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The enduring relevance of the developmental state paradigm across space and time: Lessons for Africa on structural transformation and agriculture in oil-rich contexts

Abstract

Emerging economies have recently faced commodity price declines that reinforce the instability of natural resources as a basis for socio-economic transformation. This has re-energised arguments for industrialisation as necessary for such transitions. Drawing upon classical development economics theory, this paper offers a deployment of an enhanced developmental state paradigm (DSP) that highlights the roles of agriculture and mineral resources in the pursuit of industrial progress. This application of the DSP has its basis in narratives on Asian developmental states with focus on mineral-resource endowment. Employed with reference to Africa’s key emerging economy and net petroleum exporter, Nigeria, the DSP shows how the state, influenced by significant milieus, has enabled linkages between oil and agriculture that can drive industrial transformation. The paper finds that linkages between oil and agriculture are well-established, however economic, social and political influences on the state have engendered agriculture’s limited onward contribution to structural change.

Introduction

Emerging economies have faced major economic challenges in recent times. Key amongst these is the impact of commodity price declines on exporters that reinforces risks associated with price volatility for socio-economic transformation (World Bank,
This state of affairs has re-energised arguments for industrial transformation as a steadier base for development and transition. This paper contributes to recent debates on structural transformation in resource-rich economies by advancing theoretical considerations in the developmental state paradigm. In doing so it highlights the dynamics of the state in engaging agriculture and mineral resources in the pursuit of industrialisation. The paper focuses on Africa’s key emerging economy, Nigeria. It is the archetypal resource-rich and -dependent economy as a major petroleum exporter with crude oil dominating merchandise exports at 75 percent as well as oil revenues dominating public revenue at almost 70 per cent, in 2014 (IMF, 2014; CBN, 2016). With low petroleum prices, the already limited and import-dependent manufacturing sector suffered a further 7 per cent decline in 2015/2016 evidenced also by a fall in capital imports of 60.9 per cent in 2015/2016 (PWC, 2016; NBS, 2016).

Recognition of the limits of commodities-led growth has energised development policy discussions in key global research and policy institutions on industrialisation in Africa across spheres including environmental sustainability, regionalism as well as public and private sector collaboration (Newman et al, 2016; Noman and Stiglitz, 2015; UNECA, 2014; UNECA, 2016; Ayelazuno, 2014; World Bank, 2012). These debates revisit the industrialisation drive across Africa in the post-independence and post-colonial period preceding the structural adjustment era of the 1980s; highlight the significance of Asian developmental states’ experiences and; discuss the challenges with state-market dichotomous approaches both in the critique of market- and state-led approaches.
Re-engaging the post-independence period in Africa is essential to the discourse on structural transformation given that this period was one of the most industrially robust on the continent. From independence until the oil price shocks of the 1970s, GDP performances in Africa were higher than the global average, OECD and South Asian economies and almost at par with East Asia (Jerven, 2011). Africa’s share of global manufacturing value added has performed poorly in the aftermath of this period; since achieving 1.9 per cent in 1980 it has only ever reached 1.5 per cent in 2011, despite high growth rates (UNECA, 2014).

The successes of Asia’s developmental states remain of significance to the African context because these economies present an empirical reality that is approachable as a basis for examining development experiences, both in chronological terms (being relatively recent) and in practice (having emulated others). Recalibrating the state-market logic is an essential element of grappling with the analysis of socio-economic transformation, especially within the African context. Yet across the spectrum of development thinking, from the orthodoxy to heterodoxy, the state-market dichotomy is dominant and detailed analyses of these contexts are replete with empirical contradictions.

This paper has two aims. First, to introduce a novel enhancement to the developmental state paradigm (DSP) that engages industrialisation as interlinked with agricultural and mineral resource sectors as well as privileging the economic, social and political factors that influence the state as a development actor. Second, to deploy this as an analytical
tool with reference to Nigeria. The paper makes an original contribution as it develops and uses the enhanced DSP to consider how the Nigerian state, influenced by economic, political and social factors, manages fiscal linkages between oil and agriculture that can drive consumption and production linkages between agriculture and industry to address classical constraints on industrialisation such as demand and food and raw material supply (marketed surplus).

The paper has five parts. Following this introduction, the second section considers the DSP and potential for its enhancement with attention to its theoretical foundation in classical development economics and its utility across space and issue. The third section presents and uses the enhanced DSP to examine the Nigerian state’s efforts towards driving intra-primary sector linkages, under the influence of underlying economic, social and political factors, as part of structural transformation pursuits over the development planning period. The fourth section considers the continuities this produces in later policy periods on potential linkages between agriculture and structural transformation in Nigeria. The fifth section concludes by highlighting lessons for the current impetus towards industrial policy and change in Nigeria and beyond.
Pursuing structural transformation from primary sector bases: The utility of the Developmental State Paradigm

This section considers the analytical value of the DSP with attention to its malleability for engaging varied developing contexts across space and issue. In the late 1980s and early 1990s, analyses of the experiences of first-tier developmental states: Japan, South Korea and Taiwan, put forward the intellectual position that the state was essential to socio-economic change steered by industrialisation (Johnson, 1982; Amsden, 1989; Wade, 1990). The conceptualisation of developmental statehood based on examination of these empirical experiences through classical economic modernisation theories, gave rise to the DSP. It was reinforced by debates in second tier developmental states namely: Malaysia, Indonesia and Thailand, in extended consideration of case studies with varied circumstances, such as resource endowment (See: Collins and Bosworth, 1996; Akyuz et al, 1998; Booth, 1999).

Contemporary attention to industrial policy in this consolidated age of neoliberalism has its foundations in the DSP. It drove a resurgence of industrial policy in thought and practice as it challenged mainstream thinking on the primacy of the market mechanism in the allocation of resources as well as antagonism between the state and the market in socio-economic transformation. This was especially pertinent after the mixed outcomes of widespread structural adjustment programmes (SAP) that focussed on squeezing the public vis-à-vis the private
sector but fell short of delivering industrial transformation and economic diversification as was intended.

*The analytical value of the DSP*

The analytical weight of the DSP as a conceptual framework is its focus on classical development economics-based interpretations of empirical realities in East Asia in the Post-War period. It has capacity for greater depth and breadth given its methodological basis in inductive examination of empirical experiences as a basis for theorising. This allows for the (re)introduction of significant issues including agriculture and mineral resource wealth as well as the complex state-market interlinkages that may otherwise have been neglected, as long as they have been relevant in the DSP’s own empirical underpinning.

The DSP’s theoretical basis is in classical development economics in the situation of the state as a critical actor in industrial transformation. Baran (1957) and Myrdal (1968) have alluded to the absence of economic transition in the developing world as a consequence of states that cannot challenge the historical socio-economic disadvantages in the global economy as well as dominant interests that can undermine transformation. Classical development economics informs the DSP in arguments for a central role for the state in: generation of savings for capital investments to support industrial transformation (Lewis, 1954; Gerschenkron, 1962); design and implementation of industrial policy and creation of relevant institutions (Lewis, 1954; Hirschman, 1958) and; organisation and implementation
of investment in physical and social infrastructure, education and health (Rosenstein-Rodan, 1946; Nurkse, 1953; Lewis, 1954; Rostow, 1960).

The DSP is presented as comprising the economic and political schools that are distinct but interlinked and dependent on one another (Fine, 2007). The former focuses on industrial policy and the latter, the nature and construct of the state and the forces that compel or allow it to execute economic policies successfully such as colonial history, conflict and security experiences, bureaucratic capacity and state autonomy. Heterodox economics contributions have contested the conceptual rigour of the DSP on account of its basis in the state-market dichotomy as is evidenced by the presence of two schools: economic and political (Fine, 2012). The result of this is that the extent to which the nature and construct of the state influences economic policies as well as outcomes and vice versa receives limited scrutiny. This is because economic and political processes are viewed as distinct and explicable mainly in either school.

Another factor has undermined the wider applicability of the DSP in its exclusion of key sectors outside of industrialisation. Chief of these is the agricultural sector, which has been fundamental to the industrial transition of the developmental states. Attention has not only been confined to industry but particularly to the ‘catch up’ phase in the industrialisation process. As such the interaction between the agricultural and industrial sectors and the critical role this plays in development, even within the developmental states, are little considered within the framework.
It is against this background that the developmental state framework has been criticised as being of limited value to the African context, because of its focus on outcomes in industrialisation (Mkandawire, 2001). In addition, Neocosmos (2010) suggests that developmental states in Africa had their season in the post-independence period, the continent’s industrial heyday.

*Deconstructing the DSP’s empirical roots: The place of agriculture in industrialisation*

Historically agriculture has constituted a fundamental component of socio-economic transformation. As a dominant sector it continues to play a significant role in the development processes in the Global South, including this paper’s country case, Nigeria. Francks et al (1999) and Karshenas (1995) have shown that agriculture was a fundamental aspect of the structural transformation process in the first-tier developmental states, especially as a source of intersectoral resource transfers of savings, labour and food/raw material supply, i.e., marketed surplus and as a source of industrial demand. In addition, agriculture can profoundly shape the construct of the eventual industrial sector. The continued engagement in agricultural activities alongside industrial activities in Taiwan influenced the small-scale structure of the manufacturing sector amongst a myriad of other factors, vis-à-vis the relatively large-scale structure of the manufacturing sector in South Korea that saw labour transfer from the rural agricultural sector (Ho, 1979; Francks et al, 1999: 114).


The neglect of the agricultural sector within the DSP is paradoxical in so far as classical development economic theory has emphasised the role of agriculture in structural transformation and indeed industrialisation. A seminal contribution by Lewis (1954) on industrialisation as development is interpreted as relying on agriculture as the starting point of the transition process. Johnston and Mellor (1961) proposed early on that agriculture vis-à-vis structural transformation has specific roles of: meeting the food demand of the population; contributing to savings and foreign exchange; supplying labour and raw materials and; a source of demand for the industrial and service sectors.

Analyses of Nigeria evidence the shortcomings of the DSP in its focus on industrialisation to the exclusion of key economic sectors including agriculture and mineral resources. This is the general premise of the literature that endorses the blanket dismissal of the state’s developmental performance due to the simultaneous focus on perceived state failures such as corruption and primacy of private sector innovation (Ezema and Ogujuiba, 2011; Aiyede, 2009; Brautigam, 1997). They also reflect the dominance of a state-market dichotomy that presents the state and market as being in enmity with one another with limited attention to their complex interlinkages that shape development processes and outcomes.

The wider use of the DSP can and must undertake comprehensive understanding of industrialisation that encompasses other aspects and phases in development, especially agriculture. It must transcend the state-market dichotomy by taking
cognisance of the necessary interrelated workings between the state, market and other entities and actors. In Ikpe (2013) this is achieved in reflection on how developmental states (influenced by key milieus) engaged the agricultural sector to manage classical economic constraints on industrialisation: savings, food/raw material supply, i.e., marketed surplus, demand and labour between the late nineteenth century and the 1970s.¹

Enhancing the DSP: Linkages, agriculture and oil

This enhanced DSP reintroduces agriculture by paying attention to how mineral resource-rich developmental states managed intersectoral resource transfers between the primary and secondary sectors through effecting linkages between agricultural and mineral resource sectors to drive industrial development. It proposes that the state drives structural transformation processes and outcomes by managing fiscal, consumption and production (forward) linkages across agriculture, oil and manufacturing to address classical constraints on

¹ Essentially developmental states managed savings constraints by extensively taxing the agricultural sector and manipulating foreign exchange rates (and prices) with regard to agricultural exports; alleviated marketed surplus constraints by appropriating food from producers at low prices, obliging producers to pay for credit in food, making investment in infrastructure and provision of subsidised inputs and protecting the domestic agricultural sector from foreign competition; limited industrial demand constraints by protection of the domestic industrial sector from foreign competition, pursuing agricultural investments to enhance output and supporting pluriactivity to improve incomes; and mitigated labour constraints by locating industrial activity in rural areas to enable pluriactivity, investing in rural infrastructure and social services to enable rural industrial activity and driving investment in land- and labour-saving technology to ease the outflow of labour from agriculture.
industrialisation: domestic industrial demand and food supply (marketed surplus) particularly during initial stages of structural transformation.

The enhanced DSP has its theoretical basis in Hirschman’s linkages thesis. Key theories within the natural resource curse discourse are concerned also with the ways in which petroleum resources can impact (negatively) on the wider economy. The Dutch Disease theorem exposits the tendency of the mineral resource sector to undermine performance in lagging traded sectors through exchange rate mechanisms (Corden and Neary, 1982). The Rentier Thesis contests state capacity in enabling fiscal linkages across the economy (Beblawi and Luciani, 1987). However, the linkages thesis offers deeper analytical value as it provides a premise for analysing the role of the state in mitigating potential challenges that can attend resource abundance.

Hirschman (1981) offers particular insights on the impact of mineral resource endowment on socio-economic transformation. He argues that the so-called natural resource curse is the result of weak and unproductive linkages between the mineral resource sector and the rest of the economy. In particular, priority for fiscal linkages is viewed as a necessity given the limited means of resource transfer out of the mineral-resource sector (Hirschman, 1981: 67). This argument is furthered with the suggestion that fiscal linkages have and can be used to ‘irrigate’ other sectors of the economy if invested wisely (Hirschman, 1981: 69, 71). Based on this reading, fiscal transfer into agriculture can lead to improved capital investments, input
availability, extension services and credit access. This can strengthen agricultural performance thus driving forward production linkages in food and raw material production. This outcome can address local food and industrial raw material demand to buoy industrialisation. As these agricultural improvements raise the material wellbeing of agricultural producers, through increased productivity, they are then able to increase consumption of locally manufactured goods thus supporting the domestic industrial sector.

Based on the linkages thesis, analysis of second-tier mineral rich developmental state, Indonesia, provides empirical grounding for the enhanced DSP. Fiscal transfers from oil to agriculture were influenced by the state and enabled public provision of subsidised inputs and access to credit to producers alongside rural infrastructural developments (Mears and Moeljon, 1981; Booth, 1989; Daryanto, 1999). Production linkages addressed food supply constraints on industrialisation based on the reality of improved performance in food production, notably staple food, rice, as evidenced by the achievement self-sufficiency in 1984 (Panuju et al, 2013). Structural transformation was strengthened also by the agricultural sector through consumption linkages. Agriculture motivated the industrial sector through consumption of locally produced goods and labour-intensive goods and services (Daryanto, 1999; Uphoff, 1999; Bautista et al, 1999).

\[2\] It is important to note that this upward trend has been petering out since the 1990s.
The enhanced DSP allows for the examination of interlinked economic, political and social factors within the noted processes. The linkages lens engages complex interactions across spheres and enables the ‘reintroduction of class [social], economic and political interests… in order to examine how these are represented through both the market and through the state’ (Fine, 2007:3). From the developmental states, these interests were found to have influenced the pattern of interventions in the agricultural sector, including the targeting of the dominant small-scale agricultural production systems (See Francks et al, 1999; Karshenas, 1995). In Indonesia this was echoed by a focus on the broadest base of smallholder agricultural producers as a result of the political influence of the rural landowning elite, the dominance of elite military officials from agriculture-based communities and the coincidence of military rule as well as President Soeharto’s commitment to his modest rural background (Frederick and Worde, 1993; Estrade, 1998; McGuire, 2010: 273).

In sum, the DSP has its intellectual foundations both in classical development economic theory and empiricism, thus drawing intrinsically upon actual experiences of success and indeed failures of state action, with reference to both the domestic and international political economy contexts, towards socio-economic transformation. The tendency has been to prioritise particular elements such as latecomer industrialisation and successful state action. Nonetheless, this empirical basis allows a degree of malleability, as has been shown, towards engaging significant notions that have been traditionally excluded from this framework such
as the primary sector (agriculture and mineral resources) and the complex interactions between the state and other critical entities in development processes.

**Managing linkages between oil and agriculture to address classical constraints on industrialisation: Deploying the enhanced DSP in Nigeria**

This section presents and deploys the enhanced DSP to examine the interaction between the petroleum and agricultural sectors towards structural transformation across the post-independence period in Nigeria, as this was one of dedicated industrial policy through development planning. This allows reflection on the potential for consumption and production linkages to mitigate food/raw material supply, i.e., marketed surplus, and industrial demand constraints. It then analyses the underlying factors that have underpinned state action.

Mkandawire (2001:295) has argued that in the post-independence period, states in Africa acted in a developmentalist manner as their leadership centred on ‘nationalist-cum-developmentalist ideology for both nation building and development’. This pattern resonates with Nigeria as until 1985 the state was central to development strategies, chiefly National Development Plans that aimed to transform the structure of the economy. Over this period, the Nigerian context was characterised in particular ways across the political, economic and social realms. These include: the ideological dominance of a strong role for the state alongside an emergent indigenous private sector; disruptions to regionally-based
political contestations and increasing centralisation of political power through pervasive military rule; post-independence expectations of industrialisation across Africa; change in the primary source of public revenue from agriculture to the oil economy and; the evolving geographic and social location of related economic activity, i.e. urban-based industrial activity and rural-based agriculture (Ikpe, 2014).

The enhanced DSP shows: how the state resources the agricultural sector by managing and influencing fiscal linkages between oil and agriculture; how this impacts upon the capacity of the agricultural sector to address demand and food supply (marketed surplus) constraints on industrialisation through consumption and production linkages and; how underlying economic, political and social factors influence the state’s management of these processes (see Figure 1).
The enhanced DSP presents fiscal linkages within the primary sector that is between oil and agriculture, as having primacy over consumption and production linkages between primary and secondary sectors. This is because fiscal linkages are required for facilitating resource transfers to strengthen the primary sector as a base for then addressing classical demand and food/raw material supply, i.e., marketed surplus constraints on industrialisation. In addition, it examines critically the underlying economic, social and political factors that have influenced the functioning of the state vis-a-vis other milieus in the pursuit of structural transformation processes and outcomes.
Enabling fiscal linkages between oil and agriculture in post-independence Nigeria

State control of the oil sector was enabled through the establishment of the Nigerian National Petroleum Corporation in 1977. Access to this revenue base has been central to the facilitation of fiscal linkages with other sectors within the economy, including agriculture (Ikpe, 2014). In this period, socio-economic change was characterised by the centrality of structural transformation and industrial policy as developmental objectives. This was pursued through development plans over 1962-1985. This period remains essential to understanding the agricultural sector because it has defined its interaction, or lack thereof, with attempts at structural transformation ever since.
TABLE 1: Total government revenue and sources in the development planning period- Naira, millions (1962-1985)

<table>
<thead>
<tr>
<th>Development plans</th>
<th>Total government revenue</th>
<th>Total actual expenditure on agriculture as a proportion of total expenditure (%)</th>
<th>Government revenue from customs and excise duties as a proportion of total government revenue (%)</th>
<th>Government revenue from oil as a proportion of total government revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st development plan (1962-68)</td>
<td>9402</td>
<td>9.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2nd development plan (1970-74)</td>
<td>41257.3</td>
<td>9.7</td>
<td>26</td>
<td>65</td>
</tr>
<tr>
<td>3rd development plan (1975-80)</td>
<td>73843.8</td>
<td>7</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>4th development plan – reviewed after oil price shocks (1981-85)</td>
<td>18.2</td>
<td>17</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal linkages between the petroleum and agricultural sectors in Nigeria show how the state managed and influenced transfers to the latter sector based on its control of public revenues from petroleum rents. This is evidenced from government expenditure on agriculture in relation to oil revenue accrued to government revenue as well as the quality of this expenditure. There was a steep rise in petroleum-based contributions to government revenue, which more than trebled from 26 per cent in 1970 to almost 80 per cent in the mid-1970s (CBN, 2005). Table 1 shows that there is a direct relationship between total government revenue and total oil revenue (as a proportion of government revenue) over 1970-1985. Net fiscal transfers to agriculture are linked closely to the proportion of government revenue generated from rising petroleum resources.
FIGURE 2: Public spending on agriculture in the development planning period- Naira, millions (1962-1985)


From Figure 2, one can observe that actual agricultural expenditure, as a proportion of total expenditure, was in decline until 1980, before a major increase as agriculture was reprioritised after the oil price crash of the late 1970s. Nonetheless total expenditure on agriculture rose exponentially alongside the substantial increase in government revenue as a result of oil revenue. These fiscal linkages resulted in widespread policy interventions and infrastructural developments via the development-planning framework.

Fiscal linkages influenced by the state led to Integrated Rural Development Projects (IRDPs) and the Agricultural Development Programmes in the 1970s that were established to provide feeder roads, earth dams,
subsidised inputs and service centres (Mustapha, 1993). There was substantial investment in capital infrastructure, including dams and irrigation systems, constituting 31 per cent of the total actual expenditure on agriculture over 1975-1980 (FGN, 1981). There was extensive public investment dominated by large-scale agricultural projects including the National Accelerated Food Production Programme over 1975-1980 and Operation Feed the Nation in 1976 (Kwanashie et al, 1998:32).

Unlike the Asian context, investments were biased towards large-scale cultivation systems, despite the dominance of small-scale producers. For instance, a total of 159,517 hectares of irrigation capacity was developed under the River Basin Development Authorities from the 1970s (RBDAs). Only 35 per cent of this comprised the small-scale Fadama irrigation system (FAO, 2005). Programmes and institutions were set up to provide credit to producers namely: the Rural Banking Scheme with two initial phases over 1977-1985; the National Agricultural and Cooperative Bank (NACB), in 1973; and the Agricultural Credit Guarantee Scheme Fund, established in 1977 that secured the loans of commercial farmers (Osinubi, 2003; Mogues et al, 2008: 49-51). The 1978 Land Use Decree ceded land ownership rights to government officials (LFN, 1990). This enabled the allocation of land to large-scale producers of the political class at the expense of smaller scale producers. The performance of the IRDPs was criticised for their detrimental policies of resource allocation biased against small-scale producers (Wallace, 1980).
Agricultural sector performance and capacity for consumption and production linkages to strengthen structural transformation

In spite of the fiscal linkages through net transfers from the oil to the agricultural sector, there was limited capacity for building synergies between consumption linkages and industrial demand as well as production linkages and food supply. Even though traditional food crop production was largely stable over the 1970s decade, annual production of traded commodities contracted in a pattern that has since defined agricultural exports: cocoa by 43 per cent, rubber by 29 per cent and cotton by 65 per cent so that real agricultural export crop production contracted at an annual rate of about 30 per cent (Oyejide, 1986; Scherr, 1989). Furthermore, domestic food crop production has failed over time to keep pace with domestic demand leading to consistent increases in imports and declining national food self-sufficiency (FAO, 2013). Thus agriculture failed to address food supply constraints through production linkages.

Williams (1965) mooted the anticipated role of agriculture as the key market for domestically produced industrial goods in post-independence Nigeria. Yet, the rural and largely agricultural economy has been unable to live up to this expectation. Agriculture’s share in GDP and total employment declined from 49 to 22 per cent of GDP and 72 to 59 per cent respectively over the 1970s (Scherr, 1989). There has also been an abysmal decline of agricultural exports as a proportion of merchandise exports from 64 per
cent in 1962 to 2 per cent in 1985 (World Bank, 2016).³ Due to rising rural wages owing to a labour exodus to the industrial sector over the 1970s decade, the substantial contraction of wage labour use limited the capacity of the sector to support potentially domestic industrial demand through consumption linkages (Bevan et al, 1999:30; Nwosu, 1991; Oyejide, 1986:41; Andrae and Beckman, 1985: 4; Eicher and Baker, 1982). The state’s influencing of fiscal linkages in a bias towards large-scale agriculture at the expense of small-scale production has been a central criticism resulting from the poor efficiency of fiscal linkages between the oil and agricultural sectors. ⁴

Economic, political and social factors and the functioning of the Nigerian state

In Nigeria underlying economic, political and social factors have influenced processes and outcomes. Andrae and Beckman (1985:4) find that this neglect of the widest cluster of rural producers accompanied the decline of the agricultural sector as a powerful source of political patronage organised through regionally-based marketing boards. State control of rising volumes of oil production undermined the significance of the agricultural sector as a base for financial power. In fact, Henley et al (2012) argue that disregard for the agricultural sector stemmed from the fact that it was not viewed as

³ Agricultural trade taxes that had hitherto been a vital source of savings in its contribution to government revenue declined precipitously standing at 17 per cent over the early 1980s (see Table 1).

⁴ Other factors such as the overvaluation of the Naira against the backdrop of expanding oil exports also played a substantial role in undermining agricultural exports given their reduced competitiveness (Oyejide, 1986).
a primary threat to political stability. In addition, investment in the sector was deployed also as means of facilitating private accumulation of state resources especially for political elites. For instance, Palmer-Jones (1987) and Adams (1991) have argued that investment in large-scale irrigation systems was driven by powerful elements of the political elite given the benefits they accrued from expensive construction contracts.

The fledgling influence of producers is buttressed by the declining relevance of producer associations. The pre-independence Association of Nigerian Cooperative Exporters (ANCE) worked closely with state marketing boards from their pre-independence era until the end of their operation in 1985 with SAP (Dannson et al, 2004). However, in a 2009 interview, the then Minister of Agriculture and Rural Development, Dr Ruma, concurred that the Nigerian state had failed to utilise producer associations effectively as they ‘were not properly organised or regulated’ and had no ‘clout to pool together for meaningful investment’.

**Agriculture, oil and structural change in the aftermath**

This section examines continuities with later policy periods in the examination of the potential (or lack thereof) for agriculture to support structural change across SAP and post-SAP of National Economic

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5 In 2009 the Minister for Agriculture and Rural Development, Dr Ruma, was interviewed by the Nigerian business magazine, Economic Confidential. Economic Confidential 2009, ‘We Are Revolutionizing the Agricultural Sector through Cooperatives’ http://www.economicconfidential.com/feb09interviewagricruma.htm (accessed January 12 2010)
Empowerment Development Strategy (NEEDS) and Agricultural Transformation Action Plan (ATAP) policy periods.

The marginalisation of agriculture as a significant element of structural transformation has been reinforced in the aftermath the development-planning period. Across key discernible policy periods of the SAPs of the mid-1980s to mid-1990s, the NEEDS and Presidential Initiatives on crops including rice and cassava over the early 2000s and the more recent 2011 ATAP centred on poverty alleviation strategies and increased market-orientation and private sector partnerships that have seen continued fiscal linkages with the petroleum sector.

The significance of fiscal transfers from oil to agriculture has continued through the substantial contribution of oil revenue to total government revenue and onward budgetary allocation to agriculture (see Figure 3). Agricultural expenditure has risen by over 8 per cent and averaged about 5 per cent of agricultural GDP over 1980-2005 (Fan et al, 2005). Budgetary allocation to agriculture as a proportion of total budget spending has had spikes at 8 per cent and 10 per cent respectively but has averaged 3 per cent since the mid-1980s (see Figure 3).


This level of commitment is subpar as it is substantially below the 10 per cent commitment adopted in 2003 by the African Union at the Comprehensive Africa Agriculture Development Programme (CAADP). Most recently the provision of 1.6 per cent of the 2016 annual budget to agriculture has been criticised by key public policymakers as reinforcing the
longstanding neglect of the sector since the end of the 1970s and undermining its potential wider contributions to socio-economic transformation.  

The treatment of agriculture in the post-development planning period has built upon the neglect of smallholder producers that once formed the backbone of Nigeria’s vibrant agricultural sector in the post-independence period. The SAPs are cited as reinforcing the maligning of small-scale producers given the dismantling of government institutions with the responsibility for supporting the small-scale producers through extension services and input provision especially (Nwosu, 1991; Alaofin, 1999; Gibbon and Olukoshi, 1996; Mustapha, 1993). The liberalisation drive that ensued saw policy frameworks enabling land acquisition for large-scale farming served to dispossess smallholders of the use of their land (Egwu, 1998).

Under NEEDS, interventions for improving productivity levels especially for the smallholder constituency including research, capacity-building, agricultural finance and irrigation facilities were neglected (Mogues et al, 2008; Bientema and Ayoola, 2004). This has implied that for example, input supply efforts have not been cognisant of the realities of small-scale producers to take gradualist approaches to the use of improved varieties

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and the lack of complementary small-scale capital provision undermined outcomes. In certain contexts, the overarching centrality of poverty alleviation vis-à-vis productive capacity appears to have weakened public sector considerations around productivity and agency of producers as economic actors. This outcome speaks to Mkandawire’s (2010) argument for policy interventions to transcend the very narrow focus on poverty that has attended recent development policy directives.

With the ATAP there is recognition of small-scale producers as the lifeblood of the agricultural sector. Input provision through technology use has targeted small-scale producers through schemes such as the use of mobile telephony platforms for private sector-driven provision of seeds and fertilisers (FMARD, 2013). However, the more critical infrastructural investments have focussed on large-scale producers. In 2012, thirteen large-scale rice mills were set up with a commitment of 1.2 billion USD from the Chinese EXIM bank for an additional 100 large-scale rice mills (FMARD, 2013).

Finance provision has also focussed on large-scale enterprise with 200 million USD secured for large-scale cassava processing and 3.7 billion Naira in loans to commercial seed providers and agro-dealers (FMARD, 2013).

The Central Bank of Nigeria-led Nigerian Incentive-Based Risk Sharing Programme (NIRSP) has also been successful in providing small-scale producers with access to finance. The programme, which was launched in 2013, has provided loans to small-scale farmers at subsidized interest rates and with flexible repayment schedules. The programme has been particularly successful in reaching small-scale farmers who are often excluded from traditional credit markets due to their lack of collateral.

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7 In interviews with officials in the Nigerian Federal Ministry of Agriculture and Rural Development in 2006, the Presidential Initiative on Rice was presented fundamentally as ‘help’ for smallholders, labeled ‘the poor’ with limited commensurate concern around their productive capacity and potential contribution to the wider economy.
System for Agricultural Lending (NIRSAL) focuses on developing participation further along value chains and sharing financial risks with commercial lenders (CBN, 2011). But implementation has revealed the bias against smallholders as participating commercial banks maintain pre-existing lending patterns that exclude this group.\(^8\)

The performance of the agricultural sector has been volatile since the 1980s with especially dismal outcomes over the early 1990s and since 2009, when it has seen continuous decline from the CAADP 6 per cent target (see Figure 4). This limits potential linkages with the industrial sector as is evidenced by the notable spikes in food imports and the lacklustre performance of food exports over time (see Figure 4). These highlight the longstanding pattern of challenges with food self-sufficiency and capacity to contribute towards addressing food supply constraints.
Rural poverty in Nigeria stood at 31.5 per cent as against urban poverty as 10.2 per cent (World Bank, 2014a). This demonstrates the shortcomings in a largely rural agricultural sector’s contribution to structural transformation through consumption linkages. Productivity improvements within smallholder agriculture are an important means of improving rural incomes as well as addressing rural poverty in Nigeria. Yet there has been a consistent failure of interventions to focus on productivity improvements for the majority small-scale agricultural producer constituency through channels including access to inputs, agricultural research, credit and capital use (World Bank, 2014b; Phillip et al., 2009; Ogunlela and Ogungbile, 2006).  

In the end the entrenched neglect of the smallholder core has challenged the long-term capacity of the agricultural sector to address the noted constraints on industrialisation. This is in spite of evidence that has: highlighted the relatively higher productivity levels of small-scale vis-à-vis large-scale agricultural enterprise that could address production and consumption linkages (Oni et al, 2015) and; smallholders’ tendency to  

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9 Capital use in labour saving technology is especially significant for enabling pluriactivity, which is a vital source of income from non-farm sources in these contexts. This was significant across developmental states Japan and Taiwan and is increasingly an important element of boosting incomes in rural agricultural constituencies in Nigeria (Francks et al, 1999: 61).

10 This outcome corroborates findings in other contexts including Indonesia that have challenged dominant assumptions about lower productivity prone smallholder enterprise (Geertz, 1966, Dan-Azumi, 2011). In fact challenges with smallholder labour productivity in Nigeria have been attributed to factors such as regional variations as a result of competing demand for labour in the Niger Delta and socio-cultural affiliations with certain crops, access to
form stronger consumption linkages with domestically produced goods (Hazell et al, 2006).

Conclusions

Empirical realities in the global economy have swung the pendulum in favour of industrial policy after a long period out in the proverbial cold. It is fundamental to draw from lessons across space and time to inform the burgeoning discourse with a degree of specificity to affected contexts. To this end, intellectual reflections on developmental statehood, linkages across economic sectors and problematising the state-market dichotomy have been of immense value. In spite of its challenges the DSP has proved most useful as a result of its inductive methodological basis in classical development economics interpretations of empirical realities. This has enabled the introduction of the enhanced DSP with the (re)engagement of key significant issues, including agriculture and mineral resources, that may otherwise have been neglected, because they have been relevant in the DSP’s own empirical underpinning.

Significantly, with the enhanced DSP it has been possible to privilege analysis of the complex interactions between the state and other critical entities in socio-economic transition processes. Underhill’s (2000) argument is reinforced in that the structures of the state are dependent on political processes as well as economic and political resources of various

agricultural research and infrastructural support such as small-scale irrigation facilities as opposed to farm size (Oni et al, 2015).
constituencies alongside processes within the market. In line with this thinking, economic and political logics may pull in different directions so that even though agricultural investment increased exponentially in the development-planning period in Nigeria, the political (and indeed social) logic determined that it was misdirected and undermined the sector’s core productive base, the smallholder constituency.

The domestic policy context has been central to this analysis. Yet the global policy terrain was significant in the consolidation of intervention patterns that consistently weakened small-scale agricultural enterprise and its potential contribution to structural transformation. These are evidenced by the SAP’s call for reduced public expenditure that limited extension services and agricultural research influenced by: the intellectual rise of market-fundamentalist analyses and attendant impact on global development policy; NEEDS’s dissociation of the poverty of small-scale producers from their productive capacity that was informed by a broader near-exclusive focus on the poverty eradication as development agenda and; ATAP’s prioritisation of infrastructural investments in large-scale enterprise to underscore the pre-eminence of formal private enterprise as the engine for inclusive growth. Fundamentally these also evidence the systematic delinking of agricultural interventions from industrial policy in spite of extensive evidence of the volatility of mineral resources as an alternative base for structural transformation.
Revisiting the Asian experience is salient for South-South learning, given the current opening up of debate on industrial transformation in Africa from the orthodoxy to the heterodoxy. Against the background of wider developmental state experiences and classical development economic theories, it has enabled a level of conceptualisation around the complexity of state engagement with dualised primary sectors towards structural transformation.

The historical reflection on the Nigeria case has been essential to offer nuanced reading of state action in developmental pursuits in the much-maligned 1970s decade. Instead of the generalised blanket dismissals that dominate analyses of that period this paper offers insights into the intricate dynamics that underscored outcomes and the continuities therein with current development performance. Such a careful re-examination offers an informed basis for the emerging ubiquity of reflections on industrialisation in Africa.

A final point of note is that recalibrating the state-market logic has shown the important connection between the agency and political capital of the agricultural constituency and policy interventions to enable economic contributions from agriculture to socio-economic transformation. As such neglecting the complex interlinkages between economic, political and indeed social spheres, across the public and private sectors, undermines the comprehension of the process and outcome of interventions.
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