

Consideration for Sound Forest Policy Investment in Osun and Oyo States, Nigeria

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ABSTRACT: This paper examines the amount of real capital produced in terms of standing trees during some periods in the forestry sector of Osun and Oyo states with a view to considering sound policy on investment.

Information was gathered through the use of primary and secondary data. The information obtained was analyzed using bar charts and simple percentages.

The results indicate that inadequate and epileptic investment strategy is continually experienced in the forestry sector despite the fact that the sector is one of the major revenue generating sectors in the two states. Improper application of Forestry Trust Fund and lack of partnership involvement in the management of forestry sector in the two states have negative effects on the forestry sector.

It is recommended that government should of necessity accord forestry department its fair share of funding rather than using budgeting system based on annual appropriation from general revenue and on direct control from the treasury. The policy that recognizes the need to reserve in perpetuity the existing forests and wherever possible add to them, should be promoted. Need for autonomous Ministry of Forestry and community participation in forest management is also advocated.

Keywords: Community participation, Forest policy, Investment, Revenue, Sustainability.

Introduction

Forestry is a business. However, ownership issue, investment, revenue generation and government policies have affected the impact of forestry in Nigerian economy (Agbeja, 1999). The forest estates in Nigeria are held in trust for the people by various state governments. Therefore, most forest lands are regarded as public property (FORMECU, 1993). Public holdings pose the problem of what to maximize. Invariably, the goal of public project is to satisfy the public or societal need which will help to improve the standard of living of the population.

Forestry projects are capital intensive and capital is not costless. According to Lawal (1972), investment means the actual production of capital goods. Building up stocks of standing trees in the forest reserves is a good example of capital goods. Investment is thus the amount of real capital produced during a period, part of this of course, being required to make good depreciation. The volume of investment depends partly on the rate of interest, business trends and profit expectations. The social benefits of an investment project come to fruition over the future. Some of the costs incurred by undertaking the investment project may also take place over the future (Mishan, 1975).

In general, then, there is a distinct time profile of benefits and costs corresponding to each of the investment projects under consideration. *Ab initio*, forestry has been the handmaid of Agriculture in Nigeria (Mabogunje *et al.*, 1966). In the same vein (Agbeja, 1999) corroborates the fact that Forestry is still one of the sectors in the Ministry of Agriculture and Natural Resources in Nigeria instead of being a

sole Ministry on its own. Therefore, the present system of budgeting for the state forestry services is based on annual appropriation from the general revenue and on direct control from the treasury.

Forestry, however, because of its peculiar responsibilities of conservation, management and sale of forest produce, and because of the concomitant necessity for long-range planning, suffers invariably from this type of year-to-year financing. The system of annual appropriation, which may often base its priorities on the needs of the day rather than on the long-term benefits which may accrue to the nation, very frequently leads to the denial of capital to promising forestry projects. Inadequate and epileptic funding strategy is continually experienced by the forestry sector despite the fact that the sector is one of the major revenue generating sectors in some states of Nigeria.

Forestry service is largely a tax collector rather than a spender of what it is made to collect except through administration cost (FORMECU, 1994). Even though, revenue targets have been rising rather than static, capital expenditure on forestry projects has, for a very long time, been inadequate. Indeed, higher revenue collection has not been matched by forest renewal programme. A recent review of wood products demand and supply in Nigeria showed that Nigeria was in deficit in all types of industrial wood supply (Boungiorno *et al.*, 1992). The study also indicates that larger gaps between demand and supply would exist in the future. Ajayi and Omoluabi (1993) report that the selling price of forest produce in Nigeria is presently arbitrary without any scientific approach or economic

justification. A number of writers have tried to explain African performance using growth and investment regressions (Wheeler, 1984; Barro and Lee, 1993; Ghurra and Grennes, 1993; Easterly and Levine, 1995; Sachs and Warner, 1995; Elbadawi and Ndulu, 1996; Ghura and Hadjimichael, 1996; and Bhattacharya *et al.*; 1996). The period analyzed by these authors covered 1970-90, with the focus on decade averages, annual performance, or occasionally sub-periods. Some of the variables commonly identified include lack of openness to trade, financial depth, deficit public service provision and social capital.

According to FAO (1993), government forestry institutions and the policy framework for forest development and utilization in most developing countries were not established to address the complex and difficult range of tasks demanded by forestry programmes. In Nigeria, each state is empowered to enunciate its own forest policy as it deems fit. In a situation of inconsistent and inappropriate state forest policies, especially due to government instability and lack of continuity, almost all the objectives laid down in the national policy are thwarted as well as haphazardly implemented. Reports have shown that Nigeria still destroys about 400,000 hectares of forest annually and replenishes only about 25,000 hectares (Roby, 1991). Nigeria's forests are indeed being depleted as a result of negative policy approach in virtually all the states in Nigeria. This paper reports the existing forest policy in Osun and Oyo States in the Southwestern Nigeria to determine the proportion of annual investment on forest regeneration in relationship to annual forest revenue generation, to assess the involvement of partnership in forestry sector and to evaluate the roles of decision makers towards the realization of forest objectives.

Methodology

The two states, Osun and Oyo states, are located between Latitudes 6° and 9° North and Longitudes 2° and 6° East. The total land area for the two states is 35,742.84km² of which 6,779.58km² constitute forest reserves. The study was conducted in two forest reserves in each state to have a total of four reserves

(Ago-owu and Shasha forest reserves in Osun state; Gambari and Ijaiye forest reserves in Oyo state).

Purposive random sampling technique was employed for the selection of respondents in the Department of Forestry and the rural people residing around the four forest reserves selected for the study. Two sets of questionnaires were administered. The first set was administered to forestry staff in Osun and Oyo States while the second set was administered to the people residing around the forest reserves in the two states. A total of one hundred and twenty questionnaires were administered for the study out of which eighty nine were returned and the proportion was 81.67%. Sixty questionnaires were administered to the Department of Forestry in Osun and Oyo States and sixty questionnaires were administered to the people residing around the four forest reserves. The techniques used in analyzing the data and responses to the questionnaires were simple percentages and bar charts.

Results

In Osun State, from 1992 to 1996, the total fund collected out of the annual estimates for various forestry activities indicated deficits of 46.1; 90; 76.5; 95.5; and 87.7 percent respectively (Table 1). However, in 1997, the total fund collected out of the annual estimate was increased by 42.6 percent. In Oyo State, from 1992 to 1997, the total fund collected out of the annual estimates for various forestry activities indicated deficits of 77.9; 100; 98.3; 82; 88.6; and 20.2 percent respectively (Table 1).

In Osun State, from 1992 to 1997, the forestry department generated a sum of ₦107,574,642.50. This represents 39.6% of the total revenue of ₦271,348,554.80 realized by the Ministry of Agriculture and Natural Resources (Table 2). The result shows that forestry revenue targets have been rising rather than static in the Ministry of Agriculture and Natural Resources because of the political pressure from the Federal Government that each state should increase its internally generated revenue and this has led to intensification of forest exploitation (Figures 1, 2, 3 and 4). Similarly in Oyo State, from 1992 to 1997, the forestry department generated a sum of ₦39,830,073.28 out of the total revenue of ₦112,320,149.80 realized by

Table 1: Annual Budget Estimates of the Forestry Department and Actual Amount Collected from 1992-1997 in Osun and Oyo States.

Year	Annual Estimates (₦)	Actual Amount Collected (₦)	Surplus (₦)	Deficit (₦)	Annual Estimates (₦)	Actual Amount Collected (₦)	Surplus (₦)	Deficit (₦)
OSUN STATE¹				OYO STATE²				
1992	1,200,000	647,200	-	552,800	1,041,600	230,000	-	811,600
1993	1,500,000	150,000	-	1,350,000	1,255,000	-	-	1,255,000
1994	2,723,000	640,000	-	2,083,000	2,974,040	50,000	-	2,924,040
1995	4,000,000	180,000	-	3,820,000	1,680,740	302,000	-	1,378,240
1996	3,000,000	370,000	-	2,630,000	2,200,000	250,000	-	1,950,000
1997	4,000,000	5,702,000	1,702,000	-	3,500,000	2,792,156	-	707,844

Sources: (1) Forestry Department, Osogbo, Osun State, 1998

(2) Forestry Department, Secretariat, Ibadan, Oyo State, 1998

Table 2: Revenue Generated in the Forestry Department and Total Revenue Realized in the Ministry of Agriculture and Natural Resources of Osun and Oyo States, from 1992-1997.

Year	Revenue Generated in Forestry Department (₦)	Revenue Realized in the Ministry of Agricultural & Natural Resources (₦)	Revenue Generated in Forestry Department (₦)	Revenue Realized in the Ministry of Agricultural & Natural Resources (₦)
	OSUN STATE¹		OYO STATE²	
1992	1,874,047.74	21,178,283.00	975,858.40	10,934,064.20
1993	3,973,910.81	28,302,882.04	978,036.40	22,688,433.53
1994	5,558,877.71	36,405,937.31	2,221,322.73	5,655,695.50
1995	30,070,889.75	41,500,180.00	3,222,797	12,683,910.00
1996	13,877,934.00	46,889,674.67	14,089,006	34,735,115.60
1997	52,218,982.50	97,071,597.74	18,343,052.75	25,622,931

Sources: (1) Forestry Department, Osogbo, Osun State, 1998

(2) Forestry Department, Secretariat, Ibadan, Oyo State, 1998

the Ministry of Agriculture and Natural Resources. The percentage contribution of forestry department in six years was 35.5 percent. The result shows that forestry revenue targets have been rising rather than static in the Ministry of Agriculture and Natural Resources of Oyo State. In six years, the average annual proportion of money collected for investment in forestry department was so small in comparison with average annual revenue generated. The proportion of average annual amount received for forest activities in Osun state was 7.15% (₦7,689,200) as compared with 92.85% (₦107,574,642.50) average annual revenue generated from the forest (Tables 1 and 2). On the other hand, in Oyo state, the average annual amount received for forest activities was 9.10% (₦3,624,156) as compared with 90.9% (₦39,830,073.28) average annual revenue generated from the forest (Tables 1 and 2).

In both Osun and Oyo States, involvement of partnership in forestry operations is not yet allowed (Table 3). The ownership of forest reserve still belongs to state governments as affirmed by 86.7 and 73.3 percent respondents around Ago-Owu and Shasha forest reserves

in Osun State and 73.3 and 60 percent respondents around Gambari and Ijaiye forest reserves respectively in Oyo State.

In Ago-Owu and Shasha forest reserves of Osun State 66.7 and 80.0 percent of the respondents respectively agreed that Osun State Government uses Forestry Trust Fund for forest regeneration but the amount being released is so meagre to cope with the task of forest operation (Table 4). On the other hand, in Gambari and Ijaiye forest reserves of Oyo State, 73.3 and 60 percent respectively of the respondents affirmed that Oyo State is yet to implement the National Council of Agriculture (NCA) decision on Forestry Trust Fund

Table 5 shows that 73.3 and 60 percent of the respondents in Ago-Owu and Shasha forest reserves respectively of Osun State and 86.7 and 80.0 percent in Gambari and Ijaiye forest reserves in that order in Oyo state affirmed that some of the forestry decision makers are very passive and could not muster any aggressiveness towards the realization of the set forest objectives. This is reflected in the inadequate annual budgetary allocations to the forestry sector

Table 3: Partnership in Forestry

Statement	Osun State		Oyo State	
	Frequency of respondents residing around Ago-Owu forest reserve	Frequency of respondents residing around Shasha forest reserve	Frequency of respondents residing around Gambari forest reserve	Frequency of respondents residing around Ijaiye forest reserve
Involvement of partnership is allowed in forestry services				
Involvement of partnership is not allowed in forestry services	13(86.7%)	11(73.3%)	11(73.3%)	9(60%)

Source: Field Survey, 1997.

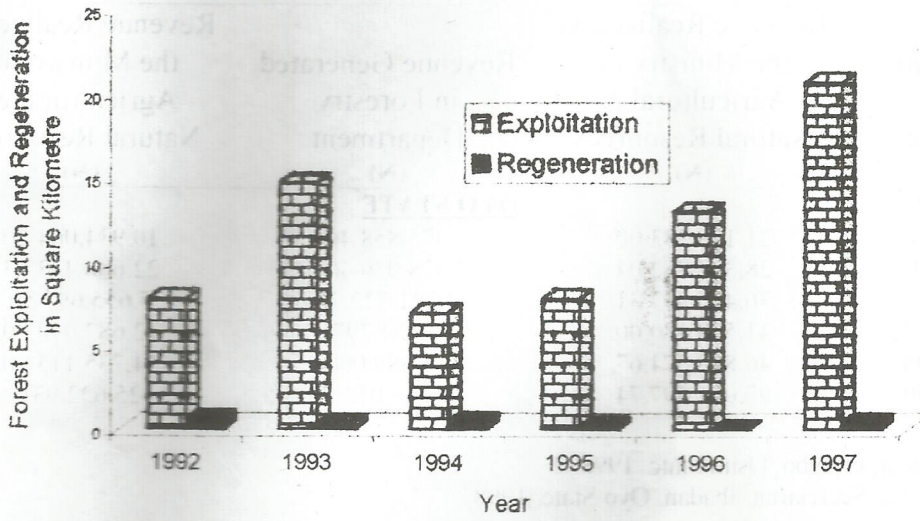


Figure 1: Forest Exploitation and Regeneration in Ago-Owu Forest Reserve, Osun State (1992-1997)

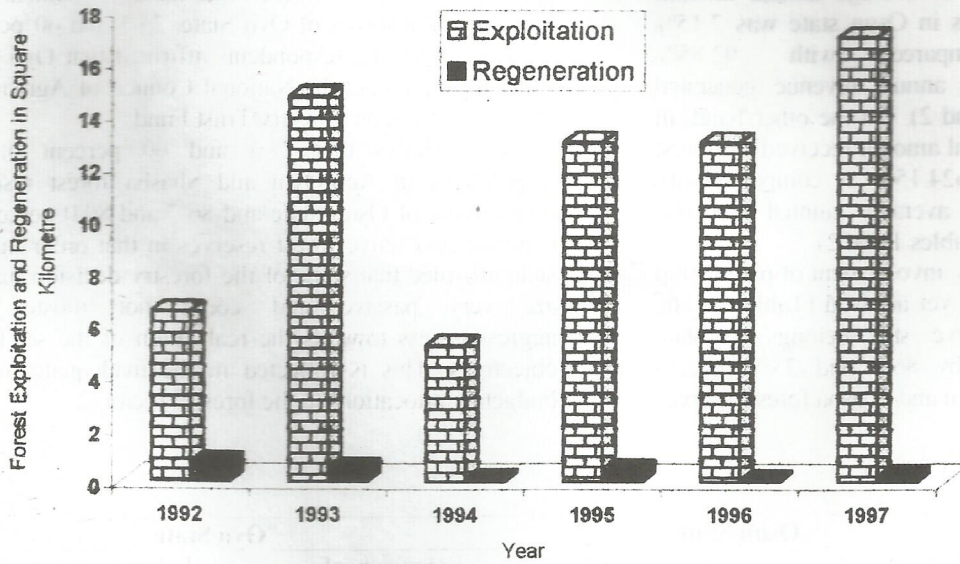


Figure 2: Forest Exploitation and Regeneration in Shasha Forest Reserve, Osun State (1992-1997)

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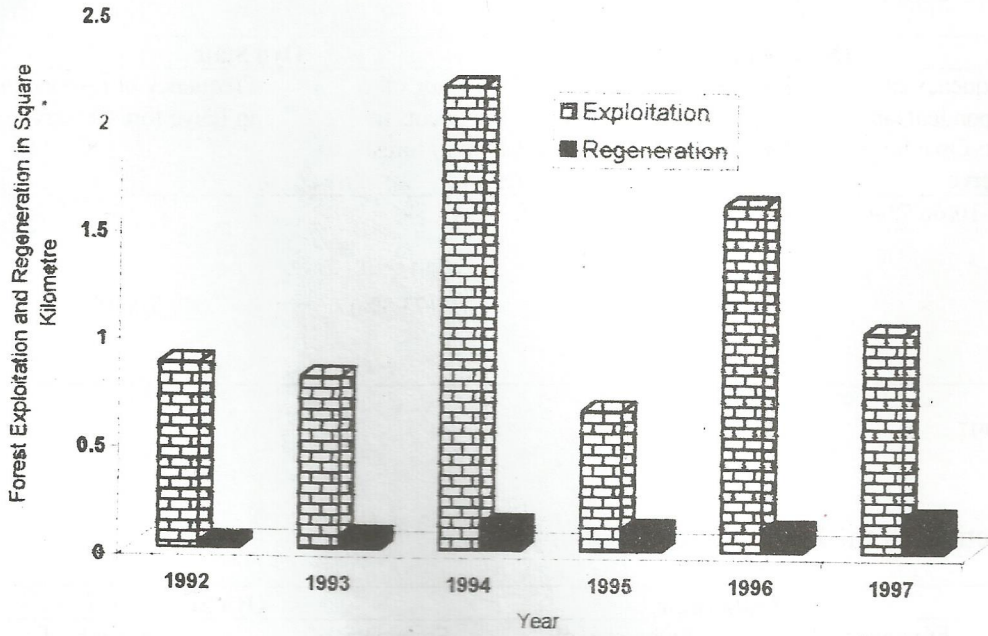


Figure 3: Forest Exploitation and Regeneration in Gambari Forest Reserve, Oyo State (1992-1997)

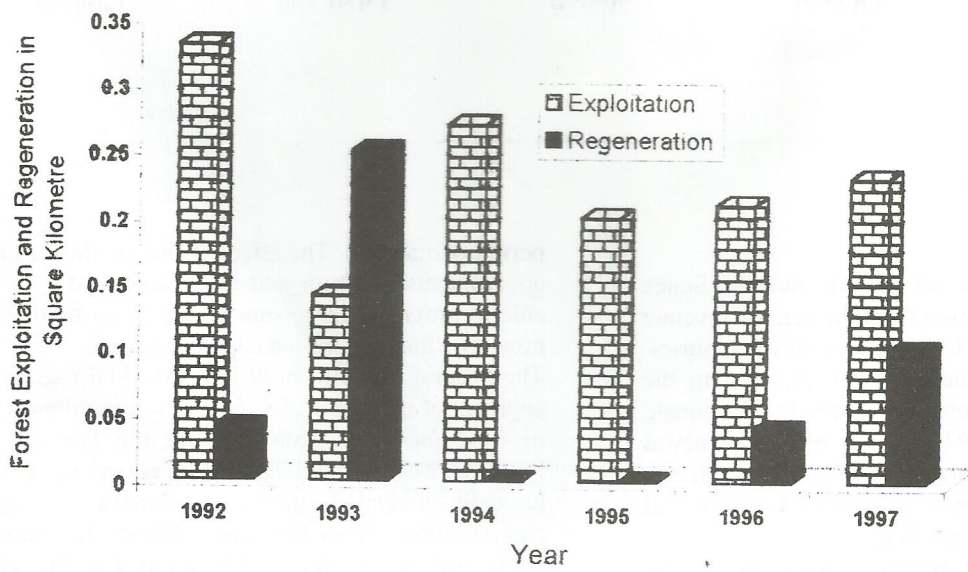


Figure 4: Forest Exploitation and Regeneration in Ijaiye Forest Reserve, Oyo State (1992-1997)

Table 4: Forestry Trust Fund

Statement	Osun State		Oyo State	
	Frequency of respondents in Ago-Owu forest reserve	Frequency of respondents in Shasha forest reserve	Frequency of respondents in Gambari forest reserve	Frequency of respondents in Ijaiye forest reserve
Approval of forestry trust fund	10(66.7%)	12(80%)	-	-
Forestry trust fund not yet approved	-	-	11(73.3%)	10(60%)

Source: Field Survey, 1997.

Table 5: Set of Objectives in the Forest Policy

Statement	Osun State		Oyo State	
	Frequency of respondents in Ago-Owu forest reserve	Frequency of respondents in Shasha forest reserve	Frequency of respondents in Gambari forest reserve	Frequency of respondents in Ijaiye forest reserve
Decision makers are active towards the realization of forestry objectives in the forest policy	-	-	-	-
Decision makers are passive towards the realization of forestry objectives in the forest policy	11(73.3)	9(60%)	13(86.7%)	12(80.%)

Source: Field Survey, 1997.

Discussion

Poor funding of forestry sector in Osun and Oyo States is due to annual appropriation from the general revenue and lack of disbursement by the two states' treasuries. The deficits in annual budgeting are inimical to the progress of forest operations. For example, inadequate funding from 1992 to 1997 seriously affected renewal programme (regeneration) in Ago-owu and Shasha forest reserves of Osun State as well as Gambari and Ijaiye forest reserves of Oyo State.

Despite the fact that the forestry sector is one of the major revenue generating units in the two states, inadequate and epileptic funding strategy is continually experienced by the forestry sector. This has thwarted the investment motivation in forestry.

In a contemporary world, involvement of partnership in any investment has been one of the major ways of achieving sound management, organization, planning and co-ordination. In effect, partnership permits some division of the functions of decision making on the one hand, and provision of capital and risk taking on the other hand. However, the forestry departments in Osun and Oyo States remain an enterprise that does not

permit partnership. The effect of this rigidity is that the governments of Osun and Oyo States have not been able to provide a large sum of money to fund forestry projects which are indeed capital intensive.

The Federal Department of Forestry (FDF) secured the approval of the National Council of Agriculture (NCA) in 1992 for the establishment of the Forestry Trust Fund (FTF) in each state of the Federation. This was basically intended to foster renewal programme (regeneration) in all the states. However, Osun State made use of Forestry Trust Fund but the amount released was so meagre to cope with the task of forest operation. Oyo State on the other hand has not yet implemented the NCA decision to all intent and purpose. This has shown the negative attitudes of decision makers towards realization of sound forest objectives.

A national forest policy has been recommended laying down principles which should guide the development and control of forestry in Nigeria. The policy recognizes *inter alia* the need to: (a) reserve in perpetuity the existing forests and whenever possible add to them; (b) protect the forest estate on principles

consistent with sustained and increasing economic growth including inventory of forest resources; and (c) provide adequate funds at all times for the realization of the policy objectives. The decision makers in the two states have impacted negatively on the set of forest policy objectives.

From 1992 to 1997 under investigation, the decision makers were passive towards the realization of policy objectives.

Conclusion and Recommendations

Forest is managed by the Department of Forestry on behalf of the Ministry of Agriculture and Natural Resources in Osun and Oyo States. The forest reserves are heavily over-exploited without due attention to economic sustainability of the resources.

The forestry departments in Osun and Oyo States do not engage in the exploitation, marketing and haulage of forest produce which are essential elements of forest management. The timber contractors gain a lot of profits at the expense of forestry services because the contractors are relieved of the overhead costs. They are allowed to exploit, market and transport the forest produce. The two states are only involved in the allocation of forest to concessionaires based on out-turn volume, unit area charge, stumpage, special levy, registration fees by timber contractors, registration fees by holders of property hammer and license by wood processing plants. Indeed, the two states are losing a lot of monies into the hands of contractors. The forestry sector in these two states tends to be weak in terms of its investment potential. The sector is more prone to politics rather than good forest policy that aims at achieving self-sufficiency in forest products through the employment of sound forest management principles and techniques as well as the mobilization of human and material resources.

Sound forest policy on investment strategy is needed to enable the society to continue to have an uninterrupted access to forest goods and services. This could be realized through the following recommendations: (1) Adequate funds should be provided at all times for the realization of forest policy objectives and this in turn will serve as a catalyst to the investment in forestry sector; (2) Ministry of Forestry and Natural Resources should be created and this autonomous body would go a long way in liberating forestry as an unworthy adjunct of Agriculture; because of the peculiar responsibilities of resource conservation, management, sale of produce and the concomitant necessity for long-range planning, forestry will be better run and managed under an autonomous ministry or agency than as presently constituted in the ministry of Agriculture and Natural Resources; (3) Regeneration of forest estates should be given a priority in this crucial period when population is increasing and demand for forest products is rising everyday; this will foster sustained yield and (4) Communal participation in planning and management process should be promoted as a critical strategy intended to significantly improve the forest sectoral contributions to the national economy.

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