

Local Government Investments in Agriculture and Rural Development in Osun State of Nigeria

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ABSTRACT This paper examines the local government participation in specific agricultural projects as a strategy for achieving rural development taking a case study of Osun State of Nigeria. The results of the analysis revealed that the investment in agriculture has a high potential of improving the internally generated revenue of the local governments. The rate of returns achieved was 52.7 percent which was higher than the prevailing interest rate. The observed percentage allocation to agriculture was very low across the board. If the allocation could be improved, we should expect a better performance from the agricultural projects.

INTRODUCTION

Local governments all over the world exist to achieve certain societal values. In the literature, these values include political values, social welfare and economic development (Olowu et al., 1991). Local government in Nigeria is defined officially as "government at (the) local level exercised through representative councils established by law to exercise specific powers within defined areas..." (Olowu, 1989)

In a Federal system like Nigeria, local governments are close to the people and hence could effectively alter socio-economic and political conditions within their jurisdictions. Apart from providing and maintaining basic infrastructures, local governments can complement the economic activities of other levels of government.

In recent times, local governments in Nigeria have been assigned specific development roles by the constitution, the range of responsibilities given to local governments are those functions which:

- (a) require detailed local knowledge for efficient performance;
- (b) sources depends on community responsiveness and participation;
- (c) are of a personal nature requiring provision close to where the individuals affected live.

Without doubt, the Nigerian government having realized the importance of agriculture to the Nigerian economy has been making efforts aimed at revamping the sector to enable the

economy to move on the path of steady growth towards development.

A major focus of the government effort at developing the economy is the concept of rural development. This thrust has led the government at various levels to float many programmes, such as the Agricultural Development Programme (ADPs), Directorate of Food Roads and Rural Infrastructures (DFRRI), Better Life Programme for Rural Dwellers among others.

These programmes took cognizance of the fact that more Nigerians (70 percent) live in the rural areas and earn their living from agriculture.

As a way to fulfill one of the major mandates of local governments, they (the local governments) make investments in agricultural activities. These investments are made with the aim of

- (a) generating additional revenue to the local government cover so as to be able to fully prosecute its various development works;
- (b) stimulating and encouraging rural dwellers by engaging them in productive and responsive farm and non-farming viable projects in order to improve their standard of living;
- (c) serving as an effective agent of rural development by enticing other infrastructures that are inevitable to rural development;
- (d) reducing the unprecedented rural-urban drift to the barest minimum.

Investment is seen as expenditure of money for profit or income to purchase something of intrinsic value (Webster, 1986). Afinowi (1996)

see investment as transfer of certain amounts of capital or replacement per unit of time required to maintain the stock of capital. In this context therefore, we looked at expenditure by local government on agricultural related matters aimed at maintaining and generating more income for future use.

The investment activities of the local governments serve as a means of self-sustenance in order to be less dependent on the Federal and the State governments for financial resources. In other words, aside from fulfilling the all important role of rural development, local government investment serve to provide internally generated revenue to boost the finance of the government at the local level.

Investment activities embarked up could include: crop production, poultry farming, livestock husbandry, irrigation project, feed mill, palm oil and palm kernel cottage industry, gari and starch cottage industry, sawmilling projects and the like.

Previous research efforts (for instance Adeyemo 1984) had noted that rural-urban drift observed in the country came to being as a result of poverty and lack of social and economic opportunities. It was suggested that these two indicators of underdevelopment could be eliminated if local governments were given a free hand to chart the course of development at the grassroot by investing in cottage industries and encouraging infrastructural development.

Oyaide (1984) noted that "rural development and reduction in mass rural migration and emigration could be a mirage, unless deliberate efforts as well as coordinated programmes are directed at improving the socio-economic base of rural Nigeria."

This shows how important it is for local governments to embark on rural based investment that will serve as a strategy for bringing other social amenities to the rural community concerned. The goal of rural development is to achieve an improvement in the quality of life of the people in rural communities through programmes that will increase their self-reliance, create employment, improve access to social services, enhance the quality of the environment, provide leadership development, mobilise and create key resources and unleash vibrancy and energies of individuals and groups within the communities (Khan, 1998).

Given the important role(s) local government

investment in agriculture will play in the economic development of the nation as a whole, this paper is an attempt to examine the local government participation in specific agricultural projects as a strategy for achieving rural development taking a case study of Osun State of Nigeria. That agriculture is the mainstay of rural people in Nigeria is a widely acknowledged and agriculture is the main pivot on which rural development can hinge to accomplish the overall development of the economy. The results obtained from the study could be applicable to other developing countries sharing similar features with Nigeria.

METHODOLOGY

The 1976 local government reform, effected a fundamental change in the development of local government in Nigeria. For the first time, the country was given a common, single-tier structure of local government in place of the different structures previously in various states. The reforms instituted statutory allocations of revenues from the federation account with the intention of giving local governments fixed proportions of both the federation account and each states revenues.

Local governments in Osun State were chosen as case study. The Osun State was carved out of the former Oyo State in 1991, and has 30 local government areas. The State is bounded in the West by Oyo, in the East by Kwara, in the South by Ogun and Ondo as well as in the North by Ekiti States.

The State has a population of about 2.2 million inhabitants (NPC1991) and an estimated land area of 8882.5 square kilometers. Agriculture is the mainstay of the state with about 45 percent of her population living in the rural area. Five local government areas were selected for the study out of which four are rural and one urban. These are Ife Central (urban); Ife North, Ife South, Atakunmosa West and Ayedade local government areas.

A five year period (1991-1995) was selected during which the agricultural investments undertaken by the local government authorities were studied.

An interview schedule form was designed and used to collect data from the officials of the local governments. Data on annual budgetary allocations to agricultural projects, income realized, as well as annual budgetary allocations to non-agricultural projects were solicited.

Both descriptive and budgetary techniques were used to analyse the data collected.

Descriptive statistics involved the use of tables, ratios, percentages and the like.

The budgetary technique utilized involved the use of ratios to measure the efficiency of operations of the enterprises embarked upon. The major crop enterprises embarked upon were maize and cassava. These are the two most important crops in the state being cultivated by more than 90 percent of the farming households in the state (OSSADEP 1997).

The efficiency ratios utilized were:

$$\text{Efficiency of crop yield} = \frac{\text{yield obtained on the local government farm}}{\text{average yield of crop obtained in the zone}}$$

$$\text{Efficiency of crop enterprise per worker} = \frac{\text{yield obtained on the local government farms}}{\text{number of farm workers employed}}$$

$$\text{Rate of returns to capital of crop enterprise} = \frac{\text{estimated Returns in Naira}}{\text{capital invested in Naira}}$$

$$\text{Percentage Turnover of crop Enterprise} = \frac{\text{Capital Invested and Returns in Naira}}{\text{Capital Invested in Naira}}$$

The percentage efficiency informs us on the extent to which the yield obtained on the local government farms compares with the average yield obtained on farmers field in the zone. The average yield obtained for maize in Ife/Ijesa zone was 1.63 tonnes, while that for cassava was 16.32 tonnes. (OSSADEP 1997)

Given the resources available and the rationale for the establishment of these farm projects as demonstration plots for local farmers, it is expected that the performance (yield) of these farming enterprises would be better than that obtained on the average farmers field.

RESULTS AND DISCUSSIONS

Public investments in agriculture at the local government levels were not run in a strictly commercial way bearing in mind that the elements of social service cannot be totally divulged from these projects.

The agricultural project officials at the study area noted the underlisted as the guiding rules for the investments. These are that the projects were to

- (a) serve as catalysts for rural development;
- (b) act as a means through which some essential social infrastructures could be provided in

these rural communities;

- (c) assist farmers residing in the study areas in their farming operations by bulk – purchasing agricultural inputs and the output from the farm.

The Table 1 shows that the yield obtained from the maize enterprises of the various local governments performed better than that on the farmers fields. The Table shows that the performance was increasing over the years (on the average) in each of the local government

Table 1: Percentage efficiency of maize produced

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa</i>	<i>Ayedaade</i>
1991	1.411	2.515	1.84	1.472	2.27
1992	2.45	3.25	1.300	1.65	2.09
1993	2.15	2.30	2.21	1.99	1.72
1994	2.58	2.82	1.69	2.09	1.66
1995	2.46	3.22	2.91	3.08	2.58
Average	2.21	2.82	1.97	2.06	2.06

Source: Field Survey Data 1998

areas. The lowest yield obtained over the years in all the local government areas was 30 percent more than the average yield obtained on the farmers field. The Ife North local government area which had the lowest yield among the government maize farm projects recorded an average of 97 percent efficiency better than that of the farmers. This result suggest a superior performance of the government maize farming project, possibly because of the ability to obtain the needed inputs in the needed quantity at the appropriate time by the local government officials. The result may also be because they have the needed farmhands on hand at the appropriate since the farmhands are also on the governments payroll. On the average about 6 labourers are available in each of the local government farms during each farming season with an average farm size of about 5.5 hectares. (Tables 10 and 11)

Table 2 shows the percentage efficiency of maize produced per worker. A close look at the table shows that the workers are generally not as efficient as painted previously. This is because it is only in one of the local government areas (Ife South) in 1992 that an efficiency ratio of more than 100 percent was obtained. Given the availability of resources to these workers and a favourable climate, there is no reason why they should not record an efficiency ratio of 100 percent

Table 2: Percentage efficiency of maize produced per worker

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa</i>	<i>Ayedaade</i>
1991	38.0	82.0	50.0	40.0	52.8
1992	67.0	106.0	40.0	38.5	48.5
1993	44.0	53.5	51.4	40.6	40.0
1994	47.5	76.6	39.2	42.5	45.0
1995	57.2	87.5	67.8	62.7	60.1
Average	50.7	81.1	49.8	44.9	49.2

Source: Field Survey Data 1998

in each planting season. In order to justify their employment as a farmhand it is expected that an efficiency level of 100 percent should be achieved.

However, environmental conditions such as late rains, poor soil conditions, and insect and pest infestations might be responsible for the observed performance. Other reasons might be human, that is, lack of effective coordination by the unit heads, or wrong attitude of the labourers to the farming projects.

As regards the turnover of the maize enterprise Table 3 shows that the turnover obtained was generally satisfactory in all the local government areas. The result shows that maize production in the study area is profitable. When this result is compared with the budgetary allocation (Table 9), we observe that the Ife North

Table 3: Percentage turnover of maize produced

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa</i>	<i>Ayedaade</i>
1991	175.0	148.0	166.0	149.0	148.0
1992	136.0	157.0	166.0	155.0	148.0
1993	199.0	188.0	216.0	219.0	146.0
1994	156.0	166.0	213.0	196.0	228.0
1995	184.0	187.0	247.0	198.0	184.0
Mean	170	167.2	195.6	183.4	

Source: Field Survey Data 1998

local government area with 0.94 percent allocation recorded the highest mean percentage over the study period while the Ife South local government with 2.12 percent budgetary allocation recorded the lowest (16.72 percent) mean percentage turnover. This suggests that some other factors apart from finance may be responsible for the observed performance. Table 4 shows the rate of returns to capital invested on maize production in the study area. Ife North local government area still recorded the highest mean rate of returns

Table 4: Rate of returns to capital invested on maize production

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa West</i>	<i>Ayedaade</i>
1991	75.90	48.90	66.10	49.68	47.80
1992	36.10	57.80	66.60	55.75	48.70
1993	99.50	88.90	116.70	119.30	46.00
1994	56.50	66.60	113.30	96.50	52.90
1995	84.00	87.90	117.60	98.70	128.50
Mean	70.50	70.00	96.10	83.90	64.80

Source: Field Survey Data 1998

to capital invested with an average rate of returns of about 96 percent. Given that the results obtained on the average farmers field in the area (1.63 tonnes per hectare) is higher than that the average yield obtained in the State as a whole (1.58 tonnes per hectare) we can safely adduce that the observed performance is credible. Furthermore, the results confirm that the average farmers in the area can learn from these local government farm projects to improve their performance. It could further be adduced that maize production is profitable in the study area giving a rate of returns higher than the prevailing rate in the financial market.

Table 5 shows the percentage efficiency of cassava production in each of the local government areas. The overall performance was not as impressive as that of maize because it is only in two local government areas in one year (1992) that we obtained an efficiency ratio more than that of the farmers field. This implies that the yield obtained on the government cassava farm plots did not compare favourably with the farmers fields. This is not supposed to be so, given the potential available and the aim(s) of establishment of the project farms as "demonstration fields"

Table 5: Percentage efficiency of cassava produced

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa</i>	<i>Ayedaade</i>
1991	0.299	0.674	0.332	0.332	0.337
1992	0.311	1.131	1.211	0.384	0.303
1993	0.300	0.556	0.303	0.309	0.287
1994	0.314	0.528	0.222	0.265	0.237
1995	0.269	0.447	0.325	0.289	0.228
	0.299	0.667	0.479	0.316	0.278

Source: Field Survey Data 1998

The result displayed in Table 6 on percentage efficiency of cassava production per worker

Table 6: Percentage efficiency of cassava produced per worker

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa West</i>	<i>Ayedaade</i>
1991	82	220	87	90.0	79.0
1992	85	369	329	89.0	71.0
1993	61	130	71	63.0	59.0
1994	64	144	52	54.0	64.3
1995	63	122	76	59.0	53.0
Mean	69	197	123	71.1	65.2

Source: Field Survey Data 1998

shows that Ife South local government area was able to justify the employment of the farmhands by constantly obtaining an efficiency level of more than 100 percent per worker. All the other local government areas scored less than 100 percent a performance that should be a source of worry to the officials since the farm projects are supposed to perform better. However this result may have come by for several reasons, some of which may be climatic, or agronomic, maybe the use of a wrong variety. Result displayed in Table 7 on the percentage turnover obtained from the cassava enterprise was satisfactory. The lowest return was 52.2 percent which was better than the ruling rate of interest in the financial sector. The current rate of interest is 22 percent. The rate of return obtained is satisfactory given the high risk prevalent in agriculture (Table 8).

Table 7: Percentage turnover of cassava produced

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa West</i>	<i>Ayedaade</i>
1991	165.0	157.0	161.0	153.0	148.0
1992	144.0	119.0	187.0	156.0	143.0
1993	196.0	146.0	170.0	152.0	152.0
1994	241.0	160.0	176.0	140.0	147.0
1995	191.0	180.0	173.0	186.0	171.0
Mean	187.4	152.4	173.4	157.4	152.2

Source: Field Survey Data 1998

Table 9 shows the percentage budgetary allocation to agriculture in each of the local government areas. A close look at the table reveals that the allocation to agriculture in each of the local government areas was mere pittance. The highest allocation was 13.5 percent in 1994 at Atakumosa. Given this allocation, it is no surprise that the percentage efficiency obtained both for maize and cassava in this local government was satisfactory both in 1994 and 1995.

Table 8: Rates of Returns to Capital Invested on Cassava Produced

	<i>Ife Central</i>	<i>Ife South</i>	<i>Ife North</i>	<i>Atakumosa West</i>	<i>Ayedaade</i>
1991	65.1	57.1	61.7	53.9	48.6
1992	44.2	19.7	87.1	56.5	43.6
1993	96.0	46.3	70.3	52.7	52.9
1994	42.0	60.2	76.2	40.3	47.7
1995	91.0	80.9	73.2	85.7	71.2
Mean	107.7	52.8	73.7	57.8	52.7

Source: Field Survey Data 1998

Table 9: Percentage distribution of annual budgetary allocation to each department in Ife Central Local Government

	<i>Department</i>				
	<i>Agriculture</i>	<i>Education</i>	<i>Health</i>	<i>Community</i>	<i>Works</i>
<i>Ife Central</i>					
1991	0.24	0.10	0.18	0.11	1.74
1992	0.06	0.04	0.07	0.05	0.62
1993	3.20	1.19	2.98	5.17	14.71
1994	0.94	0.64	1.97	3.56	10.80
1995	12.80	6.61	38.14	61.78	0.53
Mean	3.46	1.51	8.86	14.13	5.69
Total	17.24	8.58	43.34	70.67	28.40
<i>Ife South</i>					
1991	0.24	0.07	0.15	1.60	2.15
1992	0.07	0.04	0.06	0.03	0.70
1993	2.23	0.75	1.93	3.04	1.13
1994	1.18	0.59	1.33	2.96	9.60
1995	6.88	5.77	20.99	58.60	6.41
Mean	2.12	1.21	4.69	12.94	3.88
Total	10.62	7.22	24.46	64.72	19.44
<i>Ife North</i>					
1991	2.53	0.88	1.54	1.03	16.20
1992	0.07	0.03	0.06	0.04	0.64
1993	2.34	0.73	1.81	3.01	1.03
1994	1.17	0.50	1.13	2.59	8.27
1995	0.62	0.49	1.82	5.76	8.86
Mean	0.94	0.52	1.27	2.48	7.00
Total	6.73	2.63	6.36	12.43	35.00
<i>Atakumosa West</i>					
1991	0.27	0.11	0.20	0.13	0.21
1992	0.07	0.04	0.06	0.05	0.63
1993	1.79	0.93	1.60	2.01	15.16
1994	13.52	5.34	11.94	24.33	16.12
1995	0.66	0.50	2.24	6.40	12.27
Mean	3.26	1.38	3.20	6.59	8.80
Total	16.31	6.92	16.04	32.92	44.39
<i>Ayedaade</i>					
1991	0.24	0.10	0.18	0.12	1.75
1992	0.10	0.05	0.10	0.89	1.20
1993	1.18	0.76	1.17	1.29	10.92
1994	1.32	5.71	1.44	2.82	19.46
1995	0.65	0.48	2.30	6.17	17.61
Mean	0.69	1.42	1.03	2.09	10.12
Total	3.49	7.10	5.19	10.46	50.63

Table 10: Size of farm land cultivated in Hectares

	Ife Central	Ife South	Ife North	Atakumosa West	Ayedaade
1991	5.0	6.0	4.0	6.0	4.0
1992	5.0	8.0	6.0	7.0	5.0
1993	5.0	7.5	8.0	5.0	7.0
1994	6.0	9.0	7.0	7.0	6.0
1995	6.0	8.0	7.0	6.0	5.0
Average	5.4	7.7	6.4	6.2	5.4

Source: Field Survey Data

Table 11: Number of worker employed per season

	Ife Central	Ife South	Ife North	Atakumosa West	Ayedaade
1991	6.0	5.0	6.0	7.0	7.0
1992	6.0	5.0	6.0	7.0	7.0
1993	8.0	7.0	7.0	8.0	8.0
1994	8.0	6.0	7.0	8.0	6.0
1995	7.0	6.0	7.0	8.0	7.0
Average	7.0	5.8	6.6	7.6	7.0

Source: Field Survey Data 1998

SUMMARY AND CONCLUSIONS

Given the potential contribution of local government investment in rural agricultural development this paper sought to evaluate the impact of public investments in agricultural and rural development in selected local government areas of Osun State of Nigeria. The results of the analysis revealed that the investment in agriculture has a high potential of improving the internally generated revenue of the local governments. The rate of returns achieved was 52.7 percent which was higher than the prevailing interest rate in the economy.

However, a closer look at the performance shows that the achieved level of efficiency was lower than the potential (achievable) level. This calls for a closer monitoring of the factors responsible for this level of performance. The performance could be hindered mainly by finance and/or personnel problems. The observed percentage allocation to agriculture was very low across the board. If the allocation could be improved, we should expect a better performance from the agricultural projects.

The personnel problem could also contribute to the observed performance, for which reason we suggest a better treatment of the farmhands, provision of needed inputs at the appropriate

time bearing in mind that agriculture is a time specific venture. The high potential of the agricultural projects in enhancing the revenues of the local government areas, and serving as a demonstration effect to nearby farmers demands that closer attention and effective monitoring is effected on these farms to help achieve the main objectives of setting them up.

It is therefore suggested that local governments should endeavour to venture into agricultural investments so as improve their revenue generating capacity, and serve as demonstration plots to local farmers thereby challenging them to better performance. This is also a pointer to other local governments in Nigeria and in other developing nations in general, to consider investments in projects that will be both financially rewarding and beneficial to the rural community.

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