springboard for sustainable growth and development. It is obvious that the above gap exists; the Central Bank of Nigeria (CBN, 2017b) announced and celebrated Nigeria's exit from recession, yet the country's socio-economic indices and welfare are worsening. Whilst the objectives of the ERGP are laudable, its vulnerability to political disruption is a key risk which may impact the sustainability and enforceability of the development plan.

#### **Self-Assessment Exercise**

Discuss the basic features of the Economic Recovery and Growth Plan.

# 3.3.7 Challenges of Economic Developments Plans in Nigeria

We have seen a series of economic development plans and policy visions introduced by successive Nigerian governments since independence, the country has failed to produce much needed sustainable development. Development plans in Nigeria have failed to achieve their desired objectives due to many challenges that bedevilledthe plans. Let us consider these challenges as follows:

## 1. Corruption:

Corruption in Nigerian political system has hampered development plans and programmes. Corruption has been a pervasive social phenomenon. The disheartening thing about the whole scenario is that the purported development plans are to a large extent corruption avenues for some greedy Nigerian leaders. Illicit misappropriation of privileges and opportunities in public and private sectors for personal aggrandizement particularly those in positions of authority in Nigeria (Ologbenla, 2007).

The involvement of our political leaders in massive corruption both in military and civilian governments has been a stumbling block to national development plans. Onah (2006) observes that all development visions and programmes fail in Nigeria because of poor handling by corrupt and poor/hungry politicians and bureaucrats.

# 2. Lack of Plan Discipline:

The failure of Nigerian political leaders and bureaucrats to abide by the plan objectives has frustrated development plans in Nigeria. Many previous plans in Nigeria were distorted during the implementation stages which eventually killed the overall objectives of the plans. Indiscipline in the process implementation of development plans has resulted in many abandoned projects in all parts of the country. Many projects like the Ajaokuta Steel Complex which could have to hastened Nigeria's industrialization are not yet completed after over two decades of their projected completion dates.

#### 3. Lack of Commitment:

Development plans are often prepared without consulting the people, hence public apathy toward their implementation. Since the plan is meant for the people, but they are not even aware of its existence or objectives, they do not feel duty-bound to contribute to its success. This has made many development plans fail in Nigeria. It was an attempt to address this problem that made the defunct Vision 2010 Committee embarkon a series of publicity programmes, like seminars, conferences and public enlightenment campaigns (Obi, 2006).

# 4. Absence of Relevant Data:

Development planning depends basically on the availability of data. This is due to inadequacies of the National Bureau of Statistics, the unwillingness of Nigerians to reveal information and outright manipulation of data for pecuniary or other gains. A striking example of the problem in Nigeria is that until today, nobody is sure about the exact population of Nigeria. A country that does not know its population would not be in a position to determine the other vital statistics necessary for planning, via life, birth rate, death rate, number of those of school age and demographic changes in the population which are essential

for planning. The absence of reliable background data has made the use of social indicators difficult and inadequate for plan preparation, implementation and monitoring of national development.

# 5. Over-Ambitious Development Plans:

National Development Plans are over-ambitious, trying to achieve many objectives at the same time without considering the conflicting and competing priorities. Again, they are often grandiose in design but vague on specific policies needed to achieve stated objectives (Onah, 2010). In most cases, policy objectives are contradictory.

# 6. Lack of Continuity of Government Programmes and policies:

The lack of continuity of government programmes has retarded development plans in Nigeria. Most of the development programmes are usually abandoned once the government that introduced them is out of power. Government officials do not feel committed to the national plans of their predecessors and subsequently seek to change them by introducing major projects not incorporated in the original plan. (Oladapo, 2004). This is the reason for uncompleted projects in different parts of the country today. The situation is worsened because of political instability to which the country has been subjected since independence. Arguably, the frequent and unpredictable changes in the government especially during the military regimes created room for uncertainty and the retardation of the development process articulated in various plans.

# 7. Public Service Inefficiency:

Public service is an institution that is responsible for the execution of development plans. It is worrisome that Nigerian public service is beset with many problems which militate against its efforts in the implementation of development plans. Some of these problems are corruption, inadequate working materials, poor communication system, bureaucracy and political instability. It is imperative to address these problems to enhance the capacity of Nigerian public service to serve as an appropriate organs for implementing economic development plans in Nigeria.

## 8. Poor Public and Private Sector Partnership:

There is a poor collaboration between the public and private sectors in development planning process in Nigeria. Development planning has largely followed a bureaucratic process with little private sector participation so much so that such efforts can be appropriately described as lacking in synergy between public and private sectors.

# **Self-Assessment Exercise**

Highlight and explain the challenges of economic developments plans in Nigeria



# 3.4 Summary

In this unit, we have attempted to show an overview of Nigeria's vision 2010 economic plan, we have discussed the NEEDS, Vision 2020, and other policy statements, and we also examined the challenges of economic development plans in Nigeria. The question is, can Vision 20:2020 be attained under the present state of affairs? Based on the previous experience of the failures in Nigeria's development plans and initiatives, Vision 20:2020 is bound to fail if not well monitored, articulated and implemented like the previous plans. You are therefore encouraged to be anxious of reading more about the next topic which will be duly servedin the next unit.



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#### 3.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

After the blueprints were drawn, implementing these strategies became difficult. Following Abacha's death in 1998, Abdusalami Abubakar took control as Head of State. General Abubakar endorsed Vision 2010, as he had worked on the formation of the plan. Economic plans were always introduced but not very successful due to lack of discipline in Nigeria to carry out the needs of these plans, so they did poorly.

#### **Answers to SAEs 2**

The basic thrust of NEEDS focused on:empowerment, wealth creation, employment generation and poverty reduction as well as value re-orientation. The document also cover states and Local governments, as State Economic Empowerment and Development Strategy (SEEDS), and Local government level it is called Local Economic Empowerment and Development Strategy (LEEDS).

#### **Answers to SAEs 3**

The Nigerian government under President Olusegun Obasanjo launched the Vision 20:2020 in 2007 as a development planning initiative; the major objective is to make efficient use of human and natural resources to achieve rapid economic growth and to translate the economic growth into equitable social development for all citizens.

#### **Answers to SAEs 4**

The administration of President Yar'adua presented a seven-point agenda for development in Nigeria and it is aimed at tackling the numerous problems of power and energy; food security and agriculture; wealth creation and empowerment; transport sector; land reforms; security; education.

#### **Answers to SAEs 5**

The Transformation Agenda was launched by President Goodluck Jonathan to run from 2011 to 2015. The agenda aimed to address the surge in governance in terms of public service reform, anti-corruption, foreign policy and economic diplomacy, poverty and insecurity.

#### **Answers to SAEs 6**

The broad objective is to restore growth by achieving macroeconomic stability and economic diversification. Investing in people through social inclusion, job creation and youth empowerment, and improved human capital. Also to have a globally competitive economy by investing in infrastructure, improving the business environment, and promoting digital-led growth.

#### **Answers to SAEs 7**

- 1. Corruption
- 2. Lack of Plan Discipline
- 3. Lack of Commitment
- 4. Absence of Relevant Data
- 5. Over-Ambitious Development Plans
- 6. Lack of Continuity of Government Programmes and policies
- 7. Public Service Inefficiency
- 8. Poor Public and Private Sector Partnership

#### **MODULE 4**

#### Planning Experiences in other Countries of the World

Unit I: Planning experiences of selected developed countries

Unit II: Planning experience of India and Asian Tigers

Unit III:Comparisons of economic plans of less developed and developed nations

# Unit 1: Planning experience of selected developed countries

#### **Unit Structure**

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Planning Experience in Developed Countries
  - 1.3.1 Planning experience of France and the Soviet States
  - 1.3.2 Planning experience in the USA
  - 1.3.3 Planning experience in China.
- 1.4 Summary
- 1.5 References/Further Reading/Web Resources
- 1.6 Possible Answers to SAEs



## 1.1 Introduction

In this module, we shall be looking at Planning experiences of selected developed countries and the lessons to be learnt from their experience. Planning involves anticipating the future and formulating systematic programs of action to attain desired goals. Our discussion therefore will be limited to countries like France, the Soviet states,

USA, China, India, and the Asian Tigers of Singapore and Malaysia. Therefore our task in this last module would be to look at certain typesof planning adopted by these countries. Let us therefore concentrate and move along with the explanations that will be given in this module and subsequent units.



# 1.2 Learning Outcomes

At the end of this unit, you should be able to:

- ☐ Identify the Planning experience of France and the Soviet States
- □ Show Planning experience in the USA
- ☐ Explain the Planning experience in China.



# 1.3 Planning Experience in Developed Countries

## 1.3.1 Planning experience of France and the Soviet States

We shall briefly consider the planning experiences in France and the Soviet states as follows:

#### A. France

France utilized indicative planning and established several state-owned enterprises in strategic sectors of the economy. The concept behind indicative planning is the early identification of oversupply, bottlenecks and shortages so that state investment behaviour can be modified in a timely fashion to reduce the incidence of market disequilibrium, to sustain stable economic development and growth. Under this system, France experienced its "Trente Glorieuses" period of economic prosperity. France also anchored its economic blueprint by the successive governments on economic indicators of growth and development, indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provisionof infrastructures through which sustainable economic development can be achieved. However, according to the Economist Intelligence Unit, (2015), the global food security index of France is 83.8%, which placed the country as one of the most secured in terms of food security. France is also among the most developed nations in the world that other less developed countries are now patronising. In 2019 the France policies were tailored toward territorial and metropolitan reforms of regions with the 22 largest urban areas having the status of "metropolis", with distinct competencies. This enables the government to implement the State-Metropolises Pact thereby reinforcing metropolises' innovation and relations with their hinterlands. The plan also encompass revitalization of Two hundred twenty-two (222) cities in all regions. The plan seeks to revitalise the rural areas through actions promoting social cohesion, economic attractiveness, access to public services, mobility solutions, access to digital technologies, and the ecological and energy transition (Regional Outlook, 2019). In 2022, France embark on a development policy which consists of global health, geographical priorities, partnerships, development finance, food security, nutrition and sustainable agriculture (France Diplomacy, 2022).

#### B. Soviet Union (Dissolved in 1991) Now Russia.

The Soviet model of economic planning is an economic system where decisions regarding production and investment are embodied in a plan formulated by Gosplan (State planning agency) through the process of material balances. Economic information, including consumer demand and enterprise resource requirements, is aggregated and used to balancesupply (from available resource inventories) with demand (based on requirements for individual economic units and enterprises) through a system of iterations. The Soviet economy operated in a centralized and hierarchical manner where directives were issued to lower-level organizations. As a result, the Soviet economic model was often referred to as a command economy or an administered economy

because plan directives were enforced through inducements in a vertical power-structure, where planning played a little functional role in the allocation of resources. The Soviets anchored their economic plan on socialistideology bearing in mind all economic indicators of growth and development, indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provision of infrastructures which were shouldered by the planning authority, that is the government. Although, the Soviet Union have broken up the economic planning system of countries like Russia, Croatia, Slovenia, Serbia, Georgia, Hungary etc, still has major traces of this system and that is why they are referred to as socialiststates. However, according to the Economist Intelligence Unit, (2015), the global food security index of Russia is 63.8%, which placed the country one of the most secured in terms of food security.

## **Self-Assessment Exercise**

Discuss planning as experienced by France and Russia.

# 1.3.2 Planning experience in the USA

The United States utilized economic planning during the First World War. The Federal Government supplemented the price system with centralized resource allocation and created several new agencies to direct important economic sectors; notably the Food Administration, Fuel Administration, Railroad Administration and War Industries Board.

During the Second World War, the economy experienced staggering growth under a similar system of planning. In the postwar period, US governments utilized such measures as the Economic Stabilization Program to directly intervene in the economy to control prices, wages, etc. in different economic sectors. From the start of the Cold War and up until the present day, the United States Federal Government directs a significant amount of investment and funding into research and development (R&D), often initially through the Department of Defense. The government performs 50% of all R&D in the United States, with a dynamic state-directed public- sector developing most of the technology that later becomes the basis of the private sector economy. As a result, Noam Chomsky has referred to the United States economic model as a form of State capitalism. Examples include laser technology, the internet, nanotechnology, telecommunications and computers, with most basic research and downstream commercialization financed by the public sector. This includes research in other fields including healthcare and energy, with 75% of most innovative drugs financed through the National Institutes of Health. The economic plan of the US was also anchored on economic indicators of growth and development indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provision of infrastructures through which sustainable economic development can be achieved. The US economy has been the cynosure of all eyes thereby attracting migrants from all parts of the world. However, according to the Economist Intelligence Unit, (2015), the global food security index of the USA is 89.0%, which placed the country as one of the most secured in terms of food security. In recent, the Joint Strategic Plan (FY 2022-2026) was launched with ultimate goal of ending the COVID-19 pandemic, helping the nation to adapt to climate change, reducing poverty, fighting corruption and authoritarianism, enhancing food security, preventing conflict, protecting the human rights, promote equality and provide lifesaving assistance during crises (USAID, 2022)

## **Self-Assessment Exercise**

Discuss the planning experienced in the USA.

# 1.3.3 Planning experience in China

In China, planning experience took so many dimensions most especially coming from the angle of the communist cum socialist ideology and economic system canvassed for by the then Soviet Union of which China was an ally. China witnessed a gradual economic development transformation with an emphasis on indicative and perspective planning strategy using available manpower resources and investment in \_ICT' information and communication technology. Today, China can be seen as a market-based economy with a socialistic ideology and a competitive economy whichother developed economies are afraid of. In 1953, China launched its first five-year plan, modelled on the Soviet materials balance planning system. China adopted the —Big Push strategy. Investment spending was promoted greatly while consumption was restricted. Large industrial projects were favoured despite China's large number of workers and shortage of capital goods. Between 1952 and 1978, the share of Chinese GDP accounted for by industry rose from 18% to 44%. In the planning system, prices were artificially set by the government i.e, prices did not reflect demand and supply. Prices were artificially high for industrial goods and artificially low for agricultural goods, wages were also set by the government and they were low and were rarely changed. This continued until 1993 after the cold war and the fall of the Soviet Union when central planning was phased out and decision making decentralized thereby opening up China's economy to the global world market. With a population of about 1.3 billion people which is the largest in the world, China's economy is one of the largest in the world.

Let us now discuss the recent economic plan in China. The Twelfth Five-Year Plan (2011–2015) Guideline was debated in mid-October 2010. A full proposal for the plan was released following the plenum and approved by the National People's Congress on March 14, 2011, with the goals of addressing rising inequality and creating an environment for more sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets. The plan was representative of China's efforts to rebalance its economy, shifting emphasis from investment towards consumption and development from urban and coastal areas toward rural and inland areas - initially by developing small cities and Greenfield districts to absorb coastal migration. The plan also

continues to advocate objectives set out in the Eleventh Five-Year Plan to enhance environmental protection, accelerate the process of opening and reform, and emphasize Hong Kong's role as a centre of international finance. The targets for the Twelfth Five-Year Guideline in 2011 were to grow the GDP by around 8%, 7% annual growth of per capita income, spend 2.2% of GDP on research and development by 2015, bring the population below 1.39 billion by 2015, readjust income distribution to stop the yawninggap, firmly curb the excessive rise of housing prices, implement prudent monetary policy, intensify anti-corruption efforts, accelerate economic restructuring, and deal with the complex situations in development in 2011. Other set targets were as follows:

- 1. Urbanization rate reaching 51.5%
- 2. Value-added output of emerging strategic industries accounting for 8% of GDP
- 3. Inviting foreign investment in modern agriculture, high-tech, and environment protection industries
- 4. Moving coastal regions from being the "world's factory" to hubs of research and development, high-end manufacturing, and the service sector
- 5. More efficient development of nuclear power under the precondition of ensured safety.
- 6. Increased momentum for large-scale hydropower plants in southwest
- 7. Length of high-speed railways reaching 45,000 km
- 8. Length of highway networks reaching 83,000 km
- 9. A new airport is being built in Beijing
- 10. 36 million new affordable apartments for low-income people

In a bid to remain focused, China has also adopted the Thirteenth Plan (2016–2020) of which the focus areas are:

- 1. Innovation: Move up in the value chain by abandoning old heavy industry and building up bases of modern information-intensive infrastructure
- 2. Balancing: Bridge the welfare gaps between the countryside and cities by distributing and managing resources more efficiently
- 3. Greening: Develop environmental technology industry, as well as ecological living and ecological culture
- 4. Opening up: Deeper participation in supranational power structures, more international co-operation
- 5. Sharing: Encourage the people of China to share the fruits of economic growth, so to bridge the existing welfare gaps

The Policies also aimed at the following:

- a. Everyone is an entrepreneur, creativity of the masses by 2025
- b. Made in China 2025
- c. Aims to address four worrying trends in the current situation and have them changed:
  - i. Nationally vital technologies lack a domestic core platform

- ii. Chinese industrial products are perceived internationally as inferior quality
- iii. Domestic industrial competition is fierce due to overly homogeneous structure
- iv. Poor conversion of academic research results to practical application
- d. The economy needs a Rule of Law
- e. National defence reform Organisational reform of the army, slashing the number of highest generals, as well as concentrating branches' functions, moving some under Defence Ministry
- f. Urbanization with Chinese characteristics
- g. Reform the one-child policy; Soon it could be called the "two-child policy

However, according to the Economist Intelligence Unit, (2015), the global food security index of China is 64.2%, which placed the countryas one of the most secured in terms of food security. There is no doubt that China is a rich nation that will be ready to partner with any country for the development of their infrastructure even by giving out loans to such nations. President Muhammadu Buhari of Nigeria is seeking China's assistance in the area of infrastructural development and seeking a financial loans, and borrowing of \$2 billion to finance its infrastructural development. In 2022, China release its Fintech Development Plan for 2022 – 2025, which seeks to further develop China's fintech sector, to drive the digital transformation of finance in the country for the next four years (Zhou, 2022). This made China set a GDP target of 5.5% for 2022 with much expectation in fiscal revenue and profit from state enterprises (Cheng, 2022).

## **Self-Assessment Exercise**

Discuss five planning target in China.



## 1.4 Summary

In this unit, we have attempted to discuss the Planning experience of France and the Soviet States, show the Planning experience of the USA and explain the Planning experience of China. Also, from the point of view of our discussion, you have learnt that all these countries at one point or the other had embarked on indicative, fixed, rolling and perspective planning strategies which they implemented faithfully to achieve their economic goals and which positioned them as developed nations and made them a reference point in the world till today. It is believed that your understanding of this unit has given you a basis to understand the next unit. It is expected of you to be anxious of reading about what willbe duly served in the next unit.



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# 1.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

France experienced its "Trente Glorieuses" period of economic prosperity. France also anchored its economic blueprint by the successive governments on economic indicators of growth and development, indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provision of infrastructures through which sustainable economic development can be achieved.

The Soviets anchored their economic plan on socialistideology bearing in mind all economic indicators of growth and development, indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provision of infrastructures which were shouldered by the planning authority that is the government.

#### **Answers to SAEs 2**

During the Second World War, the economy experienced staggering growth under a similar system of planning. In the postwar period, US governments utilized such measures as the Economic Stabilization Program to directly intervene in the economy to control prices, wages, etc. in different economic sectors.

#### **Answers to SAEs 3**

- 1. Urbanization rate reaching 51.5%
- 2. Value-added output of emerging strategic industries accounting for 8% of GDP
- 3. Inviting foreign investment in modern agriculture, high-tech, and environment protection industries
- 4. Moving coastal regions from being the "world's factory" to hubs of research and development, high-end manufacturing, and the service sector
- 5. More efficient development of nuclear power under the precondition of ensured safety.

## Unit II: Planning experiences of India and Asian Tigers

#### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Planning Experience in Asia
  - 2.3.1 Planning experience in India
  - 2.3.2 Planning experience of Asian Tigers
  - 2.3.3 The vision of Singapore to become a developed country
- 2.4 Summary
- 2.5 References/Further Reading/Web Resources
- 2.6 Possible Answers to SAEs



#### 2.1 Introduction

Our discussion in the last unit has introduced to us how the economic development plan is executed in some developed countries. Therefore, our discussion in this unit will describe the planning experience of India, the planning experience of the Asian Tigers and the vision of Singapore to become a developed country. It is important to take closer attention to the explanations given in this unit for easy assimilation.



# 2.2 Learning Outcomes

At the end of this unit, you should be able to;

- Understand planning experience in India
- Discuss the planning experience of the Asian Tigers
- Explain the vision of Singapore to become a developed country



# 2.3 Planning Experience in Asia

## 2.3.1 Planning experience in India

India was known to be a developing nation because of the strategiceconomic plan embarked upon to salvage the economy which was in shamble in the past. It is a country with about a billion people in terms of population second after China. India has been seen to be a growing economy adopting an indicative, rolling and perspective types of planning with emphasis on manufacturing, industrialization and medicine. Since 1947, the Indian economy has been premised on the concept of planning. This has been carried out through the Five-Year Plans, developed, executed, and monitored by the Planning Commission known now as \_\_NITI Aayog after 2014". For easy understanding, we shall only discuss the current Indian plan, although India has a series of economic development plans which are in this progression. First

Plan (1951–1956), Second Plan (1956–1961), Third Plan (1961–1966), Fourth Plan (1969–1974), Fifth Plan (1974–1979), Rolling Plan (1978–1980), Sixth Plan (1980-1985), Seventh Plan (1985-1990), Annual Plans (1990-1992), Eighth Plan (1992–1997), Ninth Plan (1997–2002), Tenth Plan (2002– 2007), Eleventh Plan (2007–2012) and Twelfth Plan (2012–2017). The Eleventh Plan completed its term in March 2012 and the Twelfth Plan is currently underway. Before the Fourth Plan, the allocation of state resources was based on schematic patterns rather than a transparent and objective mechanism, which led to the adoption of the Gadgil formula in 1969. Five-Year Plans (FYPs) are centralized and integrated national economic programs. India launched its First FYP in 1951, immediately after independence under the socialist influence of first Prime Minister Jawaharlal Nehru. The First Five-Year Plan was one of the most important because it had a great role in the launching of Indian development after Independence. Thus, it strongly supported agriculture production and it also launched the industrialization of the country (but less than the Second Plan, which focused on heavy industries). It built a particular system of a mixed economy, with a great role for the public sector (with an emerging welfare state), as well as a growing private sector. There are a series of FYPs embarked upon by India till the Twelfth Plan (2012-2017)

which is also tagged as the 12th Five-Year Plan (India). Let us briefly look at it. The Twelfth Five-Year Plan of the Government of India had been designed for a growth rate of 8.2% but the National Development Council (NDC) on 27 Dec 2012 revised it to an 8% growth rate. The plan was further anchored on the following aims.

- Rapid and inclusive growth. (Poverty reduction by 10%) 1.
- Emphasis on the social sector and delivery of service therein.
- Empowerment through education and skill development. 3.
- Reduction of gender inequality.
- Environmental sustainability.
- To increase the growth rate in agriculture, industry and services to 4%,10% and 9% respectively.
- 7. Reduce Total Fertility Rate to 2.1
- Provide clean drinking water for all by 2014.

The document presented by the Planning Commission was aimed to attract private investments of up to US\$1 trillion for infrastructural growth, which was also ensure a reduction in the subsidy burden of the government to 1.5 percent from 2 percent of the GDP. However, according to the Economist Intelligence Unit, (2015), the global food security index of India is 50.9%, which placed the country as one of the most secured in terms of food security.

# **Self-Assessment Exercise**

Discuss five aims on which India economy is anchored on.

# 2.3.2 Planning experience of Asian Tigers

The economic development models of the East Asian Tiger economies involved varying degrees of economic planning and state-directed investment in a model sometimes described as "state development capitalism" or the "East Asian Model". The Asian Tigers have been seen to be growing economies adopting indicative, rolling and perspective types of planning with emphasis on education, manufacturing, industrialization and medicine The governments of Malaysia and South Korea instituted a series of macroeconomic plans (First Malaysia Plan and Five-Year Plans of South Korea) to rapidly develop and industrialize their mixed economies. The economy of Singapore was partially based on economic planning involving an active government industrial policy and high levels of state-owned industry in a free-market economy. They also based their economic plan to be anchored on economic indicators of growth and development, indices of food security, water supply, adequate housing, efficient education, affordable health care system, employment opportunities and provision of infrastructures through which sustainable economic development could be achieved. There was significant growth and development in these economies as a result of disciplined execution of their economic plans, set goals and objectives which made them to be referred to as Asian Tigers.

#### **Self-Assessment Exercise**

Elaborate on the planning experience of Asian Tigers.

# 2.3.3 The vision of Singapore to become a developed country in the first league

Singapore is one of the major Asian Tigers, it is, therefore, important to discuss its vision strategies that moved the country into a developed nation. The strategic economic plan sets the strategies and programmes for Singapore to realise a vision to attain the status and characteristics of a first league developed country within the next 30 to 40 years. Key facets of the Vision are economic dynamism, high quality of life, a strong national identity and the configuration of a global city.

Strategies for the long term, which will also produce some benefits for Singapore in the short to medium term, are directed at maintaining and extending the nation's international competitiveness. Eight strategic thrusts have been identified to help propel Singapore's economic and social progress to that of a developed country. They are:

- 1. Enhancing Human Resources
- 2. Promoting National Teamwork
- 3. Becoming Internationally Oriented
- 4. Creating a Conducive Climate for Innovation
- 5. Developing Manufacturing and Service Clusters
- 6. Spearheading Economic Redevelopment
- 7. Maintaining International Competitiveness
- 8. Reducing Vulnerability

When change is as rapid and dynamic as in the international economic environment, the planning process is fraught with risks. Looking at it in this course, world-shattering events in the Gulf and the Soviet Union occurred. No one could have predicted these events or the degree of impact they would have on the world economy now and in the future. But it is evident and shown as reference points in the World. Singapore cannot hope to predict such dramatic events at home or abroad. Butthrough scenarios and contingency plans it would take into account various contributory factors, and weigh up other more gradual shifts and trends in international politics, trade and economics.

With clear lessons from the recent past of the World economy and Singapore's experience, the writing on the wall currently is that economic strategies for Singapore need to evolve from the past single-dimensional type to a multi-dimensional one to remain viable in an increasingly complex environment.

In this context, the Economic Planning Committee was charged with the task of preparing a Strategic Economic Plan for Singapore to provide for the medium to long term. This plan aims to:

- 1. Provide an overview of the economic landscape over the next 20 to 30 years
- 2. Define a clear vision for the economy and analyse its implications
- 3. Initiate a national planning process, which is consultative and evolutionary.
- 4. Help build a shared vision among labour, business and government on national economic aspirations.

However, according to the Economist Intelligence Unit, (2015), the global food security index of Singapore is 82.2%, which placed the country as one of the most secured in terms of food security

#### **Achievement of Quantitative Growth**

The principal objective of any economic development is to achieve a high level of sustained growth. Based on certain assumptions, Singapore's projected growth rates under the two scenarios are given in Tables I and 2.

**Table 4.1: GNP Growth Optimistic Scenario Population** 

Projected GNP Growth – Optimistic Scenario Population at Year 1990-2030				
	3.4m	4.0m	4.4m	
1990-1995	6.7%	7.1%	7.3%	
1995-2000	5.6%	6.0%	6.2%	
2000-2010	4.4%	4.8%	5.0%	
2010-2020	3.9%	4.3%	4.5%	
2020-2030	3.7%	4.0%	4.3%	

Source: Information on Singapore, (2015)

**Table 4.2: GNP Growth – Pessimistic Scenario Population** 

Projected GNP Growth – Pessimistic Scenario Population in the Year 1990-2030					
	3.4m	4.0m	4.4m		
1990-1995	5.7%	6.1%	6.3%		
1995-2000	4.6%	5.0%	5.2%		
2000-2010	3.5%	3.9%	4.1%		
2010-2020	3.0%	3.4%	3.6%		
2020-2030	2.7%	3.1%	3.3%		

Source: Information on Singapore, (2015)

## **Achievement of Qualitative Development**

Singapore's Vision was to become a first league developed country interms of the following characteristics:

- 1. Economic Dynamism with a per capita income of one of the major industrialised countries. This means catching up with a moving target and going further than the target set in 1984 that Singapore should achieve by 1999 the Swiss per capita GNP of 1984.
- 2. Quality of Life
- 3. National Identity
- 4. Global City

Despite the long horizon, Singapore took steps to seriously and vigorously pursue the goal of becoming a first league developed country for two reasons. Firstly, some of the strategies, like enhancing manpower, require a long lead time of one generation or more. Secondly, it provides the best possible assurance against being overtaken by other emerging countries which, if it happened, could lead to economic stagnation or decline. The majorrestraining factors towards achieving the high average growth rates experienced in the 1980s of 7.1 percent are the employment rate and present limits set on the foreign worker population. Singapore has also practically reached the limits of sea-front land and sea space. To continue to grow at relatively high rates, it is necessary to reorganise the way human and physical resources are managed. Singapore adopted key strategies of growth and development, which promote the distribution of activities between Singapore, the Riau Islands and Johor, following the comparative advantages of the three regions, Singapore has effectively networked with a sub-region of ASIAN which has a much larger resource base and also achieved economic development through international competitiveness.

# **Self-Assessment Exercise**

Mention and explain the success behind the transformation of Singapore's economy.



## 2.4 Summary

In this unit, we have attempted to describe the planning experience of India, the planning experience of the Asian Tigers and the vision of Singapore to become developed country. Also, from the point of view of our discussion, you have learnt that Singapore adopted key strategies of growth and development like the growth triangle which promotes the distribution of activities between Singapore, the Riau Islands and Johor, following the comparative advantages of the three regions, Singapore has effectively networked with a sub-region of ASIAN which has a much larger resource base and also achieved economic development through international competitiveness. India also adopted a targeted series of five-year plans aimed at achieving desirable growth. It is believed that your understanding of this unit will prepare you for the last unit of

this last module. Therefore, read ahead and concentrate.



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#### 2.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

- 1. Rapid and inclusive growth. (Poverty reduction by 10%)
- 2. Emphasis on the social sector and delivery of service therein.
- 3. Empowerment through education and skill development.
- 4. Reduction of gender inequality.
- 5. Environmental sustainability.

#### **Answers to SAEs 2**

The economic development models of the East Asian Tiger economies involved varying degrees of economic planning and state-directed investment in a model sometimes described as "state development capitalism" or the "East Asian Model"

#### **Answers to SAEs 3**

- 1. Enhancing Human Resources
- 2. Promoting National Teamwork
- 3. Becoming Internationally Oriented
- 4. Creating a Conducive Climate for Innovation
- 5. Developing Manufacturing and Service Clusters
- 6. Spearheading Economic Redevelopment
- 7. Maintaining International Competitiveness
- 8. Reducing Vulnerability

# Unit III Comparisons of the economic plans of less developed and developed nations

#### **Unit Structure**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Comparison of Economic Plans of other Countries and Nigeria
  - 3.3.1 China and Nigeria
  - 3.3.2 Malaysia and Nigeria
  - 3.3.3 Singapore and Nigeria
- 3.4 Summary
- 3.5 References/Further Reading/Web Resources
- 3.6 Possible Answers to SAEs



#### 3.1 Introduction

This is the last unit of the last module of this course. Our discussion in the last unit will be short and precise in comparing Nigeria's economic plan with China, Malaysia and Singapore. Therefore, our discussion in this unit will describe China and Nigeria, Malaysia and Nigeria, likewise Singapore and Nigeria. We need to take closer attention to the brief explanations given in this unit for easy assimilation and understanding.



# 3.2 Learning Outcomes

At the end of this unit, you should be able to;

- -Compare China and Nigeria in terms of economic performance
- -Compare Malaysia and Nigeria in terms of economic performance
- -Compare Singapore and Nigeria in terms of economic performance



# 3.3 Comparison of Economic Plans of other Countries and Nigeria

# 3.3.1 China and Nigeria

By the year 1970, China had a GDP per capita of \$112 and was ranked 114th in the world while Nigeria had a GDP of \$219 and was ranked 88th. Since then China has recorded and sustained a very rapid growth rate of over 9.5%, perhaps, the highest in the world and has been transformed into the second-largest economy in the world behind the USA. The reason adduced for this phenomenal growth is visionary leadership and the collective resolve of the citizens. In China, planning experience took so many dimensions most especially coming from the angle of thecommunist cum socialist ideology and economic system canvassed forby the then Soviet Union of which China was an ally. China witnessed agradual economic transformation with a n emphasis on indicative

andperspective planning strategy using available manpower resources and investment in \_ICT' information and communication technology. Today, China can be seen as a market-based economy with a socialistic-ideology and a competitive economy which other developed economiesare afraid of. For Nigeria to have an economic turnaround like China, plans have to be well executed faithfully and implemented successfully. In 2022, despite the Covid-19 pandemic, Nigeria and China's trade volume galloped to \$20 billion after the year 2020, with the expectation of maintaining sound growth momentum (The Nation, 2022).

#### **Self-Assessment Exercise**

Compare and make comments on the economic planning experience in China and Nigeria

# 3.3.2 Malaysia and Nigeria

By 1960, Malaysia had a GDP per capita of \$299. Since then the country has recorded and sustained outstanding economic success. By 2010, Malaysia had a GDP of \$8,634 compared to Nigeria's per capita income of \$1,465. History has it that Malaysia in the 1960s procured improved oil palm and rubber seeds from Nigeria andlater became the world's largest palm oil producer/exporter and a major exporter of rubber, while Nigeria has now become a major importer of these commodities. The reason adduced for the Malaysian success has been linked to a variety of pull factors; good political leadership that created political stability, business-friendly policies, prudency and influx of foreign investors, a productive workforce and developed infrastructure (Sanusi, 2012). For Nigeria to be like Malaysia, the economy of Nigeria has to be diversified especially in agriculture and other key sectors that are lying unproductive. However, according to the Economist Intelligence Unit, (2015), the global food security index of Malaysia is 69.0%, which placed the country as one of the most secured in terms of food security while that of Nigeria is 37.1% which indicates a low index. In the 21st century, Nigeria emerged as Malaysia's second-largest trading partner after South Africa (Salau, 2017). More than 456nigerian officials have benefited from various capacity building programmes under the Malaysia Technical Cooperation Programme (MTCP) and Nigeria has become the largest source of African students in Malaysia (Salau, 2016; Salau, 2017).

#### **Self-Assessment Exercise**

Compare and comments on the economic planning experience in Malaysia and Nigeria

## 3.3.3 Singapore and Nigeria

By 1960, the GDP per capita of Singapore was \$395 and it grew to \$925 in 1970 while Nigeria's GDP per capita rose from \$91 to \$219. By 2010, a miracle had taken place. Singapore's GDP per capita had become \$44,697 while Nigeria was far trailing behind with \$1,465. Today, Singapore was said to be the world's 2nd most open economy in the Asian Pacific Region, a highly developed and

successful free-market economy devoid of corruption. The reason adduced for the miracle is the many years of successive visionary leadership that we're able to transform the economy through consistent policies and good governance. Nigeria must invest heavily in education just like Singapore to be able to develop effectively in the World.

## **Self-Assessment Exercise**

Compare and make comments on the economic planning experience in Singapore and Nigeria



# 3.4 Summary

In this unit, we have attempted to briefly discuss the Comparison of China and Nigeria in terms of economic performance, Malaysia and Nigeria in terms of economic performance and Singapore and Nigeria in terms of economic performance. Also, from the point of view of our discussion, you have learnt that today, China and Asian Tigers can be seen as a market-based economy with socialistic ideology and a competitive economy which other developed economies are looking forward to. For Nigeria to have an economic turnaround like these countries, plans haveto be well executed faithfully and implemented successfully. We believe you have intimated yourself with your course material and have been able to acquire the needed knowledge that is expected of you. You are therefore encouraged to read more for proper impartation and assimilation of this course.



# 3.5 References/Further Reading/Web Resources

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# 3.6 Possible Answers to SAEs

These are the answers to the SAEs within the content.

#### **Answers to SAEs 1**

For Nigeria to have an economic turnaround like China, plans have to be well executed faithfully and implemented successfully.

#### **Answers to SAEs 2**

For Nigeria to be like Malaysia, the economy of Nigeria has to be diversified especially in agriculture and other key sectors that are lying unproductive.

#### **Answers to SAEs 3**

By 1960, the GDP per capita of Singapore was \$395 and it grew to \$925 in 1970 while Nigeria's GDP per capita rose from \$91 to \$219. By 2010, a miracle had taken place. Singapore's GDP per capita had become \$44,697 while Nigeria was far trailing behind with \$1,465.