

# NIGERIA'S ECONOMIC DIVERSIFICATION: A REVIEW OF POLICY THRUSTS AND STRATEGIES UNDER THE AGRICULTURAL PROMOTION POLICY AND ECONOMIC RECOVERY AND GROWTH PLAN

A. A. A. COKER<sup>1</sup>, C.O. ADEBAYO<sup>1</sup>, B. SULE<sup>2</sup> AND L.T. YUSUF<sup>1</sup>

<sup>1</sup>Department of Agricultural Economics & Farm Management, School of Agriculture & Agricultural Technology, Federal University of Technology, Minna, P.M.B. 65, Minna, Niger State, Nigeria

<sup>2</sup>Department of Agricultural Economics and Extension Services, Faculty of Agriculture, Ibrahim Babangida University, Lapai, Niger State.

\*E-mail Address of Corresponding Author - [ayodejicoker@futminna.edu.ng](mailto:ayodejicoker@futminna.edu.ng); Cell phone no: +2348034091353

## ABSTRACT

Nigeria's current economic challenges have been largely attributed to its structural deficiency given the dependence on mono-commodity for economic activities, fiscal revenues and foreign exchange. Requisite economic indicators have also skewed towards the debit side of performance, thus prompting the call for diversification of the nation's economy through the agriculture sector. This article therefore discussed the challenges hindering economic diversification in the agriculture sector and reviewed policy thrusts and strategies under Nigeria's Agriculture Promotion Policy (APP) (2016-2020) and the Economic Recovery and Growth Plan (ERGP) (2017-2020). The approach was entirely qualitative, premised on content review and analysis, with data sourced from the APP matrix, ERGP and the National Bureau of Statistics. The review noted that numerous economic and non-economic, including actions of policy actors currently negate the achievement of economic diversification; however provisions in the policy document and strategic plan are robust enough to prompt economic diversification through the agriculture sector. The article calls for holistic implementation of the existing policy instruments, backed with fiscal requirements, institutional reforms and political will.

## KEYWORDS:

Economic diversification, Agriculture, Agriculture Promotion Policy, Economic Recovery and Growth Plan, Nigeria.

## INTRODUCTION

The blurred global economic terrain, particularly for countries (Nigeria inclusive) with high dependence on the production and export of restricted products, coupled with declining prices (Fruman, 2017), aptly justifies the clamour for economic diversification. Economic diversification refers to a situation of growing range of economic output, expansion of export market or the divergence of income sources (United Nations Climate Change, 2009). The term also relates to strengthening the competitiveness of new growth sector, while broadening the economy. Commenting on Africa's industrialisation, Adeshina (2018) affirmed that economic diversification is key to resolving many of Africa's difficulties. He posited that diversification of the economy

through industrialization with tangible investment in human capital will enable the continent's rapidly growing population to successfully transition to productive technology-based sector. Fruman (2017) noted that the linkage between economic development and poverty reduction, while affirming that positive outcomes from this linkage will be key to developing countries in achieving planned development outcomes. The author revealed that Nigeria, in spite of its huge oil export, has failed to substantially expand the range of products. However, the World Bank, in its trade and competitiveness global practice guidance note affirmed that economic diversification remains a problem for majority of the developing economies. While noting that diversification and rising per capita income go together, it argued that

the challenge of diversification is greatest for countries whose economies are dominated by commodities. The body noted that economic diversification is associated with the structural transformation in these economies. Commenting on the challenges of diversification in Nigeria, Manasseh (2016) argued that Nigerian being a monolithic economy, with dependence on oil faces the challenges of poverty, loss of foreign exchange and jobs. However, issues which have hindered diversification in Nigeria are multifaceted, including but not limited to policy instability, weak political commitment, failure of the research system, infrastructure deficit, limited finance and risk management, weak institutional reforms and alignment. This development aptly cast doubt to the attainment of economic diversification in Nigeria, with implications for the attainment of the Country's proposed development outcomes, including food security, poverty alleviation, job creation

and enhancement of foreign reserves. Consequently, the objective of this review is to discuss the challenges limiting economic diversification, while undertaken a cursory looks into the country's policy focus and economic recovery and growth plans on economic diversification, as detailed in its Agriculture Promotion Policy (2016-2020) and Economic Recovery and Growth Plan (2017-2022). The essence is to ascertain whether the country can design and implement credible and sustainable economic diversification framework, given its current policy direction. Justification for this review stems from the backdrop that only seven of the 46 classified sub-sectors accounted for over 70% of Nigeria's GDP (See figure 1). This trend needed redress if Nigeria is to diversify its economy and achieve it proposed development outcomes. However, this review focuses largely on the agriculture sector.

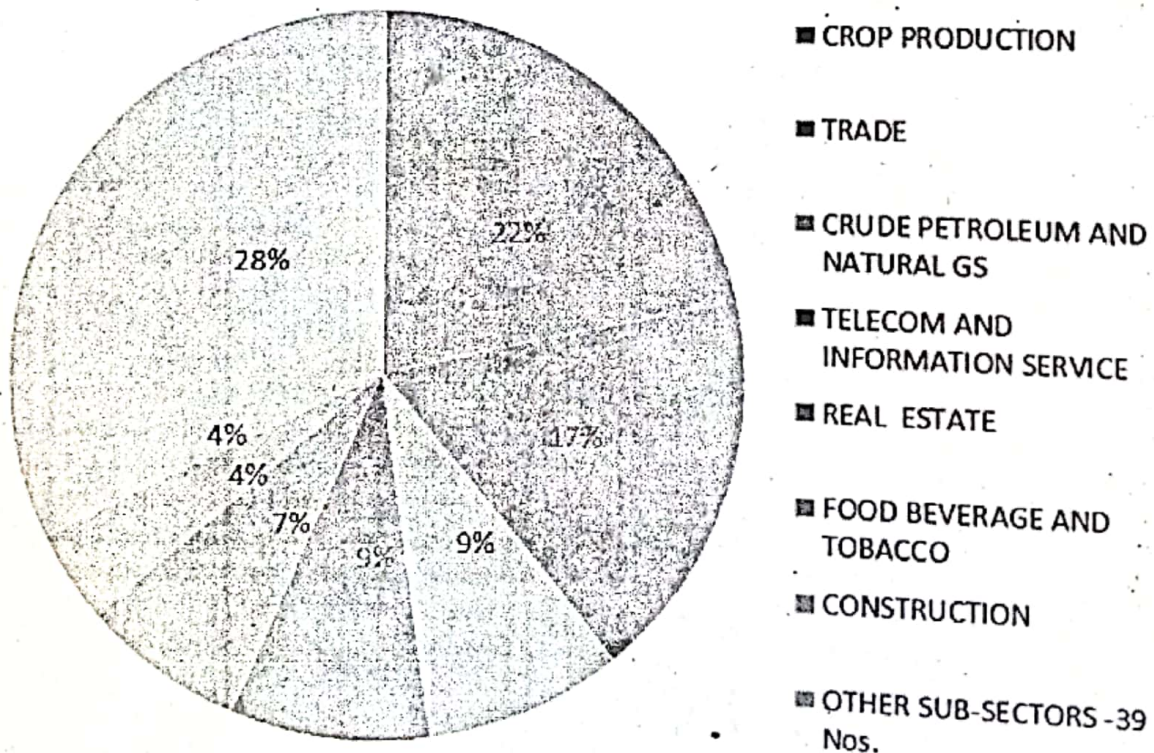


Figure 1: Sub-sectors' contributions to Gross Domestic Product as at 2016  
Source: National Bureau of Statistics

## THEORETICAL AND CONCEPTUAL INSIGHTS

This sub-section focuses on the theoretical review on economic diversification, empirical literature and the rationale cum benefits of this economic strategy.

### Theories and rationale for Economic Diversification

The theories of economic diversification are well detailed in literature; however, this review focused on key theories covering the two thematic aspects, namely diversification premised on domestic production and the varied structure of trade. The Hirshman Linkage approach (1981) focused on assorted linkages between staples and economic activities. The categorization covers (i) consumption linkage, which relates to using export earnings to finance domestic consumption, while stimulating economic activities; (ii) productive linkage, involving private agents and (iii) fiscal linkage, which relates to raising revenue from export.

Esu *et al.* (2015) further detailed relevant trade related theories, covering those of Mun and Davenant, Classical trade, factor production and production lifecycle. While Mun and Davenant's contribution mainly focused on the need for diversification rather than single primary mineral, classical trade and factor production theories rest mainly on the tenets of comparative advantage, while product life cycle addresses the dynamic realities on the roles of actors as technology evolves.

On the rationale for economic diversification, the World Bank (2017) affirmed that economic diversification is key to economic development, as the lack of it could undermine the development process. Stressing further the global organization posited that economic diversification is correlated to structural transformation. Structural transformation in this sense is viewed from two perspectives, the shift from agriculture to non-agriculture and refocusing from industries to services. The source further affirmed that technological change

and globalization are creating new opportunities for resources to move from primary production like agriculture to higher productivity activities. It concluded that diversification of domestic activities towards new endeavours within the economy will necessarily lead to efficient resource allocation and improved productivity. Meanwhile, it was further noted that economic diversification is necessary in the present economic dispensation and given the need to achieve countries development outcomes. However, it was noted that the present era offers new routes and opportunities for developing countries to diversify their economy.

## METHODOLOGY

### Study Area

The review covers the Federal Republic of Nigeria with focus on the Agriculture Sector. Nigeria is situated in the Western part of Cameroon, East of Republic of Benin, South of Niger and by the Southwest of Chad Republic. Nigeria is located on Latitude 10.00 N and Longitude 8 00 E (Index Mundi, 2018), covering estimated area of 924,000 square kilometres, with estimated population of 191.8 million, consisting of 49.7% females and 51.3% males. The country consists of 36 states, a Federal Capital Territory, Abuja and 774 Local Government Areas. Poverty level in the country is put at 53.3% of the population, with the rural populace being the worse off, estimate at 70% poor compared to the 28.1% obtained in the urban setting (United States Agency for International Development, 2018). According to USAID (2018), malnutrition is high, with a national mean stunting rate of 32% for fewer than five children. Meanwhile, Agriculture sector contribution to the Gross Domestic Product stands at 22%; productivity across commodity value chains are stagnant, with associated challenges across the value chain limiting the attainment of sector potentials. Currently, the structure of the economy is highly dependent on import, consumption driven and undiversified. Estimated 95% of total export and foreign exchange is from oil,

with the manufacturing sector accounting for less than one percent of export value. The downward trend of oil prices since 2014 coupled with the inability to diversify revenue base and foreign exchange led the economy into recession in 2016 (Federal Ministry of National Planning and Budget, 2017). Nigeria is endowed with vast land and water resource endowment. However, agriculture is dominated by smallholder farmers. The major agricultural activities across the country include crop production, livestock production, fisheries, bee-keeping. Irrigated agriculture is prevalent, particularly in the northern parts of the country. The major staples cultivated include rice, cassava, yam, maize, sorghum and millet. Cash crops prevalent are cocoa, cotton, oil palm, kola nut and cotton.

### **Scope, Sources of Data and Empirical Approach**

The scope of this review covers 2015 to date with focus on the implementation of the on-going Agriculture Promotion Policy (APP) and Economic Recovery and Growth Plan (2017-2020) of the current administration in Nigeria. However, given that the APP is a follow-up on the Agricultural Transformation Agenda Era (2011-2015), references will be made to specific policies which emanated during this period. The review employed empirical qualitative analysis premised entirely on content review of policy thrust, objectives, strategies and narrative discourse. Focus is on the current policy dispensation.

## **DISCUSSION**

### **Review of Challenges Hindering Economic Diversification in Nigeria with focus on the Agriculture Sector**

Generally, numerous challenges currently limit the attainment of economic diversification and by extension economic growth in Nigeria. These limitation cuts across the agricultural value chains, including challenges of financing, institutional, production, infrastructure, market access and macroeconomic, to

mention a few. With respect to financing, budgetary support to the agriculture has hovered round two percent of the budget (FMARD, 2016), thus imposing a huge constraint on the economic diversification envisaged through the agriculture sector. Aside this, there have been weak credit access, limited domestic and foreign investor commitment and poor economic management, arising from mismanagement of public finance, corruption and association actions of stakeholders within the nation's fiscal value chain, including the actions and inactions of the political leaders. On the issue of agricultural production, food demand have been overly above supply for most of the staples in the country, except probably for cassava, the impact of this has implications for diversification given that the limited availability of these commodity may have been unable to meet industrial needs, given the shortage in satisfying basic home consumption. The role of infrastructure provision to economic diversification is not in doubt, however, most infrastructure to support this outcome are in deplorable state or rudimentary, while the Staple Crops Processing Zones proposed under the Agricultural Transformation Agenda policy era (2011-2015) are yet to yield the desired results. The World Bank (2018) noted that Nigeria's diversification efforts are limited by domestic market constrained by connective infrastructure, thus limiting the tendency of tapping broader markets. As regards institutional limitations, there has been the issue of policy conflict between the federal and state levels, corruption, data limitation and weak tracking of results. These factors greatly limited diversification, in view of the emerging policy conflict on business environment, lack of trust by investors and the limitation posed by data to undertake quick feasibility on investment prospects. Most critically too, market access has been limited, while export has been restricted to few commodities given the undue focus on the oil sector. The problem of post-harvest losses is still of concern, thus confirming the weak diversification effort to

downstream activities within the agriculture sector. On the macroeconomic front, most economic indicators aptly points to the restricted nature of the economy and by extension the limited diversification. According to the FMARD (2017), oil accounts for 95% of export and foreign exchange, with manufacturing accounting for less than one percent of total export. In addition, FDI decreased from 8.9 billion USD in 2011 to 3.1 billion USD in 2015. These were also associated with sharp depreciation of Naira and doubling inflation from 12% in January 2012 to 17-18% in October, 2016. Udeze (2018) affirmed that the current economic challenges facing the country arose from the volatility of the mono revenue foreign exchange earner of the country.

These scenarios depict the situation of the country and a clear indication of weak investment supportive environment with obvious implications for economic diversification. Arising from the aforementioned review, it is worthy of mention that structural changes in the economy has been limited, given the dependence of the economy on singly commodity, fiscal revenue and foreign exchange. The economy was also noted to have skewed towards consumption rather than investment with gross domestic

investment (GDI) to GDP ratio hovering at 13-14% (FMBP, 2017). Arising from the outcome of this review, it has become imperative to look into the policy focus on economic diversification, with the view to ascertaining the country's level of readiness for economic growth and development.

#### **Current Agriculture Sector Policy Focus on Economic Diversification in Nigeria Strategic Direction for Economic Diversification under Nigeria's Agriculture Promotion Policy (2016-2020)**

According to the World Bank (2017), there is neither defined path nor recipe for successful economic diversification globally, however, the body noted that the success of economic diversification largely rest factors such as; phasing and timing of investment, policy reforms and institutions building, country's comparative advantage and investments in capacity building, public goods and governance quality. A review of the thematic interventions proposed to achieve the development outcomes, including economic diversification through the agriculture sector were articulated into three categories, namely productivity enhancement, private sector inclusion and institutional realignment (See Table 1).

Table 1: Key Agricultural Policy Road Map organizing themes supportive of Economic Diversification

<b>PRODUCTIVITY ENHANCEMENT</b>	<b>PRIVATE SECTOR INCLUSION</b>	<b>INSTITUTIONAL REALIGNMENT</b>
Access to land	Access to finance	Institutional Setting
Access to information and knowledge	Agribusiness Investment development	Infrastructure
Marketing and Trade		Research and Innovation

Source: Extract from Nigeria's Agriculture Road Map (2016-2020)

The review of the policy thrusts and strategies directed at economic diversification under productivity enhancement covers issues pertaining to land access, information and knowledge, marketing and trade. With respect to land, the policy direction is to pursue land rights to incentivise potential investors including

smallholders, with the view to enhancing and diversifying productivity. The Federal Ministry of Planning & Budget (2017) noted that the crop sub-sector overcrowded the other sub-sectors within the sector with respect to their contributions to growth. The road map (Agricultural Promotion Policy) is to also support commercial farmers in

diversifying their operations. Meanwhile, given the spatial fragmented domestic market and the need to sharpen investment opportunities, the issue of knowledge, information and linkage becomes germane if the country is to effectively diversify its economy; thus, the policy strategy made provision for innovative ICT/KM technologies to disseminate investment, particularly those bordering on prices, technology adoption across the rank and file of the agriculture value chain. With regards to value addition, the strategy leverages on crowding in private investment, with the view to widening the scope and deepening value addition across the sub-sectors. In the area of marketing and trade, the plan is to enhance access to international markets, deepen private service provision to aid effective marketing, enhance access to market information (prices and opportunities) through the creation of a National Agriculture Information and Regulatory System. The plan is also to create export market support teams to facilitate export promotion in select markets.

With respect to economic diversification through private sector inclusion, the road map made provision for deepening financial sector engagement with agribusiness value chain. This is with the view to reducing cost of borrowing and encouraging the influx of projects into the sector. Specifically with respect to finance, the strategy is to enhance credit availability to investors, encourage savings, support innovating financing approaches supportive of agribusiness growth and catalyse market access to competitive insurance environment. Under Agribusiness investment development, the key policy thrust is the prioritization of private sector as engine of growth for the Agriculture sector. Strategies entail enhancing access to value addition through public private partnership, strengthening of the Staple Crops Processing Zones (SCPZs), agribusiness incubation centers and agro-industrial park strategies and collaboration with the lower tiers of governance to incentivize agribusiness. The strategy also

entails provision of rural infrastructure, harmonization of standards and support for quality and food safety issues, support and work closely with a National Agribusiness Consultative and Advisory Forum and establishment of price discovery mechanism. With respect to the issue of institutional realignment, focus on ensuring sustainable economic diversification through the sector will entail improved dialogue with investors and improving communication with the agribusiness setting, launching entrepreneurship platforms to create opportunities for youth to engage actively in agribusiness, aggressive promotion of rural infrastructure, while improving enabling environment for investment. The policy framework also made provision for private-sector led climate-smart agriculture, with the view to broadening options and ensuring sustainable investment environment. Most importantly too, provision was made for research and innovation to incentivize the National Agricultural Research System to broaden their innovation base in relation to expanded value chain operations, with the view to supporting the investment drive of the country.

#### **Thrusts and Strategies under Nigeria's ERGP (2017-2022)**

The vision of the Economic Recovery and Growth Plan (ERGP) is to enhance national wellbeing and ensure efficient, dynamic and self-reliant economy to secure the maximum welfare, freedom and happiness of the citizen premised on social justice, equality and opportunities. The ERGP is to achieve three broad strategic objectives, which are to (i) restore growth; (ii) build a competitive economy and (iii) investment in the citizens. Worthy of note however, is that the restoration of growth is to be through macroeconomic stability and economic diversification. While the former is to be achieved through fiscal stimulus, monetary stability and enhancement of balance of trade, economic diversification will largely focus on the key sectors of the economy, namely agriculture, energy and MSME-led industrial growth, manufacturing and

services through science and technology. According to the FMARD (2017), resuscitating these sectors will lead to favourable investment in complementary sectors, reduce dependence on foreign exchange, enhance export, restore growth in the short run, help create jobs and cause structural change of the economy.

The approach to economic diversification is mainly directed at six priority sectors, namely; agriculture, manufacturing, solid minerals, services, construction and real estate, oil and gas. Udeze (2018) affirmed that agriculture, mining and solid mineral sectors with focus on linkages and value chain benefits are critical to Nigeria's diversification drive. In this, emphasis is placed on three sectors, namely industrial and trade policy, digital-led strategy for growth and cross-sector strategies. Generally across sectors, focus is to be on redressing existing challenges. For the agriculture sector, emphasis will be on financial remediation, market access for investment and redressing all challenges to the business environment. The ERGP builds on strategies proposed in the strategic implementation plan, the current Agricultural Promotion Policy and the Presidential Initiative on Fertilizer to drive economic diversification through the Agriculture Sector (FMB&P, 2017). Key sectoral strategies aimed at enhancing economic diversification are highlighted below:

#### **I. Agriculture**

- Transformation of the agriculture sector by boosting sub-sector productivities;
- Integrating commodity value chains and improving access to market; and
- Support all year round production through irrigation expansion

#### **ii. Manufacturing**

- Accelerate implementation of the Industrial Revolution Plan (NIRP), focusing on agro-processing and industrial hubs;
- Promote innovation and technology-led industries to incentivize private investment;
- Encourage the development of

resource processing industries such as cement

#### **iii. Solid Mineral**

- Provide enabling environment to enhance private sector investment in the sector; and
- Formalize informal mine activities;

#### **iv. Services**

- Promote ICT sector by supporting technology development;
- Deepen the financial services sector including banking and insurance to among others address low capitalization, enhance cheap and accessible credit to real sector and stimulate financial inclusion;
- Grow tourism through strong value proposition; and
- Support creative industries, including film production

#### **v. Construction and Real Estate**

- Stimulate construction of building affordable housing through access to finance for construction, investment in capacity building, etc.

#### **vi. Oil and Gas** - Revamp refineries to increase local production capacity;

- Revolutionize gas by launching development projects and increasing production; and
- Improve governance of oil sector through improvement of business environment and investment drive.

Arising from the review of the key challenges to economic diversification and the complimentary policy and strategic recovery plan for the country, there is no doubt that the existing policy documents entails requisite strategies to drive economic diversification in Nigeria, however critical issues such as corruption, weak business ethics and unattractive business environment, unstable polity and tussle for leadership, weak leadership and economic management, multi-facet conflicts situations, including insurgency, banditry, herdsman

farmer clashes, kidnapping, youth agitation arising from high unemployment are likely to hinder the march towards economic diversification.

## CONCLUSION AND RECOMMENDATIONS

The review concludes that provisions made in the on-going agriculture sector policy road map, economic recovery and growth plan and the National Industrial Policy (2007-2011) are robust enough to cause economic diversification and drive growth in the country; however, there has to be holistic implementation of these policy instruments backed up with requisite fiscal requirement, institutional reforms and political will.

## REFERENCES

Adeshina, A. A. (2018). Briefing on the African Economic Outlook: African Development Bank makes a compelling case for Africa's industrialization.

<https://www.afdb.org/en/news-and-events/2018-african-economic-outlook-african-development-bank-makes-a-compelling-case-for-africas-industrialization-17776/>

Esu, G.E., Udonwa, U. (2015). Economic Diversification and Economic Growth: Evidence from Nigeria. *Journal of Economic and Sustainable Development*, Vol. 6, No.16.

Federal Ministry of Agriculture and Rural Development (FMARD), (2016). The Green Alternative. Agriculture Promotion Policy 2016-2020. Building on the Successes of the ATA, Closing Key Gaps. Policy and Strategy Document.

Federal Ministry of Budget and National Planning, (2017). Economic Recovery and Growth Plan (2017-2020). Federal Capital Territory, Abuja.

Fruman, C. (2017) Economic diversification: A priority for action, now more than ever.

<https://blogs.worldbank.org/psd/economic-diversification-priority-action-now-more-ever>

Hirschman, A. (1981): The rise and decline of development economics, in Essays in Trespassing: Economics to Politics and Beyond, Cambridge, Massachusetts, Cambridge University Press.

Index Mundi-Country Facts. <https://www.indexmundi.com/>. Accessed 20<sup>th</sup> March, 2018.

Manasseh, V. (2016). Nigeria: The Challenge of Diversification and Industrialization.

SCOOPINION. <http://www.thescoopng.com/2016/02/07/manasseh-victor-nigeria-the-challenge-of-diversification-and-industrialisation/>

Udeze, E. (2018). Diversification, Solution to Nigeria's Economic Challenges. Briefing on the 29<sup>th</sup> Enugu International Trade Fair. Enugu Chambers of Commerce, Industries, Manufacturing and Agriculture.

United Nations (2009). Economic Diversification. United Nations Climate Change.

United States Agency for International Development, (2018). Request for Proposal (RFP) SOL 72062018r00003-Feed-the-Future Nigeria Agribusiness Investment Activity.

World Bank (2017). Economic Diversification. Guidance Note. Trade and Competitiveness Global Practice.

World Bank (2017). The World Bank Implementation Status Results Report Second Private Sector Competitiveness and Economic Diversification.

<http://documents.worldbank.org/curated/en/782201491924955082/pdf/ISR-Disclosable-P144933-04-11-2017-1491924942593.pdf>.

World Bank, (2018).

Strengthening Economic Diversification in Nigeria through Connectivity.

Nigeria Bi-Annual Economic Update: Connecting to Complete.