Policy interventions and public expenditure reform for pro-poor agricultural development in Nigeria

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In Nigeria, agriculture and poverty are closely interlinked because poverty is higher in rural areas where agriculture is most practiced. As a result, changes in public policy and expenditure to agriculture can make a significant contribution to achieving poverty reduction and broader Millennium Development Goals. This requires a set of public actions and investments to foster broad-based growth in agriculture and other forms of rural enterprise. This paper reviews policy and expenditure reforms in Nigerian agriculture, what has driven these reforms, and the main areas of debate that are likely to be germane to transformation agenda of the present Government.

Key words: Policy intervention, pro-poor, public expenditure, Nigeria.

INTRODUCTION

Governments have traditionally intervened in agricultural sector in order to improve sector coordination and efficiency. Today, almost all countries in the world, including most high income countries, have forms of agricultural protection and subsidies with, reform proponents argue, often huge costs to the rest of the economy. Two reasons for this, especially in Nigeria, are the rising rural-urban income gaps, which can result in severe political tensions, and the demand for cheap agricultural products by urban populations. Agricultural sector reform aims at enhancing efficiency and reducing the cost to public agencies. Reforms involving withdrawal of marketing boards and other parastatal agencies aim at creating an environment which will foster the development of private competitive markets in agriculture and marketing. Reforms are also motivated by fiscal sustainability concerns in cases where parastatals are a financial drain on public agencies. Agricultural reforms remain an important part of national strategies, featuring strongly in most Poverty Reduction Strategy Papers (PRSPs) in Nigeria. A number of factors determine the public agenda in agriculture. These include the global context (international trade, regulatory standards), shifting ideological positions (state versus market-driven development), and national strategic priorities. At the national level, policy choices and the prioritisation and management of public funds to agriculture are determined by the following main elements:

i) An overall strategic framework for agriculture that sets out the role of agriculture in achieving national goals (growth, poverty reduction, environmental sustainability);
ii) A clear role for government in the sector relative to that of other players, most notably the private sector and NGOs, but also between Federal and other governments; and;
iii) The allocation and management of public funds to agriculture that is: (i) affordable and consistent with the resources available; (ii) in line with sector and national priorities, and (iii) ensures value for money.

Agriculture is also dependent upon non-agricultural policy and expenditure decisions that are beyond the control of ministries of agriculture - for example, spending on rural infrastructure (roads, irrigation), land reform policy,
education and health services.

Over the last thirty years, the policy agenda in agriculture has been dominated by a shift away from state-led development - involving pervasive state intervention in agricultural production and marketing - towards the adoption of market-led approaches. This underpins the abolishment of Marketing Boards in Nigeria. This change has been driven by a number of factors; most notably, by an ideological shift towards economic efficiency and market-based solutions for resource allocation, combined with budget constraints and perceptions of greater benefits from spending to the social sectors. This perspective is supported by the poor performance of previous public spending in agriculture. A case in hand is the mis-appropriation of billions of Naira allocated to Kaduna Agro-Chemical Company for fertilizer production, which eventually led to total sales of the institution to private interest.

While these reforms has been undertaken by different administrations (Military and Civilian), the overall picture is not encouraging. Few reforms have delivered the results hoped for, in terms of either agricultural growth or rural poverty reduction. Meanwhile, public expenditure allocations to agriculture are static or declining. For instance, the percentage of budgetary allocation into agriculture between 1985 and 2005 was highest in 1999 at 3.40% of the total budgetary expenditure while the least of 0.5% was in 1985 and 2003. Nigeria has never met with the FAO and AU recommendation of 25 and 10% respectively. The declining trend in public spending to agriculture in Nigeria has occurred despite evidence that spending on certain public goods (rural infrastructure, research) contributes strongly to agricultural growth and poverty reduction. This raises serious questions for governments and donors about how future agriculture policy and expenditure reform should proceed. This study was therefore designed primarily to profile the performance and the effects of government agricultural reforms and strategies on the agricultural sector. Specifically the paper sought to: Review the various federal agricultural reforms, programmes and interventions designed and implemented to restore agriculture to its prime position in the economy; assess the effects and nature of the individual contributions of these reforms and programmes on the agricultural sector; profile and evaluate budgetary allocations to agriculture from 1960 to 2005, and compare it with African Union (AU) agreement; outline ways to making agricultural policies and programmes interventions pro-poor and conclude with recommendations for improvement.

**Study area**

Nigeria was the focus of the study. It has an area of 923,769 km² and a population of over 140 million people. It is bounded on the West by the Republic of Benin and the Republic of Niger; on the East by the Republic of Cameroon; on the North by Niger and Chad Republic’s and on the South by the Gulf of Guinea. The climate is equatorial and semi-equatorial. There are two seasons; the wet and dry season and agriculture is a major employer of labour, and the mainstay of the economy despite her dependence on oil.

Secondary data of Nigeria budgets and budgetary allocation to agriculture obtained from the Central Bank Statistical Bulletin was used for the years 1960 - 2005. Budgetary allocation to agriculture was compared with the AU and FAO recommended per cent budgetary allocation. Descriptive statistics such as mean, variance, and percentage was used to analyse the data.

**OVERVIEW OF AGRICULTURE POLICY AND EXPENDITURE REFORMS**

In order to revamp the agricultural sector, the federal government had embarked on and implemented several agricultural policies and programmes some of which are defunct or abandoned, and some restructured while others are still in place. These include the farm settlement scheme, National Accelerated Food Production (NAFPP), Agricultural Development Projects (ADPs), River Basin Development Authorities (RBDAs), National Seed Service (NSS), National Centre for Agricultural Mechanisation (NCAM), Agricultural and Rural Management Training Institute (ARMTI) and Agricultural Credit Guarantee Scheme Fund (ACGSF). Others were the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB)/Agricultural Bank, Operation Feed the Nation (OFN), Green Revolution Programme, Directorate of Foods, Roads and Rural Infrastructure (DFFRI), Nigerian Agricultural Insurance Company (NAIC), National Agricultural Land Development Authority (NALDA), Specialised Universities for Agriculture, Root and Tuber Expansion Programme (RTEP) and rural banking scheme, etc.

Furthermore, the Federal Government in 2004 launched another economic reform called National Economic Empowerment and Development Strategy (NEEDS) programme to encourage private sector participation in the development of the economy. It was also aimed at promoting growth and poverty reduction through a participatory process involving civil society and development partners. In the agricultural sector, NEEDS were directed to influence improvement in the production, processing and distribution of agricultural commodities. NEEDS was short-lived for only one year and therefore could not transform or make significant impact on the agricultural sector.

Different strategies adopted by the country shows dynamism and changing strategies that overlaps and cannot be appropriately segregated into time phases. Often it was a combination of two or more strategies to
implement agricultural policies designed at different time periods. According to Olayemi (1998) agricultural development strategies that have been adopted in the country can be categorised into the exploitative strategies, the agricultural project strategy, the direct government production strategy and the integrated rural development strategy.

Exploitative strategy

The Nigerian Government during the colonial period and early years of independence adopted this strategy for agricultural development. In the 1950s the traditional economists observed agricultural sector as a residual, subsistence sector made up of peasant farmers. Myint (1958) in his “Vent-for-surplus” theory particularly categorized a developing economy as consisting of a “modern sector” that is largely non-agricultural and a “subsistence sector” that is agricultural.

The subsistence sector perceived to be unproductive but full of under-utilized resources is expected to feed the modern sectors. As such, the subsistence sector was expected to be taxed to finance the modern sector. This essentially was the basis of the agricultural strategy in the 1950s and the 1960s in Nigeria with levies on export crops providing revenue for government to develop the modern sector (Adubi, 2004). The Government established institutions such as the agricultural marketing board system to boost revenue generation efforts through taxing of peasant farmers that produce export crops such as cocoa, groundnut, palm produce, cotton, etc.

Agricultural project strategy

The period coincided with the time of internal self-government up till 1968. Government intervention in agriculture was minimal. The small-scale farmers in Nigeria bore the brunt of agricultural development efforts (Egwu and Akubuilo, 2007). Agriculture was seen as a sector that has appropriate linkage with other sectors and should be developed in complementarity with other sectors thereby affecting the needed forward and backward linkages. Agriculture was regionalized with the establishment of extension fields and research institutes. Regional public funds were invested in agriculture and there were new schemes such as farm settlement schemes (established to create modern literate farmers and promote agricultural development). Tree crop plantations, smaller farmer credit schemes, and Agricultural Development corporation projects were established to encourage development of tree crops.

Direct government production strategy

According to Olayemi (1998), this was merely a deepening of the process of direct government intervention and investment in agriculture. This period started in 1970 and coincided with the oil boom in Nigeria. There was massive Federal Government intervention and investment in agriculture. The reasons were first, the need for the rehabilitation and resuscitation of agriculture after the civil war. This demanded immediate huge investments by government in agriculture given that there was low capacity in the private sector. Second, the ideological imperatives in the world then favoured direct involvement of government in directing investments in agricultural business and allied activities (Adubi, 2004). The period witnessed direct involvement of governments in directing investments in agricultural production activities and the establishment of schemes and research institutes such as National Accelerated Food Production Project (NAFPP), Nigerian Agricultural Co-operative Bank (NACB), etc.

Integrated rural development strategy

The government realized in the mid-1970s that the strategy of direct agricultural production was not yielding the desired results. So, there was gradual shift to an agricultural development approach which involved the adoption of an integrated rural development strategy (Olayemi, 1998). Under this strategy, rural development was seen from a holistic perspective with agricultural development problems being only part of a larger rural development concern. This prompted the government to embark on multipurpose rural development programmes and implementing institutions such as the Agricultural Development Projects (ADPs), the River Basin Development Authorities (RBDAS), the Directorate of Food, Roads and Rural Infrastructure (DFRRI), the National Agricultural Land Development Agency, (NALDA), the Operation Feed the Nation (OFN), the Green Revolution (GR), etc. This integrated rural development strategy was also adopted during the Structural Adjustment Programme (SAP) era but with significant changes in institutional design, intensity of activities and modes of operation.

Effects of agricultural reforms, policies and programmes on the agricultural sector

The assessment of the effects of the agricultural reforms and policies on the agricultural sector is with respect to the fundamental roles of agriculture, namely:

i. Provision of adequate food for a growing population and raw materials for industries.
ii. Provision of an expanding market for non-agricultural products
iii. Generation of savings for investment in agriculture as well as other sectors and release of surplus or under-
Table 1. Proportion of the Nigeria’s annual budget in agriculture: 1985 to 2005.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total budget (N’ m)</th>
<th>Allocation to agriculture (N’ m)</th>
<th>% allocation to agriculture</th>
<th>FAO percent recommendation</th>
<th>AU percent recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>198,901.00</td>
<td>1,018.10</td>
<td>0.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1986</td>
<td>33,245.40</td>
<td>925.40</td>
<td>2.70</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1987</td>
<td>53,114.30</td>
<td>394.30</td>
<td>0.70</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1988</td>
<td>71,753.90</td>
<td>650.00</td>
<td>0.90</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1989</td>
<td>97,254.00</td>
<td>1,062.60</td>
<td>1.00</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1990</td>
<td>129,164.00</td>
<td>1,966.60</td>
<td>1.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1991</td>
<td>109,008.40</td>
<td>672.30</td>
<td>0.60</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1992</td>
<td>156,107.10</td>
<td>924.50</td>
<td>0.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1993</td>
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<td>0.70</td>
<td>25.00</td>
<td>10.00</td>
</tr>
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<td>1994</td>
<td>371,900.00</td>
<td>3,719.10</td>
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<td>1995</td>
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<td>10.00</td>
</tr>
<tr>
<td>1996</td>
<td>594,260.50</td>
<td>5,574.00</td>
<td>0.90</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1997</td>
<td>794,330.00</td>
<td>7,929.60</td>
<td>0.90</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1998</td>
<td>1,176,289.30</td>
<td>1,184.40</td>
<td>1.00</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>1999</td>
<td>1,140,911.00</td>
<td>38,259.80</td>
<td>3.40</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2000</td>
<td>1,190,597.20</td>
<td>10,596.40</td>
<td>0.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2001</td>
<td>2,632,171.70</td>
<td>64,943.90</td>
<td>2.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2002</td>
<td>3,770,106.50</td>
<td>44,803.80</td>
<td>1.20</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2003</td>
<td>3,056,965.00</td>
<td>16,045.20</td>
<td>0.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2004</td>
<td>1,971,752.50</td>
<td>16,045.20</td>
<td>0.50</td>
<td>25.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2005</td>
<td>4,662,483.70</td>
<td>390,798.20</td>
<td>1.90</td>
<td>25.00</td>
<td>10.00</td>
</tr>
</tbody>
</table>


utilized resources to other sectors.

These are discussed in line with the historical periods of the various policy reforms and programmes as follows:

The 1960 to 1969 era (period of minimum government intervention)

During this phase, government intervention in agriculture was minimal. The small-scale farmers in Nigeria bore the brunt of agricultural development efforts (Egwu and Akubuilo, 2007). According to Olayemi (1995) government effort took the form of settling policies and creating institutions for agricultural research, extension and export crop marketing and pricing. Agricultural development during this period was equated as the withdrawal of surplus rural labour and transferring them to the industrial sector. Government established farm settlements and government research institutes and agricultural development corporations. This period witnessed visible decline in export crop production and mild food shortage. There was a decentralized approach to agriculture with initiatives being left to the regions and the states while Federal Government played a supportive role.

Regional governments were executing ad-hoc policies, programmes and projects. The effects of these reforms/policies on agricultural performance include increase in food supply short falls, and rise in retail food prices (Sanyal and Babu, 2010). The agricultural share of the GDP declined from 66% in 1959 to 50% in 1970. The decrease in export earnings and the increase in retail feed prices led to greater importation of food, which adversely affected the balance of payments during the late 1960s (Kwanashie et al., 1998). During the same period, agriculture maintained an average of about 56% GDP in the 1960s with about 63% in the first half of the decade (Tables 1 and 2). However, the foreign exchange earnings declined from 71% in 1964 to 41% in 1969. The negative environmental effects of these policy reforms at this period, however, were noted to include increased deforestation of rain forests for cash crop production as well as loss of biodiversity including wildlife and indigenous plants.

The 1970 to 1985 era (period of maximum government intervention)

This phase was characterized by a change of policy from minimal government intervention to maximum in the agricultural sector. The oil boom featured in the era which brought about enormous financial investments in agricultural projects and institutions. Many agricultural
Table 2. Growth rate of Nigeria’s annual budgetary allocation to agriculture: 1985 to 2005.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation to agriculture (₦m)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>1,018.10</td>
<td>-9.11</td>
</tr>
<tr>
<td>1986</td>
<td>925.40</td>
<td>-57.39</td>
</tr>
<tr>
<td>1987</td>
<td>394.30</td>
<td>64.84</td>
</tr>
<tr>
<td>1988</td>
<td>1,062.60</td>
<td>63.47</td>
</tr>
<tr>
<td>1989</td>
<td>1,966.60</td>
<td>85.07</td>
</tr>
<tr>
<td>1990</td>
<td>672.30</td>
<td>-65.81</td>
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<td>1991</td>
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<td>37.51</td>
</tr>
<tr>
<td>1992</td>
<td>2,835.30</td>
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</tr>
<tr>
<td>1993</td>
<td>3,719.10</td>
<td>31.18</td>
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<tr>
<td>1994</td>
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<td>-85.06</td>
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<td>1998</td>
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<td>3130.31</td>
</tr>
<tr>
<td>2000</td>
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<td>-72.30</td>
</tr>
<tr>
<td>2001</td>
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<td>512.80</td>
</tr>
<tr>
<td>2002</td>
<td>44,803.80</td>
<td>-31.01</td>
</tr>
<tr>
<td>2003</td>
<td>16,045.20</td>
<td>64.18</td>
</tr>
<tr>
<td>2004</td>
<td>59,773.40</td>
<td>272.50</td>
</tr>
<tr>
<td>2005</td>
<td>90,798.20</td>
<td>51.90</td>
</tr>
<tr>
<td>Total</td>
<td>361,004.12</td>
<td>-</td>
</tr>
<tr>
<td>Mean</td>
<td>14,043.12</td>
<td>-</td>
</tr>
<tr>
<td>Variance</td>
<td>421,057,420.40</td>
<td>-</td>
</tr>
</tbody>
</table>

policies and programmes were enunciated.

The fiscal policy launched during the era ensured that budgetary allocations to agriculture were substantially increased to accommodate capital and recurrent expenditures. However, large budget deficits were recorded. The capital expenditure on agriculture declined from 6.2% of total capital expenditure by the Federal Government in 1973 to 4.0% in 1985. The expenditure of state government followed similar pattern for the period under review (Egwu and Akubilo, 2007). Under Tax policy, income tax reliefs on incomes from new agricultural enterprises were pursued. While a unified wage structure for all public sector workers was put in place.

The Monetary policy launched during the era ensured that Agricultural loans were given at concessionary interest rate of 6% per annum. In 1980s it was raised to 9% per annum.

Establishment of schemes, institutions etc: The Nigerian agricultural and co-operative bank (NACB) was established in 1973 to facilitate the granting of credit to Nigerian farmers. In 2000, NACB was merged with People’s Bank and Better Life for Rural Women Programme and christened Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB).

Mandatory sectorial allocation to agriculture:

Commercial and Merchant Banks were mandated to extend a minimum of 6% of their loan portfolio to agriculture which was later increased to 12%. Rural banking scheme was launched in 1977 while the agricultural credit guarantee scheme was established in 1977.

Trade policy on abolition of export duties on scheduled export crops in 1973 in order to promote agricultural export trade was established. Liberalization of imports in respect of food, agricultural machinery and equipment was ensured. A summary of the micro-economic policies in Agriculture during the era were as follows:

1. Agricultural commodity marketing and pricing policy: In 1977, six national commodity boards were established which include; commodity boards for cocoa, groundnuts, palm produce, cotton, rubber and food grains.
2. Land use policy was promulgated by the Federal Government in 1978 vesting the ownership of all lands on the government as to giving genuine farmers access to farmlands.
3. Agricultural extension and technology transfer policy aimed at improving the adoption of improved agricultural technology by farmers with the national accelerated food
production project (NAFPP) and agricultural development projects (ADPs) as implementing agencies.
4. Input supply and distribution policy was promulgated to ensure adequate and orderly supply of agricultural inputs notably fertilizers, agro-chemicals, seeds, machinery and equipment as follows:
   a) In 1975, Government centralized fertilizer procurement and distribution with numerous agro-service centres nationwide.
   b) In 1972, Government created national seeds service (NSS) to produce and multiply improved seeds such as rice, maize, cowpea, millet, sorghum, wheat and cassava.
5. Agricultural input subsidy policy on fertilizer, seed (50%) agro-chemicals (50%) and tractor hiring services (50%).
6. Agricultural research policy: The policy was aimed at coordination and harmonization of agricultural research and extension linkage. Agricultural research council was established in 1971. The 1973 Decree empowered the Federal Government to take over all state research institutions. The 1975 reconstitution by the Federal Government of the Nigerian Agricultural research Institute network led to the establishment of 14 institutes which were later increased to 19 and the creation in 1977 of the National Science and Technology Development Agency to coordinate all research activities in Nigeria.
7. Agricultural co-operatives policy: In 1979, a Department of Agricultural Co-operatives within the Federal Ministry of Agriculture, Water Resources and Rural Development was created to actualize this policy aimed at encouragement of farmers to form co-operatives and the use of same for the distribution of farm inputs and imported food commodities.
8. Water resources and irrigation policy brought about the establishment of eleven River Basin Development Authorities in 1977 charged with the responsibility of developing Nigeria's lands and water resources.
9. Agricultural mechanization policy: The policy was instrumental to the creation of the Ministry of Science and Technology and the establishment of some Universities of Science and Technology; the operation of tractor hiring units in all the states of Nigeria, reduced import duty on tractors and agricultural equipment and implements, generalized and liberalized subsidies on farm clearing and establishment of a centre for agricultural mechanization.

In terms of effects of these agricultural reforms and policies on the agricultural sector, the imbalance in the flow of financial resources that characterized this period reflected in Nigeria's foreign trade. During this period imports rose by 46.5% more than the planned targets, with food, capital equipment and raw materials being, the fastest growing categories of imports. Food imports as a share of total imports increased from 7.67% in 1970 to 10.26% in 1979 (Osemeobo, 1992). At the same time as imports were increasing, agricultural production was suffering due to the latent impact of the civil war (1967 to 1970) and the drought of 1972 to 1974 that led to a massive loss of crops and livestock. Despite government efforts in agricultural production, the performance of the agricultural sector was poor in terms of its growth, its export value, its contribution to GDP, and its share in Nigeria's total export earnings.
There was rapid decline in agricultural production with large food supply gaps (Sanyal and Babu, 2010) with attendant rapid increase in food imports from 7.7% in 1970 to 10.3% in 1979.

The 1985 to 1990 era (structural adjustment programme (SAP) and post SAP period)

This era saw the Federal Ministry of Agriculture, Water Resources and Rural Development in 1988 produce an agricultural policy for Nigeria decreed to be operational for at least the next fifteen years. According to Ikpi (1995) the document embodied the following, among other policies;

   a) Agricultural sector policies and strategies on food crops, livestock and fish production, industrial raw material (crop and by-products) production, and forest products and wildlife.
   b) Policies on support services such as agricultural extension, technology development and transfer, agricultural credit; agricultural insurance; agricultural mechanization; water resources development; rural infrastructure; agricultural statistics and data bank; agricultural investment and management advisory services, and agricultural manpower development and training. The document assigned role and responsibilities to the three tiers of government, federal, state and local in the country. It also incorporated a mechanism for periodic policy review to allow for policy stability and perspective planning. With the adoption of Structural Adjustment Programme (SAP) in 1986, government admitted the failure of past policies to significantly improve the economy and reverse the declining trend of production in the agricultural sector. The Structural Adjustment Programme relied most especially on the agricultural sector to achieve the objectives of its far-reaching reforms on diversification of exports and adjustment of the production and consumption structure of the economy (Adubi, 2004).

Despite the aforementioned policy measures, the agricultural sector did not register significant overall growth for several reasons. First, SAP had more of an impact on the distribution of farm incomes than on agricultural growth and productivity (Kwanashie et al., 1998). Second, on average, real producer prices of tradable goods did not change significantly after the
policy reforms. The decline in output of the export crop subsector contributed to a reduction in foreign exchange earnings that could affect the foreign exchange requirement of the agricultural sector. As a result of this reduction and subsequent loss of export earnings from crops, the country’s dependence on crude petroleum export earnings between 1988 and 1992 increased substantially (Colman and Okorie, 1993).

In this phase also, which marked the SAP period, there was lower agricultural and economic growth with high rates of unemployment. Export earnings declined to less than 5% (Table 3) as well as widening gap in food supply and demand. Food prices increased from 2.6% in 1970 to 1979 period to almost 20% during 1980 to 1989. The environmental implications of these policy reforms were quite significant. During this period, there was increased deforestation with adverse impact on biotic resources, loss of biodiversity, increased desertification in arid areas and flooding in lowland areas. There was also evidence of increased use of chemicals and abuse of fertilizer use which led to soil degradation in certain agro-ecological zones. With respect to the index of real agricultural sector GDP between 1985 and 1990, it was fluctuating over these years. It was negative (-0.13 and -1.56) in 1985 and 1986 and positive (36.45, 36.35, 5.30 and 18.43) in 1987 to 1990 (Ugwu and Kanu, 2012).

The new millennium agricultural policies (1999 to 2009)

At the inception of the new democratic administration in May 1999 and shortly before then, several institutional changes were made in order to realize the sector’s objectives and in line with its belief that agricultural and rural development are sin quo non for improved economic recovery (Olomola, 1998). These include the relocation of the Department of Co-operators of the Ministry of Labour and its merger with the Agricultural Co-operatives Division of the Ministry of Agriculture, the transfer of the Department of Rural Development from the Ministry of Water Resources to the Ministry of Agriculture (all before 1999), the scrapping of the erstwhile National Agricultural Land Development Authority (NALDA) and the merging of its functions with the Rural Development Department, the scrapping of the Federal Agricultural Co-ordinating Unit (FACU) and the Agricultural Projects Monitoring and Evaluation Unit (APMEU) and the setting up of Projects Co-ordinating Unit (PCU) and later transformed into the National Food Reserve Agency (NFRA). Streamlining of institutions for agricultural credit delivery with the emergence of the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) from the merger of the erstwhile Nigerian Agricultural and Co-Operative Bank (NACB) and the Peoples Bank and the Family Economic Advancement Programme (FEAP). New Institutions were also evolving to enable the Nigerian agricultural sector respond to the imperatives of the emerging global economic order.

The new agricultural policy has a clear statement of objectives. The policy seeks to attain self-sustaining growth in all the subsectors of agriculture and the structural transformation necessary for the overall socio-economic development of the country as well as the improvement in the quality of life of Nigerians. This objective reflects the current policy recognition of agriculture as a vital sector under the poverty reduction programme (FMARD, 2003).

Other initiatives that are on-going to step-up agricultural development and ensure food security are the Root and Tuber Expansion Programme, National Cocoa Development Committee, Special Programme on Food Security (SPFS) and National Fadama Project. Others also include the Fish Farm Estate Development, Initiatives for Increased Agricultural Production, South-South Cooperation Initiative and Nigeria-France Project on Agricultural Development.

This phase witnessed a drastic reduction in food imports from 14.5 to 5% of total imports. Presidential initiatives on specific agricultural commodities (for example cassava, rice) in order to generate N3 billion annually from exports also featured during this period. Public private partnership in the development of agricultural marketing as well as the promotion of integrated rural development marked this phase. The effects of these policy changes and programmes were reflected in the deficits recorded due to rising population and import restrictions on cereals and grains, supply shortages due to significant increase in land area under cultivation, and instability in input and output markets, among others. Annual deforestation rate remained at the rate of 76% per year due to higher demand for agricultural land, fuel wood and rapidly growing population (UNEP, 2006). Land degradation caused by soil erosion occurred at an alarming rate. However, Nigerian agriculture has shown good growth rates in the recent past with growth rates of 7.4, 7.2 and 6.5% in 2006, 2007 and 2008, respectively. Between 2003 and 2007 its average share of the national real GDP was 41.5% thus underscoring its importance in the livelihood of Nigerians (FGN, undated). Of the growth in the 2003 to 2007 period, the crop, livestock, fishery and fishery subsectors contributed 90, 6, 3 and 1% respectively. Major crops grown in Nigeria include yam, cassava, sorghum, millet, rice, maize, beans, dried cowpea, groundnut, cocoyam and sweet potato. These major crops which accounted for about 75% of total crop sales in 2004 increased from 81,276 thousand tonnes in 2004 to 95,556 thousand tonnes in 2007.

Problems/challenges of the agricultural reforms, policies and programmes

A critical examination of the reforms/policies and their
implementation over the years show that policy instability, policy inconsistency, lack of policy transparency, poor coordination of policies as well as poor implementation and mismanagement of policy instruments constitute major obstacles to the implementation and achievement of the goals and objectives of these policies. Policy instability and lack of policy transparency are not unconnected with political instability and bad governance. For example, between 1979 and 1999 the country had five military/civilian regimes.

Many of the strategies used to improve agricultural growth in the past have failed because the programmes and policies were not sufficiently based on in-depth studies and realistic pilot surveys (Adebayo, 2004). This could be attributed to lack of public participation in the design, formulation, implementation and evaluation of policies as well as limited implementation capacity within the sectoral ministries and a poor understanding of the details and specifics of polices by implementers (Adebayo, 2004).

The main factors that influenced the effectiveness of policies on agriculture include high demand for agricultural produce, availability of improved technology, efficient dissemination of information by the ADPs and value added leading to improved income. On the other hand, the common factors responsible for the ineffectiveness of policies and regulations, especially on the downstream segment of agriculture, include instability of the political climate, insecurity of investment, non-standardized product quality, non-competitive nature of agricultural products from the country in the export market due to high cost of production and lack of adequate processing facilities (The New Nigerian Agriculture Policy, 2001).

**Public expenditure trends**

There have been many studies of the relationship between government expenditure and economic growth. Some of these have looked specifically at the link between government spending and agricultural growth and poverty reduction (Fan et al., 2000a, b). These studies show positive growth and poverty reduction effects from public spending in agriculture. Yet, in the majority of developing countries aid and public expenditure to agriculture is stagnant or declining. This is especially true of Nigeria.

Table 1 shows the percentage of budgetary allocation into agriculture between 1985 and 2005 in Nigeria. The highest percentage allocation of 3.40% was in 1999 while the least of 0.5% was in 1985 and 2003. On the overall, the years 1999 and above had higher percentages of budgetary allocation to agriculture than the years before. This implies that Nigeria did not meet the FAO and AU recommendation of 25 and 10% respectively. Perhaps this is partly responsible for the low performance of agriculture and high poverty level in the rural areas since the country’s agriculture is rural based.

The mean of the budget distribution between 1985 and 2005 is N14,043,120,000.00 and the standard deviation is N20,519,683,730.00 as shown in Table 2. The budgetary annual growth rate was negative in 1986, 1987, 1991, 2000 and 2002 of the values -9, -57, -66, -20, -85, -72 and -31% respectively while it was positive for other years.

From the graph (Figure 1) above, the line graph on top represent the total budget of Nigeria between 1985 and 2005 while the near-flat line graph represent the budgetary allocation to Agricultural sector within the same time period. It is obvious from the graph that although total budget shows a positive trend as the slope seems to be positive until 2002 when a sharp drop in total allocation was observed, the slope of agricultural budget remains unnecessarily constant over the same period. Similarly, using a pie chart to illustrate this colossal allocation to Agricultural sector over the years will make a vivid statement on inadequate allocation to the sector.

From the above pie charts (Figure 2) representing total budget and Agricultural budgetary allocations over the years, it is definitely obvious that Agricultural budget is noticeable in 1988, 1999, 2001, and 2004. The alarming positive growth rate was in 1999 with 3,130.31% from 1998 to 1999. Per cent growth rate was 64 and 272 in 2004 and 2005 respectively. This shows improved commitment but below the international expectation judging from per cent allocation to the agricultural sector as shown in Table 1.

From Table 2, percent budget allocation to agriculture in 1985, 1992, 1996 and 2004 was 0.5, 0.5, 0.9 and 3.0 respectively. This is in contrast to the Maputo Declaration (2003) where the Heads of States of the Assembly of the African Union committed (2003) their support to the Comprehensive Africa Agriculture Development Programme (CAADP) and pledged to raise spending on agriculture to 10% of the budget within the next five years, by 2008. Also, at the second ordinary assembly of the African Union in Maputo in July 2003, African Heads of States and Governments endorsed the ‘Maputo Declaration on Agriculture and Food Security in Africa’. This declaration came upon the recognition of the pivotal role of agriculture in the quest for good life and wealth creation, as one good way of addressing poverty and its attendant consequences is through agriculture (FMARD, 2010). The declaration contained several important decisions regarding agriculture, which included the commitment to the allocation of at least 10% of national budgetary resources to agriculture and rural development policy implementation within five years. Though this fell short of the 25% recommendation of Food and Agricultural Organisation (FMARD, 2010), several lessons can be drawn from the fore-going analysis:

i) Governments should consider increasing spending in
agriculture, particularly on production-enhancing investments such as agricultural research and rural infrastructure. This type of spending not only yields high returns to agricultural production, but also has a large impact on poverty reduction since most of the poor still reside in rural areas and their main source of livelihood is agriculture.

ii) For agricultural research, increased funding alone is not the answer - developing effective public-private partnerships and making more efficient and effective use of research funds present major challenges.

According to Dorward et al., (2002), despite potential positive returns to public spending in agriculture, few policy makers currently consider investment in agricultural development the best bet for poverty reduction. There are a number of reasons for this.

One, recognition that achieving agricultural growth in
remote and marginal rural areas - where much of the rural poor are now concentrated – is more difficult. Two, the perception that many of agriculture’s problems are seen as lying outside the agricultural sector – for example, in roads and telecommunications infrastructure, in health and education. Three, uncertainty regarding how best to invest in agriculture. Much of the investments called for tend to focus on research and extension, but policy makers have doubts about their effectiveness, are concerned about recurrent costs and fiscal commitments, and are experimenting with private/public models for finance and delivery. Four, increasing recognition of the importance of non-farm incomes and activities to the livelihoods of the rural poor. This is a reason politicians would rather invest in Motorbike popularly known as “okada” rather than investing in agriculture in rural areas.

HOW TO ACHIEVE PRO-POOR AGRICULTURAL GROWTH

Much of the poor live in rural areas and many of these poor are farmers. This suggests that growth in agriculture is the best way to end poverty. But how can this growth be achieved?

In the 1960s, the secret to agricultural development was identified as investment in new agricultural technologies and human capital, and getting prices right. Correct price incentives in agricultural markets would generate profitable investments and income streams that would then increase commodity output and lift the rural economy out of poverty. However, the diversity of rural circumstances and the changing global environment have sharply impeded agricultural development and progress in reducing rural poverty. For example, neither the agricultural technology nor the incentive prices in agricultural markets have been reliably available. Success in linking the non-tradable sector in rural areas to urban markets and labour-intensive export growth has been mixed, with poverty becoming concentrated in remote rural areas where the benefits of wider economic growth are not felt.

The success of Asia’s ‘green revolution’ in the 1960’s has proven difficult to replicate in Nigeria. Green revolution in Nigeria was based upon productivity enhancing seed and fertiliser technologies, combined with high level of state spending in agriculture and high demand for cereals. Ensuring pro-poor agricultural growth is now more difficult. Nigeria has failed to keep pace with the new technologies, government cannot afford high levels of public expenditure in agriculture, and prices for staple cereals are escalating.

What does this mean for future reforms to agriculture policy and expenditure in Nigeria? The mechanisms for both technology development and provision of rural price incentives are no longer as clear as they were in the 1960s. In many circumstances the poor do not have access to productivity enhancing technologies. Where they do have access, higher agricultural productivity can lead to lower food prices – to the benefit of poor consumers who spend a large share of their budget on food, but unless increased productivity is matched with higher demand or employment opportunities in the non-farm sector, farmers can end up worse off. So using agricultural technology to solve problems of rural poverty is complicated at best.

Good governance provides an approach for addressing problems of weak agricultural growth. However, the speed and impact of improvements in governance has been less in rural areas due to lower levels of education, lower qualification of civil servants, and more deeply ingrained traditions of paternalism. The effectiveness of public sector institutions in promoting pro-poor agricultural growth is also hampered by the fact that there are often many different ministries or agencies operating within the sector (for example, public works, water resources, trade, and environment) each with a high degree of centralisation (Timmer, 2003).

Role of government in agriculture

The debate continues on the appropriate role for the state in agriculture. Many argue that market liberalisation and an increasing focus by the state upon correcting for instances of market failure have had little positive impact. Confusion also remains over how to define public goods in agriculture and appropriate levels and forms of state intervention to the sector.

The reasons for the limited impact of policy reforms and prescriptions to address it are debated. One view is that failure is not the result of policy reforms per se, but of failure to implement the reforms thoroughly (Jayne et al., 2001). Partial reforms that allowed parastatals to continue operating, together with policy reversals, have inhibited incentives for private sector investment. It is suggested that the solution is to complete the policy reform process, accompanied by appropriate supporting measures and public investments – for example, in public goods (rural infrastructure, market institutions), agricultural support organisations (research and extension), new approaches for service delivery (contracting out, group approaches), short term targeted support to vulnerable groups in remote areas (safety net transfers); and credible and sustainable macro-economic policies.

An alternative view is that high transactions costs in poor rural areas prevent the private sector from delivering necessary agricultural services. Transactions costs are especially high for financial services (as there is much associated risk), but also hinder the development of input and output markets. This analysis has two important implications. First, a policy of government withdrawal from service provision and the promotion of competitive...
markets may actually worsen the problems faced by smallholder farmers. Second, rural infrastructure and institutional development are insufficient on their own to attract the level of private sector investment necessary for growth in agriculture. Supporters of this view argue that governments should continue to pursue interventionist policies in order to remedy these market failures - until economic activity and institutional development proceed past a critical point (Dorward et al., 2002; Diao et al., 2003).

This suggests that arguments for state intervention in agriculture are particularly compelling where there are problems associated with weakly integrated markets, where conditions prevent markets from functioning effectively, or where the situation of the poor is such that they simply are unable to participate fully in markets. This is particularly the case in remote rural areas. Similarly, lack of competition between service providers may necessitate state intervention. The absence of competition between suppliers reduces the incentive for the provider to reduce costs and this may offset the advantages of private sector delivery. Here, public intervention in service provision or through regulation (to set conditions of competition, and pricing and quality standards) will be necessary.

For some, the concept of coordination failure suggests a possible role for government action that goes beyond the standard 'market failure' model of the public role in agriculture. A coordination failure can be defined generally as a case where "individuals’ failure to coordinate complementary changes in their actions leads to a state of affairs for everyone that is worse than some alternative state of affairs that is also an equilibrium" (Hoff, 2000). In a more restricted but relevant sense for the issues under consideration here, an alternative definition refers to the "failure of one’s own investment due to an absence of complementary investments by other players at different stages in the supply chain" (Dorward et al., 2003).

In the absence of mechanisms to overcome coordination failure and to supply assurances that complementary investments will occur, private initiatives will be sharply curtailed. Risks of strategic default on debt, or uncertainty about demand, can create a situation in which potentially viable sets of investment do not occur. This situation is pervasive in many rural situations where transactions costs are high and the institutional framework is weak, particularly for investments that are illiquid, long-term, and have few alternative uses (such as processing facilities for particular crops such as cassava or sugar) (Jones and Joffe, 2003). Others take a wider view, suggesting that market failure arguments to justify public interventions in agriculture are used too loosely and uncritically. While the theoretical literature defining market failures is generally not contentious, there is no clear methodology for identifying and quantifying market failures in practice, and for linking this identification to specific policy proposals. Hence, in practice, the market failure approach does not provide sufficiently rigorous criteria for determining the choice of policies or instruments (Van der Meer and Noordam, 2003).

Another perspective on market failure is the extent to which public intervention has exacerbated rather than improved the problem. Even in the post-adjustment era, a continued heavy-handed state presence is still evident in many rural economies, creating an environment in which layers of subsidies may distort and strengthen incentives for private investment. Pervasive problems of political and economic instability, lack of transparency, corruption, irrational regulation and bureaucratic load also raise transaction costs and risks to business in Nigeria.

What types of public investment achieve agricultural growth?

Studies show that rural infrastructure and agricultural research provide the greatest returns to public investment in agriculture (but may not be sufficient alone to guarantee pro-poor agricultural growth). Although it is hard to argue that agricultural research has a direct impact on the poor in rural areas, as new technologies are often adopted earliest and most intensively by better-off farmers, the indirect effects of higher agricultural productivity are likely to have a positive impact on the poor.

There is also scepticism that returns to research for more marginal areas can match those of more favoured areas. Others suggest however, that marginal areas may offer greater returns to research investments simply by virtue of being neglected in the past (Lipton, 1988). There may also be significant returns to research on indigenous products in marginal areas the potential of which remains largely unknown and untapped.

Similar arguments can be made for public provision of rural infrastructure. Rural roads assist larger farmers to a greater extent than smaller subsistence-oriented farmers, but the productivity effects spread quickly and rapidly to the poor. The poor may also benefit through labour-intensive public works programmes in the construction of rural infrastructure.

As already noted, Fan and Rao (2003) show that government spending on agriculture has provided a strong contribution to economic growth in Africa and Asia, and that agricultural production is critical for addressing poverty in rural areas. This view is supported by Diao et al. (2003) who show that spending on rural infrastructure (especially roads) and productivity enhancing investments in agricultural export crops and livestock have the most promise for growth in income and food consumption in Africa. They also support the view that there are high returns to initiatives and investments that reduce transaction costs in agricultural markets. Reduced marketing costs are crucial to reducing consumer food
prices, while also raising producer incomes in the longer term. Investments in infrastructure and policy reforms that lead to reductions in transaction costs have the potential to benefit a wide spectrum of agricultural (and non-agricultural) activities, and avoid the problem of requiring the government to ‘pick winners’ among competing crops or agricultural activities. However, without growth in the non-agricultural sector, overall gains will be limited. Investments in agriculture need to be complemented with policies and investments to spur non-agricultural growth.

Timmer (2003) suggests that once agricultural technology and efficient rural infrastructure are in place as the basis for profitable farming, policy attention and budget priorities should turn to the rural non-tradables sector. Part of the profitability for this sector will come from a labour-intensive export sector that is successfully linked into the global economy. Rapid growth in this export sector creates demand for labour directly as well as for the goods and services of the rural economy that raise demand for labour indirectly.

There is also an important role for government in providing a supportive policy and institutional framework that creates incentives for private sector investment in agriculture. Areas of action include institutional arrangements that support sustainable investments in infrastructure, land titling, regulatory capacity for rural financial systems, and the strengthening of farmer organisations and the capacity of rural local government. Some of these solutions lie within the rural sector – others depend on more general measures to improve the enabling environment for the private sector and the effectiveness of government expenditure. Where public action is used as a transitional measure to catalyse private sector investment and market development, it needs to create sustainable institutional development so that privately financed solutions may become viable. An example is where the intervention enables a ‘coordination failure’ to be overcome (Jones and Joffe, 2003).

**Agriculture in PRSPS**

The production by countries of a Poverty Reduction Strategy Paper (PRSP) is a key requirement for low income (IDA only) countries. PRSPs provide access to HIPC debt relief and are an important factor in determining levels of bilateral donor support.

Two issues can be highlighted. First, almost all PRSPs propose large increases in social sector spending – in particular, health and education. Norton and Foster (2001) question whether there is an overemphasis on these sectors at the expense of productive sectors, such as infrastructure and agriculture. While emphasis on health and education is relevant to poverty reduction, investment in the productive sectors is also essential, and may have a more substantial and direct impact.

Second, while all PRSPs include a chapter on Agriculture and the principal constraints facing the sector, few provide a convincing case for government actions to address these problems. A critical strategic choice that needs to be addressed is whether to concentrate agricultural development activities on high potential areas, where there are greater opportunities for increasing growth and national food supply, or low potential areas, where poverty and food security may be more severe. Most of the PRSPs do not clearly explain government policy in respect of this important trade-off. This is a neglected issue, which requires much greater analysis and strategic discussion (Williams and Duncan, 2001). Fortunately, Nigeria has evolved a dual strategy of increasing productivity in high potential areas, while attempting to tackle structural food insecurity in marginal and low potential areas. Such balanced approaches are likely to offer the best prospects for tackling food insecurity.

**Public expenditure management**

While agricultural policy reforms often imply a changed role for government, they do not necessarily reduce the case for public spending on agriculture. However, in order to make a convincing claim for public funds, Ministries of Agriculture need to demonstrate effectiveness and efficiency in what they do. In addition to the policy framework, this requires the strengthening of public expenditure management systems, especially the recording of data on agricultural expenditures and their impact. Assessing the composition, relevance, efficiency and impact of spending to agriculture (and to other sectors) is made difficult by weak public expenditure management and accountability systems. Systems of public expenditure management should be strengthened to ensure that: (i) the composition of public spending to agriculture is consistent with policy priorities; and (ii) Ministry of Agriculture are able to make a convincing claim for scarce public resources.

**Direct budget support**

In recent years there has been an increasing trend by donors towards direct budget support. This refers to the channelling of donor funds to a recipient government using the government’s own allocation, procurement and accounting systems. While some budget support is tied to specific sector, much is in the form of general budget support without any formal limitation on sector allocations. The presumption is that it is government’s responsibility to sector policy and budget priorities.

There is a concern that the shift towards direct budget support results in a diversion of public funds that otherwise would have been allocated to agriculture. It also distances donors from their responsibilities in
implementing effective strategies to reduce poverty. The recent DFID e-Forum on agriculture noted that one, direct budget support often results in a shift in decision-making processes and resource allocations that work against ministries of agriculture - often one of the weakest sector Ministries and the least capable of making a convincing case to Central Finance Ministries for scarce budget resources. Two, without targeting resources to agriculture it is difficult to ensure that the sector receives the resources needed to stimulate growth. It also makes it difficult for donors to provide effective technical support to Ministries of Agriculture to target poverty reduction. Technical assistance previously 'bundled' with agriculture sector investment projects is hard to target in isolation.

Reform of Ministry of Agriculture

Ultimately, strengthening the public role in agriculture and securing increased public funding to the sector, requires a strengthening of the bargaining power of Ministries (Federal and State) of Agriculture and other agencies involved in the sector. The weakness of Ministries of Agriculture, especially in sub-Saharan Africa, is seen by many as an obstacle to Agriculture fulfilling its potential as a driver for growth and poverty reduction (DFID e-Forum on Agriculture) DFID (2004).

It is also questionable whether hierarchic Ministries of Agriculture, mostly starved for funds, can be transformed into delivering services demanded by poor rural communities? This question is especially relevant for failing states. Some suggest that reform of Ministries of Agriculture is needed. Others suggest that perhaps a better approach would be to channel support through community organisations and NGOs. This raises the issue of effectively engaging the poor in policy processes. The mechanisms to allow effective participation by the poor in all stages of the policy process, whilst well known, are rarely used effectively.

CONCLUSION AND RECOMMENDATIONS

Two principal issues emerge from this paper. The first is that broad-based growth in agriculture is the key to achieving the Millennium Development Goals. However, achieving growth in agriculture is harder than it was previously. Taking forward the agenda requires a policy framework that goes beyond the traditional market failure approach, that recognises the important linkages between agriculture and the non-farm economy, and which allows a more dynamic understanding of the interaction between public and private roles.

Second, there has been a loss of confidence in public spending to agriculture. In response, there is a need to sharpen the administration and accountability of public funding to the sector. To make a convincing claim for public funds Agriculture agencies increasingly need to demonstrate effectiveness and efficiency in what they do. Based on the unresolved issues already highlighted, this paper suggests a number of ways germane in addressing both issues thus:

i) There is a need to revisit the role of government in agriculture. This could be informed by a review of agricultural policy reform experience with a focus upon identifying what has worked and why. The review should look at experience in establishing public and private roles in service provision and incorporate ideas about coordination and measures to reduce transactions costs in unfavourable institutional environments.

ii) Open and inclusive policy debate about the role of agriculture (especially smallholder agriculture) in economic growth and poverty reduction should be encouraged. The debate should be evidence-based and focussed around an understanding of the political economy for change, and public and private roles in making markets work.

iii) Decentralisation presents a significant challenge for agricultural service provision. It would be useful to review experience of decentralisation implementation in relation to its impact upon the quality of agricultural services provided and the extent to which it has promoted greater participation (especially by the poor) in policy processes and the prioritisation of public resources to agriculture.

iv) In considering how further reforms should be implemented, good governance and political economy considerations (‘drivers of change’) are of increasing importance. This requires understanding the wider political and institutional environment within which agricultural policy change takes place, and ways in which ‘voice’, particularly of the poor, can influence change.

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