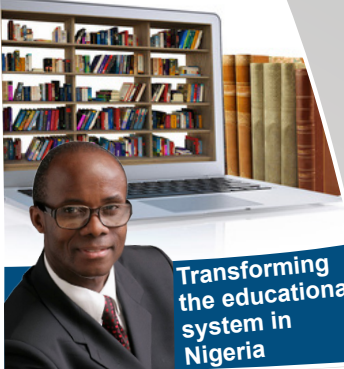


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**ISSN 2273-2640**

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**InterRegioNovation** is the International Association devoted to the transfer and exchange of knowledge and innovations at all regional levels (country, region, city, community etc.) between knowledge transfer professionals (business, research institutions, policy makers, government agencies, individuals, others) in all countries of the enlarged Europe, CIS countries and from other continents for stimulating and enhancing economic and social growth in the regions.

This is a policy and research association that brings together all knowledge transfer professionals who are interested in delivering efficient, flexible, innovative and cost-effective services across the private and public sectors. We work closely with business, research and educational institutions, government agencies, policy makers, NGOs, media, individuals and other stakeholders to promote the interests of their industries.

Our members understand the changing needs of the transfer and exchange of knowledge and innovations and through continuous professional development, marketing and networking opportunities offered in this association, we keep current with the latest knowledge trends and issues that challenge people in their work and life journey. We also offer expansive opportunities for partner connection through our networks.

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## About journal

On behalf of the Editorial Board, it gives us a great pleasure to welcome you to the forth and the last issue of 2015 of the Regional Innovations Journal.

The Regional Innovations publishes original research papers, policy analyses, review papers and book reviews in order to establish an effective channel of communication between business, research institutions, policy makers, government agencies, and individuals relative to the analysis of various aspects of knowledge and innovations transfer and exchange within regional dimensions.

This is an independent, peer-reviewed, Internet-based international journal devoted to publishing original research papers of highest quality, sharing ideas and discussing innovation sector within regional dimensions. Normally, four issues are prepared each year. The journal welcomes to submit research papers by exceptional innovators, leading universities, globally recognized business, government agencies, policy makers and political leaders.

We intend that our readers will be exposed to the most central and significant issues in innovations development. We wish to publish papers that exemplify the highest standards of clarity, and that promise to have significant impact on existing front-line debates or to lead to new ones. The journal explores key priorities of the knowledge and innovations transfer and exchange in terms of critical aspects of human life (economy, law, science, business, health, education, culture etc.). We therefore welcome submissions not only from established areas of research, but also from new and emerging fields and those which are less well represented in existing publications, e.g. engineering studies, biomedical research etc.

We also strive to ensure that being under expert evaluation, each submission will receive developmental and supportive comments to enhance the article. Our refereeing process will involve that each submission will be reviewed by one or more specialists in the relevant field. Articles will be added to the volumes and the journal audience will receive e-mails updates to encourage them to the new articles.

We are delighted with, and immensely grateful to the large numbers of colleagues, both members of the Associations InterRegioNovation and FranceXP (France), representatives from many universities in France, Ukraine, Latvia, UK, Azerbaijan, China and other institutions, who have supported the editorial process. And we are very proud of the expertise that they collectively bring, which we believe is unsurpassed by any contemporary innovative journal.

We are immensely grateful to our colleagues for their support and advice through the process of setting the journal up, and for the confidence they have placed in us in supporting this initiative at a time of economic uncertainty.

In the development of the Regional Innovations to date, we would like to enlist the support of a number of organisations who wish to promote this online journal to their experts. To ensure its sustainability, we would also like to invite other organisations, networks, conferences and meetings to associate themselves with the Regional Innovations. We therefore aim for the Regional Innovations to become the leading online forum to globally disseminate outstanding research papers on innovation sector in regional dimensions. Being an online periodical, the Regional Innovations is also a forum for exchange of imaginative ideas readers wish to share. Contributions of articles on innovations sector and your comments about this issue are very welcome.

To this end, if you lead, represent, or are a member of any such organisation, please contact us to offer your support and commit to promoting the Regional Innovations as a publication outlet for research undertaken by your experts.

We do hope you enjoy and benefit from the Regional Innovations! And many thanks for staying with us in 2015!

**Jean-François Devemy**  
**Publishing Director**

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## FORMATION OF DEBT POLICY IN UKRAINE

### *Abstract*

*The dynamics of change of Ukraine debt burden and structure of government borrowing in the post-crisis period are analyzed on functional grounds. It is shown that there was a practice to solve specific political issues through the use of debt instruments, in particular significant amounts of loans were directed to financing quasi-fiscal operations of public financial and non-financial corporations. This led to significant growth of public debt, increased the cost of government borrowing. The conducted econometric modeling showed that this factor was decisive in deterioration of public debt in the last years. A number of proposals for improving the debt policy in Ukraine are offered, also taking into account international experience. Proposals are primarily concerning the settlement of quasi-fiscal activities of NJSC Ukraine Naftogaz, and the Ukrainian state-owned banks.*

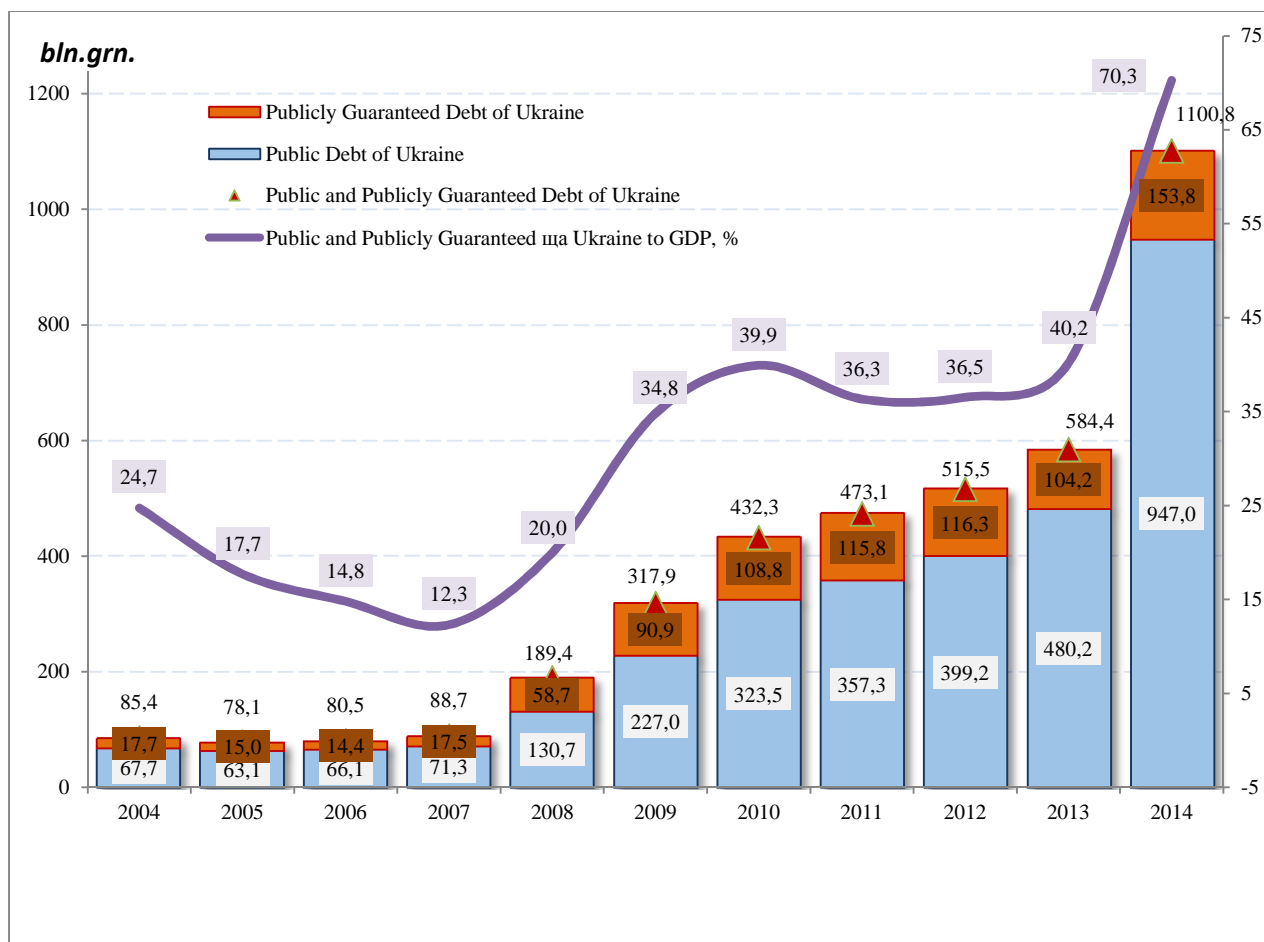
**Key words:** *public debt of Ukraine, quasi-fiscal operations.*

Nowadays the practice of forming and managing the public debt of Ukraine is one of the most waspish problems in areas of public finance, because only the mere debt servicing in 2014 took almost 48 billion UAH from the budget. Previous practice of solving many political issues through the use of debt instruments (within the formal observance of the budget legislation) has exhausted itself. It demonstrates the need for deep restructuring of approaches to the formation of sustainable and balanced public debt policy, research and implementation of the best practices of debt management in countries that have successfully coped with challenges similar to Ukrainian [1-4].

This article is designed to analyze the condition and structure of the public debt of Ukraine, and to propose practical recommendations to stabilization of its change dynamics.

**Key points.** The political crisis of 2013-2014 years, and Russian military aggression led to the worsening of economic crisis in Ukraine, which was accompanied by soaring of debt burden. Over the last few years, Ukraine faced a dramatic increase of public and publicly guaranteed debt of Ukraine.

Changes in public and publicly guaranteed debt of Ukraine during the 2004-2014 years are presented in figure 1.



**Figure 1. Dynamics of public and publicly guaranteed debt of Ukraine during 2004-2014**

Source: Ministry of Finance of Ukraine ([www.minfin.gov.ua](http://www.minfin.gov.ua))

If in the most stable 2007 year the national debt relative to GDP was only 9.9% (71.3 billion), in the future these indicators began to grow rapidly: 2008 - 13.8% (130.7 billion), 2009 - 24.9% (227.0 billion), 2010 - 29.9% (323.5 billion), 2011 - 27.4% (357.3 billion), 2012 - 28.3% (399.2 billion), 2013- 33.0% (480.2 billion) 2014 - 60.4% (947.0 billion).

On the December 31, 2014, the public and publicly guaranteed debt has reached a 1100.8 billion point, which is 70.3% of GDP in 2014, ie the ratio of public and publicly guaranteed debt to GDP substantially exceeds the limit of 60% of GDP fixed in the Budget Code of Ukraine. This limitation is quasi-fiscal rule, and it is infringed the first time since 1999.

From the information presented in Table 1 we can see changes in the structure and dynamics of the debt burden on the expenditure side of the budget, which is caused by the growth of the funds needed to service the public debt, especially external. During the 2013-2014 years spending more on debt servicing amounted to almost 50%. This was caused primarily because of the fact that during 2014 the official rate of hryvnia has depreciated against the US dollar at 97.3%. The depreciation of the euro held at 74.2%. During the same year the consumer price index reached a mark of 24.9%. The volume of gold reserves at the end of 2014 was only 6.42 USD, which is equal to the level of 2003, while the minimum statutory reserves norm (covering total imports over three months) should be about 23 billion UAH.

**Table 1**

**The main characteristics of the structure of the public debt and the amount of publicly guaranteed debt**

Billion UAH	Public and Publicly Guaranteed Debt of Ukraine	Public Debt of Ukraine	External Debt	Internal Debt	Service Total	Internal Debt Service	External Debt Service	Publicly Guaranteed Debt of Ukraine
2004	85,4	67,7	46,7	21,0	3,2	1,0	2,2	17,7
2005	78,1	63,1	44,0	19,2	3,3	1,0	2,3	15,0
2006	80,5	66,1	49,5	16,6	3,4	1,0	2,5	14,4
2007	88,7	71,3	53,5	17,8	3,7	0,8	2,9	17,5
2008	189,4	130,7	86,0	44,7	4,3	0,9	3,3	58,7
2009	317,9	227,0	135,9	91,1	9,8	4,9	4,9	90,9
2010	432,3	323,5	181,8	141,7	16,4	11,2	5,2	108,8
2011	473,2	357,3	195,8	161,5	23,9	15,8	8,1	115,9
2012	515,5	399,2	208,9	190,3	25,2	15,9	9,3	116,3
2013	584,4	480,2	223,3	257,0	33,2	22,7	10,5	104,2
2014	1100,8	947,0	486,0	461,0	48,0	32,7	15,2	153,8

Source: Ministry of Finance of Ukraine [1]. ([www.minfin.gov.ua](http://www.minfin.gov.ua))

An important task is clarification of the factors that most strongly influence the growth of debt in Ukraine in order to adjust and create new approaches to the formation of the debt policy.

Table 2 presents statistics on factors influencing the growth of debt [2]. Analysis shows that debt borrowings incurred for the purpose of 1) financing the budget deficit; 2) repayment of public debt in the same period such obligations advanced; and 3) debt financing other needs of public finance field.

Apparently, financing the budget deficit, in which the need for funds for the planned repayment of debt payments was taken to the account, and which in Ukraine was carried out mainly by borrowing, decreased from 10.4 billion USD in 2004 to 3.6 billion in 2006, and further increased to 64.4 billion USD in 2010. In 2011 funding dropped to 23.6 billion, and subsequently grew rapidly: 53.6 billion in 2012; 64.7 in 2013; 78.1 billion in 2014.

**Table 2**

**Financing the needs of public finance field by borrowing, billion UAH**

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. Debt financing of state budget deficit</b>											
The state budget deficit,% GDP	3,0	1,8	0,7	1,4	1,3	3,9	5,9	1,8	3,8	4,4	5,0
<b>Debt financing</b>	<b>10,4</b>	<b>7,9</b>	<b>3,6</b>	<b>10,1</b>	<b>12,5</b>	<b>35,5</b>	<b>64,3</b>	<b>23,6</b>	<b>53,4</b>	<b>64,7</b>	<b>78,1</b>
<b>2. Debt financing of public debt repayment</b>											
Payments on public debt (repayment and servicing)						40,3	42,2	68,8	92,3	111,5	168,8
Servicing	3,2	3,3	3,4	3,7	4,3	9,8	16,4	23,9	25,2	33,2	48,0
<b>Repayment financing</b>						<b>30,5</b>	<b>25,8</b>	<b>44,9</b>	<b>67,1</b>	<b>78,3</b>	<b>120,8</b>
<b>3. Debt financing of other needs of public finance field</b>											
1. Capitalization through T-bills	0,00	0,00	0,00	0,00	17,5	44,00	13,79	21,35	7,00	14,70	113,2
- state companies						24,38	7,40	12,50	7,0	13,30	96,6
- banks					17,5	19,62	6,39	8,85	0,0	1,40	16,6
2. Loans for Agrarian fund through T-bills								5,00	2,60		
3. T-bills issued to resolve other issues (Stabilization Fund, SMI, VAT T-bills, etc.)					5,90	4,66	36,39	0,02		5,00	9,5
4. Financing of development projects (borrowing from MFIs)	0,36	1,08	0,65	0,87	0,80	2,45	2,54	4,59	4,20	6,18	1,0
<b>Total borrowing for other purposes</b>	<b>0,36</b>	<b>1,08</b>	<b>0,65</b>	<b>0,87</b>	<b>24,17</b>	<b>51,11</b>	<b>52,71</b>	<b>30,96</b>	<b>13,80</b>	<b>25,88</b>	<b>123,7</b>

Source: Ministry of Finance of Ukraine ([www.minfin.gov.ua](http://www.minfin.gov.ua))

The debt policy in the 2013-2014 years also significantly depended on how the budget risk was implemented, namely the risk associated with planned revenue shortfall. For example, in 2014 the actual implementation differed from the original plan by 38.3 billion UAH (-9.7 percent) while budget expenditures reduced by 32.1 billion UAH (-6.9 percent), and the budget deficit grew to 78.1 billion UAH.

In absolute terms, the deviation from the target tax collection was 12.4 billion UAH. Failure of planned targets for VAT -3.9 billion UAH, for excise tax -3.8 billion UAH, and for taxes on international trade and external operations -3.1 billion UAH was palpable. Total income plan was under-executed in the amount of 22.1 billion UAH.

In 2014 the actual amount of repayment also differed from targeting. It occurred mainly due to the

devaluation of the Ukrainian hryvnia, and this effected also on some internal borrowing. In particular 2012, 2013, 2014 T-bills denominated in US dollars in the amount of 2.6 billion USD; 2011 T-bills in the amount of 1.0 billion USD, IMF loan in the amount of 1.7 billion SDR (2.5 billion USD), and other loans were repaid. Overall, the share of debt repayment in foreign currency amounted to about 71 percent. The above necessitated the cumulative increase of government borrowing to 322.6 billion UAH.

The structure of government borrowing on functional grounds in 2014 is presented in Table 3. State borrowings obtained to repay public debt, which have rich the term of payment during the named period, is 120.8 billion UAH or 37.4 percent, which makes a large proportion. Borrowing to finance the state budget deficit - 78.1 billion UAH or 24.2 percent is also significant.

**Table 3**

**The structure of government borrowing on functional grounds in 2014**

<b>Purpose of government borrowing</b>	<b>Amount (billion UAH)</b>	<b>The share of borrowings, %</b>
<b>1. Repayment of public debt</b>	120,8	37,4
<b>2. Financing of the budget deficit</b>	78,1	24,2
<b>3. Debt financing of other needs of public finance field</b>	123,7	38,3
<b>including:</b>		
<i>NJSC "Naftogaz"</i>	96,6	29,9
<i>State Banks</i>	16,6	5,1
<i>Deposit Guarantee Fund</i>	2,6	0,8
<i>VAT Refund</i>	6,9	2,1
<i>Other</i>	1,0	0,3
<b>Total borrowings</b>	322,6	100

**Source:** Ministry of Finance of Ukraine ([www.minfin.gov.ua](http://www.minfin.gov.ua))

Yet the largest by volume were borrowings directed to finance debts of other needs of public finance field. In particular, the capitalization of Naftogaz took 96.6 billion UAH or 29.9 percent. More than five percent or 16.6 billion UAH was aimed at the capitalization of state banks, in particular JSC "Oschadbank" (11.6 billion UAH), and "The State Export-Import Bank of Ukraine" (5,0 billion UAH). To ensure reimbursement of value added tax 6.9 billion UAH or 2.1 percent were borrowed; as long as 2.6 billion UAH or 0.8 percent of the borrowings to support the Deposit Guarantee Fund.

Referrals of borrowing to capitalization of the state companies by issuing T-bills have been significant in

previous years. In particular, during 2008-2014 the volume of capitalization of the state companies by issuing T-bills amounted to 161.2 billion UAH, and banks - 70.1 billion UAH. In addition to NJSC Naftogaz also JSC "Dunaiske Paroplavstvo", PJSC "Agrarnyi Fond", PJSC "UHE", state banks JSC "Eximbank Ukraine", OJSC "Oshchadbank", "Rodovidbank", SCB "Kyiv" and PJSC "Ukrasbank" and so on were capitalized at this time.

Thus, if the total amount of government borrowing for other needs of public finance field up to 2007 almost did not exceed 1 billion UAH annually, since 2008 the rapid increase in these volumes took place: 24.17 billion UAH in 2008, 51.11 in 2009, 52.71 billion



UAH in 2010. Later volumes slightly decreased: 30.96 billion UAH in 2011, 13.80 billion UAH in 2012, 25.88 billion UAH in 2013. In 2014 the value of the amount of government borrowing in other areas of public finance field rich 123,7 billion UAH. First of all in 2014 it is associated with a significant deficit (about 97 billion UAH) of NJSC “Naftogaz” which performs quasi-fiscal functions assigned to it by the state.

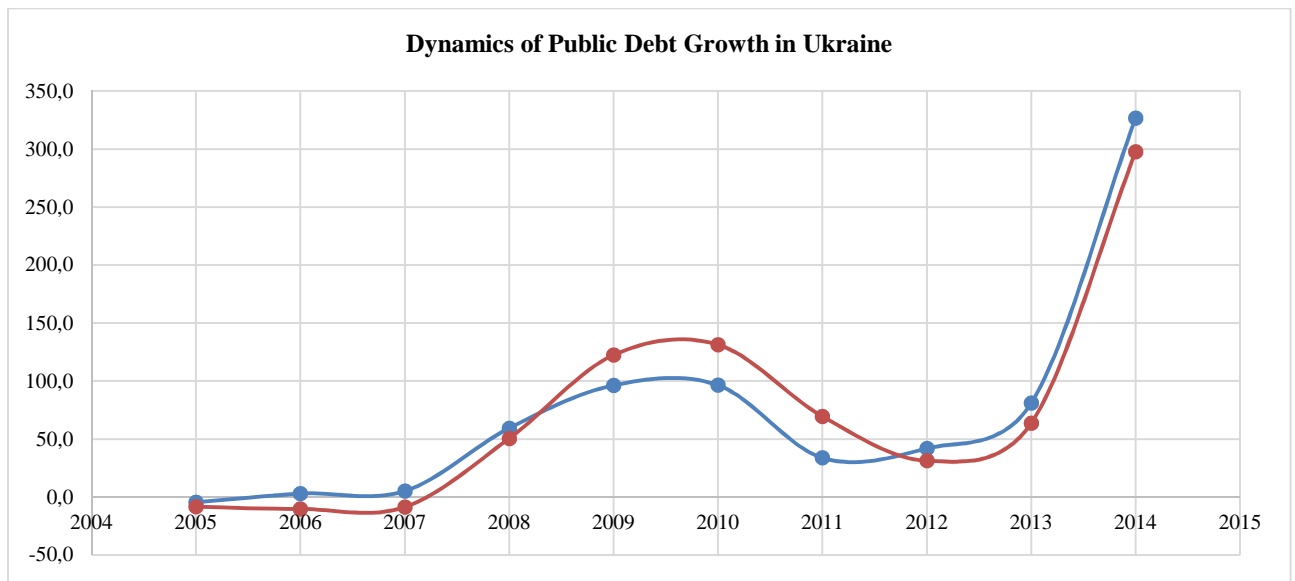
To assess the strength of various factors on the dynamics of public debt econometric modeling was conducted. As independent variables were selected two of the most volatile factors: *X1*- financing of government deficits through government borrowing in billion UAH; *X2*- financing other needs of public finance field through government borrowing in billion UAH. The dependent variable *Y* is a value of public debt growth. The simulation results are presented by equation (1) and Table 4. During modeling necessary checks on the adequacy (Fisher's test), the presence of multicollinearity, heteroscedasticity, and autocorrelation of the model were carried out. The model that meets all the necessary conditions with the coefficient of determination  $R^2 = 0,94$  can be represented by an equation:

$$Y = 0,17 \cdot X1 + 2,52 \cdot X2 - 12,52 \quad (1)$$

Figure 2 shows a comparison of public debt dynamics change according to statistics provided by the Ministry of Finance of Ukraine and relevant dynamics, calculated using model (1).

Apparently, the model clearly reflects features of growth changes of public debt during 2005-2014 years. Significant increases of public debt we observe in 2008, 2009, 2010. In 2011, 2012, 2013 public debt growth slowed, and in 2014 there is a new, substantial increase in public debt amount.

The model allows to assess the level of impact on the increase of government debt of both factors mentioned above, and shows that the factor *X2* (the need for financing other needs of public finance field through government borrowing) 14.8 times stronger effects on *Y* than *X1* (financing public deficits through government borrowing). That is to rich a fundamental change in the situation in public debt, first of all it is necessary to significantly reduce the funding needs of other areas of public finances field through government borrowing. These borrowings are generally used to cover current economic needs to hold general economic equilibrium. They must be rather large exception than a factor of influence on the formation of a stable debt policy.



**Figure 2. Dynamics of public debt growth according to statistics provided by the Ministry of Finance of Ukraine (blue curve *Y*) and the calculated curve (brown curve *Y<sub>calc</sub>*).**

Source: author's calculations

Thus, as the analysis shows and including econometric modeling the growth of state debt of Ukraine is mainly affected by the following:

1. The need for financing current needs of public finance field through government borrowing, including such as the capitalization of public companies which engage quasi-fiscal operations, primarily NJSC "Naftogaz", the capitalization of state banks, financing Deposit Guarantee Fund, providing VAT refunds, etc;
2. Frequent realization of a number of debt risks, including budget risk associated with the shortfall in the state budget of Ukraine for a number of taxes, and currency risk associated with a significant devaluation of the national currency, etc;
3. Other factors associated with an increase of publicly guaranteed debt, local debt and so on.

Thus, to improve the debt policy of Ukraine, to form a stable and secure situation with public debt, it is recommended to provide steps for leveling the most influential factors on the public debt state.

1. Take stringent measures to reduce the deficit of NJSC "Naftogaz", primarily due to increased funding of programs for energy efficiency, and substantially increase efficiency of spending of "Naftogaz". Chronically negative financial results of NJSC "Naftogaz" are consequences of inefficient work of state agencies and laying quasi-fiscal functions on it. Therefore, instead of recapitalization by increasing state debt, it is more appropriate to conduct structural optimization of the company, supply tariff adjustment for product implemented by Naftogaz for consumers according to economic values, and developing mechanisms of targeted budgetary support to consumers with low incomes.

2. Introduce amendments to the Budget Code of Ukraine in terms of clarifying the nature and range of quasi-fiscal operations, and implement the registration and regulation of such operations in the institutions that carry out most of their volumes, such as "Naftogaz", the National Bank of Ukraine, SE National Nuclear Energy Generating Company "Energoatom", teplokommunenergo enterprises, SE "Vugillia Ukrainy", "Ukrazaliznytsya" etc.
3. Revise the recapitalization policy of the financial sector institutions. This recapitalization was done in order to stabilize their condition in unfavorable phase of the economic cycle. However, the effectiveness of using these funds proved low, because government investments in the capital increase has not led to a real increase in the value of their assets, and spent on these purposes budgetary funds transformed into an additional burden on taxpayers and the additional debt burden. So at least it is necessary to abandon the recapitalization of banks that do not belong to the system ones.
4. Find ways to reduce unproductive expenditures, primarily related to subsidizing the coal industry and the financing of the pension fund.
5. The situation in which government borrowing may be used for investment purposes only and not for the current funding should be fixed at the Budget Code.
6. Find ways to increase government revenues, primarily by improving the competitive environment and increasing business activity of domestic business.

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## L'INTEGRATION DES REGIONS COMME UNE NOUVELLE COUPE DE LA POLITIQUE

### Résumé

*On justifie le rationnel de participation des régions dans l'intégration des pays membres de la communauté économique eurasiatique. On définit les problèmes d'intégration des régions et on montre les avantages de collaboration régionale. On définit les positions conceptuelles principales de la politique d'intégration au niveau régional dans la CEEA. En particulier, on définit la nécessité de l'approche intégrée de plusieurs niveaux envers la gestion de l'intégration au niveau régional, de la relation étroite et de la contingence du développement régional avec les buts de l'intégration économique.*

*L'accentuation est faite à deux directions du perfectionnement du mécanisme d'intégration des régions: l'élargissement des instruments de management, en considérant le développement des relations de marché, et la création des conditions organisationnelles et économiques supplémentaires pour la participation de petites et moyennes entreprises et les entreprises communales. On a étudié les directions de la politique d'intégration envers les mégapoles et les petites et moyennes villes des pays partenaires de la CEEA.*

**Mots clés:** région, intégration, la Communauté économique eurasiatique, ville, petites entreprises, compétitivité, association.

### 1. Les problèmes et l'actualité de l'intensification de la participation des régions dans l'intégration économique de la CEEA.

Dans la dimension régionale, l'espace économique unie de la Communauté économique eurasiatique (CEEA), qui est en train d'être créé, reste hétérogène. L'analyse comparative des participants de l'intégration sur le niveau du développement social, économique et l'activité économique extérieure du Belarus, Russie et Kazakhstan, dont les résultats sont présentés dans le travail scientifique, montrent les faits suivants. Les différences des régions du Belarus, Kazakhstan et Russie dans le PIB par habitant sont d'ordre de plus de 7 fois. L'écart plus important encore entre les régions concerne le taux de chômage par rapport au niveau moyen des régions. Pendant la période 2005-2012 l'écart était plus de 13 fois. En tant que la tendance positive on peut remarquer que 101 régions de 114 ont une valeur minimale de cet indice qui est dans l'éventail de 0,03 à 2,1% [1].

La tendance constante de la concentration de l'export au niveau de seulement quelques régions des pays de la CEEA a lieu. Parmi les leaders en relations économiques extérieures sont les agglomérations majeures, les territoires qui s'attachent aux grandes villes et également les régions exportatrices des matières premières. Par exemple, en tant que les régions leaders ont attaché Minsk au Belarus, dans la Fédération Russe sont la ville de Moscou, Saint-Petersbourg, les régions de Moscou, Leningrad, Rostov, Tyumen, Krasnojarsk et Krasnodar, république de Tatarstan; au Kazakhstan ce sont les régions de Atyrau, Karaginskaya et Aktioubinsk [2; 3; 4].

On peut également montrer les différences dans l'activité économique extérieure à l'exemple du Belarus. Les vecteurs clés géographiques dans le commerce avec les régions de la Russie sont la région et la ville de Moscou et avec les régions de Kazakhstan sont la ville de Almaty, les régions de

Almaty, Aktioubinsk, Koastanay et de l'Ouest de Kazakhstan. Et la part des trois partenaires régionaux russes et kazakhes les plus importants dans les flux d'import et de l'export ne dépasse pas normalement 50%, en étant égale à 35-50% pour certaines régions, ce qui montre un niveau assez élevé de la concentration régionale de l'export et de l'import de chaque région du Belarus et du Minsk [5].

En résultat, la formation de la CEEA dans l'aspect régional se passe par les foyers et par les fragments et en même temps il existe un potentiel d'intégration inutilisé au niveau de certains territoires des pays partenaires du bloc régional.

Cela s'explique en grande partie par le fait que dans la création de la CEEA *les niveaux de gestion national et primaires dominant aujourd'hui*. Une de manifestations négatives du schéma actuel de gestion est l'obliquité envers la réalisation des intérêts nationaux et l'absence de la coordination en réalisation des rapports interrégionaux avec la résolution des problèmes du territoire précis des pays membres de la CEEA.

Dans le paquet adopté d'actes juridiques normatifs et d'autres documents constituant de la CEEA les mesures systémiques qui assurent l'intégration au niveau des régions des pays membres sont absentes. Cela peut amener à la sous-estimation des intérêts régionaux dans le cadre de création de l'entité régionale intégré en cas où «l'ordre du jour» de l'intégration eurasiennne va rester sans participation des niveaux de gestion régional et local.

Ainsi, le mécanisme de l'intégration des régions dans le cadre de la CEEA peut être défini comme *non systématique et ayant une composante territoriale faiblement exprimé*. Parmi les instruments utilisés pour la gestion des relations interrégionales les plus fréquents sont les méthodes de réalisation de la politique d'export au niveau des entreprises qui assurent leur accès aux marchés extérieures et, dans le meilleur cas, les programmes interétatiques ou nationales qui sont liées avec l'export, la coopération industrielle des entités commerciales, la coopération scientifique et technologique.

Dans ce contexte les efforts des organismes locaux se limitent par les visites mutuelles des dirigeants des régions et les représentants du business avec le but de conclure les accords sur le développement de coopération dans certains domaines; organisation des groupes de travail qui vont coordonner leur collaboration sur les thèmes générales, ensemble avec les organes nationaux de gestion de l'aménagement de l'infrastructure de la commerce extérieure.

L'interaction entre les régions des pays membres a lieu surtout *dans le domaine de commerce extérieur* (industriel, novateur, coopération infrastructurelle n'est presque marquée). Avec ceci dans les rapports régionaux de commerce extérieur sont entraînés, en général, *les entreprises exportatrices majeures*, qui sont situées dans les régions. Dans la plupart des cas ces projets d'intégration ne peuvent pas être appelés comme formants un système, qui pourrait stimuler le développement de l'intégration au niveau des autres agents (par exemple petites et moyennes entreprises) et du territoire en général.

Les régions des pays membres de la CEEA se caractérisent par les *non-conformités institutionnelles*, qui sont liées aux modèles de construction des systèmes de gestion et autogestion locales les niveaux différents de réforme de l'institut de l'autogestion et les approches à la réalisation de la politique régionale, ce qui est un obstacle majeur pour l'intensification de la coopération interrégionale.

*Les mécanismes organisationnels et financiers de support et de stimulation de coopération des régions des pays membres de la CEEA sur le niveau national* ne sont pas développés. Contrairement à l'Union Européenne, ayant le composant supranational bien développé, il n'existe pas dans la CEEA de structures de gestion organisationnelles qui sont capables d'exprimer les intérêts des régions des pays partenaires dans l'intégration économique. Il n'existe pas de la pratique de financement des projets entre les états sur les relations transfrontières et, par correspondance, des fonds et des programmes spéciaux qui soient orientés au renforcement de l'intégration au niveau des régions, des petites et moyennes villes et d'autres localités.

Entre autre, l'inclusion de la composante régionale dans le mécanisme de l'intégration eurasiennne peut donner un nouvel impulsion à la coopération entre les pays et à la réalisation des avantages d'utilisation des formes régionales de coopération internationale. Les derniers sont liés à *l'amélioration de la compétitivité* des productions nationales qui ne peuvent pas être définies actuellement seulement par les conditions de la branche. L'obtention de fortes positions internationales et la croissance innovatrice des entreprises dépendent du niveau de développement du milieu d'intégration sur les territoires particuliers ce qui exprime l'importance de la chaîne de gestion régionale.

En plus l'intensification de la région en tant que le participant des relations économiques internationales crée les prémisses pour l'utilisation du *nouveau paradigme du développement régional*. La croissance

économique et la restructuration de l'économie de la région, la solution des problèmes de l'emploi et d'augmentation du revenu, le développement de l'ensemble de l'économie en résultat de la croissance de la compétitivité des objets de l'infrastructure deviennent possible grâce au développement de l'activité économique extérieur.

## **2. Les principales approches conceptuelles à la formation de la politique d'intégration au niveau régional dans la CEEA.**

Il est évident que la reproduction totale du modèle d'intégration au niveau des régions qui existe dans l'Union Européenne peut être précoce et ne répondant pas aux intérêts des partenaires de l'association d'intégration qui se trouvent aux premiers étapes de sa constitution. Cela définit l'actualité de la recherche de formes adéquates de la politique d'intégration au niveau régional dans la CEEA et, tout d'abord, au niveau théorique.

Comme on le sait de l'expérience européenne, les traits majeurs de distinction de cette forme de l'interaction des pays s'expriment dans le développement de relations internationales entre les communautés territoriales (locales) en personne de leur sujet principal – les pouvoirs locaux. Ce pourquoi l'intégration économique des régions avec la réalisation de la stratégie des échanges extérieurs des pays doit assurer le développement régional et l'utilisation efficace des ressources territoriales.

Autrement dit, pour la politique d'intégration des régions il est actuel d'attendre un *but double*. D'une part – le renforcement des économies dans le cadre de la CEEA et d'autre part par l'assouplissement de la différenciation régionale existante et l'élimination de la fragmentation de l'espace économique uni. Cela est lié à l'augmentation de la *compétitivité régionale* comme le but principal des pouvoirs locaux dans le cadre du processus d'intégration [6].

D'où découle un nombre de particularités qui doivent être considérés pendant la création du mécanisme de la gestion des relations d'intégration au niveau régional. Parmi les plus importants on peut nommer les suivants.

Premièrement, l'approche intégrée est l'impératif constitutif envers la constitution du mécanisme d'intégration des régions. En différence de l'approche sectoriel il envisage l'indivisibilité et la cohérence des mesures sur la régulation des l'activité économique extérieure dans les régions. L'accent est fait non seulement sur l'obtention des avantages économiques, mais sur les effets de l'intégration telles que sociales,

écologiques, institutionnels, culturologiques et d'autres. Par exemple il s'agit de l'investissement dans la création non seulement de l'unité de production d'export séparée, mais dans les projets infrastructurels, investissement de la formation des cadres, préservation des l'environnement etc.

En continuant cette idée on peut dire que la place particulière dans le mécanisme d'intégration des régions doit prendre *la politique nationale régionale des pays membres du bloque d'intégration*. Parmi autre, elle doit créer les conditions supplémentaires pour l'activité économique extérieure et réduire les disproportions régionales nouvelles qui sont convoqués par l'entrée dans l'économie mondiale.

*La conjugaison des politiques régionale et d'économie extérieure au niveau national aux premiers étapes de constitution de la CEEA peut trouver son incarnation dans le suivit régional de la politique industrielle, innovatrice, sociale et d'autres.*

Au niveau des régions des pays membres de la CEEA *l'instrument majeur des cohérences des intérêts économiques extérieurs et régionaux doivent être les stratégies globales de développement durable.*

**Deuxièmement**, le mécanisme d'intégration des régions doit être ayant *plusieurs niveaux*, il est nécessaire que les impulsions de management viennent non seulement du niveau de gestion régionale, mais également nationale et supranational où chacun d'eux assure la solution des problèmes propres à capacité de gestion.

Comme les premiers pas envers création des la *composante supranationale* de la *réglementation de l'intégration économique au niveau des régions de la CEEA (au temps actuel c'est la Commission économique d'Eurasie qui n'a pas de plein pouvoirs dans les questions d'intégration des régions des pays membres)* on peut suggérer le suivant.

Dans le cadre de la CEEA il est nécessaire de *développer l'ordre et le règlement de la politique macroéconomique, industrielle, énergétique et d'autres types des politiques avec les stratégies du développement régional* des pays membres de groupement régional y compris conformément aux territoires particuliers.

Pour l'intensification de l'intégration entre les régions des pays membres de l'espace économique unie il est actuel d'assurer *le financement des relations transfrontières et interrégionales*. A l'étape initiale, à condition de développer les critères et les mécanismes du financement des projets d'infrastructure qui

contribuent à l'intégration des régions dans le format eurasien, on peut utiliser les ressources financières de la Banque du développement d'Eurasie. En perspective il est possible de former *les fonds interétatiques spéciaux qui stimulent les différentes formes de coopération économique internationales au niveau régional*, surtout sur les territoires ayant le potentiel d'intégration bas mais qui sont intéressés au renforcement des relations interrégionales.

Les acteurs principaux de gestion de l'intégration économique au niveau régional et local sont *les organes du pouvoir local*. Et on distingue *les acteurs de gestion, ayant la personnalité juridique internationale* qui peuvent conclure les accords de coopération avec les régions d'autres pays (pour les pays avec la constitution fédérale) et *les acteurs de gestion dont l'action sur les relations d'intégration se fait indirectement* par le biais de création des conditions régionales correspondantes et le réglage de l'activité des objets qui se trouvent sur leur territoire.

*L'efficacité de participation des pouvoirs locaux à la gestion de la coopération interrégionale et frontalière qui se base sur l'expérience étrangère se caractérise par les conditions suivantes:*

- le principe de subsidiarité dans les actions du pouvoir local;
- la sophistication de l'institut de l'autonomie communale et la garantie financière de réalisation de pleins pouvoirs du gouvernement local;
- l'asymétrie minimale dans les pleins pouvoirs des pouvoirs locaux des pays membres de la CEEA;
- la présence d'une compétence en économie extérieure des organes de pouvoir au niveau local.

Mais pour les organes de gestion régionale des pays membres de la CEEA le degré de l'avancement sur ces directions est différent.

Le variant du mécanisme souple d'enlèvement de l'asymétrie existante dans les pleins pouvoirs des organes de gestion des niveaux régionale et locale des pays membres de la CEEA peut inclure:

- création des associations des organes de l'autonomie communale au niveau des régions, de petites et moyennes villes, des agglomérations;
- la constitution des l'institut délégué des organes nationaux dans certain région ou sur certaine territoire frontalier;

- la délégation spéciale au niveau régional de la compétence supplémentaire pour le période d'exécution des projets communs.

**Troisièmement**, le principe de participation dans les relations d'intégration des régions du rang différent (petites et moyennes villes, les grandes mégapoles, régions urbains etc.) est important. Cette thèse reflète une des régularités des relations d'intégration – la concentration des relations économiques extérieurs au niveau de l'économie de la ville et, par correspondant, la définition *des villes du rang différent comme des participants les plus actifs de l'activité économique extérieure* qui, en considérant la demande croissante de la part de économie de la ville, possèdent le potentiel de formation de nouvelles directions.

**Quatrièmement**, en se basant sur une telle régularité comme le développement inégal de l'intégration territoriale, la politique de la CEEA au niveau régional doit s'orienter sur la distinction des points de croissance d'intégration et le support de leur développement et aussi sur l'élaboration des mesures de propagation des résultats positifs de croissance régional socio-économique en recourant au facteur de relations économiques externes appliqué aux autres territoires. Cela s'achève par une réalisation plus complète des avantages concurrentiels existants à la base de renforcement du facteur humain, l'utilisation des technologies nouvelles et avancées, la formation des relations intersectorielles et de cluster etc. [7; 8].

**Cinquièmement**, les mesures de support et de stimulation des relations d'intégration des régions doivent *correspondre aux principes de l'OMC et les conditions de formation de l'Union économique d'Eurasie*. Considérant ce fait, le mécanisme d'intégration eurasienne au niveau des régions doit avoir pour but la création du *milieu favorable pour l'intégration régionale à la base du développement de différents types de l'infrastructure* (du marché, d'innovation, économique extérieur, sociale etc.).

On doit reconnaître que la réalisation pratique d'approches conceptuelles proposées possède un grand nombre de risques et de menaces à force de la contradiction interne de mesures. La réalisation pratique du mot d'ordre «**L'intégration par la hausse de la compétitivité des économies des régions des pays membres de la CEEA**» peut amener au **renforcement de la concurrence** entre les régions **au détriment de leur intégration**. Par exemple, l'intention à l'élargissement des marché peut réorienter les producteurs des certains régions envers les marchés des pays tiers avec un haut niveau de revenu de la population. Il est également possible que les régions ayant un haut potentiel socio-économique

vont commencer de s'orienter envers l'expansion des avantages concurrentiels à la base des ses propres ressources et se distancer de l'établissement des relations interrégionales de coopération.

La conséquence négative de la formation des points d'intégration régionales peut être le renforcement des inégalités socio-économiques existantes du à l'effet du «facteur d'intégration» aussi bien que l'apparition de nouveaux types de disproportions régionales après l'inclusion plus active au procès de l'intégration des régions leaders, ayant le potentiel économique extérieur plus élevé. En résultat la croissance du nombre de régions «retardés» par rapport aux standards du niveau de vie et le rejet de l'intégration eurasienne.

En outre le développement de relations économiques des régions peut suivre la voie de prédominance de la composante économique uniquement qui est orientée en plus aux effets de court terme. Pendant que les gains sociaux, écologiques et humains, liés à la réalisation des intérêts des communautés locales des pays partenaires ne pourront pas être assurés au cours de l'intégration. Finalement il existe un danger de réalisation du modèle d'intégration qui soit purement simulé au niveau des régions des pays membres des la CEEA qui reflète dans une partie majeure les schémas de participation des régions dans le relations économiques extérieurs qui s'est formée pour le moment actuel.

### **3. Le développement des relations d'intégration au niveau des villes du rang différent**

Le potentiel inutilisé de la croissance des rapports d'intégration est la politique spéciale au niveau des villes du rang différent des pays membres de la CEEA.

Comme la montre l'expérience mondiale et l'analyse des relations d'intégration dans le cadre de la CEEA, **les grandes villes et le mégapoles** sont plus actives dans les relations économiques extérieurs. Cela est du à leurs caractéristiques telles comme la demande élevé aux marchands de la part de population et des entités commerciales, la présence de différents types de l'infrastructure qui baissent les frais de la sortie des entités commerciales aux marchés mondiaux, l'activité d'entreprendre et d'autres [9].

L'intensification des contacts d'intégration au niveau des grandes villes et de mégapoles est le domaine clé du renforcement de leur spécialisation internationale, comme de la position de la stratégie concurrentielle du mégapole.

La concentration de main d'œuvre hautement qualifiée, des centres d'éducation et de recherche, la présence de la communauté d'expert et une haute disponibilité des ressources pour les recherches et le développement assurent pour les mégapoles le rôle du centre de la collaboration scientifique et technique des pays partenaires de bloque régional. Dans la réalisation de la politique d'intégration de la CEEA cela signifie l'élaboration de la stratégie et des mesures pratiques de l'intégration graduelle des systèmes et des sous-systèmes nationaux et régionaux dans un système cohérent de l'activité d'innovation au niveau de l'Union économique d'Eurasie.

A la base du développement cohérent des objets d'infrastructure qui performent les fonctions de liaison et de communication (transport, infrastructure d'innovation, TIC etc.) les mégapoles peuvent devenir les noeuds principaux, les centres du carcasse infrastructurel, les villes portes dans la politique d'intégration de la CEEA.

En considérant le type aggloméré de l'économie de plusieurs capitales et grandes villes se forme une plate-forme de l'interaction en réseau des entités commerciales et de leur accès aux marchés étrangers. Le mécanisme de l'interaction en réseau est lié à l'inclusion active non seulement des entités commerciales de l'industrie et des services, basées sur les types de propriété différents, mais de la communauté locale, des instituts de secteur publique, des autorités locales.

Le renforcement des problèmes régionaux (écologie, la sursaturation de transport, les problèmes d'habitation) et en même temps le secteur assez bien développé de l'économie urbaine créent les prémisses de l'inclusion dans les liens d'intégration des objets de logement et services, d'infrastructure de protection de la nature, des installations de transport, de la réalisation des projets communs dans le domaine du développement durable de villes et surtout celles d'eux qui se trouvent sur les territoires joints des pays partenaires du bloque.

Le développement des relations au niveau **des petites et moyennes peuplements urbains** doit se baser sur les particularités de développement de l'activité économique extérieure suivante:

- la spécialisation étroite dans le développement de l'activité économique extérieure qui augmente les risques de l'export des entreprises;
- une liaison plus étroite de l'économie des peuplements urbains avec l'économie nationale intérieure qu'avec le monde extérieur;

- le développement de l'activité économique extérieure basée sur l'utilisation des ressources uniques et spécifiques de la ville, y compris les acquis, les traditions de la population locale;
- le caractère médiat et supplémentaire d'engagement dans l'économie mondiale des villes, ce qui s'exprime dans les formes suivantes:
  - la production de certain pièce et composants pour les productions à l'export qui se trouvent dans les grandes villes;
  - le fonctionnement de certaines industries dans les petites villes comme de parties des structures de clusters orientés au marché extérieur (les holdings, les corporations transnationales);
  - la localisation des organisations et des petites firmes qui sont les services annexes pour l'activité économique extérieur (les compagnies d'assurance, les fonds internationaux financiers, l'infrastructure du commerce extérieur etc.).

Comme l'a montré l'analyse, on peut définir les types suivants de petites et moyennes localités dans le contexte d'intégration eurasiennne.

Pour les villes qui possèdent un haut potentiel naturel et récréotouristique, l'interaction d'intégration avec les économies de la ville des pays partenaires peut se baser sur la formation des clusters touristiques et la création des itinéraires touristiques interconnectés.

Pour les petites et moyennes villes de l'orientation scientifique ou scientifique et technologique (les villes de science, les villes d'Académie de sciences) le mécanisme de la collaboration innovatrice internationale est lié à la création des stimulants pour l'export des produits innovants.

Le mécanisme de la participation dans les relations d'intégration des petites et moyennes villes qui possèdent un haut potentiel de ressources agraires est lié avec la possibilité du développement de l'activité commune dans le domaine du traitement de la production agricole.

Comme le montre l'expérience mondiale l'instrument efficace de l'intégration des villes du rang différent dans l'espace économique mondiale est la création des différents types de réseaux. Cela aide à former l'espace qui aide à résoudre les problèmes anciens du développement de la ville sur la base commune et à établir les contacts plus étroits parmi tous les joueurs du processus régional.

La réalisation de cette direction dans le cadre de la CEAA est liée avec la formation des réseaux infrastructurels (bâtiments, communications), incluant l'infrastructure d'information et de communication, l'établissement des contacts étroits parmi les communautés locales, les autorités locales, développement de liaisons socioculturelles.

#### **4. Les directions d'amélioration du mécanisme d'intégration des régions des pays membres de la CEAA.**

La formation suivante de la composante régionale de la politique d'intégration des pays membres de la CEAA est utile d'envisager en deux directions.

**Première direction.** En considérant les relations de marché et la réalisation du principe du développement durable il est nécessaire que **les formes et les méthodes d'intégration** se développent au niveau des régions.

Au temps actuel les positions de domination dans le mécanisme d'intégration des régions sur l'espace de l'ex URSS occupe *la méthode de programme* (les programmes joints d'état et de régions). Le développement successif de la méthode de programme est lié à l'utilisation de **l'instrument du planning stratégique du développement régional, orienté entre autre à l'intégration économique des régions.**

Quelles mesures peuvent être prises dans cette direction ?

Il faut renforcer *l'interconnexion des stratégies régionales du développement social et économique avec un éventail de mesures pour le développement de la coopération interrégionale*, tout d'abord dans les régions les plus actives.

Il est nécessaire d'envisager le développement et *l'inclusion dans les programmes jointes* en vigueur de la coopération industrielle du niveau national de la composante régionale (le suivit social et des effectifs, l'approvisionnement par d'autres ressources et facteurs y compris les objets de l'infrastructure).

Il est important d'élaborer une approche coordonnée envers la réalisation des stratégies nationales et régionales du développement des exportations des pays participants de l'intégration eurasiennne.

Le développement successif des mécanismes du marché avec l'orientation sur le principe d'auto développement des entités commerciales qui participent dans les relations d'intégration définie la priorité du développement **des instituts et de**



## **mécanismes du caractère d'information, de communication et de la coordination.**

Ici, à côté de formation des différents types de l'infrastructure de marche et de la production qui sont aujourd'hui l'objet de la politique d'intégration, il est nécessaire d'utiliser le potentiel des **structures de caractère associatif**. Avec la participation des régions peuvent se former les associations internationales de différents types.

Premièrement, la formation des associations interrégionales (les consortiums) peut se produire au niveau *des objets de la propriété communale des communautés territoriales, dans les territoires frontaliers normalement*, pour la réalisation de l'activité commune dans un des domaines qui sont liés au fournissement de services soit disant publiques.

Deuxièmement, il s'agit des *associations des autorités locales* des pays partenaires du bloc régional ce qui est particulièrement important pour l'inclusion dans l'intégration économique de, soi-disant, composante publique. Par exemple, l'unification des autorités locales des pays membres des la CEEA peut s'effectuer sur le principe de *l'uniformité de l'unité administrative et territoriale et de la similitude des problèmes à résoudre*. Les exemples de ce type d'associations peuvent être l'Association Internationale des petites et moyennes villes de la Russie, Kazakhstan et Belarus, l'Association Internationale des villes de science des pays partenaires de la CEEA, l'Association des mégapoles des pays membres de la CEEA etc.

Et, finalement, **le mécanisme de clusters** peut être utilisé comme un nouvel instrument de la politique d'intégration au niveau des régions des pays membres de la CEEA. Comme on le sait les clusters transfrontaliers (interrégionaux) couvrent les régions des états partenaires, y compris les territoires frontaliers limitrophes, et incluent les entreprises et les organisations scientifiques ou industrielles, aussi bien que les agents de l'infrastructure qui sont concentrés géographiquement dans les régions qui sont intégrés. Le mécanisme de clusters permet d'augmenter la compétitivité des régions et d'assurer le niveau de vie et la qualité de vies dignes de la population en utilisant le potentiel local en ressources naturelles, potentiel socio-économique et infrastructurel, la position géoéconomique des territoires des pays partenaires.

**Le système de support du développement des structures des clusters** comme un instrument de l'intégration des régions des pays membres de la CEEA peut inclure les directions suivantes.

- la formation du soutien informatique et méthodique de la politique des clusters dans le contexte de la politique d'intégration des régions;
- l'aide à la création de l'infrastructure jointe spécialisée et industrielle pour le développement du cluster transfrontalier (interrégional);
- la création des terrains (les parcs technologiques, les parcs de business etc.) pour une interaction régulière du business, des structures de la science et de l'éducation, des organes de pouvoir, de la création des Agences du développement régional pour la réalisation des initiatives de clusters dans les zones frontaliers;
- le développement de système des bourses de recherche au niveau national e international pour le financement des initiatives de clusters dans les régions en utilisant avec ceci les différents mécanismes de financement;
- l'utilisation du mécanisme de sélection par concours et d'aide financière pour la réalisation des projets clusters pilotes.

**Deuxième direction.** On a besoin de développer **les conditions organisationnelles et économiques de l'inclusion dans les rapports des régions de nouvelles entités économiques** et de renforcer le contexte régional pour les participants actuels actifs de l'intégration.

Pour renforcer **la liaison territoriale de l'activité économique extérieure de grandes entreprises** il est nécessaire de faire le suivant:

- de former les secteurs de spécialisation d'export des complexes régionales de production à la base de grandes industries innovatrices en considérant les avantages concurrentiels des territoires;
- de réaliser les projets majeurs d'investissement dans les pays partenaires. Ces projets sont dirigés à la création de l'environnement d'intégration, le développement des coproductions industrielles et technologiques qui sont liées à l'économie de certaines régions;
- de développer l'accompagnement régional des programmes jointes des pays membres de la CEEA et d'inclure de telles mesures comme le développement des structures de cluster avec les objets de l'économie régionale, le développement et l'utilisation des ressources et facteurs territoriaux (humains, novateurs, naturels etc.), liés à l'activité économique extérieure, aussi bien que l'évaluation des effets d'intégration reçus par le territoire.

**Les petites et moyennes entreprises (PME)** doivent devenir les sujets relativement nouveaux et actives de réalisation des liaisons entre régions et frontières. Par exemple dans les pays développés d'Europe les petites et moyennes entreprises produisent jusqu'à 70% du PIB. Parmi tous les participants des relations économiques extérieures les petites et moyennes entreprises sont les plus connectés à l'économie de région. C'est notamment ces entreprises qui possèdent la possibilité potentielle de réaliser les réserves régionales de croissance de l'export et d'assurer la croissance régionale grâce au facteur extérieur.

Les *problèmes* essentiels du développement de l'activité économique extérieure du secteur des PME dans les pays de la CEEA sont les différences existantes dans les conditions de tenue des affaires; le manque des études marketing des marchés des pays étrangers pour l'export de la production des PME; la manque du personnel hautement qualifié et la faible culture de faire des affaires à l'étranger; le décalage substantiel dans le développement technologique entre les PME et les grandes entreprises; le faible progrès du business innovateur ce qui résulte en faible valeur de l'export de la production innovatrice dans le volume total de l'export. En résultat les «niches» plus rentables sont occupées par les entreprises d'Etat.

La résolution des problèmes mentionnés aussi bien que la formation des PME comme les sujets actifs des processus d'intégration au niveau des régions des pays membres de la CEEA est associée, au minimum, avec la mise en œuvre des directions majeures suivantes:

- 1) La formation de la plate-forme cohérente des affaires des pays membres de la CEEA avec le but d'aligner les conditions d'affaires, y compris en considérant les conséquences pour ce secteur des perspectives de l'entrée des pays participant du bloc régional dans l'OMC, doit devenir la direction principale.
- 2) Les pas sont nécessaires pour compléter les systèmes nationaux de support de l'activité économique extérieure des PME par les systèmes régionaux. Ainsi, pour renforcer le milieu de l'intégration dans le domaine des relations d'export et de l'import on a besoin de renforcer l'approche intersectorielle et régionale envers le fonctionnement des objets de l'infrastructure de commerce extérieur. En particulier, il est rationnel d'organiser la coopération internationale dans les domaines qui servent à l'activité économique extérieure des PME (les structures innovatrices jointes, les centres auxiliaires et de service, les associations (les consortiums) des objets de vente sur les marchés internationaux).

La mesure système organisationnelle de formation du milieu d'intégration pourrait être la création d'un *réseau uni d'information et de marketing* des pays membres de la CEEA qui serait fondé sur la base de coopération, avec l'utilisation de technologies modernes de l'information.

- 3) Pour ajouter le caractère innovateur à l'activité des PME il est rationnel de former au niveau des pays de la CEEA un système de financement de risque avec le but de support des entreprises innovateurs et de leur activité jointe sur le développement et l'application de nouvelles technologies.
- 4) La formation du mécanisme de coopération des petites et moyennes entreprises avec les entreprises majeures à la base de développement du programme interétatique de la CEEA sur la création des liens des PME avec les compagnies transnationales (les holdings) peut devenir la mesure efficace. Et ici un rôle important est donné à l'attraction des investissements étrangers (IDE) tout d'abord via les transnationales. Un programme similaire est élaboré actuellement au sein de l'UNCTAD pour les économies nationales. Parmi ses éléments on considère les secteurs de l'économie pour la réalisation des liens mentionnés, la création du comité de coordination, l'effectue de l'audit stratégique, la préparation du paquet de marketing et de communication pour l'investisseur potentiel, la découverte des débouchés pour le secteur expérimental des multinationales existantes et d'autres.

A en juger par la pratique européenne dans les relations entre les régions, tout d'abord sur le territoire frontalier, peuvent être incluses les *objets de la propriété communale* comme un secteur des services publiques qui sont rendues au population à travers la frontière.

Pour les régions des pays membres de la CEEA les objets de l'activité commune dans le domaine de prestation de services publiques, tout d'abord dans le cadre du territoire frontalier, peuvent être: l'exploitation commune des systèmes d'irrigation et de objets de traitement des eaux industriels; l'entretien des routes en commun et la réalisation des projets de création des itinéraires locaux des trains et de autobus; les relations mutuelles dans le domaine de l'alimentation électrique et en eau; le co-traitement des eaux usées, des déchets et des matières de récupération.

## Conclusion

Le renforcement de l'importance des régions dans le mécanisme de l'intégration eurasiennne doit être envisagé comme une coupe de la politique de développement de la CEEA et l'élimination de l'asymétrie existante. Les principes de la compétitivité régionale, de la constitution des points régionaux de croissance d'intégration et de la conjugaison des rapports économiques extérieurs avec le développement régional doivent constituer la base du mécanisme de l'intégration des régions.

On doit envisager comme des nouveaux instruments d'intégration des régions les mécanismes des clusters,

la formation des associations internationales, l'élaboration des stratégies de développement durable des régions des pays membres de la CEEA. Dans les relations d'intégration au niveau régional on doit inclure, à côté des grandes entreprises, les petites et moyennes entreprises et les objets de la propriété communale.

L'attention particulière dans la politique d'intégration doit être faite à la coopération interrégionale des villes du rang différent (les mégapoles, petites et moyennes villes) comme des participants de l'intégration les plus actives au niveau régional dans la CEEA.

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## TRANSFORMING THE EDUCATIONAL SYSTEM IN NIGERIA

### **Abstract**

*The predominantly rural but public education system in Nigeria, whose transmission was basically a blend of both oral and tutorial approach of learning, that made possible the emergence of what was characterized to be popularly known as pidgin and its perfection thereof, - an endogenous vernacular in perspective as such, with a specific pronunciation that might be tied and attributed to any of the multi-ethnic parts that constituted the tribes or the regions, and, as it were, was coded and though assumed as an authentic language of instruction for development and growth- made up the outreach possible throughout the Federal Republic of Nigeria.*

*Thanks to the existence of cross-cultural trade or globalization through trade, which gave rise to the recognition and the existence of other cultures and civilizations, and hence, the contact with foreign commercial English language on the west coast of Africa some centuries ago. However, the passing away from the use of pidgin to the perfecting of the use of modern English by scholars in Nigeria became so prominent as many successfully trained professionals in all fields of work were embarked on national development efforts for growth.*

**Key words:** *governance, academic organization, and qualified labour force.*

The predominantly rural but public educational system in Nigeria, whose transmission was basically a blend of both an oral and tutorial approach of learning, causing the emergence of what was characterized to be popularly known as pidgin and its perfection an endogenous vernacular in perspective as such, with a specific pronunciation that might be tied and attributed to any of the multi-ethnic parts constituting the tribes or the regions. As an authentic language, coded and assumed for development and growth, it made up the outreach throughout the Federal Republic of Nigeria, thanks to the existence of cross-cultural trade or globalization through trade, which gave rise to the recognition and the existence of other cultures and civilizations, and hence, the contact with the foreign commercial English language on the west coast of Africa some centuries ago.

However, the passing away from the use of pidgin to the perfecting use of modern English by scholars became dramatically prominent as many successfully trained professionals in all fields of work were embarked on developmental efforts for the national growth. Nevertheless, who can argue that the Nigerian educational system has aroused the patriotic citizen's awareness to identifying their varied inputs and the outcome of such functional results for a National character-building model, in spite of the push-pull factors inclined to impoverish the old educational standards? The Nigerian educational system has been for so long taken for granted, that it could compete on equal ground with other growing nations, which have perceived that education is the very backbone of any growth-seeking nation. If this is the case, with which educational tools can the nation fight for a certain rank in Africa and a specific position amongst nations in a constant frictional momentum, where there is the illusion

and the plight for geopolitical influence as well as economic interest?

This paper will try to analyze these pertinent questions and the need for transforming the educational system in Nigeria while taking into account the following points: in the first place, the pregnant but distributional missing factors, such as the non-identification of the relevance between education and the strategic industrial sector for the enhancement of Nigeria's economic and social growth processes. In the second place, we have to mention the inadequate positioning and endorsement of Nigerian trained and skilled professionals, killing the tangible economic time element every day in the wrong sectors of its economic system.

Then, we have to focus on the Nigerian education trade unions inability to recall "the once upon a time UDOJI awards scheme - where the Federal government misplaced the collectable taxes susceptible to promote and reinvest in the productive sectors of the economy". Another point to consider, according to the federal ministry of Education, concerns the upholding of the very specificity of education, the backbone for progress in a big society such as Nigeria.

At the core, there is also the failure of the Education ministry to recognize the paramount role of teachers, professors, students and researchers and the entire supportive branches, in their distinct institutions of higher learning towards the Nation building paradigm. This happened in spite of a solid national educational system per se, representing a sine qua none as much as its subvention by the Federal government, in its capacity to reorienting the education budget policies in perspective.

Finally, we have to underline the lack of infrastructural facilities for students and researchers in different fields in their various universities, such as national, state and local government libraries and the non-stimulation of prominent publishing houses and printing presses. There is a deep necessity to revitalize the existing university colleges and school campuses, to restructure the dissemination of local university campuses within the states. We should empower both the local governments and their respective states to continue to identify and work, in giving college and university graduates the appetite to think, to reflect, to innovate and to be involved in the state building efforts for good citizenry, and thus providing the norms or the tools to the citizens through education. This could upgrade the intellectual capabilities needed on a constant basis, as these inputs becomes the steadfast light for the federal Republic of Nigeria to shine amongst the developing nation states; even when some scholars might be delighted

to keep thinking that until now the hopes of local students seemed to be dampened.

The long-term objectives of the transformation of the Nigerian educational system have to re-engineer the aspirations of both college and university graduates. They have to continue to hope on the qualitative skills they are bound to achieve or to sustain through a rigorous theoretical training that has to be sanctioned by an industrial training scheme, as this is vital for their future careers, and their supportive attitude to foresee their future among the main actors in industries and the society.

These are some relevant facts, which, ironically, called for the need for transformation of the Nigerian educational system in perspective, in spite of the supplementary question- what, went wrong indeed? When did the educational values in a great nation such as Nigeria fell apart, even though globalization and its aftermath, in terms of improving the higher education in the Nigerian society that has dominated the present era?

The paper will evaluate these missing factors raised so far, while providing internationally acceptable models of education bound to reinforce our approach, even though these may not be too far from the present ones in the Nigerian educational system, if conceived with an objective perspective and the human potential and in its leadership to pave the way to social progress.

## INTRODUCTION

The Nigerian dynamic educational system has survived tests of all times and turned out to be very inspirational for the economic growth up to the period of the Nigerian civil war until present.

The first test has been the very earliest contact with the foreign Christian missionary services- a civilization in quest to meet another civilization. Then, the trading companies transformed themselves into trading posts or ambassadorial entities, which did stand for distinct nations; their physiognomy changed with time, because of the accruing economic interests and the cementing of notions and ideas that nations can cooperate for mutual growth.

It is indeed fortunate to note that the Nigerian educational system recognized the role that education could contribute to buttress the gradual building process enhancing *growthmanship*. As the scholars in the early 1960s, we perceived and heard from society the desire and the hope to attaining what *W.W. Rostow* pointed out as the last stage of viable endogenous development growth that the

Nation, such as Nigeria, arouses greater hopes for the future. This happened after the successive governmental shortsighted development plans, which have been enacted and implemented, even though the qualitative aspect of education was far from being pinpointed with respect to the industrial sector. It was the very beginning of growth process, opposed to the economic growth according to the **Lewis theory**, which I consider maladroit but ingenuous, suitable only to nations on the path of an economic development process.

The prime objective of the National educational system was indeed the training and the creation of a labor force bound to be responsive and responsible, as it can be readily redeployed in the domestic economy to enhance industrial productivity and to support the outward looking Nigeria's foreign policy.

The paper will examine eventually some old governmental speeches uttered by Late Dr. Nnamdi Azikiwe and his effective Prime Minister and Minister of Education, late Sir Tafawa Balewa and late Dr. William Ukeze respectively. There they did infer that the quest for the upgrading of a national educational policy and its economic and social underpinnings for growth are necessary for an endogenous citizenry development.

If the trained scholar assumed this acknowledgement and had the knowledge of our national constitution, to become a part of the development venture, and thus, leaving behind what seemed to be a continuum or continuity, so that even when governments come and go, the educational policies should continue to incorporate the elements for change and innovation.

This quest, however, pursued by the national educational system, became so paramount, that schools, colleges, technical education centers, research centers and universities were instituted across the country. At the same time, the actual turnout of graduates seemed to be in constant approximation, due primarily to the lack of reliable governmental statistical data ensuring an accurate population for a better planning educational adventure, as far as Nigeria's industrial productivity is concerned at present.

Today, no nation can hardly prepare itself for an adventure, including Nigeria, wishing to become Africa's prime-mover, when its head count proceeds and the national census is a sort of panacea for federal government allocations. Each nation should instead, instituting the spirit of an **autonomous state adventure**, in terms of productivity in whatsoever sector of production the **distinct states** are endowed with, and thus, helping the

national citizenry to emerge with strength through independent initiatives. Besides, it will be of pivotal importance the forging of a certain industrious middle class apt to risk-taking entrepreneurial exercises, directly linked to the planning efforts of the education policy.

In other words, there is the need for the national education planners to adjust the systematic budgeting principles along with the perspectives, which are to be derived from the overall calculated assessment, as the population is heretofore bound to grow. It would be also sensible to consider the **Malthusian population trap**, that is still meaningful though, but the Nigerian educational system appears to attempt to contain which is containable. Of course, it is a beneficial phenomenon to plan good enough orientations and suitable to our nation, as this represents one of the viable elements for national power in perspective, according to **Prof. Hans Morgenthau**. Nonetheless, the ability of a nation to coordinate all the necessary human knowledge at the core, could enable the nation to achieve its endogenous growth.

If the said population is spiritually tamed, thanks to the **new education policy chapter** that the nation has wished so deeply to open for its people through varied public discussion forums, and with the corresponding industries that could absorb the potential turnout of graduates from colleges and universities.

The notion of upgrading Nigerian education through the transformation proceeds in the light of its new education paradigm. It can be measured up with the available time lapse, should the policy makers authorize the time element to nurture the time itself, while the system reassess its policy in action, taking into account the insights of the insiders, and notably the teachers' unceasing recommendations coupled with those of the university professors in their various plights of specializations.

Consequently, such brightened and enlarged thoughts are geared towards the progress of the national domestic economy and the enhancement of future deliveries, whose results are to be achieved in both a scientific and a technological context. At the same time, the economic growth is constantly filled with an innovative spirit, which the nation has to adopt for its survivability, in search of an assured but pleasant destiny, where mixed thoughts and ideas are bound to success in the name of progress of the people and of the nation at large.

And what has been endowed unto the nation, the Nigerian education upgrading paradigm, an occurrence, stems from the outflow of such collegial thoughts and the incorporation thereof, - the **making of a new educative**

*nomenclature* without distinction- drawing all the available talents within and those probably from outside of the system, as these are also watching and yearning for such huge opportunity to present itself, and all in the name of economic efficiency for the future market, inspired as it prepares itself for the competition that has aroused through the systemic and endemic globalization.

The systematic reassessment of an ever-growing population, in the case of Nigeria, merits all the attention necessary. Its equation with respect to the viability and the consequences thereof, are all signs and symptoms for the minister of education to reinforce the reform chapter that is now before the nation, and to evaluate the aspect that enlightens, and, the reinvigoration of new education concepts tried through the testing of such notions in State Universities and Colleges. On the other hand, the emphasis would be founded on the accuracy of the results obtained from the previous education policies, to initiate a functional and adaptive revolving public policy for education with specific targets and to the boosting of the industrial sector contribution for growth, which is the arm of production and productivity.

This is a task that must be done as opposed to the sitting on the fence posture, and to be perspicacious while joining the team along with the domestic experts and others such as scientists and engineers. They are the ones who would revamp the entire growth process in the present day industrial growth ware-fare jungle where Nigeria is equally called to be a potential actor on the scene.

The *education battle* which is before us has every reason to exist, and Nigeria and its spirit-filled enthusiasts, who comprehend the factual situation, have to have the intuition and the ability to maneuver with appropriate methods towards the achievement of its goals and specificity, and thus, to recapture its lost status within the regional geopolitical sphere of influence. It is an historical opportunity to continue to promote and initiate joint-venture research programs, which of course existed as one of the *untouched treaties among the ECOWAS* member nations, which never saw the light, though judicious, but worth calling into remembrance and the co-financing thereof of the initiative.

However, Nigeria's education system, which is presently in the midst of several pitfalls, in spite of the trained experts in distinct fields in Nigerian universities such as Ahmadu Bello, Ibadan, Nsukka, Ife, to name but a few, as well as those, trained overseas, came to a point where it was affected by the push-pull syndrome.

The apparent result of the existing coexistence of the transmission of knowledge from the teacher to the student is evident in the present educational model through the systemic planned scheme. On the other hand, *the commonality of man's perception as* regards the idea behind the learning to know, and to rediscover the inherent hidden talents never called into the exploitation for the benefit of the latter, are quite comprehensive and are meant for the personal development of the citizenry, and the global society at large.

The courageous step undertaken by the government of the Federal Republic of Nigeria to openly call for debate and to discuss the issues affecting the education system symbolizes the acuity and a certain political maturity, which will lead to work out how to appraise and canalize such movement of ideas into policies, through testing proceeds. All these are signs of possible steps and awareness aiming at a more developed industrial educational relationship that has been veiled in the past years immediately after the political autonomy of the nation.

The subsequent outcome and the furtherance of the following question, whether or not is there a relevance that would occur as a result of such changes, and above all, what impact would it have on the life of scholars, students, researchers, and professors throughout the nation?

#### **THE MISSING FACTORS: The non-identification of the relevance between education and key strategic industrial sectors for growth.**

The Nigeria's educational system and its transformation is what this paper focuses to analyze and to bring to light the tooting questions, though they are ambitious. The act of assessing the available information, despite the short comings mentioned above, points out that even when a landlocked given people of Nigeria, who have in the past maintained and lived together in harmony through symbiotic trade amongst the old constituted kingdoms, have desired to be blended into one single nation.

However, this made up what is seen today as the Federal Republic of Nigeria, that never collapsed totally; but whose people worked for unity and for the progress of the society. The peculiar characteristic of such a viable society, such as Nigeria, stems from the political will and strengths, which we will analyze thereafter, and the state to engage in the transmission of academic knowledge as opposed to research and innovation for the benefit of its citizens expresses that desire for growth.

The process of transferring knowledge as it were, though complex in the way it was appraised by the Nigeria's educational system at the beginning, made it possible the learning of its history, culture and civilization. The recognition of the fact that knowledge has to be impacted to the citizens and its enactment in the constitution thereof, tended to solve the early social and economic problems that did arise with the Nigeria's educational system.

The transformation of Nigeria's educational system is not merely allocating scarce resources for the progressive improvement of education of the citizenry, but rather a problem of recruiting the qualified personnel in the right place for productivity and development, and not looking at the citizen's ethnic nomenclature, which retards growth. The examination of Nigeria's educational system, for instance, did portray the fact that the old system had difficulties to adapt to the current ideas expressed by academic experts. It was opposed to the public education policy measure that seemed to reaffirm the existing inadequacy with greed, but it found its way across the nation wide as a mission taking the form of growth in the society.

This school of thought, presumably, had in mind that the Nigerian educational system could continue to perpetuate the functioning of the old education system, though it did survive, and it has contributed to the cloudy educational atmosphere, where no change was envisaged. However, what the decision makers and its executors as well as its aspirants failed to notice, was that the system they supported did weaken the national education paradigm, a noble cause that was perceived by the heroes at the liberation.

It is curious to note that a class of educated citizens, even when attracted by a particular interest in the society, will continue to support an educational system and its structure measured, turned out to be inefficient in terms of their performances, and its contribution towards the national goal, but indirectly dividing the constituencies that made up the nation. The result was that of the promotion of a peculiar ethnic group, which in turn slows down the whole process of dynamism in the education sector, as attempts, which were made to overcome nominal errors in learning, are but a reverberation, rather than the innovative methods in teaching with practice in industry, previously identified by the students and the institutions.

It could as well be said that the mathematician or the scientist from the very remote town, whose skills has been recognized as potential input to buttress Nigeria's society well being in terms of home-made utilities, must receive

all the support necessary and the promotion thereof in the Nigerian market and beyond.

In other words, it is an obligation for all university professors to search for the identification of such talented potential student researchers in all fields, so that their total immersion in their capacity in the society becomes productive and competitive. For instance, one of the basic economic principles holds that a certain proportion of the national income derived through international trade must be saved, with the emphasis on productive endogenous investments that would yield and address the future perspectives thus envisaged by the policy prescriptions of the nation.

In an illustrative economic theory for a prospective development, formulated by *Harrod-Domar growth model*, supplement to W.W. *Rostow's linear stages* as mentioned above, the partial assumption of the hypothesis is the following: a viable Nation has specific strategic tasks, and notably, the comprehension of the relationship between the national saving ratio,  $s$ , and the National capital-output ratio,  $k$ . Therefore, the functional economic relationship should be maintained throughout the lifespan of the Nation, even if this has still to be born.

However, in the case of the Nigerian economic situation struggling to transform itself, thanks to the ramifications involved, the transformation of its educational system is seen as being paramount. The paper would emphasize that every aspect of domestic productive investments through education, should certainly come to dwindle with the fact that they are only tools for the enhancement of endogenous economic growth.

It means that, as far as the maintenance of the basic economic principle as shown is concerned, the effort of the Nigerian educational transformation system is just in the right direction for greater productivity in the manufacturing industry. This has to employ specialized trained professionals within the system, as the functional rationality between national saving ratio and the national capital-output are bound to form and to guarantee a positive commonality, assuring the economic decision makers to obtain that desired results for a growing economy such as that of Nigeria.

It is not ambiguous for reflective scholars to imagine, in spite of their sensibility, to seeing a viable nation such as Nigeria accruing to its growth processes to take place when all the sectors participate. The digitalization of the agricultural sector, in particular, shall encompass graduate farmers using computerized facilities to monitor their farm proceeds. It has the first hand information on the



price of products from the Bourse of Abuja, etc., thanks to the ability of skilled professionals ready to support and to see the relevance of growth measured positively every other year.

Nevertheless, we can infer at this juncture that the answer could be seen as highly connected to the readiness of the government to promote and to transform the Nigerian educational system, at all levels in society, and, as it also entails truly the knowing of how many are to be trained, their expected graduation and integration in industry. The transformation of the Nigerian educational system ought to be the preoccupation of all citizens. We have to learn to ascertain that such efforts are geared towards an endogenous growth and productivity as well as citizens are proud of what they are able to contribute in terms of intellectual inputs, which, could be interpreted as a tangible contribution for the society as a whole.

The objective is that this coherent planning procedure takes into account the industrial aspirations of the nation, and thus, the quest for higher productivity through the export of both Nigerian manufacture products for domestic consumption and for the global market. An illustration of such timid practice was initially enhanced by national development planners and hence, the sudden rise in the registration of school children, as well as student intakes at national colleges and universities, despite the fact that Nigeria has the aspiration to consolidate and to maintain her geopolitical and geostrategic role of leadership in this sphere of the world<sup>1</sup>.

However, the significant number of registered pupils and students in the Nigerian educational system, are supposed to be related to the preponderant role the nation has decided to maintain, and never to leave any stone unturned regards its culture and civilization, even when it is ill spoken of, and not proudly, beyond the territory of Nigeria.

What further interpretation can we infer regarding the turnout of these university graduates, technicians and engineers, in their skillful endeavors towards the revamping of the domestic economic growth processes? Whether the graduates are trained with Nigeria's tax payers revenue,- if this is the case, are these collectable taxes indeed collected for the purpose, - and do they come from the national oil revenue resource? And is their

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<sup>1</sup> cf. Dr. Samuel Nonju, "Nigeria in the African & international security system" Faculty of Law, Administration & political science, University of Paris X, 1990, Vol.1, pp254-263.

acceptance to participate in industries outside their scope of specialization worth questioning, as if you ask a medical doctor to begin to work as an architect? Does the Nigerian educational system simply opt for the training of youths to become enlightened citizens and not part of the industrial development plan? Has the adaptation towards the incorporation of the highly surplus work force- the Lewis theory of development- into the industrial sector of Nigeria's economy become a possibility, as this would seem to be meaningful for faster growth in accordance with the related investments? What accountability can the Nigerian educational system present concerning her past national development plans, which had a significant part, and the relevant adjustments presently made, where research must be reinforced to align the national development effort with other nations in the world?

Fundamentally, there can be no viable and durable educational and economic growth process in a nation such as Nigeria that has seen development as a sine qua none, aiming to become a part of the permanent member status of the United Nations. Nigeria expects, in the words of the former secretary general of *Kofi Annan*: "The big reform that will take place within the old system".

The reform has to pursue stable and dynamic foreign policy objectives, putting the stress on the need for an all-skilled labor project for national development. Therefore, it would have the potential to become the most attractive market both for domestic as well as foreign goods, applying the open market principles for manufactures amongst trading partners.

The knowledge transmission venture among the citizens of Nigeria through the national education plan must be seen as a force and an invisible factor for growth, as long as the transmission is done with the language sealing the nation as a viable political entity.

The Nigeria's quest for economic and political *growthmanship* through education in transition is perhaps one of the most important variable elements constituting the notion of national power, an empowered skilled work force in motion Nigeria must own at all cost. However, the nation must bear in mind that, even if this will dilapidate some substantial and financial capital in terms of budget allocation, it is expected to choose also to invest on education, as it is directly linked to growth and it is an opportunity for the very survival of the nation-state.

This seems to be a natural call for Nigeria's education transformation paradigm to occur now, that a nation must learn how to apprehend, pragmatically contain, and carry the unforeseen and invisibly, the variable burden in times

of any major crisis. Nations have no peculiar and steadfast friendship in perspective, and as long as economic interests run parallel one along the other, an issue at stake, if we are called to examine the history of the Continent of Africa, whose strategic attitude and posture became an immense burden for the leaders as at then. Indeed, it presented a quite timid defensive condition, along with its lukewarm status, where every intruder was welcomed, despite the existing diplomatic and commercial relationships between Portugal and the United Kingdom of Benin from 1525 onwards<sup>2</sup>.

The problems of the Continent of Africa and its civilization, culture, education, its manifold resources and the style of the ancient rulers, did wound the thoughts of aggressive illegal foreign traders from the Arabic invasion into the ballroom closed-door conference-type arrangements from the outside the continent. These were signs of a hidden agenda, under the auspices of some form of conquest. These signs were represented by the search for an extra space apart from the country of origin, bearing the name- a resting place or colony- coupled with the spirit of intimidation upon the people, bearing in mind that the penetration by force would receive no powerful resistance from the external aggressions.

Thus the game went on, until the period when Africa, as a Continent, was not regarded as the center of humanity, and ironically, its total absence in *the Berlin conference of 1885*, where broker-nations decided arbitrarily, to imagine and to cut across the land of Africa into distinct hunting playground. This policy implied an imposed dictatorial type of informal administrative decisions, which, when promulgated, sought to buttress the varying hunting activities on other people's land, without questioning the cost of such land, and the total ignorance of the individual, even when they were peaceful. These prototype forms of informal and strange regulations, as it has been observed, never worked out well without the agreement and the incorporation of the indigenous people in the total operational management of their territory.

The foreign maneuvering principles and their search for implantation of a viable administration far from the home government, such as what King George did practice in his time, before the American war of independence was proclaimed, are in most cases, risky in perspective. This is due to the political will of such oppressed people, who could caution the intrusion at any time; they tended to

break-off from the foreign branch of the foreign tree. This strategy failed to take into consideration the new aspirations, as well as the old existing institutional experience gained, and the experience thus acquired from the functionality of bureaucracy inherent in the oppressed manhood, that invaders always sought to demolish.

On the other hand, they were preserving their old system and improving it, thanks to the prerequisite of the collective mode of executing indirect decisions, far from being encouraged by the citizens. This issue was exemplified by civic disorder, riots, the arrest of civilized elites among the people and their deportation, even when their political freedom was challenged along with their worsening economic interests. Their refusal was determining to such foreign administrative schism, which did not protect their sovereignty. This is the inalienable right of a Nation, not to mention that a Continent that has to include over twenty-five autonomous national kingdoms, whose existence stands out due to its civilization and culture, according to the will of the people who decide what is good in their eyes as well as the decisions made by their decision-makers or rulers.

In the case of the people of Africa, the institutions suffered lost, due to the promulgated abstracts of both an informal and indirect rule of a foreign government; the political environment was far from the intruder, but for the sake of the intruder's own economic interests: these conditions imposed abstract and illegal norms for an existence in a foreign land.

They were foreign to the indigenous citizens of Africa, and Nigeria was not an exception. They were seen as an offence and an aggression that history holds, though these suffered also under the Roman empire and regime, that it would not be a panacea for conquest, as far as international relations are concerned, as this attitude was characterized, in the eyes of Thomas Jefferson, as follows: "*the unoffending inhabitants of Africa*", and its people<sup>3</sup>. The reason might be found in *Adam Smith's praetorian principle of the wealth of Nations*, and the interest of the same foreign traders in distress and the practice of violence thereof, and subsequently, the necessity of Education to enhance the culture of the people of Nigeria, to be able to face the unforeseen regional crisis, with the adequate supply of both conventional and non-conventional weapons for domestic preservation of national security and beyond.

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<sup>2</sup> Pierre Biarnès, *Les Français en Afrique Noire de Richelieu à Mitterrand*, Armand Colin, 1987.

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<sup>3</sup> Thomas Jefferson, in cf. Thomas Fleming, "The Man from Monticello- an intimate life of Thomas Jefferson, William Morrow & company, New York".

The political leaders of Africa and their absence in the international scene in the past were primarily a result of non-acknowledgement of its history and civilization. It dated back to ancient Egypt, as well as the fascinating political entity and nation, whose influence echoed beyond Egypt in Africa, leading foreign leaders to seek to familiarize themselves as such, and in the understanding of its arts and creativity.

***The inadequate positional endorsements of trained Nigerian professionals in variable sectors.***

In other words, the question of an enhanced development through an educational transition would be seen as a remarkable step undertaken by Nigeria. The country attempted to reduce inequality and poverty. The creation of a mixed-credit joint venture entrepreneurial structures provided not only energy for a good number of industries of foreign nations, but also for its domestic concerns and for its industries in particular, so to actively participate in the build-up of African industries for the endogenous use of its own resources for development.

The success as well as the improvement of the lives of the citizens of Nigeria would stem from what Nigeria's educational transformation paradigm have included in its inception, by placing education as a prime mover for the citizens who are in great expectation for their future, as they longed to see the breakthrough thereof, even when the way would seem rough as a result of the unpredictable obstacles.

The apparent progress in this direction goes to purport the fact that Africa, and Nigeria's educational transformation awaits these moments to occur in contemporary history, as the people of Africa and Nigeria, in particular, have to know and to identify the enemy, and thus, the acquisition of knowledge through education, symbolizing the weapon of the last resort for growth.

The Nigerian educational transformation will empower the citizens to develop and to become an active player, not only on the domestic front, but also on the international forefront, as the other nations were, and to be able to operate the Gunboat diplomacy in action due to their expertise.

If we consider the words of **Mr le Duc de Valmy**: “ Les armes ne servent qu'à ceux qui les détiennent<sup>4</sup>”, the key element is all about the acquisition of power through knowledge and the knowledge dissemination is about the

buttressing of an imaginative foreign policy in limbo, thanks to the accruing visible interests.

However, the consequences of the absence of a competing quest for knowledge of Africa sufficiently in the international arena, along with the lack of the practice of gunboat diplomacy, gave birth to the geometrically variable graffiti. Its design was engrafted and nurtured as well as the tangential lines drawn on the face of Africa for an expropriation adventure, which no foreigner in any foreign land can afford to perform, ipso facto, without the respect of the rights of the indigenous people.

The sovereignty of the people seemed to be suspended, for a short instance, and continued to exist, as if nothing good can ever come out of Africa. In a retrospective view of the history of Africa, the conscious people, due to their free economic and political movement across the Kingdoms, which were old, ought to be seen as a unique inspirational weapon for growth. If we give an ingenious credit to late **Kwame Nkrumah's dichotomy, that Africa must unite**, it would certainly emerge as both a viable political and economic entity, such as the example of present day provided by China that had recently recovered its lost territories from the hands of imperial trading state.

Nevertheless, nations have always looked for exchange, or simply to entertain foreign trade relationships with the practice of accurate diplomacy, entailing the reciprocal respect and the idea of sovereignty. It behooves the autonomous and independent states to exhibit such elements of statehood in function and in action, thanks to its ancient notions of bureaucracy in perspective and in view of an amalgamation with other kingdoms within the range of mutual regional arrangements that would benefit the people.

The distinct destiny of nations, are not such to be promulgated in strange and foreign ballrooms, if we examine all the revolutions in history, as these are the expressions of the opinions of the people<sup>5</sup>, » que les causes morales ont beaucoup contribué à la corruption du goût chez les Grecs et chez les Romains..le luxe..substitut alors au goût du vrai beau une vaine ostentation de richesse et la recherche des ornements superflus..!<sup>6</sup> ».They refused to be slaves and serfdom to their oppressors, behooving a reciprocal respect for the opinions of other people. A nation, in search of trade activities, has to adopt a conscientious and mindful attitude in maintaining pragmatic trade relationships. It has to be impartial to the type of people expressing them,

<sup>4</sup> Mr le Duc de Valmy : Histoire de la Campagne de 1800, Paris, Librairie militaire, J. Dumaine, 1854.

<sup>5</sup> cf. Journal historique et littéraire du 15 Mai 1786

<sup>6</sup> Idem, pg.88-89.

and the bottom line of it is that – trade- which has in itself, the ebbing and the flowing of the tidal waves, is what made nations to recognize themselves as potential actors in a permanent competition in the international arena.

We have to underline that since the very beginning of its history, Nigeria has cautioned the concept of foreign illusionary plans whose objectives tend to penetrate into other territories to impose an alien repulsive authority. Hence, Nigeria's educational system insistence on the strengthening of knowledge acquisition is the only vital tool for an endogenous growth, whose reflection could be seen as preponderant for the global economic market of Africa.

This is also the consequence of the accruing profits derived from an environment purposely designed to control indirectly the root of the resources with its appropriate techniques. It showed trade as being unequal in all its aspects, calling to question when such **labor-intensive maneuver**, according to the **Lewis theory**, could get rid of itself, from such a poignant illustration of an unfamiliar negotiation affecting trade relationships, which led to the fingerprint type of bi-lateral agreements imposed for the purposes of one-dimensional action.

In the end, the **resource-rich nation became marginalized as producers of raw materials wherein the variable costs were not calculated**, and this submerged the reality of geopolitics of natural resources, which were supposed to actively contribute towards growth through the imaginary and unsteady trade relationships.

The fundamental right to dignity through trade has yet the race to run and to exist, as the systematic trade pressured on resource rich nations. Nigeria and other countries struggled to be industrialized and to become markets to have their share volume in trade, so that the impeding factors would cease to be detrimental, also for the interest of the citizens. The Nigerian educational transformation has been seen as a weak partner in such a negotiation, irrespective of its attractiveness and the huge economic interests, and behooved such an ambiguous relationship, while the walking alone syndrome in the desert becomes a reality, in an uncertain world where nationhood friendship are difficult to trace and to find, when a nation is found to be in need<sup>7</sup>. Of course, the transformed education system in Nigeria will not only attract nationals from within, but

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<sup>7</sup> cf. Samuel Nonju, La politique contemporaine du Nigéria en matière de sécurité internationale, Editions des Ecrivains, 1998, ISBN2-912134-31-5 pg.165-190

also to those who might belong or be attached to Nigeria's huge market potentials in display, when the time elucidates this happening in this present century, recognizing its spill-over effects within and beyond the continent.

There is no need to shy away from responsibilities, even when some citizens may not have obtained anything from local or regional government; but as we are literate, able to think, to research and to publish such results within national development plans, supported by the existing Nigerian scientific associations and Engineering bodies. There is a patriotic spirit the world will reckon, with time, maintaining good business ties with Nigeria, when presenting the qualified candidates, engineers, scientists, architects, Professors, teachers, doctors, diplomats, etc. for the implementation of the interests of the nation through the practice of pragmatic diplomacy within and beyond.

It is appalling to notice that the Nigerian educational system trained numerous engineers, mathematicians, statisticians, scientists as well as high-level technicians. But the nation continues to export oil with much difficulty, as a result of the outdated pipe-lines needing renovation in the midst of national iron and steel industry, whose capacity is yet not appropriate to the needs of a great nation such as Nigeria.

Besides, for how long will Nigeria's engineers, scientists, technicians, high-level government officers continue to take the pleasure in driving manufactured or assembled cars that bears not the national emblem? Nigeria's educational transformation process must not be underestimated, even when our scientists and engineers fail to undertake the responsibility for the conditions to come by, as this could be supported by an endogenous political will.

Then it means that the engineers will stop assembling the parts of cars of other nations, but they will rather concentrate on putting together what comes out of Nigeria's Iron and Steel industrial complex to make the citizens feel proud of such an achievement.

The adequate positioning of education related to the industrial output productivity can best be verified, when a Nigerian car takes its statute and it's ready to be purchased by the Nigerian middle class. It will be seen as a tremendous value added to boost the domestic economy as well as the other trading partners with our country.

The manufacturing industry in Nigeria, thanks to the educational transformation proceeds to be implemented, aware of the specificity of its people and its roads, could

as well exploit this path to upgrade its workforce and to employ its researcher-engineers, researcher-technicians, etc, in its industrial policy reformulation, enhancing the higher output and the industrial productivity.

The Nigerian educational transformation system, to me, seems a visionary plan now. If it is aligned with the global development paradigm, where every citizen will be incorporated, once having been trained and having seen the proceeds of the achievements obtained through national trained scientists and engineers, only then the domestic consumers will be contented as a result of the price of such commodities manufactured at home.

In addition, through it, it will be found what can be called as the Nigeria's education transformation process, implying a certain division of labor and a concerted co-ordination among the distinct parties which constituted the states and the local government authorities, as they all will strive to this nation building venture.

The specificity of the Nigerian roads and their adaptation to what will shape the market, as a result of the manufacturing capacity of producing cars entails also the maintenance and the cooperation of the local government and the management institutions. They have to develop, along with the national education transformation process, the progressive privatization of some section of their urban highways and the ramifications, for the wellbeing of its users.

This in many ways will reinforce a dynamic growth process all around the surrounding communities. Therefore, the state level economic progress will be boosted for the local government authorities, as well as the complete involvement in terms of decongesting and dividing such communities and local areas into distinct administrative areas for a better accountable, and equitable management purposes. The collegial effort to be concerted and the corresponding local government taxation system, if reviewed, will have to be operational in providing such good roads and the supply of permanent electricity to the citizens and the local and other competing foreign companies, and thus, regenerating the enthusiasm for entrepreneurship among the citizens.

The legitimate authority of the local governments, in line with the central federal government land and transport reforms enacted laws, must assume all their responsibilities, as an energy exporting nation, to continue to supply and to satisfy citizens needing energy consumption, as this is seen as hope that brightens them when the night comes. These observations on my part may be seen as being unfortunate to some readers, but citizens

should try to look around the world and see how other oil rich nations are faring in terms of education and development.

The spirit of education breeds content through personal development, which in turn contributes towards what the government can collect as taxes, and other factors accruing to citizens as well as residents contributions in the domestic economy, whose gross domestic product is said to be strengthened, thanks to the effort of an endogenous consumption, domestic savings and in domestic productive investments.

In this perspective, the paper has emphasized that Nigeria's education transformation per se, as an atout, symbolizing the liberal economic thinking approach, where nature stands before all nations. Hence, the economic growth process is permanently in the hands of men, whose thoughts are free to express and elaborate specific business plans with simplification as opposed to grand ideas that seemed ambiguous. It is worth a good deal to participate in such a development venture, as we know, that what we collectively sow must first die, so that it will be ripen with a new body, and for the future generation to continue to build and to innovate thereon. It is in the same connectivity that citizens are to be geared and encouraged to continue to learn and to be involved, in the call for domestic investors to actively participate with their previously accumulated capital or savings, with determination, knowing the calculated risks involved, and to address such development issues that are vital for the Nation.

All that in the eyes of observers is that the transformed educational system in Nigeria has to show in a nutshell, in its course of modernization through education reforms approved by the authorities. Then, it is relevant that the citizens are getting to be well equipped in terms of intellectual knowhow, as well as in the techniques that it entails, and to be ready to compete with the multinational corporations, that have solidly set up their manufacturing satellite settlements in the domestic market.

The educational transformation, and its adaptation in Nigeria's case, would be seen as unable to sort out the dilemma and to be abreast of the high techniques involved for its transmission. However, our presence, through the reinforced nature and the strategy for the proceeds to become real, has to be underpinned with the might of the political will, bringing to light the restoration desired by many Professors, Teachers, Engineers, Scientists, Researchers, Students and the middle class in Nigeria.

It may seem to be a metaphor describing, in an approximation, the price of an indigenous car – 4x4, perfectly air-conditioned and accessible to the Nigerian middle class and workers, in compliance with the nature and the characteristics of the roads in Nigeria, the sudden satisfaction it will bring to the citizens in quest of quality manufactures, when we know that, if the Nigerian trained engineers are trusted, this can possibly work it out.

The Nigerian educational transformation carries with it the notion of an appropriate investment, and if, the patriotic spirit filled business investors can seize the opportunity and take the required calculated risks involved, for sure the Nigerian economy will boom. We have to take into account the Nigeria's market environment, which is indeed enormous, and attractive, and know the proximity of the other markets close to Nigeria.

This scenario, as shown, is the premise of the new beginning for an educational adventure, where the equation between the relevance of education and strategically industrial sector output comes into play. It will happen as long as all the determinants, typically featured as constant, are readily available within the domestic economy, even when this seems to become a marvel in the minds of some readers. The ordinary Nigerian middle class consumer may, or may not, buy the conception, that Nigeria trained engineers can be part of the development process through a rigorous work, aiming at the simplification of the lives of the citizens, even though the question over the energy consumption must be addressed with zeal and authority.

A typical example to highlight a similar scenario in terms of local incentives to investment, for instance, is when a single executive in Cambodia complained and desired to put on their road a car made in Cambodia. Hence, for instance, we might raise the question: why does Nigeria continue to export oil, while some other nations in the Middle East, such as United Arab Emirate and Latin America, such as Brazil, invest in the refining proceeds? Where are national engineers, technicians, scientists, and top management citizenry to be redeployed, and for the national security reasons and despite the will to play its natural role of leadership, entailing the multifaceted capabilities for the containment purposes?

The Nigeria's scientific and engineering associations collaborative efforts to boosting economic development in sectors such as petrochemical industry, iron & steel industry and other related manufacturing industries are far from bearing fruits for an endogenous growth within the domestic economy of Nigeria. There is room to doubt,

though partially, If only this aspect of total recognition of the scientists and engineers is considered with suitable wages, as well as their paramount role to development efforts with all that this entails, in terms of compensations. On the other hand, the national project features will also take into account the performance measurement and the constant evaluation for promotion and retirement.

Of course, the active participation of Nigeria's engineers, scientists, and technicians and all, is seen as necessary, thanks to the educational pilot project that the educational system will redefine for the accomplishment of the goals for the national building paradigm. However, there must be a pilot that can truly lead and direct the most difficult education transition in Nigeria, with a specific mission that has to bring about results. We have taken the responsibility to use some political, economic and diplomacy related terminologies in this paper to arouse high spirit-filled potential readers to write and to respond to some of the above mentioned salient points.

However, the main issue is the birth of a new corporate national enthusiasm for a collective and concerted blueprinted industry. The industrial context must be set up by the knowledge filling Nigerian engineers, scientists, and others in the same perspective, to continue to assure the citizens that the educational weapon of the government must be built on a solid foundation, as education is supposed to be that very foundation of a Nation.

The ever growing uncertainties in the contemporary regional and international issues must not bedevil Nigerian citizens to think otherwise, as our collective knowledge in diverse fields of learning, can now, in this twenty-first century, contribute to rekindling the Nigeria's education system, which is indeed, the prime mover for economic growth.

This apparent fact, as demonstrated in this paper, represents a moment of enlightenment for the Nation that will arrive at the self-sustaining climax of satisfying the masses' needs through the means of manufacturing almost all of her consumables. At the same time, the nation should be thus giving the elites and the young trainees in our colleges and universities, the opportunity as well as the ample chances to hope on their nation, and to have the initiative to bring to bear, inherent inventive skills that each citizen is endowed with at birth.

Nigeria's manufacturing civility, thanks to the educational transition, can create a new set of social cohesion by no means peculiar to economics, but of some form of variableness in the application of the grass root elements

of Nigeria's constitution. We have to consider that the outlet of such Nigeria's manufactured value added goods are apparently to be well perceived among neighboring Nations with which it maintained trade relations, to give the people a positive return in Africa, and if need be, in the world.

We have just underlined that the transition of Nigeria's education system is but a sine qua none, and that the skills and trained professionals are manifold, and presently in the world as it were, from Japan to China, from Russia to USA and across Europe. Quite unfortunately, numerous are the results of their research that have received recognition from several universities and research laboratories, which could become contributive factors towards the enhancement of what I call economic "growth-man-ship" in perspective. Another skill the nation has to develop is to always see beyond its nose, and to incorporate and train every citizen to think of what they can do and perform with practical experimentation. Citizens should also ponder on the spirit-filled type of working it out for the interest of the Nation as time matters, bearing in mind that other competitors shy away from the time it takes for the aspirant Nation to produce its results, and for such results to be verified.

This could appear to be indeed the great expectation, where the contentment breeding progress in society gives room and an opportunity for citizens overseas, to have also that will to extend their business across the ocean. It could happen thanks to the efforts the new government will put in place, where the question of domestic security that can contain the perceived development in process.

However, such governmental efforts may probably not be perfect, but we should emphasize is that no citizen be found totally stranded, as they are all called to obey and to serve the nation in their various capacity, as such activities in turn, may also contribute to the domestic economy, no matter how small that contribution quantified might represent.

The first economic thought in this present world, as shown in the Holy Scriptures, underlining that the laborer merits wage, is just an illustration of the plenitude, giving the chances to citizens to exercise the power of consumption in a given economy, such as the economy of Nigeria, thanks to the reformed education proceeds supported by the government. Today's enlightened citizens may not be confused, if they look at the ant and see how the ant works, which is the right way leading to the accumulation of capital through a concerted personal effort.

This timid but logical approach of this paper, consequently, suggests that rather than the essential predominant factor resides in how the structure citizen's mind is captured, through the simultaneous equations syndrome, placed by the transformed Nigeria's education system. It will indeed, with the political will, help to integrate the potential scholars keen to deepen their research related to different activities, concerning agriculture, industry and the services sector, to ripen the economy. This will allow the country to cease to become an oil exporter, but rather, an exporter of paraffin, kerosene and other related elements contributing to create new jobs for the citizens.

The task of the re-orientation within the transformed education system, in the case of Nigeria, calls for the juxtaposition of talents of citizens to those objectives fixed by the nation and its goals, while maintaining the conditions of equilibrium within the sphere of leadership. All we can say is that how such leadership, in the Nigerian context, can be fortunate enough to pull together all its available resources, in search of such a strong leader, who must understand what it takes to develop and to become an industrial society through benchmarking endeavors. He has to take into account the citizens' 'woes and worries' hoping to see immediate results. In one word, he has to be able to redirect and redirect the issues of the students, researchers, teachers and professors. It is fundamental to convey a newfound taste for educational entrepreneurship—a total involvement and dedication to the probable, but personalized and innovative projects, which can once again illuminate Nigeria's education system, as one can, ipso facto, talk about the Niger Delta valley (Silicon Valley) type of education entrepreneurship associated with leadership.

Nonetheless, Nigeria is endowed with remarkable and quantifiable human and natural resources, as one can see through its map. Several multinational trading companies changed their labels and trade-marks, all operating in the Niger Delta region, whose activities and ventures, in no wise, did spur the Nigerian education system to potentially be on the balance: this is to say that they adequately absorbed the Nigerian trained engineers, scientists, highly qualified lab technicians and others, who can manage jointly with the foreign experts, who have the same technical background.

This is an occasion for the lawmakers in Nigeria to effectively reassess what will affect education and to draw the borderline for the Nigerian experts and specialists to embark on all projects that the Nation has to implement, irrespective of how the name of the expert is being pronounced. Thus, even if society is going to relook what

can be retained in the nation-wide national youth corps structure, inhibiting in the citizens the sense of belongingness and the patriotic spirit, their private religious inclinations continue to remain private as much as they can be.

How will we perceive Nigeria, if it refines seventy percent of its oil and obtain its derivatives, in order to sell its kerosene to the international Airlines, benzene and other related paraffin wax, certainly accompanied by the local sub-contractors? In addition, distributive undertakers could develop other related businesses, bringing to bear all the components of the educated citizens who can maneuver, think, plan, and innovate other projects in perspective, thanks to the transformed education system that ought to be in place.

This audacious public policy mandate related to Nigeria's education system could effectively move away from the old system into modernity: this is unequivocal, as scientific knowledge obtained in any field by the citizens of Nigeria becomes an asset. Today's assets possessed by citizens must occupy a prominent position in Nigeria's public imagination, as well as in the Universities and colleges, where reflective researchers and students can continue to test the prevalent validity of such scientific data acquired by nationals and its potential end uses in the economy of Nigeria.

It is only when the transformation of Nigeria's education system attains the point of maturity, the discarding of what is to be put aside, and the reorientation of the new methods through modernization and its integration as becoming part of a contributive factor for the Gross Domestic Product, that it may arouse aspirations of indigenous investors, who might have a tendency to obtain stakes, and the search for the public-private sector amalgamation for a given period of time, stimulating the growth process.

The transformation of Nigeria's education system has all the necessary features to be successful, if all its available resources are called to play that endogenous but steadfast inputs game. We have to bear bearing in mind that the education system should be a vector to build a viable nation, thanks to the assurance of freedom, domestic peace and unity, which are supposed to seal it as one body. We have shown in this paper that the transformation of the Nigerian education system has to have a political will thoughtfully guided by visionary precepts bound to be in constant evolution, without complaints delimiting what the nation is worth being able to achieve, within the time span, as a prominent market in the region and in the world.

## **THE TRANSFORMATION OF THE NIGERIAN EDUCATION SYSTEM & POLITICAL STABILITY: MYTHE OR REALITY – DETERIORATION**

The deterioration of the Nigerian education system, during the past three decades, bore the consequences of the shortsightedness of political apprenticeship as well as leadership to hold onto its backbone that is education. The outcome of the effects concerning the ill-defined educational policies did damage and paralyze the notion of private and personal initiatives of the actors of the field, and notably, the professors, researchers, teachers, families, and the students who are the potential caretakers for the futuristic buildup of the nation.

The concept of leadership in Nigeria's political environment tends to ascertain such an environment emphasizing the familiar assumption, that the State of Nigeria indeed enjoys high autonomy and high control, as a strong state. In an ordinary language, here we will assume that Nigeria has very high support in terms of its endogenous policies, though these may be ill defined, according to preferences or priorities affecting people, such as education, security, energy, employment and industry.

On the other hand, as we have mentioned earlier, there has to be a pilot understanding the nomenclature to translate the needs of the people into policies, and its effective implementation through the application of the conceived public policy into action, such as the transformation of the education system. What, if a strong state such as Nigeria, shying away in most cases, from its responsibilities in some areas and more over, and if the containment of the main question over Nigeria's educative tools for the citizenry, is perceived as a part of the social welfare issue? Could the Nigerian statistical board, under the auspices of the Federal government control, purport to give in an approximation, an official view of the accuracy in terms of the demonstration of the PNB/Capita aggregate, without knowing how many citizens are included as opposed to those left out?

The potential leader of a great nation, such as Nigeria, has to own the political will and the ability to draw all the lessons of the experiences from within and possibly beyond, in an attempt to maintain the emphasis on the total commitment of all citizens. This can happen thanks to the – long expected and awaited head count – the genuine distribution of income, bearing in mind the deep need of the comprehension of one or two poignant articles and its application, as far as the Nigeria's constitution is concerned.



It is a basic fact that education through the acquisition of knowledge is by far what each citizen must be proud to own, and the ability as well as the eloquence to articulate and to quote the desired article of the constitution, such as the one concerning the revenue distribution, and the implied welfare issues; even when these are far from being perfect.

The continuous quest for the emancipation of total liberty and freedom of speech and initiative, as enshrined in the constitution of the Federal Republic of Nigeria, are the only goals the political leader should strive to exercise. He has to act through the integrative and harmonious state structural reforms with modern bureaucracy, supposed to yield efficiency and accountability, if the checks and balances are restituted.

The responsiveness of such administration, in spite of the probable delay in Nigeria's ambition to becoming a transformed political entity, ought to be the political watchdog and its undertones thereof, that can indeed create a new scenario where the old political thoughts are to be reevaluated and analyzed for the benefit of the present. The mentioned study could range from the ancient form of governance from the gerontocracy model that existed in the past, for instance, as the world known strong political entities did envy the Antique state structure of Egypt. And here is but an illustration made by a prominent speaker and preacher of the Gospel unto the French king Louis XIV, in his book, and thus, "Les Egyptiens sont les premiers où l'on ait su les règles du gouvernement. Cette nation grave et sérieuse connut d'abord la vraie fin de la politique, qui est de rendre la vie commode et les peuples heureux,"<sup>8</sup>.

The bottom line of this complaint by J.B. Bossuet tends to purport the missing ideas in the minds of intellectual athletes, who seemed to ignore what went on during the times of the Pharaohs. At that time, the political notions were enshrined and rooted, as it stems from that of good governance; the allegiance of the people and its satisfaction through their diverse professional activities, as it was unimaginable to find a citizen being unemployed and un-preoccupied.

This system of good governance, appreciated by the Greek scholars during their studies in Africa, turned out to be quite beneficial for the country. Greece sent out potential students overseas eventually, to spread the

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<sup>8</sup> cf: Discours sur l'Histoire Universelle, par Jacques-Bénigne Bossuet, évêque de Meaux, membre de l'Académie française, né à Dijon en 1627 et mourut à Paris en 1704 : depuis le commencement du monde jusqu'à l'empire de Charlemagne. Tome 4. Imprimé par l'ordre du Roi pour l'éducation de Monseigneur le Dauphin. Paris, 1784.

system of governance. Through the influence of its foreign policy beyond its borders, as well as the trade relationships maintained in this geopolitical sphere, as it goes on to ascertain that indeed, the political environment as shown, was but a factor that attracted not only aspirants, and notably the Greek scholars of the time, but also some warlords.

The ancient and well-known monuments were but the demonstration of an enlightened civilization through education, and we ought to learn and to continue to appreciate that that existed until present. For instance, the monumental Pyramids of Egypt are still there to witness for their own civilization, in spite of the undefined architectural speculations difficult to appraise, and the relative sophisticated technological knowhow in that era. At that time, prominent kings had a certain belief system, as though the existence is but a continuum deserving attention and the quest for the search for an eternal life-bearing facility embracing eternity without controversy, as this entails on how best to preserve and to embalm the death corps.

The process of embalming seemed difficult to perfect as at that time, but its efficacy had proved successful during the different periods of government at the time of the Pharaohs in Egypt and in Africa. Though forgotten, but the prints remain, where the Greek scholars, namely *Plato and many others*<sup>9</sup>, came to abreast with the lively civilization encounter, and were taught perfectly.

Nevertheless, these scholars returned to their city and became the promoters of a certain idea on government, as they linked this to the people to vociferate or to have an opinion on the issues affecting their daily living and an insight on political thinking and an awareness of the society in general.

They finally became what we call the societal enunciators out crying the issues of society and their probable remedies that a government supported by its people could search to implement. Governments must come and go, but the remnants and the bureaucracy should continue to exist in its subtlety, and hence the man is the political and social animal in perspective throughout the world. The lessons of good governance and the different learning cycles practiced by the citizens of Egypt, are but signs that education was equally an inspired pre-occupation in that same good governance its appreciation thereof, and more so, to the political environment of the Egypt.

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<sup>9</sup> Henry M. Field, "The Barbary Coast" New York, Charles Scribner's sons, 1893, P.182.

The Antique state of Egypt drew to itself such Greek scholars who learned lessons and went on to formulate a system of government and its making thereof, not quite far from what they perceived and studied. They perceived the role of people as paramount, as it became the focal point, the demos- the people- democratic- (government for the welfare of the people and for the people).

In other words, Africa's dynamism according to good governance, dated back to some centuries ago, as well as its contributive political notions, though hidden under the deserts, or pushed invariably to the age of political decay, for the emergence of a new setup of political governance. They are being utterly neglected in the contemporary writings, as well as in the international political analytical spectrum, but Nigeria's major role in these spheres has to assure a popularly elected government chosen by the people to continue to assure education as a priority and for the people's continuous progress.

The significance and the goal that the enlightenment of the people, through good governance and education, must not fail to exhibit the constant political continuum. This perpetual mission must be enhanced, as the educated people in the State of Nigeria will come to the understanding of the enacted constitution without any cultural barriers. At the same time, the people's rights have to refer constantly to the constitution and its prerogatives, even in the supreme court of Nigeria.

The political history of the continent of Africa did highlight certain unsettled cases studied affecting the people, etc. After having been examined by an existing bureaucratic cycle of Elders or the sage, they are brought to the attention of the king, upon whom further decisions are to be obtained with its due power and the execution of such decision<sup>10</sup>. This illustration mentioned by Bossuet, did disclose that the Kings in Africa ( ranging from Egypt ...and ...to the exercise of their political and trade influence, captivated and ruled indirectly other kingdoms, as Egypt did receive tributes from such kingdoms, and quite significantly, the kingdoms such as the Benin Kingdom and others etc.).

The economic viability of the ancient kingdoms, that later constituted the nations of today such as Nigeria, and, even when it became liberated from foreign influence, took the political path for an indigenous economic growth process. Education was earmarked by the policy makers of the

time, who, though with limited resources, have sought for the welfare of their people, to become knowledgeable citizens to be ruled, and in turn, to become the reliable human resource for the future. .... The remarkable statement of Bossuet was that as at that time, when the continent enjoyed the full aptitude of governance of its diverse people, the rulers tried to improve the conditions of their ruled people. Consequently, the existence of governing bodies with bureaucracies, which later became envied, and copied successively by foreign scholars, appeared along with the successive foreign interventions which did seek for their political collapse and decay.

The government of Nigeria's development plans of the past decades were but the fruits of the policies which never took into account the past heritage, and its corresponding benchmarking aspect in terms of education aspirations for faster growth. The policy concept seemed to look as if, it was empowered with a low patriotic spirit, as it did filled only the vacuum. This is the result of the different types of leadership the nation has thus experienced. The confidence building tools were set at the point zero, and the zeal to offset the old system was not forth coming, as it did weaken the education ministry. There was no visionary education policy in perspective clearly defining the mission, as a matter of fact, and had it been this proved to be the contrary, it should have illuminated the aspect of nation building paradigm, through the goals to be achieved by the nation.

The other aspect of the equation between education and political stability is the acute accuracy with which Nigeria's government educational reform policy can contain and sustain the decentralization process that already existed, with some form of necessary power. It should correspond to the maneuvering abilities of such state policies, along with the need for the progressive transformation with enthusiasm and zeal, in an attempt to meet up the ever-rising issues that affect endogenous development in process.

There is hardly anyone who can be counted responsible for such decay in the education system, compared to the period when Nigeria had proclaimed the unquestionable spirit of freedom and liberty inherent in every living creature on this surface of the Earth, and thus, liberated itself from the foreign hidden interests and strings. However, the need to maintain and to offer to its citizens a sound education supposed to take a new public policy dimension. It must take into account the National savings ratio and the national capital output, even when other emerged markets which are geographically well situated, by far smaller in size than Nigeria's market, had taken proper steps aimed at improving their education models.

<sup>10</sup> cf. Bossuet- universal history- ibid.

They have to meet the demands of their competitive edge-type of productivity through a variable and steady additional input of high technology, to emphasize on innovative aspects of the already existing entity of any product that Nigeria's engineers and scientists are able to nurture for the people.

This approach can only be obtained through a rigorous, but standardized, disciplined and patriotic spirit-filled mannerism taught to all potential Nigerian citizens in service. They are ready to enter into what I called the "techno-innovative-games gamble" that is before the nation, where at least the Nigerian researchers, scholars and students could voluntarily come to abreast with the many ups and downs related to modern technology and its upheavals, and so , to be part of such industrial revolution.

How much time and knowledge is needed for the Nigerian educational system to revamp itself from the woes, without pointing the finger at the centrally planned Federal education system? Is the decay in the Nigeria's education system linked to the inappropriate budget fueling the unknown population strata that was never exploited indirectly through the available statistical figures obtained at various college and university registration centers? We emphasize again that the Nigerian educational system presents the features for a faster growth through the economy of knowledge within its system, if the country monitors the results of its graduates who have so far accomplished their studies both internally and externally, even when it is utterly overwhelmed by, ipso facto, the inaccurate and poorly conceived political decisions in limbo.

Are these addressed political decisions aberrant in the outlook, if so why? Let us look at such intellectual features of Nigeria. Its kingdom never decayed totally, as no accomplished archeological studies have ever taken place in the Nigerian perspective and beyond. It has been appreciated in the past though, as a potential market by the Roman Empire before its own decay. If we compare it with what we read these days, that the nations, which constituted Africa, had never taken their responsibility of their existence, we could learn from *Jules Caesar's lamentations about Africa* and others, why the foreign trading companies never ceased to lose their anchor off the coast of Africa, as these never hesitated to visit this intriguing continent.

Nevertheless, Africa, which represents the grass-root and the beginning of civilization, with the early man<sup>11</sup>, and the

Nigerian educational system, whose role in Africa is to be reinforced to implement the strategically defined national plans, will continue to feed the foreign industries with its natural resources<sup>12</sup>.

They constitute an element of national power, and endogenously, this is equated as a viable asset. It that should enhance and promote the nation's ability to measure, and to verify the extent of its potentials, both variably and invariably, all in the quest for growth and the advancement of its people, with an emphasis on the preference of value added products.

The venture has to take into account the varied costs of the resource extraction, the cost of the land on which the extraction is made, the cost of labor, transport, and all other related ones. They will enable the Nigeria's engineers, scientists, technicians, and other managerial professionals to make valuable decisions and contributions towards the domestic economy of Nigeria, and the furtherance of investments, which can be envisaged, beyond its territory and for the welfare of the world.

However, it may sound quite ambiguous, but it is equally important to notice, however, that it sounds appropriate to infer that, even if, in an ever changing world market system, where the diverse political entities summersault for existence, it behooves that Nigeria and its education transformation paradigm has to be versatile, while maintaining the spirit of competition. Its market will be the last but the next to explode in its capacity. It is potentially and geo-strategically recognized that the country represents the biggest market in Africa, in spite of its struggle for a sustainable and viable democracy upheld by its people. This can take place thanks to the effort of the leader to make known to all the citizens, the adequacy and the knowledge of the constitution and its application thereof, as it would serve as a unifying dogma, and hence to be viewed as the checks and balances within the framework of the Federal Republic of Nigeria.

The country applies its constitution with checks and balances, wishing and deserving its rightful position at the United Nations. The Nigerian educational system, taking the course of its coming out of the decay, for very many other reasons not mentioned here, will take into consideration an important point. The pivotal point is represented by the missing connection that was supposed to be made with the average student family size, through which some preliminary collection of statistical data ought

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<sup>11</sup> Cf. Prof Yves Copens.

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<sup>12</sup> Cf. Prof Hans Morgenthau.

to have been made at variance, and at various intakes at the Nigerian colleges.

The Nigerian students enrollment procedures at university are but the missing moments thus envisaged in the reappraisal adventure for the budget structure in vitro, and probably, the mechanism that enhances the touch of the citizens by the invisible leadership specter. Thus, the governance in place participates in educating people, and adheres in the same way to the maintenance of the link between students and the center, through the system of variable student allocation allowances, as Nigeria's education system being able to implementing such pragmatic center-peripheral symbiosis in perfect correlation.

The Nigerian educational transition has to work out varied strategies to feed the bureaucracy, which have innovated themselves to take prompt decisions, taking part in the inner circuit policy management arena, and thus, representing a weapon for national strategic thought in a dynamic perspective for the nation.

This pragmatic collection of data and its dissemination in the interest and prospects of the National education upbringing policy, and through the information provided by the student, is a sort of geometrically variable and invariable viability, should this notion of future prospective education budget assessment in vitro comes to stand, and upon which other corrective measures can be applied. However, the data thus collected and the nourishing thereof are but varied procedures, which can effectively contribute towards the initial enactment of a prototype, and until the implementation of it, as this can serve as another social educative weapon.

In other words, the social educative weapon shall draw the people of Nigeria to come to terms with the authority as patriotic citizens. This is of pivotal importance even when its inconsistent bureaucracy needed transformation to inspire people far from taking a priori steps which would be a part of what the people of Nigeria will require in the long run, so that it becomes transparent progressively. A great role will be played by the ability of the reformed bureaucratic system to receive inputs, without bias, from the people in the policy formulation and its implementation. It is fundamental to maintain the specificity of the only binding force, Nigeria's constitution, being ready to preserve the connections from the center to the periphery, and thus, the rejuvenation of the immediate social environment, while keeping an eye on the decentralization effort.

The continuous pragmatic policy formulation ought to be empowered by that political will with zeal, under the auspices of the transformation of the Nigerian education system, which must also, by itself, proceed to the acquaintance and the understanding of the unforeseen future. The educational system is mirrored as an abstract image propelled by the students in the institutions, as the teachers, professors, who seem to have direct authority over them, and subsequently, the necessity to know the opinion of these professors, could only convey these thoughts.

## **NIGERIA'S EDUCATIONAL TRANSFORMATION & THE ROLE OF PROFESSORS IN THE SYSTEM**

The innate instincts made man to be that social and political animal of all times, as this is found in his continuous quest for achieving success through learning: this attitude has always prompted man to see himself as being able to maneuver all sorts of topical situations within which he is confined. Man is apt, thanks to his inner spirit, to assume such projected risks and responsibility, where these inherent instincts do propel him to accept the unforeseen challenges and circumstances presented. He is able to be operational concerning suitable solutions to be enacted or to be put in place that are capable to overcome and to contain, in spite of the existence of some light-spirited adversaries along the line of man's quest for accuracy, and in the course of his entire existence, which requires the acquisition of knowledge.

The educated elites must not ponder why the ancient philosophers went on borrowing from the Holy Scriptures. They either deformed what they understood through the selfish or iconoclastic approach of their lay interpretations, which they called philosophy, (the ability to present the suddenly deformed borrowed words and the eloquent vociferation thereof of such personal ideas that no man cares). Another version is the re-representation of what they seemed to comprehend, where apparently there was a hidden power they sought to acquire, in order to become different in society, in spite of ignoring the real essence of the Scriptures, as this knowledge, as simply stated, is but a gift, if only man is able to know.

Nevertheless, we identify in the Holy Scriptures, in the eleventh chapter of the second verse of the Book of Isaiah the prophet, which we thus read as follows: "And the spirit of the Lord shall rest upon him, the spirit of wisdom and understanding, the spirit of counsel and might, the spirit of knowledge and of the fear of the Lord"<sup>13</sup>. In the

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<sup>13</sup> ISAIAH 11:2.

first chapter of the Book of James in the Holy Scriptures, we come to understand that knowledge is a spirit, and a hidden power, that is freely given to man, if he asks but from the Lord that giveth only good and perfect gifts unto them that asketh, without having any element of doubt within the mindset<sup>14</sup>. This is read as thus, “If any of you lack wisdom, let him ask of God, that giveth to all men liberally, and upbraideth not; and it shall be given him. Nevertheless, let him ask in faith, not wavering. For he that wavereth is like a wave of the sea driven with the wind and tossed.” “Every good gift and every perfect gift is from above, and cometh down from the Father of Lights, with whom is no variableness, neither shadow of turning”.

The focal point that should draw our attention concerning knowledge is but the acceptance some writers often enhanced, the allusion of that questionable thought which bears its finality in itself, rather than the acceptance of the fact that knowledge flows as a river meant to overflow<sup>15</sup>, irrespective of whatsoever thought an acclaimed knowledgeable elite might think. In this frame of thought, he addresses such peripheral lamentations to society, in spite of the diversity of cultures and civilizations, as we are intertwined geopolitically. The reason why the dissemination of an inherent thought could become tangible to such an extent, is what has drawn our reflection. The scope of the benchmarking procedure, illustrated by Francis Bacon, brought to everyone’s perception the need to communicate through the varied approaches available to humankind, in any given political proximity. All this is in the name of the constant innovative measures that education, even in the case of Nigeria’s transformation processes, to the furtherance of man understanding man in his totality.

However, Francis Bacon who studied at university in England, whose institutions practically came into existence, thanks to the Church of England out of which emerged the varied colleges approved by the reigning king, was conversant with this Biblical verses, as he came to comprehend the essence of the powerful word, and went on to give credit to human knowledge. Man must surface at birth and the space where the man-child was raised and nurtured for the furtherance of societal values, as he has to contribute in return.

Francis Bacon’s demonstration of the pre-eminence of Knowledge as an absolute power, although derived from the Holy Scriptures, in Isaiah 11:2, holds in its reality, as the world saw the growth of the Universities of Harvard,

Sorbonne, and many other institutions of the past, with respect to their varied allegiance unto the “disputed Church,” and its underpinning allegations. The Church failed to demonstrate the undisputed truth as far as the Word of God is concerned, whose only preoccupation was the dissemination of ‘the Word that was made Flesh, and dwelt among us (and we beheld his glory, the glory as of the only begotten of the Father,) full of grace and truth.’<sup>16</sup>

Knowledge is peace bringing to bear the joy of unquantifiable steadfastness of the inner-man. Only an integrated man would tend to recognize how priceless it is, what a tremendous gift from above, which cannot easily be found in a man in conjuncture with his environment. When thus the professionals in Nigeria, and more precisely, the professors, teachers, researchers in the educational context, have acquired it presently, it behaves as an osmotic membrane in a society. Juxtapositions and fixations are bound to reinforce knowledge, while mysteriously entering into a cycle of concerted nations, ambitious as Nigeria’s educational system. Although it is a hard task for an endogenous development, the researchers must realize that what they have acquired within them becomes meaningful only when this is transmitted or imparted to the citizens who have enrolled in institutions, colleges and universities. It is relevant when it participates in the reactivation of the fruits thereof, if the students received with much appreciation what they absorb meaningfully for their own personal development and for the society as a whole.

Bacon has earmarked that knowledge is an absolute power, but the re-appropriation of such distinct power lies in the personality of each one, in a geographically determined environment as well as how the immediate environment offers to the solitary man. Should he be perceptive, attentive, and ready to discern and to comprehend the entire mechanism explaining why man is on Earth.

There lies the explanation of the corresponding attributes that man is bound to acquire through the journey he is entitled to make bearing an end in itself. It should happen without the interfering negative impulses or forces attracting or preventing man from his discovery of how he can contribute towards the desired progress, even when knowledge is meant to pass on from one man to another. This is due to the assimilation of the infused thought in

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<sup>16</sup> Cf st John 1:14+1 Timothy3:16 “And without controversy great is the mystery of godliness: God was manifest in the flesh, justified in the Spirit, seen of angels, preached unto the Gentiles, believed on in the world, received up into glory”.

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<sup>14</sup> Cf. James 1:5-6; 17  
<sup>15</sup> Genesis

man by the neurons in the human brain, as the sudden creative force in man ponders to perform, through the dynamism, which we see as a spectacular entity that is unknown. This dynamism can be seen as the ability of a learned scholar/ student to perform and transcribe through imagination. Or it can materialize itself in the presentation of an hypothesis, which, without envy, could tantamount to the discovery of man himself in a certain environment, where he is part and parcel, and to maintain the journey in a constant interaction, irrespective of the notions acquired initially, or recently by man in that same milieu.

In other words, the possession of expertise or knowledge, thus acquired by prominent teachers, and professors in the learning environments, and especially in the institutions and the universities in the Nigerian context, is but an

atout, an asset upon which the Nigerian transition in the field of education could possibly rely. They know where the shoe pinches, in terms of how best to appraise certain missing elements concerning the nurturing, the numerical tutoring aptitude and the re-designing of the contents of the various course syllabus in their distinct fields of specialization.

All these pivotal points, once sorted, would attract dynamic scholars/students. Their aspirations are geared towards the continuous apprehension of what is new for their self-development in society, where they are bound to become potential actors and consumers, for the well being of the growing economy, that also learns how and when to contract and to expand for the benefit of the citizens.



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**MODERN TRENDS OF THE GLOBAL E-COMMERCE MARKET**

**Abstract**

*The paper provides the overview of the current state of e-commerce market through the global and regional perspective. The study examines the key trends, tendencies and prospects of the global e-commerce market as well as some regional and national markets. It defines the market leaders as well the basic segments of the modern e-commerce market.*

**Key words:** e-commerce, ICT, B2C sector, e-commerce market.

The rapid development of ICT in the XXI century opens the additional opportunities for economic development of the global and in local e-commerce market. The usage of the modern information technology and business systems ensures the sustainable development of the various industries as well as the economy as a whole. Realizing the benefits of doing business with the use of ICT, more business entities modify channels moving to the e-commerce market. In fact, e-commerce market shows growth in volume and geographical coverage, occupying the increasingly important place in global scale. The analysis of the current trends of the global and regional e-commerce market will help to identify the common trends as well as the prospects for the further development.

The goal is to review the current trends of the global and regional e-commerce market as well as identify the prospects of the Ukrainian e-commerce market.

According to UNCTAD, in 2013 the volume of transactions in B2B sector of the electronic commerce market exceeded 15 trillion. USD, while more than three quarters of this sum came to the markets of the US, the UK, Japan and China. [1]

In 2013 Global transactions of e-commerce market in B2C are estimated as 1.2 trillion USD., which is quite below the same indicator in the B2B segment. However, B2C segment is characterized by the most dynamic growth, particularly in developing countries, including most countries in Asia and Africa. In 2015, China is

supposed to be the largest global e-commerce market in the B2C sector based on the number of network customers and the produced revenue. According to the UNCTAD analysts' forecasts, the region's share of sales in Asia and Oceania in the B2C sector will grow from 28% to 37% during 2013-2018 period. In addition, there is predicted the slightly increase in the share of the Middle East and Africa, i.e. from 2.2% to 2.5%, and the decrease of the total share of sales in the Western Europe and North America, i.e. from 61% to 53%. These forecasts make it possible to conclude that the e-commerce in the B2C sector of developing countries (especially Asian) is supposed to be the most promising. [2]

The development of ICT is supposed to be the key driving force for the e-commerce market growth. The changes in ICT expand horizons for doing business in developing countries. For example, in 2014 the value of the IPO of Alibaba Group at the New York Stock Exchange was estimated as to 25 bln. USD. [3] The same year, the African online retailer Jumia, which is the part of the African Internet Group, expanded its activities in Kamrun, Ghana and Uganda, adding them to the existing territorial coverage in Cote d'Ivoire, Egypt, Kenya, Morocco and Nigeria. [4] The actions of Alibaba and Jumia illustrate the growing importance of developing countries in the process of e-commerce market transformation.

In 2014 in the countries of G-20, the annual spending of the consumer e-commerce market is about 1,430 USD

per person (4.4% of an average GDP), while the e-commerce market of the developing countries opens up the new business opportunities. For example, the implementation of payment decisions (Alipay in China, JamboPay in Kenya), e-commerce platforms (MercadoLibre in Latin America and ZOOM in Tanzania) and innovative logistics (shipping on scooters in Vietnam).

The e-commerce market is characterized by the impact of globalization, which is manifested in the increase of the cross-border sales. One of the markers of a transnational e-commerce market growth in B2C segment implies the increasing number of the international mail packages and small parcels, i.e. the 48% of growth from 2011 to 2014. During this period, the share of developed countries as senders declined from 70% to 60%, indicating the increasing role of the developing countries in the international trade as well as the e-commerce market. Nevertheless, the developed countries and regions of Asia and Oceania show the most active performance in the international trade. [2]

There is the growing number of companies that offer global solutions and services that are well adapted to the local conditions. Based on the revenue rate, the largest companies include Amazon.com (United States), JD.com (China), Dell.com (United States) and Jia.com (China). The global platforms provide the individuals and small businesses the opportunity to offer their products and services from the Internet: for example, the group "Alibaba" (China), «eBay» (United States) and «Rakuten» (Japan). In 2013 Alibaba Group showed the largest rate of the gross revenue in the world's market of electronic commerce, being followed by «Amazon» and «eBay».

The global e-commerce platforms, such as «Amazon», «eBay», «Alibaba» and «OLX», provide business solutions for many small businesses, including the opportunity to simplify the conditions for access to the international markets, logistics and financial operations in the domestic and international markets. However, in the developing countries the dealers do not always have the same level of access to the abovementioned services. For example, only Indian dealers can register as a dealer to «Amazon». In «eBay» users can register to sell their products in 24 member states of the United Nations, including nine developing countries. The abovementioned asymmetric access creates the additional barriers and restrictions to the further efficient globalization of the electronic commerce market.

However, the new market players offer solutions that take into account the specifics of the local markets of the developing countries. The lack of global platforms provides the opportunities to fill such vacuum by the local players. Thus, in Africa to the south of Sahara the trading platforms have been adapted for the usage with the mobile devices, while in the less developed countries of Asia such as Bangladesh and Cambodia, the new online platform exclusively target only the domestic market.

It should be mentioned that the definition of the indicators of the global and regional e-commerce markets is complicated due to the lack of the official statistics in a number of countries. The comprehensive information regarding the market size is available only in the most developed countries. Thus, the analysis of the existing information leads to the conclusion of the dynamic growth of e-commerce market is especially evident in developing countries, particularly in Asia.

B2B sector is supposed to be leading in terms of total revenue in the global e-commerce market. For example, in Canada the income of B2B sector implies 64% of the total income of the e-commerce market, while in South Korea the figure reaches 91%, in Russia - 57%. This trend is explained by the widespread use of ICT in B2B trading activities. [2]

However, the growth of B2B sector is not as high as in the B2C sector. For example, the share of the B2C sector in the US grew from 2.6% in 2002 to 4.5% in 2012. It means that the B2C sector grows three times faster than B2B sector. Table. 1 shows the 10 leading countries in the number of online shoppers in the world, based on data received from the national statistics and official data of international agencies such as Ecommerce Europe. According to the unofficial statistics, India is also included into the list.

As for Ukraine, according to Ecommerce Europe, it is among the top 5 leading European countries in terms of the market growth in 2014. In fact, in 2014 the Ukrainian market growth was estimated as 21.6% compared to 48% for the relevant period in 2013 was. However, the general market growth rate in Europe and Ukraine is characterized by the slowdown. [5] The abovementioned trend is caused due to the unstable economic and political situation in the country, the devaluation of the national currency, which led to the decline in the purchasing power of the population as well as the partial loss of markets (temporarily occupied territories) etc.



**Table 1**

**The revenue in the top 10 countries on B2C market (based on the largest online customers 2012-2013) [2]**

Country	B2C Turnover		The number of online shoppers		Source
	2012-2013 (bln. USD)	In percentage to total B2B market	The number in millions of people	Average cost per 1 buyer (USD)	
China	301	18,5	271	1111	Ministry of Commerce
USA	263	4,7	133	1975	Bureau of Census
Japan	119	5,3	55	2171	Ministry of Economy, Trade and Industry
Germany	52	4,5	33	1593	Federal Ministry for Economic Affairs and Industry
United Kingdom	144	5,2	30	4874	Interactive media in retail group
Russia	13	14	20	662	Ecommerce Europe
South Korea	22	2,2	19	1195	KORSTAT
France	68	12	18	3688	Fédération du E-commerce et de la Vente à Distance (Fevad)
Brazil	14	n/a	14	1045	Associação Brasileira de Comércio Eletrônico
Canada	19	11,9	13	1679	Statistics Canada
<b>Overall top 10 countries</b>	<b>1016</b>	<b>8,1</b>	<b>605</b>		
<b>The volume of global B2C sales in 2013</b>	<b>1233</b>				Emarketer

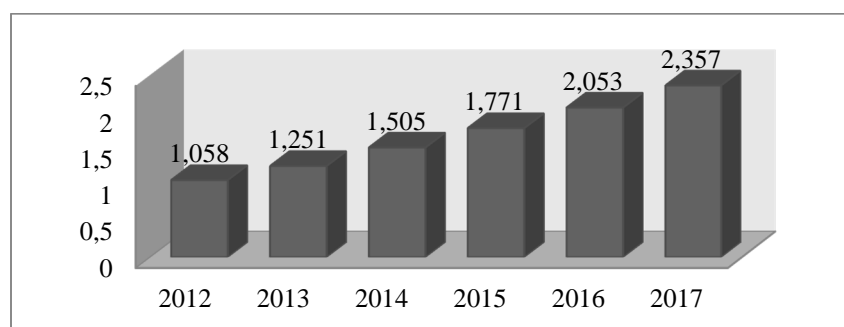
The research results lead to the conclusion that China's B2C market is leader based on the number of customers and sales volumes in the segment. Such trend is caused by the capacious market, the development of ICT in the region and the presence of prospects and focus on the cross-border selling of goods.

However, in terms of cost per buyer, France and the UK belong to the leaders, which is supposed to be the result of the significantly higher level of per capita income and the general living standards in these countries.

According to Emarketer, the abovementioned 10 countries accumulate 82% of the total e-commerce market revenue in the B2C sector. These same countries generated revenue of 12.5 trillion dollars in the B2B sector in 2012-2013. The analysis conducted by

UNCTAD experts allowed to conclude that the share of the US market turnover in e-commerce in the B2B segment accounts for about 36%, while the turnover of the UK implies 18%, Japan - 14%, China - 10%.

According to Emarketer, in 2015 the projected market growth of electronic commerce in B2C sector reached 20.1% (the estimated market turnover of 1,5 bln. USD.). This trend is caused by the growing number of the online and mobile users in the emerging markets, the increasing number of transactions carried out through mobile devices, improving delivery systems and payment, as well as access to the market of international companies in developing countries (Fig. 1).



**Fig. 1. Turnover in the B2C sector of the global e-commerce market in 2012-2017 (bln. USD)<sup>1</sup>. [6]**

<sup>1</sup> Includes products and services (including tickets) ordered through the Internet using any of the abovementioned devices, regardless of the payment method.

According to Emarketer, the Asia-Pacific region is characterized by the fastest level of development. In 2014, it became the largest regional market for electronic commerce in the world (Table. 2). In 2015, the expected turnover of B2C sector of the region is forecasted to be 525.2 billion USD, which is 8.8% more

than in the regions of North America. The largest national markets of e-commerce in the region belong to China, which accounts for over 60% of sales in the region, as well as India and Indonesia [6].

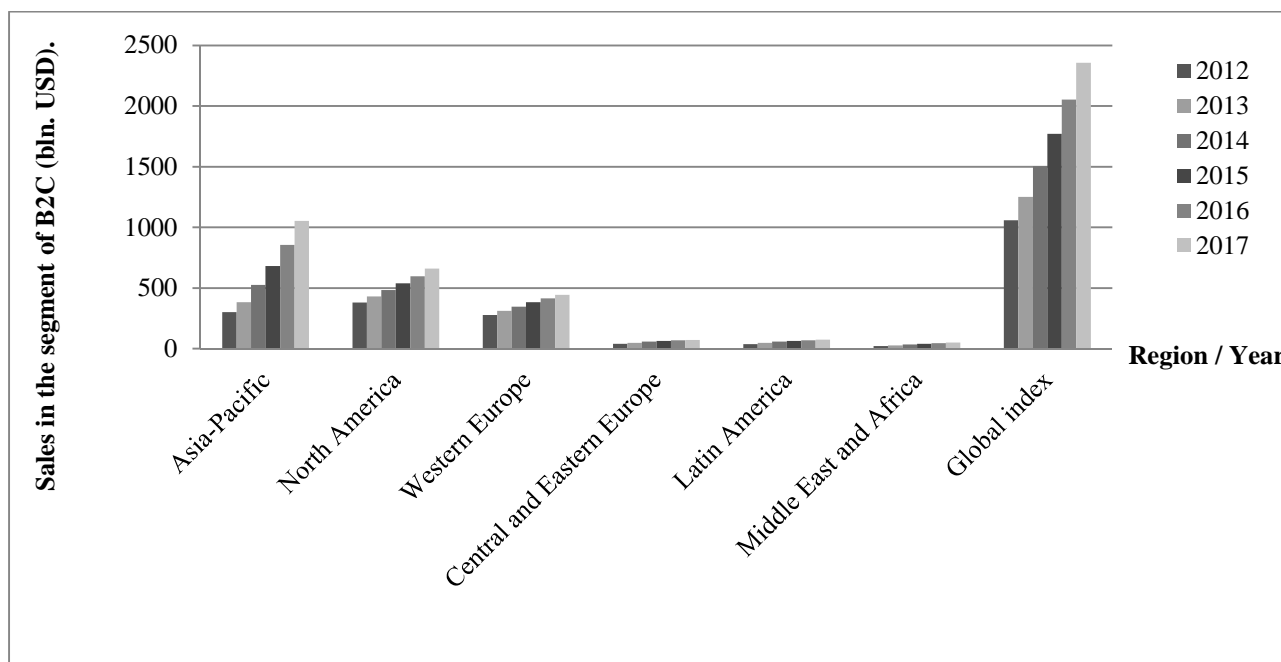
**Table 2**

**The sales in the global e-commerce market in the B2C sector (bln. USD) [6]**

Region / Year	2012	2013	2014	2015	2016*	2017*
Asia-Pacific	301,2	383,9	525,2	681,2	855,7	1052,9
North America	379,8	431,0	482,6	538,3	597,9	660,4
Western Europe	277,5	312,0	347,4	382,7	414,2	445,0
Central and Eastern Europe	41,5	49,5	58,0	64,4	68,9	73,1
Latin America	37,6	48,1	57,7	64,9	70,6	74,6
Middle East and Africa	20,6	27,0	33,8	39,6	45,5	51,4
Global index	1058,2	1251,4	1504,6	1771,0	2052,7	2357,4

The sales in the markets largely depend on the number of consumers switching from offline to online markets. According to Emarketer, Asia-Pacific region accumulates about 46% of online shoppers in 2014, representing 16.9% of the population, while in the Western Europe and North America more than 50% of consumers make purchases using digital channels.

According to the dynamics of sales in the B2C sector of e-commerce market Asia-Pacific region occupies the leading position (Fig. 2). The slow growth is demonstrated by North America and Western Europe, which is caused by the market saturation.



**Fig. 2. Sales of the global e-commerce market in the B2C sector (bln. USD)\***

\* Based on [6]

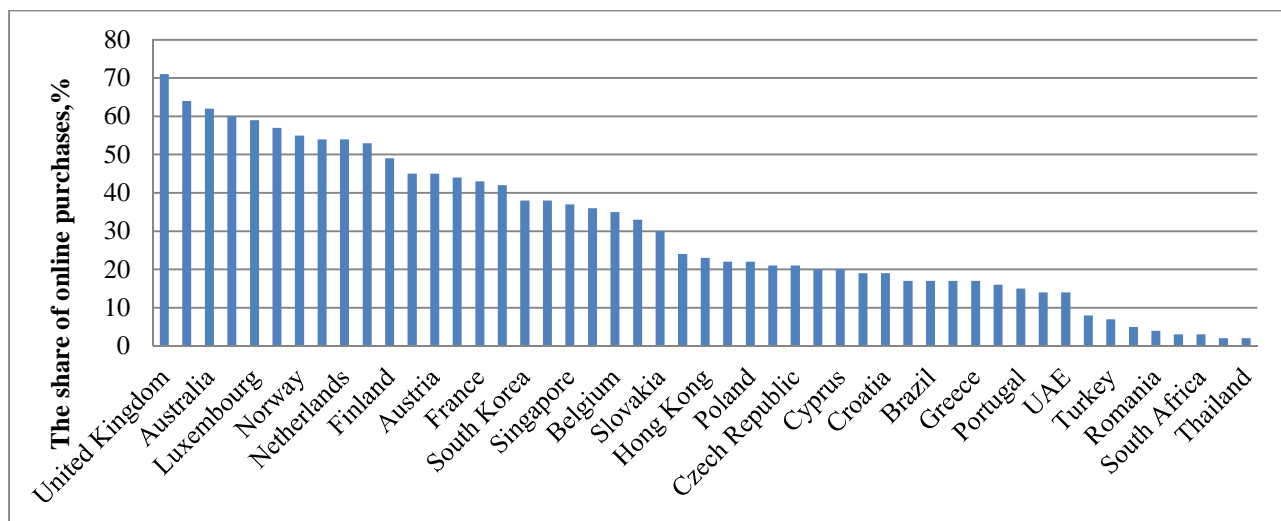
Market research conducted by Emarketer confirms that it the developing countries show the highest rates of e-commerce market growth (Table. 3).

**Table 3**

**The dynamics of e-commerce market B2C sector turnover in 2012-2017 [6]**

Country / Year	2012	2013	2014	2015	2016	2017
China	97,7%	78,5%	63,8%	43,3%	34,4%	29,4%
Indonesia	85,0%	71,3%	45,1%	37,2%	26,0%	22,0%
India	35,9%	34,9%	31,5%	30,3%	24,5%	20,0%
Argentina	31,1%	6,3%	24,0%	18,0 %	12,0%	10,0%
Mexico	55,8%	41,9%	20,0%	14,5%	10,0%	5,0%
Brazil	21,8%	16,5%	19,1%	8,5%	6,9%	6,0%
Russia	34,4%	19,4%	17,1%	10,8%	6,9%	5,2%
Italy	17,0%	16,8%	15,3%	13,5%	12,0%	10,6%
United Kingdom	14,5%	16,3%	14,2%	12,2%	9,2%	8,2%
Canada	15,2%	14,2%	14,0%	13,5%	12,5%	11,5%
Spain	10,0%	10,0%	13,8%	11,9%	10,0%	8,0%
Sweden	18,4%	16,2%	13,3%	10,3%	9,0%	8,4%
USA	14,2%	13,4%	11,8%	11,4%	10,9%	10,4%
Norway	14,9%	12,7%	11,0%	10,8%	8,1%	7,2%
Denmark	14,3%	12,4%	10,6%	8,9%	6,5%	5,9%
France	32,3%	10,3%	10,0%	9,8%	7,6%	7,1%
Netherlands	12,7%	11,4%	9,4%	8,4%	6,3%	5,3%
South Korea	12,7%	9,6%	7,4%	4,8%	4,3%	3,6%
Germany	25,6%	5,7%	7,4%	6,9%	6,5%	6,1%
Japan	12,3%	-10,2%	7,1%	6,7%	5,6%	5,0%
Australia	10,5%	6,0%	5,7%	5,1%	5,0%	4,2%
Finland	4,3%	4,4%	3,7%	3,2%	2,7%	2,5%
Global index	22,3%	18,3%	20,2%	17,7%	15,9%	14,8%

However, according to UNCTAD, the UK, Australia, Luxembourg, Norway, Netherlands have highest share of the consumers who make purchases online among the developed countries. This is caused due to the higher levels of ICT development and income levels (Fig. 3).



**Fig. 3. The proportion of consumers who make purchases online in 2013<sup>1</sup> [2]**

<sup>1</sup> Based on Eurostat, ITU and national statistics data

The total number of online consumers is supposed to be the highest in Asia and Oceania, as they belong to the most populous and fastest-growing in the region (Table. 4). However, the developed regions of Western Europe

and North America occupy the leading position in the share of online consumers in the general amount of population.

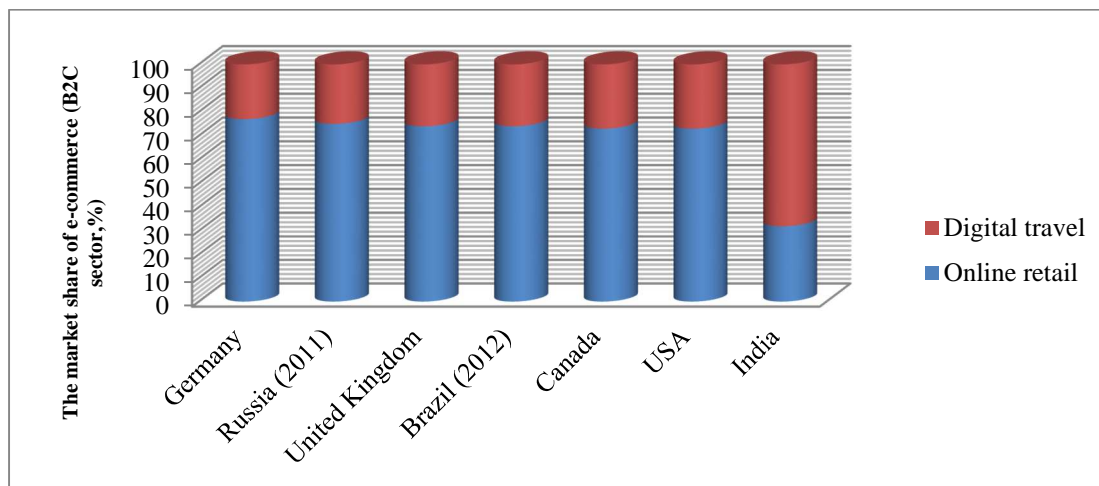
**Table 4**

**The number of online consumers globally and by region (figures from 2013 projected to 2018) [2]**

Region / Year	The total number of (mln. people)		Growth (%) 2013-2018	The proportion of online consumers as of 2013 in:		
	2013	2018		the global number of online shoppers (%)	total population	the number of Internet users
<b>Asia and Oceania</b>	460,3	782,4	70	42,6	14,9	42,1
<b>Western Europe</b>	182,3	210,2	15	16,9	49	64
<b>North America</b>	172,3	203,8	18	16	59,7	72
<b>Middle East and Africa</b>	93,6	170,6	82	8,7	7,1	31,3
<b>Latin America</b>	84,7	139,3	64	7,8	18,6	28,2
<b>Central and Eastern Europe</b>	86,4	117,4	36	8	24,1	41,6
<b>The world in general</b>	1079,6	1623,7	50	100	15,2	41,3

The B2C sector of e-commerce market includes the two key segments (Fig. 4): online retail and «digital travel» (purchase tickets for planes, hotel reservations, etc.). Analyzing value data segments in countries with

different levels of development, it should be noted that, in most of the developed countries surveyed online the retail share is much higher than that of the «digital travel». The same situation is seen in Brazil and Russia, while India's share of sales of tickets and hotel exceeds the online retailing rate.



**Fig. 4. The sales in the e-commerce sector in the B2C segment (in 2013 or the latest year for which data are available). [2]**

The analysis of the online retail of the abovementioned regions allows to reach the following conclusions (tab. 5):

1. The consumers from Asia and Oceania are supposed to be the most active. 20% of respondents performed the purchases for the last 6 months in each of the segment. The peculiarity of this region implies the significant share of purchases in the pets care, food and toys segments.
2. In North America, 33% of online buyers shop for videos and games, while 21% buy flowers. The abovementioned rates are supposed to be the highest in the segments in the regional context.
3. The quite large proportion of online purchases in each of the regions is devoted to "Clothes, footwear and accessories", "Electronics", "Tours and Hotel reservation", "Buying tickets on planes", "Mobile Phones", "Computers Hardware", "Books", "eBooks", "Video and Game", "Cosmetics".

**Table 5**

**The shopping structure of B2C segment (research for 6 months 2014, %)\***

Product	Asia and Oceania	Europe	Middle East and Africa	Latin America	North America
Apparel, Shoes & Accessories	57	34	26	28	42
Electronics	41	25	26	29	30
Tours and Hotel reservation	53	33	35	32	43
Buying and booking tickets for planes	59	34	39	36	43
Mobile Phones	44	22	28	27	22
Tickets for cultural events	50	33	28	31	35
Computer Hardware	36	23	25	20	29
Books	50	30	22	24	31
Software	33	19	27	18	27
Electronic books	43	22	29	23	35
Sporting Goods	42	19	20	19	21
Music	33	19	21	19	30
Videos and games	32	21	23	21	33
Makeup	43	21	19	20	21
Hair-care	41	17	18	14	16
Food	41	14	15	11	14
Toys	40	16	18	17	24
Cars, Motorcycles and Accessories	20	13	16	11	15
Pet	40	15	14	11	19
Children Goods	29	12	16	11	12
Flowers	21	11	16	10	21
Alcohol	25	9	11	8	10

\* Based on [7]

Assessing the benefits of doing business in the e-commerce market, the international retailers are trying to move the economic activity from offline to online. The most famous are companies such as Apple, Dell, Wal-Mart (USA), Otto (Germany), Tesco (UK), Casino Guichard-Perrachon (France). [8]

Much of the global e-commerce market is controlled by the relatively small number of international companies: the 10 largest companies in the regional markets control from 37% to 86% of the market (tab. 6). Therefore, the e-commerce markets of the United States, Asia, Latin America can be viewed as oligopolistic as the 10 largest companies control more than 50% market share.

**Table 6**

**The largest Internet retailers (USA, Europe, Asia, Latin America)\***

Region	USA, 2013	Europe, 2013	Asia, 2012	Latin America, 2013
1	Amazon.com (USA)	Amazon.com (USA)	Alibaba Group (China)	B2W Digital (Brazil)
2	Apple (USA)	Otto (Germany)	Rakuten (Japan)	Nova Pontocom (Brazil)
3	Staples (USA)	Staples (USA)	360Buy.com (China)	SACI Falabella (Chile)
4	Wal-Mart (USA)	Home Retail Group (United Kingdom)	Amazon.com (USA)	Wal-Mart Latin America (USA)
5	Sears Holdings (USA)	Tesco (United Kingdom)	Suning Commerce (China)	Netshoes (Brazil)
6	Liberty Interactive (USA)	Apple (USA)	Jia.com (China)	Máquina de Vendas (Brazil)
7	Netflix (USA)	CDDiscount.com (France)	eBay (USA)	Dell (USA)
8	Macy's (USA)	Tengelmann (Germany)	51Buy.com (China)	Amazon.com (USA)
9	Office Depot (USA)	Shop Direct Group (United Kingdom)	HappiGo (China)	Magazine Luiza (Brazil)
10	Dell (USA)	Sainsburys (United Kingdom)	Vamcl (China)	Saraiva e Siciliano (Brazil)
Share (%) of the top 500 retailers in the region	52%	37%	86%	51%

\*Based on [9]

In 2012, the majority of the leading e-commerce market business entities in terms of gross sales are registered in the United States (Table. 7). Thus the gross income of the Chinese Alibaba Group is twice as large as the

revenue of Amazon, while only 4.1 bln. USD of revenue is made from the online sales.

**Table 7**

**The rating of online retailers in terms of total sales in 2012 (bln. USD)\***

Company	Country	Gross sales	Revenue from online sales
Alibaba Group	China	170	4.1
Amazon	USA	87.8	61
eBay	USA	67.8	14
Staples	USA	11	11
Rakuten	Japan	15.8	4.7
Wal-Mart	USA	10	10
Netflix	USA	3.6	3.6
BestBuy	USA	1.7	1.7
Kohl's	USA	1.4	1.4
Target	USA	1.4	1.4

\*Based on [10]

The study of the current state of e-commerce market in the world as a whole and for individual regions could generate the following conclusions:

1. Asia and Oceania region are supposed to be the undisputed leaders in the B2C sector of e-commerce market in the terms of turnover. The abovementioned is caused by the rapid development of the market in China, India and Indonesia. The e-commerce market of North America and Western Europe is characterized by the slight decrease.
2. The developing countries are supposed to be the most promising in terms of the e-commerce development. Asia and Latin America with a large population and high opportunities for further ICT development as well as the usage of Internet technologies in the commercial sector belong to the most perspective.
3. The North America and Western Europe belong to the regions with the highest share of Internet users in the total population due to the high purchasing power of the population and the development of ICT.
4. Analysis of the structure B2C sector in the e-commerce market shows that the most active consumers are in Asia and Oceania. 20% of purchases are carried out in each of the declared product groups. The quite large proportion of online purchases in each of the regions is

devoted to "Clothes, footwear and accessories", "Electronics", "Tours and Hotel reservation", "Buying tickets on planes", "Mobile Phones", "Computers Hardware", "Books", "eBooks", "Video and Game", "Cosmetics".

5. At the regional markets of Europe and Latin America as well as domestic market of the US are controlled by the 10 largest companies, which control more than 50% of the market, indicating the presence of the oligopolistic competition.
6. The majority of the world's leading businesses of the e-commerce market in the terms of gross sales are registered in the United States.

Taking into account the specifics of the globalization processes, the following steps are recommended to assure the further growth of the Ukrainian e-commerce market:

1. The stabilization of the economic and political situation in the country;
2. The attraction of the additional investments into the market infrastructure;
3. The creation of the favorable tax conditions for the businesses;
4. The adjustment of the national legislation to the EU Directives as well as the Ukraine-European Union Association Agreement and potential prospects of Ukraine as the EU member state.

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## ANALYSIS OF THE REGIONAL DEVELOPMENT INSTITUTIONS FROM THE REPUBLIC OF MOLDOVA

### **Abstract**

*This article presents the findings of the fieldwork, particularly focusing on the following institutions: the Regional Development Agencies (RDAs), the Regional Development Councils (RDCs), the Ministry of Regional Development and Construction (MRDC) and the National Co-ordination Council for Regional Development (NCCRD) from the Republic of Moldova. The main question asked was how well these institutions currently perform and what could be done to improve the implementation of regional policy in order to reach the objectives outlined in the country's legislation on regional development (RD). In order to obtain a broader view on the institutions' activities, bodies at all levels are analysed. Each section focuses on a particular institution. It discusses its mandate and tasks as derived from the legislative framework then discusses strengths, weaknesses identified from the fieldwork. Based on an analysis of the interviews, options to improve development outcomes are identified.*

**Keywords:** *institution, regional development, public procurement.*

### **1 Background on RD in Moldova**

Regional development is relatively young policy and to date no evaluation work has been done. However, several articles and reviews have raised some initial questions regarding the institutional framework [13]. For example, a DFID review of Moldova's regional development legal framework analysed the roles of the RD institutions and the relationships between them, and the roles of ministries and departments in implementing RD policy. In addition, a donor funded trainings needs assessments [14] undertaken in 2010 identified a number of issues. But the fieldwork undertaken for this article constitutes the first attempt to identify the main RD institutions' problems and options for improvements based on interviews with the key stakeholders involved in implementing the country's RD policy.

The legal framework related to the RD institutions derived from the 2006 Law on regional development [16] and, later on, a set of subsequent framework regulations [7], passed in 2008, covering each institution. The most important policy document covering the sector is the National Strategy for Regional Development (NSRD), the main strategic planning paper for RD policy and defines the tools and

mechanisms, and an action plan for achieving them. As clarification, meanings and steps of implementing the policy, laws, government decisions, regulations and Minister's orders are approved and used as legal base. The design of Moldova's RD institutional framework was initiated through a series of three technical assistance projects (TACIS) supported by the EU that helped elaborate the concept and legal framework. Subsequently, the RoM has received support from a range of other additional European development partners to roll out RD policy.<sup>1</sup>

It is important to highlight that development regions are not territorial administrative units. In Moldova there are two levels of local administration: districts (*rayons*) and communities (*primarias*). Because of the small size of

<sup>1</sup> The main additional assistance for RD policy has been provided through: the "Moldova: Cooperation in Regional Development" project, jointly financed by the Department for International Development of the United Kingdom (DFID) and the Swedish Agency for International Development; the "Modernisation of Local Public Services" and "Regional Planning and Programming" projects financed by the German Federal Ministry for Economic Cooperation and Development, SIDA, the Romanian Ministry of Foreign Affairs and managed by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and by an EU Twinning Project with the MRDC.



the *rayons* there has been a fragmentation of projects in the past. Moldova's development regions were set up to address this problem. Nevertheless, the RD concept is still partly understood and competitiveness between *rayons* represented on the RDCs has led to the initiation of small projects (sometimes of poor quality) with little regional impact. Local authorities (*rayons* and *primarias*) lobby for their projects at the national level, to the political leaders from the same party they represent, in order to be selected for funding.

The central funding for RD is channelled through the NFRD and is allocated through "calls for proposals". This is a commonly used mechanism in the EU where public institution's bid for funding from a central source. As a result of the two calls for proposals in Moldova for NFRD (2010 and 2012), the implemented RD projects were aimed at improving physical infrastructure with less emphasis on activities to directly support growth and entrepreneurship. The main reason identified for this allocation of NFRD resources was that applicants for the calls for proposals are usually political elected district representatives and by building or repairing physical infrastructure in the localities they represent, they will increase their political chances at subsequent local elections. Moreover, soft projects to support private sector development are more complicated to design and local authorities lack the expertise for this. Financial flows determine the nature of this relationship. Money that comes from the state budget is transferred from national authorities to the RDAs and this reinforces the subordination and strict control of RD institutions by the MRDC.

The last two calls for proposals (in 2010 and 2012) were held without a clear strategic view of what the projects would contribute to the region. However, with the creation of strategic regional sector working groups in the early 2013, the coordination of policies and cooperation of actors within the region with respect to specific sectors (water, solid waste management and energy efficiency) has started to take place at a pilot level. At the same time, RDAs have begun to shift their role from deliverers of policies and services to coordinators of development activities and are making progress with the beginning of a new regional sector planning process.

According to the law on RD in Moldova, the RDAs are mandated to implement the RDSs and ROPs in their respective regions. The law sets out the RDAs' tasks, which should focus on ensuring the implementation of RD strategies, plans, programmes and projects; monitoring, evaluating and reporting their implementation to the higher authorities; attracting non-budgetary resources for the implementation of RD policy; offering support and consultation to RDCs and LPAs regarding the balanced and sustainable

development; stimulating the cooperation of regional actors with civil society for the development of the region; and, providing secretariat work on behalf of the RDCs.

In spite of the fact that RDAs are young institutions they have played an impressive role and worked well. They have shown themselves as important bodies in helping the development of the regions. In a short period of time since they were created, RDAs managed a significant amount of money and proved to be multifunctional bodies. Although they have not started yet working properly on targeting directly the problems of local and regional economic development, indirectly, most of the activities target this goal, as the rebuilding of physical infrastructure will contribute to the revitalisation of the economy.

## 2 Survey findings

### 2.1 Shortcoming identified within the Regional Development Agency

#### 2.1.1 Public procurement

Several threats endanger the RDAs' future. Under the current RD legislation, all public procurement for projects financed from the NFRD must be undertaken by the RDAs themselves as opposed, for example, to the originators of the projects (like the *rayons* and *primarias*). As a result, RDAs are becoming bureaucratized institutions, inundated with administrative rather than strategic and network building tasks. There was a widespread view among the interviewees that the RDAs are overwhelmed with public procurement, project implementation and management tasks instead of focusing more on good monitoring, strategic thinking, and more direct interaction with local communities and LPA representatives in order to identify and develop project needs. However, for the MRDC and bilateral donors it is easier to monitor the public procurement activity for three RDAs than for the around 900 LPAs. Thus, the MRDC makes sure that activities that require financial resources are undertaken according to the correct legal standards and procedures and will not be later on open to criticism by the Court of Accounts, NGOs or donors. Moreover, currently, RDAs have better capacities to perform tasks like procurement.

The public procurement task is one of the most discussed and debated issues. This is determined by the fact that, first, it occupies much time of the RDAs' staff and, second, LPA authorities are not involved in project implementation, so their role is limited to designing and submitting project proposals within the Call for Proposals announced by the MRDC and to receiving assets from the RDA when the project is finished. Amongst the other important problems that were raised by interviewees regarding this task were: alleged

corruption, embezzlement, the small number of offers presented for tenders and difficulties in the execution of the contract.<sup>2</sup> An RD project should be sustainable, functional and meet local development needs, things that usually are ignored by the RDC. Generally, the public procurement task is seen as a duty that must be performed but neither the RDA nor the MRDC look at a RD project beyond its procurement and there is a lack of clear thinking on potential beneficiaries (i.e. need), how the investment fits into a wider strategy for the sector in the region, whether the technical solution is optimal, and if it represents value for money.

Most of the interviewees were asked about the role of the RDA in public procurement in order to seek their opinion regarding options for this important task. Several options and comments came up from discussions:

1. Public procurement should remain the RDAs' task. The reasons are mentioned above.
2. Public procurement should be carried out by the applicant (beneficiary) i.e. the LPA (*rayon*) but with strong monitoring by the RDAs, the MRDC and National Public Procurement Agency. Thus, LPAs will be involved in the project implementation and it will help them to increase their accountability and responsibility to check and assess the execution of work.
3. Public procurement should be undertaken by RDAs as well as LPAs. Tenders that will exceed a certain amount of money (eg more than €150.000) will be carried out by RDAs, whereas all others – by the applicant. The RDA and the MRDC will monitor the process to ensure that it is done according to the correct legal procedures. This will gradually build the LPAs' capacities to perform this function and later, if they prove able to perform it effectively, they can be gradually given greater, and perhaps all, responsibility.

Each of these options has advantages and constraints as well. The biggest shortcoming is the LPAs' lack of capacity in performing public procurement and the perceived susceptibility to corruption and embezzlement (despite the fact that under the country's procurement legislation they are allowed to undertake procurement). These disadvantages can be overcome by training and increasing the LPAs' capacities in dealing with this task, by a thorough monitoring done by the RDAs and MRDC and a stronger audit control and greater transparency. Despite the fact that at the beginning of the launch of the RD policy process, the best option was

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<sup>2</sup> It is not possible for me to substantiate any allegations of corruption or embezzlement and I have not seen any evidence of this.

to give this assignment to RDAs, step-by-step, it should be undertaken by LPAs, taking into account the fact that the financial resources allocated to this policy will increase significantly in the next years. Releasing the RDA from the burden of procurement, in the long-run, will enable it to focus on a strategic, co-ordinating role whereby it can support the development of networks and partnerships to support growth and reduce unemployment.

### 2.1.2 Regional Development Agency's accountability

A commonly cited confusion that emerged during interviews with the main stakeholders was this question: "Whom is the RDA accountable to: the MRDC or the RDC"? This confusion arises because the RD legislation does not clearly specify the relationships between these institutions. So, according to the law on RD and the RDC and RDA Regulations, the RDC's main role related to the RDA is to approve regional strategic documents and to monitor the implementation of regional projects and the use of financial resources, whereas the RDA must submit to the RDC, the MRDC and the NCCRD annual reports on the implementation of the RDS and the ROP. The Operational Manual of the RDA states that the RDA must present quarterly reports to the RDC regarding the state of the projects under implementation, as well as goods and services generated by them. However, the RDC has no tools to punish or on the contrary to praise the RDA for its activity whilst the Ministry has legal empowerment to do it, by applying inducements or disincentives.

Moreover, because the RDC is not directly involved in the RDA's activities, it has no responsibilities on day-to-day issues. As a result, the RDA is accountable to the MRDC, while the RDC is just a regional body which establishes RD priorities, discusses and approves documents and monitors the activities of the RDA, having no power on influencing its performance. Nevertheless, there is no clear stipulation on this issue in the legislation even though it should explain the types of relationship between RDA and RDC and to whom is it directly accountable.

A frequently cited issue within the fieldwork was the relationship between the RDA and the MRDC, with the assumption being that a change in the RDA's legal state will lead to better policy results. So whilst on the one hand the RDC has no effective control over the RDA, the MRDC, is accused of micromanaging the RDAs. Although the RD institutions proved to be efficient enough to work as independent bodies and have well-trained staff, the MRDC keeps interfering in their activities, thus depriving them of autonomy, regardless of the provisions of the RDA Operational Manual that states that the RDAs have a distinctive identity with administrative and financial autonomy.

However, some of the interviewees said that on the one hand, despite the fact that RDAs demand more autonomy they usually call the Ministry for solving issues occurring during in policy implementation. On the other hand, at the central level, authorities are willing to keep RDAs subordinated to the MRDC as leverage to influence regional decisions and actions. This mostly fits perfectly under the rational choice theory which claims that players (here we refer to the central government) maximise their utilities to follow their interests, which, in this case, may be lobbying for certain projects to be funded (because of their political representatives in that locality) and will subsequently bring electoral gain.

### Options:

1. RDAs can stay as public bodies, subordinated to the MRDC but are given more operational autonomy. The MRDC's role would shift from micro-management of the RDAs' activities to national RD policy making, monitoring and evaluation of RD policy and projects, and ensuring RD financing. In this scenario, the RDAs will present to the MRDC a plan at the beginning of the year specifying the main targets and the activities that will help to reach them. Following approval, the RDAs will begin implementation and will report once or twice a year in order that the MRDC can compare the established targets from the plan with the achievements at the end of the year. Once in three (seven) years, RDAs must present the new RDS. In this way, the RDAs will become closer to the population they represent and will be able to undertake more relevant and effective interventions.
2. RDAs should become fully independent NGOs (like in Romania) that can submit projects for funding and have the freedom in their activities and decision making. The danger of this state is that RDAs will not be able to find funds.
3. RDAs should be public independent institutions with financial autonomy (with separate budget lines), freedom of decision-making and subordinated to the RDC. Being public institutions will allow them to take on more tasks and to benefit from public money.

## 2.2 Regional Development Councils

The RDCs were established in three out of six regions: North, Centre and South, based on the equitable representation of stakeholders, which constitute the basis of partnership and compromise. The RDC acts as a decision-making body and provides the link between regional priorities and national RD policy. Every *rayon*

(district) that is part of a region has four persons in the RDC: the rayon chairperson, a mayor designated by the rayon mayors' association, and a civil society and a private sector representative.

As the framework regulation on the RDC provides, the RDC is responsible for the general development in the region and approval of the RDS and the Action Plan. However, many of RDCs functions are performed by the MRDC, especially those related to promoting regional projects among potential donors and investing; monitoring the use of financial resource allocated from the NFRD; encouraging the cooperation between public institutions and private organisations; and, presenting proposals of improvement of policy and legislation and other duties. This means that the RDCs do not play the presumed regional strategic role that they were supposed to.

Although the RDCs' chairpersons are satisfied with the activities of the institutions that they lead, from the fieldwork, the general opinion of interviewees was that the RDCs are inefficient bodies that mostly meet to approve documents and listen to reports presented by RDAs. The main reasons of inefficiency respondents referred to were: lack of motivation; cumbersome structure; the prevalence of a local approach on the regional thinking; and, lack of real empowerment.

Interviewees argued that the lack of motivation of RDC members within this structure undermines the importance of the Council at the regional level. First, it is not legal entity and it is not empowered to have a strategic role and to make its voice heard at the national level. Second, a very small number of initiatives are proposed by members. Although, according to the RD legislation, the RDC has a role in mobilising actors, coordinating the implementation of policy and over-viewing the process, most of their work is confined to the voting/approval of strategic documents and listening to reports regarding the implementation of the RDS, presented by RDA personnel. Third, business and civil sector representatives are not eligible to submit projects to be funded from the NFRD resources, nor are they allowed to be partners of LPAs to their projects,<sup>3</sup> a fact that diminishes their interest in participating in RDC meetings. These representatives are also not reimbursed expenses for attending meetings. In addition, most of the discussed issues concern physical infrastructure and

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<sup>3</sup> For the first and second Calls for Proposals, held in 2010 and 2012, only local public authorities were eligible. This is determined by the fact that the National Fund for Regional Development, from which financial resources projects are funded, consists at the moment only of money from the national budget, fact that does not allow the private sector to receive funds. There is a need to set up alternative instruments, financed from the NFRD, like a grant fund, challenge fund, or loan mechanism that would enable a wider range of stakeholders to become involved in RD. And especially in those activities that support the private sector.

the private-public partnership idea is often disregarded. Fourth, submitted projects for funding revealed that a local approach is still predominant and the LPAs' interest is to increase their chances of receiving funds for their locality. Usually, most of the ideas or problems described in the project background are local and not regional.

Amongst the causes of the multitude of physical infrastructure projects submitted,<sup>4</sup> respondents mentioned three main arguments. First, the rehabilitation of physical infrastructure is a priority for the RoM and as soon as it is dealt with, further actions to directly improve the economic situation can be undertaken. Second, only LPAs were eligible for funding and, during the design phase of projects, no cooperation with the private sector took place. Third, there are political interests that lead mayoralties and road reparation or building sewage/aqueduct/treatment systems or water pipelines will bring electoral gain. Fourth, there has been a lack of interest from both the MRDC and donors in designing new RD financing instruments that could be used to support the private sector like grants, challenge funds and access to finance mechanisms.

The promotion of the private sector is one of the main issues that is commonly ignored by the RDCs. This problem has to be addressed and to make the private sector more involved, to provide a platform of knowledge exchange with relevant organisations.<sup>5</sup>

With respect to the RDCs, interviewees were also asked their opinions on how they could be reformed to become more effective. They mostly referred to a modification in the RDCs' composition in order to make them more efficient and to give them a more strategic role for the region, and in managing the RDA. The proposed alternatives are:

**Option 1.** RDC will keep the same composition and representation<sup>6</sup> but will use working groups for specific tasks. This has happened since the beginning of 2013,

<sup>4</sup> Despite the fact that there were three regional priorities for project applicants (rehabilitation of physical infrastructure; assistance to private sector development, especially in the rural areas; and improvement of the environment and tourist attractiveness), most of the projects focus on physical infrastructure.

<sup>5</sup> Such as "Moldovan Investment and Export Promotion Organisation" and "Organisation for the Development of the Sector of Small and Medium Enterprises"

<sup>6</sup> Four representatives from every *rayon* that is part of the region: the *rayon* chairperson, one mayor, one representative of the civil sector and one from the private sector. The number of RDC members differs according to the number of *rayons* that are part of a region. Thus, the Centre RDC with 13 *rayons* has 52 members, the North RDC with 12 *rayons* has 48 members and the South RDC with 8 *rayons* has 32 members.

when Regional Sector Working Groups<sup>7</sup> were created to ensure a participative approach to the planning process in the regions and facilitate the development of Regional Sector Plans. These groups include not only RDC members, but also LPA specialists, service providers and are guided by a multidisciplinary team of technical experts and assisted by the RDA. The RDC can create as many working groups as it is necessary, taking into account problems that its region faces, and will usually delegate specialists from their organisation to make the RDC's activities more operational. The members of the working groups meet in workshops to develop specific sectoral policies for the region. The role of these working groups can also be as a transmission belt between the central and local government that will help to improve sectoral co-ordination. By doing this, the RDC will become more efficient, professional and relevant. All the operational and technical work will be done by the working groups. The RDC will then only meet for important issues in order to take strategic decisions.

This scenario will provide an arena for interaction of people from sectoral ministries or other relevant central organisations, LPA specialists, service providers and technical experts. The working groups will facilitate the communication with local communities and will increase the possibility of bottom-up decision making. The main shortcoming is the fact that working groups will be operational and efficient whereas the activities of the RDC will be the same – gathering in meetings and approving working group. In this case, the RDAs should remain accountable to the MRDC, as the RDC will still be disconnected from the agency's activities.

**Option 2.** Taking into account the fact that RDCs are large structures, the following proposals were made by some respondents:

- a) Each region should be divided into three or four micro-regions that will be represented by the persons with the same positions,<sup>8</sup> reducing the number of RDC members to 12-16;
- b) The same number of LPA representatives but half the number of members from civil society and the private sector;
- c) The RDA should only have a board, instead of an RDC, with a maximum 15 members (like the Administration Council of a State Enterprise) that will act like a standing bureau and will oversee the RDA's performance. The board will have large

<sup>7</sup> The four areas working groups are focused on are: solid waste management; water supply and sanitation, energy efficiency in public buildings and regional and local roads.

<sup>8</sup> A *rayon*' chairperson; a mayor, a representative of the business sector and one of the civil society.

control and strategic competences. RDAs will only be an executing body, whereas the Board would be a decision-making institution. In addition, a Regional Assembly could replace the RDC and act as a forum for regional discussion and dialogue, working on voluntary basis. Board members should be chosen on a competitive basis.

The RDC (or Board) should become credible and relevant for its region. It should be powerful enough to promote its region and to make its voice heard at national level. It should be the tool through which bottom-up decision-making is supported. Each RDC or Board member must represent the region and not its mayoralty, business company, NGO or city/town/village. The regional approach should prevail over the local one. In addition, the attendance of RDC meetings must be compulsory and the absence at three meetings in a row should be sanctioned with the dismissal of the member. That is why no person should obtain this position automatically from the office they hold. All candidates should apply for this function on a competitive basis. As the quality of RDC/Board member is very important, they should be trained to increase their capacities to understand the meaning of the regional development policy. Thus, the RDC will become a strategic, informed, planning body, based on the partnership principle, and will be more manageable, operational and adequately organised in relation to its responsibilities.

### 2.3 MRDC

The Ministry of Regional Development and Construction is the central authority responsible for the promotion of the RD policy. Although the MRDC is an authority at the national level, respondents complained that it interferes too much in the management activities of the RDAs and the implementation of projects. Respondents considered that the MRDC should remain the main strategic national player but give enough autonomy and flexibility to the RD institutions in performing their role, ensuring at the same time a robust monitoring of their activities.

The main weakness identified by interviewees is poor communication between the MRDC and the line ministries. The MRDC should act as an umbrella, gathering altogether the State Chancellery, Ministry of Environment, Ministry of Transportation and Road Infrastructure, Ministry of Economy, Ministry of Health, Ministry of Agriculture, Ministry of Education and Agency of Energy Efficiency. All policies that these ministries are responsible for, have to be co-ordinated in order to have a regional impact. At the moment, this co-ordination is very weak. Line ministries were not interviewed, but respondents considered that in general

all ministries focus on their own business and are not very cooperative.

Interviewees stressed that inter-ministerial cooperation is needed to set-up priorities and to agree on the funding of regional projects from the resources that other institutions are responsible for, according to their areas of activity. Funds managed by other ministries are the Road Fund, the Environmental Fund, and the Energy Efficiency Fund.

### 2.4 National Coordination Council for Regional Development

According to the RD legal framework, the NCCRD was created to approve, promote and coordinate RD policy objectives at the national level. The NCCRD is the institution placed first in the hierarchy of RD. Its members are responsible for the approval of the main objectives of RD policy, the main strategic national documents, and coordinating financial mechanisms and other important tasks mentioned in the table.

Interviewees that were asked about the operation of the NCCRD considered that although the Council has in its structure several key sectoral ministers, it does not include all of them. Taking into account the fact that regional development, by definition, is broad should also additional ministries like the Ministry of Education and Ministry of Health. Respondents considered that it would be more appropriate to abolish the current NCCRD and to discuss all national strategic priorities and issues at the regular meetings of the Cabinet of Ministers. This will offer the possibility not just to address all problems but also to approve the necessary documents at Government sessions, which take place weekly and thus improve the overall management of regional development policy.

Respondents also were concerned about the fact that the NCCRD decides the projects for which NFRD resources are allocated, although the NCCRD Regulation does not provide for this task. Thus, some respondents thought that it is the exclusive task of the RDCs and all matters that are not of national importance should only be discussed at the regional level. However, the national body should determine the amount of money that each region has for the implementation of the policy and, subsequently, institutions at the regional level should decide the way money is allocated.

To sum up, according to respondents, the role of the highest institution should have in their responsibilities the following tasks: ensure the oversight mechanism of the line ministries; set up RD guidelines; oversee RD policies and strategies, discuss and approve strategic documents; and ratify project selection and identify new perspectives for the RD in the future.

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## ANALYSIS OF THE WORLD MARKET OF STEEL PRODUCTS

### **Abstract**

*The article analyzes the trends of the world steel market and the prospects of its development. The volumes of production of leading steel supplying countries were analyzed for the period of 2005-2014 years. The comparative analysis of changes in steel production between different countries was carried out and in addition problems of the industry were singled out.*

*The objective of this study is analyzation of the global steel market and its current trends, identifying key market suppliers of metallurgical production and development of forecast of its future trends.*

*The metallurgical industry is one of the most important components of the global economy, that's why a lot of world scientists have dedicated their researches to the global steel market, its problematic aspects and benefits. However, despite the significant amount of scientific publications on research of the main advantages and problems of the global steel industry the development of future trends in the light of current market situation is still relevant.*

*For Ukraine, which is an active participant of the world market of steel products, the steel industry is also strategic, providing a large share of state revenues and about 26% of GDP, but there is the problem of obsolescence of the industry and its technologies. Therefore, the current study on implementing key aspects of modernization of obsolete enterprises to enhance their competitiveness in world markets is also required.*

**Keywords:** *steel, iron and steel industry, the world market of metal production, export potential, internal usage, problems and perspectives, future development.*

### **Research results**

Over the past decade there have been significant changes in the steel industry not only in Ukraine, but also in the world. According to the World Steel Association (WorldSteel) world steel production in 2014 reached a record high level: 1,674 megatons (Mt), 4.2% higher than the previous year figure and 45% higher than in 2005. Till 2012 Ukraine confidently occupied the 8th place in the overall ranking among the leading countries in production of steel (tab. 1), but in 2013 it concedes Turkey which ousted Italy from the list. [8]

Table 1

## List of countries by steel production

Country	2005			2011			2012			2013			2014		
	Production (mega ton)	Rating	Share, %	Production (mega ton)	Rating	Share, %	Production (mega ton)	Rating	Share, %	Production (mega ton)	Rating	Share, %	Production (mega ton)	Rating	Share, %
China	355,8	1	31,6	695,5	1	45,5	708,8	1	45,9	730,3	1	49,4	822,7	1	49,1
Japan	112,5	2	10	107,6	2	7	107,2	2	7,1	124,4	2	6,9	110,7	2	6,6
USA	94,9	3	8,4	86,4	3	5,7	88,6	3	5,9	91,2	3	5,5	88,2	3	5,2
India	45,8	4	4,1	72,2	4	4,7	76,7	4	5,1	84,3	4	5,1	86,5	4	5,1
Russia	66,1	5	5,9	68,7	5	4,5	70,6	5	4,7	69,0	5	4,4	71,5	6	4,2
South Korea	47,8	6	4,2	68,5	6	4,5	69,3	6	4,6	68,6	6	4,2	71,6	5	4,2
Germany	44,5	7	3,9	44,3	7	2,9	42,7	7	2,8	41,0	7	2,7	42,9	7	2,5
Ukraine	38,6	8	3,4	35,3	8	2,3	32,9	10	2,2	28,97	10	2,1	27,2	10	1,6
Brazil	31,6	9	2,8	35,2	9	2,3	34,7	9	2,3	31,1	9	2,1	33,9	9	2,0
Italy	28,7	10	2,5	29,35	11	1,9	27,2	11	1,8	25,5	11	1,6	23,7	11	1,4
Turkey	21	11	1,9	34,1	10	2,2	35,9	8	2,4	32,4	8	2,2	34,0	8	2,0
Other	268,5	-	23,8	279,5	-	18,3	215,6	-	14,3	211,23	-	13,7	193,2	-	11,5
Total	1148	100	152	1537		100	1559	100		1606	100		1674	100	

Source : World Steel Association

Despite the fact that 2013 was not an easy year for the metal industry, taking into account such issues as: excess capacity and cost of raw materials, the demand for the global steel market had a positive growth of 3.6%. World steel production was 1,606 mega tones, which was a record for the industry.

Major steel producers, according to World Steel Association, in 2014 were: China (822.7 million tons), Japan (110.7 million tons), USA (88.2 million tons), India (86.5 million tons), South Korea (71.5 million tons), Russia (71.5 million tons), Germany (42.9 million tons), Turkey (34 million tons), Brazil (33.9 million tons), Ukraine (27.2 million tons), Italy (23.7 million tons). Top companies in steel production in 2014 were: ArcelorMittal, Nippon Steel-Sumitomo Metal Corporation, Hebei Group, Baosteel Group, POSCO, Shagang Group. [8]

2014 became a new stage in the global steel market. In spite of the growth of world production by 4.2%, the steel industry is now entering a period of pause, in particular because of China, which has had the most notable impact on the steel market for decades. Of course, experts expect market growth due to new players, noting that urbanization in countries with developing economies will play a key role for the steel market in the nearest future.

In 2012, among the leading countries, only six increased production, namely: China, USA, India, Russia, South Korea and Turkey. If we look at 2013, we can conclude that the rating of leaders remained the same, but almost all countries have reduced production of steel, except of China, which has an increase of 8.6%, Japan (1.1%) and India (3.1%), which in the aggregate reflected the general increase in global steel production by almost 2.3%. [6]

China, India, Russia, South Korea, Germany showed positive dynamics in 2014 while the US and Japan slightly reduced production.

Moving ahead we will perform comparative analysis of steel production between different countries.

#### Ukraine and Russia

Despite the common historical past of Russian and Ukrainian steel industry, differences in their performance increased significantly in the post-Soviet period, after the privatization of steel companies in 1990's. Positive and negative factors in the steel industry of both countries are similar, but profit margins of Russian steel companies outpaced indicators of Ukrainian companies.

One of the key common features, which remained in both countries are low costs, primarily due to low labor costs. This is an important factor for the industry, which



conducts mostly standardized products. In addition, both countries kept export opportunities of products that contribute to the diversification of market position and - as markets of steel products are mainly regional - help in fighting risks of price fluctuations.

However, high capital expenditure requirements and financial policies of companies make the negative impact on the performance of companies. Both Russian and Ukrainian companies are faced with significant institutional risks that negatively affect the ratings, such as the uncertainty of the application of taxation and regulation.

This trend in broader terms - the creditworthiness of companies - determines such differences as assets, levels of corporate governance and disclosure, the size and growth of the domestic market and the prospects of transactions of mergers and acquisitions. [1]

Since 2009 all CIS countries, including Ukraine significantly reduced the production of ferrous metals. After the decrease of production in the steel industry by 12.3% and 26.7% in 2008 and 2009, there was an increase in the post-crisis period by 12.2% in 2010, 8.9% in 2012, 9.1% in 2013.

## Europe

European leading countries in steel production in 2014 showed mostly positive dynamics.

Germany produced 42.9 million tons of steel in 2014 (+1.9% compared to 2013), but slightly decreased its share in world production, which is associated with the overall growth in other countries .Italy produced 23.7 million tons (-1,8% compared to 2013), steel production in Turkey was 34.0 million tons. (+ 1.6%).

The main advantages of Turkey's metal business are:

- geographical location. Nearest neighbors - large shopping areas: the EU, North Africa, the Middle East and the CIS.
- Turkey (as a member of NATO) has a special relationship with the EU and the US who are loyal to Turkish exporters of metal. In 1996 Turkey signed with the EU agreement on the country's accession to the EU single customs union, whose members have duty-free trade in steel. And adopted by the USA anti-dumping restrictions on imported steel products in 2002 didn't affect only Turkish metal producers because the country has been recognized as an emerging market.

- The country from the north and west is washed by the sea. The main volume of foreign traffic is carried by sea. Large and modern port facilities of Turkey are able to process quickly and cheaply large volumes of export-import cargoes, including steel products and raw materials.

The disadvantage is the fact that the country has a significant shortage of qualitative raw materials and cheap energy and is completely dependent on imports; in addition there is not very stable political and economic situation inside the country.

Germany ranks fifth in the world steel output. The main area of concentration of the steel industry is west of the Ruhr coal basin.

Italy for the entire study period had a positive trend, except for a slight decline in 2014. The country has developed machine building, production of cars, scooters, bicycles, ships, and therefore may further increase melting ferrous metals. Steel is based on import and scrap iron, coke, iron ore, alloy metals. Features of raw materials affect the structure and placing the companies in this sector. The largest plants are situated in ports. [5]

## America

In 2007 in the US industry decreased steel consumption by 0.38%. GDP of the country continues to slowdown. Production of automobiles, industrial equipment and other durable products sharply decreased in the end of 2006 and is decreasing further due to falling demand. The slight increase in metal consumption may occur due to the construction - the future replacement and repair of bridges generates thousands of prospects for growing demand for high-strength steel. Optimistic forecasts of accelerated growth of the world economy and increasing annual steel consumption stimulated its production, which led to oversupply on the US market, excess inventory and falling of prices.

Steel industry of Brazil has a number of competitive advantages in the international division of labor.

Including:

- abundant natural resources for the steel industry;
- the most modern equipment and technology;
- relatively inexpensive labor;
- sufficient transport infrastructure;
- advantageous geographical position, which allows the transportation of raw materials.

Metallurgy of the region is rated as one of the biggest low cost production in the world. In Latin America is produced almost 25% of the global amount of iron, using the most promising methods of direct reduction.

Latin America's steel industry is characterized by a high degree of consolidation, as well as plans of expansion and development of production.

## Asia

India and China are characterized by rapid economic development and a large capacity of their domestic markets. High demand for steel products in the region explains the increase in pig iron production in neighboring countries, such as China and India - Japan and South Korea.

There is speculation that India may become a world leader in steel production. Indian steelmakers argue that the country has in stock all competitive advantages.

Including:

- availability of iron ore;
- low labor costs;
- high level of training;
- significant governmental support of the steel industry as one of the strategic sectors of the Indian economy.

However, at present India is largely inferior to the undisputed leader of China, which produces one-third of global steel production volume and is one of its largest customers. In 2014 China produced 822.7 million tons of steel, while the annual production in India is almost ten times lower. (86.5 million tons) According to [6], in China the average steel consumption per capita is 265 kg, while in India - only 30 kg. For example, China produces more than 5 million cars a year, while India - less than 1 million.

Fluctuation of demand in the global market of steel and energy significantly affects the efficiency of Ukrainian metallurgists and national economy in general. Moreover, the negative dynamics of Ukrainian trade balance and a negative balance of foreign trade, which has developed in recent years, indicate existing problems in the management of foreign economic activity of enterprises of strategic industry.

Foreign economic activity of metallurgical enterprises of Ukraine should be considered during two time periods: prior to September 2008 (when steelmakers officially declared about problems in the industry) and after.

Despite the large volume of production in the domestic market, Ukrainian metallurgical enterprises are hardly represented. Russian and Chinese steel products make up about 70% of the Ukrainian market, the price on it is 15-20% lower than on the Ukrainian.

Reduced consumption due to the global financial crisis has led to extremely negative consequences for Ukrainian metallurgists. During the period of time when the world's largest manufacturers announced a decline in production and exports by 10-15%, Ukrainian companies were forced to reduce production capacity by 90%, some of them completely ceased activities. Out of 26 blast furnaces of Ukraine more than half were stopped, and such situation hasn't happened since the Second World War.

The reasons for this decline of the most strategic sector steelmakers see in the internal factors which contain increase in the tax burden, increase in railway tariffs and problems with VAT refunds. But a more detailed analysis of the situation should be conducted.

First of all, the structure of exports of steel products should be analyzed, which shows that 77% of all exports is the so-called "low redistribution" - products with a low level of processing and value added. "High redistribution" is 23%, but to this category refers mainly shapes and heavy plates, which today has almost no demand in world markets.

Rolled steel, which is used in the automotive and mechanical engineering, Ukrainian companies hardly produce, due to the low technological level of production. There is an urgent need for modernization of steel plants, implementation of energy saving technologies, shift in the production cycle from open-hearth furnaces to converter method of steelmaking. But such reconstruction needs time and significant investments. In addition, the interests of owners of metallurgical business and most enterprises engaged in foreign economic activity, unfortunately, do not match. The owners are interested primarily in obtaining high profits and optimization of them through offshore tax schemes, and only then - in the strategic development of companies of this export industry of the country. Resolving this conflict requires building of a new system of business management and management of international activities.

Reduction of consumption of metal by industrialized countries leads to the need of search of new markets. The expectation of significant increase in domestic consumption in Ukraine can be called just a wasting of time, although the football championship in 2012 had an opportunity to give impetus to the development of the

domestic construction market and, respectively, of the steel market. But it, unfortunately, did not happen. Obviously unoccupied niche for Ukrainian market remains Africa. But there is a sharp need of conduction of large-scale reconstruction of the field. However, in today's struggle between corporations (SCM, ISD, Interpipe, Mettal Steel) achieving this aim will be extremely difficult. JSC "Ingulets GOK", included in the group "Metinvest" in November 2008 suspended the production of iron ore concentrate. The only manufacturer in the country left the domestic production without raw materials. Ukrainian enterprises located in a country that has one of the world's largest reserves of iron ore and coking coal have to buy raw materials in Brazil, Australia and Russia. Taking into account the above it's obviously that significant economic benefit won't take place.

The analysis of Ukraine's foreign trade in steel products in 2005-2014 shows that the positive balance of foreign trade in metallurgical industry increased in 1.5 times (from 11.2 bln. US dollars in 2005 to 17.3 in 2013), due to favorable external conditions.

In Ukraine the structure of exports of steel products, unfortunately, remains mostly raw oriented. A significant share (40%) of Ukrainian metal exports make up: recycled iron, ingots, semi-finished products of non-alloy steel, ferroalloys, scrap steel. There is almost no export of high-tech range of steel products.

Excessive increase of exports of raw metals directly impedes the development of high technologies of steel industries, does not encourage the rejection of the outdated open-hearth method of steel production.

Exports of semi-finished products decreased by 6.4%, which roughly corresponds to the average dynamics of foreign supplies in general. Share of semis in steel exports is 44%, among them square billets - 28%, slabs - 16%. Exports of finished steel in 2012 declined, and if this decline was slight (by 0.4% to 5747 thousand tons), the supply of sheet metal products decreased immediately (by 13% to 6,579.4 thousand tons). The total share of finished steel, that is exported amounts to almost 55%, including sheet metal - 29.3%, metal long products - 25.6% (including fittings 11%).

The main part of all exports (approximately 28%) is supplied to the EU. To CIS countries is supplied about 16% of the total Ukrainian metal production [2]. Further dynamics of sales of Ukrainian metal will depend on the situation on foreign markets.

Imports in 2012 due to weakening of domestic market decreased by 3.3% compared to the previous year. The decrease in imports of semi-finished products was 23.7%, long metal products- 4.9%, while imports of sheet products, by contrast, increased by 7.7% and amounted to 1 mln. tons; experts associated it in particular with the intensification of supplies of metal coated. The materials with coatings have the biggest share in imported rolled steel - 27% of all deliveries and is followed by the sheet metal (20%) and round billets (17%). Among important exporters remain Russia (about 66% in the niche of long metal products, sheet metal products up to 40.3%) and China, and in the high-technological segments - European suppliers.

In 2010 after the financial crisis domestic consumption of metal products has increased- by 50% compared with 2009 and in 2011 by 36%. It was caused by the positive dynamics of production in related sectors of the economy (construction and engineering) and increased public investment in infrastructure projects.

The main problem of the Mining and Metallurgical Complex of Ukraine is dependency on the situation in the main regional steel markets abroad (country exports most of the metal produced) and low consumption of steel products in the domestic market.

The overall economic crisis and uncertain prospects of improvements reinforce export orientation of the steel industry decreasing domestic consumption.

The metallurgical complex worked over its capacity for many years, and now retooling and reconstruction are urgent. In the past few years, the country's steel industry directed a significant part of investments to the reconstruction of the first processing, including sintering and blast furnace production. The production of steel and rolled products in the country also requires significant investments for their radical restructuring.

Current trends of world markets could lead to a reduction in demand on major export products of Ukraine and disrupt the stability of post-crisis recovery. In the upcoming period of time the development of metallurgy of Ukraine will take place under the influence of these global trends:

- slowing of world economic growth, which is forecasted by international organizations, that will affect the reduction in demand and a corresponding decline in world prices on steel products.

- introduction of new international production facilities of steelmaking. The main consuming countries are beginning to create their own metal production, reducing metal purchases abroad.
- increased competition among producers of iron ore. For example, China satisfies 45% of domestic demand for iron ore. Taking into account this background, it becomes obvious that the demand for raw materials for steel will be reduced, causing decreasing prices on steel products.

The main problems that hinder the development of metallurgy in Ukraine and reduce its competitiveness in the global steel markets, are:

- 1) low technical and technological level of metallurgical enterprises and, therefore, the use of outdated technologies of steel smelting. In particular, the proportion of open-hearth method of steel production (which was eliminated in developed countries in 1980 - 1990s.) in total melting volume in 2012 was 28%, while in 2008 - 41% (in 1995 - 51.6%) [1], and the share of continuous casting of steel in their total production, by contrast, is low - 42.2%, whereas in developed countries this figure is 93 - 96.2%.
- 2) low productivity of labor force and high material-intensive and energy-intensive production, which is connected with the excessive and inefficient energy consumption, natural gas in particular;
- 3) higher cost of production of Ukrainian steelmakers compared to their foreign competitors, due to the extremely high proportion of material costs (84.2%) and low percentage of deductions for depreciation (3.1%) and wage of workers (7.7 %). For comparison: in Germany, which forced to use raw materials and energy at relatively high prices, the share of material costs of production is only 59.8% ;
- 4) increase of the share of products with low level of processing (steel billets, semi-finished products), which is often the target of anti-dumping actions abroad;
- 5) very high degree of depreciation of fixed assets of vast majority of steel plants;

- 6) high dependence of the steel industry on world steel prices and trends of global steel production, etc.

Domestic enterprises of ferrous metallurgy have to face acute problem of choosing either to increase production of metal products with low added value (iron, slabs, rolled, ingots, etc.), or to make significant efforts in order to increase the production of qualitative products. The world market shows a trend of increase in the proportion of high-quality rolled steel in the total steel consumption.

## Conclusions

The world steel market is gaining the new format at the current stage, in which the speculative component of the cost of steel products is minimized. With the setback in prices for raw materials (ore and coal) to "fair" value, price of steel will be more determined by the underlying market factors and ultimately steel should become more accessible. Excess power will remain a major challenge for the steel industry. The growing gap between global steel production capacity and current demand has led to deterioration of the financial situation of the worlds steel producers, which threatens the long-term economic viability and efficiency of the industry.

In the nearest future the most important factor influencing the market of metal will be the new levels of prices on raw materials. And not only on raw materials, which is directly used in steelmaking, but also on other raw materials, especially oil, which value affects many sectors, including the steel industry.

It is expected that in 2015 growth of demand for steel will be moderate (optimistic) or zero (pessimistic forecast). According WorldSteel, world demand for steel in 2015 will grow by about 2%. The weakening dynamics of growth reflects a significant slowdown in the increase of the demand for steel in China and other large countries with developing economies. Although the demand of some developed countries, including the US, Canada, Japan and some EU countries, is restored, its level is not enough to offset the decline in developing countries, which provide over 70% of consumption of steel products in the world. According to WorldSteel, the global demand for steel has reached 1,562 mega tones by the end of 2014 and in 2015 the level of 1,594 mega tones is expected to be hit. Meanwhile steel consumption in developed countries increased by 4.3% in 2014 and is forecasted to grow by 1.7% in 2015, while in emerging markets consumption grew only by 1.7% in 2014, with the projected growth of 4.7% at the end of 2015. China steel consumption increased by 1% in 2014, this year will grow

by about 0.8%. However, the current turbulence of financial markets and uncertainty about economic prospects of the CIS countries are likely to affect the forecast of moderate growth.

Up to these days Ukraine remains almost the only country in the world, companies of which export up to 80% of production and 20% sell on the internal market. [3] At the same time the production of high-tech products is significantly reduced, the main product groups in total exports are semi-finished and finished steel, which indicates its imperfections. Other problems in the metallurgical industry that prevent the country from strengthening its competitiveness on world markets are: production with high energy consumption and inefficient consumption of other resources, resulting in significant expenditures of natural gas, increasing dependence of industry on imports, lack of innovative developments, the decline of science industry and ineffectiveness of mechanisms of involving potential academic institutions in conducting applied research, which leads to technical and technological backwardness of steel industry (25% of steel is still smelted in Martin, the continuous casting

machine spreads 53% of steel, to compare with averages worldwide: 1.1% and 93% respectively); high level of depreciation of fixed assets (70-80%), most domestic steel industries are equipped with old equipment, over time exploitation ; reduction of foreign investments ; low productivity at metallurgical enterprises; insufficient budget financing of the sector; growing environmental problems, especially in areas where the steel industry is dominant.

These deformations are reinforcing export orientation based on raw materials and are encouraging the country to adapt to the needs of the global market within the available internal capacity and ongoing competitive advantages. Current trends on world markets could lead to a reduction in demand for major export products of Ukraine and disrupt the stability of post-crisis recovery. There is an urgent need of modernization of metallurgical enterprises of Ukraine, introduction of energy saving technologies, shift in production cycle from open-hearth furnaces to converter steelmaking method. For domestic metallurgical industry very urgent is the task of adapting to changes in external market conditions.

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