



Agriculture Sector Expenditure and Institutional Review

A State-level Report





Published in Nigeria by Nigeria Governors' Forum Publishing

The Secretariat
49/51, Lake Chad Crescent
Maitama, Abuja
02092920025, 02092920026
info@ngf.org.ng
www.ngf.org.ng

Copyright ©Nigeria Governors' Forum 2024

To cite this publication: Nabena, D., Eze, C., Rowe, C., Husseini, Y., & Research, P. (2024). Agriculture Sector Expenditure and Institutional Review. A State-level Report. Nigeria Governors' Forum

National Library of Nigeria Catalogue-In-Publication Data

HD9000.9 .N115

2024

338.106830669

ISBN: 978-978-772-026-4

(pbk)

AACR2

ISBN 978-978-772-026-4



Readers are encouraged to reproduce the publication as long as they are not being sold commercially. NGF requests due acknowledgement and a copy of the publication.

Foreword

The agriculture sector accounted for N19.3 trillion of the value of activities in the Nigerian economy in 2023, contributing 25% of the country's real GDP. However, the sector's output has not been sufficient to guarantee food security for over 220 million people living in the country, including 63% of the population who are considered multidimensionally poor. The government is facing a food shortage that has been exacerbated by difficult policy choices, insecurity, and the devastating impact of climate change, including the rising incidence of droughts and floods across the country.

This Agriculture Expenditure and Institutional Review (AEIR) is the first attempt to review the role of States in contributing to national food security amidst food shortages that have contributed to a cost-of-living crisis in the country. The report provides an assessment of the quality of agriculture spending by State governments and the institutional arrangements established to coordinate development in the sector.

It is designed to catalyse constructive dialogue and collaboration among stakeholders in the sector by presenting new evidence on the prioritisation and allocative efficiency of agricultural spending by State governments. The objective is to foster an organised and integrated policy response to food security in the country with State governments playing a central role.

Subsequent reports in the series will provide case studies of successful agricultural development programmes in the country to identify comparative lessons that will strengthen inter-State cooperation for agriculture policies, projects, and regulations.

Dr. Abduleef O. T Shittu
Director General
Nigeria Governors' Forum

Acknowledgements

This report is an outcome of a 4-month research spanning October 2023 to January 2024. It benefitted from the contributions of colleagues, collaborators and government officials who played critical roles during data collection, analysis, focus group discussions, interviews and the administration of the review questionnaires.

We thank our colleagues at the Nigeria Governors' Forum Secretariat, including Olubunmi Akanbi who led the interface with State government officials and the administration of questionnaires to States, Olanrewaju Ajogbasile, Uzochukwu Amakom, Zubaida Abiola, Abdulazeez Olorunshola, Heman Bassi and Oluwole Ogunmusire who supported the delivery of this EIR and the organisation of the focus group discussion with federal and State government officials from the agriculture ministries, departments and agencies (MDAs) and other non-government stakeholders.

The report benefitted from the contributions of public financial management experts (Chinedu Eze and Chris Rowe) who were the authors of the expenditure review section, and agriculture sector experts (Yahaya Hussein and Peter Research) who oversaw the agricultural programmes and institutional reviews.

The report was prepared under the supervision of the project lead, David Nabena, who was the editor. It was delivered under the State Level Public Finance Support and Digital Transformation programme of the Nigeria Governors' Forum.

All State-level public finance data can be accessed via the website: <https://www.publicfinance.ngf.org.ng/>.

For comments and questions regarding this report, please send an email to dnabena@ngf.org.ng.

All errors and omissions are the responsibility of the authors and do not reflect the views of the NGF.

Contents

Foreword	I
Acknowledgements	ii
List of Boxes, Tables and Figures	iv
Acronyms	vi
Executive Summary	ix
1. Introduction	1
1.1 Background and Motivation	1
1.2 Our Methodological Approach	3
1.3 Report Structure	4
2. Expenditure Review	7
2.1 Total Sector Spending at the State level	7
2.2 Size of Sector Expenditure by State	8
2.3 Sector Budget Performance	9
2.4 Agriculture Sector Expenditure (Share of Total Expenditure)	10
2.5 Medium-Term Sector Strategy Planning for the Sector	12
2.6 Structure of Agriculture Expenditure	13
2.7 Capital versus Recurrent Expenditures	18
2.8 Funding Sources for the Sector	22
2.8.1 State Funding	22
2.8.2 Private Sector Investment	24
2.8.3 External Funding, including Donor Contributions and Grants	24
2.9 Distribution of Resources and Services across Crops and Farmer Demographics	33
3. Institutional Review	37
3.1 Inventory of Key Players	37
3.2 Institutional Assessment	41
3.3 Safeguarding Resources	43
3.4 Promoting Efficiency	44
3.5 Sustainability Analysis	46
3.6 Outcome Analysis	46
4. Key Recommendations	50
References	53

List of Boxes, Tables and Figures

Boxes

Box 1: Constitutional provisions guiding the development of the agriculture sector	2
Box 2: What the NCOA captures in relation to government expenditure	4
Box 3: Agricultural Institutional System in Oyo State	40
Box 4: Key Processes of Procurement	45

Tables

Table 1: Functional Classification of the Agriculture Sector	14
Table 2: Function Segment of the Agriculture Budgets of States (NGN Millions), 2021 - 2023	14
Table 3: Administrative Segment Coding for the Agriculture Sector.....	15
Table 4: Programme Segment Coding for the Agriculture Sector.....	16
Table 5: 2023 Budget: Agriculture Sector Revenue and Expenditure by State (in NGN Million)	23
Table 6: Agriculture Sector Aid, Grants and Loans in the 2023 Budgets of States, NGN Millions	25
Table 7: Details of Capital Aid, Loans and Other Capital Receipts for the Agriculture Sector in the 2023 Budgets of States.....	26
Table 8: Distribution of Agricultural Households by Sex, Training and Farming Activities	33

Figures

Figure 1: Nigeria's Agriculture Sector Performance	1
Figure 2: Total Agriculture Sector Expenditure for the 36 States (NGN Billion), 2021 - 2023	8
Figure 3: Agriculture Expenditure by States, Actual NGN, 2021 - 2022	9
Figure 4: Agriculture Sector Budget Performance, 2021 & 2022.....	10

Figure 5: Agriculture Sector Expenditure (Share of Total Expenditure), 2021 & 2022	11
Figure 6: Status of Agriculture MTSS across States	12
Figure 7: Distribution of the Agriculture Budget of States, 2021-2023 Budgets	14
Figure 8: Capital: Recurrent Expenditure Ratio (% Average), 2021 & 2022	19
Figure 9: Agriculture Sector Capital Expenditure (Actual in NGN Billion), 2021 - 2022.....	20
Figure 10: Agriculture Sector Recurrent Expenditure (Actual in NGN Billion), 2021 - 2022.....	21
Figure 11: Distribution of Agriculture Households Across States	34
Figure 12: Government Spending per Agriculture Household (NGN).....	35
Figure 13: Nigeria's Agriculture Institutional System	38
Figure 14: Organogram for a Ministry of Agriculture	39

Abbreviations & Acronyms

ABP	Anchor Borrowers' Programme
ACCOS	Agricultural Credit of Oyo State
ACGSF	Agricultural Credit Guarantee Scheme Fund
ADP	Agricultural Development Programme
AEIR	Agriculture Expenditure and Institutional Review
APP	Agricultural Promotion Policy
APPEALS	Agro-Processing, Productivity Enhancement and Livelihood Improvement Support
AU	African Union
BPP	Bureau for Public Procurement
CADP	Commercial Agriculture Development Programme
CBN	Central Bank of Nigeria
COFOG	Classification of Functions of Government
CSOs	Civil Society Organisations
EIR	Expenditure and Institutional Review
FAO	Food Agricultural Organisation
FCT	Federal Capital Territory
FGD	Focus Group Discussion
FGN	Federal Government of Nigeria
FMAFS	Federal Ministry of Agriculture and Food Security
FMWR	Federal Ministry of Water Resources
GDP	Gross Domestic Product
GPFS	General-Purpose Financial Statement
IAR	Nigeria's Institute for Agricultural Research
IDP	International Development Partners
IFAD	International Fund for Agriculture Development

IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPSAS	International Public Sector Account Standards
ISDB	Islamic Development Bank
LAUTECH	Ladoke Akintola University of Technology
LGA	Local Government Authority
L-PRES	Livestock Productivity and Resilience Support Project
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation and Learning
MDAs	Ministries, Departments and Agencies
MoA	Ministry of Agriculture
MTSS	Medium-Term Sector Strategy
NAQS	Nigeria Agricultural Quarantine Service
NASC	National Agricultural Sample Census
NASC	National Agricultural Seeds Council
NATIP	National Agricultural Technology and Innovation Policy
NBS	National Bureau of Statistics
NCOA	National Chart of Accounts
NGF	Nigeria Governors' Forum
NGN	Nigerian Naira
NGO	Non-Governmental Organisation
NLDP	Nigeria Livestock Development Programme
NPFS	National Programme for Food Security
OECD	Organisation for Economic Cooperation and Development
OYSADA	Agricultural Credit of Oyo State
PDO	Project Development Objective
PFI	Presidential Fertilizer Initiative
PFM	Public Financial Management

PPA	Public Procurement Act
PRS	Planning, Research, and Statistics
RAAMP	Rural Access and Agricultural Marketing Project
RAMDARP	Rural Agricultural Market Development and Revitalization Project
SADP	State Agricultural Development Programme
SAPZ	Special Agro Processing Zones
VAT	Value Added Tax
VCDP	Value Chain Development Programme
WB	World Bank

Executive Summary

The agriculture sector contributes a quarter of Nigeria's gross domestic product (GDP) annually and over 35% of the agriculture value added for the sub-Saharan Africa region. In 2023, the sector accounted for N19.3 trillion of the value of economic activities in Nigeria, contributing 25% of the country's real GDP of N77.94 trillion based on official figures released by the National Bureau of Statistics (NBS). The sector's growth and stability are critical for ensuring food security for the country's over 220 million people and providing jobs for 40% of persons in employment. Crop production accounts for the vast majority of activities in the sector (over 90%), while 10% are in livestock, forestry, and fishing.

In recent decades, there has been a growing push for the government to diversify and scale up interventions in the sector through increased public investment and improved institutional coordination at both the federal and sub-national levels. This agriculture expenditure and institutional review (AEIR) seeks to support this response by providing insights on resource allocation, management, and effectiveness, to equip governments and other stakeholders with new evidence to improve planning, optimise spending, and make strategic investments in the sector. The report is the first assessment of the quality of agriculture expenditures by State governments and the effectiveness of the institutional structures and arrangements that manage these funds.

Key Findings

1. Total agriculture spending by the 36 States of the federation was N148 billion in 2022, 2% of their total expenditure of N7.96 trillion and 0.8% of the country's total agriculture value added of N19 trillion. The sector's budget performance which measures the ratio of budget allocation to actual spending, averages below 50%.
2. Only 13 States are implementing an agriculture medium-term sector strategy (MTSS) covering at least the 2024 budget year. Unlike other planning documents, the MTSS provides a clear linkage between the policies of government and the annual budget (and actual expenditure) by clearly capturing activities, outputs, outcomes and impacts in the sector.
3. The agriculture sub-sector accounts for over 90% of the aggregate agriculture budget allocation for the 36 States. Less than 10% was allocated to forestry, fishery and hunting. These spending patterns are consistent with the structure of the country's agriculture GDP, where 90% of economic activities are in crop production while less than 10% are carried out in the livestock, forestry, and fishing sub-sectors.

4. The average ratio of capital to recurrent spending (actual) for all 36 States is 59:41% indicating greater spending on infrastructure and mechanisation including tangible (e.g., tractors) and intangible assets (such as skills of farm workers or intellectual property). The report notes that there were several instances where States coded recurrent expenditures (e.g. purchase of grains, fertilisers etc) as capital expenditure in their budgets and financial statements.
5. The sector generates a small amount from independent revenues (such as fees, licenses, sale of farm produce, and rents on agriculture assets); receives grants, loans, and other receipts from development partners; as well as funds from the State's "Main Envelope" of discretionary funds. Data from the 2023 budgets showed that only 8.5% of the total expenditure for the sector could be financed from independent revenue sources, while capital receipts for agriculture amounted to 37.1% of the sector's total expenditure.
6. Total agriculture aid, grants and loans in the 2023 budgets of States was equivalent to 37.1% of the sector's total expenditure proposed for the year. 86.8% of capital spending came from external institutions, with only 13.2% originating domestically. 66.1% of external funding came from a single World Bank loan programme - Agro-Processing, Productivity Enhancement and Livelihood Improvement Support (APPEALS).
7. The report flagged concerns about the long-term sustainability of programmes established with external donor funding and calls for institutional integration, funding diversification and investments in staff preparedness for independent operation as strategies to build funding resilience
8. With over 40 million households engaged in farming activities in the country, the national average of State government spending per agriculture household was N4,614.55 (US\$10.9) in 2022. The State with the highest per capita agriculture household spending in 2022 was Bayelsa, at N41,055.80 (US\$97), representing a significant jump from its previous year record of N7,809.68, followed by Lagos N22,474.68 (US\$53.08), Sokoto N13,106.86 (US\$30.96) and Kano N8,421.75 (US\$30.96).
9. State governments in Nigeria are constantly adapting their institutional arrangement for the sector, usually reflecting their comparative advantages and economic priorities. This often involves splitting the agriculture ministry into specialised ministries, such as those focused on crop production, farming, and fishing.

10. State ministries of agriculture are staffed with well-trained and passionate staff but underutilised due to the low level of activities in the sector. The report notes that there are technical capabilities and staffing needs that are lacking, such as project management and monitoring, evaluation and learning (MEL).
11. The current governance system does not rigorously hold State Ministries of Agriculture accountable for goals in the sector. M&E frameworks crucial for identifying project effectiveness and informing adjustments are often underutilised. The report highlights the need to refine accountability mechanisms within the agriculture bureaucracy to hold the ministries accountable for agriculture development programmes. Capacity building for staff is also essential to strengthen the utilisation of M&E frameworks and internal control mechanisms
12. The report acknowledges challenges in directly linking current agricultural expenditure patterns with sector outcomes due to factors such as poor accounting standards, poor monitoring frameworks, unpredictable funding, unreliable funding and high political influence.

Key Recommendations

In response to the challenges identified in the report, 14 strategies were recommended to foster a more sustainable financing and institutional system for the sector at the State level.

A. **Optimising Resource Allocation and Utilisation**

1. **Increase Resource Allocation:** Increasing allocation to the agriculture sector from the current level of 2% of total expenditure and budgetary release from a severe underperformance below 50% will signal governments' commitment to achieving food security through policy-based allocation of resources and allocative efficiency.
2. **Upscale Successful Programmes:** Upscale and expand the coverage of successful projects with well-defined operational procedures and layers of oversight such as the Agro-processing Productivity Enhancement and Livelihood Support (APPEALS) and the Value Chain Development Programme (VCDP) which have demonstrably improved farm productivity, value addition and economic empowerment in rural communities.
3. **Reduce Political Interference:** Minimise political interference in project management to create an environment of transparency, accountability, and efficiency in resource allocation.

B. Strengthening Implementation and Management

4. **Outcome-Based Budgeting:** State governments should deepen and expand the classification of agriculture sector spending beyond the economic, administrative and function segments to incorporate outcome-based metrics in the programme segment, starting with the new programme codes adopted by States in 2024. The programme codes will help the agriculture ministries allocate resources based on their objectives and programmes. The lack of a clear spending-outcome linkage demonstrates the importance of an MTSS which helps guide policy-based allocation of resources. To ensure accurate identification of all agriculture sector expenditures, the budget ministries need to provide more accurate statistical reporting and expand the scope of the GPFS to include a comprehensive programme, function, and location segment for all statutory financial reports.

C. Supporting Farmers

5. **Bottom-Up Project Design:** Shift towards a bottom-up approach to project formulation and design to ensure the interests of rural farming communities are considered to foster a more responsive and equitable approach to agricultural interventions.
6. **Prioritise Expenditures:** Expand agriculture expenditures in the most critical areas that directly support the majority of farmers, such as access to labour-saving and cost-efficient technologies (e.g., tractors and threshers) through efficient leasing, as well as price and market stabilisation programmes through "buy-back" schemes, buffer stocking and warehousing. Promoting access to fertiliser, seeds and agro-inputs remains important, however, this emphasis should not overshadow critical investments in infrastructure and mechanisation.

D. Enhancing Coordination and Organisational Learning:

7. **Strengthen Inter-Ministerial Partnerships:** The Ministries of Agriculture should foster stronger collaboration with related ministries like water resources, transport, education, and commerce to leverage and maximise integrated services, resources and opportunities for agricultural development, such as rural roads, irrigation systems and market access initiatives.
8. **Learning from Peer Reviews:** Federal and State Ministries of Agriculture should establish platforms for routine programme/project review exercises. These reviews provide valuable lessons to strengthen internal capacities, including in the areas of input/output/outcome orientation and project management.

9. Collaboration for Improvement: Advocate for closer partnerships between the MoAs and the donor community going beyond project evaluation. Joint efforts should focus on improving ministerial effectiveness, promoting knowledge sharing, and fostering organisational learning.

E. Enhancing Monitoring, Evaluation, and Data Management

10. **Build M&E Capacity:** Increase investment in building the capacity of M&E officials. This includes training them to conduct unbiased assessments and reporting of programme and project performance. Robust M&E systems are essential for tracking progress, identifying areas for improvement, and ensuring programme effectiveness. This should not be limited to donor-assisted projects but should be an integral part of the implementation process of all federal and State-sponsored programmes.
11. **Strengthen the PRS Departments:** Strengthen the Planning, Research, and Statistics (PRS) departments of agriculture ministries to enable them to effectively meet their strategic role of data management - ensuring the generation and management of comprehensive information resource; and policy and strategy development - building human capacity to formulate evidence-based policies and strategies for the development of the sector.

F. Revitalising Research and Extension Services

12. Modernise State Agricultural Development Programmes (SADPs): The Ministries of Agriculture are encouraged to revive and adequately fund the activities of SADPs. A key focus should be on promoting adaptive research and modernising extension delivery services through technology tools and digital registries for farmers and farmlands.
13. **Strengthen Research-Extension-Farmer Linkages:** Foster stronger linkages between research institutions, extension services and farmers to ensure that research outputs are demand-driven and targeted to address specific challenges faced by farmers.

G. Enhancing the Commercial Activities of State Ministries of Agriculture (MoAs)

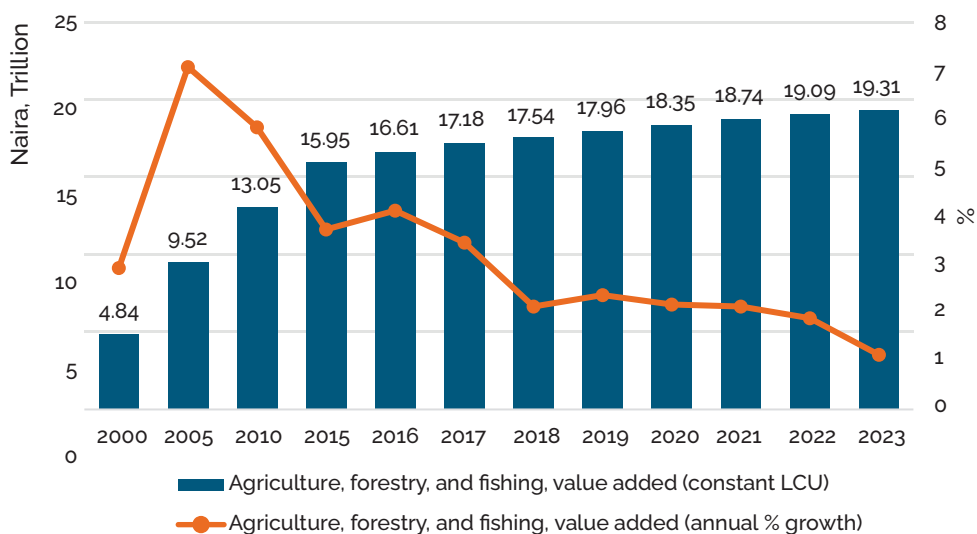
14. Boost Internal Revenue Generation: While the report acknowledges the potential for the agriculture ministries' commercial arms to generate internal revenue, it is not included as a core recommendation. This remains an area for further exploration, with appropriate measures to ensure these agencies deliver essential services or products to farmers while also functioning as self-sustaining entities that contribute to the State's internally generated revenue (IGR).

1. Introduction

1.1 Background and Motivation

Agriculture contributes a quarter of Nigeria's gross domestic product (GDP) annually and 36% of the agriculture value added for the sub-Saharan Africa region. In 2023, the sector accounted for N19.3 trillion of the value of economic activities in Nigeria, contributing 25% of the country's real GDP of N77.94 trillion based on official figures released by the National Bureau of Statistics (NBS). The sector's growth and stability are critical for delivering food security for the country's over 220 million people and jobs for over 40% of persons in employment. Over 90% of activities in the sector are in the crop production sub-sector. This leaves a smaller portion, around 10%, dedicated to livestock, forestry, and fishing. The dominance of crop production highlights the importance of crops like cassava, yam, maize, sorghum, rice, and millet, which together cover over 65% of the cultivated area in Nigeria (Fabbe et al., 2022).

Figure 1: Nigeria's Agriculture Sector Performance



Source: World Development Indicators, 2024

Despite the sector's well-known prospects for transformative expansion, growth has declined over the last few decades - from an annual average of 10.5% during the

period 2000 - 2010 to less than 2% over the last five years, owing to structural and emerging challenges. These challenges include limited investment in research, low productivity due to poor farm practices, lack of access to modern equipment, limited use of fertilisers and quality seeds to boost crop yields, poor infrastructure for storage, transportation, and irrigation which contribute to post-harvest losses, and complexities in land ownership and access to credit to secure land and resources for expansion. In the last decade, insecurity and attacks on farmlands have disrupted agricultural activities and discouraged investments, while climate change has brought about erratic weather patterns, droughts and floods which disrupt agricultural cycles and produce.

There's a strong push for the government to scale up interventions in the sector through increased public investment and improved institutional coordination at both the federal and sub-national levels. At the forefront, the federal government provides policy direction and intervenes by providing resources in core areas, while States have the autonomy to design and implement agricultural policies based on their comparative advantages. This shared responsibility for agricultural development is outlined in the Federal Republic of Nigeria 1999 Constitution (as Amended), Schedule 2, Part 2. Historically, the federal government has taken the lead in developing national policies and strategies in consultation with the sub-national governments. States concurrently do the same for their territories and in line with the national goal and objectives set for the sector. This includes establishing institutional structures and expenditure frameworks that enable them to implement agricultural policies and programmes in line with their comparative advantages and priorities.

Box 1: Constitutional provisions guiding the development of the agriculture sector

- Concurrent Legislative List: Agricultural development is included in the Concurrent Legislative List, indicating that it is a joint responsibility (Section 4 of the Constitution empowers the National Assembly to make laws on matters included in this list).
- Division of Labour: There's division of labour between the federal and State governments in carrying out this shared responsibility.
 - o Federal Government leads policy interventions in agricultural research, promotion, and financing (Section 17).
 - o State Governments retain the right to develop and implement policies in any area of agricultural development (Section 18).
- Intergovernmental Institutions: National and subnational governments have established institutional structures and expenditure frameworks that enable them to implement agricultural policies and programmes

This agriculture expenditure and institutional review (AEIR) is an opportunity to comprehensively assess the quality of agriculture expenditures by State governments, and the effectiveness of the institutional structures and arrangements that manage these resources.

1.2 Our Methodological Approach

This report seeks to highlight critical financing and coordination needs in the agricultural sector to provide insights on resource allocation, management and effectiveness. It will contribute to equipping governments and other stakeholders with valuable information on agriculture financing at the State level for improved planning, policy adjustments, more effective and efficient spending and strategic investments. The EIR methodology employs a mixed research approach, combining both quantitative and qualitative data collection methods to allow for a deep understanding of agricultural expenditures and the institutions involved. The following methods were used:

- **Expenditure Review:** Actual spending by agriculture ministries, departments and agencies for the years 2021 and 2022 and budgeted figures for 2023 were analysed to provide a breakdown of the agriculture spending patterns of all 36 States in the country.
- **Rapid Qualitative Review:** Data collection leveraged both secondary and primary sources. A rapid review was carried out through questionnaires disseminated to all 36 States between October 2023 and January 2024 to gather cross-sectional data aligned with the review objectives.
- **Stakeholder Engagement:** The EIR adopted a participatory approach, incorporating focus group discussions (FGDs) and key informant interviews. Information gathered through these discussions was analysed using descriptive statistics and narrative analysis methods.

The EIR seeks to answer three (3) key questions:

- **Budgeting Processes:** How effectively are resources allocated for agricultural development across Nigerian States?
- **Institutional Structures:** Are the existing institutional arrangements for coordinating agricultural policies and programmes adequate?
- **Coordination Mechanisms:** How efficiently are agricultural development activities coordinated across the different levels of government (federal, State, and local)?

1.3 Report Structure

This report is structured into four (4) parts. **Part 1** covers the introductory sections, with the background and motivations stated and the methodological approach described.

Part 2 covers a detailed analysis of the agriculture spending patterns of States, looking at nine (9) key metrics set below. We have focused on the quality of agriculture expenditure by the 36 States from 2021, when the National Chart of Accounts (NCOA)¹ standard was fully adopted by all State governments in the country, to 2023. Before 2021, budgets were not prepared using a common standard, which meant that there was a great deal of difficulty for budget, finance and account officers to classify and record government financial transactions in an orderly, efficient, and transparent manner, and there was limited data to carry out a comprehensive expenditure review covering all States of the federation.

Box 2: What the NCOA captures in relation to government expenditure

- Administrative Segment - who is spending the money?
- Economic Segment - what is the nature of the expenditure (i.e., what is the money being spent on)?
- Functional Segment - what is the purpose of the expenditure?
- Programme Segment - how does the expenditure help achieve policy priorities?
- Fund Segment - source (where is the money coming from)?
- Location Segment - where does the benefit of the expenditure reside?

The report uses actual expenditure data for 2021 and 2022, while the budget (original budget) figures are used for the year 2023.²

- **Total agriculture expenditure (actual):** This presents a consolidated view of the agriculture expenditure of the 36 States.
- **Agriculture expenditure by each State:** This provides a state-by-state comparison of agriculture expenditure, revealing variations in government priorities.

¹The NCOA is a complete list of budget and accounting codes uniquely grouped into tables for budgeting, tracking, managing, and reporting budgetary and accounting items in an orderly, efficient, and transparent manner.

²Cross River and Delta 2022 data based on Jan - Sep performance; Niger 2021 actual data sourced from the State's 2023 Approved Budget; Ogun 2021 and 2022 actual data sourced from the State's 2023 Approved Budget.

- **Sector budget performance:** We assess how well States are adhering to their planned agricultural allocations.
- **Agriculture expenditure (share of total expenditure):** This reveals the relative importance placed on agriculture compared to other sectors.
- **Medium-term sector strategy planning:** We explore how States are planning for their current and future agricultural needs.
- **Structure of agriculture expenditure:** We review the distribution of agricultural expenditures across the three (3) main sub-sectors of agriculture, forestry, and fishing and hunting.
- **Capital versus recurrent expenditure:** We present spending on recurrent expenditures, covering the cost of agriculture sector administration as well as capital expenditures on skills, infrastructure and machinery.
- **Funding sources for the sector:** We review the funding mix of agricultural spending, examining the contributions from federal transfers, state allocations, and other sources like user fees or industry levies.
- **Distribution of agriculture resources:** We analyse how resources are distributed across States, highlighting budgetary priorities and potential regional disparities. The section also examines how resources are distributed across different crop types (e.g., corn, wheat, fruits) and farmer demographics (e.g., farm size, age, location).

Part 3 of the report reviews the agricultural institutional system which is the control engine of the sector. The following areas are covered:

- **Inventory of Key Players:** We provide a synopsis of the key agricultural institutions and agencies at the national and State levels.
- **Institutional Assessment:** We assess the strengths and weaknesses of these institutions, focusing on their technical expertise and overall effectiveness.
- **Safeguarding Resources:** We analyse the mechanisms in place to ensure transparency, oversight, and accountability in the allocation and utilisation of agricultural resources.
- **Promoting Efficiency:** This section tries to evaluate the policies and procedures governing procurement, project implementation, and financial management in agriculture ministries.
- **Sustainability Analysis:** An evaluation of the viability of current expenditure patterns will be conducted to assess whether current funding levels are sustainable for long-term agricultural development.

- **Outcome Analysis:** This sub-section seeks to establish a correlation, if data permits, between expenditure patterns and agricultural outcomes.

Having reviewed both the fiscal and institutional systems, Part 4 presents strategies to optimise resource allocation and management in the sector.

2. Expenditure Review

2.1 Total Sector Spending at the State level

The scope of State government spending in the sector has not been previously measured. Our analysis of their plans, budgets and financial statements shows that these investments are made in areas such as administration, research, technology development, livestock, crop gene banks, and extension services. In 2022, total agriculture spending by the 36 States of the federation was N148 billion, 2% of their total expenditure of N7.96 trillion and 0.8% of the country's total agriculture value added of N19 trillion. Year on year agriculture spending averaged N131.6 billion between 2021 and 2022. This includes all capital and recurrent spending by the State ministries of agriculture, their departments and agencies.

This report measures spending based on the administrative segment of the National Chart of Accounts (NCOA) because of the poor quality of functional segment reports in States' annual budgets and the lack of statistical reports in the General-Purpose Financial Statements (GPFS). In the future, the functional segment reports should provide a more concise and holistic view of agricultural sector expenditure than administrative segment reports, including agriculture-related spending captured under the budget of other MDAs.

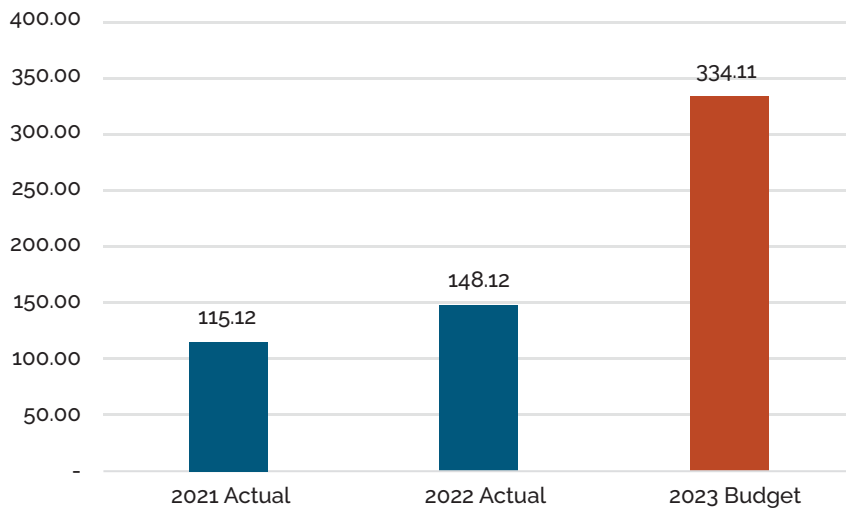
The agriculture budget of the 36 States for 2023 was set at N334.11 billion - an increase of 126% from their total actual agriculture expenditure in 2022. The report notes that the budget performance of State allocation to the agriculture sector averages below 50% annually, indicating that the actual spending for 2023 will most likely fall below the N334.11 billion target.

³There are different appellations for the Ministry of Agriculture, such as the Ministry of Agriculture and Natural Development, or the Ministry of Agriculture, Livestock and Fisheries. In this report, the expenditure for all agriculture-related ministries, departments and agencies are captured.

⁴The programme, function, and location segment reports of the statutory financial statements.

⁵The GPFS templates are used by the three tiers of governments in the preparation of their financial statements. In addition to the Statutory Financial Statements, the GPFS includes Budget Performance Reports and full-year statistical reports.

Figure 2: Total Agriculture Sector Expenditure for the 36 States (NGN Billion), 2021 – 2023

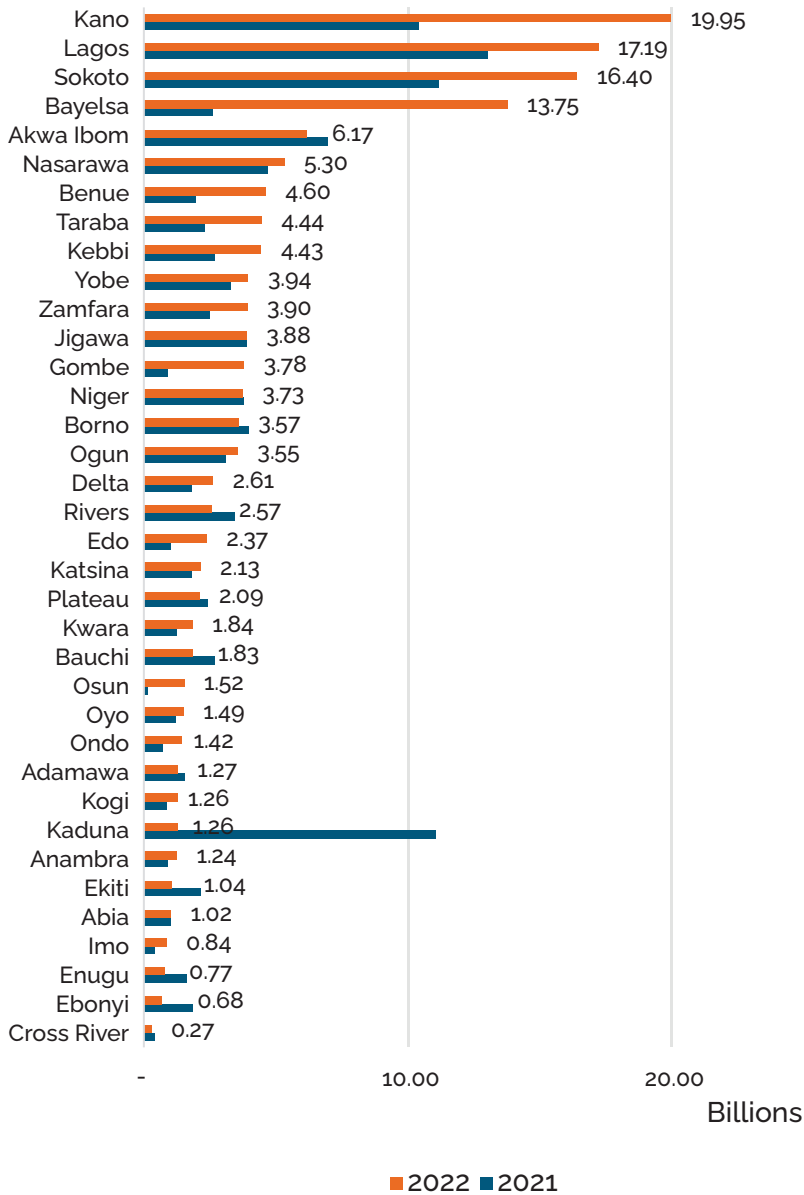


Source: 2021 and 2022 Audited Financial Statements and the 2023 Budgets of States

2.2 Size of Sector Expenditure by State

The States with the highest agriculture expenditure in 2022 were Kano (N20 billion), Lagos (N17.2), Sokoto (N16.4 billion) and Bayelsa (N13.8 billion), which together spent N67.3 billion, accounting for over 45% of the total agriculture expenditure of the 36 States. In the previous year 2021, Kaduna ranked among the top States, spending a total of N11.1 billion behind Lagos (N13 billion) and Sokoto (N11.2 billion). The average annual spending per State in the sector was N3 billion in 2021 and N4 billion in 2022.

Figure 3: Agriculture Expenditure by States, Actual NGN, 2021 – 2022



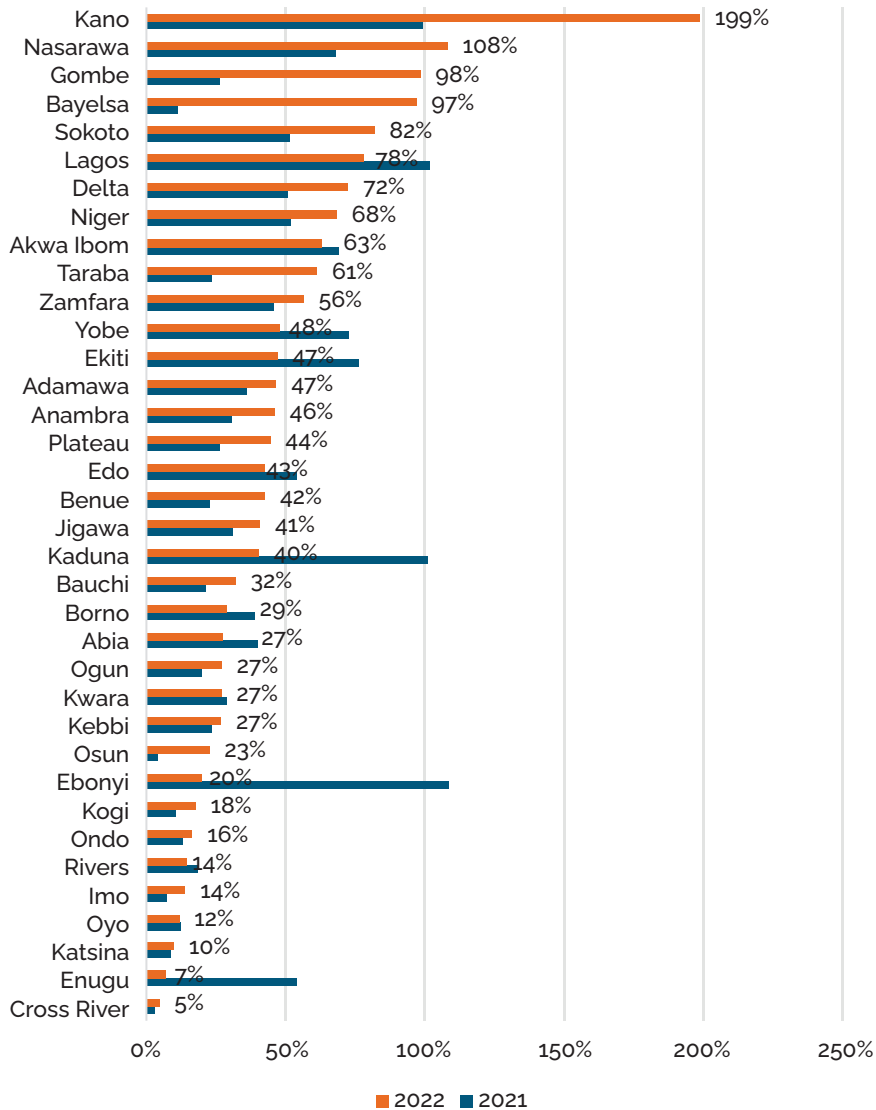
Source: 2021 and 2022 Audited Financial Statements and the 2023 Budgets of States

2.3 Sector Budget Performance

Budget performance measures how much cash the government spends at the end of the budget year compared to the spending plan the State outlined in its original budget. The report prioritised actual expenditures (what governments spent) rather than budget figures (what governments proposed to spend) because general budget performance in the sector averaged below 50% year on year. Besides Kano, Lagos and Nasarawa, no other State maintained consistent year-on-year average

budget performance of 70% and above for the 2021 and 2022 periods. Kano's performance was an outlier, recording a budget performance of 99% in 2021 and 199% in 2022.

Figure 4: Agriculture Sector Budget Performance, 2021 & 2022



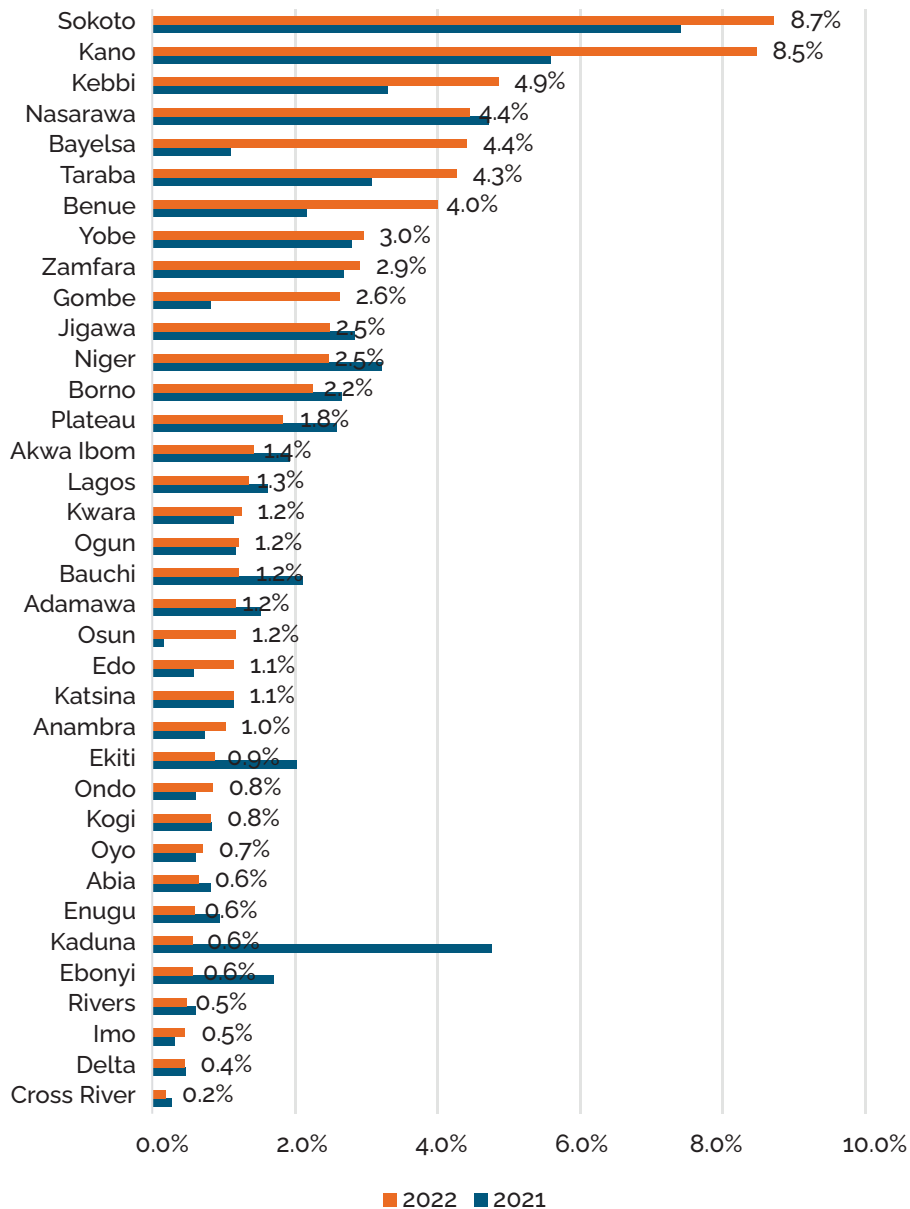
Source: Calculated based on data from the 2021 and 2022 Audited Financial Statements and the 2023 Budgets of States

2.4 Agriculture Sector Expenditure (Share of Total Expenditure)

The share of agriculture expenditure in relation to the total expenditure of the State provides a clearer representation of the relative priority given to the sector by each State. Spending for the sector averaged 2% of States' total expenditure - well below

the 10% target of the Maputo Declaration on Agriculture and Food Security (2003). Adopted by the African Union (AU) Assembly in 2003, the declaration is a key commitment of AU member states to allocate at least 10% of their national budgets to agriculture and rural development within five years. Two decades after the commitment was reached, only 2 State governments - Kano and Sokoto spent above 8% of their total expenditure on agriculture in 2022. This target was below 1% for a third of the States.

Figure 5: Agriculture Sector Expenditure (Share of Total Expenditure), 2021 & 2022



Source: Calculated based on data from the 2021 and 2022 Audited Financial Statements and the 2023 Budgets of States

2.5 Medium-Term Sector Strategy Planning for the Sector

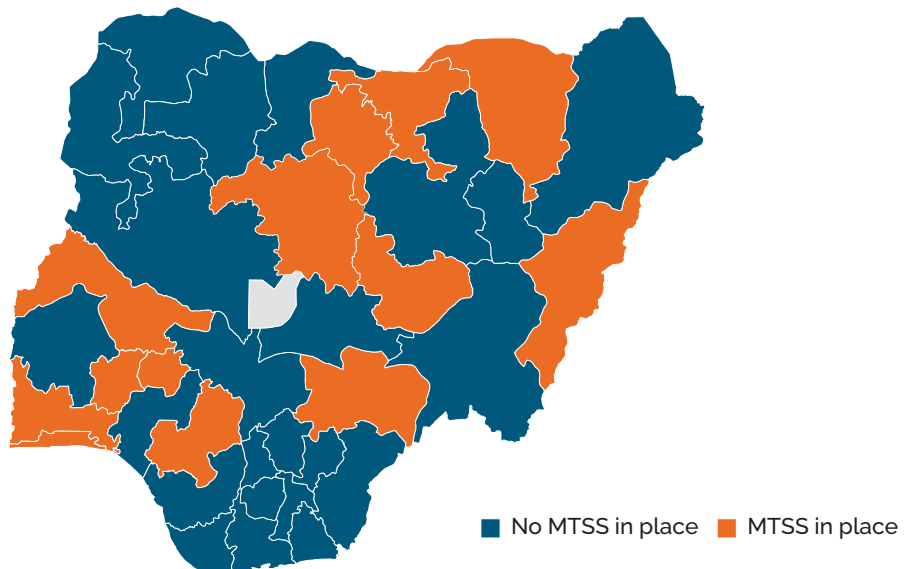
A survey was carried out in November 2023 to ascertain whether States have an up to date (covering up to the 2024 budget year) medium-term sectors strategy (MTSS) for the agriculture sector. The use of an MTSS is important as it helps assess the maturity of policies and planning in the sector, and the extent to which the sector is contributing to the core objectives of public financial management, namely:

- i. Aggregate fiscal discipline
- ii. Policy-based allocation of resources; and
- iii. Value for money

The MTSS is a very important linkage between the policies of government and the annual budget (and actual expenditure). It captures the activities, outputs, outcomes and impacts within the sector. When the programme segment of the NCOA (see Box 2) is applied to the MTSS and the annual budget, it is possible to ascertain the extent to which policy priorities are reflected in the budget (PFM Core Objective 2). If actual expenditures are recorded against the programme segment, and proper monitoring and evaluation is undertaken to assess the extent to which outputs, outcomes and impacts have been achieved, it is then possible to ascertain the value for money from expenditures within the sector (PFM Core Objective 3). Without an MTSS, it is difficult to align budget allocations to policy and to assess the impact of expenditures on agriculture sector outcomes.

Unlike development plans which are aspirational and loosely costed, the MTSS is more practical, fully costed with ceilings and priorities. The use of an MTSS may be viewed as an indicator of the strategic priority given to the sector, but it's not definitive.

Figure 6: Status of Agriculture MTSS across States



The survey revealed that 13 States have an agriculture MTSS covering at least the 2024 budget year. The absence of an MTSS in 23 States can be attributed to a variety of contextual factors and unique circumstances, including differing comparative advantages. These factors have influenced the priority placed on the sector by State governments. Evidence shows that there are also cases of alternative planning documents and roadmaps at the ministry level that guide resource allocation for the sector besides a formal MTSS which is 'State-wide'. These alternative tools provide a prescription of the activities, outputs, and outcomes similar to what is attainable in the MTSS.

The survey did not interrogate the MTSSs to ascertain whether the documents set out the projects and programmes that will be carried out in the sector, how much each programme and project cost, where the money for them will be sourced from and who will carry them out.

2.6 Structure of Agriculture Expenditure

The section presents an analysis of the sector expenditure at a disaggregated level. The following dimensions of analysis were envisaged:

- i. Distribution across agricultural sub-sectors (e.g., crops, livestock, fisheries, forestry);
- ii. Expenditures on inputs, infrastructure, research, extension services, and marketing;
- iii. Administrative and operational costs; and
- iv. Capital versus recurrent costs.

Despite progress in budgeting practices, particularly in relation to the domestication of the NCOA in the annual budget, some challenges remain which make it very difficult to break down expenditures under these categories. Dimensions i - iii were not possible at this time due to three (3) main reasons:

- i. Inability of State governments to accurately apply the NCOA codes to their budgets and actual expenditure;
- ii. Inadequate content and low level of accuracy of the financial report of State governments; and
- iii. Lack of a detailed programme segment coding.

The NCOA which has six segments of coding (see Box 2) allows for these dimensions of analysis to be conducted. Starting with the distribution of expenditures across the agriculture sub-sectors (agriculture, livestock, fisheries, forestry), this should be possible using the functional segment of the NCOA based on the global standard Classification of Functions of Government (COFOG) which was developed and is sponsored by the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD). The relevant coding is presented in the table below.

Table 1: Functional Classification of the Agriculture Sector

Code	Description	Level	Level Description
704	Economic Affairs	1	Function
7042	Agriculture, Forestry, Fishing and Hunting	2	Sub-Function
70421	Agriculture	3	Detailed Function Item
70422	Forestry	3	Detailed Function Item
70423	Fishing and Hunting	3	Detailed Function Item

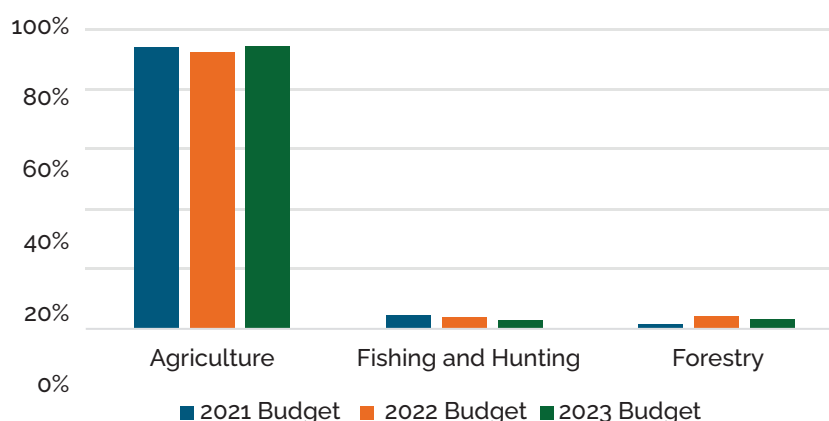
As previously highlighted, the main challenges of the functional segment data are (i) poor quality of the application of the function segment to budgets, (ii) lack of a set of "Statistical Reports" in the General-Purpose Financial Statements of State Governments that are consistent with the statutory reports based on the International Public Sector Account Standard (IPSAS), and (iii) lack of a detailed statistical data on State budgets and accounts. We present these expenditures coded to the function segment under Function 7042 in Table 2 and Figure 7.

Table 2: Function Segment of the Agriculture Budgets of States (NGN Millions), 2021 – 2023

Code	Function	2021 Budget	2022 Budget	2023 Budget
7042	Agriculture, Forestry, Fishing and Hunting	280,551	321,093	295,793
70421	Agriculture	264,038	296,077	278,873
70422	Forestry	4,008	13,231	9,137
70423	Fishing and Hunting	12,506	11,786	7,783

Data Source: 2021 – 2023 Budgets of States, NGF Public Finance Database, 2024

Figure 7: Distribution of the Agriculture Budget of States, 2021-2023 Budgets



Data Source: Calculated based on data from the 2021 – 2023 Budgets of States, NGF Public Finance Database, 2024

The figures show that the agriculture sub-sector accounted for over 90% of the aggregate agriculture budget allocation for the 36 States. Less than 10% was allocated to forestry, fishery and hunting. These spending patterns are consistent with the country's agriculture GDP, where 90% of economic activities are in crop production and less than 10% in the livestock, forestry, and fishing sub-sectors.

The dimensions of analysis related to (ii) expenditures on inputs, infrastructure, research, extension services, and marketing and (iii) administrative and operational costs are possible through a combination of the administrative, economic and programme segment coding.

Where the administrative segment of the NCOA identifies the responsibility centre for expenditures (and revenues), the largest share of expenditures in the sector will be coded to the main organisation 0215 which is the Ministry of Agriculture, with the incorporation of all its departments, agencies, and parastatals. The standard structure of Main Organisation 0215 as described in the NCOA is presented in Table 3.

Table 3: Administrative Segment Coding for the Agriculture Sector

02	ECONOMIC SECTOR	1	Sector
0215	MINISTRY OF AGRICULTURE	2	Main Org
0215001001	Ministry of Agriculture	3	MDA
0215021001	State College/ Institute of Agriculture	3	MDA
0215026001	Veterinary Institute	3	MDA
0215102001	Agricultural Development Programme	3	MDA
0215106001	Food Security Programme - State	3	MDA
0215109001	Forestry Regeneration Programme	3	MDA
0215110001	Agricultural Input and Supply Agency	3	MDA
0215111001	Agro Allied Investment/ Trading Company	3	MDA
0215112001	Agricultural Loan Board	3	MDA
0215113001	Agricultural Land Development Board / Agency	3	MDA
0215114001	Agricultural Regulatory/Commission/Authority	3	MDA

State governments can add MDAs to the above structure, and the Main Organisation (i.e. Ministries). In some instances, there is more than one main organisation responsible for the agriculture sector (e.g. Adamawa State has a Ministry of Livestock and Aquaculture Development, while several States have Ministries of

Rural Development with functions that intersect with the agriculture sector) which makes identifying the relevant expenditure difficult.

The economic segment coding on the other hand is reliable because it distinguishes expenditures on inputs, infrastructure, research, extension services, and marketing. However, the quantum of data collection needed to present data on these items for the agriculture sector alone, and for budget and actual expenditure, is not yet feasible.

The programme segment of the NCOA will facilitate further analyses in future years. The agriculture sector (planning sector) coding for 2024 budgets under the programme segment is presented in Table 4. This template was developed following a focus group discussion (FGD) organised by the NGF Secretariat in November 2023. The FGD brought together public finance management and agriculture sector practitioners and experts from both the federal and State levels to review and reach a consensus on government spending priorities in the sector.

Table 4: Programme Segment Coding for the Agriculture Sector

Code	Description	Level	Level Description
01	Agriculture	1	Sector
0101	Effective governance of the agriculture sector	2	Objective
010101	Legal, policy, regulations and standards, guidelines and protocols development and reviews	3	Programme
010102	Agriculture sector coordination mechanisms	3	Programme
0102	Development of the livestock value chain	2	Objective
010201	Ruminant (cattle, sheep & goats) production and marketing	3	Programme
010202	Meat processing and marketing	3	Programme
010203	Poultry, pig, and micro livestock production	3	Programme
010204	Dairy development	3	Programme
010205	Animal health and livestock diseases management	3	Programme
010206	Livestock feeds development	3	Programme
0103	Enhancement of food production and productivity	2	Objective

010301	Crop value chains and food systems promotion (food and cash crops of state's comparative advantage)	3	Programme
010302	Intensive crop and vegetable production (irrigation, crop diversification etc.)	3	Programme
010303	Farm inputs supply and service delivery system (improved seeds, fertiliser, agrochemicals etc.)	3	Programme
0104	Reduction of post-harvest losses	2	Objective
010401	Modern technology for post-harvest storage and value addition	3	Programme
010402	Buffer stocking and commodity warehousing	3	Programme
010403	Market linkage	3	Programme
010404	Agricultural produce and quality control	3	Programme
0105	Enhancement of fisheries resources development (aquaculture, marine, inland, artisanal)	2	Objective
010501	Commercial aquaculture development (fish production, feed mills development, fishing inputs etc.)	3	Programme
010502	Commercial coastal and inland fishing	3	Programme
010503	Fish processing and post-harvest management	3	Programme
010504	Marine industrial fishing	3	Programme
0106	Promotion of forest resource conservation and preservation of biodiversity	2	Objective
010601	Forest regeneration and conservation	3	Programme
010602	Eco-tourism development	3	Programme
010603	Non-farm forestry livelihood economics empowerment promotion (apiculture, sericulture etc.) programme	3	Programme
0107	Promotion of enabling environment for increased agricultural development	2	Objective
010701	Integrated rural development (agricultural land development, farm mechanisation, & rural infrastructures)	3	Programme

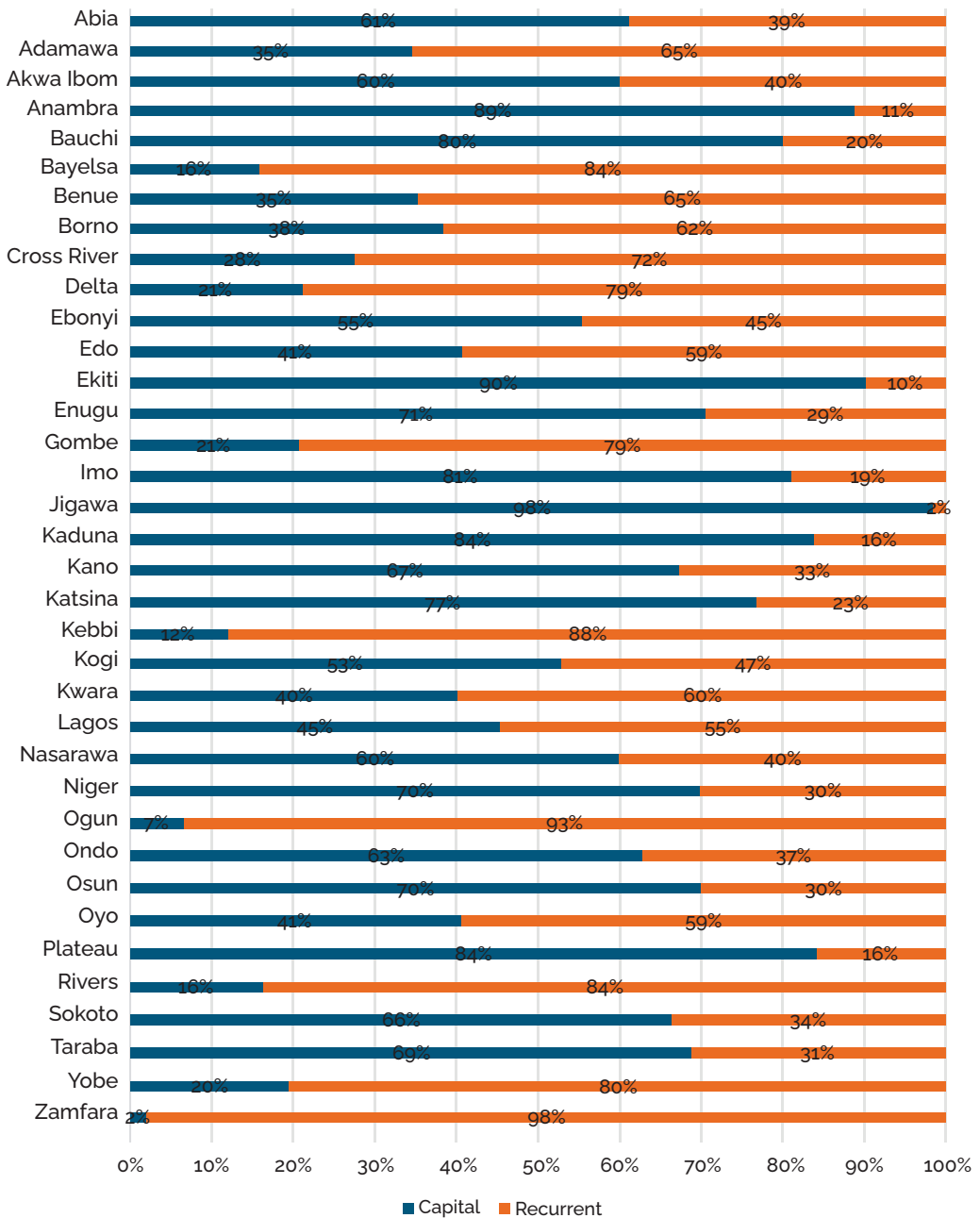
010702	Youth and women in agriculture empowerment & smallholder agricultural credit strengthening	3	Programme
010703	Agricultural data and statistic management and institutionalisation of information and communication technology (ICT)	3	Programme
010704	Adaptive research, unified and all-inclusive extension services delivery	3	Programme
010705	Public Private Partnerships (corporate private sector, NGOs, donors & development partners, farmers organisations)	3	Programme
010706	Capacity building for stakeholders and professional human resources development	3	Programme
0110	Agriculture Sector Expenditures Not Elsewhere Classified	2	Objective
011001	Agriculture Programme Not Elsewhere Classified	3	Programme

These programme codes were used to prepare the 2024 budgets and potentially the segmentation of the 2023 budget performance reports, with the potential for more detailed analysis in subsequent reviews. Reporting accurate data for actual expenditures using this classification will evolve with time. In the interim, a breakdown of expenditure by capital and recurrent (dimension iv as outlined at the start of this section) is presented in the next section.

2.7 Capital versus Recurrent Expenditures

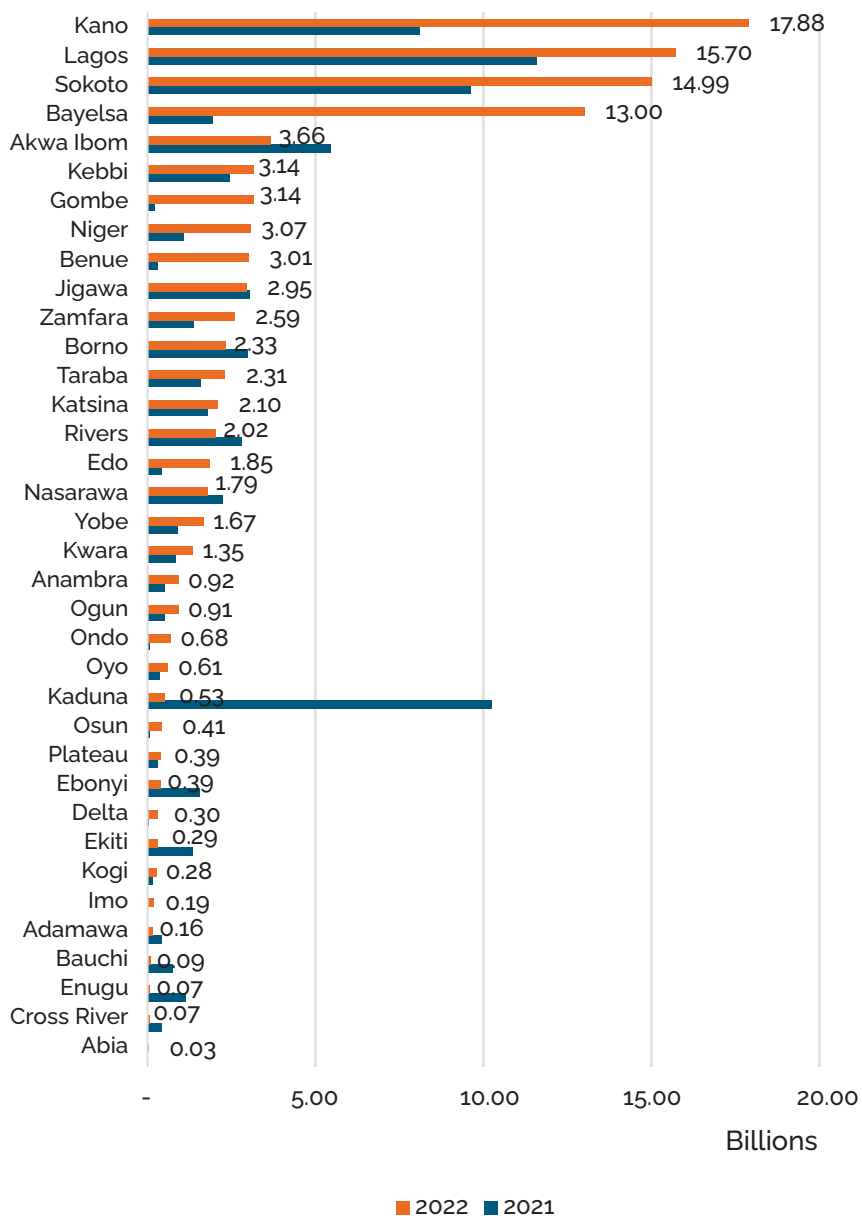
This section reviews allocations for recurrent expenditure i.e., agriculture sector administration, and capital expenditures on assets for agricultural development, including both tangible (e.g., tractors) and intangible assets (skills of farm workers, or intellectual property). The average ratio of capital to recurrent spending (actual) for all 36 States is 59%:41% indicating greater spending on capital assets. The States with the largest capital spending in the sector in 2022 were Kano (N17.9 billion) with a CapEx: 'RecEx ratio of 90%:10%, Lagos (N15.7 billion, 91%:9%), Sokoto (N15 billion, 91%:9%) and Bayelsa (N13 billion, 95%:5%) together accounting for close to 60% of the total capital expenditure of all the 36 States in areas such as irrigation infrastructure, storage facilities, research and development and extension services.

Figure 8: Capital: Recurrent Expenditure Ratio (% Average), 2021 & 2022



Source: Calculated based on data from the 2021 and 2022 Audited Financial Statements and the 2023 Budgets of States

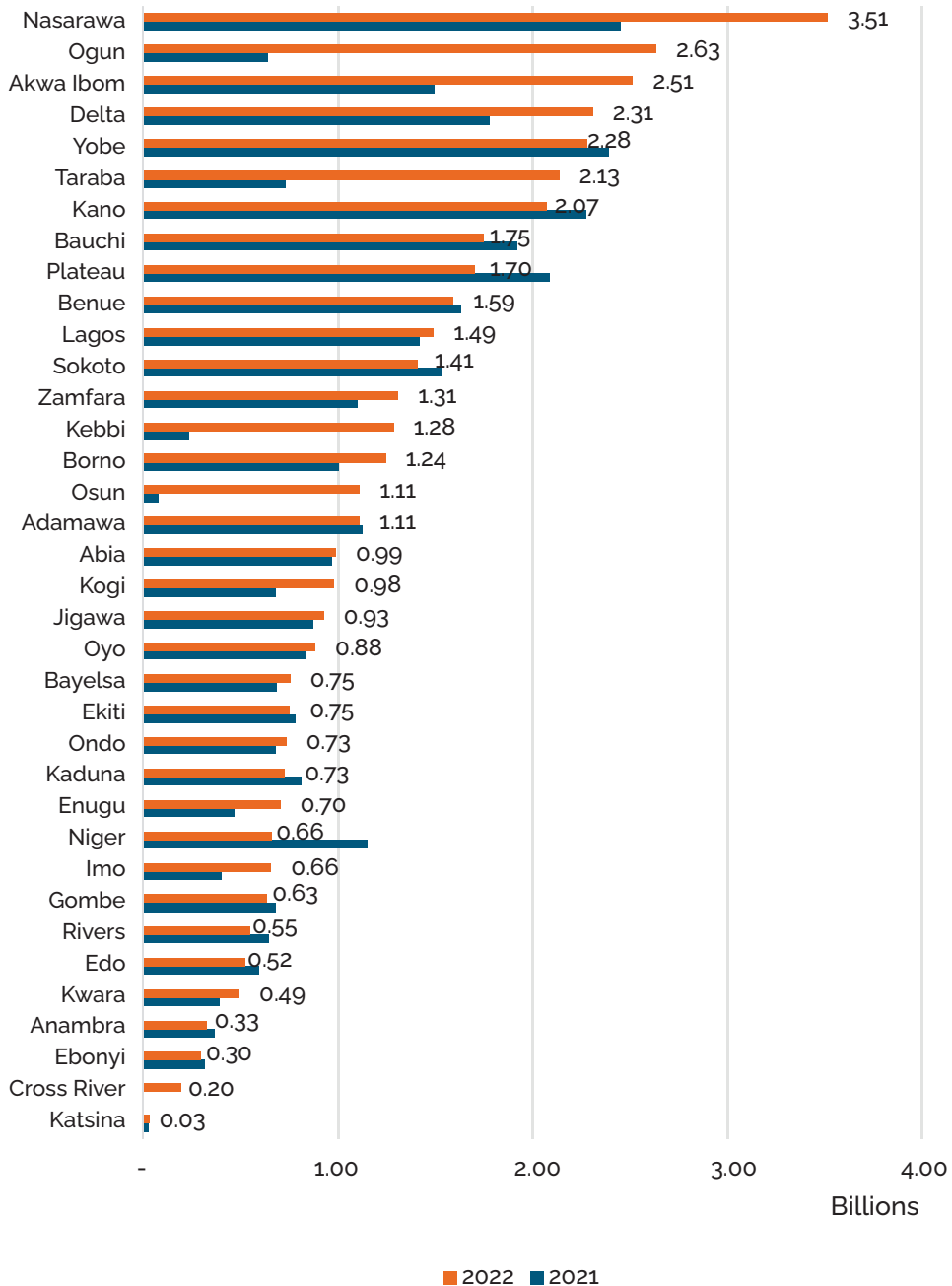
Figure 9: Agriculture Sector Capital Expenditure (Actual in NGN Billion), 2021 – 2022



Source: 2021 and 2022 Audited Financial Statements of States

For recurrent expenditures including salaries and operational costs for ministries and agencies that implement agricultural policies and programmes, maintenance of existing irrigation systems and rural roads to farms, subsidies for seeds, fertilisers and other inputs as well as funding of extension services, Nasarawa (N3.5 billion), Ogun (N2.6 billion) and Akwa Ibom (N2.5 billion) were the top spenders in 2022. Others were Yobe (N2.3 billion), Taraba, (N2.1 billion) and Kano (N2.1 billion).

Figure 10: Agriculture Sector Recurrent Expenditure (Actual in NGN Billion), 2021 – 2022



Source: 2021 and 2022 Audited Financial Statements of States

Total capital expenditure for the 36 States grew from N76.5 billion in 2021 to N104.9 billion in 2022, while recurrent expenditure grew from N35.2 billion to N43.2 billion over the same period. The trend in government spending although positive, falls below the need to quickly tackle the challenges of food security and poverty reduction in the country.

The differing levels of spending among States demonstrate the varying degrees of priority that have been assigned to the sector. Geographic circumstances, such as climate, soil quality, availability of infrastructure as well as the scope of existing private sector investments and development partner support are additional factors that explain these variations. While recurrent expenditure is often criticised for not leading to long-term improvements, it should be noted that such expenditures invariably rise when capital expenditures are made, especially for oversight activities and maintenance programmes. Over time, certain recurring expenses can evolve to become self-sustaining or require less public funding, freeing up resources for new priorities. One challenge identified in the expenditure review is that there were several instances where States coded recurrent expenditures (e.g. purchase of grains, fertilisers etc) as capital expenditure in their budgets and financial statements. The data in this section should be used with caution, as it may have limitations and potential biases that could affect the interpretation of the findings.

2.8 Funding Sources for the Sector

Funding for the sector comes from three (3) main sources - general government (Federal, State and Local Governments based on their revenues), aid and grants from development partners, and private investments in farms etc (which for the agriculture sector should be significant).

2.8.1 State Funding

For State governments, these sources can be further grouped into five (5):

- Recurrent Revenues
 - Federation Account Revenues (e.g. Statutory Allocation, Mineral Derivation, value added tax (VAT) and other federation account revenue transfers);
 - Independent Revenues (tax and non-tax revenues collected in the State);
- Capital Receipts
 - Aid and Grants (Aid being financing that is received in-kind - i.e. money that does not flow through a government bank account);
 - Loans; and
 - Other Receipts (e.g. sale of State assets, refunds (e.g. Paris Club Refund), etc)

The sector generates a small amount from independent revenues (such as fees,

licenses, sale of farm produce, and rents on agriculture assets), receives grants, loans, and other receipts from development partners (see Table 5), as well as funds from the State's "Main Envelope" of discretionary funds. Due to the structure and content of the Financial Statements of State Governments and poor record-keeping of receipts that do not flow through the main treasury of the State, it is difficult to ascertain the precise level of external funding that States receive. For this reason, the 2023 budget has been used as a basis for the analysis in this section.

We start by presenting the recurrent revenues (collected by the MoA and its departments, agencies, and parastatals) and capital receipts related to the sector, and the extent to which they cover recurrent costs and capital investments. The data presented in this section offers a snapshot of the 2023 budget. It is important to note that this can fluctuate over time. Therefore, it should not be used as a definitive measure of the sector's actual revenue.

Table 5: 2023 Budget: Agriculture Sector Revenue and Expenditure by State (in NGN Million)

State	Agriculture Expenditure			Agriculture Revenue and Receipts		Share of Total Sector Expenditure funded by Sector Revenue	
	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Independent Revenue	Capital Receipts	Independent Revenue	Capital Receipts
Abia	1,361.29	2,409.20	3,770.49	98.07	1,472.39	2.60%	39.05%
Adamawa	1,145.15	1,947.79	3,092.93	3,203.31	4,510.48	103.57%	145.83%
Akwai Ibom	4,812.93	10,078.75	14,891.68	51.40	1,950.00	0.35%	13.09%
Anambra	457.95	2,045.36	2,503.31	22.89	1,000.00	0.91%	39.95%
Bauchi	2,159.80	3,436.37	5,596.18	127.88	1,505.00	2.29%	26.89%
Bayelsa	1,199.04	13,000.00	14,199.04	3.75	4,000.00	0.03%	28.17%
Benue	2,439.29	11,449.94	13,889.23	655.46	4,790.42	4.72%	34.49%
Borno	1,680.47	8,151.02	9,831.49	289.29	430.30	2.94%	4.38%
Cross River	884.22	5,170.58	6,054.81	294.78	960.00	4.87%	15.86%
Delta	1,570.95	2,049.46	3,620.41	509.19	2,000.00	14.06%	55.24%
Ebonyi	422.57	3,481.00	3,903.57	193.16	1,000.00	4.95%	25.62%
Edo	930.00	5,275.00	6,205.00	387.47	500.00	6.24%	8.06%
Ekiti	818.95	1,231.35	2,050.29	217.22	3,500.00	10.59%	170.71%
Enugu	633.57	5,185.29	5,818.86	14.86	4,591.50	0.26%	78.91%
Gombe	1,012.13	3,060.00	4,072.13	1,629.30	5,000.00	40.01%	122.79%
Imo	1,416.87	5,032.02	6,448.90	1,297.73	11,657.24	20.12%	180.76%
Jigawa	890.47	6,588.90	7,479.37	125.29	11,122.00	1.68%	148.70%

Kaduna	737.78	750.42	1,488.19	231.39	50.00	15.55%	3.36%
Kano	2,120.62	18,829.74	20,950.36	1,217.47	9,880.18	5.81%	47.16%
Katsina	1,094.98	13,374.29	14,469.28	548.63	5,000.00	3.79%	34.56%
Kebbi	1,551.74	10,040.36	11,592.10	123.07	5,379.00	1.06%	46.40%
Kogi	1,173.11	8,381.20	9,554.31	292.46	2,050.00	3.06%	21.46%
Kwara	501.47	3,947.12	4,448.59	525.33	5,419.00	11.81%	121.81%
Lagos	1,877.57	15,528.76	17,406.33	4,000.00	-	22.98%	0.00%
Nasarawa	6,812.56	4,449.97	11,262.52	388.40	100.00	3.45%	0.89%
Niger	2,231.97	9,810.58	12,042.55	27.90	6,787.71	0.23%	56.36%
Ogun	4,354.89	17,671.06	22,025.96	1,815.69	2,308.68	8.24%	10.48%
Ondo	1,523.02	9,753.95	11,276.97	1,183.92	11,270.00	10.50%	99.94%
Osun	1,090.26	9,505.88	10,596.14	811.15	3,484.56	7.66%	32.89%
Oyo	2,525.50	5,818.26	8,343.76	956.00	10,015.13	11.46%	120.03%
Plateau	3,071.18	2,905.18	5,976.35	179.15	700.00	3.00%	11.71%
Rivers	574.39	17,130.00	17,704.39	202.50	-	1.14%	0.00%
Sokoto	1,652.19	11,831.84	13,484.03	3,856.99	1,000.00	28.60%	7.42%
Taraba	2,943.64	10,664.42	13,608.07	136.03	-	1.00%	0.00%
Yobe	2,989.12	4,134.84	7,123.96	1,090.00	-	15.30%	0.00%
Zamfara	3,591.40	3,742.00	7,333.40	1,757.85	400.00	23.97%	5.45%
Total	66,253.03	267,861.90	334,114.93	28,465.00	123,833.58	8.52%	37.06%

Source: 2023 Budgets of States

2.8.2 Private Sector Investment

Private sector funding for the sector comes from two main sources, namely;

- Private sector investments in setting up large-scale mechanised farms (including processing, marketing and storage facilities), and agricultural support services (fertiliser, inputs, technical support, etc); and
- Subsistence farmers' expenditure.

Information on funding from any of the two (2) sources is unavailable.

2.8.3 External Funding, including Donor Contributions and Grants

External funding captures sources from outside the State Government. This will typically come from any of the following:

- Federal government (including loans provided by the Central Bank of Nigeria);
- Contributions from local governments; and

- Grants and loans from development partners.

Table 6 presents a breakdown of the expected receipts for States' agriculture programmes as detailed in their 2023 budgets.

Table 6: Agriculture Sector Aid, Grants and Loans in the 2023 Budgets of States, NGN Millions

Nature	Source				Total	
	Foreign		Domestic		Amount	Percentage
	Amount	Percentage	Amount	Percentage		
Aid	248.71	0.2%	65.81	0.1%	314.52	0.3%
Loan	81,873.79	66.1%	5,166.00	4.2%	87,039.79	70.3%
Grant	25,316.71	20.4%	11,162.56	9.0%	36,479.27	29.5%
Other	-	0.0%	-	0.0%	-	0.0%
Total	107,439.22	86.8%	16,394.37	13.2%	123,833.58	100.0%

Source: 2023 Budgets of States

The largest external source of funding for States' agriculture programmes is foreign loans (66%), particularly from the World Bank through programmes such as the Nigeria Rural Access and Agricultural Marketing Project (RAAMP),⁶ the Agro Processing, Productivity Enhancement and Livelihood Improvement Support (APPEALS)⁷ and the Livestock Productivity and Resilience Support Project (L-PRES)⁸ which make up 68.8% of the total loans budgeted in 2023. Other development partners supporting the sector include the International Fund for Agricultural Development (IFAD), the Food Agricultural Organisation (FAO) and the Islamic Development Bank (ISDB).

Total agriculture aid, grants and loans in the 2023 budgets of States was equivalent to 37.1% of the sector's total expenditure proposed for the year. Full details of the capital aid, grants, loans and other capital receipts in 2023 are presented in Table 7.

⁶See <https://projects.worldbank.org/en/projects-operations/project-detail/P163353>

⁷See <https://appealsproject.com.ng/>

⁸See Development Projects: Livestock Productivity and Resilience Support Project - P160865 (worldbank.org)

Table 7: Details of Capital Aid, Loans and Other Capital Receipts for the Agriculture Sector in the 2023 Budgets of States

State	Receipt Description	2023 Budget Provision	Nature	Source
Abia	Federal Gov't Grant/Conditional Grant Scheme & FADAMAIII/IDA	861,000,000	Grant	Domestic
Abia	National Programme for Food Security (NPFs) ADP	83,948,400	Grant	Domestic
Abia	Central of Nigeria Rural Mobilization/ Niger Delta Development Commission/RUMED/IFAD Programmes	107,625,400	Grant	Domestic
Abia	Agric Trans Agenda/Agricultural Ext. Trans Agenda ATA/ETA	53,812,700	Aid	Domestic
Abia	Abia State Livelihood Improvement Family Ent. for Niger Delta	366,000,000	Loan	Domestic
Adamawa	State Agric Development Programme (CARES Funds)	1,000,000,000	Grant	Foreign
Adamawa	Food Agricultural Organisation (FAO)	11,000,000	Grant	Domestic
Adamawa	Rural Access Mobility Project (RAMP)	3,499,475,000	Loan	Foreign
Akwa Ibom	World Bank AK-RAAMP (External Loan)	1,150,000,000	Loan	Foreign
Akwa Ibom	FGN/CARES (FADAMA, CSDP, SMEs etc)	800,000,000	Loan	Foreign
Anambra	World Bank - RAMP	1,000,000,000	Loan	Foreign
Bauchi	Rural Access and Agricultural Marketing Project (RAAMP)	1,500,000,000	Loan	Foreign
Bauchi	Support Women in Cash Crops Agricultural Produce for Reduction on Poverty through MEDA Canadian Project	5,000,000	Aid	Foreign
Bayelsa	Rural Access Agricultural Marketing Project (RAAMP)	4,000,000,000	Grant	Foreign

Benue	International Fund for Agricultural Development (IFAD)/Value Chain Development Programme (VCDP)	600,000,000	Grant	Foreign
Benue	FOOD SECURITY (United Nation Development Programme (UNDP)/ Global Environment Fund (GEF))	45,000,000	Grant	Foreign
Benue	New Partnership for African Development (NEPAD)/Comprehensive Africa Agriculture Development Programme (CAADP)-Agricultural Technical Vocational Education and Training (ATVET) Intervention: Benue State Financing Plan - Akperan Orshi Polytechnic, Yandev.	3,911,711,071	Grant	Foreign
Benue	FOREIGN AID: Food & Agriculture Organization - Food Security (Ministry of Agriculture & Natural Resources)	30,000,000	Aid	Foreign
Benue	FOREIGN AID: International Fund for Agricultural Development - Agricultural Support Programme (Value chain development programme-BNARDA, MANR)	175,602,509	Aid	Foreign
Benue	FOREIGN AID: BILL GATES FOUNDATION - Agricultural Input Support Value Chain (Ministry of Agriculture & Natural Resources)	28,109,713	Aid	Foreign
Borno	International Development Association (IDA) for Food Security & Livelihood.	430,300,000	Loan	Foreign
Cross River	Cross River-Rural Access and Agricultural Marketing Project (CR-RAAMP) II	450,000,000	Grant	Domestic
Cross River	Agro-processing, Productivity Enhancement and Livelihood Improvement Support (APPEALS) Project	500,000,000	Grant	Domestic

Cross River	IFAD Support fund for Agricultural Extension	10,000,000	Aid	Foreign
Delta	RAAMP	2,000,000,000	Loan	Foreign
Ebonyi	RAAMP	1,000,000,000	Loan	Foreign
Edo	Rural Access Agricultural Mobility Project (RAAMP) - World Bank Loan	500,000,000	Loan	Foreign
Ekiti	Rural Access Agric Marketing Projects (RAAMP)	3,000,000,000	Grant	Foreign
Ekiti	Federal Government Livestock Development Project	250,000,000	Grant	Domestic
Ekiti	National Livestock Transformation Plan	250,000,000	Grant	Foreign
Enugu	Agricultural Transformation Agenda Support Program-1 Grant	1,000,000,000	Grant	Domestic
Enugu	World Bank Loan for APPEALS	3,500,000,000	Loan	Foreign
Enugu	International Fund for Agricultural Development (Value Chain Development Programme)	91,500,000	Loan	Foreign
Gombe	Livestock Productivity and Resilience Support Project (L-Press)	1,500,000,000	Loan	Foreign
Gombe	Rural Access to Agricultural Marketing Project (RAAMP)	3,500,000,000	Loan	Foreign
Imo	Agricultural Export Processing Zone (AEPZ)	250,000,000	Grant	Domestic
Imo	FGN/NDDC /IFAD - LIFE-ND PROJECT	48,800,000	Grant	Domestic
Imo	Rabbit Production	500,000	Grant	Domestic
Imo	SNAILLERY	500,000	Grant	Domestic
Imo	Special Agro Industrial Processing Zone Project (SAPZ) IFAD/African Continental Bank	100,000,000	Loan	Foreign
Imo	Agricultural Export Processing Zone (AEPZ)	100,000,000	Grant	Domestic

Imo	FADAMA CARES (RESULT AREA 2)	1,700,000,000	Grant	Domestic
Imo	Integrated Fish Cage Culture	450,000,000	Loan	Domestic
Imo	RAMP 2	8,469,439,536	Loan	Foreign
Imo	Special Agro-Industrial Processing Zone Project (SAPZ)IFAD/African Continental Bank (Min. of Livestock Development)	538,000,000	Loan	Foreign
Jigawa	World Bank APPEALS Project Grants	500,000,000	Grant	Foreign
Jigawa	Agro-Climate Resilience in Semi-Arid Landscape (ACReSAL)	4,300,000,000	Grant	Domestic
Jigawa	Sasakawa Global Agricultural Grants	12,000,000	Aid	Domestic
Jigawa	African Development Bank Grants for Agricultural Development in the State	2,410,000,000	Grant	Foreign
Jigawa	Loan from Islamic Development Bank	400,000,000	Loan	Foreign
Jigawa	World Bank Supported RAMP	3,500,000,000	Grant	Foreign
Kaduna	RAAMP (Rural Access and Agricultural Marketing Project)	50,000,000	Loan	Foreign
Kano	National Food Security Programme FMARD Intervention Fund	45,182,039	Grant	Domestic
Kano	Agro-Processing, Productivity Enhancement and Livelihood Improvement Support (APPEALS) Project	2,000,000,000	Grant	Foreign
Kano	Livestock Productivity and Resilience Support (L-press) project	1,000,000,000	Loan	Foreign
Kano	Leventis Foundation of Nigeria (Min.of Agric. & Nat. Res.)	35,000,000	Grant	Domestic
Kano	Special Agro-Industrial Processing Zones (SAPZ) Program (MoA & NR)	1,000,000,000	Loan	Foreign

Kano	Islamic Development Bank (IDB) Agric. Component	5,800,000,000	Loan	Foreign
Katsina	RAAMP Loan for Construction of Rural Access and Agricultural Marketing Projects	5,000,000,000	Loan	Foreign
Kebbi	Rural Access Mobility Project (RAMP) World Bank Loan	649,000,000	Loan	Foreign
Kebbi	Agricultural Transformation Agenda Support Program Phase-1 (ATASP-1) (AfDB Grants)	500,000,000	Grant	Foreign
Kebbi	National Livestock Transformation Plan	2,000,000,000	Grant	Foreign
Kebbi	Livestock Productivity & Resilience Support Project (L-PRES) L-PRESS (World Bank Loan)	2,230,000,000	Loan	Foreign
Kogi	Loans Facilities from CACS	1,050,000,000	Loan	Domestic
Kogi	Agro-Processing, Productivity Enhancing And Livelihood Support (APPEALS)(World Bank Support).	500,000,000	Loan	Foreign
Kogi	World Bank Assisted Rural Access and Agricultural marketing project	500,000,000	Loan	Foreign
Kwara	FG Contribution on Rural Poultry Biosecurity Improvement Scheme (RUPBIS)	7,000,000	Grant	Domestic
Kwara	FG Contribution on Livestock Transformation Plan. Milk collecting centre in 2 site, Lata Grazing Reserve & Kaiama Ranch Dispensary in Kaiama Ranch. Sola Borehole & Water Trough in Kaiama & Lata. Feed milk mill in 2 site, Lata & Kaiama. Animal Handling in Kaiama all the projects fully constructed	500,000,000	Grant	Domestic
Kwara	FG Contribution on National Programme for Food Security benefited by the 16 LGA in the	912,000,000	Grant	Domestic

State					
Kwara	World Bank contribution on Rural Access and Agricultural Marketing Projects (RAAMP)	4,000,000,000	Loan	Foreign	
Nasarawa	Matching Grant from National Livestock Transformation Project (NLTP)	100,000,000	Grant	Foreign	
Niger	Rural Access and Agricultural Project (RAAMP)	4,200,000,000	Loan	Foreign	
Niger	Value Chain Development Programme (VCDP)	929,335,041	Loan	Foreign	
Niger	Agricultural Transformation Agenda Support Program Phase 1 [ATASP-1]	1,658,373,585	Loan	Foreign	
Ogun	Rural Access and Agricultural Marketing Project	2,308,680,000	Loan	Foreign	
Ondo	Credit from the World Bank to fund Rural Access and Agricultural Marketing Product (RAAMP) Project	6,070,000,000	Loan	Foreign	
Ondo	CBN Supported Red Gold Oil Palm Project/Accelerated Agricultural Development Scheme (AADS)/National Livestock Transformation Fund	2,000,000,000	Loan	Domestic	
Ondo	CBN Supported Accelerated Agricultural Development Scheme (AADS)/National Livestock Transformation Fund	1,000,000,000	Loan	Domestic	
Ondo	Ondo State Agro-Processing Productivity Enhancement and Livelihood Improvement Support (OAPPEALS) FGN Supported	100,000,000	Loan	Domestic	
Ondo	Multilateral Loans- Long Term for Livestock Productivity and Resilience Support (L-PRESS)	600,000,000	Loan	Foreign	
Ondo	Credit from African Union Development Agency-New Partnership for Africa's	500,000,000	Loan	Foreign	

Development (AUDA/NEPAD) to fund Agric Development

Ondo	Credit from African Development Bank (AfDB) (SAPZ) to fund Agric under OSAEC	1,000,000,000	Loan	Foreign
Osun	Loan from World Bank on Rural Access and Agricultural Marketing Project (RAAMP 3) for Rural Development Projects	3,484,560,000	Loan	Foreign
Oyo	Rural Access and Agricultural Marketing Project (World Bank)	1,500,000,000	Grant	Foreign
Oyo	Foreign Loan for Development of Agricultural and other Business Related	8,515,128,849	Loan	Foreign
Plateau	Rural Access and Agricultural Marketing Project (RAAMP)	700,000,000	Loan	Foreign
Sokoto	Rural Access and Agricultural Marketing Project (RAAMP)	1,000,000,000	Loan	Foreign
Zamfara	World Bank - International Fund for Agricultural Development Loan	200,000,000	Loan	Foreign
Zamfara	Rural Access and Agricultural Marketing Project (RAAMP)	200,000,000	Loan	Domestic

2.9 Distribution of Resources and Services across Crops and Farmer Demographics

The 2022 National Agricultural Sample Census (NASC) revealed a vast agricultural population in Nigeria, with over 40 million households engaged in farming activities (NBS, 2024). The North West region emerged as the agricultural hub, with over 10.4 million households. . Males head 84.3% of these agricultural households, and 15.7% by females, indicating a wide gender gap in farm leadership.. There is also a clear generational divide in agricultural leadership, with over 50% of households headed by individuals over 45 and only 20.6% led by those under 34. This highlights the need for initiatives to attract and retain young people in the sector.

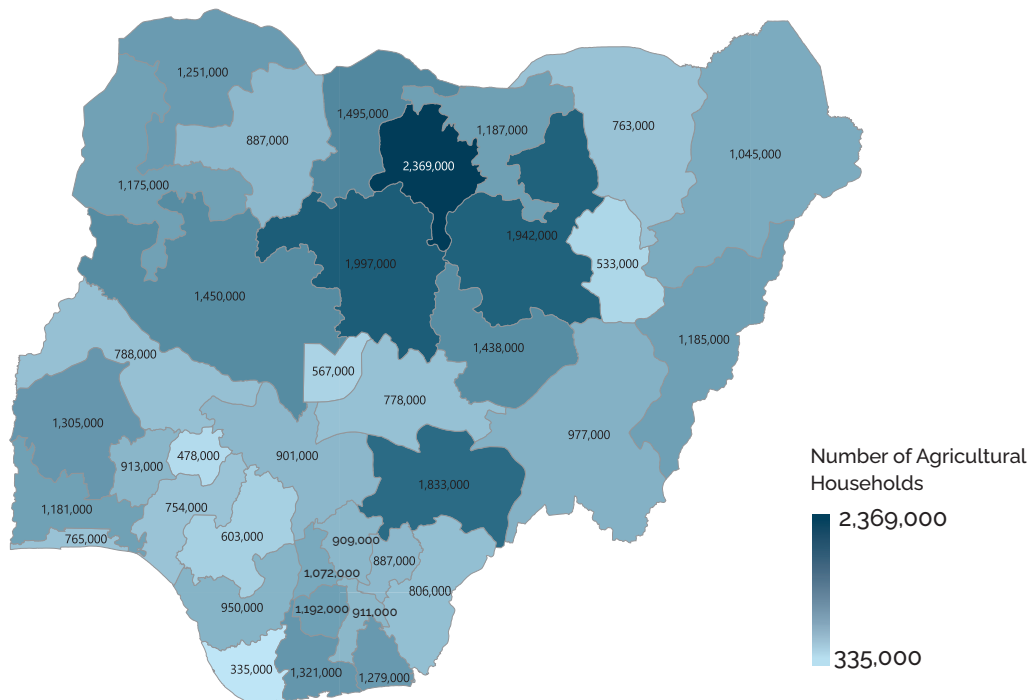
The NASC report also highlighted high educational attainment for farmers. A significant portion of farm household heads have a high level of education, with over 66% possessing an upper secondary or tertiary qualification. However, there is still room for improvement in knowledge-sharing mechanisms to ensure that this expertise is fully utilised. Like the spending structure of States, 90% of the farming activities in the country are in crop production (Table 8).

Table 8: Distribution of Agricultural Households by Sex, Training and Farming Activities

Zone	Total Number (.000)	Distribution of Household Heads by Sex (%)		Distribution by Agricultural Training Received (%)		Distribution of Farming Activities (%)				
		Male	Female	Persons with Formal Agricultural Education	Persons with Vocational Training	Crop Cultivation	Livestock	Poultry	Fisheries	Forestry
South East	4,971	65.7	34.3	40.9	63.7	97.7	29.2	36.4	3	1.3
South South	5,293	70.3	29.7	29.6	77.6	87.1	17.8	29.1	18.1	5.7
South West	5,395	84.3	15.7	44.8	62.8	73.4	33	48.2	7.7	3.3
North East	6,445	92.7	7.3	42.6	61.1	96.5	62.6	43.6	1.7	0.6
North Central	7,755	87.1	12.9	44.3	58.5	92.1	53.4	52	4.1	3.4
North West	10,361	96.5	3.5	41.4	64.6	94.2	67.5	41.3	2.1	1.2
Nigeria	40,221	84.3	15.7	40.2	65.6	90.9	48.1	42.5	5.4	2.4

Source: National Bureau of Statistics (NBS) (2024), National Agricultural Sample Census (NASC) Report 2022

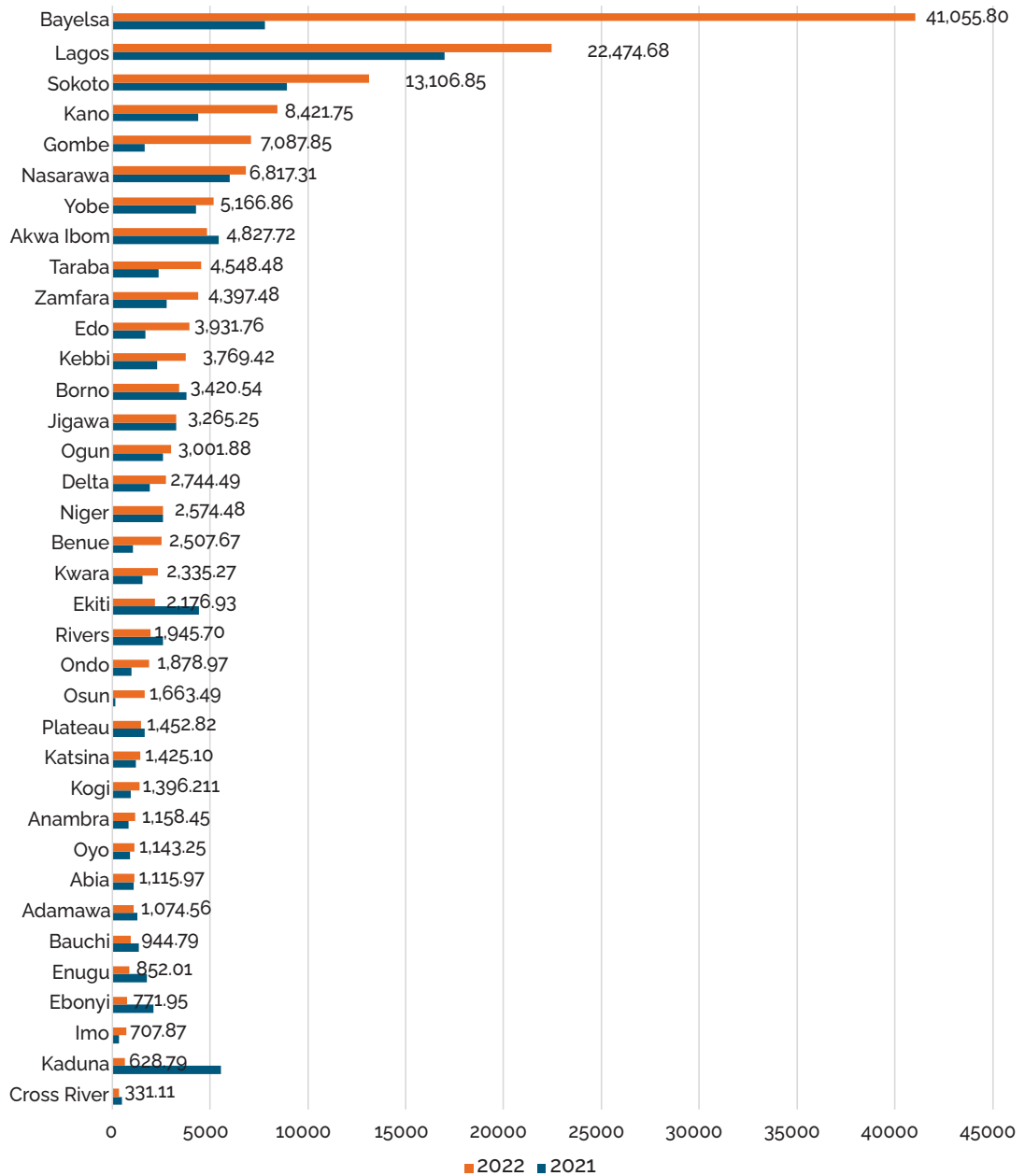
Figure 11: Distribution of Agriculture Households Across States



Source: National Bureau of Statistics (NBS) (2024), National Agricultural Sample Census (NASC) Report 2022

When compared with States' agriculture spending, the national average of State government spending per agriculture household was N4,614.55 (US\$10.9) in 2022. The State with the highest per capita agriculture household spending in 2022 was Bayelsa, at N41,055.80 (US\$97), representing a significant jump from the previous year record of N7,809.68, followed by Lagos N22,474.68 (US\$53.08), Sokoto N13,106.86 (US\$30.96) and Kano N8,421.75 (US\$30.96).

Figure 12: Government Spending per Agriculture Household (NGN), 2021-22



Source: Calculated based on data from the NBS (2024), the 2021, and 2022 Audited Financial Statements and the 2023 Budgets of States

Most States have a mechanism or criteria for the distribution of agricultural resources, such as allocating subsidised inputs through local government authorities, and in line with the needs and comparative advantages of communities (e.g., fishing facilities for riverside populations and irrigation facilities for dry season farmers). Federal and State governments allocate these resources based on approved multi-year sectoral plans, and specific programmes and projects in their budgets. However, State officials reported that these budgetary allocations aren't guaranteed to be fully implemented due to a lack of resources (cash backing) or political commitment to follow through on approved plans.

The following are the main mechanisms used for the distribution of agricultural inputs:

- i. Utilising registered farmer groups, cooperatives, clusters, and individual farmers.
- ii. Distributing resources based on political wards or senatorial districts.
- iii. Leveraging the local government system and traditional institutions for the identification of beneficiaries.
- iv. Utilising MoA zonal and area offices.
- v. Targeted programmes for vulnerable groups using social registries and special intervention programmes.

The evidence highlights challenges in the allocation of agricultural resources, including the following:

- i. Lack of reliable data on resource allocation and impact.
- ii. Project funds are tied to specific programmes, and not usually distributed equitably across LGAs.
- iii. Budget allocations may not be fully implemented due to resource constraints or political factors.
- iv. Crop production receives a higher share of funding compared to other agricultural sub-sectors.
- v. Vulnerable groups like women and people with disabilities are sometimes unnoticed or marginalised.

3. Institutional Review

3.1 Inventory of Key Players

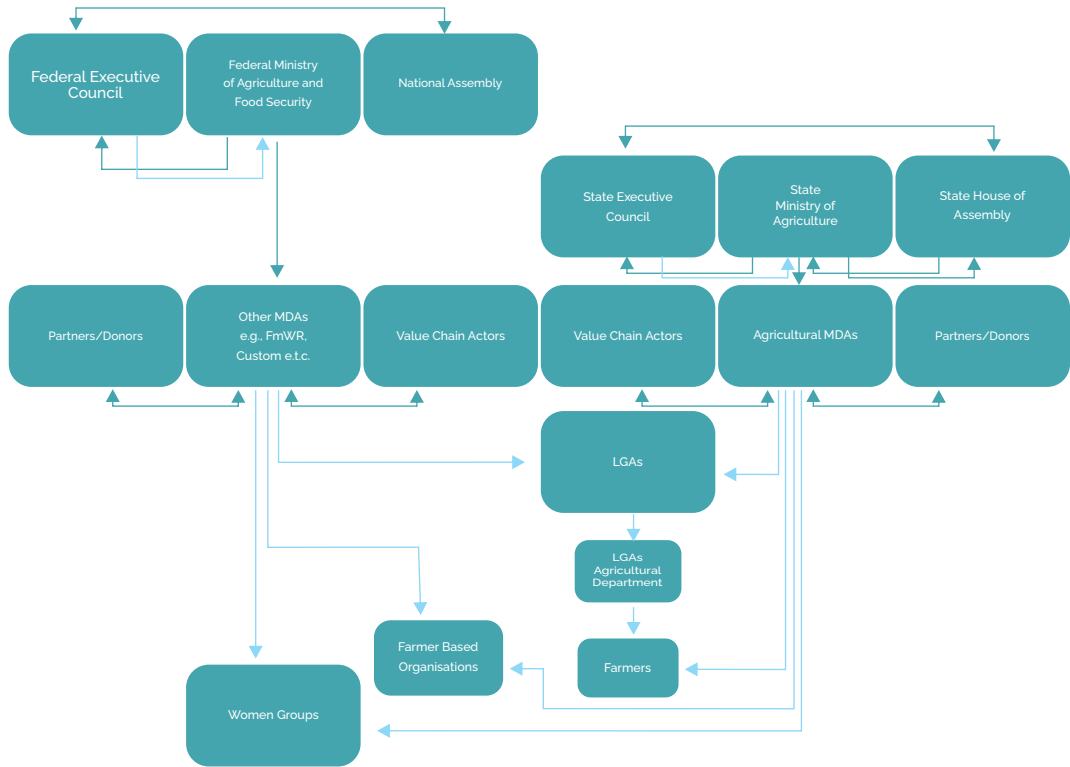
Agricultural development in Nigeria is a collective effort of the three (3) tiers of government (Federal, State, and Local Government), along with private sector operators (farmers and other players in the value chain), non-governmental organisations (NGOs) and international development partners (IDPs). The roles and functions of the three tiers of government are to create an enabling production environment and incentives for private sector operators (small- and large-scale farmers) to invest productively in all subsectors of the agriculture value chain.

The federal government leads agricultural policy development and coordination at the national level through the Federal Ministry of Agriculture and Food Security (FMAFS) working alongside other agencies of government. It invests massively in agricultural promotion and development programmes and projects across the States to stimulate and incentivise production. It has an elaborate structure that enables it to execute its mandate based on assigned functions and responsibilities enumerated in the National Agricultural Technology and Innovation Policy (NATIP) document. The ministry's operational mandate is to "ensure food security in crop, livestock and fisheries, stimulate agricultural employment and services, promote the production and supply of raw materials to agro-industries, provide markets for the products of the industrial sector, generate foreign exchange and aid rural socio-economic development."

Most national programmes and projects are implemented directly to beneficiaries and through special intervention funds in collaboration with States and development partners, such as the Agricultural Credit Guarantee Scheme Fund (ACGSF) and the Anchor Borrowers' Programme (ABP) supported by the CBN, the Presidential Fertilizer Initiative (PFI), the Agricultural Promotion Policy (APP), the National Programme for Food Security (NPFS), Nigeria Livestock Development Programme (NLDP), Aquaculture Development Programme etc. Others such as the Commercial Agriculture Development Programme (CADP) and the upscaled Agro-Processing, Productivity Enhancement and Livelihood Improvement Support (APPEALS), FADAMA Development Programme (FADAMA I, II, III, & AF), Value Chain Development Programme (VCDP), Rural Agricultural Market Development and Revitalization Project (RAMDARP), and the Special Agro Processing Zones (SAPZ) are financed through the World Bank (WB), African Development Bank (AfDB),

International Fund for Agriculture Development (IFAD) and the Islamic Development Bank (IsDB).

Figure 13: Nigeria's Agriculture Institutional System



The National Assembly plays a crucial role in agricultural governance by legislating, appropriating funds, and conducting oversight. At the sub-national level, State Houses of Assembly are responsible for overseeing the allocation and use of funds allocated to the sector.

Financial institutions and regulatory agencies such as the Nigeria Institute for Agricultural Research (IAR), the National Agricultural Seed Council (NASC), the Nigeria Agricultural Quarantine Service (NAQS), Produce Inspection etc, offer essential services to the agricultural sector, including credit, risk management, quality control, and disease prevention. These services are crucial for the success or failure of agricultural systems. The report notes that weak or excessive regulation, lengthy procedures, and corruption within regulatory agencies sometimes create unnecessary burdens and stifle agricultural development.

Across the country, small and large-scale producers operating at the local level invest their resources in agricultural production. These farmers provide farm produce for both consumers and industries. Farmers operate in a complex decision-making environment influenced by government policies, market forces, and security concerns. These factors collectively shape their choices regarding production and productivity. In recent times, heightened insecurity across parts of the country has disrupted farming activities, limited access to land and resources, and created fear

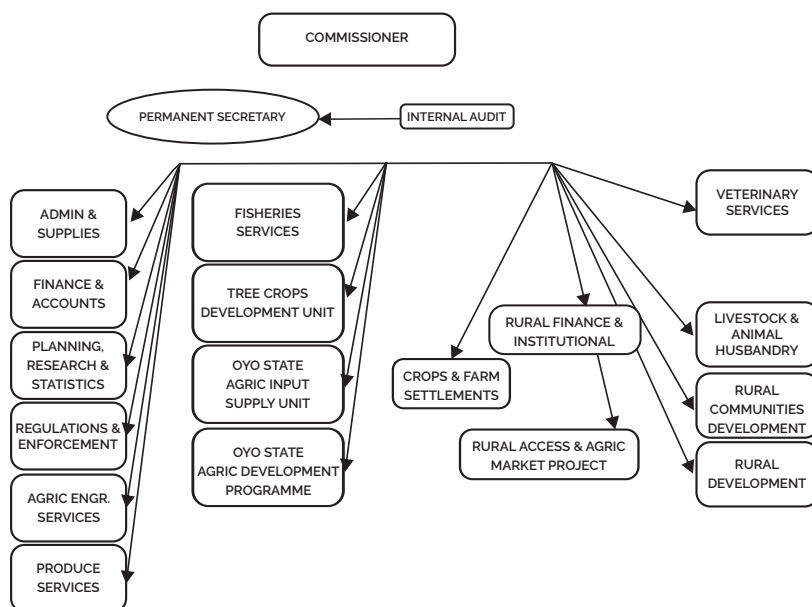
among farmers, ultimately influencing their decisions about what, where and how much to produce.

At the sub-national level, State and local governments play a crucial role. They make significant investments in agriculture and coordinate local policies and regulations essential for sustaining the operating environment for private businesses. State governments, working through their ministries of agriculture and budget and planning, develop agricultural policies and plans that align with the national agenda.

Unlike the federal government's uniform structure, States are constantly adapting their institutional arrangement for the sector, usually reflecting their comparative advantages and economic priorities. Some States have established multiple ministries to manage specific agricultural sectors. For example, Kebbi State has a separate Ministry for Animal Health, Husbandry and Fisheries. In Adamawa State, there is a Ministry of Livestock and Aquaculture Development. In Ogun, there is a Ministry for Rural Development and Forestry which complements the activities of the Ministry of Agriculture.

This approach allows States to tailor the governance system to their priorities and resource endowments. Commissioners, who are political appointees of the governor of the State, oversee the direction of the ministry. Permanent secretaries, as chief accounting officers, handle the administrative and financial aspects. Special advisers appointed by the governor, provide policy guidance, while line departments and specialised agencies manned by heads of departments or heads of agencies (e.g. Directors, Programme Managers, Executive Secretaries, or Project/Programme Coordinators) carry out the ministry's programmes and projects. Figure 14 provides a typical representation of an MoA.

Figure 14: Organogram for a Ministry of Agriculture



Source: Oyo State Government Agriculture Sector Strategy

Local governments, being the third tier of government are also involved in the promotion and development of the sector. They have dedicated departments of agriculture as implementing arms of the councils' agricultural objectives. Ideally being closer to the farming communities, they are expected to provide direct support services to the farming population but they face resource constraints that hinder their ability to implement programmes effectively. Forming partnerships with the federal government, State governments, and the private sector, can help local governments leverage additional or integrated resources and expertise to achieve their objectives.

Box 3: Agricultural Institutional System in Oyo State

1. Functions of the State Ministry of Agriculture and Agencies

- Planning, Research and Statistics Department provides agricultural data; serves as a link between the Government and Investors/International Agencies; liaise with other agricultural agencies/establishments to enable efficient service delivery etc.
- Crops and Farm Settlement: crops production, sourcing, and allocation of farmland to farmers, farmland survey and soil suitability tests.
- Agricultural Extension Services: Linkages between Research Institutes and end users (farmers), dissemination of agricultural information and improved technologies to farmers.
- Veterinary Services: Public health management, animal health management, regulation of animal drugs and vaccines, and identifying animal disease outbreaks and provide remedies.
- Animal Husbandry Services: production and management of livestock, regulation of practices and distribution of livestock products in the State.
- Fisheries Services Department: Management of aquaculture practices and regulation of natural water utilisation, Production of fingerlings, processing of table fish and storage.
- Produce Services: Management and control of storage pests, sorting and grading of agricultural produce and buffer storage.
- Agricultural Engineering Services: Regulation of farm mechanization and tractor-hire services, farm structures and facilities design.
- Oyo State Agricultural Inputs Services Unit: Regulation and control of quality agricultural input Services.
- Rural Development Services: Rural landscape development, agricultural industrial promotion and agricultural rural Infrastructure enhancement.

- Rural Community Development Centre: Trainings and empowerment of youth, women, people with disabilities and retirees.
- 2. Agricultural Agencies**
- Tree Crops Development Unit: Production of tree crops seedling, linkages between Research Institute and Farmers on tree crops matters.
 - Agricultural Credit of Oyo State (ACCOS): Agricultural credit management to small holder farmers
 - Oyo State Agribusiness Development Agency (OYSADA): Management of large-scale farmers, private sector-led government supported projects, trainings for youths- in-agribusiness.
 - Rural Agricultural Access and Marketing Programme (RAAMP): Rural Road Infrastructural enhancement/agricultural markets and marketing developments.
- 3. Institutes**
- Oyo State College of Agriculture and Technology, Igbo-ora: Trainings, research and community services in agriculture.
 - State Polytechnics: Trainings, research and community services in agriculture.
 - Ladoke Akintola University of Technology (LAUTECH): Trainings, research and community services in agriculture.

3.2 Institutional Assessment

Findings from the FGD showed that the ministries of agriculture across States are staffed with well-trained and passionate staff but underutilised due to the low level of activities in the sector. We observed that there are technical capabilities and staffing needs that are lacking, such as project management and M&E. States' inability to maximise the human resource capacity in this ministry is one of the challenges impeding the sector's growth. The following is a summary of the key strengths and weaknesses of the sector's institutional capacity:

Strengths

- i. **Structured System:** A well-structured institutional framework exists, offering a foundation for improvement.
- ii. **Human Resources:** States benefit from a huge pool of human resources, including trained agricultural professionals and experienced personnel from World Bank and donor-funded projects.

- iii. **Strong Government Focus:** Government pronouncements prioritise agriculture as a critical sector.
- iv. **Stakeholder Engagement:** Willing farmers and private sector operators are available to participate in agricultural development activities. Partnerships with private sectors, NGOs, and international donors can mobilise resources for sector development.
- v. **Resource Availability:** Resources are potentially available from the three tiers of government, though effective mobilisation is required.

Weaknesses

- i. **Underutilised Capacity:** The system suffers from redundancy due to the low level of government-supported activities.
- ii. **Funding Reliance:** Overdependence on external funding weakens the system, with low counterpart contributions by State governments.
- iii. **Monitoring and Evaluation:** Weak monitoring and evaluation systems are evident in agriculture projects.
- iv. **Project Management:** Deficiencies exist in project formulation and programme planning.
- v. **Staff Retention:** High staff turnover among qualified professionals is a challenge. Poor incentives and low wages compared to other sectors dampen existing staff morale and make attracting new talent difficult.
- vi. **Bureaucracy:** Excessive bureaucracy hinders project implementation through slow fund releases and delays.
- vii. **Governance and Accountability:** Weak governance and accountability impact negatively on the system. There's a lack of consequences for project failures.
- viii. **Farmer Needs:** Procurement arrangements frequently fall short of addressing the full range of needs of farmers.
- ix. **Political Interference:** Occasional political interference in project management and administration can lead to issues like the removal and appointment of project managers and potential abuses in procurement processes.

The report acknowledges the role of departments and agencies that complement each other in providing support to farmers. However, it highlights the need for a more coordinated approach. Establishing open and coordinated communication channels will ensure farmers receive clear and consistent messages about the services that are available. Although departmental missions align well with the sector's developmental goals, fragmentation in service delivery and resource allocation practices has so far limited their effectiveness.

The report also observed serious concerns about the long-term sustainability of programmes established with external donor funding. While these programmes

aim to provide critical support at the onset, their long-term sustainability are at risk. The review recommends three (3) remedial strategies:

- i. **Institutional Integration:** Integrate donor-funded programmes, like the State Agricultural Development Programmes (ADPs), into the broader institutional framework to ensure the continuation of core services like extension delivery and research even after the withdrawal of donor funds.
- ii. **Funding Diversification:** State governments are encouraged to prioritise consistent funding for these programmes to ensure their long-term sustainability and reduce dependence on external funding.
- iii. **Investing in Staff Preparedness for Independent Operation:** The report suggests improving staff development within ADPs to ensure that they possess the necessary skills to function effectively regardless of the availability or unavailability of external funding.

Regarding the capacity of institutions to prioritise agriculture investments, the report recommends strategic balancing in budget allocation. While access to fertiliser and agro inputs remains important, this emphasis should not overshadow investments in critical infrastructure and mechanisation. Increased funding for tractorisation programmes and heavy-duty equipment leasing initiatives will significantly improve farm efficiency and productivity, reduce the drudgery of manual labour, attract younger people to agriculture and boost overall morale within the farming community.

3.3 Safeguarding Resources

The sector utilises multiple mechanisms to ensure transparency, oversight, and accountability in resource allocation and utilisation. These mechanisms differ depending on the funding source:

- i. **Government Funded Activities:** Budgetary allocations are approved by the State Executive Council and State Assembly, ensuring public scrutiny. Procurement processes also guide project implementation while State internal audit teams monitor spending.
- ii. **Externally Funded Projects:** Programmes like FADAMA, VCDP and APPEALS have well-defined operational procedures and layers of oversight. National and State-level committees ensure projects are aligned with national policy, budget approval, and stakeholder participation.

Strengths and Weaknesses:

- **Strengths:** The layered structures employed in externally funded projects and the involvement of State assemblies in budgetary processes offer robust oversight.

- **Weaknesses:** Despite these structures, the review identified potential weaknesses
- **Limited M&E Utilisation:** M&E frameworks crucial for identifying project effectiveness and informing adjustments are often underutilised. There's a lack of emphasis on linking activities to project outcomes, and M&E reports aren't consistently used for management decisions.
- **Accountability Gaps:** The current system does not rigorously hold State Ministries of Agriculture accountable for goals in the sector. Lines of accountability within the bureaucracy lack a clear focus on achieving goals.
- Existing oversight structures represent a positive step but there's room for improvement. To strengthen transparency, oversight, and accountability, the following actions are recommended:
- **Deepen M&E Practices:** Increase emphasis on linking activities to project outcomes and utilise M&E reports for informed decision-making. Foster a culture of learning and improvement based on M&E findings.
- **Refine Accountability Mechanisms:** Establish clear lines of accountability within the agricultural bureaucracy, holding State Ministries accountable for project goals.
- **Capacity Building:** Provide training for government staff on effectively utilising M&E frameworks and internal control mechanisms.

3.4 Promoting Efficiency

This section reviews policies and procedures for procurement, project implementation and financial management. The Federal Ministry of Agriculture and Rural Development (FMARD) adheres to the National Public Procurement Act (PPA) of 2007 for procuring goods and services related to agricultural interventions. The Act outlines transparent procedures for government-to-business transactions. In line with the Act, no procurement is executed without budgetary provision as well as 'cash backing'. Similarly, no payment is effected to a contractor without a 'Job Performance Certificate' issued by an independent project Monitoring Committee in the Ministry, Department and Agencies (BPP, 2011).

Responses from State officials interviewed indicate that the procurement of goods and services in the sector is guided by the Procurement Act/Due Process as highlighted in Box 4. Although States have established institutional frameworks for procurement of all public goods and services across all MDAs, the study team was unable to measure the level of compliance to the procurement procedures specified in the Act due to the paucity of data on government procurement activities across the board. To improve public procurement in agriculture, efforts must be made to enhance value for money, reduce bureaucratic delays, increase

transparency and accountability, and integrate technology.

Box 4: Key Processes of Procurement

- 1. Procurement Units and Committees:** As mandated by the Act, FMARD has established dedicated units and committees to manage in-house procurements. These committees handle different categories (works, goods, services) based on value and type.
- 2. Procurement Planning:** Budgets guide procurement. A comprehensive plan is prepared beforehand to ensure efficient implementation.
- 3. Oversight and Compliance:**
 - i. Committee Recommendations: Procurement committees recommend most actions.
 - ii. Funding Institution Approval: A "Letter of No Objection" from funding institutions is often required to finalize procurements.
 - iii. Procurement Audits: Regular audits ensure adherence to procurement guidelines.

Procurement Process Steps:

- 1. Initiation:** The Ministerial Tender Committee initiates the process.
- 2. Competitive Bidding:** Job advertisements, selective tendering, competitive bids, and bid analysis lead to selecting responsive bidders.
- 3. Ensuring Transparency and Accountability:**
 - i. State Due Process Offices: These offices promote transparency.
 - ii. Community Procurement Committees: Rural communities have committees for greater involvement.
 - iii. Monitoring Teams: Strong monitoring teams oversee implementation.
 - iv. Training for Stakeholders: Development partners, donors, and CSOs train community members on procurement procedures.
 - v. Public Engagement: Town hall meetings facilitate public participation in budget preparation.
- 4. Financial Controls:**
 - i. Budgetary Provision and Cash Backing: Procurements only proceed with budgetary allocation and confirmed funding availability.
 - ii. Performance-Based Payments: Contractors receive payments only upon receiving a "Job Performance Certificate" from independent project monitoring committees within the Ministry/Departments/Agencies

3.5 Sustainability Analysis

The report raises concerns about the long-term sustainability of current agricultural spending patterns across States.

Limited State Funding

A major challenge is the low level of independent revenue and capital receipts dedicated to agriculture by States (see Table 5). Data from the 2023 budgets showed that only 8.5% of the total expenditure for the sector could be financed from independent revenue sources, while capital receipts for agriculture amounted to 37.06% of the sector's total expenditure. This limited headroom for agriculture financing has led to the reduction and neglect of statutory agricultural activities which impact farmers. For many States, it has contributed to the difficulty of qualifying for external credit facilities and grants due to their inability to meet counterpart funding requirements.

Over-reliance on External Funding:

The report further identifies a notable over-reliance on external funding sources (loans, grants, and aid) for agricultural capital expenditure. In 2023, 86.8% of capital spending came from external institutions, with only 13.2% originating domestically. 66.1% of external funding came from a single World Bank loan programme (APPEALS). This excessive dependence on external financing presents long-term risks such as the dependence syndrome where State governments develop a dependency on external funds, hindering their ability to deliver essential agricultural services to farmers once those programmes end; and redundancy issues, where the closure of externally funded programmes lead to redundancy among project staff, as seen with initiatives like the ADPs, FADAMA II and IFAD projects. The report suggests increased prioritisation for the sector by ring-fencing special programmes, diversifying funding sources through alternative arrangements like PPPs, and sustainability planning for all externally funded projects across States.

3.6 Outcome Analysis

The section seeks to identify the correlation between agriculture spending and outcomes, such as productivity, crop diversity, food security and socioeconomic outcomes where possible. The report acknowledges challenges in directly linking current agricultural expenditure patterns to sector outcomes for the following reasons:

- i. **Unpredictable Funding:** Significant fluctuations in resource inflows to the ministries of agriculture disrupt programme implementation and prevent outcome-based budgeting. Budgets are often allocated based on an "envelope system" rather than specific proposals.

- ii. **Unreliable Funding Releases:** Releases of allocated funds are irregular and sometimes fail to meet the required activity timelines, hence, impeding effective project execution.
- iii. **Political Influences:** Political considerations can sometimes influence expenditure decisions, potentially diverting resources away from areas with greater impact.

Despite these challenges, the report highlights the potential for agricultural expenditures to positively impact productivity, crop diversity, food security, and socioeconomic outcomes. This is evidenced by the results of programmes such as the following:

- i. **Anchor Borrowers' Programme (ABP):** The programme which focused on providing loans to smallholder farmers contributed to an increase in rice production from 1.2 million metric tons in 2015/2016 to 3.65 million metric tons in 2017, with maize and rice peaking at 12.2 and 9.0 million metric tonnes in 2021 and 2022 respectively, based on reports by the CBN. This report notes that 4.8 million people had benefited from the ABP programme by 2022, but the programme was marred by several design and operational challenges which led to a high default rate in the loan portfolio. IMF reported that only 24% of loans disbursed were repaid as of 2022 (Yusuf, K, 2023).
- ii. **Presidential Fertiliser Initiative (PFI):** Despite global supply disruptions and rising raw material costs, PFI-NPK successfully delivered 650,000 metric tons of NPK in 2022 and made substantial progress towards delivering 750,000 metric tons of NPK in the 2023 PFI cycle, created jobs by resuscitating and establishing 52 local blending plants across 19 States and all 6 geopolitical zones, and reduced import reliance by accruing substantial annual subsidy and foreign exchange savings through import substitution (PFI, 2023).
- iii. **Commercial Agriculture Development Programme (CADP):** The CADP end-of-project report detailed increased product and sales value for participating farmers for various crops. Relative to the baseline, in terms of the actual value of products and value of sales among the participating small-scale farmers assessed, the change in TVP was 62.2% for rice, 80.6% for maize, 89.3% for cocoa, 146% for pineapple, 7.2% for cashew nuts, and 39.38% for poultry egg. Among medium-scale participants, the change in TVP was 169.8% for rice, 90.6% for maize, 130.9% for cocoa, 68.5% for pineapple and 99% for poultry egg, relative to the baseline. Similarly, at baseline and end of project sample averages, the change in sales among the responding small-scale participants was 64.1% for rice, 68.3% for maize, 92.3% for cocoa, 158.9% for pineapple, 20.5% for Guava, 255.8% for mango and 39.4% for poultry egg. Among the responding medium-scale participants, the change in sales relative to baseline was 171% for rice,

76.7% for maize, 117.6% for cocoa, 69.2% for pineapple and 27.1% for poultry egg (CADP, 2017).

- iv. **Agro-processing Productivity Enhancement and Livelihood Support (APPEALS):** The end-of-project assessment reports of the participating States (Lagos, Enugu, Kogi, Kano, Kaduna and Cross River) point towards achieving the Project Development Objective (PDO). "The first PDO indicator (increase in productivity of agricultural produce of the priority value chains of project-supported farmers) reached 62.62% against the end of project target of 35%. The second PDO indicator (increase in processed output of the priority value chains by project beneficiaries) reached 64.86% as against the project target of 40%. The third PDO indicator (number of beneficiaries supported by the project of which women and youth percentage) reached 61,171 against the end of project target of 60,000 (101.95%) with 43.24% being women against the end of project target of 35%" (APPEALS, 2023).

State-Level Success Stories

The report also identified examples of successful State-led initiatives:

- i. Rice production programmes in Kebbi, Ebonyi, Niger and Cross River.
- ii. Vegetable production promotion in Kano and Jigawa.
- iii. Soybean and sesame investment in Benue, Nasarawa and Kogi.
- iv. Coconut and fish value chain development in Lagos.
- v. Youth empowerment programmes promoting agriculture across multiple States.

These examples demonstrate the potential of well-designed and adequately funded programmes to yield significant benefits. The report also identified the Lagos-Kebbi Lake Rice Partnership which commenced in 2016 - Kebbi, a major rice producer, is responsible for the production and processing of the rice while Lagos, Nigeria's major commercial hub, sells the rice.

On distribution and equity, the report identifies a notable distinction between the distribution of agricultural expenditures across States and subsectors:

- i. **North-South Divide:** Federal and State governments' priorities follow the comparative advantages of the North and South of Nigeria. While the promotion of all-year-round production of grains and livestock is predominant in northern States, investments in aquaculture, tree crops, tubers, and poultry enjoy greater government patronage in southern States. States such as Akwa Ibom, Edo, Ondo Osun and Ekiti with abundant potential for tree crops such as oil palm, rubber, cocoa etc., take advantage of the local ecosystem to invest more State resources in their development. Cross River State has in the last three years allocated substantial resources for the development of rice, cocoa, and other

tree crops. Lagos has made significant investments in aquaculture and coconut development. Kaduna State has also invested in the promotion of ginger and dairy products.

- ii. **State-Level Expenditure Variations:** States such as Lagos and Kano have been recognised for their substantial investments in agriculture, while others like Abia, Adamawa, Kogi and Osun were identified for declining investment levels.

Conclusively, the report demonstrates a correlation between well-designed, adequately funded agricultural programmes and positive outcomes. Addressing funding predictability, budget allocation methods, and ensuring equitable distribution across and within States and subsectors are crucial for maximizing the impact of public expenditure in the sector.

4. Key Recommendations

In response to the challenges identified in this report, this section presents 14 strategies to foster a more sustainable financing and institutional system for the sector at the State level.

A. Optimise Resource Allocation and Utilisation

- 1. Increase Resource Allocation:** Increasing allocation to the agriculture sector from the current level of 2% of total expenditure and budgetary release from a severe underperformance below 50% will signal governments' commitment to achieving food security through policy-based allocation of resources and allocative efficiency. Pathways of raising financing for the sector include ring-fencing specific taxes such as commodity levies and land use fees, the institution of agricultural development trust funds, private sector partnerships and overall budget efficiency via an MTSS.
- 2. Upscale Successful Programmes:** Upscale and expand the coverage of successful projects with well-defined operational procedures and layers of oversight such as the Agro-processing Productivity Enhancement and Livelihood Support (APPEALS) and the Value Chain Development Programme (VCDP) which have demonstrably improved farm productivity, value addition and economic empowerment in rural communities. To minimise the sustainability risk associated with these externally funded initiatives, integrating sustainability planning into their design will minimise the sector's dependence on aid financing and ensure programme effectiveness continues even after external funding is concluded.
- 3. Reduce Political Interference:** Minimise political interference in project management to create an environment of transparency, accountability, and efficiency in resource allocation. Streamlining bureaucratic processes across inter-government institutions will also help expedite budget approvals and fund releases, ensuring timely interventions to align with the seasonality of agriculture activities.

B. Strengthening Implementation and Management

- 4. Outcome-Based Budgeting:** State governments should expand the

classification of agriculture sector spending beyond the economic, administrative and function segments and incorporate outcome-based metrics in the programme segment, starting with the new programme codes adopted by States in 2024. The programme codes will help the agriculture ministries allocate resources based on their objectives and programmes. The lack of a clear spending-outcome linkage demonstrates the importance of an MTSS which helps guide policy-based allocation of resources. To ensure budget comprehensiveness, the budget ministries need to expand the scope of the GPFS to include a comprehensive programme, function, and location segment for all statutory financial reports.

C. Supporting Farmers

5. **Bottom-Up Project Design:** Shift towards a bottom-up approach to project formulation and design to ensure the interests of the rural farming population are considered to foster a more responsive and equitable approach to agricultural interventions.
6. **Prioritise Expenditures:** Expand agriculture expenditures in the most critical areas that directly support the majority of farmers, such as access to labour-saving and cost-efficient technologies (e.g., tractors and threshers) through efficient leasing, as well as price and market stabilisation programmes through "buy-back" schemes, buffer stocking and warehousing. Promoting access to fertiliser, seeds and agro-inputs remains important, however, this emphasis should not overshadow essential investments in infrastructure and equipment. Increased support and funding for tractorisation and heavy-duty equipment leasing will significantly improve farm efficiency and productivity, reduce the drudgery of manual labour, attract younger people to agriculture and boost overall morale within the farming community.

D. Enhancing Coordination and Organisational Learning:

7. **Strengthen Inter-Ministerial Partnerships:** The ministries of agriculture should foster stronger collaboration with related ministries like water resources, transport, education, and commerce to leverage and maximise integrated services, resources and opportunities for agricultural development, such as rural roads, irrigation systems and market access initiatives.
8. **Learning from Peer Reviews:** Federal and State Ministries of Agriculture should establish platforms for routine programme/project review exercises. These reviews provide valuable lessons to strengthen internal capacities, including in the areas of input/output/outcome orientation and project management.
9. **Collaboration for Improvement:** Advocate for closer partnerships between the MoAs and the donor community going beyond project evaluation. Joint efforts

should focus on improving ministerial effectiveness, promoting knowledge sharing, and fostering organisational learning.

E. Enhancing Monitoring, Evaluation, and Data Management

- 10. Build M&E Capacity:** Increase investment in building the capacity of M&E officials. This includes training them to conduct unbiased assessments and reporting of programme and project performance. Robust M&E systems are essential for tracking progress, identifying areas for improvement, and ensuring programme effectiveness. This should not be limited to donor-assisted projects but should be an integral part of the implementation process of all federal and State-sponsored programmes.
- 11. Strengthen the PRS Departments:** Strengthen the Planning, Research, and Statistics (PRS) departments of agriculture ministries to enable them effectively to meet their strategic role of data management - ensuring the generation and management of comprehensive information resources, and policy and strategy development - building human capacity to formulate evidence-based policies and strategies for the development of the agricultural sector.

F. Revitalising Research and Extension Services

- 12. Modernise State Agricultural Development Programmes (SADPs):** The Ministries of Agriculture are encouraged to revive and adequately fund the activities of SADPs. A key focus should be on promoting adaptive research and modernising extension delivery services through technology tools and digital registries for farmers and farmlands.
- 13. Strengthen Research-Extension-Farmer Linkages:** Foster stronger linkages between research institutions, extension services, and farmers to ensure that research outputs are demand-driven and targeted to address specific challenges faced by farmers.

G. Enhancing the Commercial Activities of State Ministries of Agriculture (MoAs)

- 14. Boost Internal Revenue Generation:** While the report acknowledges the potential for the agriculture ministries' commercial arms to generate internal revenue, it is not included as a core recommendation. This remains an area for further exploration, with appropriate measures to ensure these agencies deliver essential services or products to farmers while also functioning as self-sustaining entities that contribute to the State's IGR.

References

- APPEALS (2023). Results, Impact, Transformations: The Success Story of APPEALS Project. APPEALS Newsletter Special Edition 2023. Available at: www.appealsproject.com.ng.
- Bureau of Public Procurement (BPP) (2011). Procurement Procedures Manual for Public Procurement in Nigeria. 2nd (Ed.)
- Commercial Agriculture Development Project (CADP/FMARD) (2017). Impact Assessment of Commercial Agriculture Development Project. Endline Project Assessment Report prepared by Phillip, Dayo, A. B. Ayanwale, Susan Ohen, Abayomi Oloruntoba, Kenneth Ekwe and Aduni Sanni, May 2017. Available at: <https://cadinigeria.org/wp-content/uploads/2020/04/CADP-evaluation-final-report.pdf>.
- Fabbie et al., (2022) Babban Gona: Great Farm. Harvard Business School Case 722-027, November 2021. (Revised December 2022.). Available at: <https://www.hbs.edu/faculty/Pages/item.aspx?num=61490>.
- Federal Ministry of Agriculture and Rural Development (2022). National Agriculture and Innovation Policy 2022-2027
- Federal Ministry of Finance, Budget and National Planning, National Development Plan NDP 2021-2025 (2021). The Federal Republic of Nigeria 2021.
- National Bureau of Statistics (NBS) (2022), Nigeria Multidimensional Poverty Index (2022). Available at: <https://nigerianstat.gov.ng/elibrary/read/1241254>.
- National Bureau of Statistics (NBS) (2024), National Agricultural Sample Census (NASC) Report 2022. Available at: <https://nigerianstat.gov.ng/elibrary/read/1241525>.
- Presidential Fertilizer Initiative (PFI) (2023): 2023. Presidential Fertilizer Report 2023. Available at: <https://nsia.com.ng/portfolio/presidential-fertilizer-initiative-pfi/>.
- Yusuf, K, (2023, August 20). SPECIAL REPORT: How default on loans is killing Nigeria's Anchor Borrowers Programme. Available at: <https://www.premiumtimesng.com/agriculture/agric-special-reports-and-investigations/616806-special-report-how-default-on-loans-is-killing-nigerias-anchor-borrowers-programme.html>.

ISBN 978-978-772-026-4



9 789787 720264