# The Transformation Agenda And The Challenge Of Diversifying The Nigerian Economy

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Abstract

Former President Yar'Adua/Jonathan administration enunciated the Transformation Agenda which, among other objectives, aimed at diversifying the Nigerian economy for the rapid attainment of Vision 20:2020. As its objective, the paper argues that the diversification of the Nigerian economy is a necessary condition for the attainment of self-sustaining economic growth as envisaged by the transformation agenda. The paper further argues that without the institutionalization of a developmental state, the attainment of economic transformation will not be achieved. The paper recommends five diversification options and concludes that the realization of the Agenda is a function of government mustering the political will to implement the agenda. The paper relied on secondary data and adopted content analysis as its method of data analysis while it utilized Structuralism as its theoretical framework.

**Key words:** Developmental, State, Diversification, Vision, Economic, Growth, Transformation, Agenda

## Introduction

What is transformation? According to the Oxford Advanced Learner's Dictionary, transformation depicts change. The change must, therefore, be strategic, substantial and constructive for it to be tantamount to transformation. Transforming the Nigerian economy involves changing its structural capacities for production. It entails changing the economy from a monolithic economy to an economy that is productive, diversified, and has comparative advantage over other economies. The transformation agenda is an indication of the need for a paradigm change: lofty ideals which are encapsulated in the vision must be translated into action. Given Nigeria's development trajectory which has confined her to an underdeveloped nation, implementation and execution of plans championed by a developmental state that is undergirded by visionary leadership is imperative, if the transformation agenda must be realized. We are puzzled, if not overwhelmed, by the fact that Nigeria has lost decades of opportunities to develop which were marred by military dictatorship, corruption, macroeconomic imbalance, and debilitating debt overhang. Recent attempts at transforming the economy through various reform measures instituted since the inception of democratic rule in 1999 have failed to arrest the seemingly intractable problem of diversification. The imperative of realising Vision 20:2020 demands that monitoring and evaluation at all levels of government should be institutionalized with the aim of ensuring that all strategic plans and programmes, including that of Vision 20:2020 are scrupulously translated into tangible outcomes and impact.

From the foregoing, transforming the Nigerian economy to achieve diversification is a necessary condition for achieving robust economic growth and the antidote for breaking the burgeoning cycle of chronic dependence on oil.

**The transformation agenda and growth projections**

The Transformation Agenda is a Medium Term Development Strategy designed to realize Nigeria's quest to becoming one of the twenty largest economies by the year 2020. As a framework for the actualization of the Federal Government's economic growth agenda from 2011-2015, it was developed to consolidate the gains of the reforms of the last decade. The Transformation Agenda is anchored on the pillars and specific targets of the Nigeria Vision 20:2020 (NV 20:2020). As a roadmap for securing a better future, the Transformation Agenda is targeted at:

a. creating decent jobs in sufficient quantity to resolve the protracted problem of unemployment and reduce poverty;
b. laying the foundation for robust and inclusive growth within the Nigerian economy; and
c. Improving on a sustainable basis the well-being of all classes of Nigerians, regardless of their personal circumstances and location.

To achieve these strategic goals, government will focus its attention on priority sectoral issues, including agriculture, manufacturing, oil and gas, trade and investment, culture and tourism, education, health, youth and women development, power, transport, water, security, public service reforms, anti-corruption, as well as foreign and economic diplomacy. These have been grouped into four thematic areas of Governance, Human Capital Development, Infrastructure and Real Sector. The Vision seeks to place Nigeria among the top 20 economies of the world by the year 2020. In economic terms, the Vision envisages a growth rate of 13%. This translates to at least a GDP of US$900 billion by that date, compared to about US$212.1 billion as at 2008. Nigeria's macroeconomic target for 2020 are based on a comparative analysis of the country's potential growth rate vis-à-vis the growth rate of other top 40 economies in the world. A comparative analysis of the growth estimates shows that Poland and Indonesia will have sizes of GDP that are near Nigeria's aspiration of at least US$900 billion. If Nigeria is to achieve the economic size of Poland (GDP size of US$963 billion), her economy will have to grow at an annual average rate of 13.4%. For Indonesia that has a GDP value of US$1,000.5 billion, the Nigerian economy will have to grow at an average of 13.8% between now and year 2020. The realization of this quantum of growth in the Nigerian economy requires a fundamental change in the structure of the economy from primary production (agriculture and crude oil production) to industrial manufacturing and services) (NPC, 2013).

Table 1 Economic characteristics of Nigeria and the Bottom Five of the Top Economies

| | Nigeria | Netherlands | Belgium | Poland | Turkey | Indonesia |
|---|---|---|---|---|---|---|
| Agriculture, value (% of GDP) | 42.1 | 4 | 3 | 5 | 10 | 13 |
| Electric power consumption(kwh per capita) | 116 | 4403 | 4912 | 3009 | 483 | 37 |
| Exports of goods and services (% of GDP) | 40.3 | 50 | 56 | 40.9 | 3 | 31 |
| GDP growth (annual %) | 5.9 | 2 | 2 | 6.6 | -1 | 7 |
| GNI per capita, Atlas method (current US$) | 920 | 11,870 | 11,550 | 9,850 | 1,860 | 420 |
| Imports of goods and services (% | 29.7 | 50 | 58 | 43.6 | 6 | 23 |

| | | | | | | |
|---|---|---|---|---|---|---|
| of GDP) | | | | | | |
| Industry, value added (% of GDP) | 23.8 | 33 | 37 | 32 | 27 | 47 |
| Manufacturing (% of GDP) | 4 | 14 | 17 | 19 | 22 | 28 |
| Inflation, GDP deflator (annual %) | 20 | 4 | 5 | 5.3 | 77 | 34 |
| Interest Rate | 18.7 | 3.5 | 7.5 | 5.5 | - | 16 |
| Gross capital formation (% GDP) | 14 | 20 | 22 | 20 | 24 | 25 |
| Gross savings (5 GDP) | 16.4 | 30 | 24 | 18 | 17 | 26 |
| Services, etc., value added (% of GDP) | 34.1 | 64 | 61 | 64 | 63 | 40 |
| Manufactures export (% of Total) | <1 | 66 | 77 | 79 | 42 | 45 |

Source: Nigeria's Vision 20:2020

Table 1 above depicts the structure of production and other economic characteristics of the bottom top 20 economies in relation to Nigeria's structure. While Nigeria's structure is symptomatic of the features of an underdeveloped country, the top 16-20 countries, by GDP, depict the features of developed or advanced economies. Agriculture, in three of the countries, contributes between 3 and 5% of GDP, compared to Nigeria's 42%. The situation is worsened by the fact that Nigeria's agricultural sector has a lower productivity. Based on the features and development trajectories of the top 20 economies, Nigeria should aspire to have an economic structure which is shown in Table 2 below.

**Table 2**

Optimal Structure of National Output by 2020 versus Existing Structure

| Activity Sector | Projected Share of Output by 2020 | Existing Share of Output |
|---|---|---|
| Agriculture | 3-15 | 42.1 |
| Industry | 30-50 | 23.8 |
| Manufacturing | 15-30 | 4 |
| Services | 45-75 | 34.1 |

Source: Nigeria's Vision 20:2020

According to the economic transformation blueprint, the strategies for achieving the structural transformation of the Nigerian economy constitute the essence of Vision 20:2020. Consequently, the fundamental objectives of the economic growth requirements of the Vision are: economic diversification away from a mono-product, oil-dependent economy; transformation of the structure of exports from primary commodities to processed and manufactured goods; and the attainment of high levels of efficiency and productivity, in order to be globally competitive (NPC, 2013).

**Theoretical Framework**

The roots of Structuralism can be traced back to South America, and particularly Chile, where Raul Prebisch, became the first director of the Economic Commission for Latin America (ECLA). Raul Prebisch, Celso Furtado, Anibal Pinto, Osvaldo Sunkel and Dudley Seers are regarded as influential proponents of Structuralism. However, it is believed that Raul Prebisch greatly influenced the development of the Structuralist school of thought. Structuralism is a development theory which focuses on the structural aspects of developing countries which impede their economic growth. The unit of analysis is the transformation of a country's economy from, mainly a subsistence and agriculture-based to a modern and urbanized manufacturing economy. Policy prescriptions resulting from structuralist thinking call for major government intervention in the economy to fuel the industrial sector (Wikipedia, 2014). The structural transformation of the developing country is pursued in order to create an economy which in the end enjoys self-sustaining growth. This can only be realized by ending the reliance of the underdeveloped country on exports of primary goods (agricultural and mining products), and pursuing inward-oriented development by shielding the domestic economy from that of the developed economies.

Structuralism advocates limited trade with advanced economies which should be enforced through the erection of all kinds of trade barriers, and an overvaluation of the domestic exchange rate. Through this, the production of domestic substitutes of formerly imported industrial products is encouraged. The logic of the strategy rests on the Infant industry argument, which states that young industries initially do not have the economies of scale and experience to compete with foreign competitors, and thus need to be protected until they are able to compete in the free market. Structuralists call for the adoption of an Import Substitution Strategy (ISI). The Import Substitution Strategy is supported by the Prebisch-Singer thesis, which states that over time, the terms of trade for commodities deteriorate compared to manufactured goods (Wikipedia, 2014). This is because of the observation that the income elasticity of demand is greater for manufactured goods than that for primary products.

Structuralists argue that the only way Third World countries can develop is through action by the *state*. Third world countries should pursue industrialization and strive to reduce their dependency on trade with the First World, and trade among themselves.

**The Challenge of Transformation: Diversification Options**

A number of policy options exist for Nigeria to vigorously pursue in order to diversify her economy.

**a) Industrialization**

Industrialization is regarded as a major force driving modern economies. Hence, industry and, in particular, the manufacturing sub-sector are described as the heart of the economy (CBN, 2012). Given the historic role of industrialization in the advanced capitalist countries of US, Great Britain, Germany, Japan and the emerging economies of South East Asia, industrialization has become a desideratum for sustainable economic growth and development, because of its potential for employment generation and wealth creation, improving the balance of payment position and foreign reserves. Thus, the manufacturing sector, through backward and forward linkages, contributes to the production of agricultural tools and machinery which is very vital in enhancing efficiency in agricultural production (Jamodu, 2013). In essence, therefore, a vibrant manufacturing sector is very vital in diversifying exports. The global economy is highly competitive. The active participation of a nation in the global economy is an indication of the level of competitiveness of its economy. By diversifying the economy through export manufactures, Nigeria’s economy will become globally competitive; attract more foreign investment as well as gain comparative advantage in the global economy.

Transforming an economy requires a strategy for industrialization; right economic, social and sectoral policies; investment in people, infrastructure and knowledge; improving the functioning of the market and business environment; and mobilizing the resources to achieve the objectives.

The Nigerian economy is still steeped in primary production rather than export, which denies the economy of value addition and employment generation. It has been established by literature that the pervasive failures of economic transformation in developing countries are mostly due to the inability of governments to establish good criteria for identifying industries that are appropriate to their endowment structure and level of development. Government’s policy to facilitate industrial upgrading and diversification must give preference to the establishment of industries with latent comparative advantage. This is necessary so that once the new industries are established; they can quickly become competitive domestically and internationally.

Successful transformation of economies requires planning and an industrial policy and industrialization process that places emphasis on the issue of competitive advantage in the choice of target industries, and not one that focuses on capital-intensive advanced industries in which countries cannot build internationally-competitive firms. The experience of newly industrialized countries and modern economic growth theories indicate that structural economic transformation involves innovation and industrial processes and improvements in the various types of infrastructure and institutional arrangements for which the market mechanisms may not be sufficient and the government has a potential role to play in helping firms. The achievement of this requires the state to be developmental in managing the economy.

Nigeria has been unable to draw from the international market the way industrialists from other developing countries, including Kenya, have done. Manufacturing accounts for less than 1 per cent of GDP. In specific terms, it lost its international market share, even in its traditional (agricultural) exports. The provision of infrastructure is tangential to the industrialization of the Nigerian economy. At present, power supply is averaging 4000 mw, constraining the prospects for industrialization. The roads are in a deplorable condition. The infrastructural deficit is responsible for the high cost of doing business in Nigeria. The transformation agenda is predicated on the creation of millions of jobs for the teeming unemployed Nigerians. In spite of the introduction of reform measures which translated into economic growth in the last decade, growth is yet to result in higher employment rates. While the country's population continued to grow at the worrisome rate of 3.2 percent per year, unemployment rate was at 24% compared to 21% in 2010 (Chijioke, 2013).

The structural weakness of the Nigerian economy, which is responsible for its lack of diversification, is the major reason why growth has not resulted in employment generation and poverty reduction.

**b) Small and Medium Enterprises (SMEs)**

The growth and development of SMEs in any economy is very central to economic diversification. The experience of the leading industrialized nations has shown that SMEs were responsible for the high level of industrialization which they attained. In the US, an estimated 22.4 million SMEs produce about 85% of her private sector goods and services, which are about the 96% of the country's exports. The SMEs account for over 40 million jobs generated in the country during the last two decades, representing 75% of the total new jobs and 38% of the country's high-tech industry jobs. Similarly, the economic miracle which occurred in China was led by about 50 million SMEs, creating about 500 million jobs between 1980 and 2012 (Jamodu, 2013).

According to Akabueze (2012), the benefits of SMEs are very noticeable. They include contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost, especially in the fast growing service sector; providing a vehicle for reducing income disparities; developing a pool of skilled and semi-skilled workers as a basis for future industrial expansion; improving forward and backward linkages between economically, socially and geographically diverse sectors of the economy; providing opportunities for developing and adapting appropriate technological approaches; and offering an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development.

Under the NEEDS framework, SMEs are regarded as pivotal agents in the growth and development of the economy. According to Hayatudeen (2012), SMEs operations are propelled by the dynamic theory, which makes them efficient and prone to constant change. In developed economies, SMEs create employment, increase job growth, and induce change, innovation and competition.

Nigeria's industrial policies have largely tended to favour large scale, import-dependent enterprises which have made comparatively little impact on the domestic economy. It is pertinent that emphasis should be shifted from gigantic industrial establishments to cottage, small and medium scale industries, and that as much as technologically feasible, production should be made as divisible and labour-intensive as possible (CBN: 2012). To enable SMEs play the expected role in catalyzing economic diversification, there is the need for the government to create the enabling environment through the promotion of the right policy framework, institutionalization of adequate incentives, unhindered access to capital, and adequate infrastructure.

**a) Foreign Investment**

Nigeria can leverage on the prospects which are derivable from foreign investment to diversify her economy. The literature is replete with theoretical and practical explications on the benefits of foreign investment which include technological transfer, economic growth, and highly skilled manpower. It is argued that foreign investment is not only a source of finance and employment but also, certainly, a medium for acquiring skills, technology, organizational and managerial practices and access to markets. Thus, it is expected to exert positive impact on growth in the host country through direct and indirect effects of capital inflows along with technology transfer. The need for foreign investment is underscored by the paucity of savings in developing nations which is as a result of poor domestic resource mobilization. There is a wide gap between savings and the required quantum of investment, which can be bridged by foreign investment. The underlying philosophy governing planned investment and domestic savings has its roots in the Harrod-Domar (HD) model, which assumes that the rate of growth of an economy depends solely on its productivity and on investment. Since investment is financed by savings, and as long as the savings rate is lower than the required investment rate, the economy will experience a savings gap, which can be filled by aid or foreign private investment (ADB, 2010). As Obadan and Odusola (2012) has argued, domestic savings in many developing countries were barely sufficient to maintain existing capital stock, and hence, could not permit enough investment to sustain economic growth.

Foreign investment is a voluntary activity undertaken at the discretion of the foreign investor. Nigeria is competing with other developing and developed countries for global flows of foreign capital. Given the fact that the attraction of foreign investment requires institutional and policy changes which are pertinent for the institutionalization of a conducive investment climate relative to other competitors, how competitiveness then is the Nigerian economy. With a Competitive Index of 3.38 in 2011, Nigeria ranked 127th out of 139 countries in the world, below 18 other sub-Saharan African countries. The World Bank's Doing Business Report 2011ranks Nigeria 137 out of the 183 economies surveyed compared to its 134 ranking in 2010. Among the sub-African countries, the report ranks Nigeria 17 out of 40 economies: behind Mauritius 1); South Africa (2); Botswana (3); Rwanda (4); Ghana (5); Namibia (6); Zambia (7); Seychelles (8); Kenya (9); and Ethiopia (10) (Nnadozie, 2012).

For the Nigerian economy to become competitive, the environment must be made friendly. Adverse government policies and bureaucratic practices represent a threat to business survival. The government should stabilize macro-economic indicators, create efficient regulatory mechanism, fight poverty and unemployment and rehabilitate decaying infrastructure. The need, therefore, for government to be proactive in the formulation and implementation of policies that will bring about a truly conducive investment environment cannot be emphasized. It should intensify the existing public sector reforms aimed at instituting transparency, accountability and due process; pursue human capital development and halt the inefficiency in government services.

The present security and ethno-religious challenges facing the country constitute serious threat to foreign investment. With the right investment climate, it is estimated that the Nigerian economy can boast of foreign investment from Nigerians who are in diaspora, apart from the FDI that flows into the country through non- Nigerians. Foreign direct investment (FDI) into Nigeria is catching up with remittances from diasporans totalling £20bn a year just slightly behind the $21bn sent by Nigerians abroad according to figures released in 2013 by Finance Minister, Dr Ngozi Okonjo-Iweala (Alawiye, 2013). In 2012, Nigeria's diaspora remitted a whopping $12bn back home, making the country one of the world's top five remittance economies behind India with $70bn, China with $66bn, The Philippines with $24bn and Mexico with $24bn. Traditionally FDI has grown phenomenally over the last three years.

**d) Ensuring adequate refining capacity**

With proven oil reserves estimated to be 25 billion barrels, Nigeria is reputed to be a major oil producer with petroleum accounting for 25 percent of Gross Domestic Product (GDP), 95 percent of foreign exchange receipts and 70 percent of government revenues. Nigeria has the 6$^{th}$ largest gas reserves in the world with natural gas reserves at over 100 trillion cubit feet. Nigeria’s chronic dependence on the petroleum sector constrains the diversification of the economy. Another fundamental challenge facing the Nigerian economy is its dependence on imported petroleum products, which constitutes a drain on the nation’s foreign exchange reserves. Enhancing the domestic refining capacity and investment in the petrochemical sector will guarantee that the oil sector is transformed from mere crude oil extraction to the production of petrochemical-based product sector, with its concomitant stimulation of economic linkages. Besides, the stimulation of economic linkages will result in the attendant creation of wealth and employment as well as inclusive growth. Tthe Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) has aptly observed that the oil sector of the country “is killing the economy”. According to NACCIMA's Director General, Dr John Isemede, the oil sector is affecting businesses in the country negatively by failing to add real value to them. The oil sector has caused substantial decline in agricultural exports, which began in the mid-1960s and continued to date

The country’s four refineries are barely functioning. Several Turn-Around Maintenance (TAM), amounting to trillions of naira, have been carried out on the refineries, yet all to no avail. The Idika Kalu National Refineries Special Task Force gave a sordid picture of the state of the refineries and how colossal sums of money were spent on TAM. Nigeria was once reputed as having the third largest refining capacity on the continent with its 445,000 barrels per day installed capacity, but now has 18% capacity utilization and efficiency; compared to South Africa with a capacity of 540,000 bd and capacity utilization of 85%; and Egypt with 774,900 bd capacity and 81% efficiency level

(Punch Editorial, 2012). Oil companies operating in Nigeria have refused to operate oil refineries while they do so elsewhere. There is need for a policy prescription which will compel oil companies operating in Nigeria to establish oil refineries in the country to boost local production in conjunction with the private sector. As the Finance Minister, Ngozi okonjo-Iweala, rightly observed, the private companies that have been issued licenses to build their refineries should be encouraged. The Kalu Committee's recommendation that the refineries should be sold within 18 months should be implemented. This is because all over the world, refineries are changing hands on a regular basis (Punch Editorial: 2012).

The Federal Government should encourage the private sector, through various incentive packages, to establish private oil refineries for domestic consumption and export.

**e) Boosting agricultural production**

Prior to the oil boom in the 1970s, Nigeria depended largely on the export of primary commodities such as cocoa, palm oil, rubber, cotton and groundnut. Before the discovery of petroleum in the 1970s, agriculture accounted for 60 percent of Gross Domestic Product (GDP) and a significant proportion of export earnings (CBN (2012). However, within a decade (1970- 1980), Nigeria underwent a fundamental shift from being an agrarian economy to absolute and debilitating dependence on petroleum. Attempts to transform the Nigerian agricultural sector have met with failure. At present, Nigeria faces the crisis of food security. From the Obasanjo's Operation Feed the Nation to the Green Revolution of Alhaji Shehu Shagari and the plethora of various agricultural initiatives embarked upon by the various regimes, Nigeria's effort to boost agricultural production has been dismal. The problems bedeviling the agricultural sector include obsolete technology, inadequate infrastructure, environmental constraints, an inadequate level of farm management expertise, and a number of socio-economic constraints. These problems notwithstanding, the prospects for increased agricultural production and diversification in Nigeria are high. Besides, Nigeria has several growth reserves, which, if exploited, could unleash her growth potentials to 10% or more for a sustained period or more as countries like China has experienced in the last two decades. For instance, Nigeria has substantial productive resources waiting to be utilized. Only about 40% of Nigeria's arable land is presently being cultivated, with 60% lying fallow. In addition, a considerable number of natural resources like bitumen, limestone, iron ore, columbite, gold, coal, gypsum, etc., remain untapped.

Economic development in general and economic transformation specifically requires agricultural modernization and industrial diversification. As is already known, the reliance on oil alone led to the neglect and stagnation of agriculture and manufacturing. The neglect of these critical sectors of the economy, in turn, affected the growth of the economy in real terms, because agriculture that should have acted as a buffer to dwindling foreign exchange earnings arising from the volatility of the oil sector, could not act as a catalyst to industrial production through the provision of necessary inputs like raw materials and the development of new industries to reduce dependence on imported inputs. Nigeria's attainment of the ultimate goal of increased agricultural productivity to meet increasing demand of the industrial and export sectors, as well as have enough for domestic consumption would, however, depend on full commitment to the provision of an enabling environment, the provision and maintenance of adequate infrastructure and funding, the streamlining of agricultural research activities, and taking appropriate steps to reduce environmental degradation. Consequently, the success of the transformation agenda will depend, to a large extent, on how the agricultural sector receives a boost.

**The role of a developmental state in economic transformation**

The institutionalization of a developmental state in Nigeria is a necessary condition for the realization of Vision 20:2020. According to Hajoon (2012), developmental state is the state which has the ability to promote and sustain development through high level, sustained and clean growth, human capacities expansion and structural transformation to increase employment, incomes and wealth and improve overall human and social development in fulfillment of the economic, social, political and environmental aspirations and needs of its citizens. Thus, the developmental state takes the goals of long-term growth and structural change seriously and engages in institutional adaptation and innovation to achieve those goals. Writings of early development economists such as Gunnar Myrdal, Paul Baran, P.N. Rosenstein-Rodan, and Simon Kuznets reflected the fact that a state can be developmental. The philosophical foundation upon which a developmental state is established is characterized by a combination of capacities, visions, norms and / or ideologies. It is assumed that states can champion the course of development: states can become more capable and more supportive of development and human activity. As the Commission for Africa has noted, the way states function is increasingly seen as one of the most important factors affecting development in the poorest countries (Frit and Menocal, 2013).

A developmental state, therefore, exists when the state possesses the vision, leadership and capacity to bring about the transformation of the society within a reasonable period of time. The role of the developmental state in bringing about development is typified by transformation of the East Asian economies. Within a period of 30 years, successful economic transformation was brought about by a set of city- states and countries including Hong Kong, Singapore, South Korea and Taiwan. As envisaged by Vision 20:2020, a developmental state is expected to pursue policies that will speed up growth while at the same time enhancing opportunities for participation in the modern economy. It is characterized by investing in public services such as education, health care and agricultural extension, and rapid industrialization. The pursuit of rapid industrialization is geared towards transforming the economy away from subsistence agriculture to an export-oriented farming, or to textile processing, or to tourism, or a mixture of these.

The 2011Economic Report on Africa released by the Economic Commission for Africa (2012) emphasized the critical role of the state in structural transformation, and argues that structural transformation in Africa, and ultimately Nigeria, cannot be realized without the leadership of the state - the developmental state – in making good macroeconomic and sectoral policies underpinned by strong and functional institutions and a vibrant private sector in a well-functioning market economy. The report further stressed the need for the developmental state to be held accountable in order to avoid the pitfalls of state intervention. Thus, the foundation for economic transformation is a developmental state that is based on visionary leadership, efficient bureaucracy and the right development strategy; a vibrant private sector with strong entrepreneurs and a committed civil society. The realization of all these will require good and functional institutions to effectively manage the Nigerian economy in such a way that will bring developmental goals that are consistent with the ideals of Vision 20:2020.

**Conclusion**

As long as Nigeria continues to pay lip service to the critical issue of diversification, so long will wealth and job creation be an elusive issue. This can only be realized with the institutionalization of a developmental state where all the institutions needed to foster development are functioning effectively.

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