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THE OIL INDUSTRY IN NIGERIA: ITS  
CONTRIBUTIONS AND EFFECTS ON THE ECONOMY

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A Research Topic Proposal

Presented to

The Graduate Faculty of  
Beirut University College

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In Partial Fulfillment of the  
requirements for the Degree

Master of Science

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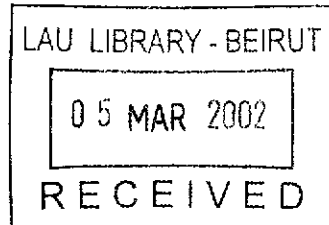
Business Management

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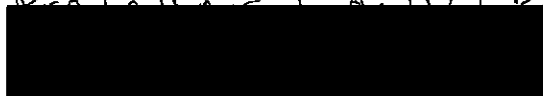


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## Chapter 1

### INTRODUCTION

Nigeria is located in West Africa continent; and it covers an area of about 923,77" square kilometers. At the time of independence (October 1960), Nigeria's population was approximately 55,670,052; but by 1980, the population figure has risen to around 80 million. Economic development in Nigeria dates back 1946, when the British Colonial Administration came up with a ten year development plan. However, since 1960, Nigeria economic planning have been going through worrying and unstable levels like most third world nations.

Geographically, Nigeria is an agricultural country, In other words, the climate, soil and even the people are more specially agriculturally based and oriented. In fact, until late 1960s, agriculture used to be the main sector and backbone of the Nigerian economy. Since Nigeria attained her independence in October 1960, lack of qualified economic planners and appropriate sense of direction on the part of leadership have resulted in ineffective and inefficient

economic program for the country. This regrettable developments take along with its political instability; another back clashing factors on the economy on Nigeria. The Nigerian constitutions have been suspended, amended and changed many times without any remarkable positive effects on both the economy and political set up of the country.

Nigeria had witnessed series of corrective governments; still, inadequacy of the administrative machinery, and the absence of a well defined objectives relevant to the aspirations of majority of Nigerians, still hampers any noted economic improvements. The developments (both economic and political) since late 1970, took most of Nigerian intellectuals by surprise. The rapid deterioration in the standard of living of Nigerians in the past few years, was the main factor that brought the heads of Nigerian Economic experts together, in a bid to save the nation from total economic collapse. Consequently, since 1980, various economic experts have been coming up with series of proposals on ways to put Nigerian economic back on a right course.

Nigeria, regarded as the eighth most popular nation in the world is blessed with numerous human and natural resources. Apart from the soil which is considered appropriate for all agricultural products, the country is also blessed with many mineral resources such as; Tin, Columbite, Gold, Iron, Ore, Uranium and petroleum to mention just a few. Moreover, Nigeria has been providing various world and regional organizations with qualified men and women and their services and expertise have been highly commended in most cases. However, with the presence of these resources, the country's economic future is bleak; because of the problem of inadequate coordination of the resources due to diversity of opinion and culture of Nigeria. But this time, after years of austerity measures to put the economy in order, it seems the nation is determined to mobilize all her resources in a bid to revitalize the ailing economy.

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Olaloka F.A. Structure of Nigerian Economy.

St. Martins press. New York 1979 p. 10.

It is to the effect of revitalizing the country's economy that, the new Military Government of Major General Ibrahim Babangida has grouped experts into various committees. The task(s) of these committees, is to look into the areas of Nigerian Economy assigned to them, conduct serious research and make detailed recommendations to the government for appropriate action. The target is to come up with next 5 - years development plan that is supposed to be launched by the beginning of 1990. Among the committees set up, are those responsible for studying seriously areas with revenue prospects to the Federal Government of Nigeria; and how those revenues should be disbursed for the development of different section of the economy.

The main focus is on petroleum sector and agricultural sector, because at the moment, these are the only sectors that can generate good sum of money for developmental purpose. The development so far as regards the committees works indicated that two school of thoughts had come up. The center piece of the controversy, is to what sector the government of Nigeria should denote its



efforts to earn foreign exchange. This research paper will be considering all facts, evidences and arguments of the respective schools of thought, and then going to recommend policies for Nigeria.

#### STATEMENT OF THE PROBLEM

Since late 70s when the demand for crude oil in the international market started declining, the Nigerians started facing difficulties. Because Nigeria is a major petroleum exporting country, and petroleum products account for about 95 per cent of the gross domestic product. Invariably, since Nigerian economy is a monoprodukt exporting one, the fluctuation in the prices of world oil prices, dictates the fate of the economy. And since the wide fluctuations in the prices of oil cannot be predicted, the present world oil glut took Nigerian policy makers by surprise. As export declines (hences foreign exchange earnings declines), the import rate that had soared up during the oil boom is very difficult to control. This meant to the extent that, food which was once a luxurious to import, was now a necessity. Because the more traditional sector of Nigerian economy, agriculture, has been neglected.

To keep the balance between import and export levels, the Federal Government of Nigerian has to resort to large fund borrowings from both private and international financial institutions. Because, things went to the extent that, by late 1979, the country's foreign reserves of about \$ 7 billion turned red by end of the same year, due to uncontrollable massive importation. Nigeria is believed to be owing between \$ 18 - 20 billion to both private and international banks.

Before the oil boom, the foreign exchange earnings were relatively small, but they were properly utilized by the government. However, when price of petroleum continued rising, unnecessary expenditures started coming up too, and regrettably all other stable sectors of the economy were neglected. The country's economic advisers forgot that, the dominant feature of Nigerian export trade (as other developing countries), is the predominance of primary products, and the relative insignificance of manufactures. For example, by 1972, chemical, and machinery constituted about 2 per cent of total exports, whereas raw materials, mineral fuels, food and live animals, and animals and vegetable oils together accounted for about 98 per cent. The rise of petroleum to

the number one position on Nigeria's export list rendered the most fundamental change in the structure of her economy since the post-war period. In fact, the reliance on oil for export earnings is now so great that Nigeria's economy can be described as an oil one; regardless of the fact that, the country is rich in natural resources:

Although, the exploration of oil started since 1938, it was not until, 1970s, that sector started contributing a higher percentage to Nigeria's total export ( see table 1.1): The main problem was not the discovery of petroleum (a natural resources that some nations consider themselves fortunate to have), but the total mismanagement of the huge revenues derived from that sectors and the deliberate lukewarm attitude towards the main stable sector of the economy ( agriculture): The problem has reached to an extent when Nigeria once a major exporter of many basic food stuff ( commodity) like groundnut, palm oil ( to mention few), is now diverting higher proportion of her earnings from petroleum to import food items for her rapid growing population. Even, surprisingly, Nigeria (the giant of Africa) which many neighboring African States was turing to before for help in feeding their people, now has to

import large tonnes of grains, rice and other staple food items from some of these countries to supplement internal production. Consequently, for Nigeria which is basically an agricultural economy, the rising trend of the food import bill and of the share of food in total imports gave cause for concern. To arrest this trend, a vigorous policy of revitalizing the agricultural sector which is now considered as the most laggard of the economy was called for by many Economists. The growth of agricultural sector, should become a prime objective of the next development plan.

From this table, one can see the rapid increase in importance of petroleum among Nigerian exports; and the consequent fall in the independence of the country on agricultural products. Table 1.1 shows the structure of the exports during the period 1960 - 1980; the ten major agricultural products listed in the table was accounting for about 82 per cent of total export by 1960. But by 1980, it has dropped drastically below 4 per cent. The alarming rate of the decline in this sector was not checked at all, to the extent that, some of the products disappeared

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Nigeria Magazine Lagos: Federal Govt printer 1983.

p. 1 - 5:

from .. export lists. For example, now an increasing proportion of cotton is being consumed domestically to meet the needs of import substitution industries. The main cause of the decline is the neglect caused by the phenomenal rise in the volume and value of petroleum exports. Other causes are the uncontrollable population growth coupled with declining agricultural outputs; hence local consumption of items like groundnut, groundnut oil and palmoil took these items out of export lists. Also, the deterioration in the terms of trade for most of the products contributes to the decline.

TABLE 1.1.

COMMODITY	1960		1965		1970		1975		1980	
	Nm	%	Nm	%	Nm	%	Nm	%	Nm	%
Cocoa	73:5	21:7	85:4	15:9	133	15:0	159:0	2:7	165:0	1:7
Groundnuts	45:8	13:6	75:6	14:1	43:6	4:9	6:8	0/1	-	-
Groundnut oil	10:6	3:1	20:0	3:7	23:2	2:6	11:4	0/2	2:0	0:02
Palm Kernels	52:1	15:4	53:1	9:9	21:8	2:5	43:7	0:8	40	0:4:
Palm Oil	28:0	8/2	27:2	5:1	1:2	0:2	X	X	-	-
Hides and Skin	8:6	2:5	9:1	1:7	5:6	0:6	10:6	0:2	11:5	0:12
Rubber (Natural)	28:5	8:4	22:0	4:1	17:4	2:0	33:2	0:6	38:5	0:38
Timber	14:1	4:1	12:5	2:3	6:2	0:7	11:2	0:2	10:0	0:10
Raw cotton	12:4	3:7	6:6	1:2	13:2	1:5	-	-	-	-
Bananas	5:2	1:5	-	-	-	-	-	-	-	-
Petroleum (grude)	8:8	2:6	136:2	25:2	510:0	57:6	5365:7	92:6	9500	95:9
Coumbite	4:2	1:3	2:3	0:4	2:0	0:2	1:4	X	-	-
Fin Ore	12:1	3:6	X	X	-	-	-	-	-	-
Fin Metal	-	-	29:8	5:6	33:8	3:8	36:4	0:4	30:6	0:31
Others	35:5	10:4	56:7	10:6	744	8:4	125:4	2:2	130:2	1:07
<b>Total</b>	<b>339:4</b>	<b>100:0</b>	<b>536:5</b>	<b>100</b>	<b>885:4</b>	<b>100</b>	<b>5794:8</b>	<b>100</b>	<b>9907:8</b>	<b>1000</b>

X Negligible

- No Export

Sources: Central Bank of Nigeria, Annual Reports, 1985.

## IMPORTS EFFECT ON THE ECONOMY

The declining foreign exchange earning starting from 1980 was not the only cause of the present economic depression in Nigeria. In fact, many countries go through the same phenomenon; that is, occasional low foreign exchange earnings. Even before petroleum, Nigerians were used to seasonal decline in the prices of their agricultural goods. However, this time the sharp rise in the value of petroleum by early 70s, led to massive imports of goods from advanced economies. This went to an extent that, even some basic food items like rice and grains were being imported at the expense of local production.

Before the military could intervene to curtail the excess, things had already gone worst. Apart from medium and long term foreign debt of \$ 15 billion ( 1983) taken to sustain the economy, the country's trade debts was estimated to be \$ 9 billion the same year. Food imports that was once a luxurious, is now a necessity; because many peasants had abandoned their farms for white collar jobs. Unfortunately also, the rapid growth in import was

not accompanied by a fundamental change in the structure of the country's imports. However, this area is being vigorously tackled since the Military men assumed power late 1983:

From table 1.2, we can see the rapid increase in goods imported to Nigeria starting from the 70s. Infact, it reached an alarming rate by 1980, before strict screening excercises was applied on import items or transaction. This measure yielded some successes as can be noted from 1985 figures. However, food imports by this period now played a dominant role in goods imported. There was little the then adminstration could do; the imports are needed to feed the growing population because by now, only little products are coming out from local farmers. This situation has, however, been corrected by the present administration of General Babangida, who had banned most importation of food items; a move meant to safeguard the markets for local producers who have been enforced to go back to the farm; recent reports indicated that, this new move is yielding fruitful results. It is worth mentioning that, the growing pace of industrialization and the progressive execution of capital works under Nigeria's Development Plans during



Distribution of Nigeria Imports by Sections 1960 - 1985 (In millions)

S.I.M.C. Sections	1960		1965		1970		1975		1980		1985	
	Nm	%	Nm	%	Nm	%	Nm	%	Nm	%	Nm	%
Food	47.8	11.1	46.1	8.4	57.8	7.6	154.6	8.9	400	15.2	700.2	35.2
Beverages & Tob.	12.3	2.8	4.0	0.7	4.0	0.5	9.0	0.5	12.5	.5	15.2	.8
Crude Materials	4.3	1.0	13.2	2.4	16.6	2.2	63.7	3.7	70	2.7	50	2.5
Mineral Fuels	22.7	5.2	34.7	6.3	22.0	2.9	55.4	3.2	82.6	3.1	80.5	4.1
Oil & Fats												
Animal & Veg.	0.1	0.0	0.3	0.0	0.8	0.1	3.6	.2	5	0.1	7.5	0.4
Chemicals	24.5	5.7	40.4	7.3	88.4	11.7	191	11	220.6	8.4	100	5.0
Goods												
Manufacturer	162.3	37.7	186.0	32.7	226.0	29.9	523.4	30.1	900.5	34.3	400.2	20.2
Machinery & Transport equip	103.3	23.9	184.4	33.6	282.6	37.4	611.8	35.2	802.9	35.2	509.7	25.2
Misc. Manufactured Goods	47.8	11.1	41.4	7.5	39.6	5.2	114	6.6	120	4.6	109	5.5
Misc. Transaction	6.7	1.6	6.2	1.1	18.6	2.5	10.6	.6	12.2	.5	7	0.4
ALL	431.8	100.0	550.8	100.0	756.4	100	1737.3	100	2626.3	100	1979.3	100

Sources: Federal Office Statistics - Trade Reports;  
Economic Journal from Nigeria Embassy.

FALL YEAR 1985

oil boom, contributed to large increase in imports of machinery, transport equipment and other capital goods. Infact since the new tough policies on imports was enforced many industries have closed down, and many are running quite below capacity; consequently, there have been mass retrenchement of workers, and unemployment rate (very high), causing great concern to the country's economic planners.

These are the basic ideas behind the present problem facing Nigerian economy. And as I had mentioned earlier, the problem is so serious that economist and various experts are now debating between themselves on what had happened, what is now happening and what they want to see happen in future. Invariably the main bone of contention is whether previous government should have allowed petroleum to be the corner stone of Nigerian economy, rather than the mainly stable and traditionally agricultural sector. Part two of the paper will be treating in detail both the petroleum and agricultural sector contributions to Nigerian economy.

## STATEMENT OF THE RESEARCH'S PURPOSE

The purpose of the research paper is to look critically to the economic developments of Nigeria since its independence, with emphasis on the working of petroleum and agricultural sectors; the foundations of the economy. As stated under the statement of of the problem section of this paper, the present economic depression is of great concern to all nationalistic forces, hence the need to study the situation in order to put the economy back to a right course or foundation. This paper would be looking into the area of the petroleum contribution to the economy, and its effect on the agricultural sector of the economy.

However, the researcher will be going beyond this point. By the time writer concludes the research paper, on what would have been or should be done to revitalize the ailing economy, and more specifically suggesting on how future revenues from mineral resources (petroleum inclusive), should be managed, and utilized in developing other sectors of the economy. To be able to achieve this goal, I have tried to gather series of up to date data on this subject. Based on the information at my disposal, I would be having in mind the performance objective of this research paper.

## THE PERFORMANCE OBJECTIVES

Undoubtedly, revenues generated from petroleum resources have contributed immediately to the development of many oil producing nations; Nigeria is not an exception. The rapid growth in industrialization process, and many huge capital expenditures came as a result of massive foreign exchange earnings of the oil boom era of the 70s. Also, this period of unprecedented rise in value of petroleum in the International market was behind Nigeria's aggressive foreign policies of those days; the government was able to back up policies with dollars. However, the approach of various past government to this sector rose at the expense of other sectors of the economy. That is the main reason behind the present economic problems facing the nation. Since oil glut, that is, the continued depression in oil market price, the country has been unable to generate foreign exchange from any other sector of the economy; because past policies had made Nigeria economy an oil one.

The present government is determined to put things back to normal; and most particularly, to set up rational and realistic foundation for the future economy. To this effect, committees were set up; the debate ensued has led to one influential

school of thoughts of Nigerian experts. This group of experts were skeptical on the benefit of petroleum resources to Nigeria economy, and some even go the extent that, the oil industry has brought damaging effect on Nigeria economy and her values, rather than development. It is worth mentioning here that, none of these people regretted the fact that Nigeria is an oil producing country; infact, they emphasise the fact that, Nigeria is blessed with so many natural resources (petroleum, columbite, gold, tin, and uranium among others); and they believe that, these resources should be used in developing the traditional sector of the economy (agriculture). Because, they affirm, these resources are limited in quantity or supply, hence the resources generated from them, should be wisely utilized to mechanize agriculture which had been the backbone of Nigerian economy since 1946.

This school of thought also sighted the example of North Sea oil producers, (the major market competition of Nigerian oil). These countries, Britain and Norway, approach to petroleum revenues is quite secondary; they used revenues to develop other sectors of their economy. Infact, as of now, petroleum is only contributing less than 10% of their total exports.

That is why, they always try to set as much as possible to raise money for other sectors before their reserves dry up. The present oil glut is having little effect on these countries economy; as long as they can cover their out of pocket expenses of drilling oil. But Nigeris's case (like other OPEC members) is very different; no where to turn to again for revenues, even to feed her huge population is a problem. To cite example, there are countries like Cameroon, Senegal and Ivory Coast that have most of their foreign earnings coming from agriculture. These countries have managed to maintain relatively stable economies, and the standard of living of their citizen are better off than that of Nigeria with petroleum. These countries could feed their population, and the relatively stable earnings from cash crops have been utilized wisely.

Consequently, the performance objective of this research paper will be two fold: (i) analyzing the problems, (ii) providing recommendations towards more self-sufficient and independent Nigerian economy. The main problems confronting Nigerian economy:

1. High percentage of the yearly budget are being diverted to other sectors to the neglect of agriculture sector.

2. Nigeria's over-dependence on importation of stable food items for the rapidly growing population.
3. The oil spillage on vast cultivable lands; causing setback to agriculture in the country.

Many social problems associated with or related to unexpected and unplanned receipts of revenues from oil:

- a. Overpopulation due to mass movement of people from rural to urban center for "whitecollar jobs".
- b. Fall in oil revenues and mass retrenchment of worker with its social implications.
- c. Increase in backdoor business; illegal exportation of crude oil.

The other related performance objectives would be discussed during the analysis in part two of the research paper. It is the studies and analysis on these issues that conclusions and recommendations would be based on.

## CHAPTER 2

### PRESENTATIONS AND ANALYSIS OF RESULTS NIGERIAN ECONOMY SINCE 1960 TILL 1986

#### NIGERIA ECONOMY BEFORE OIL BOOM

Nigeria discovered petroleum in late 1940s and it was not until 1958 that, the country started exporting crude oil. Prior to this, the economy of the country had been dominated by agricultural goods. In other words, the main bulk of Nigeria's earnings from exports were predominantly agricultural goods. In fact, until 1965, export of petroleum products accounted only about 10% of total exports and Gross Domestic Product. On the eve of Nigeria's independence in 1960, the country's economy was virtually agriculture in nature. However, as the gross domestic product table would indicate later on, in post independence era, contribution of other sectors of economy have been growing. The rapid growth was accomplished by major structural changes, among which was the sharp fall in the percentage of the agricultural sector contributions to Nigerian exports earnings.

Apart from agricultural goods exports, other notable contributors to gross domestic products are manufacturing, electricity and water, building



and construction and distribution; others are, transport and communication, general government, education, health and other services. But until late 60s, the agricultural sector dominated the economy. The pattern of agricultural production is largely dictated by the variations in the country's climatic conditions, soils and natural vegetation. The southern part of the country are good in the production of staple tree, root crops such as plantains, bananas, cassava and yams. The northern part is confined to the production of grains - guinea corn, maize and millet; and livestock all of which require little rain to produce; The southern part of Nigeria is more wet. The regional specialization of food production was a factor for the growth of the country's inter-regional trade before petroleum products dominated the scene. Moreover, the climatic conditions determine the extent of production of export crops. Nigeria's exports tree crops such as cocoa, rubber, wood and palm; are being produced in southern Nigeria, because they require plenty of rain. In the north with little rain, export crops like groundnuts and cotton are largely produced. These crops together account for about 92 per cent of total agricultural exports.

Before the refining of crude petroleum, other mining activities contributed to gross domestic product. Because the country is blessed with vast mineral resources, mining activities takes place all over the country. Metallic minerals like tin, columbite, lead and zinc (a sizeable proportion of world outputs), is concentrated in Jos, north of the country. On the other hand, coal mining is centered around Enugu in eastern Nigeria; and lead and zinc in Abakaliki, and Owerri, the same side of the nation. Iron ore mining activities are centered on Lokoja in the middle belt part, while oil wells, the major source of the country's wealth are located in extreme southern part of the country; particularly in the delta region of Bendel, River, Anambra, Cross River, Ondo and Imo States. While mining is now the major source of Nigeria's wealth, it is a capital intensive industry with very low labour absorptive capacity; it provides employments for only about 5 per cent of Nigeria's labour force.

Manufacturing sector is another sources of earnings to the government; it consists mainly of manufacturing of light consumer goods, plastic, household utensils and detergent - concentrated in a few urban centers, like Lagos, Ibadan (West Nigeria); Onitsha, Port Harcourt (East Nigeria), and

Kano, and Kaduna in the north. Manufacturing also is a small source of employment, accounting for only about 10 per cent of the country's total employment.

Table 2.1 indicates the sectoral distribution of Nigeria's gross domestic product (GDP) from independence in 1960 to 1985. As could be seen from the table, agriculture accounted for about 60 per cent before 1966/67; the year Nigerian civil war broke out. From this time, the percentage contribution of agriculture has been declining; and worst of all, the declining rate have been very alarming since oil boom era of early 1970s. Infact as from 1975, agriculture has been accounting for less than 5 percent of total gross domestic product, which is a matter of great concern now to the country's policy makers. The second largest sector of the economy from 1960 to 1973 was the distribution sector which was accounting for about 10 per cent of GDP. None of the other sectors contributes up to 6 per cent of GDP. Until late 1970s agriculture was the mainstay of Nigeria's economy.

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F.A. Olaloku, Structure of Nigerian Economy, St. Martin's Press, New York: 1978.

TABLE 2.1

## SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT 1960 - 67

SECTOR	(Both in Millions and Percentages)										
	1960-61 %	1961-62 %	1962-63 %	1963-64 %	1964-65 %	1965-66 %	1966-67 %				
Agriculture, Fishing & Forestry	15.97	15.49	16.06	17.38	17.314	174.2	55.4	158.2	52		
Oil Mining	29.8	43.4	54	58.8	79.6	149.8	4.8	210.4	6.9		
Manufact. & Crafts	109.6	130.2	146.4	170	181	221	7.02	222	7.4		
Electricity & water supply	8.0	9.6	11.6	13.6	15.6	18.2	0.58	20.0	0.66		
Building & construction	100.0	105.4	112.8	118.4	128.4	162.2	5.15	160.2	5.25		
Distribution	317.6	307.8	313	361.8	398.2	418.4	13.3	389.8	12.8		
Transport & Communication	113.8	128.2	125.4	131	149.2	146	4.64	142	4.65		
General Government	79.8	77.2	77.6	77.8	89.6	96.8	3.08	99.2	3.35		
Education	64.0	70.2	77.8	82.8	93.4	97.0	3.08	110.8	3.62		
Health	12.4	14.2	16.8	17.8	17.8	20.2	0.69	26.2	0.82		
Others	50.6	56.2	56.4	55.8	61.4	72.4	2.30	82.8	2.72		
	2483.4	2492.2	2597.6	2825.6	2948	3247	100	3045	100		

TABLE 2.1

SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT 1967 - 1974  
(Both in N Millions and Percentages)

SECTOR	1967-68	%	1968-69	%	1969-70	%	1970-71	%	1971-72	%	1972-73	%	1973-74
1. Agriculture, Forestry & fishing	1358	52.7	1338	52.6	1539	47.4	1890	44.6	1982.9	42	1852	37	1808.7/34.
2. Mining	163.8	6.4	85	3.34	261.3	8.10	508.9	12	711.6	16.8	841	16.8	944
3. Manuf. & Crafts	190	7.35	200	7.8	263	8.17	317.6	7.5	308	6.52	379	7.56	473
4. Bldg. & Construction	135.8	5.27	117	4.60	167.6	5.20	266	6.27	355	7.51	426	8.51	429.6
5. Electricity & water supply	15.0	0.58	17.4	0.69	20.8	0.64	24.5	0.58	29.4	0.62	35	0.70	44.2
6. Distribution	333	12.92	332.2	13	411.6	12.85	515.3	12.15	554.8	11.7	537.5	10.7	575.4
7. Transport & comm.	113.4	4.40	125.6	4.94	127.6	3.95	138.2	3.26	148.9	3.15	182.1	3.64	226.2
8. General Govt.	84.6	3.57	139	5.46	258.1	8.00	314.1	7.40	328.4	6.95	412.5	8.24	416.9
9. Education	89.8	3.47	91.8	3.61	72.1	2.24	114.1	12.69	113.8	2.83	145	2.90	160.5
10. Health	20.0	0.72	19.0	0.75	23.1,	0.72	36.8	0.87	37.1	0.78	47.2	0.94	60.8
11 Others	68.8	2.67	78.8	3.08	89.4	2.77	116.2	2.74	132.2	2.78	150.5	3.00	171.2
	2572.2	100	2544	100	3234	100	4242	100	4721	100	5007	100	5310

X- The former three Eastern States are not included in the estimates, because of the Civil War in that Region.

Source: Federal Office of Statistics - National accounts of Nigeria.

The fall in the contribution of agricultural sector could be explained as the result by the increasing importance of someother sectors of the economy in post independence period. The sector of mining and quarrying which was accounting for about 1 per cent at independence rose rapidly by 1973-74; now becoming the second most importance sector of the economy, its contribution to GDP being surpassed only by agricultural goods. This notable rise in the value of the mining sector is attributable to the growth of petroleum production which now forms the mainstay of Nigerian economy.

Nigeria's economy is still developing, as the small proportion of manufacturing sector's contribution ot GDP points out. Nigerian economy had low level of industrialization until the oil boom began. The development in the political and administrative fields have led to an increase in the size of the government sector. In 1966, just to dilute the influence of the secessionist officers, Nigeria was divided into twelve states by the then head of state General Yakubu Gowon ; an action that had little effect on the civil war. In 1976, after series of agitation for seperate states by the country's minority groups, the country was again divided into nineteen states by Major General

Olusegun Obasanjo. These creation of states was accomplished with new local government councils. This development undoubtedly increased the size of government sector in the Gros Domestic Product. The increasing role of the government in the social and economic life of the country was another factor. This sector which accounted for about 8 per-cent in 1973-74, is now the fifth largest in the economy.

Another sector worth mentioning is the building and construction which has witnessed impressive growth since independence. The growth in the petroleum exploitation brought about national prosperity, and construction boom. The reconstruction program of the post-civil war period boosted this sector hence, its share rose to 8 percent by 1973-74. The dynamism of Nigerian economy could be seen from the structural changes discussed above. The average annual rate of growth of GDP from 1960 to 1967 was about 5.9 percent. The average growth for the years 1970 - 74 was put at about 10.5 percent. If it were not due to the total neglect of agriculture, the growth performance of the Nigerian economy would have been more impressive than reported above. And unfortunately the stagnation of this traditional sector of the economy was the main cause of the present economic dilemma.

## PETROLEUM PRODUCTS OVERSHADOWS THE TRADITIONAL SECTOR OF THE ECONOMY

The extent to which petroleum has come to dominate the Nigerian economy did not come as a surprise to some economic experts in the country. The incompetency at the governmental level, and lack of qualified men to handle Nigeria's economic planning was a factor behind this development. The political economic factor also contributed to the present trend. Petroleum was discovered in large quantity late 40s, specifically 1948. Until early 70s, agricultural sector was still accounting for a higher percentage of the total Gross Domestic Product of Nigeria. But as the value of petroleum continued to rise in the market, the respective governments diverted all resources to develop this sector; so that more attractive foreign earnings could be earned. To this effect, many foreign oil companies were attracted to Nigeria, and mining activities increased rapidly. Refineries were constructed, and many contract awards went to foreign companies. Invariably, many of these companies made fortunes in Nigeria. However, earnings from petroleum boosted our foreign reserves, but these reserves were poorly managed, and the agricultural sector was totally neglected. Poor income and compensations for peasant farmers resulted in mass movements of people from rural areas to the urban



centers for "white collar jobs".

In analyzing petroleum product, it is appropriate to refer briefly to its sector in the economy (mining and quarrying) sector. Though petroleum is the major output of this sector, it is worth mentioning that, this sector had made inroads into the exploitation of other minerals like coal, natural gas, tin ore and gold. Others are tin metal, columbite, iron-ore, uranium, marble and thorium. However, most of these minerals are either untouched or are exploited only by small scale enterprises. Invariably, the importance of petroleum in the international market, is blindfolding government attention to the development of other useful minerals. Because of petroleum export, the output of mining and quarrying sector have been growing overtime with a noted increase occurring about two decades ago. This sector's share of gross domestic product was about only one percent in 1960 but rose significantly to 18 percent in 1973/74, and about 20 percent in 1985/86. As previously stated, the reason behind the sudden rise in the share of this sector in GDP is attributable to increased production in the petroleum industry. In fact, Nigeria is very vulnerable to the erratic changes in the international oil market

because, from 1979 to 1983 crude oil exports alone accounted for 25.5%, 28.7%, 22.2%, 16.1% respectively of the gross domestic product.

#### PETROLEUM BASE IN NIGERIA

Nigeria has large reserves of crude oil and natural gas. Its oil fields are located in a territory south of Bendel State, Ughelli and Escravos in Bendel State, Fields in Rivers state. Fields in Rivers State produces about 55 percent of the total oil output in Nigeria. The history of petroleum development in Nigeria goes back to 1937 when Shell BP development company started prospecting for crude oil all over Nigeria. Shell was the only licenced company until 1955, when other companies like gulf oil, Mobil oil, Agip and America overseas petroleum company, joined in. The long list of oil companies involved in oil exploitation indicates the internationalization of oil search in Nigeria. The increasing number of oil companies as a result of the open door policy of the government had three favorable effects on the economy of Nigeria.

- a) Revenue of the Federal Government from oil industry which has now been the most importance financial aspect of economy was relatively stable.

- b) It improved the government's negotiating position with the oil companies.
- c) Oligopolistic tendencies were curtailed because of the participation of international oil companies like Shell BP Mobil, Gulf oil and Agip oil.

It is worth mentioning that, after about twenty years of fruitless effort, it was only in 1959 that crude oil was discovered in Nigeria by Shell-BP. The output since then had risen from its initial figure of 31,000 tns; to a record level of 110 million tons in 1974. In 1958, reserve was estimated by the company to stand at 3 millions tons with a life expectance of 12 years. However, with increased production of crude oil as a result of intensive exploration by other companies, total reserves by 1974 was put at 2.700 million tons (20,000 million barrels) with a life expectancy of 30 years. But the fruitful exploration activities in other part of the nation especially in Northern Nigeria, with the current export quota of about 1.5 millions barrels a day, Nigeria's total oil reserves was estimated by 1985, to have about 35 years life expectancy.

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P.K. Brick. Soldier and Oil Frank Cass and Co. England 1978.

The Petroleum Economists. London. March 1985.

## GOVERNMENT'S PARTICIPATION

The Nigerian government did not at first participate in oil production because of the high risks and the huge financial investments needed. The government limited itself to regulating the activities of the oil companies through legislative measures. But as oil replaces agriculture as the main base of Nigerian economy, the government decided to play a central role. Consequently, by 1971, it acquired a 33% percent equity interest in the Agip oil company, 35% in ELF oil corporation and 35% each in Shell-BP, Gulf and Mobil oil companies. Moreover, the government set up the Nigerian National Oil Corporation (NNOC) in 1971; an integrated oil company with power to explore and produce oil and gas. However, as it became clear the NNOC alone did not have the resources to cope with ambitious government plan to build two refineries as well set up an elaborate network of pipelines and depots to cope with the petroleum products shortages in the country, government authorities were forced to merge the Ministry of Petroleum Resources with the NNOC, to form the Nigerian National Petroleum Corporation (NNPC) in 1977. Since then, the nnpc has been playing useful role in the oil industry. It currently undertakes

exploration mainly in the Chad basin, Benue Area, where it hopes to attract foreign oil companies and local entrepreneurs.

Among the projects the NNPC has undertaken so far, are the building of two refineries, one at Warri, and another in Kaduna, commissioned in 1978 and 1980 respectively. NNPC also handled the construction and operation of 3,000 km pipeline linking all the refineries with 18 petroleum products ports throughout the country. At the moment, the NNPC is planning to build a fourth refinery in Port-Harcourt. When completed, this refinery is expected to meet Nigeria's petroleum products demand into the next century. This refinery will have a capacity of 150,000 barrels per day when completed in 1987. By 1988, the total national installed capacity will be 445,000 barrels per day, which is expected to match domestic demand. However, the government effort to export liquid gas has suffered severe set back partly due to market difficulties and the huge amount capital needed to be invested into the construction of liquid Natural gas (LNG) gathering and a processing network.

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P.K. Brick, Soldier and Oil. Frank Cass & Co.

England: ;978:

TABLE 2:II

## A- NIGERIA PRODUCING VENTURES

COMPANIES AND SHARES (OWNERSHIP)			NUMBER OF OIL FIELDS
Shell 20%,	NNPC 80%		84
Gulf 40%,	NNPC 60%		17
Mobil 40%,	NNPC 60%		15
Agip 20%, Phillips - 20%,	NNPC 60%		22
Elf 40%	NNPC 60%		6
Texaco 20%,	Socal 20%,	NNPC 60%	5
+ NNPC,	Ashland		3
Mobil 50%, Temeco 37.5%, Sun 12.5%			1
Pan Ocean 40%, NNPC 60%			1
Phillips 100%			1
T O T A L			155

X Production - Sharing concession

Sources - Petroleum Economist

NIGERIA: EXPLORATION WELLS COMPLETED

<u>FIELD LOCATION</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>FIRST HALF 1984</u>
Onshore	20	24	23	10
Offshore	<u>22</u>	<u>18</u>	<u>22</u>	<u>7</u>
	42	42	45	17

Source: Petroconsultants.

PETROLEUM OUTPUTS INCREASED  
FOREIGN EXCHANGE EARNINGS AND ITS EFFECTS

As the quantity of production increased, so also the quantity exported increased. The volume of oil exports rose from 245,000 tons in 1958 to about 108 million in 1974; the corresponding value was N 2 million and N 5,366 million. The sharp rise in the price per barrel of crude oil exported in late 70s improved the earning situation remarkably. The Arab oil embargo which made oil demand to exceed supply in the market was the main factor behind the price rise. Therefore, Nigeria's crude oil production and exports have made some significant contributions.

to the country's ability to earn attractive foreign exchange. Consequently, the percentage of crude oil exports rose from about 18 percent at independence 1960, to about 99 percent in 1974; while the percentage of total exports for the same years were 0.7 and 90 percent respectively; it now has up to 95 percent by the current financial year.

As table 2.3 shows, the foreign exchange earnings had rose from million to billions between 73/74 to early 1980s. Even apart from crude oil exported, government revenues from Taxes, tariffs and other commissions from the oil industry have been witnessing noted improvements.



TABLE 2.III

## EXPORT OF CRUDE PETROLEUM

VALUE OF PETROLEUM		PETROLEUM EXPORTS AS POSTED	
YEAR	EXPORTS (N.m)	% OF TOTAL EXPORT	PRICE (\$ Barrel)
1973	1893.5	83.1	4.80
1974	5365.7	92.6	14.69
1975	4629.6	92.9	12.95
1976	5025	93	15
1977	6000.5	93.7	20.05
1978	9505	94	22
1979	13000	95.3	28
1980	23405	96.6	30
1985	8000.6	89.9	26.5
*1986	8693.8	83	20

\* Projected Figure

Sources: Central Bank of Nigeria: Monthly Bulletin of Statistic,  
Magazines - Africa Now and Africa Economic Digest.

In 1969, the oil companies contribution to the Nigerian balance of current payments or net external earnings was only 40 percent of total exports (net of foreign exchange costs and payments on foreign owned capital of the exporting industry) increased fastly

The petroleum Economists: London March 1985

the following years. Within the country itself, there have been increased revenue, oil taxation and levies. Infact, the difference between gross and net external earnings from petroleum has narrowed significantly because of the increasing taxation of the industry. As the industry's proceeds grew through expansion of output, and increases in unit value, a rising proportion was appropriated by government. According to the petroleum profit tax ordinance of 1959, 50 percent of companies net profits were payable to the Federal Government of Nigeria, as royalties, rentals, and residual profit ( this ordinance have been amended several times due to market fluctuation) . In 1966 and 1971, the rate of the allowable depreciation of investment was reduced, and in 1967, oil royalties was redefined as costs of production instead of offsets against profit tax; and in 1971, the tax rate was raised from 50 to 55 percent of net income. The OPEC (Oil Producing and Exporting Countries) device of posted price introduced negotiated price between the government and oil companies to replace the realized prices'. The posted price was advantageous

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Nigeria Trade Journal: Petroleum Industry. Lagos 1982:

to Nigeria to the extent that at that current prices, total revenue nearly treble between 1970 and 1973 and more than that by 1974 - 1975 period. 1975, over three quarters of total revenues for Nigeria came from petroleum, even though revenue from some other sources (import duties, company tax etc.) had risen, apart from agricultural sector that was non productive.

The increase in Federal Government revenue, and the percentage of petroleum revenue is shown in the next table. The period covered in 1973 when the improve in price of petroleum started to the present period when oil prices have been going down at alarming rate.

The figures in this tables compared with those in the previous tables shows clearly how petroleum gradually and rapidly dominates the Nigerian economy. Though, this development brought huge foriegn exchange earnings, most of other sectors of the economy (notably agriculture), went down unnoticed.

The enormous growth in revenue indicated above; provided means for both a fast growing recurrent budget and the ambitious second and third National Economic Development Plans. In 1970 - 74, totalled public investment was about ₦ 2200 millions; but by 1975 - 80, under the third plan, it was estimated to be around ₦ 20,500 millions. The unexpected external earnings increases was used to raise government

spending and investment at a faster rate than households expenditure. Additional export earnings have provided means in pursuit of great ambitions, in foreign affair, social and political affairs. The 1975 - 80 plans continued to embody the government's determination to translate the country's vast potentials into a permanent improvements in the living standard of all Nigerians, and looked forward to arrive within the income-bracket of developed countries in two decades. Major elements of the 1975 - 80 National Development Plan Projected the Gross Domestic Product growth rate over the five-year period at an average of 9.5 percent, significantly higher than ever recorded in the Nigerian economy, and about twice the average rate during the 1950s and 1960s.

In an economy in which prices have been rising steadily for the past several years, it should be expected that the GDP estimated in current prices will be higher than constant price estimates. But the plan made mention of a GDP deflator projected at an average rate of 60 percent based on a number of fiscal, monetary and other anti-inflationary policy measures which the government was said to be intending to take during the plan period. The Gross National Product (which measures current production at home and abroad, attributable to factor services supplied by people

TABLE 2:IV

CURRENT REVENUE OF FEDERAL GOVERNMENT OF  
NIGERIA AND THE PROPORTION DERIVED FROM PETRO-  
LEUM 1973 - 1985

YEAR	(Nn) Total Current Revenue	Petroleum Revenue	As % of total
1973	1695:3	1016:0	59:9
1974	4537:0	3726:7	82:1
1975	5514:7	4271:5	77:5
1976	8500:6	6732:5	79:2
1977	12500:0	10737:5	85:9
1978	15950:0	14068:6	88:2
1979	20500	18380:0	90:0
1980	24400	23,405	95:6
1981	16,713	16044:4	96
1982	13,086	12588:7	96:2
1983	10,155	9,779:3	96:3
1984	11,496	10,311:9	89:7
1985	8,000:6	6960:6	87

Sources: - Central Bank; National and Continental  
Economic Magazines/Journal; Petroleum Eco-  
nomist;

Exchange:- 1973 - 1984: 1 N = \$ 700 Approximately;  
1985                   1 N = \$ 900 Approximate;

normally resident in the country) was also noted in the Third Economic Development Plan of 1975 - 80. This measurement gives a more accurate measure of income, available to Nigeria population than the Gross Domestic Product. The 1975-80 plan was projected on an average annual growth rate of over 16 percent. The GDP as a proportion of GDP at current market prices ( 1975), was estimated to rise from 94.2 percent in 1974-75, to about 97.5 percent in 1979-80. The income diverted to consumption which was about 82 percent in 1974-75, declined to about 79 percent by 1976 - 77; but rose up again to reach 84.5 percent towards the end of the planning period. Invariably, the average propensity to save was falling as income rises. The savings ratio for the private sector was projected to rise from 8 percent in 1975 to about 19 percent in 1976. By 1980, it had moved down to about 15.5 percent; a bad omen for the economy.

While the aims and objective of the government were high and very ambitious, especially in terms of national economic development, the political system of Nigeria in the seventies had been very different, reverting in some of its features to the earlier period of colonian rule. Electoral politics had been eliminated, and scope for organized political activity greatly curtailed by the military rulers of the day. Financial resources and political power have shifted to the center.

Like the provincial administration of colonial times, the states have been instruments, of the central government rather than its constitutional peers. Power has been in the hands of officials, military and civilian, whose authority have depended on their appointments, not organized popular support. Like the colonial government, the military government serves the people not because the people are its masters, but because it has their interests and inadequate governmental purports to know its duty. All these political flaws and inadequate government system gave room for poor economic performance, corruption on a very large scale, poor government accountability and the mismanagement that turn the ambitious plans mentioned above to nothing less than bye-gone expectations.

However, Nigeria's hope of rapid economic growth were fuelled by the steady increase in oil production in the early 70's. This reached its peak in January 1979, when production stood at 2.4 million barrels per day. But with the present slump in the oil market, production has fallen to about 1.5 million barrels per day, while prices have gone down to \$ 20 per barrels instead of about \$ 28. While it could be true to report that there was indeed an accelerated growth in Nigeria's economy in the 1970s, this fast growth was quite short-lived. While it grew at about 1.1 percent annually, and depended almost entirely on the export of commodities such as Cocoa, Palm oil,

Groundnuts, Cotton and Timber throughout the 1950s and 60s. In the 1970s and early 1980s, GDP grew at an average of 8.5% annually mainly because of oil. The oil wealth of the 1970s actually transformed Nigeria into a politically assertive and rapidly industrializing country. Now though, falling prices are threatening to throw everything into reverse gear, with huge foreign debts, inability to even service a debt of \$ 18 billion, massive unemployment, and the traditional economic sector's failure to generate foreign exchange to fill the gap created by falling oil prices:

Neither the switch in ownership, nor the oil price rises of 1973 - 74 and 1979 - 80 provided sufficient capital to meet the costs of industrialization plans developed in 1970s; and the spending needs created by rapid urbanization. Population growth, inadequate planning structures and unrealistic official and agricultural potential led Nigeria into heavy borrowing. The problem of servicing a heavy debt burden at high rates of interest were compounded by the corruption which diverted large amounts of foreign exchange into personal accounts; a main excuse for a military takeover of government, including the present government of major General Ibrahim Babangida. Unfortunately, these corrective governments had changed nothing; they proved even less capable of controlling



the oil market, the main determinant of Nigeria's economic fate.

These present government of Babangida was even faced with grave problems in his first months in office. Lower oil prices, pressure for greater discipline in OPEC and increase price competition from North sea producers in key European markets were contributing factors. Nigeria, as a minor exporter of oil, has little bargaining power in OPEC (organization of oil Producing Exporting Countries). As prices slide down, its revenues suffered more than most, from the effects of reduced quotas. Output has recently recovered slightly from the very low levels of early 1985 to reach about 1.5 million b/d. But it is still 25 percent down on the volumes forecasted for the last five year plan. Drawn up in 1981 for forecast, put 1985 price at ₦ 30.36 a barrel, and production of 2.37 million b/d. Annually now, export revenue has gone down with about ₦ 3 billion below forecasts.

Existing oil production capacity has passed its best. With few large fields, Nigeria needs a steady flow of new discoveries to prevent a further decline in the ration of reserves to production. Reserves are estimated to be sufficient for 16 years at current output levels. The Babangida government, though have been encouraging oil companies during the present depression; is not investing enough in

exploration, development and infrastructure because of a serious revenue shortage, a debt burden of \$ 20 billion, need to import basic food items that the country is capable of producing, and an over valued currency. Because of the bleak future and prospects that holds for the country if the economic planning is not changed, President Babangida is mobilizing experts opinions on ways to put Nigeria economy at a sound footing. Presently, each \$ 1 fall in oil prices reduces government revenue by up to \$ 1 million. And if OPEC continues to reduce Nigeria's quota, further problems would be created. For a country that oil accounts for over 95 percent of its revenue, this would be a calamity. The last budget announced in January 1986, reduces subsidies in oil product, in a bid to generate more fund, and reduces local consumption that have been growing rapidly.

#### LOCAL CONSUMPTION OF PETROLEUM RESOURCES

Local consumption of petroleum resources was very cheap to the extent that most citizen could afford to buy them. The main components being consumed are petrol, gas, kerosine and engine oil or diesel. The subsidies on these items until recently( the lat budget) was too much that, it created room for backdoor business. Artificial businessmen and women came up in petroleum business. These people buy the

petroleum products at a cheaper rate in Nigeria, and take it illegally to neighbouring African States. These practices, including other secret drilling of oil to be exported were directly and indirectly sabotaged activities on Nigerian economy. A situation that since the military took over government in 1983, have been considerably reduced or eliminated, with tight control and surveillance at international borders.

The main problem still remains the local consumption of petrol. The consumption rate is too great, it was forecasted late 1984 that, if the consumption is not checked, Nigeria's oil production capacity would only satisfy local consumption by late 90s. Before January 1986, one liter of petrol do cost No. 20 k (\$0.35); invariably about \$1 petrol will fill a tank of medium size car. In the negotiation with IMF over a \$ 2.5 billion loan Nigeria wanted to borrow (the negotiation is suspended), removal of oil subsidies was one of the conditions laid down by IMF. The Fund (IMF) believes that, Nigeria could generate thousands of much needed fund, if this subsidy is removed. Because of the

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Africa Economic Digest. Bonone offset Ltd. London  
1986.

importance of this aspect, I will be dealing with it seperately below:

#### REMOVAL OF PETROLEUM SUBSIDY

Since 1980, when the economic depression started in Nigeria, the gradual removal of petroleum subsidies is one of attempt made to boost government revenue. It is regarded as a very difficult action to take considering its political implication. However, after a long debate and delays, the present adminstration of General Babangida took the courage by announcing a fuel subsidies cut of 80 percent in 1986 budget. Prior to the announcement, many petroleum experts came up with ways that the removal of subsidies could be phased out, some of these suggestions will be touched on later under this topic.

Domestic consumption of petroleum products were estimated at 200,000 b/d in 1980, 220,000b/d in 1982 and 1983, and following moves to present illegal product exports, 1984 estimate was put at 200,000 b/d. Considering the large domestic con-

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Daily Times: Petroleum Subsidy. Lagos 1985

sumption of petroleum products one of the major conditions of the International Monetary Fund's loan package to help Nigeria overcome its economic woes was the removal of petrol and petroleum products subsidies, currently being incurred by the Federal Government. The removal of the subsidy would allow Nigerian to pay the world market price for petroleum.

It was estimated that, the government subsidies on petroleum and related products amount to an average of about ₦ 1.4 billion ( \$2 billion). A school of thought among the Nigerian populace believed that, the price of petroleum products should be dynamic and related to prevailing socio-economic factors/ A liter of petrol diesel oil costs well below 20 kobo (\$ 0.30). Therefore, this school of thought concluded that a cut in petroleum subsidy or its total withdrawal would not have much effect nothing that one liter of petrol in Nigeria is cheaper than a can of coca cola. On the other side of the spectrum are those who believe a withdrawal of oil subsidy would produce adverse effect with large scale political implications, as a result of consumers reaction and gross-price elasticity on the prices of other commodities or service related to the use of petrol or petroleum products.

This school of thought argued the fact that, Nigerian traders are quick respondent to price increases in a nation without strict price control; therefore, transportation fares would quickly rise as soon as plans being made to reduce or withdraw subsidy. This move (increased fares), would reflect on the prices of other commodities. To close their ranks, this two views/thoughts came to a compromise of gradual withdrawal of petroleum subsidy. The recommendation is given below:

Table 2.V

COMPARATIVE SAVINGS ON THE TWO METHODS  
OF WITHDRAWAL OF PETROLEUM SUBSIDIES

PHASE ONE		
YEAR	FUEL VOUCHERS PROPOSAL Removal of 100 percent subsidy on petroleum products consumed by Privat Vehicles (only)	I.M.F. PROPOSAL 3 years gradual with- drawal for all consu- mers
1986	N 7176 Billion	N: 4554 Billion
1987	N:7176 Billion	N: 9108 Billion
1988	N:7176 Billion	N: 1.380 Billion
TOTAL	N 2. 1528 Billion	N: 7462 Billion

PHASE TWO

	Removal of 100 percent subsidy on private vehicles and 50% on Com. vehicles:	I.M.F. 100% Across the Board removal for all vehicles already accomplished:	Annual savings loss to the economy
1989	N. 1.0764 Billion	N.1.380 Bill.	N.3038 B.
1990	N. 1.0764 Billion	N.1.380 Bill.	N 3036 B.
1991	N. 1.0764 Billion	N. 1.380 Bil.	N.3036 B.
TOTAL	N. 3.2292 Billion	N. 4.140 Bil.	N 9108 B.

This six years plan for gradual withdrawal of all subsidies on oil is cushioned with a lot of side relief on the part of oil consumers, so as to reduce the economic impact of the withdrawal, and prevent any exercise price explosion. Current statistical data gives 18 percent of all vehicles registered in Nigeria between 1970 and 1982 as commercial vehicles, while 82 percent were for private uses. It was further claimed that, commercial vehicles and industries consume 52 percent of all petroleum products, while private cars consumes 48 percent. Consequently, the recommendation was based on these figures:

- 1- Beginning 1986, the subsidy should be withdrawn from all private automobiles (48 percent of local consumption). This exercise, to be extended to 1988 for the sake of convenience and effectiveness,

would make this group start paying the world market price of petrol:

- 2- The second phase begins 1989, and anticipate a 50% withdraw of subsidy from commercial automobiles and industrial users of petrol and petroleum products: This exercise should also be phased out within a period of two years:
- 3- Assuming successful implementation of the first two stages of this plan, by 1982, all forms of other subsidies should be withdrawn:

The expected savings from the withdrawal of oil subsidy will boost government revenue that could be used for other development projects of higher priority. Though, the present government did not follow this recommendation, its decision was welcomed by majority of Nigerians: Because, it came at a time when there was a national concensus for Nigeria to reject or accept the IMF loan of N 2.5 billion: It is widely believed that, some of the conditions attached to this loan by the Fund undermines national integrity and independence. Consequently, the Nigerians are being mobilized to

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Nigeria Daily Times. Federal Gout, Printer Lagos:

March 1985



make sacrifices in order to revitalize the economy with self efforts; paying more for petrol and petroleum products is part of sacrifice. Infact, the lifting of subsidies means that petrol prices are immediately doubled and those for diesel trippled, with Kerosine price unchanged. The budget put expected recovery fund from the lifting of petroleum product subsidies at ₦ 900 million (\$966 million). President Babangida stated that, the fund would be used for social programs that would be beneficial to most Nigerians.

Now that I have treated in depth the petroleum sector of Nigerian economy I will thereby analyse the agricultural sector of the economy, in order to come up with a reliable conclusion for this project paper.

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Nigeria Trade Journal: Subsidies. Lagos 1985.

## CHAPTER 3

### AGRICULTURAL SECTOR OF NIGERIAN ECONOMY

In the preceding parts of this research paper, I pointed out the importance or contribution of agricultural sector to the Nigerian economy. Before the oil factors overshadowed this sector it was a reliable, stable foreign exchange earner, it employs large labor, was a major contributor to the Gross Domestic Product (refer to tables 1:1 and 1:2). Agricultural sector was also supplying foodstuffs for the rising population, and assisting other sectors of Nigerian economy, by providing needed raw materials. Unfortunately, these roles and influences of the agricultural sector to Nigerian economy has decreased or even non existed since early 1970s for various reasons. This part of the paper will be treating in depth, the agricultural sector of Nigerian economy, its problems, and examine what appropriate actions are taken to revitalize the sector. From there, the writer will move to the conclusion of problem related to agriculture on the performance objective between this sector and petroleum sector.

## AGRICULTURAL SECTOR: ITS PRE 1970 RECORD

Before things went upside down for the agricultural sector of Nigerian economy, it used to be the main-stay of the economy. Agriculture which actually provided about 66 percent of the G.D.P. in the 1960s had by 1981 lost ground to petroluem as the back bone of Nigerian economy. By the year (1981), agriculture had dropped to about 20 percent of the GDP, although it still employs about two thirds of the national work force - most of them on small holdings and subsistence farming. At its glory days, cash crops such as cocoa, coffee, goundnuts and cotton used to earn considerable amount of foreign exchange for Nigeria.

Before the 70s, agriculture was the main source of the rapid growth of Nigerian economy. Production was organized into two parts:

- i- Large scale capitalist plantation form of production employing modern technology. Until recently, this type of agricultural production was about 10% of the whole sector. It was being operated by some organizations and few provilleged individuals.

ii- Peasant production consisting of subsistence output on millions of individual small holdings, relying on traditional methods with the use of simple equipments such as hoes and the cutlass; eventually, all the food crops and most export crops come from this category of farming.

The production of export crops (which are the main sources of revenue) is contingent on the climate. Consequently, tree crops like rubber, cocoa, wood and palm which require plenty of rain are mainly produced in the southern part of Nigeria. While other export crops, like groundnuts and cotton, which require little rain, are produced in the northern part of Nigeria. These major crops accounts for about 90 percent of the value of all the countrys agricultural exports. Because of the seasonal nature of agricultural activities, there is underemployment in this sector. In spite of the changes that took place during the oil boom era, agricultural sector will still dominate Nigerian economy for decade to come. Agriculture is the stimulus to economic growth in Nigeria, but the

sector is facing series of problems, that need to be tackled, before it can take its right place in Nigerian economy:

#### PROBLEMS FACING AGRICULTURAL SECTOR

There are several problems confronting Nigerian agriculture. Some of the problems are attributable to lack of adequate planning for the sector while some come about through the neglecting of agriculture for the most yielding (financially) petroleum sector of the economy. The problems range from low productivity to low yields and inadequate facilities for marketing and storage; and also lack of credit facilities. The problem of increasing agricultural productivity is no more evident than in the necessity of increasing the production of foodstuffs for a population which is known to be increasing at a greater rate than everbefore.

The major problems facing the agricultural sector have been identified as follows:

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Olaloku F.A.: Structure of Nigerian Economy. St. Martins Press. New York 1979.

- a- Shortage of qualified manpower in key areas.
- b- Inadequate supplies of agricultural inputs.
- c- The poor condition of feeder roads, and other transportation facilities.
- d- Inadequacy or lack of effective supporting services such as farm credit marketing facilities.
- e- The problem of diseases and pests.
- f- The problem posed by the labor shortage in the rural areas in consequence of rural to urban migration for "white collar job" the effect of oil boom era.
- g- Lack of up to date technology for food crops.
- h- Drudgery of farm work and low returns from agriculture which force rural youth to migrate to urban areas rather than go into farming.

The problems listed above affects the entire agricultural sector in Nigeria. However, because some specific problems go for the sub-components of the sector, I will analyse the problems as related to export crops, and production of foodstuffs.

#### EXPORT CROPS

These components of agricultural sector is very important, because these are the crops that can earn considerable and stable foreign exchange

for Nigeria; and in a bid to diversify the economy from its present petroleum based, efforts will have to be employed to transform the sub-component of agricultural sector (export crops).

Export crops suffer from a variety of problems. Cocoa, which is an important export commodity is currently facing a general decline in total production, due to diminishing returns from about half of the existing cocoa trees, which have nearly reached the end of their productive lines. Consequently, now cocoa trees need to be planted as replacements so that the existing level of production could be maintained and even expanded. The presence of wild palm trees which are low yielding quality, and harvest difficulties explain the reason behind stagnation in the production of palm produce. Old pricing system which is less motivating had also discouraged new interest in this product.

As regards production of groundnuts, the movement of these commodities from the interior to the port brings about deterioration in their quality due to long delay. Other problems are inadequate labor supply at peak periods; lack of credit facilities, and poor marketing and inspection system. For rubber production, poor processing techniques, and inadequately organized marketing system are the problems.

## LIVESTOCK

This area of agriculture have been neglected for long time. There seems to be an underlying reason for the general lack of appreciation of the role of livestock in the economy. Livestock products like meat, milk and poultry products have prominent places in the diet of the people, and because of steady increase in population and income, there is need to expand the capacity of this industry. At the peak periods of Nigerian agriculture, livestock used to meet both local and outside demands; hence it used to be classified as export items and items for local consumption. The existence of tsetse fly which hampers production of beef, inadequate supply of water during dry season, and the poor infrastructure both of which complicated the life of nomadic herdsmen using traditional methods are major problems facing the industry. Consequently, before the full potential of the livestock industry can be realized, there is the need to eradicate cattle diseases, improving grazing, and water supplies, and introduce better marketing methods, and storage facilities.

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Olaloku F.A: Structure of Nigerian Economy, St. Martins Press, New York 1979 pp 10- 60.



## PROBLEMS RELATED TO PRODUCTION OF FOODSTUFFS

As regards agricultural items meant for local consumption, Nigerian agriculture faced its greatest challenge for many years following the Federal Government's decision to ban imports of rice and maize on October 1, 1985, and of vegetable oil three months later. These have been among the country's major food imports, and yet they are all products which can be grown within the country in sufficient quantity. Rice is grown in all parts of Nigeria, with an estimated production of 1.2m tonnes of paddy per year. This is much more than in the early 1970s, when demand for rice began to rocket, but it is still far below the demand which is estimated at 1.9m tonnes. Maize production was estimated at over 1m tonnes in 1984. Of vegetable oil imports, the most important have been of palm oil, once a major Nigerian export; at least 300,000 tonnes of the demand of about one million per year have been imported.

In Nigeria, importation of food items have gone up as a result of inadequate local production coupled with the competitive prices of foreign items.

In Nigeria, imported rice discouraged local production, as it is cheaper than Nigerian rice. But the government, is now reactivating interests in local production with many incentive programs. But considering the problems of this sub-component of agriculture, it is doubtful if local supplies will be increased to meet demand in the foreseeable future.

i- PRICING PROBLEM- In Nigerian markets, price control is usually ignored, by both the food traders and farmers. Traders handle nearly all the trade in basic foodstuffs - rice, maize, millet, yams, cassava, cocoyams, beans, palm-oil etc. They are independent of all official control and direction, and the only effective price control has been than induced by competition from imports of some products. The marketing boards notably the Nigerian Grains Board and the Nigerian Roots and Rubber Board - buy some food from farmers; State Governments, such as those of Kano and Kaduna States, buy some more. The rest, the greater part, is handled by private traders. The Grains Board has been increasing its storage capacity, but of course this is only available for the limited quantities it buys itself. Even its limited storage capacity, the Grains Board probably fails to

Prevent considerable losses from those cereals passing through its hands. And there are also heavy losses in private trading, which is more efficient than official marketing.

ii- HARVEST / TRANSPORTATION - Extent of post-harvest losses are enormous. It was estimated at one quarter to be between three million out of twelve millions tonnes of annual cereals output are lost within three months of harvest. Eliminating these losses could go far towards attaining the governments aim of food self-sufficiency. This is difficult, however, as food marketing is largely outside government control. The Bureaucratic Boards often do not send agents to the village to buy crops as private traders do. Their prices are generally below those of the traders. For rice, for example, the average farmgate price in 1984 was ₦ 883 per tonne, while the Grains Board paid ₦ 500. Though private traders serves farmer better in most cases, they apparently do not buy up all available produce. For example, in 1985 in Ondo State of Nigeria, the government told all farmers with surplus maize or other grain to sell, to report to extension officers by a specified date. This bureaucratic approach causes problems that are further aggravated by the problem of insufficiently maintained roads in the rural areas that do result in lots of food crops.

EFFORTS MADE SO FAR BY GOVERNMENT  
TO REVITALIZE AGRICULTURE

Since 1978, the various governments of Nigeria had tried or have been trying to put agriculture back to its proper place in Nigerian economy. Efforts geared towards the modernization of agriculture started when it became cleared to Nigerian economic experts that, mineral resources such as petroleum products are temporary bonus, that should be used to develop the traditional sector of the Nigeria economy which is agriculture.

The first major program implemented by the Federal Government of Nigeria, in a bid to make Nigerians go back to farming, is the "operation Feed the Nation". This operation was initiated and launched by the government of General Olusegan Obasanjo. The objective was to make all able bodied men and women to go back to their farms. To this effect, the then government ( both Federal and State governments) did everything possible to make agriculture attractive to Nigerians. Millions of dollars were budgetted for this operation, but unfortunately, the cost wastoo high compared with the benefits, because few years after the operation was launched the problems seem getting worst; hence the succeeding governments have to come up with new ideas.

However, whatever experts might say about the failure of Operation Feed the Nation, the operation

has soften grounds for the new programs being implemented. Infact, the operation gave an insight into the impending problems for the economy, by neglecting agriculture. Also new facilities brought about by this operation feed the Nation were yielding good results now. For example farmers were fully educated, and informed through the media and various sources, on ways to counter the basic problems facing their occupation; fertilizers and other materials were made available to local areas, hence more exposed to local farmers. Arrangements for credit facilities, and other aid packages were made available. Infact on paper, the Operation Feed the Nation was excellent, but there were lots of foul plays in its implementation. The operation created room for some government officials to enrich themselves; as money and materials meant for local farmers were diverted to personal uses.

The succeeding governments (both civilian and military) have been trying to give new impetus into this operation. To this effect, at this 1986 budget announcement; General Babangida stated a programme of

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Nigeria Trade Journal: Ministry of Agriculture Reports  
Lagos 1976:

rural road building and repair to bring about quick and smooth transportation of products from rural to urban centers. In some other respects, the government role in agriculture is now admitted to be unhelpful. The government have urged major corporations and companies to diversify to agriculture; With strict regulations on import licence, most companies are being compelled to invest in large agricultural projects so as to be able to produce their raw materials locally. The government is ending direct production by the River Basin Authorities (a government body), and government's control of fertilizers distribution is to be ended. The reasons for this action ranges from inefficiency, to efforts being made to motivate local producers. The marketing boards still maintains its position, but steps are being taken to restructure them.

#### STRATEGY FOR AGRICULTURAL DEVELOPMENT

Nigeria, Africa's most populous country could feed itself adequately, if appropriate strategies were taken to modernize agricultural sector of Nigerian economy. All the potentials (both human and materials) are present in the country, but the nation needs a concrete plan.

In Nigeria, in order for the agricultural sector to be transformed, certain conditions must

be achieved and fulfilled; an area, the Federal Government of Nigeria must play a leading role. There should be a strategy of technical changes and innovation. At present, more than 90 percent of agricultural sector are in the hands of local and individual farmers. These people cultivate with the aid of locally manufactured tools like cutlass and hoes. As a result, a lot of human energy are needed to be able to do a good job in the farm and this takes long time to materialize. This is one of the reasons, why young men of today in Nigeria are very reluctant to go to farm. Therefore, if the government could bring about technical changes, whereby farming equipments would be made available to farmers at cheaper rates, things would improve. Apart from yielding increases in productivity, this approach will entice the young generation to stay in the rural areas for farming.

Another strategy for agricultural development in Nigeria could be, making the rural environment more comfortable for people. Apart from building more roads, the government needs to provide other social amenities like pipe borne water, electricity and social institutions. By so doing, the mass exodus of people from rural to urban centers would be checked, and local conditions will be more bearable to farmers. In Nigeria, agricultural bottleneck still remains a difficult problem. The physical requirements for

agricultural development stated before, could be generally reduced by improved farming techniques with proper and adequate use of such inputs as fertilizers, improved seeds, irrigation system in the Northern part of the country and marketing and transportation.

However, the proper use and adoption of these proposed innovation techniques, by a large number of farmers depend on their knowledge, expertise and ability to use them effectively. Therefore, effort should be geared towards the proper training of agriculturalist, whom upon completion of their courses, would be active on the field, assisting and coordinating with farmers in their respective farms. Also, in addition to effective public investment for the development of rural infrastructure, there should be proper institutional and agricultural policies to encourage farmers to adopt innovations; for example, through extension services, farmers may be informed of new techniques, and encouraged to adopt them. Also, a program that makes inputs and credit available to farmers is essential, so that, new techniques adopted by farmer is not frustrated by lack of inputs and finance.



## PROSPECTS FOR AGRICULTURAL SECTOR IN NIGERIA ECONOMY

In the preceding sections under part II of this paper the writer I discussed the importance of agriculture to Nigeria and that of agricultural sector to Nigerian economy. I have also talked of the large foreign exchange the agricultural sector used to earn before petroleum products overshadowed it, and its contribution to the gross domestic product. I also touched on the general characteristic of Nigeria's agriculture. Its methods of production and its role in the supply of foodstuffs for Nigeria rising population. In addition I came up with probable strategies for developing agriculture in Nigeria. Therefore, considering all these aspects of agricultoreal sector of Nigerian economy, and if the appropriate strategy(s) are implemented to put things right, I am now envisaging these prospects for agricultural sector and consequently, the Nigerian economy.

If the Federal Government of Nigeria takes the appropriate steps in restructuring agriculture, Nigeria in a decade, would be self-sufficient in both food production and raw materials for most of the industries. Devoting a substantial capital expenditure to this sector, will make agriculture play its proper role in the economic development

of Nigeria because Nigeria is blessed with the needed resources, large fertiled and rich soil, human resources, and mineral resources that could generate funds to be invested on agriculture. Since the present economic debates in Nigeria is focusing on the next National Economic Development Plan of 1990, it is believed that, if the appropriate steps on agriculture were taken, by 2000, Nigeria would be able to produce about 90 percent of its agricultural products.

Apart from considerable sum of money the Nigerian government will save from reduced import of foodstuffs, and most raw materials, the export crops would be providing Nigeria with a more stable foreign exchange earning. With the proper impetus, the agricultural sector of Nigerian economy, apart from satisfying local food demand, could also provide other neighbouring countries with basic food items, like rice, maize and grains; as this is within capacity. As envisaged, if the development of agriculture is accorded the greatest priority in the various Federal and State Government plans, especially in the economic plan of 1990, agricultural

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Nigeria Trade Journal. Ministry of Agriculture .

Lagos 1976 pp 7 - 15.

activity will remain the most important and vital single sector of Nigerian economy for long time to come . The Nigeria's economic development will be directly affected by progress in this important sector; hence agriculture, and specifically agricultural exports will start to be the principal stimulus to economic growth in Nigeria.

POLITICAL PROBLEMS ON ALLOCATION OF  
PETROLEUM REVENUES TO VARIOUS  
STATES OF NIGERIA

One of the effects of the oil industry is the politics involved in the allocation of the huge revenue originating from this industry. Since the oil industry was now the main source of government revenue, there is a sort of pride among those states with petroleum production; therefore, they usually demand larger share of the Federal Government revenue to justify their positions, even though, in most cases, amount being demanded, are far more than the one needed for the development of their respective states. This type of problem never arise with domestic product because all parts of Nigeria specialises in one or two agricultural products, and there used to be competitions among the various regional governments in making sure that the value of agricultural products coming from their regions, match the value of other regions products. Because of the sensitive nature of the revenue allocation

(undermining national unity), the issue needs to be looked into, before coming with a new economic plan for Nigeria.

It is not possible in a federation so complex as Nigeria to assign some of revenue to the Federal Government and other sources of revenue to the State Governments in such a way that, the resources available to each unit of government will always match its obligations.

The circumstances in Nigeria especially those relating to revenue allocation changed greatly in the decade up to 1976. The most important factors making for the change were; the removal of open competitive politics by military rule; the multiplication and reduction in size of the component parts of the Federation (from four Regions to twelve States in 1969, and to nineteen States in 1976); the emergence of national consciousness on the part of the country's rulers; and the overwhelming importance of the oil industry as a source of revenue.

The changes in the period since 1967 is divided into four parts:

a) Determination of the structure of fiscal authority:

This sets out the statutory allocation of revenues to both the Federal And State Governments.

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Brick P. R: Soldiers and Oil. The Political Transformation of Nigeria. Frank Cass and Co. England 1978.

- b) A short comparative analysis of the actual revenue accruing to each unit of government from various sources. This shows the magnitude of oil revenues and of the changes in the fiscal relationship.
- c) An examination of the political issues raised by a reform of the revenue allocation system.
- d) An analysis of the circumstance in which the post - 1970 reforms were carried out and a view of future relationships.

Table 2.VI below will show the revenue allocation procedure of the 1967 period.

THE STATUTORY ALLOCATION OF REVENUES  
STRUCTURE OF GOVERNMENT REVENUE, MAY 1967

- 1. Revenues raised, collected and retained by the Federal Government:

Company Taxes	Import and excise duties on beer, wines & liquor	Mining rents & royalties
	Import duties (except on motor spirit, diesel oil and tobacco) -65%	- 50%

- 2. Revenues raised and collected by the Federal Government and transferred to State Government on the principle of derivation:

Export duties on primary produce	Import and excise duties on motor spirit, diesel oil and tobacco	Mining rents & royalties
		- 50%

3. Revenues raised, collected and retained by State Government:

Personal income and  
Poll Tax sales Tax  
on produce (except  
tobacco, motor fuel,  
hides and skins)  
Fines, rents on Govern-  
ment property,  
Revenue from letter etc.

4. Revenues raised and collected by the Federal Government, credited into the Distributable Pool Account and share among the States:

Source:

1963 Constitution of Federal Republic of Nigeria, Section 136 to 145, as amended by Allocation of Revenue Act, 1965.

The system of revenue allocation that prevailed in 1967, raised four main problems:

1. Many States found themselves with insufficient revenue with which to discharge their responsibilities. With the creation of more states, the problem became much more general and acute. The growth of the economy led to increased revenues, but the principal beneficiaries were the Federal Government (and the two oil-producing States of South Eastern part of Nigeria); whereas the burden of increased expenditures fell most heavily on the States especially the larger more

populated States (Western and Eastern Nigeria).

2. The allocation of revenues on the principle of derivation made the finances of each state very dependent on the level on its own limited productive activities (e.g. of export crops and mining) and on its level of consumption (e.g. of petrol and tobacco).
3. This system gave rise to unacceptable disparities between States. Since the financial receipts of well-placed States were not necessarily related to their share of the National population, size of territory and capacity to foster developmental projects.

This derivative principle brought about more imbalances of the National economy; the regions producing agriculture export crops have little cash for investment in more modern agricultural facilities. Infact, the derivative principle per-soned intergovernmental relationships, and exacerbated inter-regional rivalry and conflict. However, the principle have been amended many times so that revenue allocation is now more equitable. Before the writer discuss the amendments, he will give tables showing the population distribution of Nigeria, and the oil producing areas of the country (Nigeria) so that the

TABLE 2.VII  
NINETEEN STATES OF NIGERIA AND THEIR  
ESTIMATED POPULATION AND RESOURCES

STATE	Estimated Area (sq.Km)	Estimated Popu- lation	Resources Poten- tial	Capital
ANAMBRA	15,770	3,596,618	Coal & Trading	ENUGU
BAUCHI	61,814	2,431,296	Cotton & Ground nuts	BAUCHI
BENDEL	38,061	2,640,962	Petroleum & Palm Prod.	BENIN CITY
BORNO	116,599	2,997,498	Livestock	MAKURDI
CROSS RIVER	29,164	3,478,131	Petroleum	CALABAR
GONGOLA	102,067	2,605,263	Livestock & Foodstuffs	YOLA
IMO	13,032	3,672,654	Small Pet. Mftg.	OWERRI
KADUNA	70,293	4,098,305	Cotton, Rice	Kaduna
KANO	42,123	5,774,840	Groundnuts & Livestock	KANO
KIVARA	73,404	1,714,485	Steel, Food- stuff	ILORIN
LAGOS	3,535	1,443,568	Business Center	LAGOS
NIGER	73,555	1,194,508	Export crops& foodstuffs	ABEOKUTA
OGUN	20,241	1,550,996	Expt.crops food item oil	AKURE
ONDO	19,165	2,729,690	Cocoa & foodstuff	IBADAN
OYO	42,862	5,208,884	FoodItems	JOS
PLATEAU	56,245	2,036,657	Petroleum	PORT HARCOURT
Rivers	21,172	1,719,925	COTTON	SOKOTO
SOKOTO	94,588	4,538,787		

Sources: i) Federal Government white paper on the Report of the Panel on Creation of States. 1976

ii) Federal Office of Statistics figures May 1977.



readers can easily comprehend the discussion of revenue allocation.

Going through Table 2.VII closely, one could see that, States blessed with petroleum resources are very small both in size and population. And according to 1967 derivative principle of revenue allocation, these States are being allocated the larger share of Federal Government revenue, since most of it come from petroleum products. Consequently, the big and highly populated states who are not blessed with petroleum resources are allocated small amount that could not meet their vast expenditures. It is to come up with a more acceptable formula that various panels were set up, a considerable amount of controversies surrounded the works of these panels, and many recommendations were rejected. However, it is widely believed that, a new revenue allocation formula that will place the national interest above sectional interest was needed. In pursuance of this, the Government was able to come out with a better formula that was highly debated before acceptance. The tables below will indicate the formula(s).

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-Brick P.R. Soldiers and oil. The political transformation of Nigeria. Frank Cass and Co. England 1978 p:150-261.

- Stopler F.W. Planning Without Facts. Harvard Press Massachusetts 1966.

TABLE 2. VIII - A

COMPOSITION OF STATE GOVERNMENTS'  
REVENUE 1968 - 1975 (M million)

YEAR	TOTAL	FEDERAL AMOUNT	SOURCE %	INTERNAL AMOUNT	SOURCE %
1968/69	144.5	86.5	60	58.0	40
1969/70	232.2	164.1	70	68.1	30
1970/71	393.0	302.0	77	90.0	23
1971/72	454.1	334.2	73	119.8	27
1972/73	545.8	312.4	67	142.3	33
1973/74	525.8	331.4	63	194.4	37
1974/75	839.9	589.9	72	249.7	28
1980/81	996.5	630.0	63	365.5	37
1984/85	800.7	550.3	69	250.4	31

Source: Federal Ministry of Finance bulletin and Digest of Statistics Lagos  
Vol. 25 (January 1975 and 1980)

TABLE 2.VIII - B

## STATUTORY ALLOCATIONS TO STATES 1973/74 - 1976/77

STATES	1973/74(Nm)	1974/75(Nm)	1975/76(Nm)	1976/77(Nm)	% Differential between 1974/75 & 76/77
MIDWEST (Bendel)	54.9	139.9	135.9	121.1	-13.4
RIVERS: (Rivers)	34.2	101.0	113.0	123.6	+22.3
EAST CENTRAL (IMO, Anambra)	31.9	58.3	108.7	144.7	+148.2
WESTERN:(Ogum, Ondo, OYO)	31.8	47.3	113.8	197.4	+317.3
NORTH EASTERN: (Bauchi, Borno, Gongola)	29.7	41.7	100.4	183.8	+340.7
NORTH WESTERN:(Niger, Sokoto)	24.7	34.9	83.7	126.4	+262.1
KANO: (Kano)	31.9	35.0	84.0	94.2	+169.1
BENUE - Plateua	20.0	30.0	70.6	119.2	+297.3
NORTH CENTRAL: (Kaduna)	21.4	29.1	70.5	86.1	+161.5
SOUTH EASTERN:(Cross River)	21.7	28.1	66.6	70.9	+152.3
KWARA:(Kwara)	15.4	23.9	57.3	56.8	+137.6
LAGOS: (Lagos)	13.9	20.7	49.1	47.5	+129.4

Source: Federal Ministry of Information, Lagos.

TABLE 2:IX

PERCENTAGE DISTRIBUTION OF THE DISTRIBUTABLE  
POOL ACCOUNT (STATES JOINT ACCOUNT)

<u>STATES</u>	<u>GOVERNMENT SCHEME (effective 1969)</u>
Benue Platau	7.8%
KWARA	6.3%
KANO	9.3%
NORTH CENTRAL	7.8%
NORTH EAST	11.3%
NORTH WEST	9.3%
EAST CENTRAL	10.6%
SOUTH EAST	7.4%
RIVERS	5.6%
WESTERN	12.7%
LAGOS	5.5%
MIDWEST	6.4%

Criteria: 50% on equality

50% on relative population of the area.

Source: Dima Report of 1969.

The criteria for revenue allocation stated under Table 2:IX is the basis for revenue allocation till this moment. However, other considerations are

are still coming in annually, so that revenue allocation could be a means of financing development programs of the respective states governments. There is a periodic updating of facts and figures as regards the revenue allocation in order for the government to come up with an acceptable formula that will allow the states discharge their civic responsibilities as well as implement projects.

#### AFTERMATH OF THE OIL BOOM

The latter part of 1970s, and early 1980s marked the peak of great economic development and prosperity in Nigeria, due largely to the revenues obtained from oil production. Dishearteningly, past military and civilian governments have not been able to make judicious use of the huge revenues they realized from oil. Past governments since 1978, had so recklessly mismanaged the Nigerian economy that, there is little or nothing these days to justify the huge revenues earned in terms of economic development and prosperity. A lot of

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Africa Now: Pan-American Publishers Ltd. London  
No. 46, 1985

investments were wrongly made in industries most of which are either yet to generate any returns or are yet to be completed or even abandoned as there were no sufficient fund available to support them.

Apart from planning without facts, and putting the wrong people at the right places, another reason for the big drain in the Nigerian economy was the change to presidential system of government in October 1979. A lot of expenditure was incurred to bring about an effective operation of the congress ( the senate and the Federal and States Houses of Representatives) and the Presidential system of Government. The corrupt practices of the politicians also led to the award of "white elephant" projects and contracts that were of little or no benefit to the nation or the ordinary citizen. With many other corrupt practices rife in the country, with no serious check on the culprits, Revenues from oil were continuously being mismanaged. With the fall in international oil prices, the country oil revenue dropped from US \$ 11.9 billion in 1980 to \$ 6.4 billion in 1983, inflicting a catastrophic

blow on the national economy, with no sign of an early upturn. In addition, it has just been declared that, total oil reserves in the country would only last for about 30 years. The following quotation from the Nigerian oil Minister (Professor David West), confirmed the non-prudent management of the nation oil revenues:

"Early in the 1970s, when the potential of our oil revenues was not fully known, we had a five-year plan (1970 - 74) which budgeted expenditure of \$ 2.6 billion. During implementation, of the plan, the oil price rise of 1973/74 occurred, and Nigeria accrued huge revenues. Consequently, the Third National Plan (1975 - 80) as designed to spend \$ 26.7 billion was later reviewed upward, leading to actual disbursement of \$ 38 billion. The Fourth National Plan (1981 - 85), was based on the assumption that Nigeria's oil production would stabilize at about 2.1 million barrels a day and exports at about 1.9 millions barrels per day. It was estimated that, with price at \$40 per barrel with increasing prospect, it would be possible to realize an expenditure of \$ 72.9 billion between 1981 and 1985. This astronomical increase in revenues led to profligacy in national spending, even

when the absorptive capacity of the economy could not sustain the volume of expenditure. It was this national insanity that led the country into the present financial predicament, which all efforts and strategies are being suggested to reverse the trend; that is, salvage the economy."

Ongoing economic deterioration is as a result of the oil glut and the subsequent fall in prices that started in 1980. The fall in oil price is having adverse effects on the economy because of the nation's high dependence on oil. As prices continued to fall the economic situation further deteriorated. Nigeria oil production plummeted to 700,000 barrels per day in August 1981, and price concessions became necessary; in order to keep pace with the competitive prices offered by the North Sea oil producers. Despite the austerity measures introduced to control budget deficit and halt the depletion of foreign reserves, the situation has not improved. By December 1981, production increased to 1.8 million barrels per day but when United Kingdom lowered its prices in order to be more

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The Petroleum Economists. London March 1985.



competitive with OPEC prices, production again fell to 938,000 and 900,000 b/d respectively. Monthly imports were outpacing exports by N 500 million, and foreign reserves stood at \$ 814 million in March 1982 compared with \$ 9,014 million in the first quarter of 1981. Drastic measures were needed to reverse this decline and in April a program to cut imports by one-third to N 800 million per month was introduced.

Along with this plan were serious measures to curtail smuggling; unused import licences were recalled; certain types of imports were either suspended or totally banned; while pre-shipment inspection and tighter import procedures were reintroduced on a stricter scale. By May 1982, output had increased to about 1.3 million barrels per day which was the expected average for 1982 ; however in February 1983 prices had to be cut by \$5.50 per barrel. Foreign reserves rose to \$ 1.355 million in August, but monthly imports still stood at N 950 at the end of the year, with substantial delays in payment. Foreign debts which stood about \$ 30 billion in late 1983, had however been reduced to about \$ 20 billion. This perennial economic paralysis continued

throughout the following year. And in December 31st 1983, a bloodless military coup d'etat toppled the civilian administration of Shehu Shagari, accusing it of being the architect of the Nations economic woes. However, the popular enthusiasm that greeted the coming of the Buhari's Administration was shortlived as the administration was unable to arrest the chronic economic deterioration.

The continued deterioration in the standard of living of the citizens coupled with the government insensitivity to the yearnings of the people led to general disenchantment. Inflation is about 40% annually while the industrial sector is operating at only 50% of plant capacity as embargo on importation has hindered the free flow of badly needed raw materials while too much oil revenue is simple earmarked to service foreign debts which now stands at about \$ 18 billion. The ousted Buhari administration used about 44 per cent of foreign earnings to service debts (a very punishing measure). Because the government attempts to revamp the economy by exploring other sectors have not met with much success it may be compelled to give the IMF issue consideration. The Government hitherto has not

given the issue serious thought because the conditions of the devaluation of the Naira by 60%, recovery of public expenditure, removal of all subsidies, reduction of grant, and loans to parastatals, liberalization of trade were considered too much. Thus the continued foot dragging and indecision on the part of the previous administration on the IMF loan coupled with the continued economic deterioration culminated in another coup d'etat in September, 1985 that brought General Babangida to power.

The new leader, General Babangida however promised to restore the economy to sound footing by tackling the main problems of;

a- decline in productivity matched by a rise in population;

b- Over-dependence upon imports of both raw materials and consumer goods;

c- increase in unacceptable gap between the rich and poor; and

d- growth in public sector (civil servants) which fails to produce results commensurating with its size.

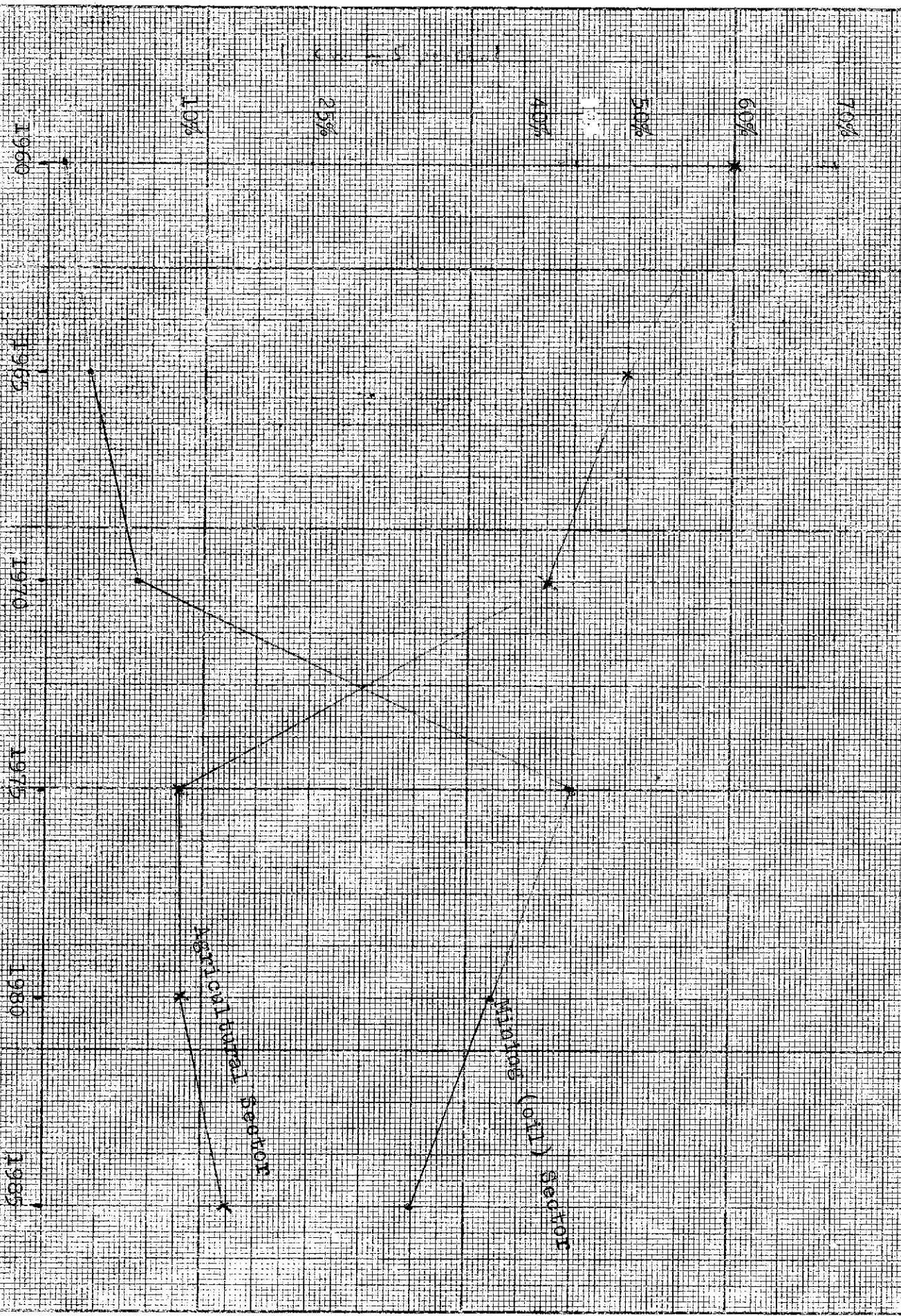
Though General Babangida, in his less than one year in office had performed well in the economic field, he is facing a more serious problems. The world market of petroleum had deteriorated; with prices falling below \$ 15 per barrels. As one politician put it recently "For Babangida, the prospects look bleak each \$ 1 fall in oil prices reduces government revenue by up to \$ 1 million. And an OPEC attempt to sustain prices by further cuts in national production quotas would impose added problems". However, General Babangida had made remarkable moves in a bid to put the economy on a sound footing. The President took a courageous decision to suspend negotiation with IMF, after a national debate on the issue. And he (Babangida) had set up committees to look into Nigerian economy in depth, and make recommendations on ways to restructure the economy and make it less reliant on oil.

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Africa Now. Pan-African Publisher Ltd. London

No. 46. 1985.

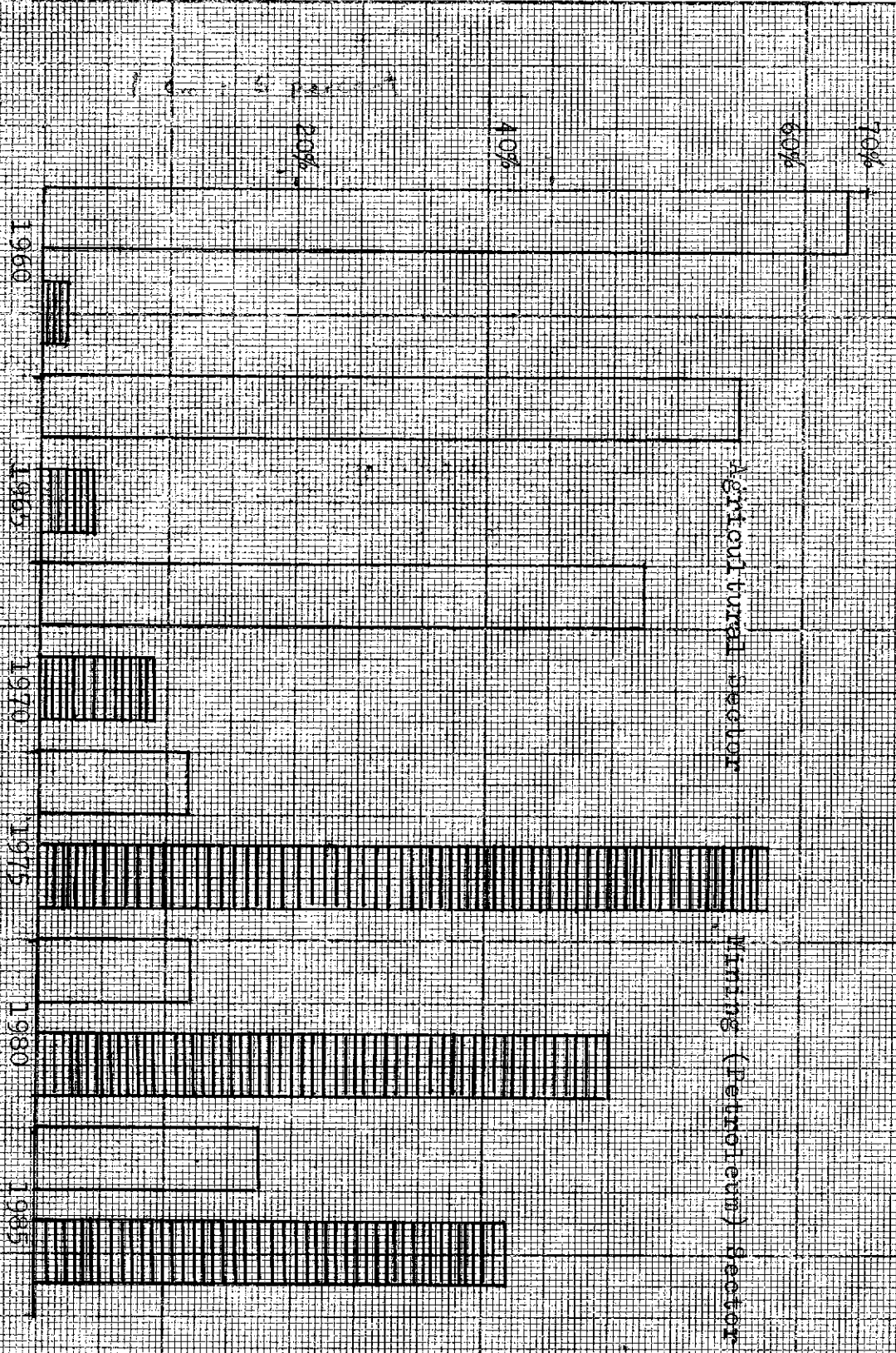
CHART 1: PERCENTAGE CONTRIBUTION OF AGRICULTURE AND PETROLEUM TO NIGERIA G.D.P. FROM 1960 - 1985



Source: Summarising Tables on Nigerian Economy (1960 - 1985) Tables I and II

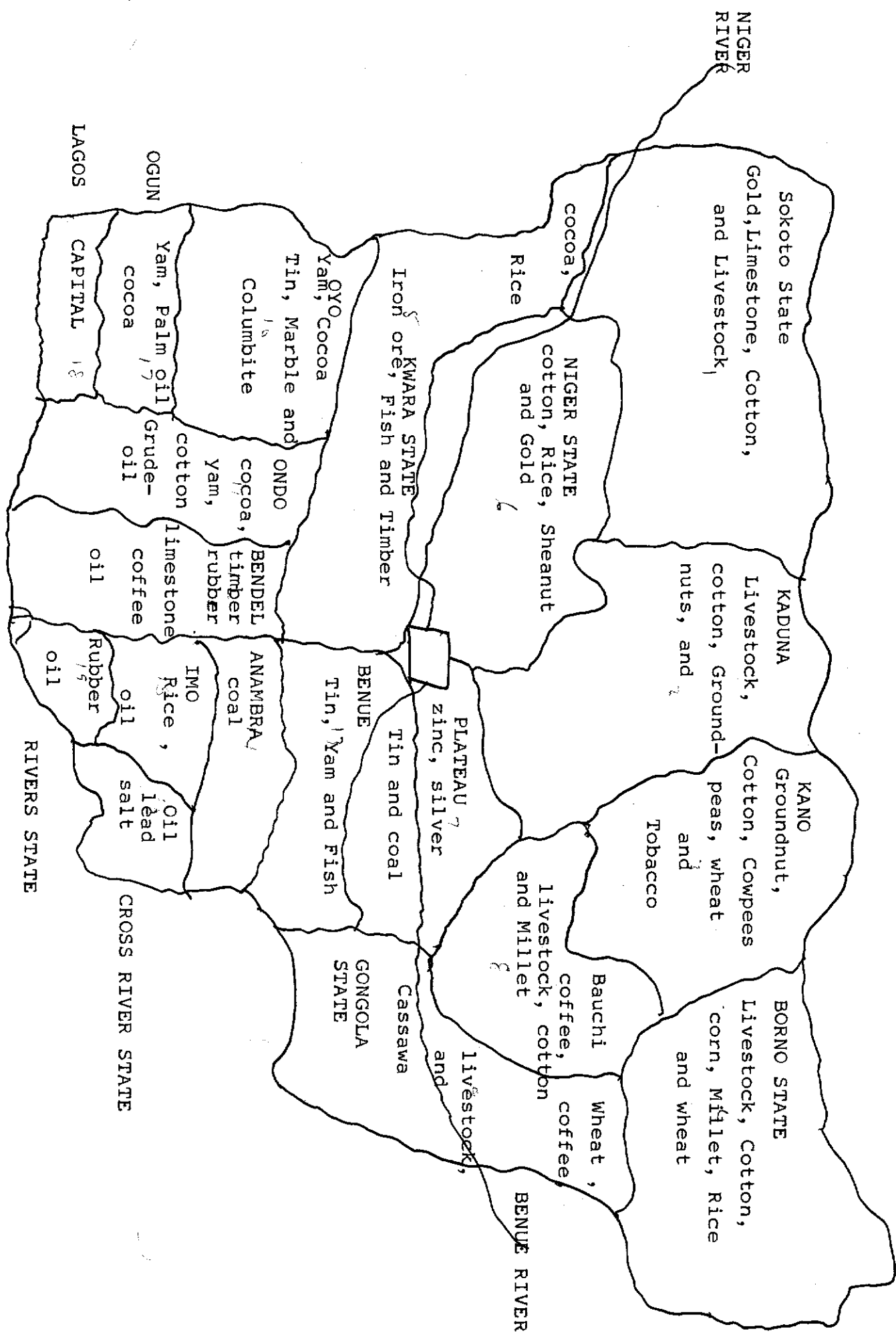
HISTOGRAM CHART SHOWING THE

CHART II. PERCENTAGE CONTRIBUTION OF AGRICULTURAL AND PETROLEUM SECTORS TO NIGERIA G.D.P. FROM 1960 - 1985



Sources: Summarising Tables on Nigerian Economy (1960 - 1985) Tables I and II.

NIGERIA STATES AND THE RESPECTIVE ECONOMIC POTENTIALS



NIGER RIVER

BENUE RIVER

SUMMARISING TABLES ON NIGERIAN ECONOMY BEFORE  
AND AFTER PETROLEUM PRODUCTS

TABLE I  
SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT BEFORE

OIL 1960 - 1970 (N millions and Percentage)

SECTOR	1960 - 61	%	1961 - 62	%	1962 - 63	%	1963 - 64	%
Agriculture, Forest Fishing	1597	64.08	1549	62.2	1606	61.8	1738	61.50
Mining	29.8	1.2	43.4	1.7	54	2.1	58.8	2.1
Manufacturing & Crafts	109.6	4.80	130.2	5.2	146.4	5.4	170	5.02
Electricity & water supply	8.0	.32	9.6	.39	11.6	.44	13.6	.48
Building	100	4.01	105.4	4.23	112.8	4.34	118.4	4.19
Distribution	317.6	12.74	307.8	12.35	313	12.05	361.8	12.80
Transport & Commu- nication	113.8	4.56	128.2	5.14	125.4	4.8	131	4.64
General Government	79.8	3.20	77.2	3.10	77.6	2.9	77.8	2.75
Education	64.0	2.56	70.2	2.81	77.8	2.9	82.8	2.93
Health	12.4	.50	14.2	.57	16.8	0.64	17.8	.63
Others	50.6	2.03	56.2	2.26	56.4	2.17	55.8	1.98
Total	2483.4	100%	2492.2	100%	2597.6	100%	2825.6	100%



SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT - BEFORE  
OIL 1960 - 1970 (N millions and percentage)

SECTOR	1964 - 65	%	1965 - 66	%	1966-67	%	1967-68	%	1969-70	%
Agriculture, Forest Fishing	1731.4	58.7	1742	55.4	1582	52	1385	52.7	1539	47.4
Mining	79.6	2.7	149.8	4.8	210.4	6.9	163.8	6.4	261.3	8.10
Manufacturing & Crafts	181	6.13	221	7.02	222	7.4	190	7.35	263	8.17
Electricity & water supply	15.6	.52	18.2	.58	200	.66	15.0	.58	20.8	.64
Building	128.4	4.3	162.2	5.15	160.2	5.25	135.8	5.27	167.6	5.20
Distribution	398.2	13.5	418.4	13.3	389.8	12.8	333	12.92	411.6	12.8
Transport & Communica- tion	149.2	5.1	146	4.64	142	4.65	113.4	4.40	127.6	3.95
GENERAL GOVERNMENT	89.6	3.04	96.8	3.08	99.2	3.35	84.6	3.57	258.1	8.00
Education	93.4	3.17	97	3.08	110.8	3.62	88.8	3.47	72.1	2.24
Health	20.2	.69	22.6	.72	26.2	.82	20.0	.72	23.1	0.72
OTHERS	61.4	2.17	72.4	2.30	82.8	2.72	68.8	2.67	89.4	2.77
TOTAL	2948	100%	3147	100%	3045	100%	2572.2	100%	3234	100%

Source: Federal Office of Statistics - National Accounts of Nigeria;

EXPLANATION: TABLE I:

The figures of sectoral contribution to total GDP indicates a gradual reduction in the percentage contributed by Agricultural sector of the economy. The loss ground by agriculture, are being filled by mining, manufacturing and building construction sectors. Education and others invisible sectors showed remarkable improvement in percentage GDP.

SECTOR	1960	1970	- Reduction% + Gain
Agricultural Sector	64.08%	47.40%	- 26 % re- duction in value
Mining (Mainly on Crude oil)	1.2%	8.10%	+ 575 % increase in value
Building/Construction	4.01%	5.20%	+ 29 percent inc- rease in value
Others	2.03%	2.77%	+ 36 percent in crease in value

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Brick P.R. Soldiers and Oil, Frank Cass and Co.

England 1978.

TABLE II

SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT AFTER CRUDE OIL EXPORTATION. 1971 - 85 (N million & Percentages)

SECTOR	1971	%	1973	%	1975	%
Forestry, Fishing, Agriculture	1982.9	43.06	1808.7	34.06	1002.5	11.31
Mining	711.6	15.1	944	17.8	4500	50.78
Manufacturing	308	6.52	473	8.90	800	9.02
Electricity, water supply	29.4	.62	44.2	.83	55	.62
Building, Construction	355	7.51	429.6	8.09.	625.5	7.05
Distribution	554,8	10.7	575.4	10.84	620	7.00
Transport and Commission	148.9	3.15	226.2	4.26	305.2	3.44
General government	328.4	6.95	416.9	7.85	500	5.64
Education	133.8	2.83	160.5	3.02	180.2	2.02
Health	37.1	.78	60.8	1.15	80.5	0.90
Others	132.2	2.78	171.2	3.23	192.1	2.22
TOTAL	4721	100%	5310	100%	8861	100%

SECTORAL DISTRIBUTION OF NIGERIA'S GROSS DOMESTIC PRODUCT AFTER CRUDE  
 OIL EXPORTATION. 1971 - 85 (N million and percentages )

SECTOR	1978	%	1980	%	1983	%	1985	%
Forest & Fishing, Agriculture	803.3	9.22	1000.4	11.75	1300	15.75	1402	17.50
Mining	4002.3	45.96	3625.2	42.59	3100	37.56	2821	35.22
Manufacturing	923.4	10.60	900	10.57	909.5	11.02	911.2	11.37
Electricity Water supply	68.2	.78	70.2	.82	72.5	.87	74	0.92
Building, Construc- tion	725	8.33	740	8.69	742	8.99	730	9.11
Distribution	700	8.04	650	7.63	640	7.75	600	7.49
Transport & Commun.	402.2	4.62	420	4.93	405.6	4.91	400.5	5
General Government	552	6.33	560.5	6.58	550	6.66	545	6.80
Education	200.5	2.30	215.3	2.52	200.5	2.42	201.3	2.51
Health	100	1.14	120.2	1.41	123.6	1.49	125	1.56
Others	230	2.68	210	2.51	208.2	2.58	200	2.52
Total	8707.1	100%	8511.8	100%	8251.9	100%	8010	100%

Source: a) Federal Office of Statistics - National Accounts of Nigeria.

b) Yearly Financial Highlights from Central Bank of Nigeria.

INFORMATION: The tables shows the loss of the leadership role of agricultural sector to mining sector, since world market price of crude oil sprang up early 70s. The value of agricultural sector diminished due to shift of most domestic investment to mining. However, since 1980 when the Federal Govt. Of Nigeria started launching agricultural programs, the trends started changes<sup>ing</sup> in favour of that sector (Agriculture) again. By 1985 to 1986 (1st quarter), the oil glut have discouraged new investment in mining, since oil comp. are reluctant to search for new wells. From 1973 till 1980, the Gross Nat'l Prod. of Nigeria was impressive financially, because of handsome amount net foreign income. However, since 1981, things have started going bad for the economy.

## ECONOMIC PROSPECTS OF NIGERIA

Nigeria, the 8th most populous country in the world, is a blessed nation in that she has an abundance of both human and mineral resources, though the resources are not fully tapped. Apart from the large deposit/reserves of petroleum resources and large still uncultivated agricultural land, Nigeria is still endowed with other mineral sources, few of which are discussed below.

(a) PETROLEUM- Petroleum in all its forms, crude oil and natural gas have been discovered in large quantities in Nigeria. The existing oil wells are situated around South Eastern Nigeria; but reports coming from some oil companies indicated that, petroleum has been found in the Northern part of Nigeria. In view of the continuing good results from Niger Delta Drilling, official figures for Nigeria's proven reserves (16,550 million barrels cited by OPEC) are under estimates. These oil reserves (the OPEC estimates) However would be exhausted in 35 years if the present production level is maintained. It is widely believed that

the OPEC quoted figures for the gas are underestimations since there has been no serious inclination in this regard. Thus, the gas figures are believed to be 2000 billion cum rather than the OPEC figures of 1320 billion cum.

b) AGRICULTURE- Before the discovery of oil, Nigeria was selfsufficient in food production; but the total neglect of agriculture by subsequent government created a regrettable situation whereby the country has to import food to cope with its increasing population. Export crops like Cocoa, Sugar, Rice, Wheat, Cotton, Palm produce etc. are well known to Nigerians, and they can be grown in any part of Nigeria. It is worthy of note that Nigerian has the potentials to, not only feed itself but to export to other countries in Africa, and this explains why the government is leaving no stone unturned to attain its goal of food

selfsufficiency by the year 2000.

c) TIN AND METAL- Various outlying deposits of  
or cassiterite have been dis-  
covered in the Western and  
Northern part of Nigeria.  
Initially, the mining of tin  
was mainly for domestic con-  
sumption until the advent of  
the British. Tin was mined  
and exported raw as tin ore  
up till 1962 when part of it  
was refined and exported as tin  
metal. It was reported last  
year (1985) that, Nigeria is  
the most producer of tin.

d) COLUMBITE - This is a mineral which was formerly  
regarded as an impurity occurring with  
tin stone from which it had to be re-  
moved by means of magnetic separator.  
High deposits of the mineral are con-  
centrated around Jos (Middle Belt of  
Nigeria) and it is being exported too.

- e) LIMESTONE - There are several deposits of limestone scattered all over the country, mainly in the Western part of Nigeria.
  
- f) GOLD - Gold deposits are widespread in the country especially in the North. As a result of the rise in the price of gold in world markets, the oil industry in Nigeria has developed rapidly.
  
- g) OTHERS - There are still some unexploited mineral resources like lignite, iron ore, mica, uranium, silver and thorium. By the time these minerals are exploited, they will become sources of revenue to Nigeria.

The presence of many mineral resources in Nigeria

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F.W. Stopler, Planning without Fact, Harvard Press. 1966



coupled with the subsequent starting of mining and quarrying activities have helped to give the Nigerian economy a face lift. This sector is a source of fuel and energy, and it is also a source of foreign exchange.

HUMAN RESOURCES - When political analysts maintain that, Nigeria is a great nation, they do not mean in terms of economic potentials alone, or the huge population (now 80 million) but also in terms of the quality and quantity of its human resources. Since independence, the percentages of literacy has increased remarkably; and Nigerian ranks high in the world in terms of qualitative education. Nigeria has the remarkable reputation of offering specialists in various fields to serve world institutions like United Nations, Unesco, World Bank etc.

With all these resources at the disposal of the respective Nigerian Government since independence, one keeps wondering, why Nigeria could not still stand firmly at its feet. The problems facing most Third World countries, are also responsible for this regrettable situation. These problems are ethnicity or tribalism, corruption, planning without adequate facts , foreign influence on government policies and putting the right people at wrong places. However, it is widely

believed these days that, with younger generations handling the affairs of the country with well prepared economic and political plans, and a more nationalistic views by new Nigerians, the future of the country is bright.

## CHAPTER 4

### CONCLUSIONS, RECOMMENDATIONS AND SUMMARY

The discussion so far on the oil industry in Nigeria, and most especially the oil boom and its effects, leads to several conclusions. These conclusions will identify the problems the Nigerian economy with its high reliance on oil is facing. Identification of the problems is necessary in order to offer solutions to the problem of restructuring the Nigerian economy.

Numerical analyses of the problems facing the Nigerian economy and the non-maximum utilization of the resources follow:

- 1) There is clear evidence that the process of development during the period of increased exporting of petroleum and other primary products was much faster than during exporting of agricultural products. However, in later stages, the development from the latter is geared towards a more self sustained and self sufficient economy, And mono product exporting exporting economy like that of

Nigeria, is vulnerable to the blockages and distortions of an uncontrolled growth process like what is happening in most OPEC countries now. Consequently, Nigeria should borrow a leaf from the economic planning of some Asian nations, and even some neighbouring countries. Countries like Japan, South Korea, Singapore, China, India, Cameroon and Ivory Coast whose economic growth are not based on massive exportation of primary products (even though most of them have), but rather on policies that stress the acquisition of modern industrial and agricultural technology. China and India with their high population level have so far managed to avoid the famine-ridden fate that was predicted for them thirty years ago, while by 1983, Nigeria had to use about 20 percent of its foreign exchange earnings on food imports for the growing population.

- 2) The financial resources accumulated by Nigeria through the exportation of petroleum products are being subjected to wide fluctuations, and the trend will continue (especially in the long run) on the basis of current economic

knowledge. The oil or the revenues from oil may be exhausted anytime if there are no plans to diversify the economy by making it less reliant on oil, Nigeria may find itself in a vicious circle.

- 3) Another findings from the analysis of the oil industry in Nigeria compared with the traditional agricultural sector is that, considering the development in the world oil market since 1973, oil exporters like Nigeria, have no control over the long term development of their markets. The primary products market like that of petroleum, as a core of international trade, are determined not only by any cartel like OPEC, but also by the development of sciences and technology, as well as modes of consumption. For example, it is believed today that, it is Mexico and not the Gulf nations (Saudi, Kuwait etc.) that have the largest world reserve of petroleum. But, the oil in Mexico needs special technological inputs for drilling. Therefore, by the time there would be a technological breakthrough on this, the influence of the Gulf nations on the world oil market, will be eroded.

- 4) The Federal Government of Nigeria have been using oil revenues as its basis for long term modernization and developmental plans. Because of the volatile nature of these revenues, they should not be made the primary financing sources in the structuring of a growth. Presently in Nigeria, most of the gigantic developmental projects planned and started during the oil boom era could not be sustained during the present oil glut. Nigeria's economic planners should learn a lesson from this development.
  
- 5) Anytime the prices of oil goes down considerably in the market, Nigerian economic manager believes in exporting maximum level of petroleum products to maintain the level of foreign exchange earnings. This massive and continual exporting of petroleum products in an economic anomaly which will perpetuate external dependence and underdevelopment. If the present massive exportation of crude oil in Nigeria continues unabated, the oil reserves of the country will finish within 20 years instead of the present estimated 36 years.

Therefore, efforts should be made to reduce the quantity exported to a reasonable level. For example, if England had sold most of its coal wealth to secure financing means, it would have become poorer while its clients got wealthier; intensive domestic utilization of its primary product provided it with one of the fundamental bases of its industrial prosperity. The same line of economic action should be followed by Nigeria:

- 6) Because Nigerian economic process since the discovery and exportation of petroleum products have been based solely on the revenues from the oil industry, the economic growth has been weak and depends on circumstances in the industrialized world. Though, petroleum have been an instrument of industrialization and development in Nigeria, it could have been a contributing source of financing economic growth in Nigeria. If that had been the case, the present economic problems would have been minimal. Though the intensive domestic use of petroleum resources and other primary products in the process of industrialization, and the resulting produc-

tivity increase in all economic sectors of Nigeria, the needed financial resources necessary to expand investment activities will be generated without much fluctuation. Particular attention should be paid to the technological and financial uses of petroleum product in Nigeria.

- 7) The projects meant to revitalize the agricultural sector launched in 1980 was a good idea, but came so late, that its positive effects could not be appreciated because more than 5 years after it was launched, Nigeria still have to spend a considerable percentage of her earnings on food importation to avoid famine. To remedy this situation, the Federal Government needs to devote all material and financial resources possible to agricultural sector of Nigerian economy. Agriculture should take its rightful place in the Nigerian economy soonest. Moreover, adequate system should be devised to take into consideration the large portion of cultivable land spoiled by oil spillage. In other words, the new system should compensate the inhabitants of the affected areas.



8) Revenues from oil helped in the process of development, many gigantic projects and industries were established during the glory days of oil. However, this developments carried with them series of social problems. Thousands of able bodied men needed on the farm moved to the urban centers for "white collar jobs": Consequently, Nigerian cities became crowded with numerous social problems. The situation has now been aggravated following the economic deteriorations that led to massive retrenchment of industrial workers owing to the non availability of raw materials for production - a situation that led to futher chaos.

9) Nigeria's oil revenues also brought along with it political problems. Allocation of oil revenues was a factor that undermined national interest aside and strive for oil revenues. This type of situation was very rare when agriculture was the corner-stone of the Nigerian economy because, at that time all regions of Nigeria specialized in

the production of one or the other of agricultural products. The set up look like a division of labor, hence the resulting benefit at the end of each financial year cannot be claimed by one sect of the nation. So the national sector like agriculture should not only be promoted but kept alive.

## RECOMMENDATIONS

On the basis of the facts and figures presented in this paper as well as the conclusive statements I now propose the following recommendations to help boost the Nigerian economy:

- a) The next economic Development plan (10 years), scheduled to be launched by 1990 should seek a balance between revenue from petroleum sector (and other primary products), and those from agriculture in particular, and other sectors of Nigerian economy. To this effect, the government should boost other sectors of the economy, especially agriculture, so that by 1990, the percentage contribution to gross domestic product would have risen considerably. Petroleum sector do bring wealth, but this wealth is dependent and temporal, and should be treated as such. Therefore, most of the wealth from petroleum sector should be diverted to push up other sectors of the economy, so that the economy in the long run would be independent and real.

b) The forthcoming economic development plan should be more realistic, independent and slower. Nigerian industries should be more self sufficient in the area of raw material needs. In other words, the planners should emphasis the fact that by the year 2000, most corporation and industries should be generating their raw materials needs internally. Nigeria has the potentials for these materials; the company(s) should set up departments to deal with the production of the raw materials or the management could make adequate arrangement somewhere else; however, within Nigeria. At present, many industries in Nigeria have started local production of their raw materials due to strict regulations on importation. This move is encouraging, but needs to go further.

c) The Federal Government of Nigeria in its yearly budget, should place more emphasis on the modernization of agricultural sector of the economy. At this stage of the Nigerian economy this sector is supposed to be receiving large share of government budget. However, the budget should not be made on papers only but all

efforts should be exerted to make sure that, it reached the rural areas where about 80 per- cent of farming takes place. For the govern- ment to be successful in its agricultural policies, these steps need be taken:

- I- Setting up local committees or association at district headquarters, whose main task would be to make sure that money and ma- terials appropriated to their respective districts, reach the village farmers. Also, these committees should encourage group farming, so that the available equip- ments could be utilized on a large scale basis.
- II- The various Schools of Agriculture should be expanded and more equipped. Their intakes should be increased, and crash training programs ( on the farm trainging), on new methods of farming, that can make things more easier for farmers.
- III- Adequate pricing systems that would be more motivating..

IV- Encourage more large scale farming by corporations and businessmen.

V- Curb rural exodus, by making basic amenities available to rural areas.

d) The next economic planning should ensure that petroleum products and other mineral resources (both tapped/unexploited) are not meant to generate external financial gains, but also for local consumption. As part of the moves to be self sufficient in raw material production new industries should take into account these resources; the local utilization of most of them. These steps, if taken would boost the productivity and the standard of living of the Nigerian society. Giving priority to domestic needs and those of direct environment will ensure long term stability of demand and financial resources.

e) Providing the appropriate management and leadership. The country is facing problem of poor management and leadership. Consequently, whatever the economic policies devised, it would not succeed if this aspect

of poor leadership is not tackled. Infact, many good economic policies have been proclaimed before, but they were only good on the paper; implementation is always the problem. To this effect, I recommend that qualified and competent people are given the sensitive economic positions in the country. Interest of the nation should override sectional interest in economic appointments. As regards political leadership, I hope the current national debate on this will come up with a more workable political formula; whereby starting 1990 when the military return to their barracks, the right politicians with right ideas could take over the leadership position. This aspects is very important, because adequate use of revenues and thoughtful leadership is needed for the implementation of my recommendations.

## SUMMARY

Nigeria attained independent in October 1960, and since this date, economic planning in the country has gone through different levels typical of most third-world developing nations that were colonies. The present economic problem resulted from the monoprodukt nature of the country's export trade. Since 1970s, petroleum products have been the mainstay of the Nigerian economy, with substantial contributions but the glut is now making the revenues from oil low and this is unable to sustain the huge population and the projects. To remedy the situation, the government had set up various committees to find ways to put the economy in order.

Before petroleum, agriculture used to be the mainstay of the Nigerian economy. Up till 1970, agriculture was accounting for about 60 percent of GDP; but the situation changed rapidly since world market price of oil soared up in early 70s. The huge revenues from oil brought rapid development and industrialization. But the present economic problems facing Nigeria, indicate



that, the revenue from oil was not reasonably appropriated. Petroleum was substituted for other stable sector of the economy, especially the traditional sector, agriculture. This negative developments brought with it both social and political implications, apart from the dependent economy it initiated.

The last part of the research paper assessed the economic prospects of Nigeria; the resources available in the country and their potentials. Also, series of findings were noted from the review of literature part, to bring the research paper into conclusion. Based on the analysis and study of Nigerian economy, and the concluding findings were of new economic proposals meant to diversify the economy were also recommended. These include giving agriculture and other sectors of the economy a boost, looking into ways to balance

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Olaloku F.A.: Structure of Nigerian Economy. St. Martins press New York, 1979.

Coru Georgeo: Lessons to be learned: An Nahar Report. Meece Publishing Ltd. Cyprus, March 1986.

revenues from all sectors of the economy, and making economic developmental growth more realistic, durable and dependent, even though slower in nature.

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