

Making Markets Work For the Poor: Bottlenecks Removal Initiatives in Nigeria

By Mansur Ahmed

Director-General

Nigerian Economic Summit Group Lagos, Nigeria.

GOAL

- ▶ To address and remove key bottlenecks hindering producer productivity and market access in Nigeria through research and advocacy initiatives
- ▶ Link pro-poor incentives to private sector productivity for sustainability

Presentation Overview

- ▶ Introducing underlying environment necessitating initiatives
- ▶ Core Objectives to achieve
- ▶ Initiatives and Strategies
 - Design
 - Process
 - Implementation
 - Outcomes
 - Challenges

Introduction

- ▶ Nigeria's uncompetitiveness environment is a burden to the poor;
- ▶ Both policy and programmes designed to enhance market access failed with increasing public sector dominance especially in input sector and even in commodity markets
- ▶ NESG is involved in a new relationship created by the private sector to enhance market access for pro-poor producers

Core Objectives

- ▶ To engage in constructive and independent policy analysis and advocacy
 - NESG conducts policy research as evidence for pro-poor policy design and advocacy
- ▶ To operationalize the strategies
 - NESG in concert with a consortium of private sector operators and institutions established initiatives to directly raise farmer productivity and acquisition of competitiveness capacity

NESG Driven Strategies

- ▶ Better Business Initiative (BBI) in the Agriculture sector

In concert with private sector institutions

- ▶ NESG Agriculture and Food Security Policy Commission
- ▶ The Nucleus Estate Initiative

-

NESG Driven Strategies: Design

► BBI

- On-farm and farm gate activities are the major economic engagements of the poor
- Key market access issues include inputs, credit, land, technology and produce sales.
- Measures to remove agricultural and farm business bottleneck exacerbate poverty among this group given an already weak macroeconomic, infrastructure and institutional environment. These may include:
 - private sector activism required to enhance pro-poor access to markets especially in inputs procurement and produce marketing.
 - Research to identify specific business bottlenecks that hinder on-farm and agro-based businesses for policy advocacy processing necessary
 - Raising the capacity of producer associations to understand and exploit market forces

NESG Driven Strategies:

Design cont.

- ▶ Agricultural & Food Security Policy Commission
 - private-public sector and civil society institution created to link small farmers and big operators in the sector to build the capacity, productivity and market access of this group of producers
 - to strengthen the involvement of the private sector in inputs and services provision
 - to ensure that public policy takes input from the operators
 - limit the role of the public sector to regulation and quality control
- ▶ The Nucleus Estate Initiative
 - A direct business relationship between pro-poor growers and market leaders in the commodity

NESG Driven Strategies: Process

► BBI

- Grassroots Consultative Forum with small farmers with the specific objective of creating a public-private sector platform for enhancing producer access and understanding of market dynamics and policy processes
- Partners included a consortium of private sector competitiveness advocates working in four other areas such as macroeconomic policy and trade, infrastructure, legal and regulatory environment and SMEs.
- Sponsorship by the DFID

NESG Driven Strategies: Process

- ▶ Agricultural & Food Security Policy Commission
 - Agribusiness operators are convinced that backward integration is more efficient through direct production contracts with a network of small producers
 - Policy officials agree that a private sector-led approach to sector initiatives will achieve poverty reduction objectives
- ▶ Nucleus Estate
 - A production link between small farmers/associations and big agribusiness entrepreneurs is key to pro-poor producer capacity building and markets access.

NESG Driven Strategies: Implementation- BBI

- ▶ Research showed long gap between small farm public policy objectives and pro-poor productivity achievement
- ▶ Grassroots producers Consultative Forum on Crops (Cocoa), livestock and Agro-processing conducted
- ▶ Consultative process raised key issues and gave small operators confidence that they are also key stakeholders .

NESG Driven Strategies: Implementation

► Nucleus Estate Initiative

- Already being implemented by some market leaders for higher firm/ farm productivity in the vegetable oil, rubber, cocoa, Gum arabic, floriculture, and poultry subsectors
- Estates mainly agro-processing companies
- To be expanded with the entry of agro-commodity marketing and exporting companies.

Implementation: Key Outcomes

- ▶ input subsidy administration failed and should be changed to output-indexed subsidy (present method makes input inaccessible to the poor)
- ▶ introduction of input subsidy coupons as alternative
- ▶ Financial access remains a key problem of farmers – extend venture capital access to rural agriculture
- ▶ PPP in infrastructure development will enhance the entry of the poor in higher level enterprise chain including off-farm activities
- ▶ Need to enhance Farmer Association's capacity for quality produce for higher remunerative prices
- ▶ The private sector, Enterprise Development and civil society organizations in agriculture can raise the capacity of rural producers to access market information
- ▶ Public institutions are still weak. Private sector is key.

Implementation: Challenges

- ▶ Resource Constraints
 - The replication of the project to cover other areas requires higher level funding
 - Sustainability is key to creating a sustainable impact
- ▶ Capital projects development in the rural areas has not grown to multiply rural access to opportunities and market
- ▶ Farmer knowledge
 - Cultivate sustainable rural farmers participation in capacity enhancing projects especially in the non-farm sector
 - The rural poor still expects subsidy and believes public sector initiatives would create the desired avenue for market & productivity capacity