



STRENGTHENING AGRICULTURAL INVESTMENT FOR FOOD SECURITY AND ECONOMIC DIVERSIFICATION: POLICY IMPLICATIONS OF NIGERIA'S 2026 FEDERAL BUDGET

POLICY BRIEF FROM AFPD BUDGET ANALYSIS

KEY MESSAGES

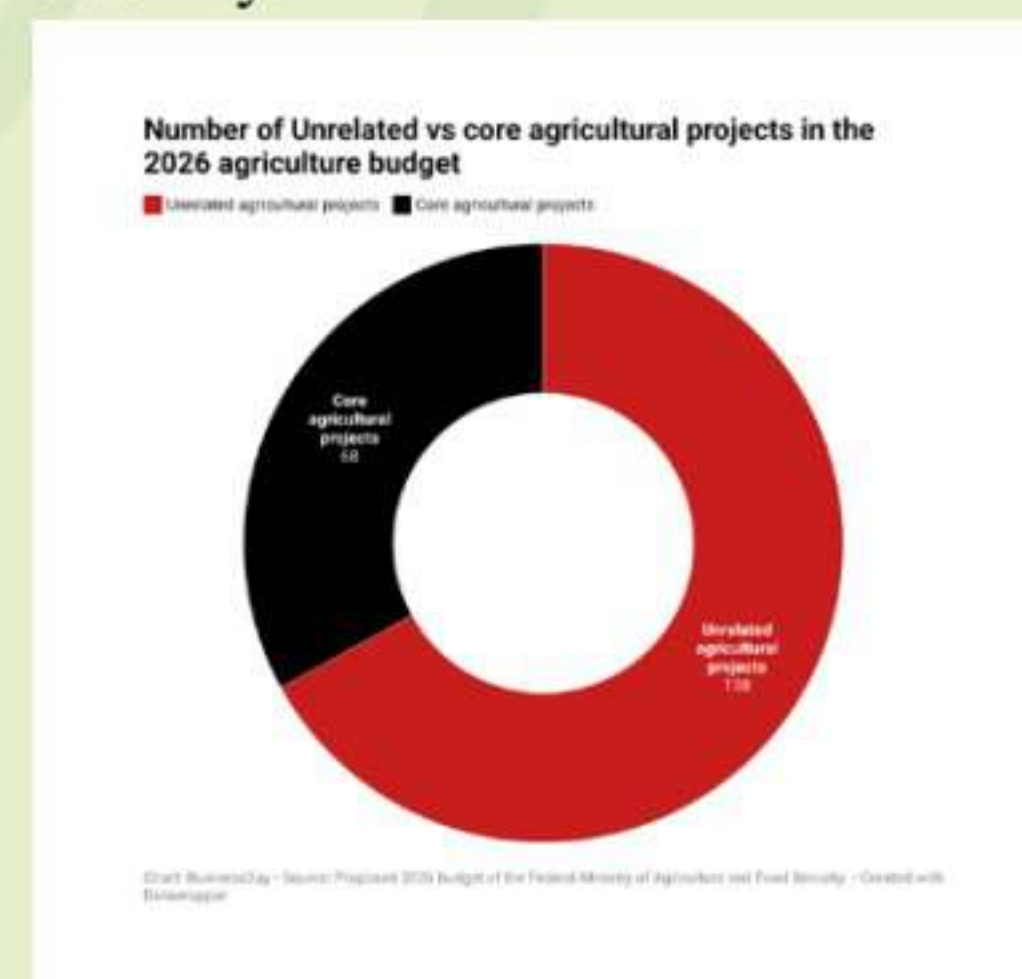
- The 2026 federal budget allocates approximately ₦1.45 trillion to agriculture, representing only about 2.81% of total federal expenditure, far below the 10% Maputo/Malabo commitment.
- The budget structure is capital-intensive (about 90% capital), indicating a shift toward infrastructure and agro-industrial transformation.
- Key investments prioritize irrigation, mechanization, value chains, food reserves, and Special Agro-Industrial Processing Zones (SAPZ).
- However, critical areas such as irrigation scale-up, mechanization services, extension systems, climate resilience, and smallholder support remain underfunded.
- Budget execution risks—including delayed releases, insecurity, macroeconomic volatility, and project fragmentation—may weaken implementation outcomes.

Executive Summary

Nigeria's agricultural sector remains central to economic diversification, employment generation, rural livelihoods, and food security. The sector contributes about 20–25% of GDP and employs a large share of the national labour force, particularly in rural areas. The 2026 federal budget allocates ₦1.447 trillion to agriculture, representing 2.81% of total federal expenditure. The allocation reflects the government's emphasis on food security, agro-industrialization, and supply-side agricultural investments under the Renewed Hope Agenda. The budget structure is strongly investment-oriented, with approximately 90% devoted to capital expenditure and about 10% to recurrent spending. Major investment themes include irrigation infrastructure, mechanization services, storage and processing facilities,

agricultural value chains, fertilizer support, and the Special Agro-Industrial Processing Zones programme. Despite these positive signals, the analysis reveals persistent challenges, including sectoral underfunding relative to international commitments, project fragmentation, weak linkage between spending and development outcomes, and implementation risks. These issues may limit the effectiveness of the 2026 agricultural budget in achieving national objectives related to food security, economic diversification, and rural development. Given rising food inflation and Nigeria's dependence on food imports, the effectiveness of agricultural spending has direct implications for macroeconomic stability, exchange rate pressures, and household welfare. Weak agricultural productivity continues to drive food price volatility, which remains a major contributor to

inflation. Therefore, the adequacy and effectiveness of the 2026 agricultural budget are critical not only for sector performance but also for broader macroeconomic stability.



1.0. Policy Context

Agriculture remains a critical sector in Nigeria's economy, contributing approximately 20–25% of GDP and employing a large share of the national labour

2050, and the African Union Maputo and Malabo Declarations on agricultural financing. Under the Maputo/Malabo commitments, African countries pledged to allocate at least 10% of public

and institutional coordination. This policy brief is based on a desk review and sectoral budget analysis of Nigeria's 2026 Federal Budget, with specific focus on allocations to agriculture-related Ministries, Departments and Agencies (MDAs) and key programme areas. The analysis examined trends in sectoral funding levels, expenditure composition (capital versus recurrent), and alignment with national agricultural development priorities and international financing commitments such as the Maputo/Malabo targets. A policy-performance analytical framework was applied to assess the implications of budget allocations for agricultural productivity, food security, rural livelihoods, and agro-industrial development. Nigeria's agricultural sector is currently operating under significant stress, including rising food inflation, insecurity in major food-producing regions, climate variability, and high input costs. These structural pressures have reduced domestic food supply and increased reliance on imports. As a result, agricultural policy and public spending are no longer only development priorities but critical instruments for macroeconomic stabilization and social protection.



force, particularly in rural areas. The sector plays a central role in achieving Nigeria's development objectives, including food security, poverty reduction, employment generation, and economic diversification. Nigeria's agricultural development strategy is guided by several policy frameworks, including the National Agricultural Technology and Innovation Policy (NATIP), the National Development Plan (2021–2025), the Nigeria Agenda

expenditure to agriculture to accelerate agricultural growth and improve food security. The 2026 Federal Budget reflects government efforts to promote agricultural transformation and agro-industrialization, particularly through value chain development and infrastructure investments. However, the extent to which these allocations translate into improved productivity and food security depends on adequate funding levels, effective implementation,

value chains. Overall, the allocation pattern signals a shift toward productivity-enhancing infrastructure and agro-industrial development, although the scale of funding remains modest relative to the sector's strategic importance for food security and employment. While the allocation pattern signals a shift toward agro-industrialization, the relatively small scale of investments in core productivity drivers such as irrigation, mechanization, and extension services suggests a mismatch between infrastructure ambitions and on-farm productivity needs.

Key Findings

2.1. Key Budget Highlights for the Agriculture Sector

The 2026 Federal Budget allocations (Table 1) to the agriculture sector reflect a policy emphasis on infrastructure-driven agricultural transformation and value-chain development. Investments in agricultural productivity and value chains (₦40.8 billion) and mechanization (₦3.9 billion) aim to enhance farm productivity and improve competitiveness, while allocations for irrigation and water control (₦6.4 billion) seek to reduce dependence on rainfall and support

climate-resilient farming. Funding for food security and strategic reserves (₦6.1 billion) and storage and processing infrastructure (₦4.1 billion) is intended to stabilize food supply and reduce post-harvest losses. Meanwhile, resources for fertilizer support (₦3.5 billion) and climate-smart agriculture (₦2.1 billion) address input access and environmental sustainability. Notably, the largest allocation goes to the Special Agro-Industrial Processing Zones (₦126 billion), highlighting the government's efforts to stimulate agro-industrialization and private-sector participation in agricultural

Table 1: Key Budget Highlights for the Agriculture Sector

Investment Area	Allocation (? Billion)	Core Objective
Agricultural Productivity & Value Chains	40.8	Increase yields and strengthen export value chains
Irrigation & Water Control	6.4	Expand dry-season farming and climate resilience
Food Security & Strategic Reserves	6.1	Stabilize food availability and prices
Storage & Processing Infrastructure	4.1	Reduce post-harvest losses
Agricultural Mechanization	3.9	Improve labour productivity
Fertilizer & Input Support	3.5	Improve soil fertility and crop yields
Climate-Smart Agriculture	2.1	Enhance climate resilience
Special Agro-Industrial Processing Zones	126.0	Catalyse agro-industrial investment

Key Policy Implications for Nigeria's Agriculture and Food System

1. Persistent Underfunding Relative to Sector Importance

Agriculture accounts for a significant share of employment and GDP, yet receives only 2.81% of federal spending, far below the 10% commitment under the Maputo and Malabo Declarations.

Policy implication:

Persistent underinvestment may undermine Nigeria's ability to achieve food security, agricultural productivity growth, and economic diversification.

2. Strong Capital Investment Signals Structural Transformation

The dominance of capital expenditure reflects a policy shift from input subsidies toward productive investments such as irrigation infrastructure, agro-processing facilities, and value-chain development.

Policy implication

If effectively implemented, these investments could stimulate agro-industrialization, attract private investment, and strengthen domestic food systems.

3. Critical Transformation Areas Remain Underfunded

Several strategic areas remain inadequately funded, including

large-scale irrigation infrastructure, agricultural mechanization systems, extension and advisory services, Climate-smart agriculture and Research and development

Policy implication:

Without adequate investment in these foundational systems, capital infrastructure alone may not deliver sustainable productivity gains.

4. Project Fragmentation Reduces Efficiency

The budget contains a large number of **small, dispersed projects**, particularly irrigation pumps, boreholes, and input distribution schemes.

Policy implication:

Fragmented projects reduce economies of scale and limit the transformational impact of public investments.

5. Weak Linkage Between Budget Spending and Development Outcomes

Budget performance indicators emphasize outputs such as number of tractors procured, hectares of land irrigated and storage facilities constructed. However, outcome indicators such as income growth, productivity improvement, and poverty reduction are not clearly defined.

Policy implication:

This weak linkage limits the ability to assess whether agricultural spending improves farmer livelihoods or food system resilience.

6. Budget Execution and Timing Risks Undermine Effectiveness

Agricultural budget releases often occur after critical planting periods, reducing the effectiveness of interventions such as input distribution and extension services

Policy implication:

Misaligned release schedules reduce the impact of public spending in agriculture.

7. Macroeconomic and Security Risks Threaten Implementation

Key risks include fiscal constraints and debt servicing pressures, inflation and exchange-rate volatility, insecurity in major food-producing regions and climate shocks such as droughts and floods

Recommendations

These risks may reduce agricultural productivity and undermine budget implementation.

1. Increase Budgetary Allocation to Agriculture Toward Maputo/Malabo Targets

The Federal Ministry of Budget and Economic Planning and the Budget Office of the Federation, in collaboration with the Federal Ministry of Finance, should progressively increase the share of public expenditure allocated to agriculture to support food security, rural livelihoods, and economic diversification objectives.

2. Consolidate Fragmented Projects into Integrated Agricultural Systems

The Federal Ministry of Agriculture and Food Security, working with the Federal Ministry of Water Resources and Sanitation and State Governments, should shift from dispersed small-scale projects toward large-scale irrigation schemes, mechanization service centres, and integrated value-chain infrastructure to improve economies of scale and productivity outcomes.

3. Strengthen Agricultural Extension, Research and Innovation Systems

The Federal Ministry of Agriculture and Food Security, in partnership with the Agricultural Research Council of Nigeria (ARCN), National Agricultural Extension and Research Liaison Services (NAERLS), and the Federal Ministry of Education, should increase funding for extension delivery, research commercialization, farmer training, and technology adoption programmes.

4. Align Budget Releases with Agricultural Production Cycles

The Budget Office of the Federation, Office of the Accountant-General of the Federation, and the Federal Ministry of Finance should improve cash planning and ensure the timely release of funds before major planting seasons to enhance the effectiveness of input support and programme interventions.



5. Strengthen Performance-Based Agricultural Budgeting Frameworks

The Budget Office of the Federation, in collaboration with the National Bureau of Statistics (NBS) and the Federal Ministry of Agriculture and Food Security, should introduce measurable outcome indicators, such as productivity growth, improvements in farmer income, reductions in post-harvest losses, and metrics for food price stabilization.

6. Improve Inter-Ministerial Coordination in Agricultural Transformation

The Office of the Secretary to the Government of the Federation (OSGF) should establish an Agricultural Transformation Coordination Platform involving the Federal Ministries of Agriculture and Food Security, Livestock Development, Water Resources and Sanitation, Environment, Industry, Trade and Investment, and Transport to ensure integrated planning and implementation of agricultural infrastructure and value-chain programmes.

7. Mobilise Private Sector Investment in Agro-Industrial Development

The Federal Ministry of Industry, Trade and Investment, Federal Ministry of Finance, Bank of Industry, and the Infrastructure Concession Regulatory Commission (ICRC) should strengthen PPP frameworks, agro-processing incentives, and blended finance mechanisms to crowd in private investment into Special Agro-Industrial Processing Zones and agricultural value chains.

Conclusion

Nigeria's 2026 agriculture budget reflects a growing recognition of the sector's importance for food security, economic diversification, and rural development. The emphasis on capital investments and agro-industrial infrastructure represents a positive shift toward structural transformation. However, persistent underfunding, fragmented project design, weak outcome measurement, and implementation risks may limit the transformative potential of the budget. Strengthening fiscal prioritization, improving project integration, and aligning budget implementation with agricultural cycles will be critical for ensuring that public investment translates into sustainable agricultural productivity, rural employment, and national food security.