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Political Settlement Analysis of Employment Creation in Agriculture and Agro-industries in Nigeria

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Abbreviations

| | |
|--------|---|
| ATA | Agricultural Transformation Agenda |
| CBN | Central Bank of Nigeria |
| CTG | cotton, textile and garment |
| GDP | gross domestic product |
| NIRSAL | Nigeria Incentive-Based Risk-Sharing System |
| UNDP | United Nations Development Programme |
| WTO | World Trade Organization |

Abstract

Agriculture in Nigeria has not generated significant results from the policy interventions instituted by various government regimes to improve its productivity and impact on the economy. The country continues to expend its limited foreign exchange on massive food imports while underemployment and unemployment continue to plague the economy, problems that agriculture has the potential to address. Although the agricultural sector suffered government neglect during the oil boom of 1970–1985, when the oil industry took preference in government investment initiatives, there has been focused policy efforts to revive the sector to be a supplier of food and foreign exchange and an important employer of labour.

The policies have aimed to improve agricultural productivity and raise the number and quality of its jobs, which mostly are of low and irregular wages and vulnerable, casual and unsecure nature. The realisation that youth unemployment was a factor in social discontent pushed employment creation to the top of the priorities of the Agricultural Transformation Agenda launched in 2011, focusing on creating “agripreneurs” from the pool of young graduates who had hitherto not benefited from economic growth. Using rice and cotton as examples, this paper seeks to understand why these policies failed. Field observations, key informant interviews and focus group discussions were conducted 1–15 August 2015 among farmers, crop processors, government officials, researchers, traders and financial service providers in Kaduna, Katsina, Kebbi, Zamfara, Ebonyi, Ekiti and Lagos states.

The failure of the policies is attributed to the lack of political support from the ruling coalition; inadequacy of the capacity of the bureaucracy to handle and process information, monitor actor behaviour, and articulate the vision for the industry; fragmentation and disorganisation of the value chains; and lack of interagency coordination and networking among the stakeholders.

Key words: Agricultural transformation agenda, political settlement, rent accumulation, ruling elite, value chain fragmentation

1. Introduction

Unlike other sectors such as telecoms and banking where policy interventions transformed service delivery and had impact on the economy, agriculture has not achieved significant results from the attempts to improve its productivity or the expected impact on the economy. Nigeria continues to expend its limited foreign exchange on massive food imports while underemployment and unemployment continue to plague the economy. Existing theoretical explanations do not provide adequate understanding of why agricultural policies have failed to improve productivity and create substantial decent jobs, but commonly analysts blame the crowding out effect of oil that led to the neglect and decline of agriculture as a productive and attractive economic activity in Nigeria (Watts, 1987).

The resource curse logic suggests that exploitation of natural resources stifles diversification, undermines development of the productive sectors, and fosters mineral and energy extraction with limited linkage to the economy and little potential for job creation (Ross, 2012; Lewis, 2007; Gary & Karl, 2003; Karl, 1997). The theory argues that mineral-rich nations, especially developing countries, exhibit poor political and economic outcomes, do not engender sustainable economic growth, and are heavily dependent on unpredictable revenues from volatile commodity markets, which crowds out the non-extractive productive sectors. In Nigeria, the neglect of agriculture and the failure of efforts to develop the sector are attributed to the crowding out effect of oil. While there is merit in the resource curse argument, it cannot explain the collapse of the oil market. The chronic resource constraints associated with the decline in the oil revenue do not portend good outcomes for agricultural policy.

The predatory state thesis implicates rapacious wealth accumulation by the governing elite using state resources for personal gain as the albatross for policies to improve agriculture (Ayittey, 2005; Fatton, 1992). According to neopatrimonialism, an extension of the state predation theory, the successful delivery on policy initiatives is mediated by informal clientilistic networks (Mkandawire, 2015; Bratton & van de Walle, 1994). But that logic does not sufficiently explain variations in sectoral performance within an economy, for instance why telecommunications and banking sector reforms were largely successful while those in agriculture were not.

The political settlement framework is used to understand the context of agricultural policies and why the sector has largely failed to generate significant decent wage employment. Political settlement analysis refers to the distribution of power in a political system among the elite and other groups and how power is encapsulated in formal institutions. It is the country-specific power distribution and the set of institutions that shape flow of the economic benefits in the political settlement (Khan, 2010; Whitfield et al., 2013; Booth, 2015). The political settlement framework allows for identification of the sources of pressure for the ruling elite in their choices of policies and their constraints in implementing policies.

Three main dimensions of relationships generate pressure and constraints for reform policy formulation and implementation. Horizontal relationships, or elite competition, occur among factions of a ruling coalition. Vertical relationships define the societal redistribution demands and generate top-bottom, client-patron networks as well as networks of key elite factions and their constituencies. External shocks such as the collapse of the oil market, forex crises, global economic slowdown, rise in cost of food imports etc., also exert pressure on those in power to pursue growth-enhancing diversification and employment-creation policies. We argue that it is the nature of the political settlement that explains the failure of policies aimed at transforming the agricultural sector and creating decent wage employment.

Although employment creation has been a major objective of various administrations in Nigeria, it rarely featured as a top priority in agricultural policies before the introduction of the Agricultural Transformation Agenda (ATA). Ensuring domestic food security through import substitution and foreign exchange conservation to address balance of payments difficulties – not employment generation per se – were the more pressing impetus for

policies to revive agriculture. This is understandable for two reasons: first, it was generally taken for granted that since agriculture was historically the largest employer of labour its revival would automatically boost the quantity and transform the nature and quality of employment. The transformation would make the sector attractive to the youth by changing their perception to see agribusiness as lucrative. Second, until recently government officials had failed to fully understand the linkage between massive unemployment and the threat to the survival of the state. While it was believed that sporadic youth restiveness, rise in crime and other low-level social maladies could be traced to some extent to youth unemployment, it was considered that security agents could easily douse such tensions when they arose. The advent of Boko Haram, the Niger Delta militancy, the Movement for the Actualisation of the Sovereign State of Biafra and other incredibly violent threats to the security and survival of the state changed the disposition of the elite on the deadly consequences of massive youth unemployment. This unconventional and undesirable redistribution pressure reignited the government's efforts to develop and implement policies to respond to youth unemployment and set the stage for the transformation policy. At the centre of ATA and the associated programmes was the goal to use agriculture to resolve the unemployment crisis.

The fact that employment creation got an explicit focus in ATA suggests a desire to deliberately and strategically move towards harnessing the potential of agriculture to generate decent jobs. To maximise the sector's employment potential, the value chain development approach was adopted. Although it targeted cotton, onion, tomato, cassava, rice, sorghum, livestock and fisheries, maize, soybean, oil palm and cocoa, the policy had as the central objective the forging of integrated linkages from farms to processing firms. In addition, ATA sought to depart from the previous practice of big government crowding out of private initiatives in agriculture, recognising the need to allow all stakeholders in the sector to actualise their aspirations while the government acted as an enabler.

Reviving agriculture and transforming it into a productive economic activity that generates employment requires more than simply laying out policy details; it entails changing the formal and informal rules of the game governing the distribution of economic benefits and resources. Since this produces losers and gainers, political support is indispensable to deal with the inevitable resistance to such changes, otherwise the policy will be vulnerable to derailment. Policies get political support when they serve the interests of the ruling coalition, i.e. when they enhance the chance of the ruling coalition to sustain its hold on power. Policies that do not offer the opportunity for rent accumulation by the ruling coalition to achieve its core objective of survival in office are unlikely to attract political support. This was the plight of the policies in Nigeria that sought to regulate and ban importation of rice and cotton-textile products to support their domestic production.

Bureaucracy also is important in the success of a policy. Its capacity to effectively implement and monitor compliance with a policy, enforce rules, and hold the actors to account determines to a great extent how actors' interests are balanced against the overall policy objectives. The degree of a value chain's organisation and institutionalisation has a significant role in shaping policy outcomes. The more organised and integrated the actors in the sector are, the higher their capacity will be to hold the system together and mobilise support for implementing policy decisions. To transform Nigerian agriculture there is need for good policies and sustained political support for them; enhanced regulatory capacity to ensure that economic actors conform to the expectation of the policies; and capacity for self-organisation among the economic actors to effectively represent their interests in the policy process. This study explores these strands in the transformation of Nigerian agriculture.

1.2 Methodology

1.2.1 Case selection

The rice and cotton-textile value chains, representing food and cash crop sectors, were selected for the case studies, based on (1) the crops' high labour demand in production and value addition, (2) the geospatial reach of the value chains, such that their activities and

employment creation are dispersed across Nigeria, (3) the fact that the value chains had been promoted by the government through various interventionist policies, and (4) the crops' production or processing had a strong international component with the potential to enhance or inhibit their local production.

Rice is grown in almost all the states in Nigeria in rainfed or irrigated systems. Also Nigeria is a major importer of rice from the Far East. The rice value chain, therefore, offers a unique opportunity to see competing political and economic actors and interests struggling to shape government policy and its outcomes. Unlike other grains such as maize, wheat or sorghum, whose labour can be easily replaced with machines, rice cultivation, especially using dry season irrigation, is very labour intensive and consumes high levels of both full-time and hourly labour. Modern integrated rice milling tends to be less labour intensive, but the rice value chain in Nigeria is still dominated by the more labour intensive milling factories.

Cotton is grown mainly in northern Nigeria but its processing is dispersed across the country. Many textile mills are located in the south for easy access to seaports for importation of cotton and other inputs and to benefit from economies of scale. The market for textile products is also partly located in the south. Textile importation and smuggling provide a classic case of the struggles from implementing the World Trade Organization's (WTO) protocol and the Economic Community of West African States' common tariff agreement; the Nigerian government's effort to maximise import duty revenue without sacrificing local production; and the impact of the Chinese economic foray on Africa. Primary cotton production, ginning and textile manufacturing are highly labour intensive with significant potential for employment creation.

1.2.2 Data sources

The researchers conducted field observations, key informant interviews and focus group discussions among farmers, crop processors, national and subnational government officials, legislative officials, researchers, traders and financial service providers. In addition, information was obtained from government documents, national and international data repositories and periodicals.

Primary and secondary qualitative and quantitative data were obtained from existing data repositories and extensive field work. The databases included World Rice Statistics of the International Rice Research Institute, World Development Indicators, as well as the databanks of the United Nations Industrial Development Organization, National Bureau of Statistics, Central Bank of Nigeria, Food and Agricultural Organization of the United Nations, and United States Department of Agriculture. Prior to the field work a stakeholders' forum was convened on 29 July 2015 in Abuja. Policy actors, farmers, processors, bankers, brokers, traders, bureaucrats, unions, farmers' organisations and researchers extensively discussed the challenges and opportunities for employment creation in agriculture and agroprocessing for the two value chains. The field work took place 1–15 August 2015, covering Kaduna, Katsina, Kebbi, Zamfara, Ebonyi, Ekiti and Lagos states, which were selected based on their large farming and processing clusters for rice and/or cotton-textile value chains.

With respect to the rice value chain, interviews and focus group discussions took place in Kebbi, Ekiti and Ebonyi states. In Birnin Kebbi, the focus group discussion was held with rice farmers and interviews were conducted with the management of the Labana Rice Mill. In Ekiti interviews and focus group discussions were conducted in Aisegba with rice farmers who are members of Anuoluwapo Cooperative Society, extension officers, farm workers and rice millers in Ado-Ekiti. In Ebonyi interviews farmers and operators in the rice farms and mills in Enyimagwu were involved in the interviews and focus group discussions. As for the cotton-textile, interviews and the focus group discussions were held in Zamfara, Kaduna, Katsina, Kano and Lagos states. In Gusau, Zamfara state, cotton farmers and operators from Inter Nigeria Limited participated in the study while in Kaduna, the management and staff of United Nigerian Textile Limited and Chelco Industries participated.

In Funtua, Katsina state, cotton farmers were interviewed while in Kano, management and staff of Angel Dyeing and Spinning participated. In Lagos state, staff of Sun Flag Limited one of the few surviving textile factories, were interviewed. Participants at the stakeholders' forum held in Abuja 29 July 2015 provided additional information.

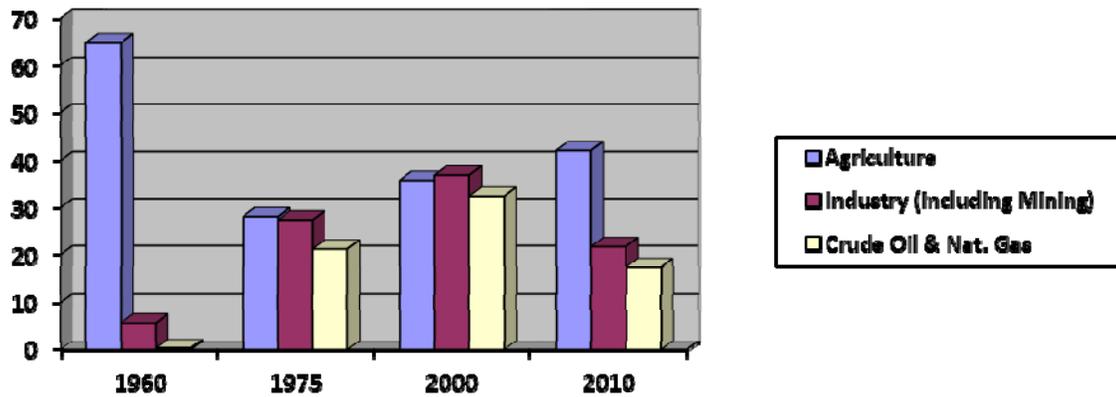
2. Macroeconomic context

With an estimated population of 180 million, Nigeria is the most populous country in Africa and the tenth in the world. The population is expected to reach 279 million in 2050, when it will be the third largest in the world. This presents enormous potential for developing vibrant human resources and a sizeable domestic market. But it poses a challenge in providing adequate jobs, food and housing. Together with the large natural resource base, the large pool of human capital and growing consumer class portend massive opportunity for accelerating development, creating gainful employment and reducing poverty. In spite of these potentials, the country has been saddled with the challenges of generating and sustaining high economic growth, promoting economic diversification and engendering inclusion. These problems are further complicated by the need to foster and sustain peace, law and order.

Between 2000 and 2013 Nigeria recorded GDP growth of approximately 6.82 percent to be among the fastest growing African economies. With a rebased GDP of US\$ 510 billion, Nigeria is the largest economy in Africa. Despite this, the well-being of the average Nigerian has not improved significantly. The United Nations Development Programme's (UNDP) *Human development report, 2014* shows that 60 percent of the population lives below the poverty line. Nigeria's human development index of 0.504 was ranked 152nd out of 186 countries in 2013 (UNDP, 2014). Nigeria falls squarely within the guild of economies that confront the paradox of growth with simultaneous increase in unemployment, poverty and inequality. Agriculture is widely seen as one of the key sectors with the capacity to address the paradox and engender inclusive development.

At the height of its performance before and immediately after independence, agriculture was the largest source of employment and wealth creation in Nigeria. It supplied food and livestock feed, generated revenue and foreign exchange, fed agro-industries with raw materials, conserved the natural environment and provided a market for agricultural and agro-allied inputs. Economic historians write of the groundnut pyramids in Kano, massive cocoa plantations in the west and expansive palm oil farms in the east during the golden years for agriculture (Omotesho, 2015; Ahungwa et al., 2014; Teal, 1988). The story took an unfortunate turn when, as a result of the Arab-Israeli war in 1973, Arab oil exporters clamped an embargo on Western countries and their allies for supporting Israel, resulting in shortages of oil in the global market and sharp price increases and heightened demand for oil from non-Arab exporters such as Nigeria. The simultaneous increase in oil price and quantity generated an abnormal short-run economic situation that saw massive inflows of revenue and foreign exchange earnings into Nigeria. The military regime, just emerging from a devastating civil war and desperate for resources to fund post-war reconstruction, cashed in on the petrodollar revenue. The policy focus shifted from agriculture and its allied industries to oil. Structural changes in the economy marked the declining fortunes of agriculture as the mainstay of the economy; however, the civil war of 1967–1970 was actually the first shock to the agricultural system. Many young men in central and northern Nigeria were absorbed into the federal army, leading to the shortage of and unusually high wages for agricultural labour. Agriculture's share of the GDP declined sharply from 65 percent in 1960 to 27 percent in 1975 and never returned to its glorious past (Fig. 1). The situation was worst for its contribution to exports and government revenue. However, agriculture remains the largest employer of labour (Omotesho, 2015; Adenomon and Oyejola, 2013).

Figure 1: Sectoral composition of Nigeria's GDP (selected sectors and years)

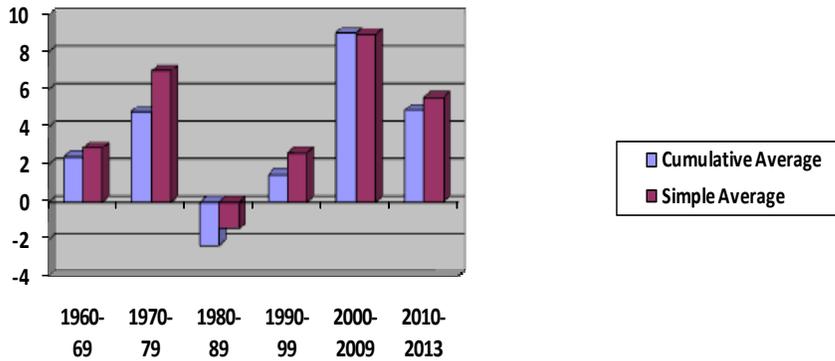


Data source: CBN Statistical Bulletin (1960–2010)

The sudden structural shift from an agro-based to an oil-driven economy exposed the country to the vicissitudes of the global oil market. Tying the fate of the economy to the highly volatile oil market implied that political, economic and social policies and programmes were susceptible to the boom–bust cycle changes characteristic of the global oil market. When oil prices crashed in the 1980s Nigeria recorded negative economic growth (Fig. 2). Even when global oil prices are favourable, their impact on widespread employment creation, poverty alleviation and inequality reduction is questionable (Wise and Shtylla, 2007), and often such benefits accrue to the privileged elite, with little or no trickle-down effect. This is why the political elites were more concerned about competing for rents accruable from oil exploitation rather than improving agriculture. The collapse of oil prices created balance of payments crises that culminated in the adoption of a structural adjustment programme in 1986 by the military regime of General Ibrahim Babangida. The consequences of the austere adjustments of the 1980s, 1990s and lately 2014 exposed country to the risks associated with overdependence on oil as the primary source of government revenue and driver of growth. Social maladies worsened as income inequality widened and the poverty level and unemployment rose, and agriculture began to attract the attention of the ruling coalition once again as an appropriate remedy to the ills of over-reliance on oil. The renewed government focus on agriculture saw the dwindling fortunes of the sector begin to reverse in the 2000s, and modest growth was recorded in its share of the GDP (Fig. 1).

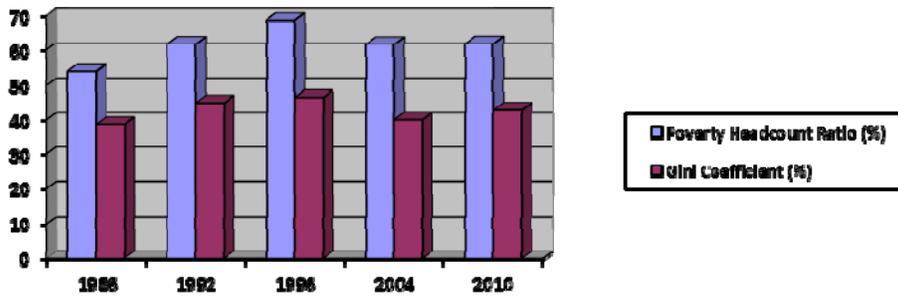
The period 2000–2009 recorded substantial GDP growth of above 8 percent, largely due to the high oil prices and robust activity in the service sector (Fig 2). But poverty remains high, inequality continues to widen and unemployment shows no abatement. Central to the discourse on the paradox of jobless growth is how the Nigerian economy can engender greater inclusion. The poverty headcount ratio increased from 54.05 percent in 1986 to 69.03 percent in 2010 while the Gini coefficient rose from 38.68 percent to 42.95 percent in the same period (Fig. 3). This suggests that economic growth has worsened poverty and widened the gap between the rich and the poor.

Figure 2: Nigeria's GDP growth (1960–2013)



Data source: World Bank World Development Indicators Database

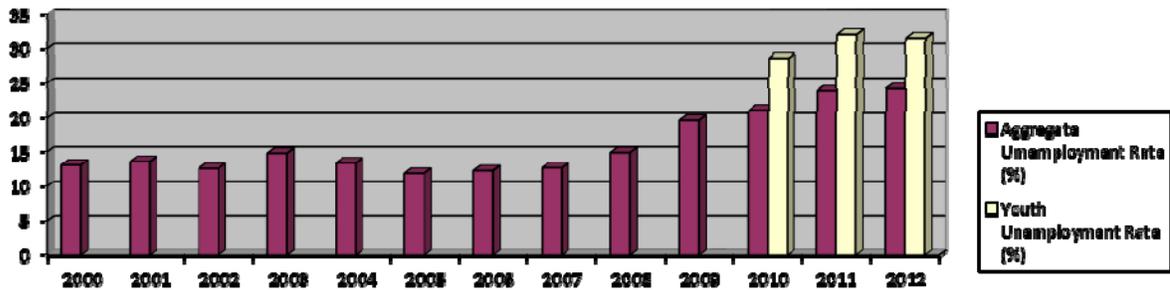
Figure 3: Poverty headcount ratio and Gini coefficient (selected years)



Data source: World Bank World Development Indicators Database (2014)

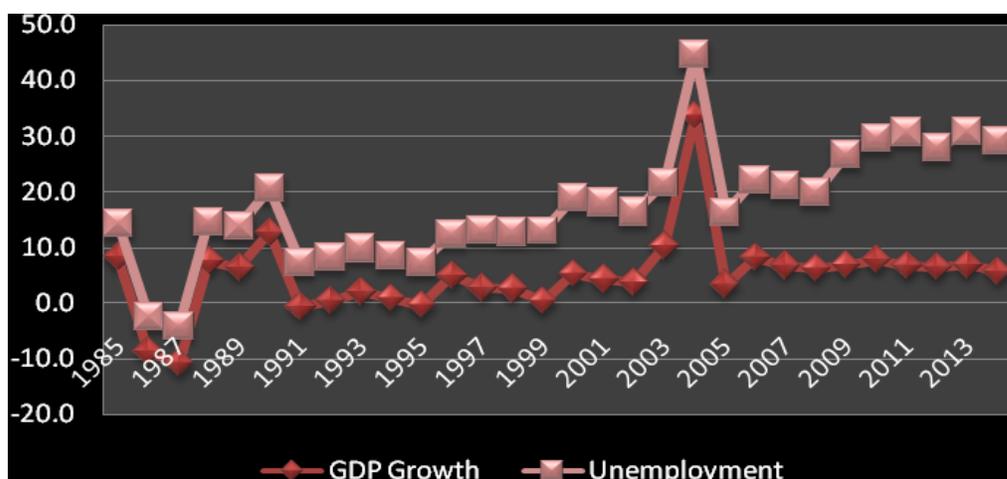
Another critical component of inclusive growth is employment generation. Aggregate unemployment rose from 13.1 percent in 2000 to 24.2 percent in 2012 (Fig. 4). Youth unemployment was much higher, with the rate increasing from 28 percent in 2010 to 32 percent in 2012.

Figure 4: Unemployment rate in Nigeria



Data source: National Bureau of Statistics, Labour Force

Figure 5: Real GDP growth and unemployment



Source: NBS Unemployment Review Report (2014).

The poverty headcount ratio is growing, Gini coefficient is worsening and unemployment is rising (Fig. 3–5). The sectoral composition of Nigeria's GDP is another major concern. Although agriculture is one of the major drivers of GDP growth at around 22 percent on average, it remains a low performer compared with the service sector at 54 percent (Table 1), given its immense potential. Only 60 percent of the 40 million hectares of arable land is cultivated and yields per hectare are 20–50 percent lower than those in other developing countries (ATA Blueprint, 2011). Productivity is severely hampered by the lack of modern agricultural inputs among other challenges.

Table 1: Composition of real GDP, 2010–2015

| Sector | 2010 | 2011 | 2012 | 2013 | 2014 | Q1 2015 | Q2 2015 |
|----------------------|-------|-------|-------|-------|-------|---------|---------|
| Agriculture | 23.96 | 23.59 | 22.73 | 21.50 | 22.90 | 19.79 | 21.12 |
| Mining and quarrying | 15.60 | 15.36 | 14.09 | 13.82 | 10.58 | 10.61 | 9.95 |
| Manufacturing | 6.60 | 6.95 | 7.41 | 7.91 | 9.95 | 10.2 | 9.55 |
| Other industries | 3.61 | 4.02 | 4.34 | 4.66 | 4.39 | 4.84 | 5.02 |
| Services | 50.23 | 50.07 | 51.42 | 52.11 | 52.17 | 54.56 | 54.36 |
| Real GDP | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: NBS statistics

Agriculture is a major contributor to employment, generating 50 percent of the new jobs on average (Table 2). However, the jobs are predominantly of low and irregular wages and are vulnerable, casual and unsecure in character. Less than 1 percent of those employed in agriculture earn a regular wage (Table 3).

Table 2: Total employment by economic activity, 2005–2014

| Year | Total employment | Share of activity sectors in total employment (%) | | | | | |
|-----------|------------------|---|------------|---------------|---------------------------|-----------------|-----|
| | | Agric. | Extractive | Manufacturing | Building and construction | Services Others | |
| 2005 | 49,552,722 | 52.3 | 1.1 | 9.3 | 1.8 | 34.2 | 1.3 |
| 2006 | 50,388,650 | 51.6 | 1.1 | 9.1 | 1.8 | 35.1 | 1.3 |
| 2007 | 51,763,909 | 51.3 | 1.2 | 8.8 | 1.9 | 35.5 | 1.3 |
| 2008 | 52,074,137 | 50.9 | 1.4 | 8.5 | 1.9 | 36.2 | 1.1 |
| 2009 | 50,709,317 | 49.8 | 1.4 | 7.0 | 2.5 | 38.2 | 1.1 |
| 2010 | 51,224,115 | 49.1 | 1.4 | 6.8 | 2.7 | 39.0 | 1.1 |
| 2011 | 51,181,884 | 48.6 | 1.3 | 6.5 | 2.9 | 39.6 | 1.0 |
| 2012 | 52,090,000 | 47.0 | 1.2 | 6.5 | 2.9 | 41.4 | 1.0 |
| 2013 | 53,060,000 | 46.0 | 1.2 | 6.2 | 3.1 | 42.5 | 1.0 |
| 2014 | 53,475,000 | 44.6 | 1.2 | 6.0 | 3.3 | 44.0 | 1.0 |
| 2005–2014 | 51,551,973 | 49.1 | 1.2 | 7.5 | 2.5 | 38.6 | 1.1 |

Source: NBS statistics

Table 3: Proportion of paid jobs to total jobs by sector

| Sector | Main job (%) | Paid job (%) |
|--|--------------|--------------|
| Agriculture | 49.1 | 0.9 |
| Mining and quarrying | 0.3 | 1.1 |
| Manufacturing | 8.3 | 4.4 |
| Wholesale and retail trade | 22.8 | 2.1 |
| Transportation and storage | 3.9 | 4.6 |
| Public administration, defence, security | 2.3 | 18.8 |

Source: NBS unemployment survey (2014)

Note: “Main job” are the total jobs in the sector while “paid job” is the proportion of jobs on regular wage. The wide gap between “main job” and “paid job” in agriculture suggests widespread casualisation and preponderance of irregular wage employment.

Unemployment in Nigeria is a general problem and also has critical regional and gender dynamics that require targeted policy response (Table 4).

Table 4: Unemployment rate by region and gender

| Zone | Male | Female | Total |
|---------------|------|--------|-------|
| North East | 15.4 | 35.9 | 23.9 |
| North West | 12.7 | 54.7 | 30.0 |
| North Central | 12.3 | 19.3 | 15.1 |
| South East | 13.9 | 16.0 | 15.1 |
| South West | 7.3 | 10.3 | 8.9 |
| South South | 19.0 | 18.3 | 18.7 |

Source: NBS unemployment survey (2014)

The implication of the jobless growth phenomenon and its sociopolitical consequences – including youth restiveness, instability and security threats such as the Boko Haram and Niger-Delta militancy – is not lost on Nigeria’s government, and there are deliberate attempts to diversify the economy by adopting policies that encourage the

development of the non-oil sectors, especially agriculture. This is based on the conviction that agriculture can generate wage employment, alleviate poverty, reduce income inequality and create opportunities for the marginalised and vulnerable groups such as the youth and women. This is the fulcrum of the ATA policy. Broadly that policy aims for self-sufficiency in basic food; food security; increased production of agricultural raw materials for industries and export; generation of gainful employment; rational use of agricultural resources; promotion of modern technology in agriculture; and improvement in the quality of life of the rural dwellers. The policy also promotes agricultural production to reduce imports of sugar, wheat, rice, tomato puree and fish, which drain the foreign exchange reserve.

The Nigerian government's policies aim to stimulate agriculture, improve productivity and raise the number and quality of jobs in the sector. A focus is to create "agripreneurs" from the pool of young graduates who have hitherto not benefited from economic growth. The policy thrust is to make agriculture a lucrative business that is attractive to educated youth by changing its perception as an occupation for old and poor people in rural villages. The instruments are diverse and range from fiscal, industrial and financial service policies to legislation to boost agriculture and agroprocessing enterprises. Fiscal policies include applying zero-tariffs on imported agricultural and agroprocessing equipment; tax holidays for agroprocessing investors; tariff increases for commodities that can be produced locally such as rice, starch and sugar; and import levies of 5 percent for brown rice and 30 percent for polished milled rice. Industrial policies include shifting from fertiliser subsidies to support for local manufacturing of fertilisers by leveraging the gas industrialisation policy. Financial services policies cover incentives for farmers to access weather-indexed insurance, and restructuring of the agro-insurance sector to loosen the monopoly of the National Agricultural Insurance Company and attract private insurance companies. Other policies involve replacing the government with private distributors in fertiliser distribution; eradicating the flat fertiliser subsidy and specifically targeting smallholder farmers; rapidly expanding irrigation facilities and revitalising those existing; providing access to land and finance for investors, etc.

In spite of these incentives agriculture has remained largely comatose with respect to the goals of employment creation and domestic food self-sufficiency. Like Buur et al. (2012) we argue that the lack of political support, weaknesses in the embedded and mediating bureaucracy, and inadequate organisational capacity in the agriculture account for the poor policy outcomes in the rice and cotton value chains.

3. Policy framework

Transforming agriculture to improve its productivity has been the objective of various administrations, and various institutions have been created at different times with the mandate of supporting the productivity drive. The establishment of the Lake Chad Research Institute in 1960, the Rubber Research Institute in 1961, the Western Cocoa Project in 1971 and the three oil palm development projects in 1975 among others shows that post-colonial agricultural policies aimed to prop up the production and export of agricultural raw materials. To insulate peasant farmers from price volatility, marketing boards were established for each export crop in 1977, replacing the regional marketing boards of the colonial period. Even with the regime changes between civilian and military governments during the 1960s and 1970s, agricultural policies retained the overall goal of ensuring a steady supply of raw materials for export.

The late 1970s and 1980s witnessed the introduction of agricultural development projects across the country to provide inputs and extension support services to farmers. The period also saw the intensified development of river basin irrigation beginning with the Sokoto-Rima Chad Basin Development Authorities in 1973 followed by the Bakolori Irrigation Project in 1978. The civilian regime of President Shehu Shagari, which assumed office in 1979, launched the Green Revolution programme to replace Operation Feed the Nation. It had been recognised that the excessive dominance of export crops was detrimental to food sufficiency. Policy focus began to shift from production of cash crops for export to production

of food for the growing population. Launched in April 1980, the Green Revolution was designed to ensure self-sufficiency in food production and to introduce modern technology and high-yielding crop varieties. Emphasis also began to shift towards support for large-scale investment in agriculture.

Before the Green Revolution, Nigeria was said to have recorded a food deficiency of 2.6 million tonnes of grain for 1979–1980. This was predicted to reach 5.6 million tonnes by 1985.¹ The Green Revolution had five major objectives, all of which were on domestic food production: (1) to ensure adequate, reliable and safe food supply for the rapidly growing population, (2) to become self-reliant in basic food requirements, (3) to raise and stabilise the nutritional standards of Nigerians, (4) to ensure stability in food commodity markets, and (5) to guarantee fair and reasonable levels and distribution of income among food producers. From this period, meeting domestic demand for agricultural products took precedence over preoccupation with exporting cash crops. The focus on food self-sufficiency continued into the 2000s, and supporting institutions were created such as the Roots and Tubers Expansion Project launched in 1999, the National Agricultural Development Fund, and the National Special Programme on Food Security created in 2002. However, cassava export was encouraged through the Cassava Mechanisation and Agroprocessing Project that was inaugurated in 2012 and supportive policies.

But agricultural productivity has continued declining, and the institutions established to provide the knowledge for the revival of agriculture have remained largely symbolic architectural edifices. The overall impact of the policies on the productivity of the sector is generally patchy. The goal of utilising the abundant potential in agriculture to solve the worsening unemployment problem and to curb prohibitive importation of agricultural products was not attained. This was the context within which ATA was launched by President Jonathan's administration.

4. Agricultural Transformation Agenda

Although agricultural policies evolved from focusing primarily on export of cash crops to addressing chronic shortages of the domestic food supply from 1960, employment generation was not an explicit policy objective until the inauguration of the Agricultural Youth Empowerment Scheme in 2010. The fulcrum of ATA and the Young Graduates Commercial Farmers' Scheme was employment creation for Nigerian youth by making agriculture an attractive business for them. Unemployment had reached alarming rates with an estimated 4 million young people entering the labour force annually and only very few being absorbed in formal wage employment. From 2011 the policy thrust in agriculture extended beyond import substitution to self-sufficiency in food production and to deliberately opening up youth employment through agriculture. ATA was designed to boost employment by creating 3.5 million jobs within the five value chains of rice, cotton, cassava, sorghum and cocoa (Agricultural Transformation Agenda Blueprint, 2011). The institutions involved in the transformation included the Nigeria Incentive-Based Risk-Sharing Agricultural Lending (NIRSAL), the Growth Enhancement Support Scheme, the marketing corporation that replaced the marketing boards, and the Staple Crops Processing Zones.

ATA departed from the previous agricultural policies in several ways: (1) it emphasised the transformation of the sector as a vehicle to create jobs and wealth and ensure food security, (2) it identified the value chains in which Nigeria had a comparative advantage to be the launching pad for this transformation, and (3) it highlighted the strategic partnerships to be developed to stimulate market-led agricultural transformation through state and local governments, inter-ministerial collaboration, the private sector, farmer groups and civil society. The previous policies were largely government propelled and did not generate effective deliverables. Another unique feature of ATA was its clear focus on youth and women, the groups often excluded because of their limited access to resources.

¹"Green Revolution Programme, Nigerianwiki.com/wiki/Green_revolution_programme, accessed 1 October 2015.

NIRSAL, a component of ATA, aimed at integrating the agricultural value chains into agricultural lending by addressing the pathologies of agricultural loan financing. It provided a risk-sharing facility of up to US\$ 300 million to alleviate banks' perception of agriculture as a high-risk sector. By de-risking and lowering the cost of agricultural lending to the tune of US\$ 500 million, NIRSAL aimed to encourage banks to provide robust lending facilities for the agricultural value chains. Another pillar of ATA, the Growth Enhancement Support Scheme, targeted reaching 20 million farmers by 2020 through using e-wallets that cut out political gatekeepers and commercial intermediaries. The scheme aims to provide direct support to farmers to use private commercial outlets for improved seeds, equipment hiring, extension services, fertilisers and agrochemicals. These interventions are expected to increase agricultural production by five to ten times.

The abolition of marketing boards during the era of structural adjustment programmes exposed farmers to price fluctuations and exploitive intermediaries. Through creating marketing corporations, ATA sought to revive the principle of the marketing boards but without turning the institutions into inept bureaucratic behemoths. The corporations have private sector structures and goals and are owned by the value chains, which coordinate the production and/or export of the target commodities and foster investment in the sector for research and development, infrastructure and processing.

The last pillar of ATA was the creation of the staple crops processing zones to attract private agribusinesses to set up food processing plants in areas with high food production. The role of the government was to enable this with appropriate fiscal, investment and infrastructure policies. Such policies included tax breaks on imports of agricultural processing equipment, tax holidays for food processors located in the zones and supportive infrastructure, especially investment in roads, logistics, storage facilities and power.

Like the agricultural policies before it, ATA was ambitious with well laid-out objectives, carefully designed instruments, and incentives. While focusing on the need to boost employment from farms to firms, it was the first attempt to move away from isolated programmes and projects without clearly defined strategic focus. It emphasised an integrated value chain approach connecting farms to processing firms based on market principles, and stimulated and preserved the business outlook of agricultural production, making the sector attractive to women and youth. The rice and cotton-textile value chains were the cornerstone of the agricultural transformation policy.

Despite its uniqueness and comprehensive detail, ATA ended up being all about motion without movement. As the cases of rice and cotton-textile value chains illustrate, there is no evidence that the projected jobs were created or the objective of domestic self-sufficiency in food attained. We believe that the low level of political support, the weak bureaucratic embeddedness and the inadequate organisational capacity in the value chains explain ATA's failure.

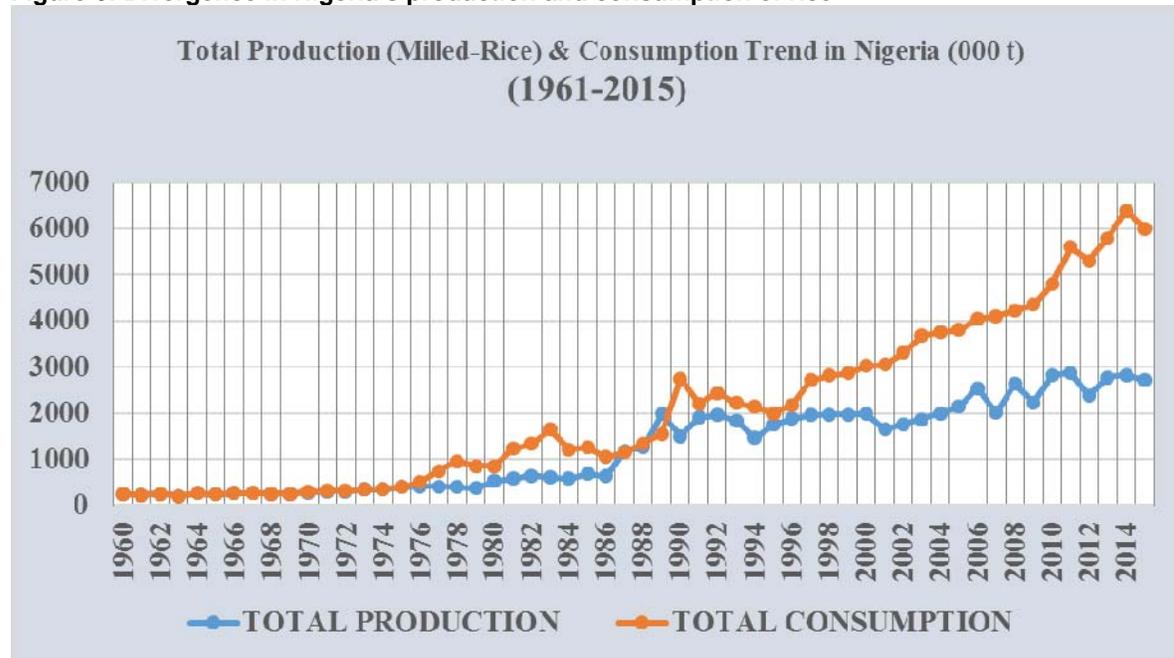
5. Rice case study

Rice is one of the focal crops of ATA. The "aim is to make Nigeria a self-sufficient nation in rice in a manner that grows the agricultural sector and also generates employment" (ATA Blueprint, 2011:32). The significance of rice in this respect was in that its consumption, which was 5 million metric tonnes in 2010, was estimated to reach 36 million metric tonnes by 2050, growing by 5.1 percent annually. Nigeria currently imports about 2 million metric tonnes of rice annually, making it the second largest importer of the crop. The rapid increase in rice demand results from the growing population and the expanding share of rice in the Nigerian diet. These factors generate intense competing and often conflicting interests from various actors at every attempt to regulate or institute stable governance for rice. Before ATA several efforts had been made to turn the rice value chain into a productive sector via the backward integration and import-substitution strategy.

Between 1960 and 1975 no differentials existed in domestic production and local consumption of rice with both being low. But from 1976 rice consumption began to outstrip domestic production (Fig. 6) and rice became an important crop for political interests. The

supply gap had to be filled through expanding domestic production or importation, either of which presented enormous opportunities for rent accumulation by powerful factions within the ruling coalitions.

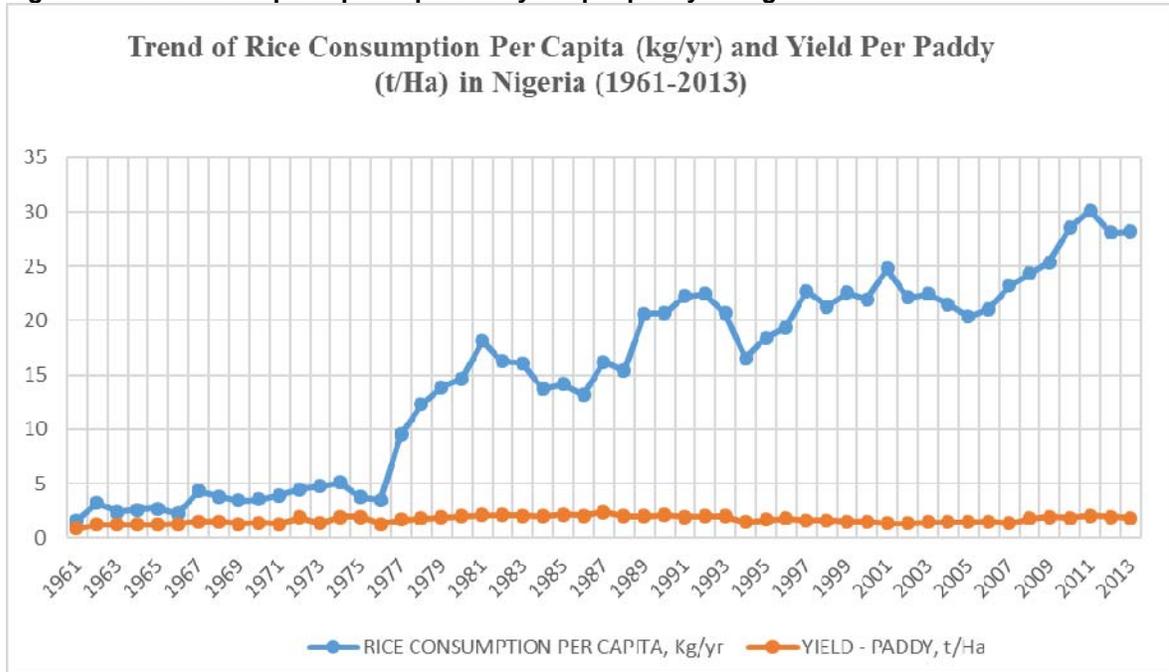
Figure 6: Divergence in Nigeria's production and consumption of rice



Data source: World Rice Statistics, US Department of Agriculture.

Even with the launching of Operation Feed the Nation in 1976, domestic rice production could not match the level of consumption. There was a brief equilibrium in rice production and consumption levels between 1987 and 1988, but in the 1990s rice consumption spiralled, leaving domestic production far behind (Fig. 6). This gap expanded more rapidly from 1999, when Nigeria returned to democratic rule after many years of military dictatorship. These trends are puzzling. First, it appears that the gap was most pronounced during the democratic second and fourth republics. Could it be posited that democratic regimes are less effective in maintaining an equilibrium between the local production and consumption of rice or that democratic rule creates avenues for vested political interests to use rice importation for rent accumulation? Second, it is unclear whether the liberal supply regime allowing uncontrolled rice importation stimulated domestic consumption of rice or vice versa. These issues could form the basis of a future inquiry. In addition, while rice consumption per capita was climbing, rice productivity remained flat (Fig. 7).

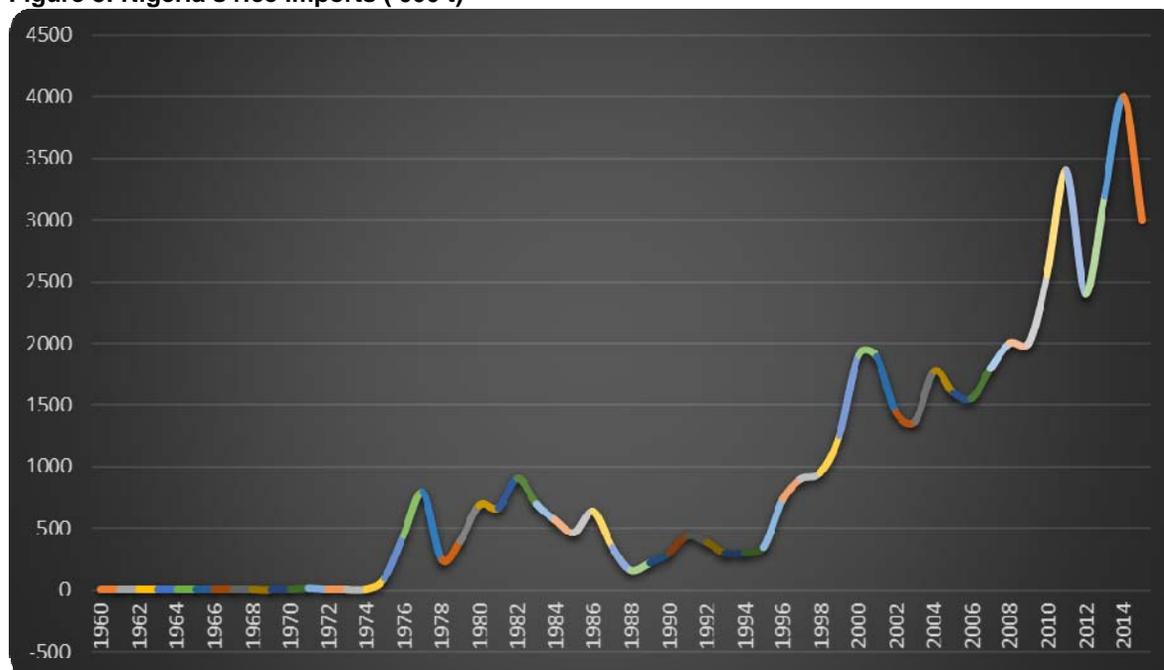
Figure 7: Rice consumption per capita and yield per paddy in Nigeria



Data source: Food and Agricultural Organization.

The wide gap between domestic demand and supply of food has made Nigeria a major importer of food items. Food imports over the three years between 2007 and 2010 cost US\$ 628 billion (Rice Transformation Project Proposal, n.d.). Nigeria, the world's second largest importer of rice, spends N365 billion (US\$1.92 billion) on rice imports annually even though it has favourable ecologies for rainfed lowland, irrigated lowland and upland rice production. A combination of rising population and increasing consumption of rice continue to spike the demand for rice, which can be met only through massive importation (Fig. 8).

Figure 8: Nigeria's rice imports ('000 t)



Data source: World Rice Statistics, US Department of Agriculture.

The massive importation of rice is unsustainable. It hurts local farmers, depletes foreign exchange reserves, breeds high inflation and contributes to rising unemployment. Food imports have security implications, because exporting countries can restrict or ban exports in response to domestic circumstances. The Presidential Initiative on Rice inaugurated in 2003 aimed to address import dependency in rice by ensuring that Nigeria produces 15 million tonnes of paddy rice or 9 million tonnes of milled rice by the end of 2008. But that target was not met. The National Rice Development Strategy introduced in 2010 did not help the situation either. The estimate for national rice demand for 2015 was 5.2 million tonnes, compared with 3.3 million tonnes for production, a shortfall of 1.9 million tonnes.

The Rice Transformation Plan was conceived with the goal of gradually substituting imported parboiled rice with a local variety, and to totally replace it by 2015. This was to be achieved through aggregating supplies from the less organised smallholder farmers. The government was to incentivise the private sector to invest in large rice parboiling and de-husking facilities in regions producing high volumes of rice, particularly the lowlands. Paddy from smallholder farmers and plantation farms of commercial millers was to feed these large milling factories. Also, the revenue earned from the high levy on imported finished rice and brown rice was to be channelled into a rice development fund to stimulate, support and develop domestic production. The outcome was totally different from the expectations because the policy veered off course.

Employment creation in rice production was expected to be through primary production, plantation establishment and value chain development, with 1 million jobs estimated to be created by 2015. By 2015, jobs were expected to increase 10 times from their 2012 level of 82,000 in rice primary production, and three times their 2012 levels in irrigated land preparation. Across the rice value chain, the jobs were expected to grow from 16,000 in 2012 to about 161,000 by 2015 (ATA Blueprint, 2011:35). It was considered achievable to generate an estimated 806,000 jobs through primary production of rice by 2015, because rice production has high labour requirements, estimated at 200 days of labour per hectare. Also, since on irrigated land rice can be grown twice a year, employment generation was expected to be even higher. Another 75,000 or so opportunities could be generated by 2015 from the labour-intensive irrigated land preparation, including land

clearing and development of irrigation canals and drainage. Effective labour-intensive methods were integrated to stimulate employment, with labour use estimated to be 150 days of labour per hectare.

Even with its well-articulated linkage between revitalising the rice value chain and employment creation, the Rice Transformation Plan failed to achieve self-sufficiency in rice production or create the 1 million jobs expected.

On 26 May 2014, President Jonathan approved the New Rice Policy aimed at encouraging investment in local rice production and milling through introducing an import duty differential between brown or polished rice investors and traders. In 2013 an import duty rate of 10 percent plus a levy of 100 percent was imposed for husked brown rice and semi-milled or wholly milled rice whether polished or glazed. The new policy distinguished between rice investors, who would pay a 20 percent levy, and pure rice traders or importers without investment in domestic rice production, who would pay a levy of 60 percent. The policy aimed to transform importers into producers of rice, and required that importation of brown or polished rice be limited to the closing of the national supply gap for import-grade rice, which was to be determined by an inter-ministerial committee chaired by the Federal Ministry of Agriculture and Rural Development with membership drawn from the Federal Ministry of Finance; Federal Ministry of Industry, Trade and Investment; and National Planning Commission.

Rice import quotas for investors and pure traders were to be issued if the gap was 80 percent or more of the national demand. It was also envisaged that the gap would be closed within four years through increased domestic rice production. The qualifying criteria for rice importers included (1) being a Nigerian company and a member of the relevant trade association such as the Rice Processors' Association of Nigeria or the Rice Importers and Distributors' Association of Nigeria, (2) being officially known to the Federal Ministry of Agriculture and Rural Development through having submitted a verifiable domestic rice production plan, and (3) having existing or planned investment in rice production and processing valued at at least US\$ 10 million for a medium-scale integrated rice facility processing 36,000 metric tonnes of rice a year, along with a nucleus commercial farming operation of at least 2,000 hectares.

The lower levy for investors allowed them bigger profit margins than traders, which they were expected to channel into rice farms as local producers. The Rice Farmers' Association of Nigeria was excluded from the import quota allocations. Eligibility for the import quotas was not limited to existing millers but was open to new investors. The requirement for a minimum investment of US\$ 10 million in rice production to apply for rice import quotas disqualified most small millers. Large corporations with little or no background in or contribution to rice production, with the tacit support of the bureaucracy via fiscal policy instruments, crowded out the small rice companies.

Following an assessment of rice millers, importers and new rice investors conducted with the support of the Africa Rice Center, USAID-Markets and the Federal Ministry of Agriculture and Rural Development, 26 companies were awarded rice import quotas at 20 percent levy and 10 percent duty rate. To guarantee that the domestic rice production plans achieved the goal of self-sufficiency, the Federal Ministry of Agriculture and Rural Development issued the import quotas on a conditional basis. All the qualifying companies were to deposit a bond valued at 30 percent of the quota they were issued as a surety for their commitment to invest in rice production and processing. The bond had to be secured by a bank approved by the ministry. The investors' rice production investment plans were to be closely monitored against clearly defined milestones. Failing to satisfactorily execute the plans would lead to calling of the bond by the ministry, and the proceeds deposited with the National Domestic Rice Production Fund to support farmers and millers in expanding their operations. The combined value of the bonds from the 26 investors was US\$ 195 million (*The Guardian*, 24 January 2015).

The backward integration policy and the generous concessions for rice importers became a source of contestation from highly connected business interests, but some big companies met the conditions of the import duty waiver. The Dangote Group, a major importer of food, acquired 150,000 hectares of rice fields in Edo, Kebbi, Jigawa, Niger and Kogi states to produce an estimated 1 million metric tonnes of rice paddy per annum. The Elephant Group, another major rice importer, owned a US\$ 300 million mill processing 76,000 metric tonnes of rice per annum and a 10,000 hectare rice farm, both in Oyo state.

The increasing influence of the erstwhile rice importers in the rice transformation process caused disquiet in the sector, mainly because they, camouflaged as “new investors”, had hijacked the process and were reaping disproportionate benefits at the expense of pre-existing players, especially farmers and small-scale millers, although they had contributed immensely to Nigeria’s rice import dependency from the beginning (*The Guardian*, 24 January 2015). Complaints were raised about the use of double standards and the arbitrariness in the implementation of the backward integration policy, particularly concerning some new investors who had not made any investment locally but received higher waivers and import quotas than did investors already owning rice farms and mill factories. For instance, the Elephant Group and MIKAP Rice, whose investment plans were still on paper, were granted an import quota of 61,770 metric tonnes and 82,897 metric tonnes, respectively, while Ebony Agro and Stine Rice, both with running rice mills, got allocations of 15,000 metric tonnes and 30,000 metric tonnes, respectively, as existing millers but none as investors.² There was also the more pertinent and highly charged issue of some importers exceeding their quota, creating a glut in the rice market and depressing the rice price for domestic producers.

While the quota allocation method was undergoing refinement by the inter-ministerial committee, importers brought in rice anticipating to be awarded large quotas and some of them exceeded their eventual allocation. The national supply gap was determined to be 1.5 million metric tonnes, of which 1.3 million metric tonnes was to be allocated to the 26 qualifying companies, but many investors including Popular Farms and Mills and Olam took advantage of the late release of the quotas and removal of the embargo to import 1.2 million metric tonnes in excess of the required rice supply. Distributors preferred the cheaper foreign rice selling at N6,500 (US\$ 34) for 50 kilogrammes against the local brand going for N8,700 (US \$45) for 50 kilogrammes. Many local millers and smallholder farmers simply stopped producing rice because they could not sell their stock.³

The failure of the backward integration policy raises the question as to whether import restriction is an effective or even desirable instrument in stimulating domestic food production, and highlights the faulty logic of attempting to turn rice importers into producers overnight rather than providing support to existing farmers and processors. The policy neither led to self-sufficiency in rice production nor generated the spin-off effect of creating 1 million jobs.

5.1 Political settlement analysis of the rice value chain

A mapping of the political settlement of the rice value chain shows the main actors to have been the importers, or the new investors; big millers, or the old investors; small millers; farmers; the Nigerian Customs Service and the Federal Ministry of Agriculture and Rural Development. The importers were actually the main driver, beneficiary and eventual albatross of the backward integration policy. The Dangote Group, Elephant Group, Popular Farms and Mills, Olam, Pearl Universal Impex, and Conti Agro among others were all new investors. Since their interest was profit maximisation, the special duty waiver on rice imports was a unique opportunity to expand their profit margin with relative ease. The large commercial millers also benefited from the policy, although their rice import quotas were

² Some investors allegedly traded their 20% levy quotas for 60% to 80% levies.

³ Rice farmers at the stakeholder discussion forum on 29 July in Abuja repeatedly said this, and it was corroborated by the fieldwork survey.

small compared with those of the new investors. Small-scale millers and local farmers did not benefit from the backward integration policy despite their reliability and potential economic value (see Forsell, 2009). The Nigerian Customs Service and the Federal Ministry of Agriculture and Rural Development acted to facilitate the failure of the policy, with the customs service allowing importers to violate the quotas.

Even though their declared interest was facilitation of the process towards self-sufficiency in domestic rice production, the new investors actually emasculated the Federal Ministry of Agriculture and Rural Development and the customs service to achieve their objective of ensuring that rice importation was business as usual, to the chagrin of the Minister of Agriculture, Dr Akinwumi Adesina, who lamented that, “Every company must follow the *rules* and there are no sacred cows. ... I will not allow them to scuttle our self-sufficiency drive in rice production. I cannot be bought or bribed.”⁴

The interests of importers prevailed and the objectives of self-sufficiency in rice production and employment generation in the rice value chain were once again deferred. Although the Nigerian Senate, through the Senate Ad-Hoc Committee on Waivers, Concession and Grants, is investigating what went wrong so as to bring the perpetrators to account, from all indications the rice value chain improvement process is back at the starting point.

Several factors account for the failure of the policy. First, despite the official rhetoric, political support for the transformation policy within the ruling coalition was very low. It was evident that opening up the duty waiver to include new investors, a move to appease some aggrieved powerful economic interests that might have lost out in the new rice policy, ultimately detailed the policy. The new investors neither fulfilled the requirements for their import quotas nor stuck to their actual quotas. Some of them were large importers and major financiers of the then ruling Peoples’ Democratic Party, while some others, who had not previously imported rice, simply obtained the quota and sold the papers to established importers.⁵ Some of them were investigated for illicit transfer of their quotas to party stalwarts and close associates of President Jonathan, ostensibly to finance the campaigns for the 2015 general elections.⁶ The political support required to uphold the inevitable changes and to ensure that all the actors complied with the rules was lacking. The Minister for Agriculture was probably naïve to be oblivious of the high-wire behind-the-scene intrigues that placed the quest for electoral victory – and the accompanying financial and political benefits – above policy niceties.

Second, the bureaucrats given the responsibility for implementing the policy lacked the required clout within the industry and the political establishment to deal with the competing interests. The implementation of the strategy was placed in the hands of the newly created value chain desk officers. This cadre of staff operate largely outside the complex web of powerful interests within the value chain. For the desk officers to be the core of the bureaucracy’s activities in the value chain meant that the bureaucracy was operating in the fringe of the happenings in the value chain and that the capacity to mediate among and negotiate with the actors and compel their compliance with the rules was non-existent. Rice was under the cereals value chain desk officer, a deputy director cadre in the Federal Ministry of Agriculture and Rural Development. The responsibility of the role was for all

⁴ The real deal about rice allocation and sabotage of the new rice policy by unpatriotic foreign companies, <http://agronigeria.com.ng/2015/01/14/must-read-real-deal-rice-allocation-sabotage-new-rice-policy-unpatriotic-foreign-companies>, accessed 8 August 2015.

⁵ MIKAP, owned by former Attorney General of the Federation, Michael Aondoakaa, sold its quota to Elephant Group; Stine Rice sold its quota to PJS company, while Jama’atul Nasril Islam a powerful religious organisation of northern Muslims, got a waiver to import 100,000 metric tonnes of rice but sold it to Elephant Group. See “Investigation: Inside the massive fraud in Nigeria’s ₦ 117 billion (US\$931.57million) rice import quota scheme,” *Premium Times*, 21 December 2015.

⁶ The Managing Director of Stallion Group, Harprrie Singh, was recently arrested by the Economic and Financial Crimes Commission for paying US\$ 114,750,000 to the former Minister of State for Finance, Bashir Yuguda at the insistence of the embattled former National Security Adviser Colonel Sambo Dasuki (rtd.). EFCC arrests Stallion Group chief over ₦ 1.3 billion ‘gift’ to Dasuki, Yuguda *Premium Times*, 17 December 2015.

activities relating to the execution of the rice transformation policy, including obtaining inputs for farmers, gathering data on developments in the value chain and undertaking other assignments as determined by a higher authority in the ministry. The desk officer was ill-equipped to deliver on these responsibilities. The officer's work space was shared with four other staffers doing work unrelated to the officer's. In reality, though, the desk officer's mandate did not extend beyond the rice farms.

Third, robust interagency coordination did not exist with the Ministry of Industry, which by statute is in charge of agroprocessing firms. As a result of the insufficiency of the bureaucratic synergy, the Nigerian Customs Service, a critical node in the stakeholder network, was mostly concerned about revenue targets. Instead of limiting the approved duty waiver to the national rice supply gap as required by the inter-ministerial committee, the customs service applied the waiver indiscriminately, an indication that enforcing the restrictions on rice importation was of secondary importance to them. The failure of coordination among critical government institutions severely hampered the mediating and regulatory role of the bureaucracy, and in the case of the new rice policy, it exposed it to abuse and ultimately to derailment.

Fourth, rice smuggling was the most daunting challenge to the effective delivery of the rice transformation policy. The customs service has oversight at the legal entry points such as ports and land border posts, but numerous illegal entry points exist from the Benin Republic, Niger, Chad and Cameroon. An estimated 1.6 million bags of rice worth N9.7 billion (US\$ 51.65 million) are smuggled monthly from the Benin Republic.⁷ Restricting rice importation in Nigeria creates a brisk economy for smugglers.

Fifth, the entire rice value chain is extremely fragmented with no coherence or organisation between farms and processing mills and markets. Farmers operate without clear linkages with processors and vice versa.⁸ Opportunities for economies of scale from farms to processing firms are missed. Consequently, the value chain does not have sufficient holding power to harness its potential and so the jobs it creates are mediocre in nature and quantity, mostly casual, low-paying and insecure. The upstream component of the rice value chain involves land clearing, ploughing and spraying, and rice planting, weeding, harvesting, threshing, bagging and transportation, while the downstream activities are parboiling, milling, de-stoning, polishing, packaging and marketing. The jobs created depend on the size and location of the enterprise. Except in harvesting, parboiling, milling and marketing, employment in the rice value chain is essentially male dominated. Young people generally are casual workers in various farm operations with a daily wage.⁹ Evidence from the field shows a prevalence of casual, non-unionised, low-paying and insecure employment. Women particularly are vulnerable to exploitation and in some instances receive broken rice not cash as remuneration for their labour.

6. Cotton-textile case study

The history of the cotton-textile industry dates back to pre-colonial Nigeria. The spread of Islam in Northern Nigeria from the 8th century contributed to the development of the textile industry owing to the contact with Arabian and European markets. The new and uniform standard for dress helped to galvanise textile production. Production and consumption of textile became so widespread that in pre-colonial times Kano was known as the Manchester of West Africa (Onyeiwu, 1997). The prominence of Akwete and Adire clothing extended the reach of the textile industry to southeastern and southwestern Nigeria, respectively. The colonial policy encouraged the export of raw cotton to feed British textile factories.

⁷ N9.7 billion (US\$ 51.6 million) rice smuggled into Nigeria monthly, *The Nation*, 17 July 2013.

⁸ Observations and comments by participants at the stakeholders' forum as well as interviews with key actors in the rice value chain.

⁹ In one community in Ekiti state youths employed to drive birds from rice farms were psychologically affected by the persistent waving of hands to scare away birds, and they continued to randomly wave their hands outside work, even in sleep. A ban stopped the youth from such employment.

The post-independence era saw the textile industry rapidly modernise and develop. At its height the textile industry was the largest manufacturing sub-sector, accounting for 22 percent of employment and 15 percent of manufacturing value added in 1984 (Onyeiwu, 1997). The industry declined gradually in the 1990s as a consequence of structural adjustment programmes. The exchange rate deregulation, which saw the naira devalued, increased the cost of imported machinery, spares and other inputs (Ammani, 2012). The result was a drastic reduction in capacity utilisation and the eventual closing of several textile factories. The industry's contribution to the GDP now is less than 0.5 percent. Cotton cultivation is labour intensive and provides seasonal manual jobs mainly in the northern states. Over the years, cotton cultivation has witnessed intense fluctuation and drastic decline (Fig. 9).

The ginning and textile segment is more capital intensive than primary cotton production, also a major employer of labour. The garment process is more skill based and is also labour intensive. In value creation, estimates place the garment process at 60 percent, the textile segment at 25 percent and primary cotton production at 15 percent.

Figure 9: Nigeria's cotton production, 1960–2014



Source: IndexMundi.

The Nigerian textile industry has gone through good and bad times, reflecting the country's economic performance. At its peak in the 1980s, the industry had 175 ginning and textile companies employing approximately 320,000 people, but 2015 only 34 textile and ginning plants were operating – and even those at suboptimal levels – employing about 20,000 workers. Kaduna town, the former hub of the textile industry has only two functioning textile mills, both of which are operating at a fraction of their capacity, and employ fewer than 1,500 people.¹⁰

Table 5: Decline of textile industry and jobs

| Location | Closed textiles companies | Jobs lost |
|-----------------|---------------------------|-----------|
| Kaduna | 8 | 18,750 |
| Kano | 19 | 16,700 |
| Lagos | 60 | 66,250 |
| Other locations | 18 | 19,300 |
| Total | 105 | 121,000 |

¹⁰ Field observation and interviews

As part of a policy response to revive the cotton-textile industrial value chain, the Federal Government introduced the N100 billion (US\$ 526.3 million) Cotton-Textile-Garment Revival Fund in 2010 to be managed by the Bank of Industry. A revised version of the cotton, textile and garment (CTG) policy was approved by the Federal Executive Council in December 2014. The policy converted the fund, which was meant to be disbursed as loans to CTG companies, into equity of the Federal Government in the Bank of Industry. The conversion was meant to lengthen the fund period, which was to end in 2017, and to allow for a downward review of the interest rate.

The revised CTG policy aimed to address the problems of quality, quantity, production capacity and marketing of cotton-textile, and to control the influx of fake and substandard textile products into the country. The policy also focused on the crises of electricity power supply, smuggling, and counterfeiting of Nigerian textile designs by companies in China. It required the military, paramilitary and government institutions to purchase fabrics made only in Nigeria to boost local textile production and support the growth of the value chain.

The policy orientation in the cotton-textile value chain has aimed to regain the vibrancy of the sector and reverse job loss. Though the policy constituency and actors in the cotton-textile sector are largely similar to those in the rice sector, fundamental differences exist in terms of their location and relationships with the political settlement and the dynamics that underpin the policy orientation. The actors in the cotton-textile sector include cotton farmers, textile manufacturers, textile workers' unions, importers, Nigerian Customs Service and the Federal Ministry of Trade and Industry, as well as the Federal Ministry of Finance. Cotton farmers, processors and textile workers' unions have the common interest of maintaining jobs by sustaining the sector. The importers' interest is selling textile materials, and almost always imported varieties, for the highest return. The Nigerian Customs Service is interested in boosting government revenue from import duties, and it has high revenue targets fixed by the Federal Government. There is therefore a discordance in the interests of importers and the customs service. The Federal Ministry of Trade and Industry, being the primary policy custodian, and the Federal Ministry of Finance act to support domestic cotton producers by banning textile imports, but at other times act in favour of importers by allowing textile imports. The banning and unbanning of importation of textile materials has characterised the policy environment of the cotton-textile value chain for decades.

Cotton as an agricultural commodity has suffered monumental and seemingly irreversible decline over the years, largely due to policy inconsistency. Although Nigeria's share of the world's cotton exports in 1961 was only 1.4 percent, the country was a major exporter in West Africa. But exports have continuously declined, dropping from 49,000 metric tonnes in 1961 to 19,000 metric tonnes in 2008 (ATA Blueprint, 2011). The cotton-textile sector once employed over 600,000 people with 175 mills in operation, but fewer than 24 mills are left and fewer than 28,000 people work in the sector.

Cotton is one of the more labour-intensive crops in Nigeria with an estimated 150 days of labour per hectare per year. The cotton-textile revival strategy expected 130,000 jobs to be created in the sector by 2015. Jobs in primary production were expected to increase from 33,000 by the end of 2012 to 108,000 by 2015. The cotton-textile value chain, i.e. input supply, service delivery, and aggregation of output and processing, is relatively labour intensive owing to the bulky nature of the product and the intermediate processing requirements. It was estimated that the jobs generated across the cotton value chain would increase from 7,000 in 2012 to 22,000 by 2015. The implication is that for every five jobs created in primary production one was to be created across the value chain. Harvesting is among the most labour-intensive aspects of cotton production, and the expectation was that the increased yields would generate a dramatic increase in labour requirements for both new and existing farms. The fact that the mandate of the fund covered only processing firms and not cotton farms worsened the sharp fragmentation of the value chain, as textile firms desirous of maintaining production had to resort to imported raw cotton.

6.1 Political settlement of the cotton-textile-garment value chain

At various points in the history of the cotton-textile industry, textile importation was considered an impediment to textile revitalisation and was banned a few times. But it was unbanned subsequently. The most recent policy decision removed textile materials from the import prohibition list, but this has a long history. On 6 April 2005, the Federal Executive Council approved amendments relaxing import rules on certain intermediate textile items but retained the ban on the popular finished Africa print, brocades and lace materials popular with Nigerians, the substitute of which were produced by local textile manufacturers. Smuggling of the banned materials through border points with neighbouring countries cost the Nigerian government revenue without the benefit of encouraging local textile production.

Faced with this scenario, the government had to choose between enforcing its rules through the Nigerian Customs Service or lifting the ban and seeking to regulate and earn revenues from textile imports. In 2011 the government of President Jonathan issued a circular through the Federal Ministry of Trade and Investment lifting the ban on importation of textiles and imposing a new import duty of 20 percent and a levy of 20 percent on imported textiles. Unlike the previous decision in 2005, this was a presidential fiat. However, importers enjoyed special concessions such as penalty fee waivers.

The implication of lifting the ban on the importation of textile materials was dire for the ailing domestic textile manufacturing companies, as the Director-General of Textile Manufacturers' Association said:

...we cannot compete because we are at 40 percent disadvantaged in terms of production cost. The foreign manufacturers don't pay levies, taxes and other tariffs to government to bring these items into the country. They only bribe their way. This is despite the fact that cost of production is low in the originating country. All these are making imported textiles to be cheaper in the market and our products cannot compete with the cheap and low quality foreign products. If they fail to check smuggling of imported textile materials, this policy will eventually kill the industry. Those who cannot compete will close shop and throw more people into the employment market (*The Guardian*, 5 July 2015:44).

There were allegations that the ban on imported textiles was lifted to satisfy a powerful political constituency that had contributed to the success of the new regime in the 2015 general elections.

Several attempts have been made by various Nigerian governments to tackle the crises in the cotton-textile sector to no avail. An integral component of the cotton-textile industry revival strategy has been prohibition of importation of textile, the policy's conundrum. Textile importers are concentrated in a powerful political constituency, Kano. Apart from sitting on the largest voting bloc in the country, Kano is noted for international trade and for its central position in cotton and textile trade from the era of the trans-Saharan trade. Without a clear and sustained strategy to significantly boost local production of textile, it is inconceivable to anticipate and effectively restrict or ban imported textile products. All the textile firms visited in this study faced the challenges that confront the industry, including shortage of electrical power and inputs, outdated technology and lack of access to capital. These problems contribute to the high and uncompetitive production cost of textiles in Nigeria.

The Chinese government policy to support its textile industry that also encourages dumping of cheap textile products in African markets without caring about the effects on the local industries is an additional challenge for the Nigerian cotton-textile industry. In 2005, a trade union conference on African textile and clothing industries in Cape Town with representatives from Kenya, Malawi, Madagascar, Namibia, Nigeria, Lesotho and South Africa asked African governments to institute comprehensive trade and industrial policies to protect the industry. At that conference the International Textiles, Garment and Leather Workers Federation called for coordinated action by African governments to institute

safeguard measures against Chinese textile imports.¹¹ The Chinese embassy in South Africa contested this, arguing that China had invested heavily to gain its competitive edge in the textile industry and restrictions aimed at it would contravene the WTO principles.¹² That statement was issued at about the time China and South Africa were putting together an arrangement restricting importation of Chinese textiles into South Africa, and raises questions about the consistency and fairness of the Chinese policy in other African countries with textile industry problems similar to South Africa's. One lesson was that South Africa demonstrated significant political commitment in negotiating and extracting a concession from China to protect South African jobs. Sustained political support is essential in cutting through resistance and barriers to change of the rules that define the benefits and losses for actors in the industry.

Another factor in the failure of the cotton-textile transformation policy was the preponderance of smuggling of textile materials through Nigeria's borders. Even if the ruling coalition had negotiated restrictions on Chinese textile imports, smuggling would have continued in order to fill the supply gap. The task to effectively police the porous borders is daunting for the customs service and other security agencies and a challenge to any strategy to revive the cotton-textile value chain to become a productive economic segment that generates jobs and improves livelihoods.

The absence of interagency coordination among the actors in the cotton-textile value chain, a bureaucratic drawback that resulted in the fragmentation of the value chain, meant that the holding power among the actors was insufficient to sustain the cotton-textile transformation policy. The Federal Ministry of Agriculture and Rural Development and its financing arm, the Bank of Agriculture; the Federal Ministry of Industry, Trade and Investment and its financing organ Bank of Industry; the Federal Ministry of Finance; and the Nigerian Customs Service appear to have discordant perceptions on the value chain synergies from the farms to the markets. While the agriculture ministry and bank concentrate on cotton farmers, the industry ministry and bank focus on textile firms. An integrated cotton-textile value chain with a nucleus that harmonises the interests of the actors does not exist. So, while cotton farmers complain of the lack of clear off-take outlets, textile firms complain of the lack of adequate high quality lint.

The finance ministry and the customs service are interested primarily in import duty revenue without consideration for the domestic cotton industry. Traders' interests align with those of these two institutions. Such a situation creates an environment for smuggling of textile products. Besides stifling attempts to revive the cotton-textile industry, smuggling of textile products deprives the country of the revenue it could have earned had the products been imported legally. All these contribute to the deplorable and deteriorating quantity and quality of the cotton-textile industry, particularly for women, whose presence in the industry is negligible.

7. Political settlement analysis of agriculture and agroprocessing policy

The ability of a country's ruling elite to pursue and implement policies is determined by the political settlement as expressed in the nature and structure of patron-client networks (Khan, 2010). The distribution of power among the factions in the ruling coalition determines how political leaders decide which policies get support. If the political leadership can offer an opportunity for rent accumulation that satisfies the various factions, the regime will enjoy greater stability. This is seldom the case, though, especially in developing countries like Nigeria, where the productive sectors are generally weak. The access to the few opportunities for rent is influenced, therefore, by the relative ownership of power among the factions in the ruling coalition. If a faction powerful enough to challenge the survival of the

¹¹ "China's new scramble for Africa", Public Agenda (Ghana), November 6, 2006; See also Fantu Cheru & Cyril Obi (2010) *The Rise of China and India in Africa*, London, Zed Books and Spencer Henson & Fiona Yap (2016) *The Power of the Chinese Dragon: Implications for African Development and Economic Growth* London: Palgrave Macmillan.

¹² "China's new scramble for Africa"...op cit

regime is excluded, it will work to weaken the government's ability to implement policies with long-term results. Competitive clientelism describes a situation where the ruling coalition seeks to govern at the lowest price possible but where the excluded factions also are free to organise and group to challenge the coalition. In such scenarios, coalitions tend to go in and out of power and the balance of power among factions shifts with election cycles. This severely limits the desire to choose policies or implementation periods that go beyond the electoral cycles.

The ruling coalition's policy choices and political support for policy implementation are dependent on the overriding goal of retaining power. The interest of the political leaders in Nigeria is largely dictated by the election cycle. To please the populace, political leaders approaching an election make decisions that may ease the short-term economic hardship of the electorate but may have negative effects on the productive sectors in the long term. The decision to lift the textile import ban in 2011, an election year, or grant concessions on rice imports in 2014, the year before the 2015 elections, should be seen in that light. Most political actors tend to make more long-term decisions immediately after the elections or when their victory at the polls is not threatened.

Nigeria's ruling elite, like their counterparts in most developing countries, is highly dependent on rent accumulation. Since the return to the democratic rule in 1999, the Peoples' Democratic Party has controlled the national government and most state governments. However, the fragmentation of the ruling coalition under President Jonathan boosted the opposition, as some powerful factions, the New Peoples' Democratic Party being the most prominent, joined forces with the opposition. This significantly altered the distribution of power and weakened the ability of the Jonathan administration to centralise rent and to control rent-seeking opportunities. This was the context within which ATA was implemented.

The interference of politics in agricultural policies is a regular phenomenon in Nigeria's economic history. Irrespective of whether the government was military or elected, federal or state, agricultural policy has suffered flip-flopping, sudden reversals and intriguing contradictions, resulting in abysmal failure, the latest of which was the ATA debacle. The policy was championed by the Ministry of Agriculture and Rural Development with the overarching goals of significantly boosting productivity and creating jobs. The structures for the implementation of ATA were the Agricultural Transformation Implementation Council with President/Vice President at the apex and the Federal Ministry of Agriculture and Rural Development at the core for coordination. Others were the Agricultural Investment Transformation Implementation Group, the Agricultural Value Chain Transformation Implementation Group, and the Agricultural Industry Advisory Group, which determined and institutionalised the policy support for ATA.

While these groups comprise a wide array of actors such as bankers, investors and development partners to ensure buy-in, the political support from the ruling coalition for some aspects of the policy, particularly in altering the rules of game for duty waivers and concessions for importers of agricultural products, is questionable. Although the Minister of Agriculture and Rural Development was quite passionate about ATA, he was outwitted by powerful factions in the ruling coalition, resulting in the scuttling of the policy.¹³ In particular, the importers who breached the quotas for rice imports with impunity, which contributed the most to the derailment of ATA, were among the major donors to the governing People's Democratic Party.

The level of bureaucratic embeddedness of the ATA process was palpably weak. For instance, the value chain desk officers were poorly equipped for their central role in their value chains, which required them to coordinate and address issues from farmers and other actors. Their office accommodation was congested, they did not have the power to monitor

¹³ "Unending controversy about Nigeria's rice policy" *The Guardian*, 24 January 2015; "Game to return Nigeria as dumping ground," *The Guardian*, 10 May 2015; "Sabotage of the New Rice Policy" <http://agronigeria.com.ng/2015/01/14>.

or report infractions on the new rules, and they did not have the capability to gather data on developments in their value chain. Above all, their mandate was limited to farms, since there was no networking between their roles and other relevant ministries, departments and agencies such as the ministries of industry or trade and commerce, or the customs service. From conception to implementation, ATA was fraught with political and bureaucratic loopholes that rendered it vulnerable to derailment and failure.

Policy flip-flopping associated with the inadequate appreciation or neglect of the complex politics that underpin the interests of the various actors is not new to Nigeria. During the colonial era smallholders dominated agriculture, which functioned as the main engine of the economy. Yet little effort went into improving peasant productivity. In the 1950s and 1960s Nigeria made efforts to develop the rural areas through various initiatives, including agricultural settlements, cooperatives and farming schools. But instead of improving peasant productivity, the marketing board system was used to transfer peasant resources to the state (Mustapha, 2011). From 1970 public finance increasingly relied on receipts from petroleum, and it was only from the mid-1970s that the government made efforts to advance agricultural productivity through initiatives for prioritisation of irrigation, river basin development and agricultural development (Mustapha and Meagher, 2000; Chukwuemeka and Nzewi, 2011). These initiatives, however, woefully failed to modernise peasant agriculture (Ariyo and Mortimore, 2011, 2012; Mustapha and Meagher 2000).

The oil boom period of 1970–1985 is a critical juncture in any serious study of Nigeria’s agrarian history (Mustapha and Meagher, 2000). The discovery of crude oil in 1956 and the subsequent oil boom in the 1970s resulted in the marginalisation of the agricultural and agroprocessing sector, which had hitherto been the main source of foreign revenue. The oil boom decoupled food production and food demand by allowing importation of cheap food, which still persists¹⁴ (Ariyo and Mortimore, 2012). The competitiveness in world markets of agricultural exports like groundnuts, cotton, cocoa and palm oil declined owing to the overvaluation of the naira and the high labour costs, since workers were drawn to the booming construction and service industries in the urban centres, as well as the expanding state bureaucracies associated with the creation of new political and administrative units. Nigeria essentially became a net importer of food items and agro-allied raw materials, with food imports rising from 7.6 percent of the total imports in 1970 to 19.8 percent by 1983, or from US\$ 130 million in 1971 to US\$ 1.794 billion in 1981 (Watts, 1987). Between 1970 and 1980 rice consumption per capita went from 2.9 kilogrammes to 7.8 kilogrammes.

8. Policy issues and options

The rice and cotton-textile value chains have huge potential for employment creation because of their high labour content. Both have attracted government interventions over the years but that has created problems rather than solutions. Government attempts to insulate the value chains from international competition through import restriction have largely facilitated smuggling. Despite the striking similarities in the outcomes of the government interventions in the rice and cotton-textile value chains, the cases differ in many ways, which calls for caution against adopting a generic policy remedy for the value chains.

Though largely uncoordinated, the rice value chain seems to have a stronger linkage between its upstream (farm) and downstream (mills) portions than does the cotton-textile value chain in that the rice mills absorb the supplies from the farms. But most rice mills operate below capacity. Owing to the fragmentation of the cotton-textile value chain, some cotton farms export lint while some textile factories import it.¹⁵ Another difference is the level of agglomeration in the upstream component of the two commodities: rice farmers cluster around waterlogged areas but cotton farmers do not need

¹⁴ Nigerian farmers still produce the bulk of the food eaten in the country and exported to other countries in West Africa. The rise in food imports is associated with the new tastes and lifestyle.

¹⁵ Observations and comments by participants at the stakeholders’ forum and interviews with actors in the cotton-textile value chain.

to. This has implications for farmers' ability to organise into groups. While cooperative societies are thriving among rice farmers, they are almost non-existent among cotton farmers. It is important to note that some cooperatives are prompted into formation by incentives from the government or other institution and often last as long as the benefits do, while others emerge from members' need for mutual assistance. This is the type most common among the rice farmers. Despite the big potential for self-organisation among rice farmers, cooperatives are restricted to the upstream component of the value chain, thus opportunities for networking across the rice value chain are untapped.

There is greater potential for organising among the actors in the downstream (processing) end of the cotton-textile value chain than in the processing part of the rice value chain. Benefits such as regular wages, strong labour unions, salary differentiation, pension, training opportunities, written contracts, housing and transport allowances, and health care services are common in the textile industry but not the rice factories, although they have waned with the decline of the industry. The issues that emerged in both cases raise fundamental questions about the policies.

8.1 Level of government policy support

Government interventions in agriculture and agroprocessing in Nigeria have largely been counterproductive. Some sectors such as entertainment and particularly Nollywood have made appreciable progress with virtually no government support. Since policies are seen to create obligations and commitments that are hardly ever delivered, government intervention should be limited to provision of infrastructure and addressing of other general problems. A middle way is feasible where the government sets the guidelines for actors without fostering their dependency on the government.

8.2 Smallholder or commercial farmers?

Another lingering policy debate relates to the tenuous determination of whether agricultural transformation should be geared towards smallholder or larger commercial farms. Some observers consider the transformation of agriculture into a productive sector as unattainable without commercial farms. This is predicated on the belief that smallholder farmers have a "low asset base ... crude tools and equipment and low productivity"¹⁶ and ignores the basic fundamental that with a total area of 910,770 square kilometres and a population of 170 million, Nigeria has more serious difficulties with access to land than is often acknowledged. Per capita access to arable land stood at 0.22 hectares in 2011 according to World Bank statistics, compared with 1.25 hectares for Canada or 0.4 hectares for South Africa.

8.3 Scale of transformation

Most agricultural policies have ambitious targets that are hard to meet. ATA, for example, sought to revive and transform 12 value chains simultaneously but did not build the commensurate capacity for following through with the work. A lesson from the ATA experience is need to reduce the number of value chains for transformation to at most three per phase to allow for proper sequencing of activities for attaining the goals. For instance, adopting protectionist policies without improving domestic production capacity for both rice and cotton-textile resulted in focusing on increasing rather than enhancing productivity. The former addresses immediate concerns not the more enduring goals.

8.4 Knowledge

Nigeria is endowed with agricultural knowledge production platforms including three universities devoted to agriculture and several research institutes and faculties of agriculture. But a huge disconnect exists between knowledge production and the needs of the end-users. The industrial age philosophy that a good product will always find a consumer still

¹⁶ Omotesho, O. A. *Let the small-scale farmer be in good standing*, The 158th Inaugural Lecture, University of Ilorin, Ilorin, 28 May 2015.

persists in the research community, so a huge mass of research outputs does not resonate with policy actors.

9. Conclusion

The concept of political settlement helps to explain why the Nigerian government could not successfully transform its agricultural sector, which hampered employment creation especially for women and youth. The success of agricultural transformation initiatives depends largely on political support. The chance of success is higher when the interests of the various elite factions within the political coalition are protected and demonstrable political will and capacity exist to enforce compliance with the new rules on rent distribution (see for Mustapha [2011] on the study of farmers in Kwara state, Zimbabwe). The reforms introduced by various regimes to make agriculture a productive economic activity and for food security, job creation and sustainable livelihoods suffered from derailment and sabotage from powerful groups due to the absence of political support.

For agricultural reforms to succeed a specifically tailored bureaucracy is needed that not only is embedded in the industry but is also capable of obtaining and processing information, monitoring actor behaviour and articulating the vision for the industry. Putting together a group of poorly equipped staff with a mandate restricted to one ministry but who are required to oversee an inter-ministerial value chain is ineffectual. There needs to be an inter-ministerial coordination unit that is fully embedded in the industry and is equipped with the necessary human and administrative resources and has the enforcement muscle to monitor compliance with the rules and to deal with other government agencies as necessary.

The fragmentation and disorganisation of the rice and cotton value chains bring doubt as to whether they really exist. Farmers are organised into loose cooperatives with weak links to processors. Reliable data do not exist on farmers, meaning that planning and harnessing of economies of scale are based on guesswork. There is need to institutionalise the value chain by building networks within farms and firms and from farms through processing factories to markets.

Agriculture is an appropriate vehicle for creating employment in Nigeria because the country is endowed with the human, physical and climatic resources to exploit its full potential. Unlike Thailand, for instance, whose total land area is 513,120 square kilometres and which supplies most of Nigeria's rice imports, 81 percent of Nigeria's 910,770 square kilometres of land area is categorised as agricultural, and Nigeria has almost thrice the population of Thailand.

Our argument is that the transformation of the rice and cotton-textile value chains failed because the nature of the political settlement allowed competition for rent among the powerful factions of the ruling coalition in a way that undermined the capacity of the political leadership to centralise rent generation and distribution as well as effectively control rent seeking. This led to the hijacking of the transformation process by powerful groups.

The assumption that uncontrolled importation of agricultural products is an impediment to the development of the agriculture and agroprocessing sector might be logical, but as evident from the rice and cotton-textile cases, corresponding robust support for domestic producers is required for the initiative to succeed. Additionally, the policy assumption that large-scale commercial agricultural and agroprocessing investment has greater potential to ensure domestic self-sufficiency and employment generation than do small ventures has led to the crowding out of small-scale farmers and processors, particularly in rice farming. The government has failed to balance the competing interests of small-scale farmers and processors against those of the powerful elite, or the interests of domestic crop producers against those of importers. The goal of meeting the demand for rent from the ruling elite forced the government to open up to them all the opportunities available for rent accumulation irrespective of the goals of ATA.

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