

# chapter 15



## OBJECTIVES

At the end of this chapter, students should be able to:

- explain the meaning of economic development planning;
- list the objectives of Nigeria's development plans;
- explain the different plan strategies;
- list and explain the types of planning that we have;
- properly x-ray the problems of development planning in Nigeria;
- narrate Nigeria's experience in development planning;
- explain how Nigeria has financed her development plans.

## 15.1 Introduction

Historically speaking, development planning was regarded as an exclusive means by which socialist or centrally-planned economies, such as USSR, achieved rapid development of their economies. On the other hand, capitalist or market-oriented economies, such as USA and Britain, placed less emphasis on development planning as an effective instrument of achieving rapid economic development. In these economies, the price mechanism and the invisible hand were assumed to possess the "magic wand" that would automatically ensure a sustained rate of economic development and full employment. However, since the Great Depression of the 1930s, which falsified the efficacy of the so-called invisible hand, most developed market economies have increasingly placed together greater emphasis on the role of planning in the economic development process. Consequently, these market economies have also recognized the effective role that limited government intervention may play in their quest for rapid

## 15.2 Meaning of Economic

# Development Planning

In Chapter 14, we discussed various aspects of economic development including factors that encourage or discourage it. In this chapter, our attention will be focused on people in the developing countries, as regards the surest and most effective way by which the course of economic development may be influenced and directed. It has been a matter of convention for many countries, especially the developing ones, to select a specific period of time designated as development plan period. In many West African countries, development plan periods cover between a minimum of 2 years and a maximum of 10 years. However, most development plan periods in West Africa and especially in Nigeria usually cover a period of 5 years. Between 1946 and 1985, Nigeria had formulated and implemented five national development programmes. The first, which covered a period of 10 years and tagged colonial development plan, ran from 1946 to 1956. The second, third, fourth and fifth post-independence development plans lasted for a period of 5 years and ran between 1962 and 1968, 1970 and 1975, 1976 and 1980, and 1981 and 1985, respectively. Thus, considering the time Nigeria gained her political independence in 1960, four development plans running between 1962 and 1985 had been completed. The fifth is supposed to last between 1986 and 1991. Development planning may be defined as a deliberate attempt by government to ensure an optional allocation and utilization of its available scarce resources in a manner that economic development. No wonder why many Third World countries, for over three decades since the end of the Second World War in 1945, have relied so much on economic planning as a means of solving all or most of their economic problems that we discussed in the previous chapter. Whether development planning has helped the developing nations out of their “development trap” as much as it has done to the developed economies is anybody’s guess. However, one may cautiously add that a measure of success in the development process may be attributed to planning in many developing nations. In some respect also, it has done little or nothing on encouraging economic development, and may even have retarded it will increase the economic and social wellbeing of the majority of its citizens. Defined in this way, development planning is thus seen as a means of minimizing waste in the use of scarce resources while at the same time maximizing the output and consumption of all goods and services in the economy. A development plan may itself be defined as a programmed structure showing the resources that will be available to a nation (both domestic and foreign) and the ways the resources will be used to meet certain plan targets within a plan period, e.g., 5 years.

## 15.3 Reasons for Planning

Many people, especially in the developing countries, feel that development planning has become very necessary for the following reasons:

**(i) Failure of free market mechanism:** Some people are of the opinion that the free market mechanism or the invisible hand is no longer effective in guaranteeing maximum efficiency in production, consumption and distribution. Second, the role of the market is to achieve efficiency (under very strict conditions) and not equity, i.e., fair distribution. The developing countries are in need of both efficiency and equity. Third, the market system is concerned with static allocation of available resources at a particular period. It has no provision for dynamic economy, i.e., growth of resources. Planning is therefore necessary to make for these lapses.

**(ii) Efficient allocation of available resources:** Economic resources, human and capital, are very much in short supply in many developing nations. Consequently, it is of great importance that these available resources must be efficiently and

optimally utilized in such a way that maximum benefits may be derived by putting them into use. In order to achieve this objective, as well as to avoid wastage in the use of available resources, planning becomes very necessary especially in the developing countries. The private sectors in many developing countries are characterized by gross inefficiencies, lack of initiative and inadequacy of market incentives. The presence of government, through planning, is therefore needed to direct and coordinate the various activities taking place in the private sector of the economy.

**(iii) Mobilization of available resources:** One of the problems that has led to the slow rate of economic development in many Third World countries is their inability to mobilize all available resources to improve on their well-being; for example, many mineral resources are not fully tapped, land is partially cultivated and labour is either not employed at all or underutilized. Vital decisions and provisions of infrastructural base required for the mobilization of resources are functions of development planning. The economic problems of Nigeria arise not basically because of the lack of mineral and human resources but due to the inability of each successive regime to effectively mobilize these available resources for national development.

**(iv) Attraction of foreign aid:** Foreign assistance, in cash and kind, has played a very central role in the economic development of many Third World countries including Nigeria. Many donor countries would like to know how recipient countries utilize the loans and aids given to them. Therefore, planning becomes very necessary in needy nations since many donor countries demand it as a precondition before assistance can be given.

**(v) Promotion of rapid economic development:** Most countries are of the opinion that planning can help the rate of economic development, especially in developing countries. The main reason is that under the prevalent conditions in these economies, economic development will not automatically take place in the absence of development planning. Planning, for example, will ensure that sufficient amount of productive investment that will lead to substantial increase in output and income takes place. Planning also forces the government to harmonise growth with its other policies, particularly price stability and balance of payments.

**(vi) Examination of government's expenditure policy:** This is due to the interrelationship that exists between government expenditures and the rate of economic growth. Certain government spending, e.g., on transport and communication, influences the rate of growth of the economy. Here, long-term planning is essential if the development of the essential infrastructure is to anticipate rather than lag behind demand for them.

**(vii) Development of key industries:** It may be the wish of the government that certain key or strategic industries should be established in the economy, e.g., iron and steel complex and petrochemical industry. The rate at which such industries develop may be very slow if left only to private entrepreneurs due to shortage of funds, scale of operation, inadequate skilled manpower and shortage of spare parts for the plant and machinery. Under such situations, the government will incorporate various measures that will help to accelerate the growth of such key industries in its long-term planning.

**(viii) Improvement of relationship between public and private sectors:** Planning is also necessary as a means of improving the relationship and cooperation between the public and private sectors. This is because most of the vital information required by the government in order to formulate and implement a development

plan comes from the private sector. Planning, therefore, offers a forum for regular contacts or meetings between the government and the private sector. This will also have favourable effects on business confidence and expectations.

## **15.4 Objectives of Nigeria's Development Plans**

There are certain specific objectives that a country's national development plans hope to achieve during each development plan period. But in practice, the achievements of these objectives spill over from one plan period to another. In this section, we shall discuss various general objectives that development plans in Nigeria since their inception hoped to achieve. The objectives are as follows:

- (i)** Increase in the real income of the average citizen.
- (ii)** More even distribution of income among individuals and socio-economic groups.
- (iii)** Reduction in the level of unemployment.
- (iv)** Increase in the supply of skilled manpower in general.
- (v)** Diversification of the Nigerian economy as a means of reducing its dependence on a narrow range of economic activities.
- (vi)** Balanced development, i.e., the achievement of better balance in the development of the different sectors of the economy and the various geographical areas of the country.
- (vii)** Increased participation by citizens in the ownership and management of productive enterprises.
- (viii)** Greater self-reliance, i.e., increased dependence on our own resources in seeking to achieve the various objectives of society. This also implies increased efforts to achieve optimum utilization of our human and material resources.
- (ix)** Development of indigenous technology as well as adapting foreign technology to meet our domestic needs.
- (x)** Increased productivity and reduction in the level of underemployment.
- (xi)** Reduction in rural-urban migration through rural transformation.
- (xii)** Promotion of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment.
- (xiii)** Democratisation of the development process, i.e., encouraging active participation of the people in the conception, planning and implementation of development goals or objectives (special efforts should be made to encourage popular participation at the local level).
- (xiv)** Expansion and strengthening of our social and economic infrastructure, particularly power, water supply and telecommunications.
- (xv)** Reduction in the level of poverty.

**(xvi)** Maintenance of a relatively stable price level.

**(xvii)** Laying of emphasis on a system of education that is more functional in nature and technically-oriented.

## 15.5 Plans Strategies

We just enumerated the objectives that various development plans in Nigeria had hoped to achieve. To be able to do this, planning authorities have to adopt appropriate plan strategies or policies that will ensure success. Throughout Nigeria's experience in development planning since 1962, the following strategies had, at one time or the other, been adopted as a means of achieving plan objectives;

**(i) Institutional development:** Various governments of the federation, both at the state and federal levels, have been making concerted efforts towards the development of appropriate institutions necessary for the rapid growth of the various sectors of the Nigerian economy. In the agricultural sector, for example, rural institutions like the farmers' cooperatives have been recognized as viable media for introducing new inputs and farming systems in which the typical small farmer can meaningfully and gainfully participate. Consequently, the federal government has been encouraging the growth of these farmers' cooperatives as a means of achieving its agricultural objectives.

**(ii) Use of legal instruments:** Another important strategy used by the federal government to ensure the full realization of its plan objectives is through the promulgation of various decrees. For example, the promulgation of the land use decree was an appropriate measure or policy to solve the problem posed by the land tenure system in Nigeria and thereby encouraging the establishment of large-scale farms by private entrepreneurs. Similarly, the enterprises promotion decree, otherwise known as the Indigenisation Decree, was aimed at encouraging Nigerians to own and control vital productive resources and sectors of the Nigerian economy.

**(iii) Financial arrangements:** Another important strategy that the federal government adopted to achieve its development plan objectives are the various financial arrangements for the supply of adequate funds to finance the execution of development projects. Between 1970 and 1980, for example, the federal government established such financial institutions as the Nigeria Industrial Development Bank (NJDB), the Nigerian Agricultural Credit Bank (NACB) and the Federal Mortgage Bank (FMB) to make funds available to the industrial, agricultural, building and construction sectors. Various supporting financial schemes such as the Agricultural Credit Guarantee Scheme and Funds for Small-scale Industries Scheme were also introduced.

**(iv) Commercial policy instrument:** The federal government has also adopted various commercial policies aimed at protecting the business interests of Nigerian entrepreneurs. For example, import restriction has been frequently used as an effective instrument to promote importsubstituting industries at home. This is to encourage the growth of indigenous manufacturing and thereby promote the rapid industrialization of the Nigerian economy. Students should note that industrialization constitutes a major feature of development planning since its inception in Nigeria starting from the 1962/68 to 1970 development plan period.

**(v) Direct public investment:** In a developing country such as Nigeria, the role of

government in promoting the pace of economic development cannot be overemphasized. Consequently, direct public investment by government and its agencies has been decisive in ensuring successful realization of development plan objectives in Nigeria. Such strategic projects as the Ajaokuta Iron and Steel Industry, the Nigerian Oil Refineries, the Kainji Dam Project, the construction of dual carriage roads and the development of airports and seaports were all undertaken by the federal government. For obvious reasons such as huge financial costs, no private entrepreneurs (domestic or foreign) could have been attracted into these high-risk development project areas.

The various coups, wars and riots, which characterize many Third World countries, lead to frequent revision of planned projects and in most cases cause many economically viable projects to be abandoned totally. New rulers spend huge sums of money and concentrate their energies in trying to consolidate their new political positions.

Consequently, they spend more on the acquisition of weapons and maintenance of law and order while paying little or no attention to the successful implementation of their development plans. In Nigeria, for example, the 1966–1970 Civil War greatly disrupted the country's second post-independence development plan, which should have been launched in 1969. It was launched instead in 1970 when the civil war ended. In such African countries as Ethiopia, Uganda and Chad, several years of civil wars have virtually ruined many development projects in these countries.

**(ix) Lack of mass support:** Many development plans fail in many less developed countries because such plans do not identify themselves with the masses, i.e., the grassroot population. Most projects are concentrated in the urban areas, to the total neglect of the rural areas where over 80% of the population live and work. Consequently, the masses refuse to identify themselves with government plan efforts and even try to frustrate them since they see many development projects only catering to the interests of the rich and those living in the urban areas.

Many governments in the developing countries pay lip service to rural development as an integral part of the overall national development planning. In recent times, there has emerged, in Nigeria, a new orientation in planning philosophy that places greater emphasis on rural development and mass mobilization.

**(x) Overdependence on one source of foreign exchange:** Nigeria's excessive dependence on crude oil as major source of foreign exchange has greatly hampered the successful implementation of development plans in the country. This problem is primarily due to frequent fluctuations that have characterized the price of crude oil in the world market. The implication is that most projects are either not started at all or abandoned midway because actual revenue receipts from crude oil have fallen short of expected or projected revenue. Nigeria's Fourth National Development Plan, 1981–1985, was badly affected by the oil glut that started in 1981.

## **15.8 Nigeria's Experience in Development Planning**

Nigeria had her first experience in development planning in 1946; 14 years long before she gained political independence from the British Government

in 1960. This development plan, popularly called the 10-year colonial plan, covered a period of 10 years from 1946 to 1956. Between 1956 and 1961, each regional government had its own separate plan until 1962 when Nigeria's first and real national development plan was launched. Development planning has contributed very much to Nigeria's social and economic development, especially in the areas of education, health, transport and communications, etc. Since her independence in 1960, Nigeria has formulated and implemented for national development plans all falling within the period 1962–1985. We shall now discuss the highlights of each of the four national development plans.

## **First National Development Plan, 1962–1968**

This was Nigeria's first post-independence plan, which was expected to last 5 years between 1962 and 1968. Unlike the colonial plans that preceded, it was formulated and executed by Nigerians for Nigerians.

### **(A) Basic Features**

- (i) Real GDP was expected to grow at the rate of 4%.
- (ii) Saving rate was fixed at 15% of GDP.
- (iii) Gross fixed investment was projected at 15% of GDP.
- (iv) Total planned investment expenditure was N2.366 billion, out of which N1.586 billion was for public sector investment.

### **(B) Priority Areas**

- (i) Agriculture;
- (ii) Industry;
- (iii) High-level and middle-level manpower training.

### **(C) Problems**

- (i) The plan was disrupted by the Nigerian Civil War, which lasted between 1967 and 1969;
- (ii) There was the problem of funds because of the failure of external sources of finance to meet the 50% required from them.

### **(D) Achievements**

The following projects were completed by the Government of Nigeria:

- (i) An oil refinery at Eleme, Rivers State;
- (ii) Nigerian Security and Minting Company, Lagos;
- (iii) Jebba Paper Mill, Niger State;
- (iv) Bacita Sugar Company;
- (v) Kainji Dam;
- (vi) Niger Bridge;
- (vii) Lots of trunk roads.

Second National Development Plan, 1970–1974 Nigeria's second national development plan lasted a period of 5 years from 1970 to 1974. It was a development plan launched immediately after the Civil War (1967–1969) and was therefore nicknamed 'the national plan for reconciliation, reconstruction and rehabilitation'. It was aimed at reintegrating the Eastern part of the country, especially the Ibos with the rest of the country as well as helping them to recover economically. The plan

was not actually launched until towards the end of the first half of the plan, i.e., November 1970.

### **(A) General Objectives**

- (i)** A united, strong and self-reliant nation;
- (ii)** A great and dynamic economy;
- (iii)** A just and egalitarian society;
- (iv)** A land of bright and full opportunities for all Nigerian citizens;
- (v)** A free and democratic society.

### **(B) Quantitative Objectives**

- (i)** Gross domestic product was expected to grow at a minimum average rate of 6.6% per annum;
- (ii)** The plan provided for a total expenditure of N3.192 billion, which was later increased to N3.203 billion;
- (iii)** About 51% of the total capital expenditure was set aside for the public sector, while about 49% was to be spent on private sector investment programmes.

### **(C) Specific Objectives**

- (i)** Reconstruction of war-damaged facilities and others that had fallen into a state of disrepair;
- (ii)** Rehabilitation and resettlement of persons displaced by war;
- (iii)** Establishment of an efficient administrative service and of appropriate economic infrastructure especially in the new states;
- (iv)** Rehabilitation and resettlement of demobilized armed force persons;
- (v)** Correction of defective existing public policies in the area of economic development with a view of ensuring a higher level of rationality and mutual consistency;
- (vi)** Deliberate creation of opportunities for gainful occupation at a level capable of reducing the rate of unemployment and underemployment;
- (vii)** Production of high- and intermediate-level manpower to meet public and private sector demands with a view of replacing the majority of expatriate personnel in the economy, especially in industry and commerce;
- (viii)** Promotion of balanced development between one part of the country and another, especially between the urban and rural areas;
- (ix)** Rapid improvement in the level and quantity of services provided for the welfare of the people.

### **(D) Priority Areas**

- (i)** Agriculture;
- (ii)** Industry;
- (iii)** Transport;
- (iv)** Manpower development.

### **(E) Problems**

The Second National Development Plan was confronted with the following implementation problems:

- (i)** The plan started from a position in which an already defective social and economic infrastructure (both in terms of capital formation and

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### **(D) Priority Areas**

- (i) Agriculture;
- (ii) Industry;
- (iii) Transport;
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### **(E) Problems**

The Second National Development Plan was confronted with the following implementation problems:

- (i) The plan started from a position in which an already defective social and economic infrastructure (both in terms of capital formation and development plan was the first plan in Nigeria to be prepared by the professional planning body in the Central Planning Office of the Federal Ministry of Economic Development and Reconstruction. This body was created in 1971 during the second development plan period.

## **(A) General Objectives**

The fundamental objectives of the third development plan were not different from those that preceded the third plan. They are as follows:

- (i)** Expansion and diversification of the productive capacity of the economy
- (ii)** Restoration of price stability
- (iii)** Promotion of a more equitable distribution of the nation's<sup>™</sup> income among the different economic groups that contribute to its generation

## **(B) Specific Objectives**

- (i)** Projected rate of growth was 9%.
- (ii)** Expenditure on capital programmes was estimated initially at over N30 billion, representing over 900% increase in the preceding plan of 1970–1974. A change of government in 1975 caused the plan to be revised with a resultant increase in capital expenditure to over N36 billion.
- (iii)** Enhancement of the financial positions of the states, especially the newly created ones
- (iv)** Review and modification of implementation, procedure to ensure, much more rapid pace of implementation
- (v)** Improvement in the welfare of the ordinary citizen through the provision of accommodation, water supply, health facilities, education, rural electrification and community development

## **(C) Problems**

Unlike the previous plans, finance did not pose any problem, but rather there was surplus of investible funds. The major problems that faced the third development plan were as follows:

- (i)** Very low absorptive capacity
- (ii)** Widespread corruption
- (iii)** Capital flight through dubious means both in the public and private sectors
- (iv)** Lack of indigenous entrepreneurial and technical manpower
- (v)** Inflation
- (vi)** Shortage of construction materials
- (vii)** Port congestion
- (viii)** High rate of private consumption, especially of foreign goods

## **(D) Quantitative Achievement**

**(i)** GDP recorded an average growth rate of 8.5% a year. This was only slightly less than the 9% growth rate projected during the plan period. The highest growth rates were recorded in the construction, solid minerals, manufacturing and government service sectors.

The agricultural sector recorded an average growth rate of 2.6% although this improved immensely towards the end of the plan period.

**(ii)** Gross fixed capital formation growth rate grew from 19% of GDP at current prices in 1974–1975 to 31.2% by 1978–1979.

**(iii)** Domestic exports recorded a moderate average growth rate of only 3.2% a year.

## **Fourth National Development Plan, 1981–1985**

Nigeria's fourth development plan, which should have lasted between 1981 and 1985, fell within a period when Nigeria and indeed the whole world witnessed severe economic recession. Since Nigeria is an oil-dependent economy, the implementation of the fourth development plan was therefore seriously constrained by the lack of funds. It was partly for this reason that the launching of the succeeding fifth development plan was postponed until January 1989, 4 years after the fourth development plan was to have terminated officially. A total of N82 billion was to be spent between 1981 and 1985, out of which N70.5 billion was for the public sector expenditure (86% of the total amount).

### **(A) General Objectives**

Since the Fourth National Development Plan was the only one in the series of the medium-term plans by which the federal government intended to transform the Nigerian economy and people over time, its fundamental objectives were naturally similar to those that preceded it.

Consequently, the plan meant to achieve, in broad terms, the following additional objectives:

**(i)** Greater self-reliance, i.e., increased dependence on our own resources in seeking to achieve the various objectives of society. This also implies increased efforts to achieve optimum utilization of our human and material resources

**(ii)** Development of technology

**(iii)** Increased productivity and reduction in the level of underemployment

**(iv)** Reduction in rural–urban migration

**(v)** Promotion of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment

**(vi)** Democratisation of the development process

### **(B) Quantitative Objectives**

**(i)** GDP at 1973–1974 was projected to rise at an average compound growth rate of 8.3% per annum.

**(ii)** Total capital formation was estimated at N33.4 billion, which implied an average annual investment of N6.6 billion and represented about 16% of GDP at current price. Public sector investment was expected to account for N24.4 billion or 73.1% of aggregate investment.

**(iii)** The rate of inflation, as measured by the composite consumer price index, was expected to be kept under 10%. GDP deflator, which takes account of all prices, was expected not to increase above 6%.

### **(C) Problems**

**(i)** Shortage of funds resulting from the collapse of the oil price to an all-time low level of US\$10 per barrel from a peak price of US\$28 per barrel

**(ii)** Persistently rising general price level

**(iii)** Low capacity utilization

**(iv)** Frequent change of government, in December 1983 and August 1985

**(v)** Huge external debt and loss of confidence in the economy by internal creditors (trading partners and financial institutions)

## **(D) Achievements**

Not much was achieved in terms of new projects as all efforts were geared towards completing projects that spilled over from preceding plans. Nevertheless, the iron and steel plants at Ajaokuta, Aladja and Osogbo were completed.

In addition, the first phase of the transfer of Federal Government Headquarters to Abuja began with some federal ministries taking effective occupation of Abuja and the Federal Capital Territory. The period also marked the effective take-off of newly-established Federal Universities of Technology at different parts of the country.

## **15.9 Financing of Development Plans in Nigeria**

Development plans usually involve huge sums of money, running into billions of naira throughout the entire period of the plan. In many developing countries, as we pointed out earlier, the greatest problem that has affected the successful execution of many development programmes has been that of fund scarcity. We shall, therefore, briefly discuss some of the major sources of financing development programmes in Nigeria. Funds needed for the execution of the various projects usually included in our development plans may be raised as shown below.

### **(A) Domestic Sources**

**(i) Savings:** These provide an important source of financing economic development programmes in Nigeria especially now that it is becoming very difficult for many developing countries to raise external loans due to their heavy international indebtedness.

The main sources of domestic savings include personal savings of households, business profits from entrepreneurs, government trading agencies and parastatals. In the 1960s, for example, the various now-defunct marketing boards in the former regions provided a lot of funds needed for development plans, which they realized from their trading activities. Although personal savings especially from the working class has been insignificant as a source of development financing, business profits constitute a major source of domestic savings in Nigeria.

**(ii) Taxation:** Another source of financing economic development plans in Nigeria is through taxation and rates. Since taxation (direct and indirect) is a major source of revenue for the government, it finances most government development projects. In Nigeria, direct taxes as a means of financing development plans play little or no role. The reason is that little is realized by the government through this source due to the low level of income and high incidence of tax evasion and avoidance. Indirect taxes, which include customs duties and excise taxes, constitute a major source of government revenue needed for development financing.

**(iii) Crude oil sales:** Since the 1970s, crude oil became the main source of revenue to government implementing her development plan programmes. Development plan implementation and its success or failure are directly linked to the developments in the world oil market, as a major foreign

exchange earner. Apart from providing revenue, in terms of domestic currency, it also satisfies the needs of the foreign component of Nigeria's development plan in terms of foreign exchange, heavy machinery, equipment and raw materials needed. In the achievement of our development objectives is the possibility of importation with the aid of proceeds from crude oil sales. Non-oil foreign exchange proceeds in Nigeria have continued to be very low since independence. It constitutes less than 4% of government total foreign exchange earning per annum.

**(iv) Inflationary financing of development programmes:** In Nigeria, where domestic saving is very low, it may be increasingly difficult for government to meet the domestic financial needs of its development plans. As an alternative, government may resort to the printing of money and this may lead to high inflation rate. The resulting inflation raises all prices, which favours the business sector somehow, especially where wages are not allowed to raise correspondingly.

By this means, the revenue realizable from company taxes will rise due to increased profit prompted by the inflationary expenditure.

**(v) Domestic borrowing:** Where government wishes to avoid the unfavourable consequences of runaway inflation caused by the printing of new money, it may decide to borrow from domestic savers. This it may do by floating development stocks and making them available to the members of the public to purchase. It may also borrow directly from commercial banks. The main obstacle has been the low rate of interests attached to government securities in particular and the general interest structure. With this, much was realized through domestic borrowing. However, the federal government, in 1987, embarked on a policy of deregulating the Nigerian interest rate structure by allowing interest rates to be determined by the forces of supply and demand in financial markets.

**(vi) Self-help efforts:** Apart from savings, in purely monetary terms, as a means of financing economic development in Nigeria, self-help efforts in physical terms have become a formidable source of development financing in real terms. Many communities throughout the federation embark upon and complete various projects of different sizes by supplying their labour services. Many projects embarked upon by the Directorate for Food, Roads and Rural Infrastructure (DFRRI) have been completed through the physical participation of the rural communities.

Such projects include; building and road construction as well as electricity and water projects.

## **(B) Foreign Sources**

**(i) Borrowing:** The Government of Nigeria also finances its development projects by external borrowing as a means of supplementing its domestic financial resources. Friendly countries and international monetary organizations such as IMF, the World Bank and IFC serve as major sources of external borrowing for Nigeria and indeed other developing nations. However, the amount of funds from external sources has continued to decline especially since the 1970s. In the 1950s and 1960s, the developing countries

depended heavily on the external finances for their economic development plans. For example, about 50% of the amount needed for Nigeria's First National Development Plan (1962-1968) was envisaged to be raised from external sources. This trend has since changed as more developing nations are forced to look inwards to meet their development financial needs.

**(ii) Siting of projects in the country:** Private foreign investors also serve as a source of providing part of our development financial needs. This they do by siting their business projects in Nigeria and therefore bearing the entire burden of financial involvement of such investments. Although most foreign investments in Nigeria and other developing countries are trade oriented, they have helped immensely in the development of the country. The oil prospecting and drilling multinationals such as the Shell and Agip companies have contributed both as agents of employment generation and supply of social and economic infrastructures.

**(iii) Aids from international organisations:** Development assistance and aid development projects in a country may also be implemented through the help of international organizations and governments. In Nigeria, the World Bank, UNDP, UNICEF and FAO are some of the international organisations that have embarked upon and completed various projects of high social and economic needs on their own. UNICEF-assisted water projects and other rural development programmes are examples of some of the projects financed by international development assistance agencies. Friendly rich countries such as the United States of America and Britain have been extending financial aids and other gifts for Nigeria's economic development plans. Nigeria is also involved in extending aids for the social and economic development of poorer countries of the developing world.

**(iv) Contractor financing:** Sometimes, it may be simpler for some development projects to be executed through the method of contractor financing. Under this arrangement, government or private entrepreneurs may enter into partnership with foreign business interests for the execution of certain projects. The foreign partners may be required to provide all the machinery and equipment needs of the project, while their domestic partners (private and public) may have to provide the domestic resource needs of the project. Many ultra-modern markets in many states were completed under the policy of contractor financing. The management and control of contractor-financed projects are normally within the authority of the foreign business partners for a period of time during which they are expected to record their contributions to the project. After this period, the management and control may go over to the local partners and this of course depends upon their terms of contract agreement.

## ***Summary***

Development planning is a feature of all centrally planned economies such as the Soviet Union. But since the Great Depression of the 1930s, most developed and developing market economies have increasingly resorted to planning as a means of fostering the rapid growth of their economies.

## **• Scope and Meaning of Development Planning**

**(i)** Development plans are selected to cover a specific period of time designated as the development plan period. In many West African countries, development plan periods cover between a minimum of 2 years and a maximum of 10 years.

**(ii)** Development plan period in Nigeria and in many other West African countries is normally 5 years. Development planning is a deliberate attempt by the government to ensure an optimal allocation and utilization of its available scarce resources in order to maximize the economic and social welfare of the greater majority of its citizens.

#### â€¢ **Reasons for Planning**

**(i)** To ensure that scarce resources are efficiently allocated and utilised

**(ii)** To make up for lapses created by market failure

**(iii)** To effectively mobilize available resources

**(iv)** To promote rapid economic development

**(v)** To help government examine its own expenditure policy

**(vi)** To attract foreign aids

**(vii)** To develop some strategic industries

**(viii)** To improve the relationship between public and private sectors

#### â€¢ **Objectives of Nigeriaâ€™s National Development Plans**

**(i)** To increase per capita real income

**(ii)** To reduce income inequality

**(iii)** To reduce the level of unemployment

**(iv)** To increase the supply of skilled manpower

**(v)** To diversify the Nigerian economy

**(vi)** To achieve balanced development

**(vii)** To indigenise the economy

**(viii)** To ensure greater self-reliance

**(ix)** To promote indigenous technology

**(x)** To increase total per capita output

**(xi)** To reduce ruralâ€“urban migration

**(xii)** To create new national awareness

**(xiii)** To democratise the development process

**(xiv)** To expand and strengthen Nigeriaâ€™s social and economic infrastructure

**(xv)** To reduce the level of poverty

**(xvi)** To maintain price stability at reasonable level

**(xvii)** To make the education system functional

#### â€¢ **Plan Strategies**

**(i)** Development of various vital institutions, e.g., the farmersâ€™ cooperative societies

**(ii)** Promulgation of appropriate laws, e.g., the Land Use Decree

**(iii)** Establishment of financial institutions

**(iv)** Commercial policy instruments

**(v)** Direct public investment

**(vi)** Manpower development

#### â€¢ **Types of Planning**

**(i)** Comprehensive planning

- (ii) Indicative planning
- (iii) Regional planning
- (iv) Sectoral planning
- (v) Perspective planning
- (vi) Medium-term planning
- (vii) Short-term planning
- (viii) Annual planning
- (ix) Fixed planning

#### â€¢ **Problems of Development Planning in Nigeria**

- (i) Uncontrollable causes, e.g., war
- (ii) Inadequate and inaccurate data
- (iii) Financial bottlenecks
- (iv) Shortage of skilled manpower
- (v) Administrative or procedural delay
- (vi) Lack of plan, discipline and coordination
- (vii) Inadequate preparation on projects
- (viii) Political instability and social insecurity
- (ix) Lack of mass support
- (x) Overdependence on one source of foreign exchange

#### â€¢ **Nigeriaâ€™s Experience in Development Planning**

- (i) First National Development Plan, 1962â€“1968
- (ii) Second National Development Plan, 1970â€“1974
- (iii) Third National Development Plan, 1975â€“1980
- (iv) Fourth National Development Plan, 1981â€“1985

#### â€¢ **Development Plan Financing in Nigeria**

- (i) Domestic sources, e.g., borrowing and taxes
- (ii) Foreign sources, e.g., borrowing, private investment and aids

### ***Class Activities***

1. The teacher should organize an excursion to the State or Federal Ministry of Economic Planning to acquaint the students with the issues and problems of planning and plan implementation.
2. The teacher should ask students to make a list of all the development projects that have been planned and implemented in their various communities. They should, in addition, highlight some of the major problems that their people encountered in the formulation and implementation of the various planned projects.
3. The teacher should organize a debate for students to discuss the rationale for development planning. The main objective should be to let students realize how development planning or lack of it fostered or retarded economic growth in Nigeria.

### **Review Questions**

#### ***Objective Questions***

1. Development plans in Nigeria have deviated from their targets due to:
  - (a) Lack of manpower



- (b)** Political instability
  - (c)** High population growth rate
  - (d)** Brain drain in the country
  - (e)** Inadequate land **(SSCE 1998)**
2. The most common index for measuring development is:
- (a)** Level of illiteracy
  - (b)** Per capita income
  - (c)** Nutritional levels
  - (d)** Employing more workers **(SSCE 2003)**
3. Development planning, which takes an overall view of the economy, is described as:
- (a)** Aggregate economic planning
  - (b)** Disaggregated economic planning
  - (c)** Sectoral economic planning
  - (d)** System economic planning **(SSCE 2004)**
4. The need for development planning arises largely from the fact that:
- (a)** Aggregate savings exceed aggregate consumption
  - (b)** Aggregate consumptions equal aggregate savings
  - (c)** Productive resources are in excess of the demand for them
  - (d)** Productive resources are scarce relative to the demand for them **(SSCE 2009)**
5. Which of the following is the problem of development planning?
- (a)** Uncontrollable causes, e.g., war
  - (b)** Inadequate and inaccurate data
  - (c)** Financial bottlenecks
  - (d)** Shortage of skilled manpower
  - (e)** All of the above

### ***Essay Questions***

1. **(a)** What is development planning?  
**(b)** Discuss the reasons why planning is essential in the process of economic development of your country.
2. **(a)** What are the objectives of your country's national development plans?  
**(b)** How are these objectives related to the needs of the majority of citizens of your country?
3. What plan strategies does your country adopt in order to realize its various development objectives?
4. **(a)** Discuss the various types of development planning that a country may adopt.  
**(b)** Justify the type of development planning adopted by most West African countries, including your country.
5. Account for the increasing incidence of plan failure in many developing nations.

### ***Glossary***

**Development planning:** This is a deliberate attempt by government to ensure an optimal allocation and utilization of its available scarce resources in a manner that will increase the economic and social well-being of the majority of its citizens.

**Comprehensive planning:** This type of planning, sometimes referred to as overall planning, is all-embracing and involves all the sectors of an economy.

**Sectoral planning:** This is the type of planning that focuses attention on specific sectors of the economy.

**Perspective planning:** This is a development plan the time period of which covers ten or more years.

**Medium-term planning:** This type of planning usually covers a period of 5 years.

**Short-term planning:** This type of planning usually lasts for a short period covering 2 to 4 years.

**Fixed plan:** This is a type of plan that has a specific or definite time period for its execution.