

Engaging the Approved 2016 Federal Agriculture Budget



CENTRE FOR SOCIAL JUSTICE (CSJ)

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By

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ACRONYMS

ACARN:	Agricultural Resilience in Nigeria
ATA:	Agricultural Transformation Agenda
CBN:	Central Bank of Nigeria
CPI:	Consumer Price Index
FAO :	Food and Agricultural Organization
FGN:	Federal Government of Nigeria
FMARD:	Federal Ministry of Agriculture and Rural Development
FRA:	Fiscal Responsibility Act
GDP:	Gross Domestic Product
GESS:	Growth Enhancement Support Scheme
HA:	Hectare
ICESCR:	International Covenant on Economic Social and Cultural Rights
KG:	Kilograms
MDAs:	Ministries, Departments and Agencies of Government
MT:	Metric Tonnes
MTEF:	Medium Term Expenditure Framework
MTSS:	Medium Term Sector Strategies
NIRSAL:	Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
Q1”	First Quarter
Q2:	Second Quarter
Q3:	Third Quarter
Q4:	Fourth Quarter
SCPZ:	Staple Crops Processing Zones

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EXECUTIVE SUMMARY

The study reviews the extent to which the 2016 federal agriculture budget provides for the activation of the existing policies to ensure the realisation of their goals. It further reviews the agriculture budget to determine its coherence with agreed international standards such as the Maputo Declaration on Agriculture. There is a review of the efficiency and effectiveness of federal agriculture spending.

Key findings indicate that Nigeria invests the lowest percentage of its budget to agriculture among sampled African countries and the provision for 2016 is a paltry 1.25% of the overall budget. Agricultural productivity is low in terms of yield per hectare, production of cereals, meat, milk and vegetables. Nigeria's fertiliser use per hectare is also one of the lowest in Africa. Agriculture contributes a lot to GDP growth and employment creation in Nigeria and should be recognized as a key driver of economic growth.

The procedures for budget preparation involving the background and underlying Medium Term Sector Strategies as provided in the Fiscal Responsibility Act have been ignored in the sector. There is a wide variance between appropriated and utilized sums in the agriculture budget and this has become a trend over the years 2013-2015. Allocations to capital budget bear the brunt of the variance as the sector witnessed less than 50% capital budget implementation. The allocation of 60.91% of the agriculture vote in 2016 to capital expenditure is a step in the right direction. But the releases, cash backing and utilization at the end of the year will determine if the vote is meaningful. There are some expenditure heads in the budget in need of clarification and specificity. Also, there seems to be an emphasis among some agencies under the Ministry to expend their capital votes on administrative capital. With so many agencies competing for the meager vote of the sector, resources are spread so thinly leading to suboptimal results. Also, with the official acknowledgement of the reality of climate change and its impact on agriculture, the budget was virtually silent on projects and programmes to mitigate climatic risks and the adoption of smart agriculture practices.

On the strength of the foregoing, the review made the following recommendations.

i. Prepare and Approve the Budget on Time: The executive should start the budget preparation process on time and submit same to the National Assembly not later than the first week of September every year to guarantee that the budget is approved and assented to on or before January 1 of the New Year.

ii. Review Existing Policies and Prepare a Coherent Policy Framework: It is imperative that FMARD reviews existing policies and prepares a coherent policy framework that incorporates the change agenda of the administration; this will provide a

good anchor and basis for budget formulation and implementation. We specifically recommend that the value chains approach be continued in any new policy framework.

iii. Prepare MTSS for the Agriculture Sector: The sector budget is supposed to be anchored on the MTSS of the sector. This has been lacking over the years and needs to be re-established.

iv. Increase Funding to the Sector: Increase the funding to agriculture to 10% of the overall budget or alternatively start a progressive increase of the vote to not less than 5% of the budget in 2017 and thereafter gradually scale up allocations to the sector to meet the Maputo Declaration. Other relevant recommendations to increased funding are:

- The increased allocation should be channeled to capital expenditure and increases in overheads that facilitate the realisation of sector objectives. The capital expenditure should be more of developmental capital expenditure as against administrative capital expenditure.
- Increased resources for the sector should also target the binding constraints on agricultural growth including procurement of fertilizers, soil nutrient deficiency, improvement of extension services, enhanced research and knowledge dissemination, etc.
- Any proposal for a decrease in allocations to the sector in the future should be accompanied by compensatory mechanism(s) and resources for those who will be deprived of agricultural services paid for by the treasury.

v. Harmony between MTEF/MTSS and the Budget: The MTEF and its Fiscal Strategy Paper should provide the framework for the annual budget and there should be harmony between the policy goals of the FSP and the expenditure framework of the annual allocation to the sector. If agriculture is a priority defined by the FSP, this should reflect in the allocations.

vi. Focusing Resources to Achieve Greater Value for Money: There is the need to reconsider the recommendations of the Oronsanye Committee on the number of institutions and research institutes under the FMARD. Rationalization involving mergers and streamlining of mandates may be imperative so that resources do not get wasted in paying salaries and overheads without the requisite capital allocation to carry out research. There is the need to promote and commercialization of research works.

vii. Ring-fencing of Allocated Capital Funds: The culture of budgeting without the intention of spending capital funds should be discontinued. This is to ensure that no more than 5% variation exists between appropriated and utilized funds. In this regard, the ring-fencing of capital votes by the fiscal authorities may be necessary.

viii. Climate Change and Agriculture: Climate Change mitigation and adaptation strategies should be mainstreamed into the budgeting framework of agriculture.

ix. Enhanced Legislative Oversight of the Sector: The National Assembly needs to enhance its oversight over the management of public funds in the sector to guarantee greater value for money.

x. Enhanced Civil Society Participation in the Budget Process: Civil Society needs to enhance participation in the sector's budget preparation, approval, monitoring and evaluation processes.

1. INTRODUCTION

Nigeria has over 84 million hectares of arable land out of which only 40% is cultivated. It is a country of over 180 million people making her Africa's largest agricultural market. It is blessed with 230 billion cubic metres of water and an abundant and reliable rainfall in over two-thirds of its territory¹. Major crops include beans, sesame, cashew nuts, cassava, cocoa beans, groundnuts, gum arabic, kolanut, maize (corn), melon, millet, palm kernels, palm oil, plantains, rice, rubber, sorghum, soybeans and yams². In the past, Nigeria used to be a major player in the world's agriculture industry. In the 1960s, Nigeria was the world's largest producer of groundnut and palm produce as well as the second largest exporter of cocoa and the country was virtually self-sufficient in food production. This is now part of Nigeria's history.

Nigeria has several policy frameworks and schemes that seek to promote agriculture and the full value chain approach in the utilization of its products³. At inception, the Muhammadu Buhari administration promised to continue existing policies in the agriculture sector but it intends to improve on their efficiency and effectiveness. The administration also promised subsidized funding for priority sectors such as agriculture and investments in equipping farmers with the right tools, technology and techniques⁴. Thus, policy frameworks and schemes need a combination of fiscal and monetary policy and other interventions to be activated to deliver dividends to the population. Some of the extant agriculture policies are reviewed below.

Improvements in agricultural production are necessary for Nigeria to attain self sufficiency in food and indeed meet the larger picture of the right to food of its citizens and residents in Nigeria⁵. The right to food is a right recognized by the International Covenant on Economic, Social and Cultural Rights (ICESCR) which has been ratified by Nigeria. The ICESCR places Nigeria under the obligation to take steps, to the maximum of available resources for the progressive realisation of the right to food of Nigerians by all appropriate means including particularly the adoption of legislative measures. The budget is a legislative measure. The specific obligations on the right to food which is directly linked with agriculture are the obligations to respect, protect and fulfill the right to food. The fulfillment bound obligations have a lot in common with budgetary

¹ <https://fmard.gov.ng>

² https://en.wikipedia.org/wiki/Agriculture_in_Nigeria

³ Appropriations were made for the Value Chains in the 2016 budget.

⁴ See page 5 of the 2016 Federal Budget Speech by President Muhammadu Buhari.

⁵ Adequacy in terms of the right to food implies availability, accessibility of food including physical and economic accessibility; agriculture that produces food free from adverse substances and cultural and consumer acceptability; see General Comment No.12, (Twentieth Session of the United Nations Committee on Economic, Social and Cultural Rights) on the Right to Adequate Food.

provisions to promote agricultural production. Such an approach to agriculture and the right to food should also aim at food sovereignty for the country.

This review will examine the extent to which the budget provides for the activation of the existing policies to ensure the realisation of their noble goals. It will further review the agriculture budget to determine its coherence with agreed international standards such as the Maputo Declaration on Agriculture. There will also be a review of the efficiency and effectiveness of federal spending and the capacity of the Federal Ministry of Agriculture and Rural Development (FMARD) to implement budget programmes. Finally, the review determines whether Nigeria is investing the maximum of available resources to improve agricultural production thereby leading to the progressive realisation of the right to food of all Nigerians⁶.

2. EXTANT AGRICULTURE POLICIES

The overarching policy framework up till 2015 was the Agriculture Transformation Agenda (ATA) of President Jonathan's administration. ATA expired at the end of 2015. No new framework was produced to take over from ATA before the preparation of the 2016 budget. The policies examined below are subsets of the agriculture policy which need a coordinating framework to ensure coherence and strategic alignment between investments and policy goals.

2. 1 The Staple Crops Processing Zones (SCPZ)

The SCPZ policy is aimed at attracting private sector agri-businesses to set up processing plants in zones of high food production with a view to processing commodities into food products. This would be enabled by government putting in place appropriate fiscal, investment and infrastructure policies for Staple Crops Processing Zones. Some of the proposed key interventions under this policy include:

- *Tax breaks on import of agricultural processing equipment.*
- *Tax holidays for food processors that locate in these zones.*
- *Supportive infrastructure, especially complimentary investment by the government in roads, logistics, storage facilities and power.*
- *Infrastructure would focus on power, irrigation, flood control, roads, rail, air, etc.*
- *Staple Crop Processing Zones will link farmers in clusters to food manufacturing plants.*
- *Develop Agricultural Investment Code, in partnership with Ministry of Finance and Ministry of Trade and Investment and CBN.*

⁶ This is as envisaged in the ICESCR and other international and regional standards to which Nigeria is a party.

- *The location of Staple Crop Processing Zones will be dependent on a combination of State government support and an analysis of the comparative advantage of the region to produce the identified commodity⁷.*

2.2 Nigeria's Incentive-Based Risk-Sharing System for Agricultural Lending (NIRSAL)

The NIRSAL policy is an innovative mechanism targeted at de-risking lending to the Agricultural sector. Some of the key features include:

- *It is designed to provide the singular transformational and one bullet solution to break the seeming jinx in Nigeria's agricultural lending and development.*
- *Involves the Central Bank of Nigeria (CBN) and the Federal Ministry of Agriculture and Rural Development.*
- *NIRSAL is an approach that tackles both the agricultural value chains and the agricultural financing value chain.*
- *The goal of NIRSAL is to trigger an agricultural industrialization process through increased production and processing of the greater part of what is produced to boost economic earnings across the value chain⁸.*

2.3 The Growth Enhancement Support Scheme (GESS) Programme

GESS is a pragmatic shift in the fertilizer market programme and it puts the resource constrained farmer at its center through the provision of series of incentives to encourage the critical actors in the fertilizer value chain to work together to improve productivity, household food security and income of the farmer⁹. The key goals of the GESS intervention are:-

- *Target 5 million farmers in each year for 4 years that will receive GESS in their mobile phone directly totaling 20 million at the end of 4 years.*
- *To provide support directly to farmers to enable them procure agricultural inputs at affordable prices, at the right time and place.*
- *To increase productivity of farmers across the length and breadth of the country through increased use of fertilizer i.e. 50kg/ha from 13kg/ha.*
- *Change the role of Government from direct procurement and distribution of fertilizer to a facilitator of procurement, regulator of fertilizer quality and catalyst of active private sector participation in the fertilizer value chain¹⁰*

2.4 The Agricultural Resilience in Nigeria (ACARN)

The policy tries to assure food and nutritional security, eradicate rural poverty and create social stability policies and institutions which are needed to enhance the ability of

⁷ <http://fmard.com.ng/home/scpz/>

⁸ <http://fmard.com.ng/home/nirsal/>

⁹ <http://fmard.com.ng/ges/ges/>

¹⁰ <http://fmard.com.ng/ges/ges/>

individuals, households and production systems to recover from the impact of shocks and stresses on the agriculture sector induced by the changing climate. This National Agricultural Resilience Framework is written in response to that need. It offers a well-articulated national policy on short- and long-term strategies to reduce food and nutrition vulnerability, while enhancing environmental resilience. It offers a well articulated policy on short and long term strategies to reduce food and nutritional vulnerability while enhancing environmental resilience.

The long term solution to food insecurity is to raise agricultural productivity and boost food production. This policy tries to drive import substitution by accelerating the production of local food staples to reduce dependence on food imports and turn Nigeria into a net exporter of foods. Thus, the key interventions are that:

- *Farmers get access to agricultural inputs.*
- *The Agricultural revolution is complemented with a financial revolution.*
- *The focus is on the mechanism for establishing weather index-based insurance scheme for farmers.*
- *Social safety net policies are being used to reduce vulnerability especially for women and children. These include conditional cash transfers, school feeding and nutritional interventions.*

3. AGRICULTURE AND THE ECONOMY

3.1 Agriculture's Contribution to GDP in Nigeria

Agriculture is a high growth sector and should receive more support than the 2016 allocation did. As at the end of the First Quarter of 2016, the economy recorded a negative growth rate of -0.36 percent year on year. But the National Bureau of Statistics states of the Agriculture sector that¹¹:

In nominal terms, the sector grew by 14.15% year-on-year in Q1 2016. This was higher than growth rates recorded in the corresponding quarter of 2015 and Q4 2015 by 6.71% points and 4.65% points respectively. Growth in the sector was driven by output in Crop Production accounting for 83.67% of overall growth of the sector. Agriculture contributed 19.17% to nominal GDP during the quarter under review. This was higher than shares recorded in the corresponding period of 2015 by 1.40% points, yet lower than the contribution in Q4 2015 by 3.39% points.

Real agricultural GDP growth in Q1 of 2016 stood at 3.09% (year-on-year), a decrease of 1.61% points from growth recorded in the corresponding period of 2015 and also lower by 0.39% points from Q4 2015. While positive, growth in agricultural output has been relatively lower compared to the corresponding period of 2015 as a result of lower crop output which in turn was as a result of lower productivity during dry season farming

¹¹ Nigerian Gross Domestic Product Report, Quarter 1, 2016- National Bureau of Statistics

during the quarter. Agriculture contributed 20.48% to Real GDP during the quarter under review. This was higher than shares recorded in the corresponding period of 2015 by 0.69% points yet lower than shares recorded in Q4 2015 by 3.70% points.

Essentially, at a time other sectors were declining, agriculture grew by 4.70%, 3.49%, 3.46%, 3.48% in 2015 Qs 1, 2, 3 and 4 respectively. This is an average growth rate of 3.72% in 2015. It grew by 3.09% in 2016 Q1. At the 2010 Constant Basic Prices, agriculture contributed 23.11% of the GDP in 2015. This growth is recorded at a time of official government policy to diversify the economy beyond the oil and gas sector and as such, it has asserted its place as one of the growth drivers in the economy.

3.2 Agriculture's Contribution to Employment in Nigeria

Agriculture provides employment for about 30% of the population¹². But if the full value chain of employment supported by agriculture is calculated, the sector would be seen to be supporting more jobs. Nigeria has an economically active or working age population of 106.0mn and labour force population of 78.4mn as at Q1 2016. Under the new methodology of calculating unemployment and underemployment, the unemployment rate in Q1 2016 was 12.1% which is an increase from 10.4% in Q4 2015, 9.9% in Q3 2015 and 8.2% in Q2 2015¹³. The National Bureau of Statistics states that underemployment is more of a rural phenomenon considering the fact of seasonal agriculture in the rural areas. This indicates that improved farming methods including all season farming could improve the underemployed to fully employed status¹⁴. Thus, agriculture is a sector that is considerably contributing to the employment generation in Nigeria.

3.3 Agriculture and the Consumer Price Index (CPI)

Nigeria is witnessing galloping inflation in excess of 16.5% year on year increase. The food sector has contributed its quota to the inflationary trend. According to the CPI report of May 2016, being the month the budget was signed into law:

Imported foods as well as a drawdown of inventories across the country continue to push food prices higher. The Food sub index increased by 14.9% in May, up by 1.7% points from rates recorded in April as all major food groups which contribute to the Food sub-index increased at a faster pace driven by higher food prices in Fish, Bread and Cereals, and Vegetables groups for the second consecutive month. In addition, the

¹² Labour Force Statistics 2010 by the National Bureau of Statistics.

¹³ Using NBS previous methodology, unemployment rate would have been 31.2% in Q1 2016, from 29.2% in Q4 2015, 27.3% in Q3 2015, 26.5% in Q2 2015, 24.2% Q1 2015, 23.9% in 2011 and 21.4% in 2010: see Unemployment and Underemployment Report Q1, 2016 by NBS.

¹⁴ Q1 2016 Unemployment/Underemployment Report- NBS

Imported Food sub-index increased by 18.6% in May, 2.2% points from rates recorded in April.

Increased prices of both domestic and imported food products continue to drive food prices higher. The index increased by 14.9% (Year-on-year) during the month of May, 1.7% points higher from rates recorded in April. All groups which contribute to the index increased with the highest increase recorded in the Bread and Cereals group which increased from 14.5% in April to 16.6% in May. On a month-on-month basis, the Food sub-index increased by 1.3% points¹⁵.

Improvements and increases in food production arising from improvements and increases in agriculture investments will likely lead to reduced prices which would help in lowering the inflationary spiral.

4. RELEVANT AGRICULTURE AND FOOD STATISTICS

Some relevant agriculture and food statistics which will locate Nigeria in the scheme of things especially when compared to other countries at the same level of development will be imperative to determine what is needed to improve agricultural productivity in Nigeria. This will also facilitate the clarification on what public sector spending needs to focus on.

4.1 Fertiliser Use per Hectare

Table 1 is on the fertilizer use per hectare across African Countries. Fertilisers are important for improved yields in crop production.

Table 1: Fertilizer Use per Hectare of Arable Land (2013)

Country	Fertiliser Use (KG)	Country	Fertiliser Use (KG)
Egypt	636.39	Burkina Faso	14.32
South Africa	57.72	Togo	11.70
Cote D'Ivoire	36.13	Senegal	10.95
Ghana	35.82	Gabon	6.12
Mali	27.88	Benin	5.52
Nigeria	17.80	Guinea	1.61

Source: <http://www.indexmundi.com/facts/indicators/AG.CON.FERT.ZS/rankings>

Egypt, South Africa, Cote D' Ivoire, Ghana and Mali are far ahead of Nigeria on the Table. This presents a case for increased application for fertilizers in Nigeria.

4.2 Cereal Yield per Hectare

Table 2 shows cereal yields per hectare in selected African countries.

¹⁵ CPI Report, May 2016 by National Bureau of Statistics.

Table 2: Cereals Yield per Hectare (2014)

Country	Yield (KG)	Country	Yield (KG)
Egypt	7,162.30	Guinea	1,542.70
South Africa	4,320.40	Benin	1,460.30
Cote D'Ivoire	3,254.10	Guinea Bissau	1,262.20
Sierra Leone	1,720.80	Burkina Faso	1,225.80
Ghana	1,703.40	Togo	1,146.30
Gabon	1,688.10	Senegal	1,110.20
Nigeria	1,593.70	Liberia	1,077.30
Mali	1,550.70		

Source: <http://www.indexmundi.com/facts/indicators/AG.YLD.CREL.KG/rankings>

Yields per hectare show the actual productivity of crops when planted in a given country. Again, Nigeria lags behind Egypt, South Africa, Cote d' Ivoire, Sierra Leone, Ghana and Gabon. Nigeria's yield is less than 25% of Egypt's, the continent's leader in cereal yield per hectare.

4.3 Rice Yield per Hectare

Table 3 shows the rice yield in metric tonnes per hectare

Table 3: Rice Yield in Metric Tonnes per Hectare (MT/HA) 2016

Country	Yield (MT/HA)	Country	Yield (MT/HA)
Egypt	9	Guinea Bissau	2
Senegal	4	Burkina Faso	2
Mali	3	Nigeria	2
Benin	3	Sierra Leone	2
Ghana	3	Togo	2
Cote D'Ivoire	2	Gambia	1
Guinea	2		

Source: <http://www.indexmundi.com/agriculture/?commodity=milled-rice&graph=yield>

Nigeria's yield is less than 25% of the African leading country Egypt and just 50% of the yield of Senegal. This demonstrates the need for improvements in the subsector.

4.4 Cotton Yield per Hectare

Table 4 shows the cotton yields in kilogramme per hectare across major African countries.

Table 4: Cotton Yield in kg per Hectare (2016)

Country	Cotton Yield	Country	Cotton Yield
South Africa	1,089	Ghana	381
Egypt	697	Senegal	373
Angola	544	Togo	317
Cote D'Ivoire	408	Nigeria	227
Burkina Faso	402	Zambia	207
Mali	396		

Source: <http://www.indexmundi.com/agriculture/?commodity=cotton&graph=yield>

In this selection, Nigeria is virtually the last in terms of yields in kilogrammes per hectare and the yield is about 25% of South Africa's yield.

4.5 Food Production Indices for Selected African Countries

Table 5 shows the food production indices among selected African countries.

Table 5: Food Production Indices (2004-2006=100) for Different African Countries, 2014

COUNTRY	CEREALS	VEGETABLE OILS	ROOTS AND TUBERS	FRUITS AND VEGETABLES	SUGAR	LIVESTOCK	MILK	MEAT	FISH
Benin	165	123	145	168	91	129	120	128	114
Burkina Faso	143	199	223	80	107	85	123	75	224
Cote D'Ivoire	224	152	110	105	135	131	109	131	159
Egypt	101	108	168	119	141	131	121	136	160
Gabon	138	86	127	109	137	120	108	121	76
Gambia	114	77	121	124	-	99	110	97	125
Ghana	151	98	156	152	107	136	114	135	83
Guinea	156	97	117	102	107	132	131	132	122
Guinea Bissau	150	155	119	125	115	129	125	131	-
Liberia	166	105	101	104	104	140	91	144	82
Mali	189	119	143	117	107	147	137	151	101
Nigeria	102	87	118	103	158	124	129	122	174
Senegal	125	117	67	162	107	133	191	123	117
Sierra Leone	164	124	256	128	110	198	214	191	140
South Africa	125	120	124	113	89	131	119	134	54
Togo	151	120	115	101	-	144	105	176	74
Zambia	215	196	113	121	169	216	108	234	153

Source: FAO Statistics Pocketbook, 2015

Again, considering Nigeria's population, the production of this quantity of food items cannot feed the population. Essentially, Tables 1-5 above show the need for improvements in farming methods, techniques and the use of appropriate implements and all these will involve increased public and private investments in the sector. With growing food demand from a growing population, declining harvests in Nigeria will strain supply, increase malnutrition and possibly reverse recent progress in alleviating poverty¹⁶. Improving agricultural productivity will lead to reduced food import thereby reducing the strain on the value of the naira through reduced demand for foreign exchange to import the foods. For example in 2014, Nigeria used a total \$6,402million

¹⁶ See Nigeria's Intended Nationally Determined Contributions (INDC) submitted to the Paris Climate Change Conference, 2015.

for food importation¹⁷. This kind of expenditure is not sustainable in the medium to long term.

4.6 Prevalence of Undernourishment

Table 6 below shows the prevalence of undernourishment in different African countries.

Table 6: Percentage Prevalence of Undernourishment (2014) in Different African Countries

Country	Percentage Undernourishment	Country	Percentage Undernourishment
Benin	7.5	Liberia	31.9
Burkina Faso	20.7	Mali	<5.0
Cote D'Ivoire	13.3	Nigeria	7
Egypt	<5.0	Senegal	10
Gabon	<5.0	Sierra Leone	22.3
Gambia	5.3	South Africa	<5.0
Ghana	<5.0	Togo	11.4
Guinea	16.4	Zambia	47.8
Guinea Bissau	20.7		

Source: FAO Statistics Pocketbook, 2015

In absolute numbers as at 2014, Nigeria has the most number of undernourished persons in Africa from Table 6. But recent statistics from the FAO Statistical Pocket Book, 2015 indicates that Ethiopia may have overtaken Nigeria in this regard¹⁸. The fact of the high prevalence of the undernourished in Nigeria can be linked *inter alia*, to the level of agricultural productivity in the society and the intake of nutritious foods.

5. PROVISIONS FOR AGRICULTURE IN THE 2016 FEDERAL BUDGET AND TREND ANALYSIS

5.1 Issues in this Part of the Review

This part will review the key provisions in the overall agriculture envelope, recurrent and capital expenditure and their comparisons to other sectors as well as the funding gap (if any) using the Maputo Declaration of 10% of the overall budget. It will also highlight capacity deficits and frivolous, inappropriate and wasteful expenditure heads.

5.2 Allocations to Agriculture and the Funding Gap

Nigeria is committed to providing not less than 10% of its annual budget to agriculture under the Maputo Declaration. In Table 7 below, the study reviews the allocations to agriculture 2013 to 2016 and their compliance with the 10% commitment. The decision to go back to 2013 is to establish a trend in the allocations which will be compared to the 2016 allocation. The Table also seeks to establish the funding gap.

¹⁷ FAO Statistical Pocket Book, 2015.

¹⁸ Food and Agricultural Organisation Statistical Pocket Book 2015 at page 14.

Table 7: Allocations to Agriculture as a Percentage of Overall Budget and the Funding Gap

Year	FGN Overall Budget	Allocation to Agriculture	% of Agriculture to Overall Budget	10% Allocation to Agriculture	Variance between 10% Allocation to Agriculture
2013	4,987,220,425,601	83,762,937,710	1.68	498,722,042,560.1	414,959,104,850.1
2014	4,695,190,000,000	66,644,675,939	1.42	469,519,000,000	402,874,324,061
2015	4,493,363,957,158	40,659,020,717	0.90	449,336,395,715.8	408,677,374,998.8
2016	6,060,677,358,227	75,806,548,274	1.25	606,067,735,822.7	530,261,187,548.7

Source: Budget Office of the Federation - Approved Budgets

Table 7 shows that the Federal Government of Nigeria (FGN) allocated 1.68%, 1.42%, 0.90% and 1.25% of its overall budget to the agriculture sector in the years 2013, 2014, 2015 and 2016 respectively. This is an average allocation of 1.31% over the four year timeframe. The variance for the four years cumulatively amounts to N1.757 trillion whilst it came up to an average of N439.193 billion a year. In a year like 2013, the allocation to agriculture was higher than the 2016 allocation. The overall budget for 2016 is higher by 21.52% when compared to the 2013 figures. The expectation would have been for increased allocation to the sector rather than a reduction. Thus, Table 7 shows that FGN has not lived up to its commitment under the Maputo Declaration.

Table 8 shows the allocations by different African countries in the year 2014.

Table 8: Government Expenditure on Agriculture as a Percentage of Total Outlay (2014)

Country	% Expenditure on Agriculture	Country	% Expenditure on Agriculture
Angola	1.4	Sierra Leone	1.1
Botswana	2.7	Swaziland	4.9
Egypt	1.9	Tanzania	1.6
Ghana	1.5	Uganda	3.6
Liberia	2.4	Zambia	9.7
Nigeria	0.9	Zimbabwe	16

Source: FAO Statistical Pocketbook, 2015

Nigeria evidently allocated the least percentage of resources among these African countries in 2014.

5.3 Distribution and Composition of the Allocations 2013-2016

Table 9 shows the distribution of allocations between capital and recurrent budget over the four year term of the review.

Table 9: Composition of the Allocations 2013-2016

Year	Overall Allocation to Agriculture	Capital Budget	% of Capital to Overall	Recurrent	% of Recurrent to Overall
2013	83,762,937,710	50,647,871,428	60.47	33,115,066,282	39.53
2014	66,644,675,939	35,551,172,583	53.34	31,493,503,356	47.26
2015	40,659,020,717	8,790,000,000	21.62	31,869,020,717	78.38
2016	75,806,548,274	46,173,963,859	60.91	29,632,584,416	39.09

Source: Budget Office of the Federation: Approved Budgets 2013-2016

The average percentage allocation to capital expenditure is 49.09% over the four years whilst recurrent expenditure was on the average 51.07% over the study period. The implication is that FGN spent more on recurrent made up of personnel and overheads than it did on capital expenditure. On the average, while recognizing that farming is mainly private sector driven; this is not a proper composition considering the demand for extension services, inputs and machinery for farming, etc. However, the 2016 budget allocated more to capital expenditure which is a step in the right direction. In 2016, the bulk of the recurrent expenditure went to personnel expenditure and this accounted for 94.7% of overall recurrent. This leaves overheads with a paltry 5.3% of the expenditure. This calls for caution so as not to underfund the non-personnel recurrent components of agriculture expenditure. The capital component of the 2015 agriculture vote was very low and a paltry 21.62% of the agriculture vote. The share of personnel in the recurrent vote of the sector in 2015 was 94.16%. Overall, there seems to be no consistency in the distribution of the allocation between recurrent and capital expenditure in the agriculture budget over the four years - it has been oscillating.

Table 10 shows the capital budget allocations to the agriculture sector compared to overall capital budget allocation for the years 2013-2016.

Table 10: Capital Allocation to Agriculture as a Percentage of Overall Capital Vote

Year	Total Capital Budget to all Sectors	Capital Budget Allocation to Agriculture	Capital Allocation to Agriculture as a % of Overall Capital for the Year
2013	1,591,657,252,789	50,647,871,428	3.18
2014	1,119,614,631,407	35,551,172,583	3.18
2015	556,995,465,449	8,752,000,000	1.58
2016	1,587,598,122,031	46,173,963,859	2.91

Source: Budget Office of the Federation: Approved Budgets 2013-2016

The sector attracted 3.18%, 3.18%, 1.58% and 2.91% of the overall capital expenditure for the years 2013, 2014, 2015 and 2016 respectively. This shows the low prioritization of agriculture in the capital expenditure of the country.

Table 11 shows the recurrent allocation to agriculture as a percentage of the overall recurrent vote for the years 2013 to 2016.

Table 11: Recurrent Allocation to Agriculture as a Percentage of Overall Recurrent Vote

Year	Total Recurrent Budget for all Sectors	Recurrent Budget Allocation to Agriculture	Recurrent Allocation to Agriculture as a % of Overall Recurrent for the Year
2013	2,415,745,972,812	33,115,066,282	1.37
2014	2,454,887,566,702	31,493,503,356	1.28
2015	2,607,132,491,708	31,869,020,717	1.22
2016	2,646,389,236,196	29,632,584,416	1.12

Source: Budget Office of the Federation: Approved Budgets 2013-2016

The sector attracted 1.37%, 1.28%, 1.22% and 1.12% for the years 2013, 2014, 2015 and 2016 respectively.

5.4 Releases, Cash Backed and Utilised Parts of the Capital Budget

In the Nigerian budgeting practice, there are usually variances between the budgeted sums and the sum released whilst the released sums are not always fully cash backed. The utilisation also comes out lower. Table 12 indicates the position in the agriculture sector between 2013 and 2015.

Table 12: Allocations, Releases, Cash Backed and Utilised Sums in Sector Budget 2013-2015

Year	Capital Budget Allocation to Agriculture	Total Released	Total Cash Backed	Utilization	% of Capital Utilized	% of Released Budget Utilized	% of Cash Backed Utilized
2013	50,647,871,428	24,992,961,700	24,992,961,700	24,909,327,595	49.18	99.67	99.67
2014	35,551,172,583	15,463,228,948	15,463,228,948	15,121,799,415	42.54	97.79	97.79
2015	8,790,000,000	4,452,715,215	4,452,715,215	4,248,345,651	48.33	95.41	95.41

Source: Budget Office of the Federation: Approved Budgets and Budget Implementation Reports, 2013-2016

In 2013, only 49.18% of the capital allocation was utilized; the utilization rate declined to 42.54% in 2014 and moved up again to 48.33% in 2015. This indicates that the utilization rate never reached 50% of appropriated capital budget over the three years. It was at an average of 46.68%. Even the paltry capital expenditure was hardly utilized.

Table 13 below shows other parameters between released and cash backed percentages of the agriculture sector budget.

Table 13: Released, Cash Backed as a Percentage of Total Agriculture Capital Vote

Year	Total Released (N)	Total Cash Backed	% of Capital Budget Released	% of Total Capital Agric Budget Cash Backed
2013	24,992,961,700	24,992,961,700	49.35	49.35
2014	15,463,228,948	15,463,228,948	43.50	43.50
2015	4,452,715,215	4,452,715,215	50.66	50.66

Source: Budget Office of the Federation: Approved Budgets and Budget Implementation Reports, 2013-2016

From Table 13, 49.35% of the capital vote to agriculture was released in 2013; the percentage of release declined to 43.50% in 2014 and moved up to 50.66% in 2015. The reasons for the poor releases and cash backing are difficult to fathom considering that overall budgetary expenditures did not decline by up to 10% in the years under review¹⁹.

5.5 Allocations to the Value Chains and Fertilisers

It was refreshing that the 2016 federal budget made distinct allocations to the various agriculture value chains. These include the value chains in rice, wheat, soya beans, maize, fisheries, milk/cattle breeding, fruits, cassava and gum arabic. Other value chains provided for in 2016 include cow pea, cocoa, oil palm, cashew, sesame/acha, honey, bush mango, kenaf, shea butter, smoking kilns, cotton, rubber, groundnut, sorghum/millet, leather and beef production. However, the total allocation to fertilizers including organic and inorganic fertilizers was the sum of N4.656 billion which is inadequate for the needs of farmers.

5.6 Adaptation to Climate Change

Despite official acknowledgement in a plethora of policies that climate change has serious impact on the productivity of our agriculture; the budget was virtually silent and contained no serious provision targeting the mitigation of the impact of climate change on agricultural productivity. The budget should be seen to promote climate friendly and smart agricultural practices.

5.7 Inappropriate and Unclear Line Items in the Budget

There have been some positive changes in the 2016 budget of the FMARD when compared to previous years when the play on words- “seed, seeds, seedlings, fertilizers” was the order of the day. However, the allocations still have some unclear and apparently inappropriate expenditure heads. Some of them are reviewed below.

¹⁹ Engaging the Approved 2016 Budget Framework: The Macroeconomic Framework by Centre for Social Justice.

Table 14: Unclear Expenditure Heads in the 2016 Budget

CODE	LINE ITEM	AMOUNT (N)
FMAR&D012014933	National Council on Agriculture	70, 500, 000
FMAR&D012014934	Annual National Council on Agriculture	70, 500,000
FMAR&D012014932	Budget preparation and management	61, 100, 097
FMAR&D012014931	Projects and programmes	141, 000, 000
FCFMT004015271	Construction/provision of Agricultural facilities	626, 037,709
FCFMT004015285	Construction/provision of Agricultural facilities	50, 000,000

Source: 2016 Approved Budget

The difference between the allocations to National Council on Agriculture and Annual National Council on Agriculture which got the sums of N70.5million each is only known to officials of the FMARD. Only one of the votes merits inclusion into the budget. To allocate N61.1 million for budget preparation questions the role and functions of the core staff of the Ministry. What exactly will this vote be used for? Even if there is a need to get outside consultants to facilitate the preparation of the budget, the vote will still be on the high side.

The Ministry has itemized all the projects and programmes it is embarking upon and allocated the relevant sums of money. Allocating another N141million for “projects and programmes” is a budget head only understood by officials of the FMARD. Construction/provision of Agricultural Facilities appeared twice under different codes gulping N626.037 million and N50 million each. These sums of money could have been properly re-directed for more pressing needs of the Ministry, especially to improve the productivity of small scale farmers in the rural areas.

There is also the challenge of the uniformity of the budget template used across different MDAs. For instance, uniforms and clothing appear in the allocation of the FMARD which perhaps does not need such provision and this takes up N6.523million. Printing of security documents has a vote of N9.838million whilst the ubiquitous refreshment and meals take up N14.774 million. There is a vote for household poultry production for meat and egg (backyard homestead) in the sum of N307.240 million. Pray, what exactly does this mean, signify or imply? There is another vote for fish market and processing: establishment of fish market in 2 states: North East and South East. Again, at what point did it become the duty of government to establish fish markets?

The prioritization of projects and programmes in some agencies under the Ministry calls to question the process of determination of priorities. For instance, the key capital projects of the National Center for Agricultural Mechanization, Ilorin speaks for itself.

Table 15: Priorities of the National Center for Agricultural Mechanization, Ilorin in the 2016 Budget

CODE	MDA	PROJECT	AMOUNT (N)
NCAM009016441	National Center For Agricultural Mechanization, Ilorin	Office upgrade	456, 380, 000
NCAM009016447	National Center For Agricultural Mechanization, Ilorin	Excavation/construction	50, 040, 000
NCAM002016215	National Center For Agricultural Mechanization, Ilorin	Procurement of office equipment	13, 200, 000
NCAM001016221	National Center For Agricultural Mechanization, Ilorin	Procurement of office furniture	8, 525, 000
NCAM009016451	National Center For Agricultural Mechanization, Ilorin	Repairs and Maintenance	12,000,000

Source: 2016 Approved Budget

The above line items on office upgrade, procurement of office furniture, procurement of office equipment, etc, all, in an overall capital allocation of N773.963 million for a research institute seems to leave little resources for the actual work of the Centre. Overall, repairs of buildings and other infrastructure got N4.287 billion in the capital allocations of FMARD. The other line items in Table 16 below also emphasise construction of buildings and office fittings.

Table 16: Constructions, Renovations and Upgrading in the FMARD Budget

FCFMT004015136	Federal College of Fisheries and Marine Technology	Construction of hostel	99, 379, 353
23020101	Federal Cooperative College, Ibadan	Construction/provision of office building	103, 763, 291
FCCOJ006015081	Federal Cooperative College, Oji river	Construction of hostel building	78, 573, 465

FCHDK030015209	Federal College of Horticulture, dadin-kowa, Gombe	Construction of office building	47, 707, 720
NRCRI152015762	National root Crops Research Institute, Umudike	Renovation of old guest house	94, 190,808
ARMTI002015097	Agricultural Research and Management Training Institute	Upgrading of hostel	41, 500, 000
FCPIKN013014716	Federal College of Produce Inspection, kano	Completion of staff office	42, 121, 068
0215005001	National Cereals Research Institute, Badeggi	Purchase of office furniture and fittings	64, 350, 000
IAR&TI52015274	Institute of Agricultural Research and Training, Ibadan	Purchase of office furniture and fitting	33, 433, 700
FCAI201602014819	Federal College of Agriculture, Ishiagu	Furnishing of the college lecture theatre	50, 000, 000
23010112	College of Veterinary and Medical Laboratory, Vom	Purchase of office furniture and fittings	21, 573, 596
23020101	Federal College of Freshwater Fisheries, Baga	Construction/provision of office building	25,981,040
23030121	Federal College of Freshwater Fisheries, Baga	Rehabilitation of Admin building	54, 005, 300

Obviously, there is a lot of rehabilitation, construction, provisioning, purchasing, furnishing, etc, to be done. But, this raises the poser of the process of defining the priorities in times of limited resources.

Finally, there is a nebulous vote of N1.5 billion under Service Wide Votes for women participation in agriculture, water, sports, communications, etc, in partnership with states. However, it is not clear how much of this sum will be allocated to women in agriculture. The part of this sum dedicated to agriculture should have been added to the vote of the FMARD.

6. CONCLUSIONS: MATTERS ARISING FROM THE APPROPRIATIONS AND OTHER ISSUES

6.1 Continuation of Existing Policies and Projects

Considering the continuity in governance, it is a positive development that existing policies and projects were not discarded but continued by the present administration. This will ensure that the gains of previous efforts and interventions are sustained while new and innovative ways to improve agricultural productivity are explored. Further, the discontinuation of the budgeting approach that failed to disaggregate the need for different types of fertilizers, seeds, seedlings is also a positive development for the budget.

6.2 Agriculture Contribution to the Economy

Agriculture's contribution to Nigerian's GDP and employment is such that federal allocations should provide sufficient resources to enable it continue to serve as a growth driver. The fact that the CPI is also heavily influenced by agriculture and food prices demands that it becomes a priority sector in federal allocations.

6.3 Overarching Policy Framework

As at the time of the preparation of the 2016 federal budget, ATA had expired and there was no coordinating national agriculture framework. Thus, even though the government pledged to continue the value chain approach to agriculture, there was still a policy void that raises fundamental issues about the policy content of the budget.

6.4 No MTSS Underlies the Agriculture Budget 2016

In accordance with the Fiscal Responsibility Act (FRA), the appropriation process should properly start with the preparation of Medium Term Expenditure Framework and its underlying Medium Term Sector Strategies. Both the MTEF and the MTSS are three year medium rolling frameworks in which the provisions of the first year of the framework determine the budget of the next financial year. Section 18 of the FRA is unequivocal in making the MTEF the basis for the preparation of the annual budget, including the need for the budget to be consistent with its sectoral and compositional distribution and its medium term developmental priorities. The MTSS reviews high level national policies in the sector, ongoing and new projects and seeks to determine the ones that will best facilitate the realisation of government's objectives in view of limited available resources. Thus the 2016 budget was proposed and passed without the underlying background documents which should inform the budget.

6.5 Disconnect Between Fiscal Strategy and Expenditure Allocations

In the Fiscal Strategy Paper which is part of the MTEF 2016-2018, FGN pledged to diversify the economy with increased investments in agriculture and its value chains.

Strategic priorities were supposed to focus on human and infrastructure development with emphasis *inter alia* on agriculture, education, health, water supply, etc. It was also to focus on designing agriculture input subsidy for the direct benefit of Nigerian farmers. But the allocation to agriculture did not demonstrate any emphasis or prioritization of the sector. If as pledged by the FSP that the policy thrust is to engender growth and reduce poverty through increased employment, agriculture employing over 30% of the population and growing at a time other sectors were shrinking should have been prioritized. It must however be stated that the 2016-2018 MTEF had no credible Revenue and Expenditure profile to match the FSP.

6.6 International Commitments were not Honoured

Despite Nigeria's commitment to the Maputo Declaration, the 2016 federal budget only provided 12.5% of the Maputo pledge. It did not even provide up to 25% of the pledge. Thus, it honoured Nigeria's obligations in the breach. This is a practice that has become the trend over the years in Nigeria. The FGN did not need to make a commitment it had no intention of fulfilling or even coming close to 50% of its fulfillment.

6.7 Retrogressive Provisions

The commitment of progressive realisation on the right to food including the steps taken to grow food, crops and animals is one that does not admit of backward steps when the challenge of hunger and malnutrition persists, unless the reductions in allocation can be justified by other compensatory resource mechanisms. By not increasing allocations to agriculture even when the overall budget increases (as is the case in 2016) shows that FGN ranks agriculture low in its priorities.

6.8 Appropriations did not Sufficiently Target the Binding Constraints on Agricultural Growth

Considering the poor yield per hectare in the sector, the low fertiliser use, the low production of different crops, etc, the appropriations should have provided more resources for improved seeds, extension services, fertilizers, irrigation and other resources that would facilitate the lifting of the binding constraints on agricultural productivity and growth. Although, some of them received attention, but the resources budgeted were not sufficient (even on a progressive basis) to overcome the challenges posed to the sector.

6.9 Resources were so Thinly Spread

The large number of agencies and research institutes in the agriculture sector which need to be funded is not in the overall interest of the sector. Instead of having over 40 institutions, agencies and research centres which are so poorly funded, it would be the best value for money to streamline them and properly fund a few so as to deliver results. A situation where research agencies after getting personnel allocations get little

or no funds to conduct actual research is a waste of scarce resources. The report of the Oronsanye Committee on the streamlining of research institutes and federal MDAs may need to be reviewed for increased efficiency of spending.

6.10 A Culture of Under-spending in Capital Budgets

There is a pervading culture of under-spending in capital budgets. Year after year, programmed capital allocations are not fully released and cash backed, leading to low percentages of capital budget expenditure. The implication is large variances between appropriation and utilization leading to an average of less than 50% capital budget implementation over the last three years.

6.11 Late Passage of the Budget and the Planting Season

The late passage and assent to the budget in May 2016 cannot augur well for agriculture productivity. Farming in Nigeria is mostly rain fed and is seasonal. Once farmers miss the inputs needed during the farming season as the executive and legislature engage in the usual budget feud, time wasted cannot be regained. It is therefore imperative that budget preparation, approval and assent get done early so that farming inputs will be available on time to support farming during the appropriate season.

7. RECOMMENDATIONS

Based on the foregoing analysis, the review makes the following recommendations

7.1 Prepare and Approve the Budget on Time: The executive should start the budget preparation process on time and submit same to the National Assembly not later than the first week of September every year to guarantee that the budget is approved and assented to on or before January 1 of the New Year.

7.2 Review Existing Policies and Prepare a Coherent Policy Framework: It is imperative that FMARD reviews existing policies and prepares a coherent policy framework that incorporates the change agenda of the administration; this will provide a good anchor and basis for budget formulation and implementation. We specifically recommend that the value chains approach be continued in any new policy framework.

7.3 Prepare MTSS for the Agriculture Sector: The sector budget is supposed to be anchored on the MTSS of the sector. This has been lacking over the years and needs to be re-established.

7.4 Increase Funding to the Sector: Increase the funding to agriculture to 10% of the overall budget or alternatively start a progressive increase of the vote to not less than 5% of the budget in 2017 and thereafter gradually scale up allocations to the sector to meet the Maputo Declaration. Other relevant recommendations to increased funding are:

- The increased allocation should be channeled to capital expenditure and increases in overheads that facilitate the realisation of sector objectives. The capital expenditure should be more of developmental capital expenditure as against administrative capital expenditure.
- Increased resources for the sector should also target the binding constraints on agricultural growth including procurement of fertilizers, soil nutrient deficiency, improvement of extension services, enhanced research and knowledge dissemination, etc.
- Any proposal for a decrease in allocations to the sector in the future should be accompanied by compensatory mechanism(s) and resources for those who will be deprived of agricultural services paid for by the treasury.

7.5 Harmony between MTEF/MTSS and the Budget: The MTEF and its Fiscal Strategy Paper should provide the framework for the annual budget and there should be harmony between the policy goals of the FSP and the expenditure framework of the annual allocation to the sector. If agriculture is a priority defined by the FSP, this should reflect in the allocations.

7.6 Focusing Resources to Achieve Greater Value for Money: There is the need to reconsider the recommendations of the Oronsanye Committee on the number of institutions and research institutes under the FMARD. Rationalization involving mergers and streamlining of mandates may be imperative so that resources do not get wasted in paying salaries and overheads without the requisite capital allocation to carry out research. There is the need to promote and commercialization of research works.

7.7 Ring-fencing of Allocated Capital Funds: The culture of budgeting without the intention of spending capital funds should be discontinued. This is to ensure that no more than 5% variation exists between appropriated and utilized funds. In this regard, the ring-fencing of capital votes by the fiscal authorities may be necessary.

7.8 Climate Change and Agriculture: Climate Change mitigation and adaptation strategies should be mainstreamed into the budgeting framework of agriculture.

7.9 Enhanced Legislative Oversight of the Sector: The National Assembly needs to enhance its oversight over the management of public funds in the sector to guarantee greater value for money.

7.10 Enhanced Civil Society Participation in the Budget Process: Civil Society needs to enhance participation in the sector's budget preparation, approval, monitoring and evaluation processes.