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**IMPROVING PUBLIC SECTOR EXPENDITURE TARGETING  
AND ALLOCATION TO FOSTER RURAL DEVELOPMENT  
AND PRODUCTIVE EMPLOYMENT GENERATION  
(Country Case Study of Nigeria)**

**DECEMBER 1996**

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## EXECUTIVE SUMMARY

Public expenditures as determinants of the quality and quantity of economic and social infrastructure which, in turn, affects human resources and labour productivity assume an added significance in a dual economy. The Nigerian economy is characterized by a large rural, mostly agricultural based, traditional sector, which comprises about three-fourths of the poor, and a smaller urban capital intensive sector, which has benefited most from the exploitation of the country's resources and the provision of government services. Since the pattern of public spending contributes in no small measure to rural-urban development differential, it follows that public expenditure allocation represents a powerful fiscal tool that can be used to redress such imbalances.

This study, therefore, examines public sector expenditure targeting and allocation for fostering rural development and the generation of productive employment in Nigeria. The objectives of the study are:

1. to highlight rural underdevelopment in Nigeria;
2. to review Nigeria's fiscal policies and allocation of public expenditure in relation to development objectives;
3. to analyze policies and practices relating to public expenditure targeting and allocation for fostering rural development and the generation of productive rural employment; and
4. to make recommendations as to how public sector expenditure targeting and allocation policies can be better designed and/or improved upon to foster rural development and the generation of productive employment.

### Public Expenditure Targeting

Public expenditure targeting is the process by which public expenditures are channelled to the group that the expenditure programme aims to serve. Any study of public expenditure targeting requires, as a minimum, detailed breakdown of the uses of government fund by expenditure programmes. Perhaps the most important lesson from this study is the severe limitations that data deficiency on government expenditure programmes places on any study of public expenditure targeting in Nigeria. The study, therefore, concludes that new efforts in data collection on the breakdown of government expenditure programmes are urgently needed in Nigeria to improve knowledge on the effects of budget policies on rural development and productive employment generation. The data on actual expenditures vis-a-vis budgeted expenditures by programmes should be published on a regular basis. Further, public expenditure targeting studies should, where possible, be combined with expenditure benefit or incidence study which incorporates data on the use of the public services provided to the target group.

### **Dimensions of Rural Underdevelopment in Nigeria**

Using such indices as output growth, poverty index and distribution of economic infrastructures and social services, the rural areas are consistently worse off than the urban areas. For instance, during the period 1987-92, agriculture attained an average annual growth rate of 3.5 per cent compared to 5.0 per cent and 7.9 per cent growth rates for industry and services respectively and the overall 5.4 per cent growth rate of the gross domestic product (GDP). Health status indicators point to wide disparities between the urban and the rural areas. For instance, the under-5 mortality rate is 129.8 per 1000 in the urban area compared to 207.7 in the rural area, while diarrhea prevalence is 19.6 per cent in the rural area compared with 11.7 per cent in the urban area. Much of the country's oil money was invested in gigantic and very capital-intensive development programmes such as roads, bridges, airports, power supply and telecommunications often located in the urban centres. Investment in the social sector and the provision of social services were also tilted in favour of the urban areas. Further, it has been estimated that half of the rural population live in communities where the access routes are not paved and cannot be used during the rainy season and live in communities that have no modern health services.

### **Fiscal Policy and Development Objectives**

It is not as if the Nigerian government has been insensitive to the plight of the rural sector of the economy. The various Development Plans and Annual Budgets over the years contain many pious pronouncements of government's intention to ameliorate the deplorable conditions of the rural area. But it appears that for most of the time, it was more of words and less of action. For a long time, it was erroneously believed that the huge capital investment in the modern sector would result in increased output and absorption of labour. Unfortunately, that belief was not in keeping with the development objectives and hence, led to the allocation of public expenditure inconsistent with desired development objectives. Nevertheless, the period mid-1980s to the early 1990s witnessed a change in practice pointing to increased expenditure programmes directed at the rural areas.

### **Public Expenditure Targeting in Nigeria**

#### **(a) Summary of Findings**

Government expenditures targeted at fostering rural development and generation of productive employment in the rural areas are classified into those that improve access to productivity such as roads, water resources, land, farm inputs and credit and those that enhance the productivity of human capital. In practice, many expenditure programmes cut across these boundaries.

The major targeted expenditure programmes in the provision of economic support services to the rural areas include those of the Directorate of Food, Roads and Rural Infrastructures, DFRRI, Ministry of Water Resources and Rural Development, National Agricultural, Land Development Authority, NALDA, Fertilizer Subsidy, the People's Bank of Nigeria and the Community Banks, Better Life Programme for Rural Women, and National Directorate of Employment, NDE. The major thrusts of the activities of DFRRI are in the areas of promotion of productive activities - food and agriculture, rural industrialization, rural technology, and the provision of rural infrastructures - rural feeder roads, rural water and sanitation, rural electrification and rural housing.

The Ministry of Water resources and Rural Development concentrates on rural irrigation projects and rural water supply. NALDA concentrates on farm infrastructural development (on farm-roads, farm machineries, shed, workshop and stores), acquisition of machineries for tillage operation (especially tractors); and land development activities.

There is no doubt that the presence of these agencies is felt in many of the rural communities in Nigeria. But there is no data with which to judge their real impact on the rural areas, especially in areas of productivity improvement and employment generation. For one thing, there appears to be a lot of duplication among the functions of the agencies as well as those of the conventional ministries. The quality of work done by many of them is doubtful - with feeder roads that become impassable with the first rains, boreholes that dry up after the initial commissioning; and rural electricity supplies that are switched on for the first and last time during the commissioning ceremony. Part of the problem arises from the direct involvement of federal agencies in production activities at the local level.

A programme budgeting approach which collects all activities relating to rural development under one agency could have been a way out of the duplication problem. There is an urgent need for proper monitoring of the activities of these agencies. Regular reports of the activities of the agencies should be made mandatory. These reports should have both the input and the output sides. Perhaps a better way of targeting some of these expenditure programmes is to have them transferred to the Local Governments with ear-marked or functional grant to ensure that the funds are actually spent on the designated programmes. The activities of the NDE within its agricultural sector employment programme provides a good example of collaboration between a federal agency and lower level governments.

The activities of the People's Bank of Nigeria and Community Banks in improving access to credit in the rural areas appears commendable. These could be regarded as examples of well-targeted programmes and the effort should be sustained.

On the other hand, the fertilizer subsidy programme appears to be a very poorly targeted expenditure programme, since the subsidy never gets to the actual farmers. The fertilizer subsidy fund could be better targeted if used to improve the availability of credit to the rural farmers. Perhaps the best known targeted programme is that of Better Life Programme for Rural Women, with a specific target group - rural women - and which operates through cooperative societies under the women themselves. Unfortunately this programme may have fallen victim of policy instability in Nigeria.

Expenditure programmes directed at enhancing human capital with the hope of improving human productivity and employment potentials are mostly in the areas of health and education. Though there are hardly any health or education programmes that are specifically targeted at the rural areas, there are, nevertheless, certain components within these broad categories that tend to benefit the rural areas more relative to other expenditure components. These are mostly in the areas of primary health care and primary education. Unfortunately, the pyramidal division of responsibilities among primary, secondary and tertiary health and educational services, with primary health care and primary education at the base, is not reflected in the allocation of funds which appears to be more of an inverted pyramid, with the tertiary services absorbing a disproportionately larger share of the resources. Generally, there is need to channel resources away from tertiary health and education services to primary health care and primary education respectively. Also, given the shortage of facilities, there is need for reallocation of public expenditure on education in favour of supplies of drugs textbooks, etc. needed by the rural areas.

Finally, services that generally have substantial spill-over effects or where minimum levels of consumption are considered to be desirable (as in the case of education and health), the provision of such services should not be left in local hands or to individuals. Hence direct federal assistance to primary health care and primary education are a necessity for the upliftment of the rural areas.

#### **(b) Recommendations**

- There should be increased effort at data collection on government expenditure programmes in Nigeria.
- Information on the uses of government funds by expenditure programme should be made available on a timely and regular basis.
- Data on actual expenditure as against budgetary estimates on the various expenditure programmes should be compiled on a regular basis.

- To avoid unnecessary duplications in the various expenditure programmes targeted at the rural areas, it may be necessary to bring those activities under one agency, using the programme budgeting approach.
- There is need for close monitoring of the activities of all the agencies involved in public expenditure targeting to the rural areas. For a start, these agencies should prepare regular reports on their activities both in terms of inputs and outputs.
- Since most of the functions performed by these agencies are those constitutionally assigned to Local Governments, a better system of channelling resources to these activities would be to give functional grants to Local Governments for the performance of those functions.
- The activities of the People's Bank of Nigeria and the Community Banks in channelling credit to the rural areas should be sustained.
- On the other hand, the fertilizer subsidy programme should be scrapped and funds used, instead, to increase credit availability to the rural areas.
- Emphasis on the allocation of health and education expenditures should be on those components from which the rural communities stand to benefit more than others. Hence, more resources should be channelled to primary health care and primary education as against tertiary health and educational services.
- Given the poor level of services in the provision of facilities in both health and education, there is need to reallocate recurrent expenditure on health and education in favour of supplies (drugs, textbooks, etc.) relative to personnel costs.
- Since the rural areas generally lack the ability to privately make up for any deficiencies in the provision of needed services, geographic discrimination both in terms of the provision and the pricing of the services may provide excellent opportunity for targeting expenditures in rural areas. In that respect, the free component of primary education can be fully implemented and cost recovery de-emphasized in the health care.
- Finally, for activities that give rise to external benefit or where minimum consumption by everyone is deemed as socially desirable, the Federal Government must have a stake in the provision of those services.



## **IMPROVING PUBLIC SECTOR EXPENDITURE TARGETING AND ALLOCATION TO FOSTER RURAL DEVELOPMENT AND PRODUCTIVE EMPLOYMENT GENERATION IN NIGERIA**

### **I. INTRODUCTION**

The Nigerian dual economy consists of a rural traditional agricultural sector, dominated by small peasant, small holder farms and a small urban capital-intensive sector. During the 1970s and 1980s, petroleum emerged as the dominant subsector of the modern sector. The emergence of petroleum reversed the fortunes of Nigerian agriculture. Thus, the share of agriculture in the gross domestic product (GDP) which was 67.0 per cent in 1960s fell precipitously to 23.4 per cent in 1974 and 15.5 per cent in 1984, while that of petroleum rose from 0.6 per cent in 1960 to 45.4 per cent and 28.0 per cent in 1974 and 1984 respectively. While the oil boom resulted in the concentration of enormous resources in the public sector, and enabled government to undertake massive increases in public investment which were designed to raise the economy's productive capacity and human capital, it would appear that the pattern of spending that huge oil revenues charted different growth paths for the urban and rural sectors of the economy.

#### **Objectives of the Study**

The study examines public sector expenditure targeting and allocation for fostering rural development and generation of productive employment in Nigeria. The specific objectives of the study are:

1. to highlight rural underdevelopment in Nigeria;
2. to review Nigeria's fiscal policies and allocation of public expenditure in relation to development objectives;
3. to analyze policies and practices relating to public expenditure targeting and allocation for fostering rural development and generation of productive rural employment; and
4. to make recommendations as to how public sector expenditure targeting and allocation policies can be better designed and/or improved upon to foster rural development and the generation of productive employment.

While this introduction forms the first part of the study, section II is devoted to a brief discussion of the conceptual and methodological issues relating to public expenditure targeting and the problems confronting their application in Nigeria. It, therefore, defines a rather limited scope of the study. The dimensions of rural underdevelopment are briefly highlighted in Section III. Section IV reviews Nigeria's fiscal policies and patterns of public expenditure allocation in relation to development objectives. Policies and practices relating to public expenditure targeting and allocation to foster rural development and generation of productive

employment are analyzed in Section V. Section VI gives lessons learnt and makes recommendations as to how public sector expenditure targeting and allocation can be better designed and/or improved upon to foster rural development and generation of productive employment.

## **II. PUBLIC EXPENDITURE TARGETING CONCEPT**

### **Conceptual Framework**

Public expenditure targeting is the process by which public expenditures are channelled to members of the target group or the group that the expenditure programme aims to serve. The target group may be identified by various socio-economic characteristics such as income (the rich vs. the poor), sex (male vs. female), age (children vs. adults), occupation (skilled vs. unskilled) etc. There is, of course, a close interrelationship between the economic, occupational and spatial classifications. For instance, the rural sector is usually associated with traditional and often subsistence occupations which are, in turn, linked with poverty.

Targeting public expenditure is not as simple in practice as it sounds. Where it is not difficult to identify the target group, it may either not be feasible or expensive to exclude those not belonging to the target group. However, compared with targeting by income groups (rich vs. poor), which requires prior knowledge about the welfare of each individual, for instance, geographic targeting appears relatively easier. The difficulties involved in differentiating rural and urban areas are likely to be less intractable than those in distinguishing the rich from the poor. Since the rich and the poor may co-exist in the same location, the cost of excluding the rich from benefiting from expenditures targeted to the poor (except in the case of direct cash transfers) would be expected to be higher than that of excluding urbanites from the benefits of expenditure programmes targeted at the rural areas.

Related to the concept of expenditure targeting is the concept of expenditure incidence (often referred to as benefit incidence). Expenditure incidence refers to the changes in the relative income positions of families/individuals due to the expenditure policies of government. Expenditure incidence analysis is, therefore, the method of combining information on the allocation of public expenditure with data on the use by individuals of the public services provided. Thus, both expenditure targeting and incidence involve the ability to trace particular items of public expenditure to the target group.

### **Scope of the Study**

No adequate information is available in Nigeria on any study that has attempted a detailed account of the uses of government fund, such that specific items of expenditure could be traced to specific groups; and a desk study such as this lays no claim to such ambition. We shall, therefore, be contented with analysis of those expenditure programmes which, though not targeted at particular groups, do, nevertheless, benefit some groups more relative to other kinds of expenditure. With particular reference to the rural areas, the study shall examine public expenditures which are not targeted specifically to the rural areas, but which

The study does not attempt to examine the distribution of the benefits of such expenditures among individuals in the rural area, which an incidence study would require. One can foresee two problems in what it is attempting to do. First, the fact that a certain sum of money is budgeted and spent on a programme targeted at the rural area does not necessarily imply that what the rural area got is equivalent in value to the money said to have been spent on the programme. Thus, the assumption that what is spent is equivalent to what the target group receives, obscures the issues of inefficiencies and leakages in the management of the expenditure programmes. For instance, is the value of a gravel road that becomes impassible to the rural community with the first rains worth the value of the money said to have been spent on constructing the road? How much of the expenditure on fertilizer subsidy actually gets to the farmer?

The second set of issues relate to the utility of the expenditure programmes to the target group, including the ability of the target group to benefit from the programmes. For instance, how much benefit do rural people derive from primary health centres that have no drugs or where cost recovery denies access to such facilities, or how much benefit do they derive from the expenditure on uncompleted or abandoned water projects? Only a household survey of the World Bank Living Standards Measurement Study (LSMS)-type can provide clues to answering these questions.

### III. HIGHLIGHTS OF RURAL UNDERDEVELOPMENT IN NIGERIA

The data presented below highlighting rural poverty in Nigeria should be interpreted cautiously against the background of dearth of reliable statistical data in the country. The emphasis is on relativity with reference to the urban sector.

#### Unemployment Rate

The structure of unemployment from 1986 to 1994 is presented in Table 1. The picture presented in that table would seem to suggest that unemployment is more of an urban rather than a rural problem in Nigeria. Yet some caution should be exercised in so interpreting the data. Going by the Labour Force Sample Survey definition of the unemployed as comprising of all persons who are genuinely interested in work and are actively seeking work but fail to find any during the reference period, one is not surprised at the low proportion of rural dwellers who could be classified as unemployed under this definition. All those peasant farmers who irk out a living at below subsistence level would not be regarded as employed. Disregard for the level of under-employment or disguised employment in the rural areas might have resulted in the underestimation of the actual level of unemployment rate in the rural areas. The 1983 Labour Force Sample Survey which defined the underemployed as those who work less than the average hours of work (given as 35 hours per week) but wished to work more, found that 29.5 per cent of the employed in the rural area worked less than full time compared to 11.0 per cent in the urban area. Without being drawn into the so-called zero marginal productivity of labour in the traditional sector controversy, there is no doubt that the search for employment is one of the push factors behind rural-urban migration in Nigeria. There is, therefore, a lot of room to improve the productivity of the rural people. There is also a close relationship between rural unemployment and urban unemployment since

a large proportion of the latter comprises those who migrate from the rural to the urban centres in search of job but could not find any. Thus, improving the rural unemployment situation is one way to redress the swelling urban unemployment.

Table 1

**Structure of Unemployment, 1986-94 (percentages)****Unemployment Rate**

Year	National	Urban	Rural
1986	5.8	9.6	4.8
1987	6.2	9.8	5.2
1988	4.8	8.1	4.3
1989	4.3	8.4	3.4
1990	3.4	5.7	2.9
1991	3.6	5.2	3.2
1992	3.5	4.8	3.0
1993	2.7	3.8	2.5
1994	2.0	2.3	1.9

Source: Federal Office of Statistics: Labour Force Surveys.

**Output Growth**

Table 2 presents the sectoral performance of the Nigerian economy from 1987 to 1992. It shows agriculture as attaining the lowest average annual growth rate of 3.5 per cent during the period compared to 5.0 per cent and 7.9 per cent growth rates recorded by industry and services respectively and the overall 5.4 per cent growth of the GDP.

Table 2

**Economic Performance by Sectors, 1987-1992**

Sector	Annual Growth
Agriculture	3.5
Industry	5.0
Mining	4.9
Manufacturing	5.1
Services	7.9
Gross Domestic Product	5.4

Source: Federal Office of Statistics

Available evidence also shows that while the share of agriculture in non-oil GDP fell from 68.1 per cent in 1970 to 44.0 per cent in 1994, that of manufacturing and services rose from 6.2 per cent and 25.7 per cent to 10.8 per cent and 45.2 per cent respectively over same period (World Bank, 1996). The dwindling fortunes of the agricultural sector have been subscribed to the so-called 'Dutch disease' in which a sharp increase in the output and revenue of one product (in this case, oil) in an economy has adverse repercussions in other sectors of the economy. For example from a net producer of agricultural products in the 1960s and 1970s, Nigeria became a net importer of agricultural commodities, especially food during the period of the oil boom.

**Poverty Index**

A recent study on the nature of poverty in Nigeria concludes that poverty is overwhelmingly a rural problem, with 66 per cent of the poor - those below the poverty line - living in rural areas (World Bank, 1966). It is estimated that out of 34.7 million Nigerians designated as poor, 11.9 million or 34.2 per cent live in the urban area while the remaining 22.8 million or 65.8 per cent live in the rural areas.

As shown in Table 3, health status indicators point to wide disparities between the urban and the rural areas. For instance, the under-5 mortality rate is 129.8 per 1000 in the urban area compared to 207.7 in the rural area; and diarrhea prevalence is 19.6 per cent in the rural area compared with 11.7 per cent in the urban area. On the other hand, over 50 per cent of the children 12-23 months are fully vaccinated in the urban area compared with 23.3 per cent in the rural area. Also only about under 2 per cent of the married women in the rural area use modern contraception compared with nearly 10 per cent in the urban area.

Table 3

**Indicators of Health Status and Use of Services**  
**by Urban/Rural, 1990/91**

<b>Selected Indicators</b>	<b>National</b>	<b>Urban</b>	<b>Rural</b>
<b>Health Status</b>			
Under-5 Mortality	191.0	129.8	207.7
Infant Mortality	91.4	75.4	95.8
Under-5 Stunted	43.1	35.0	44.5
Diarrhea Prevalence	17.9	11.7	19.6
Total Fertility Rate	6.0	5.0	6.3
Adolescent Fertility	23.2	17.4	32.7
<b>Use of Health Services</b>			
No Antenatal Care	34.8	11.1	41.1
Unattended Births	38.6	21.6	43.1
Fully Vaccinated	29.6	52.5	23.3
Use of Modern Contraceptives	3.5	9.6	1.9

Source: (1) World Bank Staff Estimates based on 1990/91 data from the National Demographic and Health Survey.

(2) Federal Office of Statistics, Lagos.

With respect to education, World Bank (1996) estimates put the percentage of household population that never attended school at 50.2 per cent and 65.2 per cent for rural males and females respectively compared with 22.4 per cent and 36.2 per cent for urban males and females respectively. The median number of years in school are again 0.9 and 0.7 for rural males and female respectively while it is 6.1 for urban male and 3.0 for urban female. There is also a strong evidence that poverty is strongly influenced by education.

**Distribution of Economic Infrastructures and Social services**

The disparities in the level of poverty between the rural and the urban areas as manifested by the various economic and social indicators bear eloquent testimony to the disparities in the provision of economic and social infrastructures in the two areas. Much of the country's oil money (while the going was good) was invested in gigantic and very capital-intensive development programmes such as roads, bridges, airports, power supplies and telecommunications often located in the urban centres. Investment in the social sector and the provision of social services were also tilted in favour of the urban areas. It has been estimated that half the rural population live in communities where the access route is not paved and cannot be used during the rainy seasons.

With respect to social services, nearly half the rural population live in communities that have no modern health services. Public sector health staff is concentrated in urban areas.

Tertiary services in both education and health which benefit the urban area more than the rural area, absorb a disproportionately high proportion of government funding for both capital and recurrent programmes. The high prevalence of diarrhea in the rural area is not unconnected with lack of access to safe drinking water to the rural area.

#### **IV. NIGERIA'S FISCAL POLICIES AND PUBLIC EXPENDITURE ALLOCATION IN RELATION TO DEVELOPMENT OBJECTIVES**

##### **Development Objectives**

It is not as if the Nigerian government has been insensitive to the plight of the rural sector of the economy. There have been many pious pronouncements of government's commitment to ameliorating the deplorable conditions of the rural area. But it appears that for most of the time, it has been more of words and less of action. However, the period mid-1980s to the early 1990s witnessed a barrage of expenditure programmes directed at the rural areas.

All the post-independence national development plans, including the current three-year rolling plans have had employment generation and promotion of gainful employment among their cardinal objectives. For instance, the First National Development Plan (1962-68) lists the creation of more jobs and opportunities in the non-agricultural occupations and the introduction of modern agricultural methods through farm settlements, cooperative plantations and improved farm implements as means of achieving a more equitable distribution of income among the people and among regions. The Second National Development Plan (1970-74) again emphasized deliberate creation of opportunities for gainful occupations, at a level capable of reducing the rate of unemployment and disguised unemployment in a significant manner. Also both the Third and the Fourth National Development Plans had reduction in the level of unemployment as one other principal objective. Reduction in unemployment continues to be emphasized under the current three-year plans implemented through the annual budgets. For instance, one of the policy thrusts of the 1995 budget is the creation of more jobs and employment and making life more abundant for all Nigerians.

Also one of the principal developmental objectives of Nigeria is the achievement of economic justice interpreted severally to include the promotion of balanced development between one part of the country and another and, especially between the rural and urban areas (as stated in the Second and the Fourth Development Plans), and a more equitable distribution of income among people (as indicated in the First, Third and fourth Development Plans and in virtually all the three-year rolling plans). Productivity improvements were accorded some priority in the developmental agenda of the country. specific objectives relating to this include the development, as rapidly as possible, of opportunities in education and health and improvement in access for all citizens to these opportunities; the introduction of modern agricultural methods; the production of high-level and intermediate level manpower, especially in science and technology; and the transfer of more resources from wasteful recurrent avenues to capital development through generous funding of the productive sectors.

### **The Role of Fiscal Policy and Public Expenditure**

Fiscal policy can be defined as the policy under which the government uses its taxation, expenditure and other financial programmes to achieve certain national goals. These national goals would normally include increased generation of employment, balanced growth and equitable distribution of income and wealth, and productivity improvements discussed above. The fiscal policy objectives of the annual budgets bear testimony as the expansion of agricultural production, creation of jobs and distributive equity are among the main objectives of such fiscal policy. A powerful fiscal policy tool to achieve these objectives is the government expenditure programme.

It is important to point out that public expenditures are not allocated on the basis of the developmental objectives. For instance, it was believed for a long time that the huge capital investments in the modern sector would result in increased output and absorption of labour. Also, it was naively thought that the process of economic development would, by itself, take care of the problem of distributive equity. These assumptions were proved wrong in the Nigerian situation. However, without elaborating further on this point we now turn on the specific issues relating to public expenditure targeting and allocation to foster rural development and productive employment generation in Nigeria.

### **V. POLICIES AND PRACTICES RELATING TO PUBLIC EXPENDITURE TARGETING AND ALLOCATION TO FOSTER RURAL EMPLOYMENT AND GENERATE PRODUCTIVE EMPLOYMENT**

In discussing the role of fiscal policy and expenditure allocation in addressing the problem of rural underdevelopment and unemployment, it is important to note that rural development encompasses much more than an increase in agricultural and livestock output and productivity. It includes village/small town development; extension of health and education services to the rural areas; expansion of local trade and commerce; the provision of credits; creation of local industries for processing agricultural products; and the improvements of housing, water supply, sanitation, roads and communications in the rural areas. As such, broad-based rural development implies the transformation of stagnant traditional societies into dynamic rural economies. Although, the Nigerian government has in the past invested in some of the above activities, rural development has never been sufficiently conceived as an integrated programme of action directed at creating employment in rural areas, making life more attractive, and generating additional income, thereby creating the conditions which will facilitate holding rural labour on the land since employment opportunities in the urban areas are limited.

For the rural areas to benefit from economic growth, they must have access to productive assets such as land, water, credit and markets. And in order to enhance their human capital, they must have access to essential social services. According to the world Bank (1990), expanding access to basic social services is a key component of a long-term strategy for sustained economic growth and poverty reduction. The question is to what extent have public expenditure allocations been used to address these pressing needs of the rural areas?



This issue can be approached by classifying public expenditure directed to the rural areas (namely those aimed at improving their access to productive assets and those aimed at improving their human capital). The former which can also be referred as to the provision of economic infrastructures, would include roads, water resources (irrigation), land clearing, farm inputs, and credit. The latter, which can be referred to as access to social infrastructures would include health, education, drinking water and environmental sanitation. However, many programmes cut across the two categories. However a word of caution needs be repeated here as mentioned earlier in the study that the study of public expenditure targeting in Nigeria is seriously hampered by data deficiency. While there may be aggregate expenditure data, it is difficult to come-by any detailed account of uses of fund by expenditure programmes. A detailed tracing of such expenditures is outside the scope of this study. Hence even for expenditure programmes that are supposedly targeted to the rural areas, the best that can be done is to explain the objectives of the programmes, their strengths and weakness, their achievements and, where possible, give some indications of the magnitude of the funding; bearing in mind earlier distinction between amount expended on the programmes and the benefits received by the rural areas.

### **Economic Support**

#### **Directorate of Food, Roads and Rural Infrastructures**

Perhaps the first multi-sectoral but integrated approach to rural development in Nigeria came with the establishment of the Directorate of Food, Roads and rural Infrastructure (DFRRI) in 1987. In setting up the Directorate, government asserted that Rural Development would move away from past narrow sectoral pre-occupation with the generation of food and fibre surpluses to overall formulation of a National Rural Development Strategy with emphasis on the alleviation of rural poverty and the enhancement of the quality of rural life.

Among the key functions of DFRRI are:

1. To encourage and organize increased agricultural and other activities towards an increased earning power of rural dwellers;
2. To encourage increased agricultural and any other activities in the rural areas to provide agricultural and industrial raw materials;
3. To undertake the construction and repair of roads to facilitate communication and the distribution of agricultural products.
4. To liaise with the appropriate Federal, State and Local Government Councils for the provision of water, health facilities, electricity, and means of communications and
5. To identify, involve and support viable Local Community organizations in the effective mobilization of the rural population for sustained rural development activities.

Among the major programmes of DFERRI are those directed at:

1. Promotion of Productive Activities

- . Food and Agriculture
- . Rural Industrialization
- . Rural Technology and Natural Resource development and utilization.

2. Provision of Rural Infrastructures

- . Rural Feeder roads
- . Rural Water and Sanitation
- . Rural Electrification
- . Rural Housing

3. Organization and Mobilization

- . Community and Social Mobilization
- . Community Self-Help Projects
- . Adult Education
- . Rural Health Education and other Health Support Programmes.

The allocations to DFERRI from 1987 to 1994 are shown in Table 4. They vary from the peak of N500 million in 1988 to N121.8 million in 1994.

There is no doubt that many rural communities across the country felt the impact of DFERRI in one way or the other, especially in the area of provision of rural infrastructures, rural feeder roads, rural water supply and rural electrification.

**Table 4**

**Capital Allocation to Directorate of Food, Road and Rural Infrastructures, 1987-1994**

(N'million)	
Year	Amount
1987	400.0
1988	500.0
1989	300.0
1990	389.0
1991	150.0
1992	-
1993	350.0
1994	121.8

Source: Federal Government of Nigeria: Annual Budgets.

There are, however, many flaws with the set-up and the operations of DFRRI. First of all, it attempted to do too much, resulting in the duplication of the functions of the existing conventional ministries such as those of education, health, water resources and rural development, agriculture and mines and power. It also virtually usurped most of the functions that are constitutionally assigned to Local Government and which can be best performed at that level of government. In one respect DFRRI would have been an excellent example of programme budgeting with rural development as its focus, but for the fact that the existing conventional agencies were still expected to perform those functions in the same rural areas.

Since the study did not trace the funds from the points of budgetary releases to the points of service delivery, it is not possible to say much about the management of the funds in terms of leakages. But certainly the quality of work done by DFRRI, in most cases, leaves much to be desired. Examples are abound of rural feeder roads that become impassable, even before the first rains; water boreholes that hardly wait for the end of commissioning ceremony to dry up; and instances where generators are hired to switch on rural electricity supply during the commissioning ceremony. The crucial question is how can the quality of the work done by the DFRRI be improved? Perhaps since, as was mentioned earlier, the key functions of DFRRI are those already assigned to grassroots level of government, the Local Governments, better targeting might be achieved if the funds are made available to governments at that level. To make sure that the funds are used for the purposes for which they were meant, the allocations could take the form of functional grants, and or the matching type, if need be. However, the operations of DFRRI have been recently merged with those of the Ministry of Agriculture and Natural Resources.

### **Ministry of Water Resources and Rural Development**

The Ministry of Water Resources and Rural Development is primarily responsible for the activities of the River Basin Development Authorities and also engages in the rehabilitation of distressed dams, completion of the construction of existing dams and irrigation projects; and provides small earth dams as well as rural water supply scheme.

The allocations to the Ministry of Water Resources and rural Development in recent times are shown in Table 5. Prior to the early 1990s, the Ministry was also responsible for agriculture and was known as the Ministry of Agriculture, Water Resources and rural Development.

Table 5

**Allocations to Ministry of Water Resources and Rural Development**

<b>Year Allocation</b>	<b>(N'million)</b>
1990	
1991	
1992	
1993	
1994	1,641.9
1995	4,308.7
1996*	2,238.0

\* Budget Estimate

Source: Federal Government of Nigeria - Annual Budgets

While the Ministry of Water Resources and Rural Development recorded some successes in respect of its small irrigation projects in the northern part of the country which has helped to boost agricultural production in those areas, there are many uncompleted dam projects from whose investment the community derives no benefit. With respect to the River Basin Development Authorities in the Southern part of the country, the general impression is that they have nothing to show for the huge sums of money sunk in them.

**National Agricultural Land Development Authority**

The National Agricultural Land Development Authority (NALDA) was established to address the critical problem of utilization of the nation's abundant farmland and rural labour resources. The major focus was to support the dominant, but finally weak smallholder farming communities through land (i.e augmenting farmers' resource base by bringing more land under cultivation) and smallholder capacity building (to increase farmer's management and technical capacity to enable them cope with large farm size).

Among the priority projects of NALDA are:

1. Farm Infrastructural Development (on-farm-roads, farm machineries, shed, workshop and stores);
2. Acquisition of Machineries for tillage operation;
3. Environmental protection and soil conservation activities;
4. Mobilization and organization of farmers into cooperatives; and
5. Land development activities.

As of June, 1995, NALDA has acquired a total fleet of 104 tractors which have been distributed along with the full complement of implements to the State Directorate and were engaged in field activities. In the area of land development, a total of 15,646ha had been developed in all 30 states of the Federation with over 4,000 participants. The idea is to set 500ha farm units and a total of 30,000-50,000ha farms in each state to help mop up unemployment, accelerate the pace of rural development and enhance rural employment and income.

With respect to the construction of farm infrastructures, NALDA constructed 44 culverts, 33 farm wells, 7 machinery sheds and 124 km of farm road between January and June, 1995. Its seed bed preparation activities covered about 12,259ha as at 30 June 1995. NALDA assists participating farmers with the sourcing and distribution of farm inputs such as fertilizers, agro-chemicals, seed/seedlings, agricultural credit and insurance. The aim is to ensure that these inputs and services are available to the farmers at the right places and at reasonable prices. However, all these operations are said to be on cost-recovery basis. A sum of N15.1 million was earmarked for the procurement of agro-chemicals during the 1995 session.

Since the inception of NALDA, about N18 million has been disbursed for seed and seedlings, with nearly half of that being spent on tree-crop seedling. A sum of N39.9 million was budgeted for the procurement and distribution of seeds/seedlings for the 1995 crop season. Finally, with intent to gradually hand over most of the production, marketing and processing support services to the cooperatives, NALDA has nurtured the formation of about 40 cooperative societies in its project sites nation-wide.

It would appear that in the area of generating rural employment and hence productivity, NALDA is on the right path. The problem though is that the activities of such organizations are usually reported in the form of inputs and hardly in the form of outputs. Moreover, NALDA looks like a resurgence of DFRRI in a somewhat circumscribed form. Hence, only time will tell whether it will escape the problems that plagued DFRRI.

### **Fertilizer subsidy**

An item of expenditure on farm inputs that needs special mention is the fertilizer subsidy by the Federal Government, where fertilizer is supposed to be made available to the farmers at highly subsidized rates. About N1.5-2.0 billion has been budgeted as fertilizer subsidy in the last couple of years.

In spite of the laudable objectives of the scheme, the fertilizer subsidy has been severely criticized as a poorly targeted expenditure programme. The accusations range from lack of correspondence between when the fertilizer is delivered to the farmers and when they are needed in the farm; diversion of substantial quantities of the fertilizer to neighbouring countries; and the nefarious activities of the middlemen and their collaborators resulting in the fertilizer reaching the farmers at highly inflated prices. And since the farmers pay the market price, if not more, for the fertilizer, it has been suggested that finding other ways to aid the farmers such as improved access to credit might be better than providing the fertilizer subsidy.

**Access to Credit**

Two novel approaches to helping the rural communities have access to credit are the People's Bank of Nigeria and the Community Banks.

**People's Bank of Nigeria**

The People's Bank of Nigeria was established in 1990 as a specialized bank for providing financial services to the poor and underprivileged individuals and groups, who could not normally benefit from the services of the orthodox banking system due to their inability to provide collateral security. The idea of the People's Bank arose out of the realization that in spite of the admirable achievements of the rural banking programme (under which largely urban-based commercial banks were required to set up rural branches and which resulted in the establishment of 746 rural branches by January, 1990), a sizeable segment of the economy had still not been reached or perhaps could not be reached by the traditional banking sector, given their orientation.

Among the functions of the People's Bank are:

- acceptance of savings from customers and payments of such savings together with any interest thereon;
- extension of credit facilities to the less privileged members of the society who cannot normally benefit from the services of the conventional banks;
- provision of opportunities for self-employment for the vast unutilized and underutilized manpower resources;
- complementing government efforts in improving the productive base of the economy;
- inculcation of banking habits at the grassroots level and reduction of rural-urban migration; and
- cushioning the painful effect of SAP on the poor.

As of October, 1995, 274 branches of the People's Bank have been established. The total savings mobilized by the bank stands at N358 million, while the cumulative amount disbursed as loans to some 1055 odd projects is N324 millions. The seed money for establishing each unit of the bank is provided by the Federal Government. The details of government grants to People's Bank are provided in Table 6.

The beneficiaries of the bank are engaged in small income generating activities, such as petty trading, furniture making, weaving, tailoring, pottering, agriculture, agro-processing, and maintenance services. The sectoral distribution of loans since inception to October, 1995, is depicted in table 7.

Table 6

## Government Grants to People's Bank, 1989 - 1995

Year	Amount (N Million)
1989	30.000
1990	200.000
1991	121.669
1992	100.000
1993	150.000
1994	111.485
1995 (up to 3rd quarter)	123.750
Total	N836.906

Source: People's Bank of Nigeria: Progress Report October, 1995.

### Community Banks

The Community Banks were established in 1991. As the name suggests, the Community Banks are wholly owned by the communities which they serve. Hence, they are community-based business organizations, and can be seen as a way of democratizing the financial system. Though the operation of the Community Banks is not limited to the rural areas, about 36 per cent of the total number of the banks are located in the rural areas.

To boost the capital base of the banks, at the take-off point, the Government provides a matching loan of N250,000 - N500,000 to the banks. The loan is repayable over a 5-year period at very low rate of interest. The sum of N170 million has been approved for payment to 432 Community Banks, and about N90 million actually paid out. The total requests as of September, 1995, has been estimated at N450 million.

As of December, 1994, the Community Banks have been established in 1,048 communities throughout the 589 Local Government areas in 30 States of the Federation. The total deposits mobilized by the banks amounted to N3.388 billion (consisting of demand deposits of N1.004 billion, savings deposits of N1.861 billion and time deposits of N0.523 billion). The loans and advances as at 31st December, 1994, was N1.336 billion. Given the present crisis in the economy, these data gives eloquent testimony of the role of the Community Banking system in serving its special clientele.

Table 7

Sectoral Distribution of People's Banks Loans as at 31st December, 1993

Sectors	Loan	
	Amount (N million)	%
Agriculture and Forestry	48.00	16
Livestock and Fishery	15.00	5
Processing and Manufacturing	51.00	17
Trading and Shop-Keeping	72.00	24
Transport and other Services	36.00	12
Collective Enterprises	48.00	16
Loans for Health	30.00	10
All sectors	300.00	100

Source: People's Bank of Nigeria: Progress Report October, 1995

Though the People's Bank and the Community Banks are doing a good job in terms of making credits accessible to the rural areas, both banks have not been immuned from the current distress in the banking sector. At the branch level, the People's Banks operate accounts with commercial banks nearest to them which serve as their correspondent banks. As of October, 1995, about N9.5 million belonging to People's Bank branches were in the failed commercial banks. Also about N114.1 million of the investments in terms of fixed deposits of the Head Office were trapped in some distressed banks, while customers' funds unaccounted for amounted to N122 million. As at the end of 1995, 139 Community Banks had exhibited distress signs of varying degrees and proportions.

#### **Better Life Programme for Rural Women**

Perhaps the best example of a well-targeted programme is the Better Life Programme for Rural Women (BLPRW) which was established in 1987. The BRWLP is a people-oriented development which has, in a rather unprecedented manner, succeeded in drawing national attention to the relatively disadvantaged position of rural women within the larger Nigerian society, while also sensitizing the populace on her potential economic and social significance. The programme was to provide rural women, through their cooperative societies, soft loans and appropriate equipment to help increase productivity, improve income and reduce physical exertion in whatever locally viable ventures they undertake.



Two factors central to the programme are the improvement of the socio-economic conditions of rural women and the promotion of rural development. The broad objectives of the programme are:

1. to stimulate and motivate women towards achieving better living standards; and sensitize the rest of Nigerians to their problems;
2. to educate rural women on simple hygiene, family planning, the importance of child-care and increased literacy rates;
3. to mobilize women collectively, in order to enable them to seek and achieve leadership roles in all spheres of society;
4. to raise consciousness on their rights, the availability of opportunities and facilities, and their social, political and economic responsibilities;
5. to encourage recreation and improved family life; and
6. to inculcate the spirit of self-development, particularly in the fields of education, business, arts, crafts and agriculture.

The area of support by way of equipment supply includes cloth weaving machines, fish smoking kilns, food processing machines, palms oil mills, palm kernel crackers, gari processing machines, yam flour mills, sewing/knitting machines, and pottery/ceramic machineries.

A study of the impact of Better Life Programme Oil Palm processing Technology on drudgery and income levels of rural women concluded that the adoption of the oil palm processing technology improved the income of processors. As a result of improved income of the adopters, household consumption of some food items and the frequency of their consumption increased for the majority. Women also took on more of the cost burden of household feeding as well as other household expenditures, which are traditionally male preserved responsibilities (Mbanefoh, 1994).

The BLPRW, however, appears to have fallen victim of the plague of policy instability in Nigeria, as it has been replaced by what is termed Family Support Programme (FSP), with the change in administration in 1993. It should be pointed out that policy inconsistencies and lack of continuity have always characterized introduction of new ideas and programmes in the country. For one thing, the FSP appears to be broader in scope both in terms of its activities and catchment area which is the whole country, as against rural areas and rural women in particular in the case of BLPRW. It would, therefore, be interesting to find out the impact of this change in policy on the long-term sustainability of the BLPRW initiatives.

### **National Directorate of Employment**

Specifically targeted at employment generation at both the urban and the rural areas is the National Directorate of employment (NDE), established in 1986. The NDE was set up in the realization that unemployment constituted a waste of resources; represented the most visible evidence of social injustice; promoted crimes; and could, therefore, not be tolerated by any civilized society. Hence the Directorate was to concentrate on the re-activation of public works, promotion of direct labour, promotion of self-employment, organization of artisans into cooperatives, and encouragement of culture of maintenance and repairs.

The NDE articulated many programmes, one of which is the Agricultural Sector Employment Programme which is specifically targeted at the rural areas. This programme is designed to provide self-employment in agriculture for school leavers and graduates with degrees, higher national diploma (HND), national certificate of education (NCE) and ordinary national diploma (OND) in agriculture or related disciplines. Those who are interested in farming are given the relevant training and orientation and provided with land and loan to start farming ventures.

The NDE implements its agricultural programmes at the state level in collaboration with state governments. Each state has an NDE Agricultural Programme Committee which sees to the organization and implementation of the programme. The state government recruits the participants and also provides land needed for farming in rural communities, this is done through the appropriate local government. In each land allocation, certificates are issued to the NDE for land acquired. The cost of land clearing is borne equally between the NDE and the relevant state government. This programme has three main schemes; namely Graduates Agricultural Scheme, School Leaver's Agricultural Scheme, and Reactivation of Dormant Farm Projects and Other Activities.

For the operation of the Graduates Agricultural Scheme, each state government provides about 500 hectares of farm land for the scheme each year. After all the necessary screening of the applications, including interviews, 100 or more successful graduates are recruited as participants, with each participant given five hectares of land (cleared farmland and a loan package of N11,500 for those going into crop farming). Of this amount N7,325 is paid out in kind through the supply of seeds, farm implements, pesticides, fertilizers storage cribs and prepared land. The remaining N4,175 cash goes into the wages of the farm lands and the participants' monthly stipend of N150. The loans given under this graduate agricultural scheme are repayable after five years with one year grace period and at 9 per cent interest rate. Examples of ventures already started include crop farming, poultry, sheep and goat rearing, piggery, fishing and rabbitry.

Under the School Leaver's Agricultural Scheme, school leavers within the scheme have two options. For those not trained in agricultural methods, the NDE has arranged that each state provides two fully staffed training farms of 250 hectares each. These are to be used to train up 500 young farmers per annum each, and each trainee is paid a monthly stipend of N50 during their 12 months training period. For those who successfully pass out of the NDE school leavers farming training scheme, a two-week orientation programme is organized for

them, after which suitable candidates will each be allocated 2.5 hectares of farm land and a loan package of about N6,000.

Under Reactivation of Dormant Farm Projects and other activities, NDE's agricultural department is involved in joint reactivation of neglected state farm settlements and similar agricultural projects in the states to generate employment. States wishing to reactivate such farm projects can obtain a loan at 9 per cent interest rate from the NDE. Rural employment generation in both farm and non-farm activities are also being promoted by the agriculture department of the NDE. It promotes the use of improved technologies in food processing and preservation among small holder farmers in selected pilot project areas through out the federation. In 1994, 3,091 were employed in the Agricultural Employment Programme, and 19 irrigation pumps were drilled.

### **Enhancement of Human Capital**

It was stated earlier that access to basic social services is a key component of a long-term strategy for sustained economic growth through the enhancement of human capital. Unfortunately, while there is some evidence of the geographic distribution of indices of health status and of health services to a lesser extent, the presentation of government expenditure data is hardly broken down by location. The same is true of education with respect to the indices of educational attainment vis-a-vis expenditure on education. The only exceptions may be in respect of adult education and Nomadic Education which appear to be targeted more to rural areas. In spite of the fact that expenditures on health and education may not be spatial targets, there are still certain items of those expenditures that tend to benefit the rural areas better compared to other expenditure categories. Hence for the purpose of enhancing human capital in the rural areas, emphasis should be placed on the pro-rural expenditure programmes.

In 1990, estimated public expenditures on education and health services at all levels of government were about N15 billion, nearly 15 per cent of total government expenditures, and 4.5 per cent of the GDP (World Bank, 1996). Total government resources to health alone was about N3 billion in 1991, or about 3 per cent of total government expenditures for the year (World Bank, 1994). However, government expenditures have been erratic, fluctuating, even in nominal terms not to talk of real terms, with oil revenues. For instance, it has been estimated that the value of health expenditure in 1990 was about half of its 1981 level and in real terms federal expenditures on education in 1991 was only a quarter of its 1981 level.

In the area of health, it is generally believed that the rural areas stand to benefit from expenditure on primary health care (PHC) than those of the secondary and tertiary health care often located in the urban centres. The National Health Policy (NHP) describes the structure, strategy and policy direction of health services in Nigeria (Federal Ministry of Health, 1988). The NHP declares Primary Health Care as the strategy to achieve improved health for all Nigerians. The basic package of PHC services to be provided include health education, adequate nutrition, safe water and sanitation, maternal and child health including family planning, immunization against the major infections diseases, endemic and epidemic diseases control, treatment of common diseases and injuries, and provision of essential drugs and supplies.

Within the educational sector, expenditures on primary education are believed to benefit the rural areas more than spending on the other levels of education (i.e. secondary and tertiary). It is claimed that the private return on primary education is higher than those from the other levels of education (World Bank, 1987). The National Policy on Education (NPE) covers all the major areas of educational activities, including pre-primary, primary, secondary and higher education, technical education, adult and non-formal education, special education, teacher education, educational service and so on. The policy calls for universal free and compulsory primary education and nationwide mass literacy campaigns. The compulsion element of primary education is neither being enforced nor is it free in most parts of the country, even in terms of tuition fees.

In spite of the argument that spending on primary levels of health and education tends to benefit the rural areas vis-a-vis other levels of expenditures, tertiary services tend to absorb a disproportionately high proportion of government financing in both the recurrent and capital budgets. Hence, there is need for a reorientation in the allocation of public expenditures on health and education with a bias towards primary health care and primary education. But even more worrisome is the fact that a very high percentage of recurrent expenditures is devoted to personnel costs, leaving little for essential drugs, textbooks or maintenance of existing facilities and equipment. Since the rural dwellers are relatively disadvantaged in terms of their ability to privately augment for these deficiencies (such as buying their own drugs and textbooks), it raises the issue of how much benefit they actually derive from the expenditures incurred on their behalf.

This situation also calls for reallocation of public expenditures on education and health in favour of supplies as against personnel. Given the disadvantaged position of the rural areas vis-a-vis the urban areas, geographic discrimination both in terms of the provision of services and the pricing of those services can be an excellent way of targeting expenditure in health and education to the rural area. In this respect, the free element of primary education can be fully implemented and cost recovery in the health sector de-emphasized in the rural areas. With respect to recurrent expenditure, there could be a bias in the provision of instructional materials in the rural areas. As indicated earlier, much less proportion of the rural dwellers than urban dwellers are likely to be in a position to buy their own drugs or to buy textbooks where they are not supplied by the schools.

Finally, since the study is more concerned with Federal spending, it may be important to point out that Federal spending in respect of primary education is limited to the payment of teachers' salaries through the National Primary Education Fund (NPEF) and the National Primary Education Commission (NPEC). In the area of primary health care, Federal activities in support of Primary Health Care (PHC) is coordinated by the National Primary Health Care Development Agency (NPHCDA). Constitutionally, responsibilities for PHC and primary education are assigned to the lowest level of government - the Local Governments. However at their inception - Universal Primary Education in 1976 and PHC in late 1980s - the Federal Government contributed quite substantially to the services, as a way of boosting them. For instance, in 1989 and 1990, the Federal government contributed N800 million each year towards the financing of primary education. However, in early 1990s changes were made on the formula for sharing federally collected revenues among the three levels of government, whereby the share of the Local Government was increased from 15 per

cent to 20 per cent. Along with that was total transfer of primary health care and primary education to Local Governments.

But the new arrangement proved costly. In education, salary payments to teachers were delayed, in some cases to upwards of 3 months or more, by some Local Governments, sometimes resulting in labour unrest and stifling of the learning process. Also teachers' training programs could not be carried out and many school rehabilitation projects were abandoned. The Federal government had to reinstate the National Education Fund and NPEC in 1993.

The situation was not any different in the health sector. PHC services deteriorated as a result of withdrawal of federal support. The near collapse of the Expanded Programme of Immunization (EPI) in 1993, when the coverage fell from an average of 80 per cent to just about 27 per cent bore eloquent testimony to this. The National Primary Health Care Development Agency had to be established to continue to coordinate federal support to the PHC activities.

The point being made here is that for services that generate substantial external benefits (such as primary education) or that the society considers so meritorious that every one ought to consume a certain minimum of such goods (such as health and education), the decision on the provision or consumption of such services cannot be left entirely in the hands of local communities in the case of provision or individuals in the case of consumption. The statutory allocations to Local Governments from the federally collected revenue are block grants which the recipients are free to use in the way they deem fit. One way to encourage the provision of external or minimum standard services is to give specific functional grants to lower level governments for the performance of such functions. Thus, federal expenditures in the rural areas should go beyond the payment of teachers' salaries to the provision of teaching materials in the case of education and to the provision of drugs in the case of health. Such subsidies are necessary to ensure that the rural dwellers really benefit from those services, for reasons given earlier.

## **VI. CONCLUSIONS: LESSONS LEARNT AND RECOMMENDATIONS**

### **Lessons Learnt**

The study reveals imbalances in the share of the country's resources and the provision of government services between the rural, mostly agriculture-based traditional sector and the urban capital-intensive sector. It asserts that the imbalances can be best redressed through efficient and targeted public expenditure allocations.

Emphasis is placed on the importance of the use of public expenditure programmes and the evaluation of the benefits of public expenditure to the groups which the expenditure programmes aim to serve. This requires intensive studies on expenditure benefits or incidence to provide data on the use of public services provided to the target groups. Indeed the lesson learnt from the study is that data deficiency places severe limitations on any study

of public expenditure targeting let alone in Nigeria. The need is, therefore, strongly felt for new efforts in data collection and policy-oriented analysis of the data.

Regarding rural development in Nigeria, it was not until about mid-1980s, after the sharp drop in oil revenue and the consequent depression that government seriously considered the issue of addressing the problem of rural neglect. The initial step was to classify government expenditure in rural areas into those that improved access to productive assets such as roads, water resources, land, farm inputs and credits and those that enhance the productivity of human capital.

The major targeted expenditure programmes in the provision of economic support services to the rural areas include those of the Directorate of Food, Roads and Rural Infrastructures, Ministry of Water Resources and Rural Development, National Agricultural Land Development Authority, Fertilizer Subsidy, the People's Bank of Nigeria, the Community Banks, Better Life Programme for Rural Women, and National directorate of Employment. The major thrusts of the activities of DFRRRI are in the areas of promotion of productive activities - food and agriculture, rural industrialization, rural technology, and the provision of rural infrastructures (rural feeder roads, rural water and sanitation, rural electrification and rural housing).

While the presence of these agencies is felt in many of the rural communities in Nigeria, there is no evidence of their real impact on the rural areas, in the context of productivity improvement and employment generation. There appears to be a lot of duplication among the functions of the agencies, as well as those of the ministries. However, distinct services are notable in certain of these agencies, for example the activities of the People's Bank of Nigeria and Community Banks in improving access to credit in the rural areas. Also well targeted programmes are those of Better Life Programme for Rural Women with a specific target group namely; rural women - aid which operates through cooperative societies under the women themselves.

As regards public expenditure on enhancing human capital for improving productivity and employment potentials in the rural areas, emphasis is on health and education. Though there are hardly any health or education programmes that are specifically targeted at the rural areas, there are, nevertheless, certain components within these broad categories that tend to benefit the rural areas. However there is a tendency not to include public expenditure on education and health supplies like textbooks and drugs respectively.

### **Recommendations**

In the light of the findings of the study and lessons learnt the following recommendations are made on how public sector expenditure targeting and allocation policies and practices can be designed and or improved upon to better foster rural development and the generation of productive employment:

- There should be increased effort at data collection on government expenditure programmes in Nigeria.

- Information on the uses of government funds by expenditure programme should be made available on a timely and regular basis.
- Data on actual expenditure as against budgetary estimates on the various expenditure programmes should be compiled on a regular basis.
- To highlight situations where lack of complementarities on the part of the beneficiaries may drive a wedge between the expenditures incurred and the benefits derived from them by the target group, public expenditure targeting studies should be combined with expenditure incidence studies.
- To avoid unnecessary duplications in the various expenditure programmes targeted at the rural areas, it may be necessary to bring those activities under one agency, using the programme budget approach.
- Data on actual expenditure as against budgetary estimates on the various expenditure programmes should be compiled on a regular basis.
- To avoid unnecessary duplications in the various expenditure programmes targeted at the rural areas, it may be necessary to bring those activities under one agency, using the programme budgeting approach.
- There is need for close monitoring of the activities of all the agencies involved in public expenditure targeting to the rural areas. For a start, these agencies should prepare regular reports on their activities both in terms of inputs and outputs.
- Since most of the functions performed by these agencies are those constitutionally assigned to Local Government, a better system of channelling resources to these activities would be to give functional grants to Local Governments for the performance of those functions.
- The activities of the People's bank of Nigeria and the community banks in channelling credit to the rural areas should be sustained.
- On the other hand, the fertilizer subsidy programme should be scrapped and funds used, instead, to increase credit availability to the rural areas (rural farmers).
- Emphasis on the allocation of health and education expenditures should be on those components from which the rural communities stand to benefit more than others. Hence, more resources should be channelled to primary health care and primary education as against tertiary health and educational services.
- Given the poor level of services in the provision of facilities in both health and education, there is need to reallocate recurrent expenditure on health and education in favour of supplies (drugs, textbooks, etc) relative to personnel costs.

- Since the rural areas generally lack the ability to privately make up for any deficiencies in the provision of needed services, geographic discrimination both in terms of the provision and the pricing of the services may provide excellent opportunity for targeting expenditures in those areas to rural areas. In that respect, the free component of primary education can be fully implemented and cost recovery de-emphasized in the health care.
- Finally for activities that give rise to external benefit or where minimum consumption by everyone is deemed socially desirable, the Federal Government must have a stake in the provision of those services.



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