THE VALUE-CHAIN THEORY OF RURAL DEVELOPMENT: A DEVELOPMENTAL APPROACH FOR NIGERIA

By
E. O. Frank, Ph.D
John Edet Bassey
Rex Edet Enwieme
Dept. of Political Science & Public Administration
University of Uyo

Abstract
The study examined the power of value chain theory for rural development because Nigeria development strategy is often urban based neglecting the immense human and material resources endowment of the rural setting. It then canvassed this approach wherein the products from the rural areas would receive investments for value addition before it goes to the next level of processing. In so doing, the rural areas would receive investments that would change its socio-economic phase.The approach was descriptive and the framework for analysis. neo-functionalism. The outcome would translate rural areas to centres where poverty and unemployment would be on the decline. At the end of it, the rural areas would have been integrated into the development strategies of the nation-state.

Introduction

The African Union had declared 2014, 'year of Agriculture and food security in Africa' but six years after the dateline, Nigeria had not moved closer to food security for its citizens. Nigeria is a country endowed with enormous resources, human and materials. It is the place of the government to harness the vast human and material resources to enhance better life of the citizenry. Nigeria emerged from colonialism with agriculture-based economy. The emergence of crude oil to a shift in economic emphasises and the loss of development tract. This loss of development tract, led to massive importation of food to sustain a huge population of about 170 million people. This was not a problem as long as the world price of crude oil remained high. One consequence of this economic strategy was the high neglect of the Rural Areas, which supplied all the national resources coupled with urban centred development trajectory.

Nigeria's Attempts at Development

Nigeria had all along been pursuing development from different perspectives starting with the colonial regime and had set goals of development for the colonial territory of Nigeria. The strategy for achieving the goal was through the grafting and execution of the *'Ten Year Plan of Development and Welfare for Nigeria 1946-1956'* (Ayo, 1988). It must be stated ab *initio* at this was induced by the colonial government; hence several short-comings of the plan would be understood within this context. This plan ignored the rural areas of Nigeria, except, for transport system, which passed through it to evacuate the resources found specific places therein. *The First National Development Plan 1962-68*, the details of the plan included allocations for economic, social overhead, general administration and financial obligations (Ayo, 1988: 5). Again with no investment for the rural areas in Nigeria except for earth roads for the evacuation of resources found in the locality, it had no provisions for the development of the rural areas.The *Second National Development Plan (1970-74)*, had lofty goals without any for rural development. The *Third National Development Plan (1975-80)*, included in its goals; increase in per capita income, more even distribution of income; balanced development and the indigenization of economic activities (Ayo, 1988:11). One would have thought that in the pursuit of these goals, particularly the first three (3), and the fifth (5) one, that the rural population would have been factored to catalyze balanced national development. The rural economy and population were excluded in the interventions and the outcomes derived. *The Fourth National Development Plan 1981-85,* had among its objectives 'the reduction of the dependence of the economy on a narrow range of economic activities' and greater self–reliance that is, increased dependence on local resources. Towards the attainment of these objectives, Rural Development was assigned 2.8 per cent and later revised to 3.0 per cent of the total budgetary allocation of #82.2 billion. This was an excellent opportunity to embark on aggressive development of the rural economy. This budgetary allocation of 2.8-3.0 per cent achieved very little in a vast country with extensive countryside or rural districts.

The traditional 5-year planning model was thus replaced with a 3-year rolling Plan to be operated along with a 15-20 year perspective Plan and the normal operational annual budget (Ayo, 1988:25), without any change in the status of the rural areas in Nigeria. The Ibrahim Babangida era 1985-1993 saw the birth of the Directorate of Food, Roads and Rural Infrastructure (DFRRI) that laid emphasis on the provision of rural infrastructure thus;

(i) To improve the quality of life and standard of living of the majority of the people in the rural areas...,

(ii) To use the enormous resources of the rural areas to lay a solid foundation for the security, socio-cultural , political, economic growth and development of the nation by linking the growth and development activities of the rural areas with those of the local government areas, the states and the nation.

(iii) To ensure a deeply rooted and self-sustaining development process based on effectively mobilized mass participation, starting from the grassroots and encompassing the entire nation thereafter(Duru, nd).

Pursuant to the above goals, DFRRI was allocated #500 million in (1986). =400 million (1987), #500 million (1988), and #300 million (1989) for capital expenditure. The decrease in allocation was accounted for by the merging of the Directorate with the Ministry of Agriculture and Rural Development (MARD) in the bid to prevent wasteful duplication of efforts in 1993 (CBN,1989:23).The impact of these investments is nowhere to be seen today in the vast countryside of Nigeria, principally because of both corruption which arrested resources for interventionas well as poor quality of jobs executed.

Today Nigeria has 36 state headquarters, 774 local government councils where the chairmen of these councils reside in the nearest urban towns and commute to work if any, with extensive rural areas, without significant rural development. It is instructive to note that the 'pull theory' of the urban centres have made the vast rural areas constitute a challenge of rural development.

The aim and significance of this study, is to present a theory for the development of the rural areas in Nigeria, which would turn around the 'pull theory', generate the strategies for positive changes in the rural areas, including adding value to the resources found in the areas. It would eventually, reduce the pull to the urban centres and minimise the growth of slums. However, it is intended to generate the processing of the agricultural resources within the locality and create downstream industrialization, thus attracting resources into the rural areas.

Rural Development conceptualized

The rural areas in Nigeria is characterized with the absence of all infrastructure and social services required to live a normal live. Paradoxically, all agricultural and natural resources, which generate foreign exchange earnings, and other fiscal resources are all located in the rural areas. According to the 2006 population estimate, about 70 per cent of Nigeria population reside in the rural areas and less than 3 per cent of the annual budget is spent in the rural areas. The people have no access to medical facilities and many others social services.Poverty is their companion and there is high maternal and infant mortality in these areas.

It is important to conceptualize the kind of development envisaged for the rural areas in the context of this study. Development has several variations; some scholars take it to be change, advancement, improvement and progress. Rodney (1972) described it as having many sides: at the level of the individual, it implies increase skills and capacity, greater freedom, creativity, self-discipline, responsibility and material wellbeing of the people. Indeed the theory being proposed here for adoption by Nigeria is precisely intended to infect the rural dwellers with the variables of Rodney's idea of development. However, the study found Dudley Seers conception more relevant in turning the fortune of the rural areas around. According to Seers 'the question to ask about a country's development are three;

What has been happening to poverty?
What has been happening to unemployment?
What has been happening to inequality?

If all three of these have declined from high levels, then beyond doubt, this has been a period of development for the country concerned. If one or two of these central problems have been growing worst, especially if the entire three have, it would be strange to call the result development even if per capita income doubled. He then added self-reliance (Seers, 1969:203).

Seers conceptions consists of four elements; poverty, inequality, unemployment and self-reliance. These are the requirements needed to be implanted in the rural population to achieve development. Thus, when there is decrease of these negative indices in the rural areas and an increase in self-reliance, these translate to rural development. This is because massive injection of funds and industries are required to address each of these variables.

The Problem

The problem of this study was that of Nigeria's inability to identify the appropriate approach to development of the society. Back in 1969 (the Adebocommission) was entrusted with doing that, this continued in 1973 (the Udoji commission), in 1981 (the Onosode commission), and in 1984 (the Al-Hakim commission). All these studies came to the same conclusion, which the Nigerian public enterprises (the pathway to development) were inefficient, corrupt, and a burden on the treasury, and radical measures were needed to deal with the situation. The result was the promulgation of privatisation and commercialization Act No. 28 of 1999(Okonjo-Iweala, 2012:39). The State Owned Enterprises became a burden because they were not delivering the services expected, yet huge subsidies were being paid to them.

The above situation provided the basis for a radically different approach which rested on the fact that: The role of the state was a hindrance rather than a help to economic growth (Okonjo-Iweala, 2012:35)

The reversal of the Keynessian impulse, gave rise to the creation of the State Owned Enterprises in the first place. It culminated into seeking to deploy new ways of improving standards of living of Nigerians through the instrumentality of:

i) Transferring State Owned Enterprises (SOEs) to core investors. In this process, substantial equity stake and management control were transferred to core investor or group of investors judged by the Bureau Enterprises to have requisite technical expertise, managerial experience, and financial capacity to effectively manage the company. This option applied to enterprise adjudged to have financial prospects. All of these have not yielded positive impact as the privatized and commercialized companies are still asking the government for subventions.

The seeming development confusion points to the fact that when Nigeria decides to add-value to the numerous products from the vast rural areas, investments which are urgently required would have been made. The areas would be transformed, migration would have been minimised and labour would be available for the investments that would be made.

The problem was all about Nigeria's consistent inability to transform its vast rural areas, in order to turn the great agricultural potentials of the rural districts into wealth after several National Development Plans. Today, Nigeria expends #1.3 trillion on food importation annually, making the threat of food insecurity imminent, whereas, adding value to the agricultural products from the rural areas would minimise the danger ahead. It is instructive to note that food has become a weapon of warfare. Even internally in Nigeria, a section of the country had threatened not to supply the other part with agricultural food items.

The advantages of the 'value-chain theory' and economy of scale would have positive impacts on rural areas of the country.

The main issues involve in this problem of rural development in Nigeria are: (i) global oil prices has continue to slide downward in the global market, and for an economy that is largely dependent on oil. the alternative is agriculture and other solid minerals but this is hindered by lack of development in the rural areas; (ii) agriculture or the extractive industries have the potential to contribute significantly to rural development. (iii) In the era of private sector driven development, it is a challenge to find anyone who would invest in the rural areas and provide public infrastructure for itself. This is what made the urgency of this study a categorical imperative.

According to the National Bureau of Statistics, the share of the agricultural sector in GDP shows a substantial variations and a long-term decline from 60 per cent in the early 1960s through 4.8 per cent in the 1970s and 22.2 per cent in the 1980s (Odu-onikosi, 2015: 21).The inability of agriculture to contribute substantially is because the vast rural areas where agricultural land is located have not received any serious attempts at development through the various development plans. The vast areas are still devoid of infrastructure, hence their unattractiveness.

Agriculture loss its rightful place of being a major contributor to the GDP through the 'Urban-pull' phenomenon. This is the concentration of socio-economic opportunities in the urban towns to the neglect of rural areas, thereby pulling the human resources to the urban centres. The value-chain theory is intended to reverse the trend and provide infrastructure in the rural districts. extract and process the agricultural raw material within the location. This is to be followed by downstream industries, all located in the rural districts. Put differently, if you develop the products extracted from the locality within the rural setting, agriculture would constitute a major proportion of the GDP. The failure has been because of the absence and the lack of understanding of *'the value-chains theory of rural development, a developmental approach'* in rural development and by implication agriculture. When the rural areas are develop with relevant infrastructure to enable the processing of products obtained therein, even Foreign Direct Investment (FDI) would have become investment stakeholders in the rural locations. This is where others would complement the state's infrastructural provisions in the extractive agricultural growth. The outcome of all these would amount to development in the conception of Dudley Seers. The idea being that, in order to reduce poverty, there must be massive investments including skill acquisition centres to engage people. Inequality would be reduced through progressive taxation, while self-reliance would mean producing what we import. The country would import only what is necessary, in the process. the leadership would seek to control the desire for foreign goods consumption.

The Orientation of the Study

The above stated problem of rural development in Nigeria was approached from both the descriptive and historical perspectives. The situations was described without attempting to make accurate prediction of what the situation would become on the application of the 'value-chain theory of rural development in the Nigeria circumstance without determining cause and effect of rural underdevelopment in Nigeria. It sought to obtain information concerning the status of rural development. It was aimed at describing what exist at the time of the study. in order to aid decision-making(Ndiyo, 2005:70). The historical viewpoint enabled the study to utilise secondary sources and other historical past evidence of efforts at rural development to complement the status of rural development in historical context in Nigeria.

The methodological orientation, revealed the following fact; the historical data indicated that all the past development plans, were urban focus in approach and investments patterns; that where fiscal allocations were made, it was quite negligible in the region of 2.8-3.0 per cent; that when the Directorate of Food Road and Rural Infrastructure (DFRRI) was created, the quality of rural infrastructure provided was very poor; agricultural production was not on 'value-chain approach to development. The situation analysis present rural areas bereft of infrastructure. The cumulative effect is a vast rural areas lying bare in need of development all over the country, even where enormous fiscal resources were expended under DFRRI.

Framework of Analysis: Neo-functionalism

What is the basis for the creation of the 'value-chain theory of rural development for Nigeria? The reason is simple, the vast expand of land called 'rural area';the rural areas produce the food to feed the teeming population in the cities. The planners of the urban centres all come from rural areas and almost all of the resources utilize by the governments in the urban centres are derived exclusively from the rural areas, yet the area is left without functional inputs.

Ernst Haast's Neo-functionalism is an economic theory aimed at (i) integrating individual sectors in the hope of achieving spill over effects to further the process of integration. The implication of this is that both the rural, state or regional and the national economy should be integrated together, with one having spill over which is deployed in the growth of the latter. In Nigeria, resources derived from the rural areas have been used in the development of Abuja and the State capitals, yet the associated rural areas of the states are left undeveloped. The application of these principles would further mean that the rural areas being part of the national territory should be incorporated into the economic planning, development and management to generate asymmetry impact in the economy. The spill over of the resources should be plough back to the development of the rural areas. In other words, there should be developmental reciprocity between the urban and the rural areas.
(ii) The second issue is that organizational capacity should be develop to resolve disputes and build national economic regimes, which would integrate the two sectors complimentarily. Put differently, legislation should be made like supranational organization. which would compel all parties in the development equation; to intervene in the rural areas at every stage such as the Germanic model.
(iii) Supranational legislation, should establish the proportion of investment by all parties, which should be invested in the rural areas. This relate to the institution of laws. which could be constitutional. In the final analysis development role in the rural areas would clearly be time-honoured.
Given the difficulties of including the rural areas in the budget and executing the programmes budgeted, it proposed technical and economic agencies to accomplish programmes in the rural areas. The theories request for reciprocal cooperation between these sectors of the state. This is in line with the view of Paul Baran in the *'Political Economy of Growth'* (Gana,

1983:91) when he opined that rural re-ordering is 'indispensable in order to satisfy the legitimate aspirations of the peasantry and to secure the foremost prerequisite of all economic and social development: the release of the creative energies and potentialities of the rural masses held down and crippled by centuries of degrading oppression and servitude (1973:308) would be attained.

The importance of this framework to this study cannot be overemphasised, rather than have dual economy (urban and rural), it should be integrated and made complimentary. The developmental approach canvassed, would establish the significance of the merger.

Developmental Approach: Value-Chain Theory

Agricultural diversity in Nigeria features tree and food crops, forestry, livestock and fisheries. Major crops include Beans, sesame, cashew nuts, Cassava, cocoa, groundnuts, gum Arabic, kola nut, maize, melon, millet, palm kernel, palm oil, plantain, rice, rubber, sorghum, soya beans and yams(Odu-Onikosi, 2015: 21). By sectoral approach, this study elected to use 'Cassava (manihotesculenta) in the analysis of the 'Value Chain Theory and espouse the connections between where it is cultivated in commercial quantity and its relationship to rural and market development.

Agricultural practices consist of three major components, which include:
i) Actual crop, animal production (farming).
ii) The production and distribution of farm inputs.
iii) The processing and distribution of farm produce.
In order to reveal the sectoral approach to Rural Development, we shall illustrate with actual crop production (farming). It is instructive to note that the assumption of this theorising that according to the Germanic model, the state had identified a Rural District and intervened by providing certain infrastructure.

The second level of analysis, is the cultivation of cassava in large commercial farms, where the seedlings (stems) are obtained from root crop research institute (IITA/Umudike) so as to obtain the fast breeding and disease resistant type. At this point a firm, an Agribuisness firm would have been considered to supply the Agricultural inputs (Equipment) chemical for controlling weeds without harming the crops.

The third analysis indicates the establishment of a Starch Processing and Cassava Processing Plant (Industry). This industry would;
(i) Purchase the raw cassava either from the established Marketing Board, which purchase the harvested Cassava from large and small holders' farmers or obtain it direct through its purchasing department.
(ii) The cassava would then be process in this industry into;

a) Starch
b) Garri (white or red)
c) Animal feeds (stalk)
d) Cassava flour

The fourth level of analysis (Marketing)

Concerted short, medium and long-term marketing plan would then be deployed in identifying the markets for the range of cassava products. At the same time, the quality of the product required to make entry into the international market should be obtain from the World Trade Organization (WTO). The different consumer of starch is as follows;

1) Food Industries which uses starch for the following purposes

- i) Custard making companies
- ii) Thickener for baby foods
- iii) Sausages
- iv) Bakery products
- v)Confectioneries
- vi) Jammamalade
- vii) Glucose industries
- viii) Bread production
- ix) Animal feeds

2) **Non-Food Industries**

- i) Natural Adhesive
- ii)Cassava alcohol
- iii)Particle board industries (stalk)
- iv) Dried yeast
- v) Glucose syrup
- vi) Laundry

3) **Pharmaceuticals**

- i) Medicinal
- ii) Coating drugs

4) Biofuel

The above range of products would require investment and value-addition in and around the rural areas. By the reason of the value-chain investment, rural areas would change in demography, infrastructure and social life. This is the crux of the Value-Chain Theory of rural development.

Translation to Rural Development

The programmes of activities for the production of food, non-food. biofuel and pharmaceuticals inputs from cassava production in any rural district would certainly transform that rural district into semi if not a real urban area. This is the logic of sectoral approach and the 'value – chain theory of rural development. This would unlock agricultural opportunities in cassava production and the downstream sector. The above Value-chain process would create employment, raise income, change the living standard of those involve and reduce the inequality between them and those in the urban centres. Above all the environment with the roads and industrial infrastructure would have changed the ambience of the district. This is the impact of the values chain to rural development

The Challenges

The ruling elites everywhere are often disposed to ruling in their interests, as opposed to everyone's interests. As a result, these ranges of investment would not appeal to them, since they very often would have access to the state's vault.

As a result, they may not be interested in the long term investments that would result into development as conceptualized in this study. This is the greatest challenge.

Another test is the perennial lack of leadership which the state are faced with. It would require leadership to pull this through the government institutions.

Conclusion

Earlier in the discourse, we had averted the fact that all natural resources which sustains the nation-State are located in the rural areas of Nigeria. When first level processing of these natural resources is made at source, this would translate to investments in the rural areas, to add value to the crude products before additional level of processing. By this we mean first level processing of any crude product extracted.

Investments in this form for the various products obtained in the rural areas of Nigeria, will transform the vast rural areas into semi-urban, connecting it to the main urban centres, leading to the retention of population in the areas and reducing the 'Rural-Urban Pull' effect. It would lead to development within the context of the phenomenon as utilized in this study. Put differently, employment would be incrementally reduce, poverty will be reduce, inequality would reduce and self-reliance would be on the increase. This is the form of development envisaged in this study.

Let it be stated that such investment would come with power installations to drive the industry investment. In Plateau State a rural tin mining village known as Kura received people to mine ton and column its. A company known as Amalgamated Tin Mining Company Nigeria (ATMN) later moved in there to engage in mechanized mining (investment),it required power, so it converted the little waiter fall into a mini Hydro Electric power to operate its machines. The lighting of the rural Kura Village turned the location into head quarter of the company, drawing people into the locations. Today, it is no longer a village but a semi-urban town.

This theory when adopted would unearth the enormous human and material resources embedded in the extensive rural areas of Nigeria for development of Nigerians.

Recommendations

In the first place, each local council area chairman/ chairperson should be mandated to embark on 'resource mapping' of the 'wards and units' in their local government areas where the preside. This is to enable the state have data-bank as the resource endowment of the area. The appropriate Ministries Departments and Agencies of government would then be requested to lead the investment or outline the procedures to market the resource to attract Foreign Direct Investment. However, it is recommended to have indigenous investments because; of the downsides of FDI. This is because when foreign businesses come into the country and the rural areas, they destroy local competition because of their superior technology, capital and ability to influence government to obtain extra-favourable conditions to operate against the locale.

When 'Resource Mapping' is conducted the investment opportunities become apparent and investors readily know where to go beyond exploration. It makes the opportunity for investment visible and market development for the product feasible while advantages of the value-chains would be compelling. Government would then be pressured into taking the advantages by the elites who would likely benefit from the ventures.
The application of the value-chain theory in the development strategy of the Local Government, State and the Central Government would reverse the persistent 'Urban-Rural Pull' with its attendant social problems. This theory should be the new ideology for the local, State and Central government in Nigeria; the multiplier effect would be enormous and beneficial to all, as the much desired development would be inevitable.

References

Odu-onikosi. O.(2015, Dec.17). 'Boosting Nigeria's Economy through Agriculture' The Guardian. Thursday 17 p 21

CBN (1989). Annual Report and Statement of Accounts p 23.

Duru. E.J.C. (nd). Lecture Note on Rural Development in Nigeria-Dept of Political Science-Graduate School University of Calabar

Rodney. W.(1972). How Europe Underdeveloped Africa. Abuja: Panaf Publishing, Inc.

Seers. D.(1969). The Meaning of Development. International Development Review

Haas. E.(2004). The Uniting of Europe: Politics, Social and Economic Forces 1950-1957 (3rd edn). Notre Dame: University of Notre Dame Press

Gana. J. (1983). Strategy for Progressive Rural Development in AsikpoEssien-Ibok, Towards a Progressive Nigeria. Kano: Triumph Publishing Company Ltd.

Baran. P. (1973). The Political Economy of Growth. England: Penguin Books

Ndiyo. N.A.(2005). Fundamentals of Research in Behavioural Sciences and Humanities. Calabar: Wusen Publishers