

THE EFFECT OF STRUCTURAL ADJUSTMENT
PROGRAMME (SAP) ON THE NIGERIAN ECONOMY: A CASE STUDY OF
NIGERIAN AGRICULTURAL SECTOR
(1986 – 1993)

BY

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DECLARATION

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DEDICATION

This research work is dedicated to the Almighty God for making it possible for me to complete this work. It is also dedicated to every member of my family.

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My greatest gratitude goes to the Almighty God, who provided the means and wisdom to carry out this work.. My appreciation goes to my tireless and fatherly supervisor, Prof. Kyari Mohammed, who, despite his tight schedule, painstakingly found time to read through my work and make necessary corrections.

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TABLE OF CONTENTS

CONTENTS

TITLE PAGE	i
DECLARATION	ii
APPROVAL PAGE	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
ABSTRACT	x

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study	1
1.2 Statement of the Problem	4
1.3 Aim and Objectives of the Study	5
1.4 Research Question	6
1.5 Significance of the Study	6
1.6 Scope of the Study	7

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	8
2.2 Background to SAP in Nigeria	9
2.3 The Objectives of SAP	15
2.4 The Nigerian Economy before SAP	18
2.5 Socio-Economic and Development Challenges in Nigerian Agriculture	23
2.6 SAP Policy Measures in the Agricultural Sector	24

2.7 The Impact of SAP on Nigerian Economy	25
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CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design	31
3.2 Study Population	31
3.3 Method of Data Collection	31
3.4. Method of Data Analysis	32

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS

4.1 Data Presentation and Analysis	33
4.2 Answers to Research Questions	36
4.3 Discussion of Findings	44

CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Major Findings	49
5.2 Conclusion	49
5.3 Recommendations	52
References	53

LIST OF TABLE

Table	page
4.1 Domestic Production (N million)	33
4.2 Outputs of Principal Agricultural Commodities('000 tonnes)	34
4.3 Export Earning from major Agricultural Export (N million)	35
4.3 Principal Agricultural Princes in N/tonnes	36

ABSTRACT

This study investigated the effect of structural adjustment programme (SAP) on the agricultural sector in Nigeria. The research design employed in the study is descriptive survey. The introduction of SAP in 1986 is intended to restructure the production and consumption patterns of the economy, remove price distortion and enhance the role of free market in resource allocation to improve the performance of the economy. Hence, the whole aim of SAP was to enhance the capacity of the country towards self reliance in its production potential. In this study, the agricultural sector was examined as a case study on the effect of SAP in the country. Therefore, the data collected revealed that SAP should be blamed for the current food crisis in the post SAP era in Nigeria. The study also revealed that SAP caused inflation and poor performance of the country's GDP. Based on the findings of the study, it was recommended that government at the various levels should improve the conditions of farmers by providing them with the necessary facilities that will enable them to boost food production in the country.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nigeria, with a population of about 150 million, is Africa's most populous country and the continent's third largest economy. Oil dominates the economy, accounting for about 80 percent of federal government's revenue and 95 percent of foreign exchange earnings. With a continuously declining per capita income and comparatively unfavourable social indicators, Nigeria is one of the poorest oil producing countries. Since its independence in 1960, the country has undergone major political and economic changes. It has attempted to forge a unified nation out of diverse regional, ethnic and religious groups through the federal structure of government, whose leadership has changed no less than eleven times, mostly through military coups. (NCEMA 2003).

During the 1970s, Nigeria evolved from a poor agricultural economy into a relatively rich, oil-dominated one. In 1969, the oil sector accounted for less than 3 percent of GDP and a modest US\$ 370 million in exports (42 percent of total exports), per capita income was only US\$ 130, and more than half of GDP was generated in the agricultural sector. By 1980, the oil sector had come to account for nearly 30 percent of GDP, oil exports totalled US\$ 25 billion (96 percent of total exports) and per capita income exceeded US\$ 1,100. The steady erosion of competitiveness of the non-oil tradable goods sector was reflected in the substantial decline of agricultural exports, which began in the mid-1960s and continued through 1976, when oil production reached its peak. The real effect appreciation of the Naira that followed the surge in oil prices toward the end of 1973 eroded Nigeria's competitiveness, a growth of real GDP slowed markedly. By 1980, the country's external debt was only US\$ 1 billion or 5 percent of GDP, and the debt-service ratio was a modest 3.7 percent (Deverajan *et al*, 2001:p 24-26).

The economic orientation during the 1970s left the country ill prepared for eventual collapse of oil prices in the first half of the 1980s. Public investment was concentrated in costly and often inappropriate infrastructural projects with questionable rates of return sizable recurrent cost implications while agricultural sector was largely neglected. Nigeria's industrial policy was inward-looking with a heavy emphasis on protection and government controls, which bred incompetence and an uncompetitive manufacturing sector.

To reverse the worsening economic fortunes in terms of declining growth, increasing unemployment, galloping inflation, high incidence of poverty, worsening balance of payment conditions debilitating debt burden and increasing unsustainable fixed deficits, among others, government embarked on austerity measures in 1982. Arising from the minimal impacts of these measures an extensive structural adjustment programme was put in place in 1986 with emphasis on expenditure reducing and expenditure switching policies as well as using the private sector as the engine of growth of the economy via commercialization and privatization of government-owned enterprises. (Franelli and Popov, 2003:p 12).

Though some benefits were achieved at the initial stage, such benefits could not trickle down to the poor. Rather the incidence of poverty keeps on increasing. Such resistance came up from many stakeholders, particularly the civil society, the labour unions and organized private sector.

According to Michael (1997) in the dozens of countries where the IMF and World Bank have imposed structural adjustment programs (SAPs), the people who have seen deterioration in their standard of living, reduced access to public services, devastated environments and plummeting employment prospect were not passive. People have been organizing to combat pillaging of their land and livelihoods. This organizing has resulted in mass movement and protest on every continent.

SAPs generally require countries to devalue their currencies against the dollar, lift import and export restrictions, balance their budget and not over spend and remove price control and state subsidies. Devaluation makes their goods cheaper for foreigners

to buy and theoretically makes foreign import more expensive. In practice, however, the IMF actually disrupts this by rewarding the country with large foreign currency loan that encourages it to purchase imports (O'meara et al, 2000).

By devaluing the currency and simultaneously removing price control, the immediate effect of SAP is generally to hike prices up three or four times, increasing poverty to such an extent that riots are frequent result. The inability to achieve the goals of these reform programmes have been linked to several factors. Apart from the top down approach to initiating and implementing these programmes, political and ethnic instability has been adduced as important factors. Nigeria, for instance, has been ruled by the military for 25 of its 47 years as an independent nation. The origin of political instability in Nigeria has been the inability to form a national entity that transcends ethnic, regional, religious and economic interests.

1.2 STATEMENT OF THE PROBLEM

Although significant progress was made in the liberalization of the economy, specifically through reform of the exchange and the trade system, the restructuring of public enterprises and the freeing of prices, macroeconomic policy implementation and commitment to the stabilization programmes remained erratic thereby failing to achieve the set objectives. Consequently, public criticisms of economic policies increased. The disappointing result of the adjustment efforts were linked to two major factors: a product of misguided policies under the SAP and an incoherent implementation of SAP policies (Manfred 2003).

In general, not only did the economic stabilization measures reform proceed inadequate in dealing with the seemingly intractable problems of the economy. Some of them were, to a large extent, counter-productive, thus defeating the attempts to use them successfully in restoring normalcy to economic activities. After more than a decade of SAP, structural imbalances still persist and abound. The reforms have not been far-reaching with low economic growth and more people becoming poor. As the society evolves and new realities emerge, it behoves the government to adjust such programmes in an appropriate manner (Khor, 2005). This, therefore, calls for an in-depth analysis of the past reform programmes with a view to drawing lessons for future reforms. Indeed, there is need to understand not only why the former reforms failed in the case of Nigeria despite the government advocacy to elicit stake holders' interest and support with a view to sustaining the initial positive impact of the reform on the economy but also the why and how of the past reforms. This present study seeks to fill the gap with a view to providing basis for credible and sustainable reforms, which would turn the economy around and promote inclusive growth and development that would enhance people's welfare. In doing this, the study would, among other things, examine the effect and the politics of implementing the Structural Adjustment Programme. It also intends to examine the capacity of the state to formulate and implement reform programmes as well as the extent of stake holder's involvement in and commitment to the reform, both at the initial stage and thereafter. This will provide the basis for ensuring developing result-oriented and sustainable economic reform programmes.

1.3 AIM AND OBJECTIVES OF THE STUDY

The aim of the study is based on the examination of the effects of Structural Adjustment Programme (SAP) on Nigerian economy, using the agricultural sector as a reference point. Therefore the specific objectives of the study are:

- (i) to determine the effect of SAP on the agricultural outputs produced when the programme was implemented in the country.
- (ii) to examine the effect of SAP on the prices of agricultural products in the country.
- (iii) to find out the effects of SAP on the general performance of the Nigerian economy.
- (iv) to determine the perceived effects of SAP on the agricultural sector in Nigeria.

1.4 RESEARCH QUESTIONS

The following research questions were developed by the researcher to guide the study:

- (i) what is the effect of SAP on the agricultural outputs produced in the country?
- (ii) what is the effect of SAP on the prices of agricultural outputs in the country?
- (iii) what is the effect of SAP on the growth of the Gross Domestic Product (GDP) of the country?
- (iv) what are the perceived effects of SAP on the agricultural sector in Nigeria?

1.5 SIGNIFICANCE OF THE STUDY

The study will enlighten the people of Nigeria and decision makers of the threat SAP had on the sovereignty of Nigeria. It will also help the decision maker to understand that SAP through privatization, reduces state capacity. Also, the implementation of SAP in the 1980s had steadily increased the level of unemployment and economic hardship to the people. The project work will also assist prospective researchers who may wish to choose similar topic in future research. It will therefore, serve as an aid and guide to the researcher. Henceforth, this study will help as a piece of information and the base of the research result of the findings and suggestions made is expected to be useful to policy making body. This study, therefore, calls for an in-depth analysis of the past reform programmes with a view to drawing lessons for future reforms. It is, therefore, very imperative to know why further reforms are currently being resisted and how acceptable and successful reforms can be initiated and sustained based on the lessons from the past effort.

1.6 SCOPE OF THE STUDY

This study is restricted to the effect of SAP on the Nigerian Agricultural sector. Basically, how it affected the efficiency and efficacy of the agricultural sector was evaluated. Furthermore, the role of IMF and World Bank in the Nigerian economy, the origins and dimensions of Nigeria's agricultural crisis, the place of agriculture in the aim and objectives of the structural adjustment program will be analyzed.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the relevant literature on the structural adjustment programmes and the Nigerian economy. Attempt is also being made to highlight current work on its effect on Nigerian agriculture. To give the right focus and direction for this research, the review will be made under the following specific headings:

- Background to SAP in Nigeria
- The Objectives of the SAP
- The Nigerian Economy before SAP
- Socio-economic and Development Challenges in Nigeria Agricultural Sector
- SAP Policy measures in the Agricultural Sector
- The impact of SAP on Nigeria Economy.

At its inception, the Structural Adjustment Programme is seen as an economic policy which countries must follow in order to qualify for new World Bank and International Monetary Fund (IMF) loans and help them make debt repayment on the older debts owed to commercial banks, governments and the World Bank. Although, SAPs are designed for individual countries but have common guiding principles and features which include export-led growth, privatization and liberalization and state subsidies (O'Meara *et al*, 2000). This research explores the dynamics of the decision by

the Federal Military Government of Nigeria to adopt and implement an orthodox policy of economic reform – the Structural Adjustment Program (SAP) on the advice of the IMF and World Bank and against the wishes of the majority of Nigerians. Due to overwhelming public antipathy to the program at various stages of policy implementation, the government had to utilize a variety of strategy, including discussion, negotiation, compensation, amelioration, co-operation, coercion and repression (Okome, 1993).

According to Bello and Elison (1982), about twenty students and bystanders at Ahmadu Bello University (ABU) in Zaria massacred by security forces after staging peaceful protests over impending introduction of SAP. More students were killed in protests against SAP and the ABU massacre during the following days at Kaduna Polytechnic, the University of Benin and the University of Lagos. Despite all the protests against the implementation of SAP by the Nigerians, SAP was finally adopted by Babangida's Military Administration in June 1986.

2.2 BACKGROUND TO SAP IN NIGERIA

The collapse of world oil prices and the sharp decline in petroleum output, the latter resulting from lowering of Nigeria's OPEC quota in the early 1980s, brought to the forefront the precarious nature of the country's economic and financial positions. Rising and ill-directed government spending during the 1970s, neglect of agricultural sector and inward-looking industrial policies left Nigeria vulnerable to profound changes in the external environment in the following decade. Thus, the dramatic fall in

oil export revenues entailed sharp deterioration in the country's public finances and balance of payments. This led to recession and economic deterioration as manifested by fiscal crisis, foreign exchange shortage, balance of payments and debt crisis, high rate of unemployment, negative economic growth, to mention a few. Indeed, beginning from 1982 and through 1984, the country had become saddled with negative trends in economic growth as indicated by the decline in the gross domestic product (GDP) (0.35% in 1982, -5.37% in 1983, and -5.18% in 1984), persistent current account and budget deficits, a huge back-log of uncompleted projects, especially in the public sector, factory closures, acute shortage of essential commodities and galloping inflation (NCEMA, 2002).

The sharp worsening of economic conditions prompted the Shagari government to introduce the Economic Stabilization Act of April 1982 with minimal involvement of non-governmental institutions. The Stabilization Act comprised a package of stringent policies and measures of demand management aimed at rationalizing overall expenditure pattern in order to restore fiscal balance on the domestic front and equilibrium in the external sector. These stabilization measures were, to a large extent, implemented through administrative controls which include a sincere tightening of import controls, the imposition of exchange restrictions on current international transactions, substantial increase in customs tariffs, the introduction of an advance import deposit scheme, and ceiling on total central bank foreign exchange disbursement. The tightening of fiscal policies consisted on a freeze on wages and salaries in the public sector. In addition, foreign borrowing of the state and local government was

sincerely restricted, ceiling of banks credit to the private sector were progressively lowered and administered bank lending rates were raised (Devarajan et al, 2001). The worsening economic and financial conditions led to a military coup on 31st December 1983. The new regime under General Buhari sought to reinforce the 1982 austerity measures by further tightening financial policies and introducing more administrative controls.

The government also implemented the counter trade policy in the light of economic circumstances that existed then. This was aimed at reviving the crumbling economy through the provision of raw materials that were needed in industries, stopping further closure of industries, assisting in reducing the employment problems and perhaps, minimizing the spiralling inflation. The implementation of the counter trade deals was, however, not free of irregularities that derived largely from the secrecy with which the trade was conducted. This secrecy created room for suspicion and opposition from stake holders such as the organized private sector and the academia, who queried the rationale behind the deals. Indeed, the irregularities associated with the counter-trade deals were cited as one of the reasons for the 27th August Military Coup (Liew, et al, 2003).

The government's austerity measures achieved some success in 1985, inflation fell to a single digit, the external current account moved from deficit to balanced positions and real GDP growth jumped 9½ percent. The substantial growth in real GDP was due principally to an increase in oil production arising from the upward adjustment in OPEC quotas and to the recovery of the agricultural sector from a two-year drought.

However, improvement in the fiscal and external positions in 1983 and 1984 proved transitory and failed to establish a basis for sustained economic growth. The authorities' policy to foster employment through the creation of public sector jobs continued to exert strong pressure on the budget during 1981-1984 following a 109 percent interest in 1977-1981, public sector employment grew by a further 18 percent between 1981 and 1984. This policy promoted migration into cities, as government salaries compared very favourably with income opportunities in the rural areas.

Urban migration and its attendant unemployment problems became even more pronounced in 1981 when the government increased the minimum wage rate to the entry level salary of public sector employees. Urban unemployment increased substantially, from 1985, while rural unemployment rose from 3 percent to 5 percent over the same period. Real per capita income fell significantly as well, from US\$ 1,010 in 1981 to US\$ 850 in 1985 (Deverajan et al 2001).

The emphasis on short – run stabilization measures reflected the government's belief of the time, that Nigeria's economic and financial problems were transient and would eventually disappear with a recovery in oil export prices. In the event, oil prices did not recover, and it became clear that the stabilization policies were inadequate in tackling the underlying economic problems, including the lopsided reliance on oil, the neglect of the agricultural sector and the misdirected capital investment projects of the federal government. In addition to inefficient allocation large oil receipts, intervention in key areas of the economy, including the fixing of the exchange rates of interest rates and of domestic and export prices and the marketing of the non oil Exports remained

pervasive and impeded the supply response essential to a sustained recovery of the Nigerian economy. The extensive system of direct controls suppressed market signals and discouraged private sector activity. Crippling import shortages and growing social and political discontent set the stage for another military coup, under General Babangida, who assumed power in August 1983. It became clear to Nigeria's economic policy makers that short run stabilization measures and increased regulation were not appropriate responses to deep-seated impediments to growth. It was also clear that there was need to adjust to the structural imbalance and external shocks. But then an important question that needed to have been addressed concerned the type of adjustment that was desired. The government was left with three policy options namely to:

- i. Maintain the status-quo, i.e., a continuation of the austerity measures without structural adjustment reforms.
- ii. accept IMF structural adjustment facility including its conditionalities, and;
- iii. reject the IMF loan proposal but adopt a modified variant of the traditional structural adjustment package, designed and implemented by Nigerians.

The 1970s witnessed double digit inflation rates which averaged 15.2% engendered mainly by monetization of foreign exchange receipt during the oil boom era and massive construction activities at the end of civil war. The inflationary pressure persisted in the 1980s as a result of interplay of several factors: general increase in the cost of production of both agricultural and industrial goods as a result of the continued

depreciation of naira exchange rate and removal of subsidy couple with the ban of some consumer goods without inflation rate which was over 50% in 1994(CBN briefs, 1995)

The Babangida government decided to throw a debate. This was because the leadership felt that taking the loan would involve some hardships on the citizens, and not taking the loan will have the same effect since the creditors would no longer permit further import of raw materials for industries.

Those who participated in the debate represented different stakeholders in the society. There was the group from the organized private sector who were business individuals, those from the academic, religious organization, socio-cultural societies and individuals with different social ad ideological backgrounds. While many like the nationalists, communists, and the academic wanted the government to reject the IMF and its conditionality, some like the bankers and the industrialists saw the need for the loan. Essentially, every Nigerian agreed that the economy demands restructuring. They agreed that it was too much dependent on foreign inputs.

That agriculture was neglected. That dependence on export commodity should be halted. It must however be noted that this was the first time in the history of the nation for all stakeholders to be involved in the decision making process that would ultimately affect the lives of the general populace. After the popular debate, the government adopted in June 1986 a comprehensive structural adjustment program (SAP) that signalled a radical departure from previous reform efforts.

It emphasized reliance on market forces and private sector in dealing with the fundamental problems of the economy. The SAP was originally intended to last for two

years, but was extended when it was realized that implementing many of the reforms required more time. Nigeria's adjustment efforts were supported by three stand-by arrangements with the IMF, but the government decided not to use the fund resources. The World Bank also supported the adjustment program through a US\$ 450 million trade policy and export diversification loan (NCEMA, 2002).

2.3 THE OBJECTIVES OF THE SAP

The structural adjustment policy emerged from two of the Bretton Woods Institutions, the IMF and World Bank. According to the National Centre for Economic Management and Administration (NCEMA), the objectives of the SAP were among others, to:

- Structure and diversity the productive base of the economy so as to reduce dependency on the oil sector and imports.
- Achieve fiscal and balance of payment viability over the medium term;
and
- Promote non-inflationary economic growth.

The growth and inflation objectives for 1987 – 88 were a real GDP growth of 3-4 percent and a reduction of inflation to 9 percent per year on an average annual basis. It was thought that the anticipated devaluation of the naira would have a considerable impact on consumer prices. The key policies designed to achieve these objectives were:

- Strengthening of hitherto strong and relevant demand management policies.

- Adoption of measures to stimulate domestic production and broaden the supply base of the economy.
- The setting up of a second-tier foreign exchange market (SFEM) as a mechanism of realistic exchange rate and consequently, the alteration of relative prices to achieve efficiency in resources allocation, and to promote domestic-based production and non-oil export.
- Further rationalization and restructuring of tariffs in order to aid industrial diversification.
- The liberalization of the external trade and payments system, dismantling of price, trade and exchange controls.
- The elimination of price controls and commodity boards.
- The decontrol of interest rates, and
- The rationalization and restructuring of public sector enterprises and overhauling of the public sector administrative structure.

In general, the various policy measure incorporated in SAP have been pursued to varying degrees of implementation coupled with a number of complementary policies and programmes. Some of these were geared toward alleviating the unintended effects of adjustment and to provide relief to the people. Some of the programmes and policies include the establishment of the National Directorate of Employment (NDE) in 1986; a SAP relief package introduced in 1989; the establishment of the Urban Mass Transit Programme of the Directorate of Food, Road and Rural Infrastructure (DFRRI) in 1986

the 1991/1992 relief package for public sector officers; reform of the civil service and the Better Life for Rural Dweller's Programme in 1989. Despite the programmes and policies put in place, the SAP has brought few tangible benefits to the people. Ineffective corporate governance, the distortions of continued government interventions and the lack of government part to carry the various stakeholders in the design, implementation and executive of programmes, have limited the level of success for the programmes and reforms.

In particular, all stakeholders have been ignored in the core areas that involve them and thus, these had led to opposition to government's continued programmes. Leadership power by the military, which has spanned a cumulative period of 28 years, lead to a supplementing of constitutional provisions by military decrees and engendered a culture of executive high handedness and human rights abuses.

The development of democratic institutions – the executive judiciary, the media, and the civil society organizations has been stunted. In particular, the Nigeria civil society remains relatively weak and fragile in terms of structure and organization, and it has been susceptible to being ignored in the scheme of policy issues. The overall effect of this non-action by various stakeholders is the increased level of poverty in Nigeria with the access to basic social service such as health, education and unemployment opportunities has also reduced economic fortunes (Olukoshi, 1992).

2.4 The NIGERIAN ECONOMY BEFORE SAP

Nigeria's growth experience shows a gradual and steady performance in the immediate post-independence period, with a healthy balance of payments position through exports of cash crops. Marketing boards were used to extract surpluses from the agricultural sector, which were used to provide basic infrastructure. The development of the economy since 1960 has witnessed a declining share of agriculture in the gross domestic product (GDP). At constant factor cost, agriculture, which accounted for about 66% of GDP in 1958/59, was estimated at 50% in 1970/71.

Part of this decline is traceable to the relatively higher growth rate of manufacturing and mining, which is consistent with the development pattern characteristics of developing countries (Abalu, 1974). Agricultural export was the engine of growth prior to 1973, providing much of the revenue that the government used in developing a basic infrastructural system. Agricultural export also financed the import substitution industrialization programme. Increases in imports due to increasing income and the import requirements of the emerging industrial sector induced balance of payments problems in the late 1960s(Lele,1985).

According to Abalu and Ingawa(1987), the oil boom of the early 1970s relaxed the financial constraints to development. The GDP at 1977/78 factor cost grew at an average rate of only 5.0% per annum between 1975 and 1980. One major characteristic of this growth was its very unstable nature. The growth rates ranged from -1.3% in 1975/76 to 9.5% in 1979/80. Generally, government services recorded the highest growth of 17.7% in constant terms during this period. Manufacturing grew at 13.3%,

while agriculture recorded a growth rate of -2.3%. The performance of the economy suggests that there was more to underdevelopment than financial constraints. The third national development plan acknowledged that the agricultural and manufacturing sectors during the period 1970–1974 performed below expectations.

One of the identified problems in Nigeria in the articulation of SAP is that of policy-induced distortions. A key proposition is that policy responses to the oil boom increased the level of distortions within the economy. Some of the key propositions on policy distortions in the economy are:

- Pre-SAP policies encouraged the growth of domestic demand far beyond the productive capacity of the economy, resulting in distortions in relative prices and serious internal imbalance.
- Rapid expansion of public sector investment created serious distortions in resource allocation.
- Investment was biased toward unproductive ventures and investment projects were unviable and poorly implemented, and the rate of their expansion easily over tasked the capacity of the public sector, which was dominant in this area.
- Rapid expansion of the public sector was also characterized by increasing deficit spending by both federal and state governments in very unproductive sectors of the economy.
- Dependence on external financing generated unsustainable financing needs.

- Trade policies during this period encouraged massive importation of foreign inputs for industries with unnecessary protection for very inefficient firms.
- Import licensing systems enhanced and encouraged inefficiencies in the allocation of resources and an over-valued domestic currency.
- The general level of subsidy, which was maintained under a defective development strategy, undermined competition within the economy and led to inefficiencies, which in turn undermined growth.

The collapse of the international oil market was the immediate cause of the economic crisis of the 1980s. Foreign exchange earnings dropped significantly, causing adverse balance of payments. Despite events in 1981 and the clear signs before then, the first main policy action by government came in April 1982 with the promulgation of the Economic Stabilization Act. The set of policies was aimed at halting the rapid decline of 1981. It contained very stringent exchange control measures and import restriction to address the serious problem of external imbalance caused by the fall in foreign earnings. This was also backed with appropriate monetary and fiscal policies.

Between 1982 and 1985, the government applied austerity measures. The main objective of policy during this period was to reduce aggregate demand in the economy in order to dampen the pressures on the balance of payments. At the same time, attempts were made to stimulate production in productive sectors of the economy, particularly the agricultural and manufacturing sectors, to reduce domestic price inflationary pressures. Monetary policy control instruments such as the ceiling on the rate of aggregate credit distribution, minimum ratio of credit to indigenous borrowers, reserve

requirements, compulsory advance deposit for imports and new interest rates structure were used. For example, the permissible rates of credit expansion for big and small banks, which had been fixed at 30% and 40% since 1975–1979, were reduced to 25% and 35% respectively. This period also witnessed tight fiscal policy. The austerity measures reduced government expenditures sharply. The public sector deficit was reduced from 11.6% of GDP in 1983 to 2.7% in 1985. This was caused largely by reduction in federal expenditure by 28% in 1984 Neo-liberal strategies - structural adjustment policies.

The theory that lies behind structural adjustment programs is classical economical theory (Sandbrook 1995, 278), and following Ricardo, trade is good for all involved parties also those less efficient at the product per unit (Ricardo 1821,), and therefore trade barriers need to be lifted by Third World countries. Secondly there is a theory that too much state intervention in the economy is an evil. Governments that have too much engagement in the development and economics of their respective subjects should be rolled back. As a common third point, foreign debt is another evil.

The theory as outlined above can be seen quite independent of time and space. In order to understand how it applies to Africa around 1980, one has to look at the specific analysis of Africa at that time. First of all, the fact that many African countries followed import-substitution schemes meant that they were at least partially cut off from the world market, which meant that they did not use their full potential in terms of trade (Eriksen 1990, 15–16). Secondly, the same policies were also claimed to have stifled private entrepreneurship. This was combined with claims of ineffective state

bureaucracies and an “overly protected” industry (Eriksen 1990, 15). And for the third point, many third world countries, also in Africa, had quite a lot of debt in the late seventies. Although, arguably, this was due to the two major oil crises of the 1970s, in 1973 and 1979, which made the import of oil very expensive, the World Bank held that it was the import–substitution policies of the countries themselves in the 1970s that had led to the debt.

The strategies based on these theories can be summed up as follows.

In order to provide for trade, policies were to be outward orientated, concentrating on exports, and the state’s tax policies were to be made efficient and concentrated on a minimum of regulation. In terms of the state’s role, policies were to be market-oriented and the role of the state was to be limited economically in its economic extent, or “sound monetary policy,” as it is termed in the neo–liberal lingo. Another emphasis was given to the protection of private property rights.

The foreign debt problem was in the World Bank’s strategy to be solved by the Third World countries by turning importing less and exporting more, which could be achieved through dollar devaluation, rather than through debt relief programs by actors in the First World. (Heckelman and Knack 2005). In finding out what to export, countries were to find their comparative advantage, and for many African countries, this was to be agriculture (Eriksen 1990, 14). Although programs have been very much the same since the early eighties, in the 1990s, Third World countries were instead asked to design Poverty Reduction Strategy Papers (PRSPs) themselves. But these are to a large extent restrained to follow the same policies that the initial structural adjustment

programs did.(World Bank 2004) If this is so, the ideological changes that came in the early nineties, as outlined by Sandbrook (1995), did only have a limited impact on the strategy that was used.

2.5 SOCIO-ECONOMIC and DEVELOPMENT CHALLENGES IN NIGERIAN AGRICULTURAL

Agriculture plays an important role in Nigerian economics and will continue to do so in the future. Nigeria has a highly diversified agro-ecological condition, which makes possible the production of a wide range of agricultural products. Hence, agriculture constitutes one of the most important sectors of the economy. The sector is particularly important in terms of its employment generation and its contribution to Gross Domestic Product (GDP) and export revenue earnings.

Despite Nigeria's rich agricultural resource endowment, however, the agricultural sector has been growing at a very low rate. Less than 50 percent of the country's cultivable agricultural land is under cultivation. Even then, smallholder and traditional farmers who use rudimentary production techniques, with resultant low yields, cultivate most of this land. The smallholder farmers are constrained by many problems, including those of poor access to modern inputs and credit, poor infrastructure, inadequate access to markets, land and environmental degradation, inadequate research and extension services and so on(Abalu,1974).

Since the collapse of the oil boom of the 1970s, there has been a dramatic increase in the incidence and severity of poverty in Nigeria, arising in part from the

dwindling performance of the agricultural sector where a preponderant majority of the poor are employed. Furthermore, poverty in Nigeria has been assuming wider dimensions, including household income poverty food poverty/insecurity, poor access to public services and infrastructure, unsanitary environment, illiteracy and ignorance, insecurity of life and property, poor governance and so on (NPC and UNICEF, 2001). In response to the dwindling performance of agriculture in the country, governments have, over the decades, initiated numerous policies and programs aimed at restoring the agricultural sector to its pride of place in the economy. But, as will be evident from analyses in subsequent chapters, no significant success has been achieved, due to the several persistent constraints inhibiting the performance of the sector.

2.6 SAP POLICY MEASURES in the AGRICULTURAL SECTOR

The structural adjustment programme introduced in July 1986 intended to restructure the production and consumption pattern of the economy; remove price distortions; and enhance the role of the free market in resource allocation. The SAP literature also claims that it aimed to reduce dependence on the oil sector and on imports and lay the basis for sustainable non-inflationary growth through diversification of the productive base of the economy and reduction of unproductive public investments.

Oyejide (1986) argued that apart from the monetary, fiscal and trade policies, sectoral policies are an important part of the SAP policy package. The SAP expected strong short-term agricultural supply response as a counter to inflationary pressures. The major objectives of agricultural policies are:

- (1) the removal of all government subsidies on food and other agricultural products,
- (2) promotion of the production and export of non-traditional agricultural products,
- (3) import restrictive measures on food and other locally produced agriculturally based raw materials,
- (4) the establishment of the Directorate of Food, Road, and Rural Infrastructure as a major instrument for fostering rural and agricultural development, and
- (5) Increase of the budgetary allocation to the system of agricultural development projects as a major instrument for agricultural development (Harrison, 1993; Kajisa et al. 1997; Nwosu, 1992).

The overall objective of implementing structural adjustment in the agricultural sector was to increase agricultural production and export of agricultural products. Because of the relative importance of agriculture to the economy, this was supposed to contribute to improvement in the growth of the economy.

2.7 The IMPACT OF SAP ON NIGERIAN ECONOMY

The oil boom of 1970s deepened the structure of Nigeria's import- dependent industrializations. Many local and foreign business interests, eager to take advantage of Nigeria's growing domestic market and partake in disbursement of the huge amount of petrodollars accruing to the state, established many more manufacturing plants to

produce light consumer goods using inputs imported from foreign sources. In the course of the 1970s the rate of manufacturing investment in the country became so rapid that Nigeria became, after South Africa, the second most sought-after investment outlet in Africa (Olukoshi, 1986). When, therefore, a dramatic drop seemed in the international price of oil in the early 1980s as a result of the glut in the world market, the corresponding fall in Nigeria's oil revenues triggered on unprecedented crises of immense dimension in the economy. From peak of \$22.4 billion in 1980, Nigeria's oil earning fell to \$16.7 billion in 1981, \$12.8 billion in 1982 and \$10 billion in 1983. Considering that imports into the country had been growing very rapidly, the level of earning accruing to the state become necessary to sustain them (Olukoshi, 1987).

The adjustment of the naira exchange rate is closely related to the review of the tariff structure. According to World Bank sources, the tariff structure placed serious pressures on Nigeria's domestic production sectors and encouraged industries to look outwards for their raw materials rather than source them locally. This was exacerbated as the Naira was, according to the Bank, over-valued (World Bank, 1983).

In adopting SAP and various cost rationalization measures, including the devaluation of the Naira and wage rate as well as the raising of interest rates and review of the tariff structure, the Babangida administration expected that foreign capital would be attracted to the country to boost industrial production. A series of incentive measures was also introduced as part of SAP to encourage industrial expansion. For example, companies which have to import raw material in order to produce for the export markets are guaranteed favourable tariffs on their import needs. Excise duties paid by

manufacturers of export goods would be fully refunded. Furthermore, support services of various kinds are being made freely available to manufacturers searching for export markets. Through SAP, the Babangida administration has sought to re-structure the industrial sector of the Nigerian economy. One of the main objectives of the programme is to force industries to look inwards for their raw materials and other inputs. In the face of the various measures that have been introduced by the government since the middle of 1986, the level of performance individual firms in the manufacturing sector has been uneven. Indeed, even at sub-sectoral level, performance has been unequal.

In general, those firms that have been able easily to find local substitutes for imported raw materials have performed better under SAP than those that are heavily dependent on imported inputs for which local substitutes are either not available or are not present in commercial quantities or would require a long time and a huge capital outlay to develop. Thus, agro-allied industries, for example, have had comparatively less problem of adjustment than firms engaged in metal processing, engineering work and automobile assembly, which are heavily dependent on imported inputs (Bangura, 1987).

Secondly, the massive, almost ten-fold, devaluation, which the Naira has undergone since September 1986, has resulted in a considerable increase in the cost of production for all industrialists. As a direct consequence of devaluation, producers have found that they need many more thousand of Naira to procure same quantity of inputs and stay in business. For firms that obtain a substantial portion of their raw material locally, inflationary spiral associated with devaluations has led to a major price

increases. Furthermore, as for the firms that for one reason or another cannot yet look inwards in any meaningful manner for their inputs, the consequences of the devaluation of the Naira are more obvious and direct. These firms fall into 3 categories. First there are those, which need to continue to import raw materials until an adequate local raw material base is established. Second, there are firms for which in the foreseeable future a local raw materials base cannot be developed simply because the inputs which they need are for now, either not available at all or are to be found in uncommercial quantities.

Third, there are many companies, which, although they are able to meet some of their raw material needs locally, still have to import inputs to supplement what is available within the country. For all three categories of companies, the devaluation of the Naira has meant an astronomical rise in the Naira cost of their import need and, therefore, in their cost of production (Bangura 1987).

As if higher the costs of production and the diminishing domestic market for consumer goods associates with SAP were not enough the interim tariff system introduced by the government in September 1986 has direct consequence of encouraging dumping on the Nigerian market by foreign based manufacturers to the detriment of local producers. It also had the effect of exposing local manufacturers to major competition with more powerful foreign transnational corporations. Foreign-based producers, taking advantage of Nigeria's trade liberalization policy, dumped all manner of goods on the market. The stagnation and general decline of industrial production in Nigeria was reinforced by the overall negative impact of SAP on small-

scale industries. Proponent of SAP had argued that small-scale industries would benefit from the adjustment programme because of their reliance on domestic sources of raw materials. This optimism rested on the false assumption that all small scale industries in Nigeria source their raw materials locally. The picture which we have painted so far is one in which the adjustment process in Nigeria's industries has had dramatic and largely, negative consequences for manufacturing concerns in the country to be sure restructuring and reorganization of the basis of industrial accumulation in the country, while adversely affecting the majority of manufacturers in Nigeria, has, at the same time, compelled an increasing number of firms to seek survival by exploring local sources of raw materials and investing in them in order to reduce their import dependence and integrate more directly with the agricultural sector of the economy (Bangura, 1987).

However, both because the process of local sourcing of raw materials has being painfully slow and the level of fresh investment in industrial activities for which local raw materials are available in abundance has been virtually non-existent, the Nigerian industrial sector has, at best, been basically stagnant in its overall performance since the introduction of SAP. The rate of closure of firms has not been matched by the rate of formation of new ones. The retrenchment of workers on a large scale has not been matched by significant fresh recruitments in new 'sunshine' industries which the advocates of SAP had hoped would spring up in the wave of the introduction of the programme. In other words SAP has severely undermined the old structure of manufacturing in the country without appearing capable of replacing it with new,

inward-looking production firms on a scale that will enable the manufacturing sector to retain its share of the Nigerian Gross Domestic Product (GDP) (Bangura, 1987). Conclusively, there is no doubt that SAP is the far-reaching economic programme implemented in Nigeria in the post-colonial period. As we have argued, the response of the industry to the programme has been very uneven. Whereas some firms, still a minority, have taken steps to adjust their production structure in line with the dictates of SAP others, the majority have either collapsed outright under the weight of the programme or have retained their old production structures but on a reduced level of capacity utilization.

CHAPTER THREE

RESEARCH METHODOLOGY

The research methods and procedures employed in the study are explained as follows:

3.1 RESEARCH DESIGN

The research design employed in the study is descriptive survey. Nwankwo (1984) posited that descriptive survey research intends to describe systematically the facts, qualities or characteristics of a given population, event or area of interest as factually and accurately as possible to answer the questions asked by the problem under investigation. This method is adopted because the subject of the study had occurred, in which case, the study intends to analyse and describe the situation.

3.2 STUDY POPULATION

The study population is made up of the activities of agricultural sector from 1986 when SAP was introduced.

3.3 METHOD OF DATA COLLECTION

Data were generated from official documents relating to policies and execution of SAP. This consist of data collected from textbooks, journals, newspaper, magazine, and articles from the internet.

3.4 METHOD OF DATA ANALYSIS

The study employed descriptive method of analysis. The data collected were given direct interpretation.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter deals with data presentation, analysis and discussion of findings.

Therefore the underlisted subheading will form the basis of discussion in this part of the study.

4.1 DATA PRESENTATION AND ANALYSIS

The data presented below and its consequent explanations represent the presentation of data and analysis.

Table 4.1: Domestic Production (N million)

Year	GDP Growth (%)	Growth (%)	Industrial Production Index 1972 = 100	Growth (%)	Industrial Production Index 1972 = 100	Growth (%)
1981	78.1	7.0	185.5	-2.8	90.1	0.5
1982	78.3	0.0	197.2	6.3	92.1	2.2
1983	73.8	-5.1	154.6	-21.6	83.9	-8.9
1984	70.0	-5.1	147.0	-4.9	91.4	3.5
1985	75.5	7.9	169.4	15.2	95.8	4.8
1986	77.9	3.8	196.4	2.0	100.1	6.6
1987	79.3	1.8	197.6	19.0	100.3	1.8
1988	82.5	4.0	220.0	11.3	100.3	2.9

Source: Ojo (1989)

Table 4.1 reveals the growth rate of domestic production in the country from 1981 to 1988. Also, the industrial production index was indicated in the table. In 1981, the GDP growth rate was 78.1, while it increases to 78.3 in 1982, the real growth rate in

percentage fall from 7.0% to 0.0%. This shows a fall in the real growth rate of the economy. In 1983, the real growth rate in percentage was -5.1%, the same figure was recorded in 1984. In the same years, the GDP growth rate equally showed a fall from 73.8 to 70.0. The GDP growth rate experienced an increase in 1985 with 75.5 and recording 7.9 real growth rate in percentage. This analysis remains the pre-SAP performance. In 1986, indicating the introduction of SAP, the GDP growth rate increased from 77.9 to 79.3 in 1987 and 82.5 in 1988. Despite this increased there was a fall in the real growth rate in percentage. From 7.9% in 1985, it falls to 3.8% in 1986 and 1.8% in 1987, and increased to 4.0% in 1988. This shows a general fall in the real growth rate of the economy, during the SAP period.

Table 4.2: Output of Principal Agricultural Commodities ('000 tons)

Year	COCOA	COTTON	GROUNDNUT	PALM KERNEL	PALM OIL
1970	305	358	1581	315	488
1975	216	313	449	295	300
1980	153	77	674	279	650
1985	160	114	621	360	615
1986	100	100	640	350	650
1987	105	80	696	353	680
1988	230	194	686	545	700
1987	256	185	815	600	700

Source: The Nigerian Economist, vol. 4, no. 16, 1991.

Table 4.2 shows the performance of five key cash crops. In the table, the 1985 outputs of cocoa, cotton and groundnuts were significantly less than their respective 1970 levels. Though the outputs of all the three have risen in past, but in 1985, they have remained below their respective levels in 1970. The pre and post 1985 outputs of palm kernel and palm oil are higher than the 1970 levels; however, neither output has doubled in almost 20 years.

Table 4.3 Export Earning from major Agricultural Exports

YEAR	Cocoa		Groundnut		Palm Kernel		Rubber	
	A	B	A	B	A	B	A	B
1970	133.0	191.52	43.6	62.78	21.8	31.39	17.4	25.06
1975	181.8	295.23	-	-	13.5	21.39	15.2	24.68
1980	311.1	568.88	-	-	14.1	26.33	14.1	26.33
1985	182.0	203.95	-	-	6.2	6.95	3.8	4.56
1986	370.0	291.04	0.1	0.08	7.5	5.89	29.1	22.89
1987	149.7	363.47	-	-	60.5	14.69	-	-
1988	1475.0	325.38	1.4	0.31	203.2	44.83	1.6	0.31

Source: Sandbrook 1995 A= Nominal earnings, B= Earnings deflated by the exchange rate

Table 4.3 shows performance of agricultural exports. The table shows that cocoa earnings peaked in 1980 in real terms. It also shows that much of the increase in nominal revenue reflects devaluation not increased in foreign earnings. The export of groundnut after 1970 is almost insignificant. Similarly, the earnings from exports of palm kernel and rubber are insignificant relative to oil and cocoa.

Table 4.4: Principal Agricultural Prices in N/tonne

YEAR	COCOA		COTTON		GROUNDNUT		PALM KERNEL	
	A	B	A	B	A	B	A	B
1970	297	1248.42	1086	453.97	67	281.63	59.4	248.00
1975	690	1530.27	308	683.03	230	510.09	150	332.67
1980	1300	1300.00	400	400.00	420	420.0	180	180.00
1985	500	636.13	850	360.47	360.47	742.1	400	169.63
1986	3500	1406.75	1000	401.93	401.93	4001	4001	16.77
1987	11000	2735.2	4000	1458.7	1158.7	756.7	850	309.99
1988	11000	2903.1	4500	1187.6	1187.6	593.82	1000	263.92
1989	1043	1924.4	4500	787.26	787.26	393.63	1000	174.9

Source: The Nigerian Economist, vol. 4, no. 16, 1991.

Table 4.4 shows the prices of selected principal agricultural commodities. The key inferences from the table are:

- prices of all commodities oscillate
- pre 1986 nominal prices were more unstable and lower than post 1986 prices
- real prices are more unstable than nominal prices
- real prices have not grown as fast as nominal prices

4.2 ANSWERS TO THE RESEARCH QUESTIONS

The research questions raised in chapter one were answered at this point.

Research Question 1

What is the effect of SAP on the agricultural outputs produced in the country?

Table 4.3 indicates the major agricultural outputs exported in tonnes to other countries. The crops are cocoa, cotton, groundnut, palm kernel and palm oil. The quantity of cocoa produced before the adoption of SAP decreased from 305 tonnes in 1970 to 216 in 1975 and to 153 in 1980. In 1986, which marked the introduction of SAP, the product, that is cocoa, fall from 160 in 1985 to 100 in 1986? An increase was recorded in the quantity of cocoa produced in 1987 (i.e 105 tonnes) to 230 tonnes in 1988 and 256 in 1987. Cotton, equally recorded 358 tonnes in 1970 and fall to 77 tonnes in 1980. It increases to 114 tonnes in 1985 and fall to 100 tonnes in 1986. It falls to 80 tonnes in 1987 and increased to 194 tonnes in 1988, then it falls to 185 tonnes in 1987. A total of 1581 tonnes of groundnut was produced in 1970. It falls to 449 tonnes in 1975 and increased to 674 tonnes in 1980. It increases to 640 tonnes in 1986. The quantity produced dropped in 1988 to 686 tonnes from 696 tonnes in 1987 and later increased to 815 tonnes in 1989. In 1970, 315 tonnes of palm kernel was produced, and it falls from 295 tonnes in 1975 to 279 tonnes in 1980. It increases to 360 tonnes in 1985 and falls to 350 tonnes in 1986. From 1987, it increases from 353 tonnes in 1987 to 600 tonnes in 1989. Palm oil recorded an increase from 300 tonnes in 1975 650 tonnes in 1980. The quantity produced was constant in 1986 as 650 tonnes was recorded. It increases from 680 tonnes in 1987 to 700 tonnes in 1988 and 1989. The implication of this development is that SAP did not make much contribution to the quantities of cocoa, cotton and groundnut produced during the period under review. For instance, during the pre SAP exercise 305 tonnes of cocoa was

produced in 1970 and it falls in 1986 to 100 tonnes and later increased to 230 tonnes in 1988 and 256 tonnes in 1989. Infact the same situation is recorded for cotton and groundnut. While in 1970, 358 tonnes was recorded for cotton, 1581 tonnes was recorded for groundnut. Both commodities recorded fall during the implementation of SAP in 1986 to 100 tonnes of cotton and 640 tonnes of groundnut respectively. This shows that no significant improvement was recorded from the initial quantities produced in 1970 to what was produced during SAP and the post SAP era. Palm kernel and palm oil recorded a marginal increase from the initial production capacity of 315 tonnes of palm kernel and 488 tonnes of palm oil in 1970 to 350 tonnes of palm kernel and 650 tonnes of palm oil in 1986. It increases to 600 tonnes of palm kernel and 700 tonnes of palm oil in 1989 respectively. Considering the amount invested into the programme, the increase recorded is not commensurate with the money, time, and efforts put into the implementation of the programme. Hence, the effect of SAP on the agricultural outputs produced was highly insignificant.

Research Question 2

What is the effect of SAP on the prices of agricultural outputs in the country?

Table 4.3 produces answer to this question, because it shows the prices, in terms of nominal earning and earning deflated by exchange rate of cocoa, groundnut, palm kernel and rubber. The nominal earning of cocoa in 1970 was 133.0 and its deflated earning was 191.52. In 1986, it increased to 370.0 as nominal earning and

291.04 as deflated earning. The nominal earning further increased to 1475.0 and 3253.8 as deflated earning in 1988. Groundnut recorded 43.6 as nominal earning and 62.78 as deflated earning in 1970. In 1986, it falls to 0.1 as nominal earning and 0.08 as deflated earning. While it increased to 1.4 as nominal earning and 0.31 as deflated earning in 1988. Palm kernel in 1970 recorded a nominal earning of 21.8 and 31.39 as deflated earning. In 1986, it falls to 7.5 as nominal earning and 5.89 as deflated earning while in 1988, it increased to 203.2 as nominal earning and 44.83 as deflated earning. In 1970, rubber recorded 17.4 as nominal earning and 25.06 as deflated earning. In 1986, the nominal earning increased to 29.1 while the deflated earning falls to 22.89. In 1988, both earnings fall to 1.6 and 0.31 respectively. The implication of this development is that SAP created room for the inflation of prices of goods, most especially in years when the nominal and deflated earnings increased. The years that recorded fall in both earnings did not witness a real fall in the prices of goods, because the goods produced were not increase. Hence SAP induced inflation, when it was adopted because of low production of domestic goods, which makes prices to rise.

Research Question 3

what is the effect of SAP on the growth of the Gross Domestic Product (GDP) of the country?

Table 4.1 produced answer to this question. In 1981, the GDP growth was 78.1, while its real growth in percentage was 7.0. In 1985, the GDP growth was 75.5 while

its real growth in % was 7.9. In 1986, while the GDP growth increased to 77.9, the real growth in % fell to 3.8 and 1.8 in 1987. The GDP growth increased to 82.5 and 4.0 in real growth in %. The picture shown in the illustration is that the real growth rate of the GDP in % fell from 7.0 in 1970 to 3.8 in 1986 and marginally increased to 4.0 in 1988. This shows a poor performance in the GDP of the country.

Research Question 4

What are the perceived effects of SAP on the agricultural sector in Nigeria?

The perceived effects of SAP are discussed below:

During SAP the agricultural sector was faced with many constraints which affected its productivity.

4.2.1 Removal of subsidies on petroleum products and fertilisers

As part of the IMP-World Bank requirement for a reduction in government expenditure, the subsidy on petroleum products (gas, petrol, kerosene, diesel oil, and fuel oil) was reduced in 1986, 1988, 1989, and 1990. Such oil subsidy withdrawals have fuelled the inflationary spiral in the country. Apart from the general and persistent increases in the prices of goods, transport fares have skyrocketed resulting in lower living standards and an increase in the suffering of commuters, while hunger and starvation are ravaging, given that families spend about 50% of their meagre incomes (where they are employed at all) on fuel or wood and charcoal (Anyanwu, 1987c, 1990a). In addition, subsidies on fertiliser (NPK, Urea, and SSP) were reduced in both 1989 and 1990, resulting in higher farm production costs, lower output and higher

prices of foodstuffs. Such a policy is contradictory for an administration that said to be committed to increased agricultural production as well as committed to increase 'non-inflationary growth'.

4.2.2 Inadequate supply of Farm Inputs

The unavailability of major farm inputs critical for agricultural production (fertilisers, seeds, agro-chemicals, machineries, etc) at the appropriate time and at the right prices has remained a source of worry and frustration. Government efforts to develop efficient and effective input procurement and distribution systems that will ensure timely delivery of adequate quantity and quality of farm inputs to farmers have not been successful.

The adoption of many promising improved packages of technology has been compromised by the unavailability of the complimentary farm inputs due to removal of subsidy on fertilizer. The persistence of the problem has been attributed largely to the issue of subsidy and its administration, as evidenced in the procurement and distribution of fertiliser by the Government. The price regulating mechanism of a commodity whose supply could not match the demand at the stipulated prices create rent seeking and there are more unintended beneficiaries, who are the fertiliser contractors, haulers, etc. The result of all these actions is that many farmers do not have access to adequate supply of fertilisers with the consequence that Nigerian farmers have not been able to use fertilisers at the desired level to optimise their benefits to increase food production. Farm input play very critical role in the modernisation of small holder agriculture and this issue need to be properly addressed.

4.2.3 Inadequate working capital

Small scale farmers do not have adequate capital to expand their scale of operations and/or take advantage of profitable packages of technology to boost productivity. The bulk of capital injection by this category of farmers comes from owner's equity and informal credit sources. The price and exchange rate reforms that accompanied the Structural Adjustment Programme of 1986 have increased the costs of production and significantly increased the working capital needs of agricultural activities. The long and cumbersome bureaucratic processes have prevented the flow of official credit through the government established credit schemes to the farmers. This problem is more pronounced for the female headed household who have nothing to offer as collateral.

4.2.4 Low Rate of Technology Adoption

The reduction and outright elimination of subsidies on all agricultural machinery like tractors, harvesters, harrowers and planters following deregulation has reduced the use of machines in agricultural activities. The post-harvest technology available in Nigeria is poor and grossly inadequate to cope with vibrant, market-oriented food production efforts of Nigeria's small holders. Apart from the damage which the crops are exposed to in the field as a result of pests and disease attacks, a considerable proportion of the harvest is lost due to poor processing and storage technique. Crop losses have been estimated to be as high as 20 per cent of harvest in some cases.

4.2.5 Environmental Hazards

The problems of drought/desertification, as well as, soil erosion have remained very serious for Nigerian agriculture. These problems often manifest in the forms of soil degradation and deforestation. While some of these changes are caused by natural forces, they could also be caused by the direct result of over-grazing, over-cultivation, bush burning and deforestation associated with increased population and poor conservation practices. Attempts to solve the problems have been through nation-wide tree planting campaigns in the past and encouraging people to switch to the use of fuel efficient facilities, like stove and gas cookers. Unfortunately, the prices of stoves and gas cookers have risen sharply, thereby making them out of the reach of most rural dwellers. The increase in petroleum products prices has also resulted in farmers resorting to the bush for their fuel. Furthermore, the afforestation programme has been slowed down due to inadequate funding by government, increase in cost of planting materials, inadequate water and manpower to implement the afforestation programme. Also, proper conservation practices have not been learned by the rural dwellers.

4.2.6 Post Harvest Losses

The problem of inadequate storage facilities has compounded the problem of food security. It is estimated that about 15 – 20 per cent of the crops produced are lost before they can be consumed. This situation is made worse by the dearth of agro-processing industries in the country. It also has a discouraging effect on the farmers as the struggle to sell most of their crops immediately after harvest results in cut throat

competition and lower prices. Between 1981 and 2001, the number of farms in Nigeria declined from 318,361 to 246,923, a drop of 22%. In just the past five years (1990 to 1995), Nigeria lost 11% of its farmers. The farm income crisis has decimated many rural communities. The profits in the food production system are increasingly going to transnationals with head offices in distant (and mostly foreign) cities (Khor, 2005).

The farm crisis in Nigeria and around the world is caused by the corporate-driven extraction of wealth from the rural areas. Structural adjustment removes the barriers to such extraction and accelerates the outflow of profits and wealth. Qualman and Wiebe accuse the Nigerian government of using the tools of free trade agreements and other neo-colonial policies to turn the country's farm families over to the market.

4.3 DISCUSSION OF FINDINGS

The findings of the study indicated that SAP caused the agricultural sector a lot of problems. It caused the agricultural outputs to fall. That is, the domestic production of agricultural outputs decreased during the period of SAP and where increase was recorded, it was highly insignificant when compared with the levels of resources invested into the programme. SAP also led to inflation in the country. The little outputs that were produced get to the market at high prices causing inflation in the country. Furthermore, the introduction of SAP made the real growth in the GDP to fall, showing a poor performance of the economy. Hence, SAP adversely affected the agricultural sector in numerous ways. Studies have confirmed the findings of the study in various ways. For instance, Anyanwu (1987) pointed out that the general and persistent

increases in the prices of goods, transport fares have skyrocketed resulting in lower living standards and an increase in the suffering of commuters, while hunger and starvation are ravaging, given that families spend about 50% of their meagre incomes (where they are employed at all) on fuel or wood and charcoal. CBN briefs (1995) reported that the inflationary pressure persisted in the 1980s as a result of interplay of several factors: general increase in the cost of production of both agricultural and industrial goods as a result of the continued depreciation of naira exchange rate and removal of subsidy couple with the ban of some consumer goods without inflation rate which was over 50% in 1994. The Structural Adjustment Programme, SAP, embarked upon by most African countries in the 1980s, including Nigeria, has been blamed by an official of the United Nations Conference on Trade and Development, Mr. Rolf Traeger, as one of the major reasons for the current food crisis plaguing some countries in sub-Saharan Africa especially Nigeria. The projected national demand for rice in Nigeria is put at 4.64 million metric tons annually while current rate of consumption is put at 2.3 metric tons. Current local production of the commodity is a meagre 525,000 metric tons per annum. It follows straightaway that the country will have to import the shortfall which is projected at the cost of \$267 million (Khor, 2005). Under the guidance of institutions such as the World Bank and the International Monetary Fund, IMF, Traeger, who spoke exclusively to THISDAY at the ongoing UNCTAD XII conference in Accra, Ghana said, most countries in sub-Saharan Africa embraced hook, line and sinker the Structural Adjustment Programme that was prescribed by the Bretton Wood institutions as the panacea for their economic woes. This he said affected the production systems of

these countries, the consequences of which are the current food crisis many of them are now experiencing. “The production system of many developing countries underwent serious changes because on one side domestic support for production, that is subsidies to farmers, were generally cut.

At the same time there was a very deep trade liberalization that was put in place by the developing countries as part of the SAP. This means that it was much cheaper and easier to import those products. This happens in a context in which international commodity prices were depressed or even falling. So in that context, developing countries were capable of importing food at reasonably low prices. It means that by importing food at low prices there was much more competition for domestic producers. So on the one side domestic producers lost subsidies and on the other side, they face competition from imported food as a result, they changed what they were cultivating or change the type of activities that they were undertaking. This also means that the food security of these countries was jeopardized because the domestic capacity to produce food was significantly reduced.

The international prices of food and commodities started rising sometime as high as 20 or 30 per cent. It means that these countries have to pay much more for the food that they import. For the poorer countries for which buying food represents the major part for the little income that they have it became a big problem. Traeger (2005) said a structural adjustment program is a plan implemented by the World Bank and the International Monetary Fund (IMF) in a developing nation to try to get their economies to be more productive. The goal of a structural adjustment program is to help the

borrowing nation pay off its debts and have a growing economy that will sustain them into the future. A structural adjustment program may be implemented as part of an initial agreement to lend money, or it may be brought in later as part of terms for the borrowing nation to receive a lower interest rate on past loans.

The idea of the structural adjustment program is one of most contentious within the so-called Bretton Woods Institutions: the IMF and the World Bank. Some people feel that since borrowing nations are usually in dire straits, they have no choice but to comply with whatever is laid out as a structural adjustment program, in order to receive funds to keep their country functioning. This means that the IMF and the World Bank can force through policies that the government and the people themselves may oppose strongly, in many ways undermining the democratic will of the populace.

In the past, the IMF and the World Bank had a fairly hands-off approach to the path borrowing nations took to trying to repay their debts. This all changed during the 1970s, when the world underwent a fairly serious period of economic hardship, and many nations found themselves unable to make their repayments. The IMF and World Bank then decided they needed to take a more hands-on approach to things, and began to draft structural adjustment program papers to nations that were planning on borrowing, letting them know what they would have to do in order to get the loans.

A structural adjustment program usually focuses primarily on ways the IMF and the World Bank thinks will jump-start the nation's economy. This usually takes the form of extreme free-market strategies, such as deregulating banking sectors, removing trade barriers, privatizing natural resources and government industries, devaluing

currencies, strictly adhering to balanced budgets, changing national law to make an environment more conducive to foreign investment, and building up export economies. In recent years poverty reduction has become a cornerstone of the structural adjustment program as well, seeking not only to increase the nation's GDP, but also to help the populace as a whole raise their standard of living out of poverty

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMENDATION

5.1 SUMMARY

The research work has studied the impact structural adjustment program on the Nigerian economy, with the agricultural sector as a case study. After collecting data on the said sector, it indicated that the agricultural sector was adversely affected by SAP.

Two other factors help to explain why agricultural programmes in the past failed to stimulate the agricultural sector to produce the desired results. These have to do with policy articulation and policy implementation. The Operation Feed the Nation programme provide a good example of both poor policy articulation and poor implementation like the NAFPP with which it was expected to complement the OFN aimed at getting many people as possible in Nigeria, including non-farmers, to farm so that self-sufficiency in food crops with possible excess for export could be attained in the shortest possible time. Because of poor articulation, the OFN succeeded only as a slogan. From such a confused start, implementation was definitely a lost battle. The programme did not contribute significantly to increase food production, to a drop in food prices or to a reduction of mounting imports.

5.2 CONCLUSION

The SAP did considerable violence to social fabric in Nigeria. The standard and quality of life of the majority of Nigerians deteriorated with the fall in the value of naira. Contrary to projections that SAP would benefit dwellers, the devaluation of naira

increased the prices they had to pay for goods and services, thus whittling any income on commodity farmers. The speculation activities of merchants, who used commodity exports as a means of facilitating capital flight, initially drove up the prices of some agricultural exports such as cocoa but by 1989, the cocoa market slumped, causing the income of cocoa farmers to diminish precipitously. The consumption of food, health and social services declined due to the inability of the majority of Nigerians to afford these necessities. The level of social volatility was such that frequent mass demonstrations were sparked off to protest SAP policies. Many lives were lost due to the state's indiscriminate use of force against these protesters.

Nevertheless some semblance of SAP was implemented in Nigeria. The implementation of SAP had the following results; it was damaging to state sovereignty, social cohesiveness and the material well-being of the majority of Nigerians. State sovereignty was eroded due to three factors. First was its loss of autonomy in policy-making and the domination of external forces over the process of determining state goals and objectives. Second, was the active involvement of technocrats from both the World Bank and IMF in the policy implementation process in both monitoring and keeping the Babangida regime faithful to spirit and letter of SAP. Third was the lack of a consciously and independently determined and articulated national interest.

Our task in this paper has been to attempt a first-hand account of the impact of Nigeria's structural adjustment program on the agricultural sector. Three major features still characterized Nigeria's Agricultural sector in the 1980s much as was the case two decades earlier: heavy import-dependence, lack of forex self-sufficiency, and minimal

backward linkages with the rest of the economy. Coupled with the impact of the SAP, it is not surprising that the 3CI+WIF syndrome has been identified here as a major hindrance to manufacturing recovery. Nigerian agricultural sector lacks the dynamism required to not only transform the sector but, even much more basically, to meet the sector's own foreign exchange requirements. The lack of dynamism is also reflected, inter alia, in the paucity of management talent, non-existent to inadequate export financing schemes, and a lack of any visible aggression in the early 1990s towards both market and marketing research. Equally, dynamism and the killer-instinct were lacking on the sector's export front, with the resultant foreign exchange shortages a clear recipe for recurrent balance-of-payments disequilibria in the Nigerian economy.

That we are still battling with thorny issue of deregulation and appropriate pricing 22 years after the introduction of SAP and 11 years after its proposed terminal date is instructive. It is either that the policy of SAP was faulty or its implementation was not meticulous. Fact is that the economy remains mono-cultural with an over dose public sector influence, and a private sector that is structurally marginalized.

5.3 RECOMMENDATIONS

Based on the findings and the consequent conclusion of the study, the following recommendation are made for the improvement of the sector. For Nigeria to be in the frontier of globalization, its agricultural sector must move to higher levels by adjusting in the following ways. The results suggest that price incentives, shorter policy lags, more efficient infrastructural support to small farm holders, household and less

corruption in the design and implementation of agricultural policies would raise the production possibility frontiers of farmers, who make up over 60% of Nigerians. Food should be at the core of socially optimal Nigerian agricultural policy because it has the strongest potential for structural transformation of the economy and better price and responsiveness than tradeable crops.

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