

# FEDERAL GOVERNMENT'S RECENT BUDGETARY ALLOCATIONS: IMPLICATIONS FOR AGRICULTURAL DEVELOPMENT IN NIGERIA

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## 1. Introduction

### 1.1 *Role of Federal Government*

The role of Federal Government in the development of agriculture in Nigeria has been very critical. During the first decade after independence, the responsibility for agricultural development was in the exclusive list of regional/state activities. The short-comings<sup>1</sup> of this arrangement coupled with the arrival of the military in the Nigerian body politics put agricultural development in the concurrent list of activities for federal and state governments. Despite the switching roles of the state and federal governments in the constitutional sharing of responsibilities for the development of agriculture in the past twenty-five years, the dominant influence of the central government, euphemistically called the «Federal Might» has persisted.

The federal influence on agricultural sector is personified in terms on naira investment as well as the numerous countrywide programmes and projects as:

- National Accelerated Food Production Programme (NAFPP);
- Operation Feed the Nation (OFN);
- The Green Revolution Programme (GRP);
- River Basin and Rural Development Authorities (RBRDAs); and,
- Agricultural Development Projects (ADPs).

### 1.2 *Objective*

The general objective of this paper therefore is to examine the pattern, volume and implications of the Federal Government's budgetary allocations to agriculture in the recent past (1981-85). Thus, in line with the above objective, we will:

- examine the trends in federal government's inter-sectoral budgets;
- identify the proportion of the capital budgets allocated to agriculture;
- analyse the pattern and implications of intra-sectoral allocation of funds within the

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1 See J.C. Wells. *Agricultural Policy and Economic Growth in Nigeria, 1962-68* (pp. 93-96) for an excellent discussion of the pros and cons of Federal vis-a-vis Regional/State Constitutional rights over agricultural development.

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by so doing matched against available resources. This provides government with a system of prioritizing projects and allocating funds systematically according to pre-determined priorities. In light of the nature and roles of recurrent and capital components of the budget on growth and development, this paper will concentrate on capital expenditure estimates, while references will be made to recurrent expenditures as need arises.

## *2.2 Development Plan Sectoral Allocation*

The Federal Government's sectoral allocation of funds for capital expenses in 1975-80 and 1981-85 Plans is presented in Table 1. In the two plan periods, capital allocations to agriculture amounted to N. 1.0 billion and N. 5.4 billion respectively, representing 3.9% and 12.5% of the federal government capital allocations in these plans. When the allocations to agriculture are compared to allocations to the other sectors, one cannot but infer that agriculture has not been given the primacy it deserves. For example, communications and transportation accounted for 29.1% and 20.7% of the federal capital budget in 1975-80 and 1981-85 budgets respectively.

Furthermore, intra-sectoral allocation within agriculture shows marked bias in favour of crops and irrigation, and considerable neglect of forestry and fishery sub-sectors. In the 1975-80 plan, crop sub-sector accounted for 74.1% of capital allocation (of N. 1.0 billion) to the agricultural sector, while livestock, forestry and fishery shared the remaining 25.9%. During the 1981-85 plan, the same trend was repeated, with crops and irrigation accounting for 91.9% of the capital allocation to agriculture, leaving fishery with only 1.6%.

## *2.3 Annual Inter-Sectoral Capital Allocations*

Annual inter-sectoral capital allocations by the Federal Government between 1981 and 1985 are presented in Table 2. Unexpectedly, the annual allocations to agriculture over these years are higher than the percentage specified in the 1981-85 Plan Document except in 1981; on the average, allocation to agriculture represented 15.6% of the all sector capital estimates. This can be explained by several factors; namely:

- a) the declining petroleum oil revenue, and apparent realization that agriculture needs to be taken better care of to stem off the collapse of Nigerian economy;
- b) frequent changes of government within the plan period, with subsequent governments using «budgetary emphasis» on agriculture as one of the tools to legitimize their existence.

Table 1

SECTORAL DISTRIBUTION OF FEDERAL GOVERNMENT'S CAPITAL ALLOCATIONS IN THIRD (1975-80) AND FOURTH (1981-85) PLANS

Sector	Amount		Percent Distribution	
	1975-80	1981-85	1975-80	1981-85
	N Millions		%	
<i>Economic Sector</i>	17,468.8	29,586.5	66.8	69.6
Agriculture	1,012.6	5,400.0	3.9	12.7
Mining and Quarrying	2,680.4	5,409.0	10.2	12.7
Manufacturing and Craft	4,907.2	6,368.0	18.8	15.0
Power	932.0	2,400.0	3.6	5.7
Transportation and Communications	7,613.2	8,790.5	29.1	20.7
Others	323.4	1,219.0	1.2	2.8
<i>Social Sector</i>	2,272.9	4,174.5	8.7	9.8
Education	1,656.2	2,450.0	6.3	5.8
Health	314.2	1,200.0	1.2	2.8
Others	302.5	524.5	1.2	1.2
<i>Environmental and Regional Development</i>	2,388.6	4,265.0	9.1	10.0
<i>Administration</i>	4,034.7	4,474.0	15.4	10.6
Total	26,165.0	42,500.0	100.0	100.0

Source: 1. 3rd National Development Plan, 1975-80, Vol. 1, pp. 348-349.

2. 4th National Development Plan, 1981-85, Vol. 1, p. 389.

Nevertheless, when the economy is sub-divided into four sectors comprising agriculture, social services, industry and administration, the sectoral distribution of federal government capital expenditure over this period (1981-85) still shows a bias against agriculture. On the aggregate, agriculture was allocated 15.6% as against 49.7% for industry, a little over 17% each for social services and administration. Percentage changes in sectoral distribution of the capital expenditure estimates in Table 3 show an upward trend in this negative bias towards agriculture in Federal Government budgetary allocations despite verbal and news media pronouncements of greater commitment to agriculture by successive governments. Between 1984 and 1985, the general administration<sup>3</sup> enjoyed a generous increase of 157.9% in capital expenditure allocation, while social services allocation increased by 31.4% as compared to 28.3% of the agricultural sector.

3 This is due to Capital Repayment — a new expenditure item, which accounted for 98.6% of the capital provisions of that year's budget.

Table 2

## SECTORAL DISTRIBUTION OF FEDERAL GOVERNMENT CAPITAL EXPENDITURE ESTIMATES, 1981-85

Sectors	1981		1982		1983		1984		1985		Total 1981-85	
	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total
Agriculture*	1,122.5	12.2	1,093.6	14.1	1,188.3	16.5	826.8	21.0	1,058.8	18.2	5,290.0	15.6
Industry**	5,097.7	55.4	4,116.4	53.0	3,232.3	45.0	1,958.3	49.8	2,444.3	42.1	16,849.0	49.7
Social Services***	1,812.7	19.7	1,571.5	20.3	1,359.9	18.9	522.4	13.3	686.3	11.8	5,951.0	17.6
Administration****	1,172.7	12.7	978.6	12.6	1,408.3	19.5	627.5	16.0	1,618.1	27.9	5,805.2	17.1
Total	9,204.9	100.0	7,760.1	100.0	7,188.8	100.0	3,935.0	100.0	5,307.5	100.0	33,896.3	100.0

\* Agriculture: Includes Crops, Livestock, Fisheries, Forestry, Rural Development and Irrigation/Water Resources.

\*\* Industry: Manufacturing and Crafts, Power, Mines, Steel, Commerce, Finance, Cooperative, Supply, Transport &amp; Aviation.

\*\*\* Social: Include Education, Science &amp; Technology, Social Development, Information, Employment, Labour, Environment/Country Planning and Federal Capital Territory.

\*\*\*\* Administration: Include Defence, Police, Prisons, National Assembly, General Administration, External and Finance Obligation.

Sources: 1) Approved Budget Estimates, 1983 and 1984.

2) Business Times, January 7, 1985.

Table 3

## PERCENTAGE CHANGES IN SECTORAL DISTRIBUTION OF FEDERAL GOVERNMENT CAPITAL EXPENDITURE ESTIMATES, 1981-1985

Sectors	1981/82	1982/83	1983/84	1984/85	1981/85
	%				
Agriculture	(2.6)	8.6	(30.4)	28.3	5.8
Industry	(19.2)	(21.5)	(39.4)	24.8	52.05
Social Services	(13.2)	(13.5)	(51.6)	31.4	62.1
Administration	(16.6)	43.9	(55.4)	157.9	37.98
Total	(15.6)	(7.4)	(45.3)	47.6	36.90

\* Brackets indicate percentage decreases.

Source: Computed from Table 2.

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## 2.4 *Intra-Sectoral Allocation*

The intra-sectoral allocations within the agricultural sector portray the significance attached to each sub-sector by the federal government. Table 4 shows the capital expenditure allocation to the sub-sectors in agriculture for 1981-85 period. The Table shows a rather consistent pattern of allocation over the five-year period. Irrigation claimed the lion's share of the budget each year, followed by crops, rural development, livestock, forestry and fisheries in declining order of allocation, except for 1983 in which forestry and fishery inter-changed positions.

Thus, it could be inferred that the federal government placed a lot of emphasis on irrigation development during the 4th Plan, while fishery and forestry appear neglected in terms of allocations. On the other hand, the crop sub-sector, which got the second largest allocation is known to constitute the backbone of Nigerian agriculture and to involve the largest number of farmers. Nonetheless, it is important to note that allocation to rural development cuts across other sub-sectors, since this refers mainly to Agricultural Development Projects, where emphasis is on the provision of extension, rural infrastructures, credit and other farm inputs.

## 3. **Actual Expenditures**

Data on actual expenditures for 1981-85 period were not available at the time of the study. Consequently, we relied on actual expenditures during the Third Plan (1975-80), which is presented in Table 5. During the Third Plan period, only 42.9% of the funds budgeted for capital expenses on agriculture was actually spent. It is significant to note that more funds than was originally budgeted for irrigation was actually spent, while the crop sub-sector's achievement with respect to actual expenditure was only 25.4%. Actual expenditure in the forestry, livestock and fishery sub-sectors, which were given comparatively low allocations recorded poor actual expenditure performance, ranging from 20.0% to 15.2%.

Implementation is the most important stage of a plan or budget. Successful implementation depends on several factors, such as: how realistic the budget is, availability of implementation tools, and existence of conducive socio-political setting. At the federal level, Director of different Departments are known to engage in cut-throat competition to attract «fat» budgets for their Departments. This is because a «fat» budget boasts the ego of the director, and makes him/her a potentially rich person given the culture

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Table 4

## APPROVED CAPITAL EXPENDITURE ALLOCATIONS TO AGRICULTURE BY SUB-SECTORS, 1981-85

Sub-Sector	1981		1982		1983		1984		1985	
	Allocations (N' 000)	% of Total	Allocations (N' 000)	% of Total	Allocations (N' 000)	% of Total	Allocations (N' 000)	% of Total	Allocations (N' 000)	% of Total
Crop	221,660	19.75	362,782	33.17	440,580	37.08	296,438	35.85	362,834	34.27
Livestock	75,333	6.71	72,374	6.62	59,124	4.98	27,412	3.32	32,188	3.04
Fishery	15,032	1.34	13,580	1.24	28,050	2.36	2,080	0.25	2,000	0.19
Rural Development	82,148	7.32	66,960	6.12	89,000	7.49	131,026	15.85	261,802	24.73
Forestry	17,828	1.58	15,676	1.43	10,545	0.88	5,980	0.72	9,772	0.92
Irrigation	710,516	63.30	562,262	51.41	561,000	47.21	363,900	44.00	390,156	36.85
Total	1,122,517	100.00	1,093,637	100.00	1,188,299	100.00	826,836	100.00	1,058,752	100.00

Sources: 1) Approved Budget Estimates, 1981-84.

2) Business Times, Vol. 10, No. 1, January 7, 1985.

Table 5

## PLANNED &amp; ACTUAL CAPITAL EXPENDITURES IN 1975-80 PLAN BY AGRICULTURAL SUB-SECTORS

Sub-Sector	Planned Expenditure (N' 000)	Percent of Total	Actual Expenditure (N' 000)	Percent of Total	Percent of Actual to Planned Expenditure
Crops	1,634.0	53.4	414.8	32.0	25.4
Irrigation	701.5	22.9	778.1	59.4	110.9
Livestock	487.7	15.9	73.9	5.3	15.2
Forestry	135.7	4.4	27.1	2.0	20.0
Fishery	99.4	3.3	17.1	1.3	17.2
Total	3,058.3	100.0	1,311.0	100.0	42.0

Source: Computed from Fourth National Development Plan, 1981-85.



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of ten percent kickback often associated with contracts in the Nigerian public sector. This corrupt nature of the civil service tends to hinder effective plan/budget implementation in Nigeria. Also, a prominent feature of the Nigerian political system since independence compels implementors of government budgets to have a short horizon, thereby carrying out implementation in selfish and shoddy manner.

Furthermore, shortage of qualified and dedicated accountants and accounting staff as well as other professional cadres in the public sector contributes to poor implementation.

Perhaps, the most important factor in poor implementation of public sector budgets in Nigeria is the non-release of budgeted funds. It is a common scenario for civil servants in the federal ministries to run around in the last month of a fiscal year to procure LPOs<sup>4</sup> and payment vouchers for last minute spending of budget funds released late. This phenomenon leads to fund wastages — in terms of fraud by officers, use of funds for unbudgeted and often non-critical items. Given this operating environment, it is not surprising that most budgets in Nigeria (agricultural budgets inclusive) are poorly implemented.

#### **4. Policy Implications and Proposals**

##### *4.1 Low Capital Budgetary Allocations to Agriculture*

Federal Government capital budgetary allocations to agriculture both in the last two plans and on annual basis were comparatively low. This occurrence has demonstrated that successive governments have not matched their purported priority to agriculture with budgetary provision of funds. The low allocations coupled with much lower actual expenditures are responsible, at least in part, for the undeveloped state of agriculture in Nigeria.

To fuel productive process and enhance tangible growth of the agricultural sector, the federal government should increase its capital budgetary allocations to agriculture vis-a-vis the other sub-sectors both in national development and annual budgets, to reflect the priority position of agriculture which previous governments have professed. Many researchers consider 20% allocation to agriculture reasonable.

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4 LPO means Local Purchase Order. LPOs are used extensively in public sector purchases in Nigeria.

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## References

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- 5 Wells, J.C. *Agricultural Policy and Economic Growth in Nigeria, 1962-1963*. The Nigerian Institute of Social and Research (NISER), Ibadan, 1974.
- 6 Wildavsky A. *The Politics of the Budgetary Process*. Little Brown and Co. Boston, 1984.



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## Abstract

*The paper analyzes the Nigerian Federal Government's budgetary allocation to agriculture between 1981 and 1985. Allocations to agriculture were found to be grossly inadequate when compared with allocations to other sectors. Within the agricultural sector itself, lopsided allocations to irrigation development and crop subsector resulted in considerable and consistent neglect of livestock, fishery and forestry subsectors. This allocation pattern coupled with low level of actual expenditure was identified as a major contributory factor to the stagnation of agricultural development in Nigeria. Suggested measures that could ameliorate the situation include: higher budgetary allocation to agriculture; more equitable intra-sectoral allocation within the sector based on identified nation-felt needs; and a more effective supervision and monitoring of budget implementation.*

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## LES RÉCENTES ALLOCATIONS DU BUDGET DU GOUVERNEMENT FÉDÉRAL: LES CONSÉQUENCES POUR LE DÉVELOPPEMENT AGRICOLE AU NIGÉRIA.

### RÉSUMÉ

*Cet article analyse les allocations du budget du gouvernement fédéral du Nigéria au secteur agricole entre 1981 et 1985. Le montant des ressources financières dédié à l'agriculture a été considéré par plusieurs auteurs remarquablement inadéquat par rapport aux autres secteurs. Même à l'intérieur du secteur agricole on a dû remarquer que les sommes consacrées à l'irrigation et aux cultures ont été absolument insuffisantes: les sous-secteurs de l'élevage, des forêts et de la pêche ont été donc négligés d'une façon importante.*

*La stagnation du développement agricole au Nigéria peut être attribuée en majeure partie à deux facteurs: la distribution inégale entre les différents secteurs des allocations et le faible montant des dépenses effectivement réalisées.*

*On suggère des mesures qui peuvent améliorer la situation actuelle: par exemple des allocations budgétaires plus élevées pour le secteur agricole; une distribution des sommes plus équitables à l'intérieur du secteur agricole sur la base des priorités nationales et enfin des systèmes de supervision et de contrôle des mesures budgétaires plus efficaces.*