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Sound Policy, Uneven Performance: Assessing Nigeria's Agricultural Strategy

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Introduction

In recent years, Nigeria has placed fresh emphasis on the agriculture sector in its efforts to generate broad-based growth, diversify the economy away from hydrocarbons, create jobs, and achieve food security. The administrations of President Muhammadu Buhari and his predecessor Goodluck Jonathan have made repeated public commitments to revive Nigerian agriculture. A flurry of new policies and programs have been unveiled, aimed at both smallholder farmers and large producers. These efforts have been given more urgency by the slump in global oil prices and the drain on foreign currency reserves caused by the crippling cost of food imports. This policy brief looks at the progress made so far and identifies the gaps that have yet to be addressed. It argues that the policies are sound and progress has been made in addressing corruption within the agriculture sector, improving the delivery of inputs to smallholder farmers, and generating some domestic and foreign agribusiness investment. However, implementation has been uneven, partly because the government's rhetoric about the importance of agriculture has not been matched by a significantly larger budget commitment.

Assessing Nigeria's Agricultural Strategy: The Agricultural Transformation Agenda

In agriculture, the Buhari administration can build on solid foundations laid by the previous government. The Agricultural Transformational Agenda (ATA), introduced by President Jonathan in 2011 and implemented by his minister of agriculture and rural development, Akinwunmi Adesina, has been largely retained by the current minister, Audu Ogbeh.

The overarching objectives of the ATA are to boost agricultural output, encourage private-sector engagement, and create 3.5 million new jobs in the farming sector. The ATA aims to boost farmers' incomes by 300 billion naira (\$1.5 billion) by increasing productivity, securing greater market access, and strengthening value chains.¹ At the heart of the ATA is the idea that agriculture should be a

¹ International Food Policy Research Institute (IFPRI), "IFPRI-Africa Lead report on Assessment of Nigeria's Agriculture Transformation Agenda(ATA) and Capacity Building Needs," USAID.gov, December 2012, http://pdf.usaid.gov/pdf_docs/PA00K1SH.pdf.

business rather than a development activity and that efforts to grow the sector require strategic direction rather than the pursuit of piecemeal, disconnected projects.

The core elements of the ATA are:

- The Growth Enhancement Support Scheme (GESS), which seeks to boost agricultural productivity by providing inputs to farmers in a more timely, efficient, and comprehensive manner;
- Nigerian Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL), developed by the Nigerian Central Bank in partnership with the Alliance for a Green Revolution in Africa (AGRA), which aims to increase farmers' access to credit by de-risking agricultural financing by banks;
- Staple Crops Processing Zones (SCPZs), which encourage different regions of the country to produce crops in which they enjoy a comparative advantage and to build commodity value chains around them; and
- Agricultural Resilience in Nigeria (ACARN), focused on reducing food and nutrition vulnerability, a topic that will be explored in depth in a separate essay in this series.

The results so far offer some encouragement, although there is a long way to go. According to government data, there was a 403 percent reduction in Nigeria's food import bill between 2011 and 2013, and the number of jobs in the agriculture sector increased by 3.56 million between 2012 and 2014.² The GESS has deregulated the provision of fertilizer, making the system more transparent and efficient by introducing an e-wallet system that allows farmers to receive subsidized inputs through vouchers sent to their cell phones. More than 14 million farmers signed up to the system during its first two years of operation, and by 2015³ an estimated 60 percent of farmers were receiving the subsidies to which they were entitled.⁴ While these are significant improvements, they have not transformed productivity. This is partly because of the excessive speed in which the sector was privatized, which attracted many inexperienced agro-dealers who lack formal training on the products they sell and are unable to provide effective extension services to their customers. In addition, the fertilizer sector is awash with counterfeit and adulterated products, and while there was official recognition of the problem with the launch of a federal Fertilizer Quality Control System in 2015, solving it will take time.

NIRSAL has achieved some success in stimulating lending to farmers. By late 2015, NIRSAL had guaranteed 454 projects valued at over N61 billion (\$300 million) and increased the share of

² Leke Adesiri, "Agriculture: Buhari needs to sustain Adesina's legacies," *Vanguard* (Lagos), June 26, 2015, <http://www.vanguardngr.com/2015/06/agriculture-buhari-needs-to-sustain-adesinas-legacies/>.

³ Emmanuel Iruobe, "How Nigeria's Agricultural Transformation Agenda Is Changing the Status Quo," *VenturesAfrica.com*, September 23, 2014, <http://venturesafrica.com/how-nigerias-agricultural-transformation-agenda-is-changing-the-status-quo/>.

⁴ Oxford Business Group, "State efforts to boost agricultural output in Nigeria," 2016, <http://www.oxfordbusinessgroup.com/overview/state-efforts-boost-agricultural-output-nigeria>.

agricultural lending from 2 percent of overall lending in 2011 to 13 percent.⁵ NIRSAL's efforts have been complemented by the Fund for Agricultural Financing in Nigeria, a private fund set up with support from the government of Germany to raise private capital for agricultural funding. Though these are steps in the right direction, farmers still struggle to access capital, a fact recognized by the National Economic Council, which in March 2016 proposed measures to enhance the lending capacity of Nigeria's Bank of Agriculture and recommended a single digit interest rate for agricultural loans.

The development of the SCPZs is a similar story of halting progress. The concept is that 14 zones will be established where producers of all sizes will focus their efforts on growing a single crop, with support from government or through public-private partnerships in the form of extension services, mechanized equipment, and improved inputs. Tax breaks will be offered to agro-processors who set up operations nearby. The initiative, while promising, has yet to get off the ground properly, with 12 sites in various stages of development. Perhaps the most advanced SCPZ is in Bunkure, Kano State, where the Dangote Group opened a tomato paste processing plant in April 2016 using tomatoes grown by farmers in the surrounding area. (In an exceedingly ill-timed turn of events, in the same month as the plant's opening, Nigeria's tomato production was devastated by the *Tuta Absoluta* moth, commonly known as the tomato leafminer, and the processing plant has had to suspend operations.)

Other SCPZs have become mired in protracted negotiations and concerns among some communities that land is being requisitioned without sufficient consultation. The SCPZ in Kogi, for example, has been earmarked for cassava production, but negotiations with Cargill over its involvement have dragged on for three years. A World Bank loan has been slow to materialize, and some farmers complain that they have been moved off the most fertile land to make way for pilot demonstration projects.⁶ These delays are unsurprising, given the complexity and ambition of the project. But they underline the need for closer cooperation among the three tiers of Nigeria's government (federal, state, and local), between the public and private sectors, and between policymakers and target communities.

Priorities for Progress

Nigeria has made some positive steps toward maximizing its agricultural potential. In terms of food self-sufficiency, for example, rice production has significantly increased (although Nigeria missed its target of becoming self-sufficient in rice by 2015), and deals have been struck with China to build on the progress by constructing 40 rice mills.⁷ Investors estimate that improved rice and sugar

⁵ Bukola Idowu, "NIRSAL Guarantees N61.21bn to 454 projects, trains 60,000 farmers," *Leadership* (Abuja), October 7, 2015, <http://leadership.ng/business/465389/nirsal-guarantees-n61-2bn-to-454-projects-trains-60000-farmers>.

⁶ See, for example, "Kogi Government Concerned About Early Take-Off of Alape SCPZ," *Kogi Reports* (Lokoja), October 14, 2015, <http://www.kogireports.com/kogi-govt-concern-about-early-take-off-of-alape-scpz/>.

⁷ "Buhari Plans to Double 2016 Budget to \$40bn to Spend on Infrastructure, Power and Youth," *Nigerian Watch* (London), November 8, 2015, <http://www.nigerianwatch.com/news/8150-buhari-plans-to-double-2016-budget-to-40bn-to-spend-on-infrastructure-power-and-youth>.

production will shave \$5 billion off the cost of food imports in the next five years.⁸ Deregulation in the fertilizer and seed sectors has reduced market inefficiencies, curbed corruption, and ensured that more farmers get their hands on the inputs they need. Some state governments have taken a strategic approach to agriculture and followed up commitments with resources. They include Cross Rivers State, already the largest producer of palm oil in Nigeria, which recently signed a deal with the Thai-Africa Corporation to develop a town dedicated to rice production;⁹ and Jigawa State, where a concerted effort to attract private-sector investment in agriculture under Governor Baduru Abubakar has secured some big commitments. The current and previous federal administrations have succeeded in attracting more private-sector investment in agriculture, signing deals with the likes of Dangote Group to provide mechanized equipment for hire to farmers and Coscharis Group to start large-scale rice production in Anambra State.¹⁰

Yet despite pockets of good performance, Nigeria is not fully exploiting its rich natural and human resources. The country's abundance of arable land is underutilized; many farmers lack access to modern inputs, credit, and markets; and research and technology are not being rigorously applied to agricultural problems. Overall, insufficient public funds are being put into agriculture. Those that are invested are often spent unwisely or inefficiently. In order to spur transformational growth in Nigeria's agriculture sector, action is required in a number of strategic areas:

- *Agricultural development needs consistent, high-level policy attention:* President Buhari has spoken frequently about the importance of agriculture as an incubator of economic growth, jobs, and food security. But moving from words to actions is often a stumbling block in Nigeria. So too is the tendency for new administrations to throw out the policies of their predecessors. This would be a mistake in the area of agriculture, where important progress was made under Minister Adesina. The new minister of agriculture has pledged no "policy somersaults," although his ability to withstand competing pressures has yet to be proven.¹¹ Agricultural reform and transformation will require policy stability and continuity that builds and improves on the progress already made.
- *More resources, spent wisely:* Nigeria will need to boost the agriculture budget at all three levels of the government system, matching the rhetoric on the importance of agriculture with a financial commitment to support it. This is easier said than done during a period of economic turmoil, but the current oil price slump should focus minds on the importance of accelerating economic diversification, and the agriculture sector is the obvious place to start. Nigeria has not come close to meeting the African Union's Comprehensive Africa Agriculture

⁸ "Economy Thwarts Buhari," *Africa Confidential* 57, no. 8 (April 15, 2016): 10, http://www.africa-confidential.com/article-preview/id/11627/Economy_thwarts_Buhari.

⁹ "Cross River State government signs MoU with Thai-Africa Corporation to build Rice City," *Nigerian Watch*, November 10, 2015, <http://www.nigerianwatch.com/news/8163-cross-river-state-government-signs-mou-with-thai-africa-corporation-to-build-rice-city#sthash.t5ppel9x.tlq6HLL4.dpuf>.

¹⁰ Chief Audu Ogbah (speech by minister of agriculture and rural development, National Council of Agriculture, Kano, February 10, 2016), <http://fmard.com.ng/speech-by-the-honourable-minister-of-agriculture-and-rural-development-chief-audu-ogbeh-on-national-council-of-agriculture-coronation-hall-government-house-kano-kano-state-on-tuesday-10th-februa/>.

¹¹ *Ibid.*

Development Programme (CAADP) guideline for African countries to spend at least 10 percent of their budgets on agriculture, despite a commitment to do so. Agriculture spending averaged just 4.6 percent of overall federal spending between 2008 and 2014.¹² Not surprisingly, the contribution of the agricultural sector to overall gross domestic product (GDP) has declined over the same period.

- *All tiers of government should pull their weight:* State and local government areas (LGAs) should be doing more to boost internally generated revenue and reduce their reliance on the federation account, which for most states has merely encouraged indebtedness.¹³ Even with increased funding, states and LGAs need to allocate budgets better and more efficiently and match expenditure to policy priorities. That means joint budget and project planning among the tiers of government, more transparent budgeting systems, and better public financial management. Efforts should be made to clarify the roles and responsibilities of the three tiers of government for agriculture policy and delivery. Currently, overlapping functions only serve to create confusion and undermine accountability. The ATA has identified this problem and is trying to address it, but little progress has been made.
- *Place more emphasis on research and development:* Nigeria is home to many agricultural colleges and research centers, including 15 national agricultural research institutes and the International Institute for Tropical Agriculture, part of the Consortium of International Agricultural Research Centers (CGIAR) network. Spending on agricultural research, however, amounted to only 0.3 percent of overall agricultural GDP in 2011.¹⁴ Furthermore, evidence suggests that investments in agricultural research are leading to poor outcomes.¹⁵ Better management systems would strengthen the research climate in Nigeria. Greater emphasis must be placed on developing research that provides practical solutions to the problems faced by farmers.
- *Don't forget the smallholder farmer:* Nigeria understandably wishes to boost commercial farming, but more than 90 percent of Nigerian farmers tend plots of land less than two hectares in size.¹⁶ Though there have been significant efforts to improve the distribution of quality inputs to farmers, they fall far short of what is required. Similarly, the raft of policies under the ATA intended to address the poor state of extension services for smallholder farmers have not led to noticeable improvements on the ground. Agriculture officials working at the federal, state, and local levels must place more emphasis on policy delivery.

¹² Aderibigbe Olomola et al., "Analysis of Agricultural Public Expenditures in Nigeria," IFPRI, December 2014, vii, <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/128804>.

¹³ For more details, see BudgIT, *The State of States* (Lagos: BudgIT, 2015) <http://www.yourbudgit.com/wp-content/uploads/2015/11/THE-FATE-OF-STATES-Final1.pdf>.

¹⁴ Kathleen Flaherty and Aliyu Sabi Abdullahi, "Agricultural R&D Indicators Factsheet: Nigeria," Agricultural Science and Technology Indicators, October 2014, <http://www.asti.cgiar.org/pdf/factsheets/Nigeria-Factsheet.pdf>.

¹⁵ See, for example, Catherine Ragasa, "Organizational and Institutional Barriers to the Effectiveness of Public Expenditures: The Case of Agricultural Research Investments in Nigeria and Ghana," *European Journal of Development Research* (June 2015), <http://www.palgrave-journals.com/ejdr/journal/vaop/ncurrent/full/ejdr201541a.html>.

¹⁶ Olomola et al., "Analysis of Agricultural Public Expenditures in Nigeria," 11.

- *Nurture young farmers:* Finally, more must be done to market agriculture as an attractive career option for young people and provide incentives for youth to take up farming. Grand ambitions have been unveiled, including a plan—supported by the UN Food and Agriculture Organization—to turn 740,000 graduates into “young agribusiness entrepreneurs” by providing training programs across all 36 states.¹⁷ A modest start has been made, with the launch of pilot projects in six areas. Sustained commitment will be required to scale up the program.

Conclusion

Nigeria has embarked on the right track by framing an agricultural policy that sets clear priorities, recognizes the different needs of smallholder farmers and large-scale producers, and emphasizes the involvement of the private sector. But laying out a vision is only the first stage in the process. Plans must be executed, which will require greater political commitment at the federal, state, and local levels. Most of all, the Nigerian government must accompany its persuasive words on the importance of agriculture with a greater financial commitment toward the sector. This will be difficult at a time of fiscal hardship, but making smart investments now could bring long-term rewards by placing Nigeria’s economy on a firmer footing, providing a steady supply of jobs, and boosting food security in a country that should be more than capable of feeding itself and its neighbors.

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¹⁷ Mohammed, “Federal Government Plans to Empower 740,000 Youths on YEAP Programme,” Federal Ministry of Agriculture and Rural Development, February 26, 2016, <http://fmard.gov.ng/hello-world/>.