MACROECONOMIC POLICY AND DEVELOPMENT OF NIGERIA RURAL ECONOMY

By

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Abstract
Rural areas in Nigeria are faced with problems of development elements. Successive governments have made several efforts in terms of policies and programs to accentuate development in the area. It remained a fact that developing agriculture and its accompanying infrastructures result to developing the rural area, given that agriculture remains the mainstay of the economic activities among the rural dwellers. Macroeconomic policies are veritable tools necessary for accelerating development in all sectors including the rural areas. Therefore, the need for macroeconomic fiscal policies in the area of increased public expenditures (funding) on agriculture has been identified as necessary strategies for developing the rural areas. To what extent has this been achieved and what are the associated challenges faced in developing the rural areas in Nigeria; are the main thrust of this paper. The paper used secondary data from the CBN statistical bulletin and Annual Report and content analysis of works done on this area was adopted as analysis methodology. The paper finds that there exist: (1) problems of finding (2) proliferation of development programs (3) poor level of implementation of policies and programs and (4) high rate of corruption. The study recommends among other things that: (1) adequate budgetary provisions and timely release of funds should be emphasized (2) training and capacity building for staff of the institutions responsible for implementation of policies and programs should be upheld (3) corrupt practices and its tendencies should be discouraged (4) continuity in the execution and implementation of development programs should have legislative backings

Keywords: macroeconomics, rural development, expenditures, agriculture, budget

INTRODUCTION
One of the main issues of development debates is how to bring development to the rural area. The constraints to developing the rural area as well as the problem of this critical sector have come to loom very large. For over four decades in Nigeria, all attempts to put the rural area on course of development have failed. Conditions have continued to worsen and poverty has become a major issue in the rural areas in spite of their potentials. This has however, remained a major concern to governments to identify appropriate strategies for developing the rural economy in Nigeria.

The rural areas however present problems that are a contradicting paradox of its natural endowment. As noted by Chinsman (1998), rural communities are seriously marginalized in terms of most basic elements of development. In addition, the inhabitants tend to live at the margin of existence and opportunities. Most rural communities lack portable water, electricity, health care, educational, recreational facilities and motorable roads. They experience high population growth rate, high infant and maternal mortality, low life expectancy and a peasant population that lack modern equipment that can guarantee sustainable exploitation of natural resources on which they live.

As a result of this mass exodus, the rural areas have become qualitatively depopulated and are progressively less attractive for social and economic investment as opined by Ivor (2010). However, successive governments in Nigeria have undertaking various policies aimed at accentuating development in the rural area in order to improve the level of development. Some of these economic
policies are macro in nature. The macroeconomic policies are holistic input approach to influence the pattern the government wants the entire economy to tread. Despite the countless number of rural development policies introduced at different times by successive governments coupled with the huge financial and material resources committed, little or nothing is felt at the rural level as each policy has often died with the government that initiated it before it start to yield dividends for the rural dwellers and the entire country at large.

In view of the above, this paper seeks to assess the macroeconomic policies which were used by the government, its challenges, and contributions in the development of the rural areas.

In order to achieve these objectives, the paper focused on the fiscal macroeconomic policies and programs that have direct bearing on Nigeria rural economy. The content analysis and existing empirical findings of various studies have been adopted for analysis.

MACROECONOMIC POLICY AND RURAL DEVELOPMENT

Macroeconomic referred to as the big picture of a country’s overall economic performances. It is the policy that government uses to influence the pattern she wants the entire economy to chart. Macroeconomic policies are veritable tool necessary for accelerating development in all sectors of the economy including the rural areas. The policies usually stressed in macroeconomics involve the monetary and fiscal policy. Monetary policy refers to the policy of the monetary authority of a country with regards to monetary affairs. Jhingan (1997) put it that monetary policy may involve:

(a) the controls of financial institution
(b) active purchases and sales of papers assets by the monetary authority as a deliberate attempt to effect changes in monetary conditions; and
(c) tenancy of a particular interest rates, structure, the stability of securing prices, or meeting other obligations and committees.

Fiscal policy on the other hand, according to him means the use of taxation, public borrowing and public expenditure by government for purposes of stabilization or development.

Fiscal policy plays a dynamic role in developing economies. An extensive use of fiscal policy is indispensable for economic development especially in a developing economy such as Nigeria; fiscal policy can be used to accelerate the rate of capital formation. In the words of Nurkse in Jhingan (1997), “Fiscal policy assumes a new significance in the face of the problem of capital formation in underdeveloped countries. He opined that the per capital incomes and savings are extremely low in such countries, making the few rich people indulge in conspicuous consumption. Thus, fiscal policy diverts all these into productive channels. The need for macroeconomic fiscal policies as it affects public expenditure in rural development can never be overemphasized, especially in a situation whereby the private enterprise is reluctant to invest in risky channels and where returns or capital are not quick. This however brings about low investment in the real sector especially agriculture. This goes a long way to hinder significant development at the rural area as agriculture remains the main stay of the rural economy. Under this circumstance, rapid economic development at the rural area and the nation at large is very possible through public expenditure. It therefore, devolves on the government to assume the responsibility of creating the infrastructures needed for the progress. The government has larger financial resources and is in a better position to start economic and social overhead requiring long gestation period. The role of public expenditure in the development of the rural economy lies in increasing the growth rate of the economy, providing more employment opportunities, raising incomes and standard of living, reducing inequalities of income and wealth, encouraging private initiative and enterprises, increasing agricultural produce to meet the growing demand for goods and raw materials and increasing the supply of consumer goods by encouraging the establishment and expansion of the small industry sectors.

Also, with the intervening of the government in the rural area through public spending on roads construction, electrification projects, provision of portable water and education, makes the rural areas more attractive and promising to live in, thereby reducing the tendencies of, migration and decongestion of the urban centres. Public expenditure is a veritable strategy for the development of the rural economy through encouraging the agricultural and industrial sector of the economy by means of grants, subsidies, tax exemption etc. It remain a known fact that agriculture and rural development are synonymous even though some writers argued that rural development also include infrastructural development to facilitate the achievement of agricultural objectives.
HIGHLIGHT OF GOVERNMENTS AGRICULTURAL POLICIES AND RURAL DEVELOPMENT

Several policies have been embarked upon by the government to strengthen the development of the rural economy especially through agriculture. These policies include the establishment of schemes, programs and institutions to address and deliver government’s intervention and ambitions. Writers have argued most often that the main strategies for the development of the rural economy are to develop the agriculture sector, since it is the dominant occupation therein. Though some of other writers have also indicated that an integrated development approach should be adopted which combined the development of the agriculture sector and other infrastructure development facilities such as construction of roads, schools, water electricity etc.

a. SCHEMES

The schemes offer financial credit to the farmers through the banks despite the relatively high investment risk and uncertainty. The primary objective of this is to promote farmers’ access to credit facilities to develop agricultural produce. Some of the facilities under this scheme are as follows:-

i. Agricultural Credit Guarantee Scheme Funds (ACGSF) 1978 till date;
ii. Small and Medium Enterprise Equity Investment Scheme (SMEEIS), 2001 to date
iii. Refinancing and Rediscounting Facilities (RFF) 2000
iv. Agricultural Credit Support Scheme (Scheme) 2006 till date
v. Large Scale Agricultural Credit Scheme (LASACS), 2009
vi. Supervised Agricultural Loan Board (SALB)

b. PROGRAMS

i. National Accelerated Food Production Program (NAFPP), 1972
ii. Agricultural Development program 1975
iii. Operation Feed the Nation (OFN) 1976
iv. Green Revolution Program – 1980
vii. Root and Tuber Expansion Program, 2000
viii. National FADAMA Development Program
ix. Family Economic Advancement Program (FEAP) 1997 – 2001
x. National Poverty Eradication Program (NAPEP) 1999 to date
xi. Microfinance, 2005 to date

C. INSTITUTION

i. Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB), 1972 to date. Formally Agricultural and Cooperative Bank (NACB);
ii. River Basin Development Authority (RBDA), 1977 to date. Nine RBDA were established in 1977 as part of the third National Development Plan (1975 – 80) to add to the existing Sokoto and Rima RBDAs. There focus is the provision of rural water infrastructure but also roads. It was the first plan to make rural development and especially rural electrification a priority area of government (FGN, 1975). The program also involved a massive development of the nation’s water resources through creation of irrigation schemes.
iii. National Grains Production Company – 1979
iv. Directorates of Foods, Roads and rural Infrastructure (DFRRI) 1986 – 1993. This agency adopted an integrated approach to rural development
v. National agricultural Insurance Corporation (NAIC) 1987 to date.

To achieve these schemes, programs and institutions, the government over the years made budgetary allocation to agriculture which when compared with the total budget, fall short of meeting the policy intentions realistically. The study of Eze, Lemchi et al, 2010, showed that, during the first to third development plan (1962 to 1980), the federal government budgeted ₦3.57 billion but only ₦2.41 billion was actually released for the sector (FAD, NDP, 1992). The second record also showed that in the first plan 11.6% of the budget was allocated to agriculture but only 9.8% was released, in the second plan 9.9% was budgeted but 7.7% was actually spent and in the third plan 7.2 % allocation was budgeted and 7.1% of this amount was released for the period.
GOVERNMENT BUDGETARY ALLOCATION TO AGRICULTURE

The picture of the budgetary allocation and actual expenditure of the government compared to the laudable and elaborate policies on agriculture are matchless. That is, the financial commitment of the government to the achievement of meaningful growth and development of the agricultural sector is inadequate. It is therefore not surprising why the policies of the government on agriculture have not achieved food self sufficiency, self reliance, reduction in poverty and rural development goals. The below table made this clear.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total budget</th>
<th>Allocation to agric.</th>
<th>% of Agric. Total budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>39.76</td>
<td>1.96</td>
<td>4.95</td>
</tr>
<tr>
<td>1991</td>
<td>38.66</td>
<td>0.67</td>
<td>1.74</td>
</tr>
<tr>
<td>1992</td>
<td>52.03</td>
<td>0.92</td>
<td>1.78</td>
</tr>
<tr>
<td>1993</td>
<td>112.10</td>
<td>2.83</td>
<td>2.53</td>
</tr>
<tr>
<td>1994</td>
<td>110.20</td>
<td>3.71</td>
<td>3.37</td>
</tr>
<tr>
<td>1995</td>
<td>153.49</td>
<td>6.92</td>
<td>4.51</td>
</tr>
<tr>
<td>1996</td>
<td>337.21</td>
<td>5.71</td>
<td>1.69</td>
</tr>
<tr>
<td>1997</td>
<td>428.21</td>
<td>8.66</td>
<td>2.02</td>
</tr>
<tr>
<td>1998</td>
<td>487.11</td>
<td>9.04</td>
<td>1.86</td>
</tr>
<tr>
<td>1999</td>
<td>947.69</td>
<td>12.15</td>
<td>1.28</td>
</tr>
<tr>
<td>2000</td>
<td>701.05</td>
<td>13.60</td>
<td>1.94</td>
</tr>
<tr>
<td>2001</td>
<td>1,018.02</td>
<td>64.94</td>
<td>6.34</td>
</tr>
<tr>
<td>2002</td>
<td>1,018.15</td>
<td>44.80</td>
<td>4.40</td>
</tr>
</tbody>
</table>


From the table above it can be seen that the level of public expenditure on the agricultural sector is not very impressive. For instance, the total percentage expenditure allocated to the agriculture sector between 1990 to 2005 ranges from 1.69% - 6.34%. Within this years the average allocation to this sector was about 2.95%. Also, apart from year 2001 with about 6% allocation no year between the period in question was allocated up to 5% of the total budgetary allocation to the country.

The Nigeria Agriculture Public Expenditure Review (NAGPER), a collaborative study carried out by a research team from the International Food Policy Research Institute (IFPRI) and the World Bank, assessed the quantity and quality of public spending on agriculture the study showed that less than 2% of total federal expenditure was allotted to agriculture during 2001 to 2005, far lower than spending in other key sectors such as education, health and water. This spending contrasts dramatically with the sector’s importance in the Nigeria economy, which ranged from 20% to 30% of total GDP since 2000; and falls below the 10% goal set by African leaders in the 2003 Maputo agreement. Nigeria also falls behind in agricultural expenditure by International Standard even when accounting for its level of income (see figure 1).
Figure 1: Nigeria’s Agricultural Expenditure in International comparison


Assessing the quantum of funds allocated to the agriculture sector, it is noticed that nearly 60% of total capital spending goes to government purchase of fertilizer and buyer of last resort grain purchase. This situation according to Eze and Lemchi et al (2010) showed the difference between implementation and policy formulation such that very low funds are available for activities considered vital for promoting agricultural productivity gains leading to pro-poor growth.

The disturbing situation is that, despite the inherent potentials which the agricultural sector would contribute to the development of the nation’s economy the attitude of the government spending remains unsatisfying.

The table below shows the contribution of Agriculture to the Nation’s GDP between 2001 – 2007

<table>
<thead>
<tr>
<th>Period</th>
<th>Total GDP (N Billion)</th>
<th>Agric Share of GDP</th>
<th>% Share of Agric. In total GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>431.78</td>
<td>182.66</td>
<td>42.30</td>
</tr>
<tr>
<td>2002</td>
<td>451.71</td>
<td>190.37</td>
<td>42.14</td>
</tr>
<tr>
<td>2003</td>
<td>495.01</td>
<td>203.01</td>
<td>41.01</td>
</tr>
<tr>
<td>2004</td>
<td>527.58</td>
<td>216.21</td>
<td>40.98</td>
</tr>
<tr>
<td>2005</td>
<td>561.82</td>
<td>231.46</td>
<td>41.19</td>
</tr>
<tr>
<td>2006</td>
<td>595.82</td>
<td>248.60</td>
<td>41.72</td>
</tr>
<tr>
<td>2007</td>
<td>632.86</td>
<td>267.06</td>
<td>42.20</td>
</tr>
</tbody>
</table>

Source: CBN (2005, 2007) GDP is at 1990 Constant Price

However, the truth of the matter is that no doubt that the performance of the agricultural sector is based on the aggregation of small holder farmers scattered across the nation.

CHALLENGES OF AGRICULTURAL POLICIES AND RURAL DEVELOPMENT IN NIGERIA

As mentioned earlier, some agricultural policies are necessarily aimed at developing the rural economy, especially when we looked at some of the integrated development policies of the government – RBDA, DFRRI, ADPs, etc. This stems from the realization that food production cannot be isolated from improvement in the living condition within the rural producing areas. It is a clear fact that domestic food supply would have been precarious if roads leading to and away from food producing centre were to be left unattended to. The development of the rural economy have witnessed extensive effort through policies by successive government in Nigeria, generally aimed at accelerating development through developing agricultural produce and rural development. These policies however have been faced with several challenges which led to the failure of the previous policies and they continue to threaten existing ones.

(a) Funding Problems

It remained a known fact that money is the life wire of the success of any program, project. Public spending on agricultural sector has remained a serious challenge to the progress of the sector. In the report of the Nigeria Agricultural Public Expenditure Review (NAGPER), it has noted that:
i. Public spending on agriculture in Nigeria is very low as less than 2% of the total federal expenditure was allotted to agriculture during 2001 to 2005, far lower than spending in other key sector such as education, health and water. Finding is very low for the execution of number of activities considered vital for promoting agricultural productivity gains leading to poor growth;

ii. The pattern of public spending in agriculture raises doubts about the quality of spending. The NAGPER analysis noted that many of the presidential initiatives – which differ greatly in targeting crops technology, research, seed multiplication and distribution – have identical budgetary provisions. This pattern suggests that the needs assessment and costing for this initiative may have been on political consideration rather than economic rationalization. Poor finding of public financing institution is another problem. The NACRDB for instance has a capital base of ₦50 Billion to be contributed by the FGN and the CBN in the ratio 60:40. However, only ₦23 Billion has been paid up yet (Umebali 2006). DFRRI and other non-banking institutions were or have been similarly starved of funds. These institutions can not deliver effectively without proper funding.

(b) Proliferation of Development Programs
Some of the development program policies are so superficially implemented that the average targeted population (rural dwellers) doubt the sincerity of the initiator. Such proliferation can easily be noticed from the many numbers of such that died with successive government that initiated them.

(c) Level of Implementation
The level of implementing the aforementioned policies compared with the policy package is very low. This can be justified when Obot (1989) in Ivor (2010) writes that the development policies geared towards the improvement of the rural economy remained almost a household word without corresponding success especially at the implementation stage. Some of the polices are haphazardly implemented as a result of poor assessment and supervision. Perhaps, this is why water taps abound in so many rural communities but without water since their installation. Also, most of the low cost housing estates built by some state government during the 2nd republic are yet to be completed and handed over to the intended beneficiaries 25 years after. This may also be the reason why farmers can only acquire less than half a bag of fertilizer from government subsidized fertilizers even though billions have been expended in their importation/purchase.

(d) Corruption
Corruption poses a very big threat to national development including rural development. There is lack of integrity, accountability and transparency on the part of the executors/implementers of development schemes, programs and projects. Reports abound where institutions meant for agricultural and rural development are now conduit pipes for embezzling public funds for private use by officials and managers of the programs.

(e) Lack of Continuity
This is another major problem to the development of the rural areas. Policies formulated never saw the light of the day as they often do not reach the full implementation stage before another government/authority comes in, i.e. policies most times goes with the government who initiated them.

CONCLUSIONS AND RECOMMENDATIONS
Over the years Nigerian governments have been embarking on policies to develop the rural economy especially through development of agricultural produce and infrastructural facilities. This is done with the spirit of accelerating development from the grassroots. But the returns on these policy efforts of the governments still leaves much to be desired as the intended result have not been realized.

Given this situation, this paper argued that for the rural economy to be developed, a holistic approach to rural development must be adopted which integrate efforts in increased and improved agricultural produce with provision and development of infrastructural facilities at the rural areas. And this must be adequately backed up by effective fiscal public expenditure by the government which must be pursued vigorously and with utmost sincerity. In addition, the following recommendations would also be useful:

i. Adequate budgetary provision and timely release of fund should be emphasized to fund policy initiatives.

ii. The government should have a rethink on the method and system of fertilizer distribution. There should be a strategic way for the allocation and distribution of fertilizer so that targeted beneficiaries are not left out. This can be done through subsidizing the fertilizer prices,
depoliticizing the allocation of fertilizers real people engaged in the farming occupation should be giving utmost considerations (they could be sort through organized associations recognized by the government).

iii. Training and capacity building for staff of the institutions involves with implementation policies of the rural development must be taking seriously in order to discharge their functions effectively.

iv. Corrupt practices must be discouraged with all seriousness. Punitive measures must be meant on persons mismanaging public funds for his/her private benefits. Therefore, people with outstanding record of honesty high sense of responsibility and professionalism should be made to manage public institutions.

v. The principle of continuity in the implementation and execution of existing policies must have a legislative backing. This is because of the incessant distortion and alteration in formulated policies resulting from frequent changes in administration. As a regime changes in the country, policy distortion and alteration occurs which most often than not attracts new technology resources, personnel, funding, etc.

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