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NEPAD
Comprehensive Africa Agriculture
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(CAADP)

NIGERIA

**STRATEGIC OPTIONS AND SOURCES FOR AGRICULTURAL GROWTH,
POVERTY REDUCTION AND FOOD SECURITY**



STRATEGIC OPTIONS AND SOURCES FOR AGRICULTURAL GROWTH, POVERTY REDUCTION AND FOOD SECURITY

I mplementing the Comprehensive Africa Agriculture Development Program (CAADP) as a framework for poverty reduction implies that agriculture and its individual sub-sectors must play a primary role as leading sources of pro-poor growth at the national and sub national levels.

Nigeria and the other African countries are not just seeking to accelerate growth but also to maximize and broaden the impact of such growth on poverty reduction. Successful implementation of the CAADP agenda therefore should be guided by a good understanding of the impact of sector wide growth and growth within individual agricultural subsectors on income and poverty at the national and, in particular, regional level. In the present case, a better understanding of the potential implications of the government's growth strategy which halves the 1996 poverty level by 2017 would allow the Nigerian government to emphasize the options that are more likely to maximize the impact of growth on poverty reduction.

AGRICULTURAL

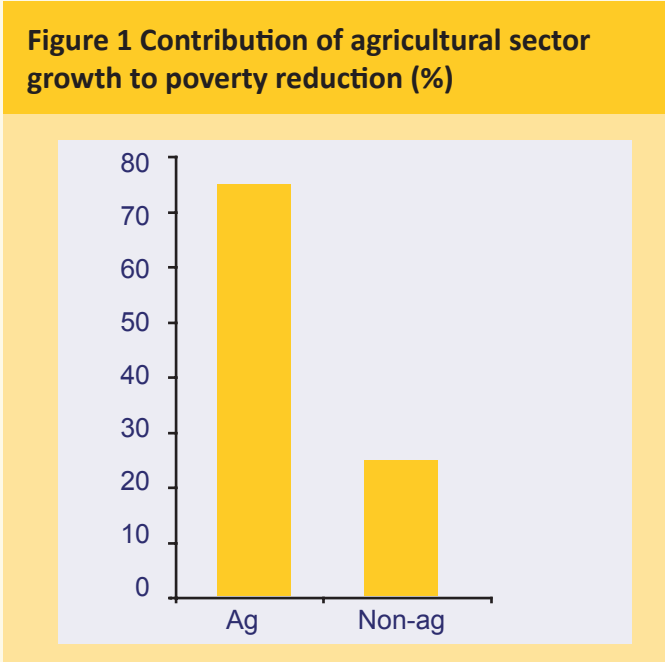
SECTOR GROWTH AND ITS CONTRIBUTION TO ECONOMIC GROWTH

If the strategy of halving the 1996 poverty level and reducing the 1990 level by one third were to be successfully implemented by 2017, the contribution from growth in agriculture to poverty reduction would be much higher than that from growth in the nonagricultural sector. The agriculture sector would contribute about 75% of growth while the non – agriculture sector would contribute about 25% (figure 1). While accelerated growth in agriculture as a whole may be the most promising poverty-reduction strategy currently available to

Nigeria, such a strategy needs to recognize that not all sub sectors contribute to agricultural growth and poverty reduction in the same way. The size of the contribution of individual subsectors is determined by their initial shares in income and employment and their potential for incremental growth. In Figure 2, the axis on the left and the bars show the projected contributions to agricultural GDP growth resulting from implementing the government’s strategy as contained in the National food security program and other key documents. The line and the axis on the right show the percentage decrease in the poverty rate that would occur for every 1% increase in per capita income if the government achieves its target for the product group. Cereals and root crops exhibit the highest levels of contribution to agricultural incomes. Each accounts for about 30% of agricultural growth under the government’s strategy. A 1% increase in per capita income arising from cereals and root crops strategy would lead to a 1% and .9% drop in poverty respectively.

EFFICIENCY OF DIFFERENT GROWTH STRATEGIES IN ACHIEVING POVERTY REDUCTION OBJECTIVES

The long-term contributions (to 2017) of alternative growth strategies to poverty reduction are plotted in Figure 3. Each line depicts the decline in poverty that would be achieved if Nigeria were to focus on particular sets of agriculture products under its strategy. The top (base) line indicates the decline in the poverty rate under the continuation of current trends across all subsectors, which would result in a reduction from 66% in 1996 to 39.7% in 2017. The second line from the bottom shows poverty reduction with a strategy that results from achieving the government’s targets for cereal production. The poverty rate would fall to about 36%, i.e. an additional 4 percentage points less than in current trends. The lines in between denote the outcomes of alternative isolated strategies that would focus exclusively on other subsectors: roots, export crops (cocoa, coffee, rubber etc), pulses and livestock. In these individual cases the government would be pursuing its targets for the sub sector alone while other sectors grow at their current rates. The bottom line shows poverty reduction with a strategy that results from growth in all agriculture sectors. Poverty would reduce by an additional 5 and 9 percentage points compared to the outcomes under cereals strategy and the base/current trends respectively. The projected outcomes indicate that a more comprehensive, sector wide strategy in terms of reducing overall poverty levels would be more effective than crop-specific strategies. It would be very difficult to achieve the



rates of agricultural growth that would be required to meet the MDG1 objective in 2015, estimated at 12%+ (see Brochure 2: *Agricultural growth, poverty reduction, and food security: Past performance and prospective outcomes*). However, the above results suggest that Nigeria can make significant progress towards halving the 1996 poverty rate and reducing the 1990 rate by one third by 2017 - by ensuring a 9.5% and 8% growth in the agriculture sector and GDP respectively. An analysis of the alternative growth sources and poverty-reduction outcomes yields the following lessons with respect to efforts to successfully design and implement strategies to achieve the poverty MDG in Nigeria:

- Agriculture will remain the predominant source of growth and poverty reduction in Nigeria during the next 10 years.
- Continuation of current trends would reduce poverty by 23 percentage points by 2015 compared to its 1996 level of 66% and would not allow

Nigeria to halve the 1990 national poverty level by 2015.

- Isolated strategies targeting any of the major sub-sectors separately would not be as effective as a comprehensive agriculture sector strategy in reducing poverty.

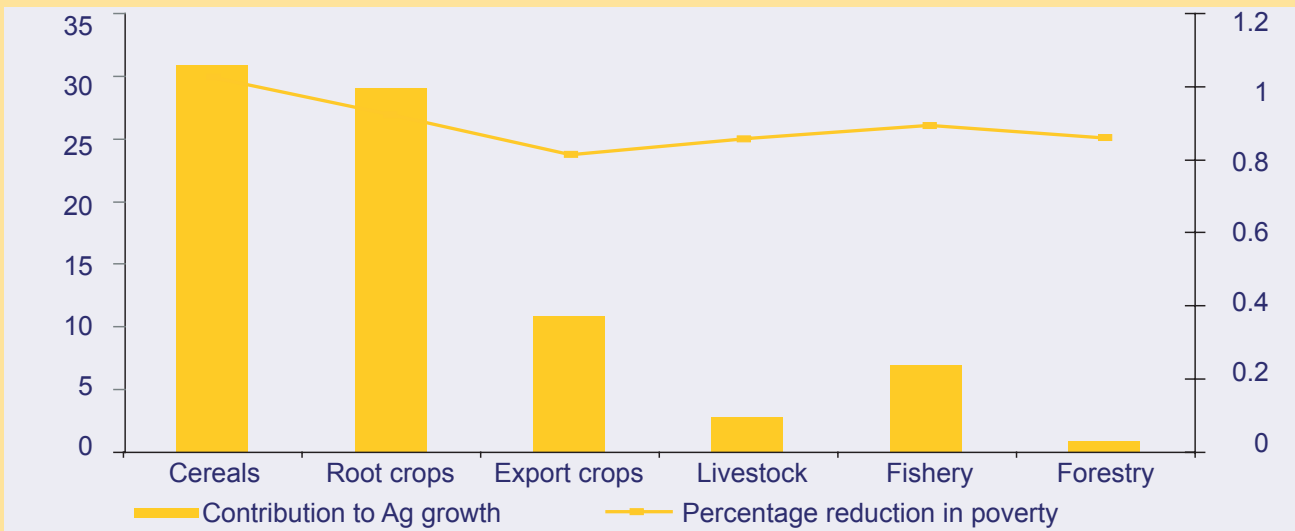
POTENTIAL

EQUITY EFFECTS RELATED TO GOVERNMENT GROWTH TARGETS

Impact of subsectoral growth on the reduction and distribution of poverty among regions

The possible strategy to halve the 1996 poverty level by 2017 is projected to generate strong growth across the different sub-sectors. The distribution of growth and its impact on poverty is shown, however, to vary significantly among regions. As figure 4 indicates, the north and south regions experience markedly different levels of poverty reduction between 1996 and 2017. Figure 4 indicates that while the northern regions had higher poverty rates in

Figure 2 Sub sector contribution to agricultural GDP growth (%) and poverty reduction (%) under the government's strategy



1996, under the present strategy they will experience lower rates of poverty reduction compared to the southern regions. While the northwest region had a 1996 poverty rate of 70%, by 2017 it would experience about 40% decrease in this rate. In contrast, the south east region which had a 1996 poverty rate of 54% would experience a decrease of 84%. However, although the northern region does not experience drops in poverty commensurate with its initially higher levels, the strategy succeeds in reducing the poverty gap between northern and southern regions. In 2004 (the latest year in which the national household incomes survey was carried out) the gap between the average of the 3 northern regions poverty rate and the average of the 3 southern regions poverty rate was 35 percentage points. Implementing the government's strategy would reduce this gap to 27 percentage points (Figure 5).

Possible equity effects and how to address them under current CAADP targets

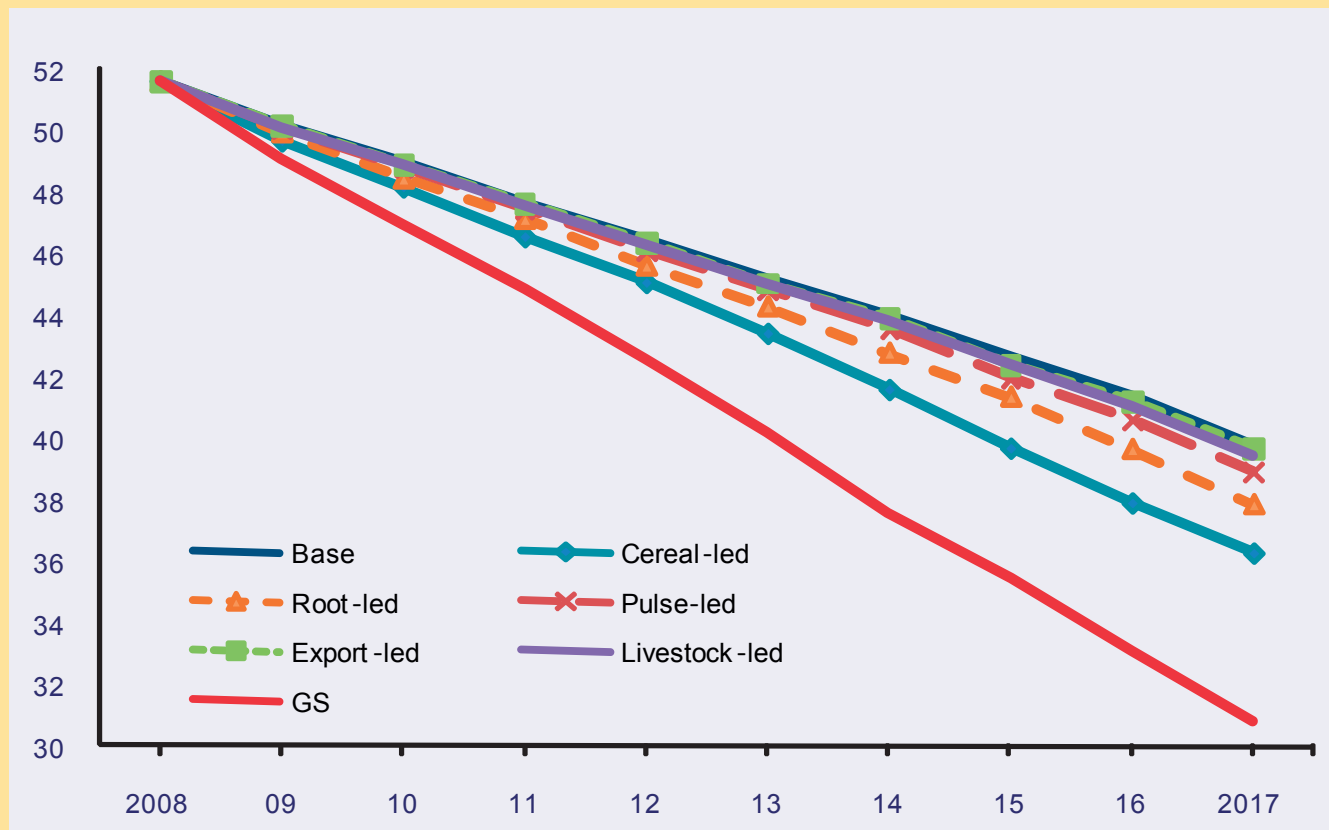
Implementation of the growth strategy should take potential equity effects into consideration. The purpose here is not necessarily to achieve equal outcomes but rather to raise the overall level of income gain and poverty reduction by maximizing the gains among households in regions at the lower end of the spectrum. This can be done by emphasizing in the design and implementation of programs those subsectors that contribute more immediately and to a greater extent to income growth and poverty reduction among households in regions like the Northern regions that would otherwise continue to lag behind in terms of poverty reduction. The benefits from agricultural growth may vary among

households in the different regions due to the following factors:

- The importance of individual sectors as a source of income and employment for different household groups
- The scope for incremental growth in individual subsectors, given technological, market and other conditions affecting demand and supply
- The initial distribution of growth among individual agricultural subsectors

The implementation of the government's growth strategy needs to reflect these dynamics in order to ensure that the income and poverty-reduction benefits of future agricultural growth are widely shared and its potential equity effects are better managed. If the design and implementation of future programs under it are carried out such that they take into consideration the subsectoral and geographic distribution of vulnerable households, it should be possible to balance out the income and poverty-reduction benefits of these programmes. To accelerate growth in the Northern regions, greater attention should be given to activities that benefit farmers of crops of economic importance in the north – particularly cereals. It is interesting to note that cereals have the highest impact on poverty reduction nationally (figure 1). This is because they are crops of high economic importance to the farmers in the poorest regions of the country. An increase in the size of cereals production is able to increase the incomes of more poor farmers than an increase in the size of fisheries production for example.

Figure 3 Poverty (%) outcomes of alternative growth strategies



The following lessons can be drawn regarding the design and implementation of programs to stimulate growth and reduce poverty under the CAADP agenda:

- Agriculture remains a key source of growth and a major contributor to poverty reduction nationally as well as across regions.
- The realization of the growth strategy is projected to stimulate growth across agricultural sub sectors and across regions.
- The reduction in poverty will not alter the regional poverty profiles as the poorest regions remain the poorest in the future although all regions will experience decreases in poverty.
- The cereals subsector is the major source of future growth and poverty reduction among the poorest households.
- Consequently, the implementation of the growth strategy needs to emphasize this subsector in the regions with a high concentration of the poorest households so as to better balance out and broaden the impact of growth and poverty reduction.

Figure 4 Projected reduction of poverty across the regions under the government's strategy (%)

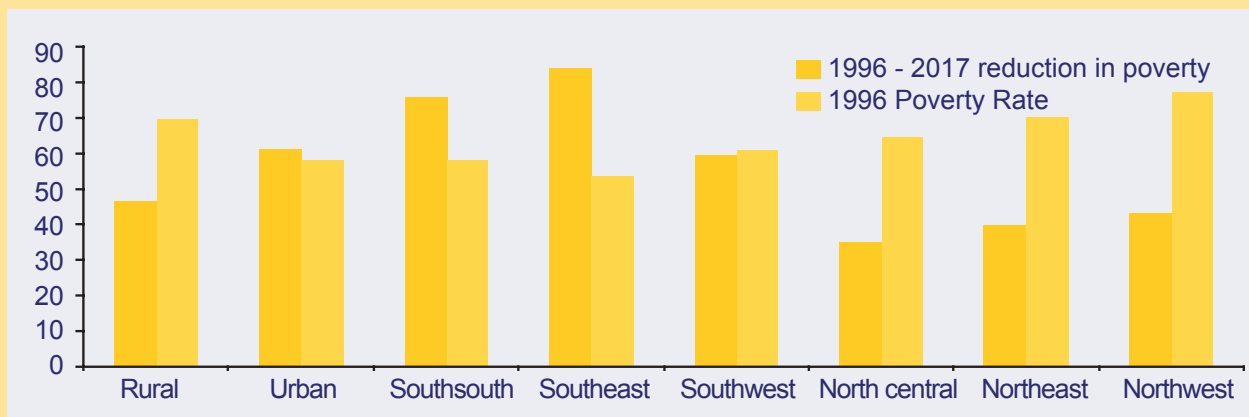
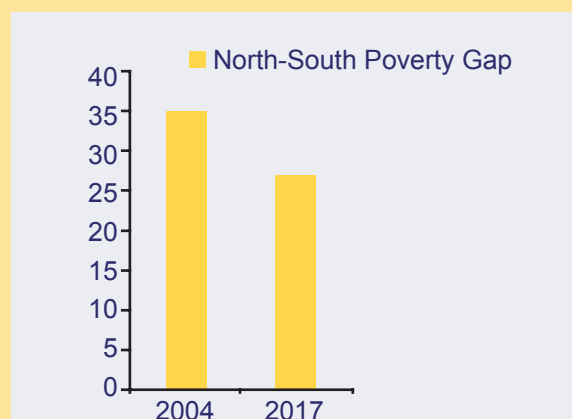


Figure 5 Projected regional poverty gaps under the government's strategy (percentage points)



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