



Nigeria

Special Agro-Industrial Processing Zones (SAPZ)

IFAD - Programme Design Report (PDR) Main report

Document Date:

Project No. 2000003342

West and Central Africa Division (WCA)
Programme Management Department

Contents

Contents	1
Currency Equivalents	2
Weights and measures	2
Abbreviations and acronyms	3
Map of the Programme Area	7
Executive Summary	8
A. National context and rationale for IFAD involvement	14
B. Lessons Learned	19
A. Programme objectives, geographic area of intervention and target groups	22
B. Implementation Approach	27
C. Programme Components	29
D. Theory of Change	36
E. Alignment, ownership, and partnerships	38
F. Costs, benefits, and financing	39
G. Programme Risks and mitigation measures	28
H. Environment and social category	29
I. Climate Risk Classification	31
J. Organizational Framework	32
K. Planning, M&E, Learning, KM and Communication	37
L. Programme Target Group Engagement and Feedback, and Grievance Redress	39
M. Implementation plans	39

Currency Equivalents

Currency Unit = Naira (NGN)

USD 1.00 = NGN 411.19

NGN 1.00 = USD 0.0029

(UN Operational Exchange rate as of August 2021)

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

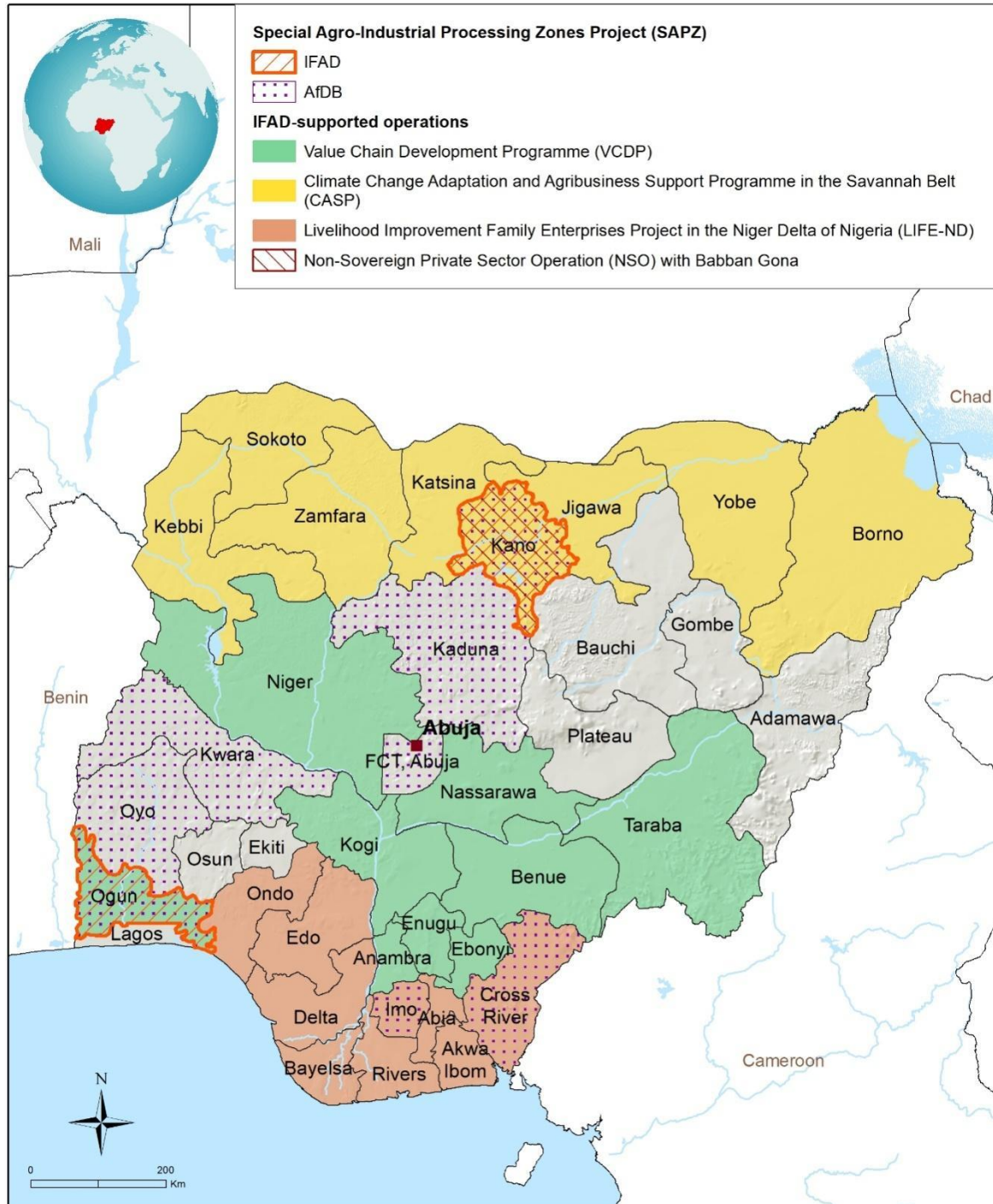
ADP	Agriculture Development Project
AfDB	African Development Bank
AFOLU	Agriculture, Forestry and Other Land Use
AGTF	Africa Growing Together Fund
AIH	Agricultural Industrial Hub
ASFSNS	Agricultural Sector Food Security and Nutrition Strategy
ATAP	Agricultural Transformation Agenda Support Programme
ATC	Agricultural Transformation Center
AWPB	Annual Work Plan and Budget
BCR	Benefit-Cost Ratio
BOA	Bank of Agriculture
BOI	Bank of Industry
BPP	Bureau of Public Procurement
CAF	Commodity Alliance Forum
CASP	Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt of Nigeria
CBN	Central Bank of Nigeria
CGIAR	Consortium of International Agricultural Research Centers
COSOP	Country Strategic Opportunities Programme
CPAT	Country Programme Advisory Team
DHS	Demographic Health Survey
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
ERGP	Economic Recovery and Growth Plan
FCT	Federal Capital Territory
FFS	Farmer Field School
FGN	Federal Government of Nigeria
FIMTC	Federal Inter-Ministerial Technical Committee
FM	Financial Management
FMARD	Federal Ministry of Agriculture and Rural Development
FMF	Federal Ministry of Finance
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMITI	Federal Ministry of Industry, Trade & Investment

FPCU	Federal Programme Coordination Unit
FO	Farmer Organization
GAAIZ	Green Agro Allied Industrial Zone
GAP	Good agricultural practice
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	GreenHouse Gas
GIP	Green Imperatives Programme
GPI	Global Peace Index
GRM	Grievance Redress Mechanism
GTI	Global Terrorism Index
HH	Household
IASC	Inter-Agency Standing Committee
ICB	International Competitive Bidding
ICP	IFAD Client Portal
ICT	Information, Communication, and Technology
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IGREENFIN	Inclusive Green Financing for Low Emission and Climate Resilient Agriculture
IITA	International Institute of Tropical Agriculture
IPRM	Integrated Programme Risk Matrix
IsDB	Islamic Development Bank
LIFE-ND	Livelihood Improvement Family Enterprises Project
LGA	Local Government Area
LULUCF	Land-Use Change and Forestry
MDB	Multilateral Development Bank
MDDW	Minimum Dietary Diversity for Women
M&E	Monitoring and Evaluation
M&ES	Monitoring and Evaluation System
MITI	Ministry of Industry, Trade & Investment
MoH	Ministry of Health
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium-Sized Enterprise
MTNDP	Medium-Term National Development Plan

NAFDAC	National Agency for Food and Drug Administration and Control
NAIC	National Agricultural Insurance Corporation
NAP	National Adaptation Plan
NARF	National Agricultural Resilience Framework
NASC	National Agricultural Seed Council
NATIP	National Agricultural Technology and Innovation Plan
NBS	National Bureau of Statistics
NCFN	National Committee on Food and Nutrition
NDC	Nationally Determined Contributions
NGN	Nigerian Naira
NGO	Non-Government Organization
NIMET	Nigerian Meteorological Agency
NIRSAL	Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
NPA	National Procurement Assistant
NPC	National Programme Coordinator
NPFNN	National Policy on Food and Nutrition in Nigeria
NPV	Net Present Value
NSO	Non- Sovereign Private Sector Operation
OAuG	Office of Auditor General for the Federation
OM	Operational Manual
O&M	Operations and maintenance
PAD	Precision Agriculture for Development
PAR	Programme Appraisal Report
PBAS	Performance-Based Allocation System
PEFA	Public Expenditure and Financial Accountability
PIM	Programme Implementation Manual
PME	Planning, Monitoring and Evaluation
PMU	Project Management Unit
PPA	Public Procurement Act of 2007
PSIU	Participating States Implementation Unit
PWD	Persons with Disabilities
RID	Rural Institution Development Department
RMC	Road Maintenance Committee
RPSF	Rural Poor Stimulus Facilities
SAPZ	Special Agro-Processing Zones

SDG	Sustainable development Goal
SEZ	Special Economic Zones
SIMTC	State Inter-Ministerial Technical Committee
SO	Strategic Objective
SON	Standards Organization of Nigeria
TOR	Terms of Reference
TSA	Treasury Single Account
UNCT	United Nations Country Team
USAID	United States Agency for International Development
USD	United States Dollar
VC	Value Chain
VCDP	Value Chain Development Programme
VCO	Value Chain Organization
WB	World Bank
WCA	West and Central Africa

Map of the Programme Area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 23-08-2021

Executive Summary

- i. **Background and rationale.** With close to 200 million people, and a population growth estimated at 3% per year,¹ Nigeria is the most populous country on the African continent. Nigeria is also the largest economy of the region. Like other middle-income countries, Nigeria faces significant and persistent poverty and inequality. Since 2018, Nigeria is home to the largest number of poor people in the world. 62.6% of the country's population live under the absolute poverty line². Poverty is more acute in rural areas (52%). Major factors contributing to rural poverty include low agricultural production and productivity, limited opportunities for value-addition, challenges of marketing capacity, poor yields in quality and quantity, and significant deficits in support systems such as infrastructure, access to productivity-enhancing inputs, financial backing, commercial orientation, and effective policies, as well as environmental degradation and the effects of climate change. These challenges limit prospects for rural households. To feed its growing population Nigeria has reached a critical level of food imports, spending over USD 6billion a year on agricultural imports³. With competing needs on the national budget, this situation threatens national food security. Over 70% of Nigeria's population cannot afford a nutrient-adequate diet. The high sensitivity of the agricultural sector to increasing climate change and climate variability combined with high poverty rates are the main sources of Nigeria's vulnerability to food insecurity and malnutrition. Climate risks and weather-related factors will increasingly have negative impacts on agricultural production. Climate projections indicate historical increases in temperature and variations in precipitation with early dry seasons and shorter rainy seasons.
- ii. In 2011, the Federal Government of Nigeria (FGN) developed its Agricultural Transformation Agenda, which aims to achieve a hunger-free Nigeria through an agricultural sector that drives income growth, accelerates achievement of food and nutritional security, generates employment, and transforms Nigeria into a leading player in global food markets to grow wealth for millions of farmers. In the context of its agricultural transformation strategy, the FGN is tackling two main interrelated challenges: (i) Meet domestic food requirements by stepping up local sourcing to reduce its food import bill; as well as (ii) Modernize its farming model to reduce poverty levels in rural areas. The FGN's strategy is to turn the country's huge food deficit into a market and employment opportunity for smallholders and small operators. At the core of this strategy is the development of Special Agro-Industrial Processing Zones to establish a modern in-country agro-processing capacity to supply the domestic market, promoting green investments, and providing profitable market outlets to rural households. In addition to creating the right investment and policy frameworks for SAPZs, the FGN's challenge is to capacitate the millions of Nigerian rural smallholders and operators, youth and women living below the poverty line to take advantage of the SAPZ market outlets.
- iii. The FGN has therefore requested the joint support of AfDB and IFAD in the materialization of its transformation agenda. The FGN seeks to leverage AfDB-IFAD complementary expertise, experience, and comparative advantage in the setting-up of SAPZs to: (i) sustainably meet the domestic food supply gap for key food products; (ii) create exportable surpluses; (iii) provide income and employment opportunities for rural poor households; and (iv) produce a replicable climate resilient and low emission model for further investments. Focus lies on high potential climate resilient pro-poor value chains that can be scaled-up and have relevance to the industry and off-takers operating in Agricultural Industrial Hubs (AIHs) and Agricultural Transformation Centres (ATCs), as well as on significantly improving livelihoods and generating decent employment, especially for women and youth. With regards to the demand and uptake of agricultural products, the FGN and AfDB will focus on attracting private sector agribusinesses

¹UNFPA, State of World Population (SWOP), 2019.

²The definition for absolute poverty is defined by the cost of: (i) basic food to satisfy daily needs set at 3,000 calories per person / day; and (ii) non-food needs.

³CBN and National Bureau of Statistics, Annual Report, 2013

to set up processing plants in zones of high food production, to process commodities into food products. In addition, the FGN and AfDB will create an enabling environment for the private sector by putting in place appropriate fiscal policies and incentives, investment, and infrastructure policies for SAPZ.

- iv. **IFAD comparative advantage.** Complementing AfDB's support, the FGN and IFAD will work on climate resilient agricultural production and supply of agricultural products. That is linking smallholders, small agro-processors and traders to larger agro-processing firms operating in the AIHs and ATCs for the supply of food production. By bringing in IFAD on the supply side, the FGN aims to empower smallholders and small operators to take advantage of the new market outlets and employment opportunities generated by the SAPZs, capitalizing on the successful market-based climate resilient value-chain model developed with FMARD in the *Value Chain Development Programme (VCDP)*, which links smallholders to large agro-processors for the sale of their produce. The SAPZ programme will capitalize on the VCDP model to support smallholder farmers and small-scale agro-processors to take advantage of the new markets created by the SAPZ.
- v. **Geographic area.** AfDB-FGN will follow a phased approach in which states' participation in SAPZ will be gradual. In Phase I, AfDB-FGN investments for the setup of SAPZs will span over the FCT and seven states, namely Kano, Kaduna, Oyo, Kwara, Ogun, Imo, and Cross River; selected based on readiness and feasibility criteria, climate vulnerability and threats to the sustainable management of natural resources. Within this target area, IFAD will focus its investments in Kano and Ogun States, to leverage ongoing IFAD funded programmes in these states. In Phase II, IFAD will consider expanding its support to selected states meeting readiness criteria, including Cross-River (Niger Delta region), the 3rd state already meeting the readiness criteria where IFAD is operational – supporting young entrepreneurs through the Livelihood Improvement Family Enterprises Project (LIFE-ND) to develop agri-enterprises through an incubation system.
- vi. **Target group.** SAPZ primary target groups through AfDB's investments are agroindustry investors, large aggregators and support service providers operating in the AIH and ATCs. SAPZ Phase I will directly benefit at least 1.5 million households (a large proportion of whom are directly engaged in agriculture, with 50% women) along the entire agricultural value chain including private sector agribusinesses and agro-processors, smallholder farmers, agripreneurs and agro-dealers. IFAD investments, including through the Green Climate Fund, will target a total of **100,000 direct beneficiaries** corresponding to a total of 500,000 indirect beneficiaries. These will include 75,000 direct beneficiaries in Kano and Ogun states comprising 90% of farmers/producers and 10% processors, traders, and community-based service providers. In addition, the programme will support another 25, 000 small operators and smallholders that are enrolled in the IFAD-supported VCDP programme and are operating in the catchment areas of the SAPZs. The SAPZ programme will empower them to take advantage of the new market outlets created through the SAPZ. To meet its objectives, the programme is climate focused, gender mainstreamed, nutrition and youth sensitive, with women accounting for 50% of the direct beneficiaries and youth (aged 18-29) for 40%. The programme will also support persons with disabilities, and internally displaced persons to gainfully engage in commercial agriculture through dedicated support.
- vii. **Value chain selection.** Through site-specific feasibility studies conducted by the FGN and AfDB during programme appraisal, several high-potential commodities were identified based on the following criteria: (i) potential for import substitution, (ii) export prospects through value addition, and (iii) potential for pro-poor growth and inclusive employment generation, as well as (iv) prioritization in national adaptation plans to future weather impacts. For Ogun State: cassava, rice, poultry, and fishery – and for Kano State: rice, tomatoes, groundnuts, and sesame. Of these, two eligible value chains will be selected for programme support through a participatory approach with local authorities and communities at start-up.

- viii. **The overall development objective** of the SAPZ programme is twofold: (1) Support the development of SAPZ in high food production areas to supply the domestic food market and create exportable surpluses; and (2) Capacitate smallholder farmers, small agro-processors and traders, and community-based service providers, including women and youth; to take advantage of the market demand created by the SAPZ to sustainably enhance their income, household food security and resilience to climate change. In line with IFAD's mainstreaming commitments, the promotion of gender equality and women's empowerment, youth empowerment, nutrition and environmental sustainability and climate change will be mainstreamed across programme activities.
- a. **Component 1- Infrastructure Development and Management for Agro-Industrial Hubs.** Under this AfDB-led component, the programme will support the FGN in developing and setting up SAPZs in high potential states. Each SAPZ will comprise an AIH and a number of ATCs, strategically located within the production area to serve as aggregation points to accumulate products from the community to supply the Agro-Processing Hub for further value addition or send to centres of great demand for distribution and retail to consumers. During SAPZ-Phase I, the FGN and AfDB will support the set-up of eight AIHs, namely one in each of the seven-targeted states and one in the FCT. Support for this component is AfDB-led and fully developed in the AfDB's Programme Appraisal Report (PAR).
 - b. **Component 2- Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas.** Under this component, SAPZ's objective is threefold: (i) support smallholder farmers and small operators to increase their productivity/production and capacity to add value to raw materials on a profitable and environmentally sustainable basis; and (ii) link them to the additional market outlets offered by the AIHs, off-takers supplying the local and national market who operate in the target area, and small processors/traders supplying the local markets, including primary processors operating in the ATCs; iii) enhance the resilience and adaptive capacity of smallholder farmers to climate change. Activities under component 2 will be organized around three sub-components: (2.1) Agricultural market linkages and value addition; (2.2) Smallholder productivity/production enhancement; and (2.3) Access to finance and financial inclusion, including access to green agricultural investments facilitated through IGREENFIN to support farmers in adopting and implementing climate change adaptation and mitigation best practices and solutions.
 - c. **Component 3- Policy and Institutional Development Support.** The objective of component 3 is to support the development of enabling policies, legislation, and regulation for SAPZs in Nigeria to create a conducive business environment for private sector investment and to address inefficiencies and market failures in agricultural value chains. AfDB will support the development of enabling policies and regulatory framework for Agro-Industrial Zones. Through support for the setup of Commodity Alliance Forums, IFAD will focus on: i) facilitating local policy dialogue and influencing local investments for inclusive and conducive market linkages; ii) strengthening quality control, grading and standardization systems; and iii) supporting the establishment and strengthening of community conflict management mechanisms for sustainable investments. Under this component, IGREENFIN II funding will also promote policy dialogue and advocacy to support the creation of an adequate policy framework for green agriculture projects, to increase commercially bankable projects, and to ensure sustainability.
 - d. **Component 4- Programme Coordination and Management.** This component will ensure that the programme is efficiently and effectively managed to achieve expected results.
- ix. **Alignment.** The SAPZ programme is closely aligned to Nigeria's national priorities and policies, including the Medium-Term National Development Plan (MTNDP) 2021-2025 and the National Agricultural Technology and Innovation Plan (NATIP) 2021-2024. SAPZ activities will contribute

to the SDGs and to the objectives of the UN Sustainable Development Partnership Framework (2018-2022) for Nigeria. The programme is further aligned to IFAD's strategic objectives, relevant IFAD corporate policies and strategies and contributes directly to the goal and objectives of the Nigeria COSOP.

- x. **Implementation arrangements.** In line with implementation modalities of the IFAD Nigeria country programme, the SAPZ programme will establish a common implementation management framework supported by all co-financiers following the federal nature of Nigeria's administration: The FGN represented by the Federal Ministry of Finance (FMF) is the designated representative of the Borrower and will ensure compliance with the loan covenants. FMARD is the lead agency for the programme working through subsidiary loan agreements through the State Ministries of Agriculture. Strategic inter-sector guidance and collaboration for the SAPZ Programme will be provided by an Inter-Agency Steering Committee (IASC) co-chaired by the Federal Minister of Industry, Trade & Investment and the Federal Minister of Agriculture & Rural Development, bringing together representatives of relevant sector ministries and public and private stakeholders. Oversight for the implementation of the SAPZ programme at the national level will be the responsibility of a Federal Inter-Ministerial Technical Committee (FIMTC) chaired by the Minister of the FMARD. In each participating state, a State Inter-Ministerial Technical Committee (SIMTC) will be established, comprising key relevant ministries. The implementation of the programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU) managing AfDB, IFAD, and IsDB funds. In line with Nigeria's federal structure, the FPCU will establish Participating States Implementation Units (PSIUs).
- xi. For procurement and financial management, the donor-agencies will harmonize requirements and procedures to the extent permissible by the respective guidelines. In areas where they differ, each agency's guidelines will apply. The full description of the implementation arrangements is described in section 4.
- xii. Based on lessons learned and identified needs, the national Country Programme Advisory Team (CPAT) will provide advisory services to SAPZ programme management units, as proven successful practice in other IFAD-funded programmes in Nigeria. The CPAT is a unit under the FMARD which provides services to IFAD-funded Projects in Nigeria. It is responsible for providing quality assurance and technical guidance to all IFAD programmes. Support services cover financial management and procurement, as well as cross-cutting areas such as environment and climate change, gender and youth, monitoring and evaluation, knowledge management and communication. The CPAT is funded through ongoing IFAD projects.
- xiii. **Links with other initiatives.** The programme will work closely with ongoing IFAD-funded programmes and will take advantage of the gains recorded and lessons learned by VCDP, CASP, LIFE-ND and the Non-Sovereign Private Sector Operation (NSO) with Babban Gona.
- xiv. **Costs and financing.** The SAPZ total programme costs have been estimated at approximately USD 541 million over a period of seven (7) years of implementation (2022-2028). Of this total amount:
 - AfDB financing is projected to finance 29.6% of programme costs, amounting to USD 160 Million as well as USD 50 Million through the Africa Growing Together Fund (AGTF), corresponding to 9.2% of the total programme costs.
 - IFAD will co-finance USD 160 (29.5%) million. Out of this total financing from IFAD, USD 37.47 million (23.4%) will come from the balance of the Nigeria - IFAD11 PBAS allocation and USD 12.5 Million (7.8%) from the partial loan cancelation from the Nigeria-Climate Change Adaptation and Agribusiness Support Programme (IFAD9 PBAS allocation). There is a financing gap amounting to USD 50.03 million (31.3%) which may be sourced through subsequent performance-based allocation system cycles (under financing terms to be determined and subject to applicable procedures) or by co-financing arrangements to be

identified during implementation. USD 60 million (37.5%) will be mobilized through the Green Climate Fund IGREENFIN programme. The IGREENFIN design process is well under way: the concept note was approved in November 2020, a project preparation facility of USD 1.3 million was allocated in February 2021, and the design including Nigeria will be presented to the GCF

- Co-financing from IsDB is projected at 27.7% of the total programme costs, amounting to USD 150 Million.
 - Domestic co-financing constitutes 4% of the total programme costs. This includes the Federal Government of Nigeria contribution of USD 85 thousand (0.4%), which will be in form of duties and tax reimbursements, as well as contributions through the participating states of USD 18.23 Million (3%), and Beneficiary contribution of USD 2.89 Million (0.6%).
- xv. IFAD procurement guidelines will guide the procurement framework for all IFAD-funded activities, while AfDB procurement arrangements will govern the procurement activities it funds. This structure will ensure that any delays or non-accrual of activities financed by one partner will have no or minimal impact on other partner's activities and outcomes.
- xvi. **Risks.** Key risks to the implementation of the SAPZ programme include: (i) *Risks related to the country's fragility context*, such as poor governance and corruption, violence and conflicts in the programme area as well as conflicting sector strategies and policies; (ii) *Operational risks*, such as possible delays in one source of funding, access to land for women, youth, PWD and IDPs, and low appetite of financial institutions to partner with the programme to finance smallholder farmers; (iii) *Institutional risks*, including political interference in the Programme Management Units at national and state levels, low capacity of staff recruited and ineffective coordinating structures at national, state and local government levels; (iv) *Financial management risks*, including capacity gaps and difficulty to find qualified financial management personnel, sub-optimal budgetary processes, the fact that the SAPZ relies on multiple financiers, large programme size and related coordination risks, non-payment of counterpart obligations, heightened risk of fraud and poor financial management practices at the community level, as well as inadequate operations of internal control/audit and financial reporting issues.
- xvii. **Environment and climate risks.** The overall environmental risk of SAPZ is Category A due to heavy infrastructural development activities with substantial environmental and social impacts (around AIHs and ATCs) under component 1. However, component 1 activities are exclusively funded by the AfDB as the lead agency for the programme and AfDB's environmental and social safeguards apply to the SAPZ operation. IFAD financing in SAPZ *will* be directed at smallholder production, processing, and market infrastructure development activities (market-connected feeder roads, small-scale irrigation and drainage development, etc.) in component 2 with moderate, limited, site-specific and remediable environmental and social impacts. The SAPZ programme has a high-climate risk. However, SAPZ approach and design incorporates climate resilience measures in production and processing with awareness campaigns and capacity building interventions in climate-smart agriculture, good agronomic practices, and improved seedlings through the FFS and resource efficiency. These will be further strengthened through access to IGREENFIN II funding and climate resilient and low emissions agriculture practices/ technologies.
- xviii. **Knowledge management and innovation.** Based on best practices, the programme will elaborate and implement a Knowledge Management and Communication Strategy and will leverage key instruments and processes for the management and sharing of knowledge. The SAPZ programme will advance and scale-up a number of key innovations, including: (i) the institutionalization of the 4P Value Chains Model and Commodity Alliance Forum (CAF) with the inclusion of financial institutions in the CAFs; (ii) apply new indicators and leverage innovative data collection and analysis tools to capture the transformation of lives of targeted beneficiaries; (iv) reporting on contribution to SDG1 and SDG2; (v) capitalize on lessons

learned regarding inclusive and pro-smallholder project approaches; (vi) leverage digital extension services; and (vii) introduce blended green financing.

1. Context

A. National context and rationale for IFAD involvement

a) National context

- 1. Political, economic, and social context.** Nigeria with a population of over 200 million people is the most populous country in Africa and the largest economy of the region. Like other middle-income countries, the country faces significant poverty and inequality challenges. Since 2018, Nigeria is home to the largest number of poor people in the world. 62.6% of the country's population live under the absolute poverty line⁴. Poverty is more acute in rural areas affecting 52% of the population, representing a huge challenge in terms of rural poverty alleviation. Unemployment is high, at 33.3% in 2020⁵, and predominantly affects women and youth. The country holds the highest number of youths in the region, with 62% of the population younger than 25 years. Income and employment opportunities for the youth are another challenge: More than 60% of Nigeria's young people are either unemployed or underemployed. At the administrative level, Nigeria is a federation organized around a three-tier government structure, namely: the federal government; 36 state governments; and 774 local government areas (LGAs).
- 2. Rural poverty, smallholder, agricultural and rural development.** Nigeria is predominantly a rural economy, with 48.8% of the population living in rural areas⁶, most of whom are smallholder farmers⁷. Agriculture accounts for about 23% of the GDP (compared to 50% for services and 10% for the oil sector)⁸. 81 million of the country's 92.4 million hectares (88%) is arable land, with a rich agro-ecological diversity characterized by eight agro-ecological zones stretching from South to North. Smallholder agriculture is prevalent in Nigeria: Farmers who cultivate less than 2ha of land make up more than 70% of the total farming population and produce up to 90% of the total national output. They practice two agricultural systems: the traditional production system dominated by fragmented landholdings, mostly less than 1 ha; and agriculture in low-lying land, which is often practiced in waterlogged areas and at times supported with minimal irrigation. As mentioned above, 52% of the rural population lives below the poverty line in 2019, compared to 18% in urban areas⁹. The challenges facing the agricultural sector limit prospects for these rural households, including low agricultural productivity and limited opportunities for value-addition. In addition, rural livelihoods are undermined by poor water and sanitation supply, as well as poor and limited infrastructure. Insecurity and inadequate access to land and land tenure constrains agricultural development,

⁴The definition for absolute poverty used the cost of: (i) basic food to satisfy daily needs set at 3,000 calories per person / day; and (ii) non-food needs.

⁵ National Bureau of Statistics (NBS), Nigeria, Q4 2020 Employment report: <https://www.nigerianstat.gov.ng/>

⁶World Bank portal <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=NG> Accessed 19th April 2021

⁷Poverty is defined as the "consumption aggregate" is the monetary value of food and non-food goods and services consumed by the household. Thus, the consumption aggregate has the following main components: i) expenditures on food, from all sources, including from purchased, self-production and gifted, and meals; (ii) schooling and education expenditures; (iii) expenditures related to health care of household members; (iv) housing expenditures; and (v) expenditures on other non -food goods and services, like clothing, small appliances, fuel, recreation, household items and repairs, etc." Source: National Bureau of Statistics, 2019. 2019 Poverty and Inequality in Nigeria: Executive Summary.

⁸AfDB, Nigeria Economic Outlook, 2019.

⁹NBS. 2019 Poverty and Inequality in Nigeria: Executive Summary, May 2020. (Note: These figures exclude the state of Borno).

limits private sector investment and credit financing¹⁰, which mostly affects women and youth. Environmental degradation also contributes to rural poverty. Smallholder productivity is progressively declining due to poor agricultural practices, overgrazing, and deforestation (estimated at 3.5% annually), exacerbated by the felling of trees for fuelwood which is the main source of power for rural and peri-urban households. Agricultural productivity and economic growth continue to be hindered by many factors including aridity (compounded by climate fluctuations), unstable commodity prices, policy and institutional constraints, government capacity to deal with climate shocks and low levels of investment in infrastructure. The rural population also suffers from limited opportunities for alternative employment. Low education and high dependency rates are social defining factors maintaining people in poverty.

3. **Fragility, conflict, and violence.** Nigeria is listed among the medium intensity fragile, and conflict affected countries by the World Bank in 2021¹¹, with multi-dimensional fragility spanning from governance, gender inequities, the impact of climate change and security challenges across its territory. In terms of conflict and violence, Nigeria's situation has continued to deteriorate over the last decade. A 10-year view of the Global Peace Index (GPI) shows a slide in Nigeria's overall position from 125th in 2008 to 147th in 2020, out of 163 countries. Nigeria's ranking in Global Terrorism Index (GTI) is equally poor. In 2020, Nigeria ranked third in the world in GTI after Afghanistan and Iraq¹². Insecurity in Nigeria is multi-form with the continued Boko Haram Islamist insurgency in the North, the long-running militancy in the Niger Delta over the use of oil resources in the South, to the Central Belt southward increasing violence between herders and farming communities¹³. According to USAID, Nigeria faces among the highest compound fragility-climate risks globally. As of 31 December 2019, Nigeria was one of the 10 countries/territories with the highest number of Internally Displaced Persons (143 000 IDPs) because of disasters¹⁴.
4. **COVID-19.** Nigeria is classified as a "high risk" country in the COVID-19 Risk Index, and it ranks 7.1 on a scale of 10 on the Lack of Coping Capacity Index. The country has, so far, recorded the highest number of COVID-19 cases in the West and Central African region. Due to the pandemic, Nigeria entered its second recession in five years in November 2020. COVID-19 is expected to have long-term effects on the country's economic and development prospects. According to the World Bank, Nigerian households are affected by rising prices. As of April 2021, the inflation rate was the highest in four years and food prices accounted for over 60% of the total increase in inflation. Rising prices alone may have pushed an estimated 7 million Nigerians into poverty in 2020.¹⁵ Smallholder farmers are amongst the hardest hit. During the 2020 planting season, restrictions on the movement of persons, goods and services limited smallholders' access to markets to obtain agricultural inputs and sell their produce, impacting their incomes and liquidity. The pandemic, global economic decline and plummeting oil prices have increased fiscal pressure for the Nigerian Government, hampering its ability to respond to the crisis induced by COVID-19 and cushion its economic impact on Nigerian citizens. On 24 March 2020, the Nigerian House of Representatives passed an Emergency Economic Stimulus Bill, to provide aid to businesses and individuals. In the agricultural sector, the Government further launched a three-pronged action plan, comprising: (i) humanitarian assistance, (ii)

¹⁰The Government and the National Parliament are currently pursuing the amendment of the Land Use Act (1978) to improve on the thorny issue of land ownership and insecurity for the generality of smallholder farmers/producers, especially aimed at enhancing their land transactions, mortgages/sub-leases and use of land as collateral for loans.

¹¹<https://pubdocs.worldbank.org/en/964161594254019510/Revised-Classification-of-Fragility-and-Conflict-Situations-web-FY21.pdf>

¹² See Global Terrorism Index 2020 available at <https://www.visionofhumanity.org/wp-content/uploads/2020/11/GTI-2020-A3-map-poster.pdf>

¹³ International Crisis Group, 2019: <https://www.crisisgroup.org/africa/west-africa/nigeria>

¹⁴ State of the Climate in Africa 2019, World Meteorological Organization, 2020.

¹⁵ World Bank, Nigeria Development Update: Resilience Through Reforms, June 2021

immediate measures to help farmers sustain production and other value chain activities, and (iii) a medium-term agricultural transformation strategy. The Government called on its development partners' support for its implementation. IFAD extended two Rural Poor Stimulus Facilities allocations (RPSF) to the Government of Nigeria for a total amount of 2.04 million targeting worst affected smallholders in the Northern and Middle Belt regions for the delivery of an agricultural stimulus and resilience input package.

5. **National strategies, policies, and programmes relevant for smallholder agriculture, rural poverty reduction and enhanced food security and nutrition.** The key priority of Nigeria's Medium-Term National Development Plan (MTNDP) 2021-2025 is agricultural transformation to eliminate poverty, spur job creation, and achieve food security. In addition, Nigeria designed the National Agricultural Technology and Innovation Plan (NATIP) 2021-2024 is a four-year blueprint designed to guide Nigeria's post-COVID-19 economic recovery. The NATIP promotes innovative systems and processes for the development of high potential value chains and an improved agricultural investment climate. The National Agricultural Resilience Framework (NARF) provides a national framework for adaptation to climate change, while the Agricultural Sector Food Security and Nutrition Strategy (ASFSNS) provides a comprehensive framework for nutrition sensitive agriculture for improvement of food security. Nigeria does not have a national strategy addressing violence and conflicts; however, several agencies are involved in the effort based on the type of conflict. Strategies range from military interventions and amnesty to mediation for localised conflicts such the ones between the herdsmen and farmers in various parts of the country. A noticeable achievement at the state level is the creation of peace commissions. These peacebuilding institutions address long-standing ethno-religious and other divisions through direct mediation and other peace interventions; provide early warning and early response systems for local conflicts; and in conjunction with local governments and traditional institutions, manage grassroots conflict resolution infrastructure such as mediation and restorative justice units and processes. Nigeria's National Adaptation Plan (NAP) aims to facilitate the management of Nigeria's medium- and long-term adaptation needs in a coherent and coordinated manner, particularly in the agricultural sector.
6. **Key actors and institutional arrangements.** The key actors in the Nigerian agriculture sector and rural development are the Federal Ministry of Agriculture and Rural Development (FMARD), the Federal Ministry of Finance, Budget and National Planning (FMFBNP), the Federal Ministry of Industry, Trade & Investment (FMITI), State Ministries of Agriculture, the Central Bank of Nigeria (CBN), the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL¹⁶), Development Finance Institutions like the Bank of Industry (BOI) and the Bank of Agriculture (BOA), the National Agricultural Insurance Corporation (NAIC), as well as private sector operators who provide services to the agricultural sector. The FMARD oversees policy development, supervision, and coordination of agricultural activities. Regarding food security and nutrition, the key actors and coordination mechanisms at the national level are the Multi-sectoral Nutrition Coordination Mechanism led by the Federal Ministry of Health (MoH), which is also the Scaling Up Nutrition focal point in Nigeria, MFBNP, and the National Committee on Food and Nutrition (NCFN), which is the national focal point for nutrition policy, programme planning, and coordination, as dictated by the National Policy on Food and Nutrition in Nigeria (NPFNN).

b) Special aspects relating to IFAD's corporate mainstreaming priorities

7. **Gender and social inclusion.** According to the World Population Review Report of 2018, about 49.32% of the Nigerian population is female. Nigeria's first National Gender Policy was approved in 2006. In 2019, the Government launched the National Gender Policy in Agriculture, informed

¹⁶A non-bank financial institution wholly owned by CBN that provides incentive to financial institutions for lending to agriculture through credit guarantees and interest drawback.

by research by the CGIAR Research Program on Policies, Institutions and Markets. The policy aims to promote the adoption of gender-sensitive and responsive approaches in the agricultural sector and ensure that men and women have equal access to, and control of, productive resources. Despite new legal frameworks, gender inequalities persist, and most rural women continue to have less access to basic social services and productive resources than men. Although women represent between 60% and 79% of Nigeria's rural labour force, men are five times more likely to own land than women. Socio-cultural norms continue to restrict opportunities for women's empowerment. Gender norms vary across the country and according to culture and religion.

8. **Youth.** Nigeria's Youth Policy considers youth as people aged 15-29. More than 60% of Nigerian youth are unemployed or underemployed. Youth have limited resources of economic value, low access to financial services and low social capital, in addition to limited influence in community affairs. Youth find little attraction in agriculture and the average age of Nigerian farmers is 59 years and is expected to rise between 75 and 80 years by the year 2030 if the situation remains unchanged. Nigeria's strategies highlight the untapped potential to engage young people in the agricultural sector for job creation, economic diversification, and food security. The National Employment Policy identifies the transformation of the agricultural sector as critical for employment generation, including for young people. The Nigeria Youth Policy states that "the Federal Government has identified agriculture as the single sector with the highest potential for massive job creation".
9. **Food security and nutrition.** Nigeria Ranks 100 out of 113 in the Global Food Security Index, scoring 40.1 out of 100 points. 44.1% of the Nigerian population suffer from food insecurity and 12.6% are undernourished.¹⁷ Food availability, accessibility, and utilization remain significant challenges in Nigeria.¹⁸ Dietary diversity is low and most of the Nigerian diets are energy dense with insufficient micronutrients. Poverty in Nigeria is closely associated with a lack of dietary diversity and malnutrition. The key determinants of malnutrition are access to sufficient, safe, and nutritious food; adequate care practices (especially for women and children); and access to health services, including healthy environments, water, and sanitation. Based on 2018 Demographic Health Survey (DHS), 44% of women aged 15-49 consumed food from less than 5 food groups out of the recommended 10 food groups¹⁹ comprising grains, leafy vegetables, legumes, fruits, milk/dairy products, fish, egg. At 32% in 2018²⁰ stunting rates remain high as per World Health Organization standards. Women's nutrition and health is affected by cultural and gender norms as well as a lack of awareness about resources for nutrition. In Nigeria, half of all childhood deaths are attributed to malnutrition.
10. **Climate change.** Nigeria experiences large spatial and temporal variations in rainfall. The inter-annual rainfall variability is high, particularly in the north, resulting in climatic hazards, especially floods and droughts. The relative humidity is constant throughout the year in the south, but the north experiences considerable seasonal and diurnal variations²¹. The warming trend over Nigeria is very clear. Exposure to rising temperatures and high sensitivity (coupled with low adaptive capacity), leading to high vulnerability to climate and environmental change is greater in northern Nigeria than southern Nigeria. Statistically significant negative change in rainfall has been observed²² and increase in future occurrences of extreme climate events is

¹⁷ FAO, 2019: <http://www.fao.org/faostat/en/#data/FS>

¹⁸ Federal Republic of Nigeria, Agriculture Sector Food Security and Nutrition Strategy (2016-2025).

¹⁹ 2020 Global Food Security Index.

²⁰ National Population Commission (NPC), National Demographic Health Survey (DHS), 2018.

²¹ State of the Nigerian Environment Report, 2008, SEDEC Associates for Federal Ministry of Environment and UNDP

²² Oguntunde P. G, Abiodun B. J, and Lischeid G. (2011). Rainfall Trends in Nigeria, 1901-2000, *Journal of Hydrology*. 411:207-218.

projected²³. The manifest effects of climate change on Nigerian smallholders include crop failure, low yield and reduced marketable surpluses, crop losses to flood, drought and dry spell, increased pests and disease activities, land and soil degradation from erosion and flooding, income losses, poverty, and increased grazing distance. Pastoralists in the Sudan Savannah zone often find it difficult to get water and pasture for herds especially during the dry season, leading to migration towards the southern Guinea Savannah and forest zones, thus creating deadly resource conflicts with crop farmers in the southern guinea savannah and forest zones, resulting in turn in heightened insecurity. The country has signed the Paris Climate Agreement and for its Nationally Determined Contributions set an unconditional 20% reduction in emissions by 2030, compared to business-as-usual levels. This could increase to 45%, conditional upon international support and includes plans to end gas flaring and install 13 gigawatts of off-grid solar power, as well as improving energy efficiency by 30% by 2030 and reduction of CO₂ in agriculture.

11. **Environment and natural resources.** Deforestation, woodland degradation, and biodiversity losses are major issues across Nigeria. Agriculture and grazing-induced land degradation is very high in the Sudan Savannah. Other major environmental issues in the Savannah include wind and water erosion, declining soil fertility, dam sedimentation, pest infestations, poor agro-waste management, pollution, and resource conflicts. Selective logging is the most important driver of deforestation and forest degradation in the forest zone²⁴. Unsustainable land management practices drive excessive land-use change and deforestation, which induce drought and desertification, degrade soil and water conditions and potentials, increase wetland losses, degrade rangelands and grazing reserves, and exacerbate conflicts and human insecurity.

c) Rationale for IFAD involvement

12. To feed its population of 200 million people, the largest population in Africa, Nigeria has reached a critical level of food imports, spending over USD 6billion a year on agricultural imports²⁵. With competing needs on the national budget, this situation threatens national food security and perpetuates poverty. 70% of the Nigerian farming population are poor smallholders with limited ability to cope with shocks– particularly related to climate change; majority of which are rural women. 44.1% of the Nigerian population suffer from food insecurity, 12.6% are undernourished and 37% of children under five are stunted.²⁶ Nigeria’s Agricultural Transformation Agenda aims to achieve a hunger-free Nigeria through a climate resilient agricultural sector that drives income growth, accelerates achievement of food and nutritional security, generates employment, and transforms Nigeria into a leading player in global food markets to grow wealth for millions of farmers.
13. To achieve this vision, the Government aims to move away from years of neglect of agriculture to focus on the development of climate resilient agricultural value chains, including the provision and availability of improved inputs, increased productivity and production and the creation of an enabling environment for the private sector. At the heart of this new approach is the set-up of **Special Agro-Industrial Processing Zones (SAPZ)**, which aims to link the agricultural sector with the industrial/processing sector to supply the domestic market and promote agricultural exports, while providing income and employment opportunities to vulnerable rural

²³Abiodun B, Lawal K, Salami A and Abatan A, (2012): Potential Influences of Global Warming on Future Climate and Extreme Events in Nigeria. *Reg. Environment Change*. 13(3): 1-15

²⁴Fasona, M., Adeonipekun, P.A., Agboola, O., Akintuyi, A., Bello, A., Ogundipe, O., Soneye, A., and Omojola, A. (2020): Drivers of Deforestation and Land-Use Change in Southwest Nigeria. In: W. Leal Filho (ed.), *Handbook of Climate Change Resilience*, Chapter 23, pp 475-498. https://doi.org/10.1007/978-3-319-71025-9_139-1. Springer Nature Switzerland AG

²⁵CBN and National Bureau of Statistics, Annual Report, 2013

²⁶ FAO,2019: <http://www.fao.org/faostat/en/#data/FS>

households. Another component of this strategy is to promote the use of innovative low emission technologies and climate resilient practices under the Green Imperatives Plan.

14. The Government's objective is to leverage AfDB and IFAD's comparative advantage to set up *inclusive* SAPZs. AfDB will support the FGN in setting up an enabling environment for the private sector including appropriate fiscal policies and incentives, investment, and infrastructure policies for SAPZs. The Government has requested IFAD's support, to capacitate the millions of Nigerian rural smallholders and operators, youth and women living below the poverty line to take advantage of the SAPZ market outlets. For this, they must be empowered to overcome key challenges such as marketing capacity, poor yields, limited value addition and deficits in small-scale support systems such as infrastructure, access to inputs, and financial backing.
15. With IFAD on the supply side, the Government aims to scale the market-based climate resilient value-chain model developed by FMARD and IFAD, which successfully capacitates smallholders to supply large agro-processors. Through the IFAD-supported VCDP, participating smallholders have recorded yield increase in targeted crops of up to 125% for rice and 150% for cassava. They market about 85% of their production, contributing over one million MT to the national food basket and economy, demonstrating the success of VCDP's market-led model. The key success factor of VCDP is the capacitation of smallholders, through the programme, to formally enter into contracts with leading national and international agri-business companies for the marketing of their produce. After eight years of implementation, VCDP is recognized nationally and internationally for having a transformative impact on Nigerian farmers, supporting them to move from subsistence into profitable commercial agriculture. With SAPZ and the increased demand from agro-processors, market opportunities will exponentially expand. The SAPZ programme will capitalize the IFAD sponsored VCDP to support smallholder farmers and small-scale operators to capitalize on the new markets created by SAPZ.

B. Lessons Learned

16. SAPZ will leverage best practices and lessons learned from IFAD's experience in Nigeria and elsewhere, as well as key lessons learned relating to SAPZs, to support smallholders and small operators' graduation from subsistence agriculture to climate resilient profitable agro-business, with specific attention to women and youth, as follows:
17. *Linking farmers to guaranteed private off-takers is a key success factor to materialize income and employment opportunities.* VCDP supports farmers in high production potential areas to enter partnerships with leading agri-business companies for the marketing of their produce, in-kind/cashless production credit and other value-added services. These companies are attracted by the huge consumer market provided by Nigeria. Off-takers' competition over quality produce from VCDP supported farmers explains their readiness to guarantee fair market price and services to them. Ahead of production, farmers have secured outlets for their produce while off-takers secure a supply of produce in the required quantity and quality.
18. *IFAD-supported CAFs are an innovative mechanism that brings together value chain stakeholders on equal footing to agree on win-win business transactions and access value added services.* To support the business and policy dialogue between farmers and public and private sectors, VCDP helped farmers and other value chain stakeholders to set-up public-private-producer platforms called CAFs in each programme state. The CAF periodically brings together the representatives of smallholders, agro-processors, input suppliers, financial institutions, service providers and local governments in each state to facilitate business transactions and discuss value chain topics. Leading private sector off-takers are engaged in the CAF to negotiate quantities and quality standards, their terms of engagement and competitive market prices with farmers on fair terms. The CAF also facilitates engagement between farmers and other private or public service providers and authorities to access required means of production (land, inputs,

finance, extension services, etc.). They are also a space for policy dialogue on agricultural value chain related matters and for conflict management. This approach generated a shift in the mindset of targeted farmers whose production is now driven by business plans to respond to market demand identified through the CAFs.

19. *The use of private sector extension service providers through Farmers Field Schools (FFS) has proven to be key to the high performance of smallholders in productivity and production enhancement.* IFAD-supported VCDP exceeded its targets in productivity support. While the target for yield increase was 25%, participating farmers increased their productivity by 125% for rice and by 150% for cassava. The IFAD-supported "Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt of Nigeria" (CASP) supported close to 450,000 vulnerable farmers to triple productivity of rice and more than double their yields across key staple commodities. Key lessons learnt in this regard are: (i) integrate climate smart technologies in FFS training modules and enforce technical uniformity across the different states; (ii) deploy more female trainers to reach more women farmers; (iii) explore the use of e-extension service delivery to upscale outreach; and (iv) design a public private sustainable business model to ensure sustainability of the extension services and to help strengthen the national extension delivery system.
20. *VCDP has led to the development of a climate resilient value chain development model with demonstrated potential for scaling up to other value chains.* While VCDP focused on two commodities, rice and cassava, key features of the VCDP market-led model can easily be adapted to other commodities: strengthening of grassroots Farmer Organizations (FOs); support for smallholder farmers to improve production and productivity; facilitating of formal and fair linkages between FOs and value chain operators through the CAFs; easing critical infrastructure constraints to the production, processing, storage, handling and marketing of farm produce and processed products. Furthermore, the implementation of VCDP provided invaluable experience in the processes involved in supporting the development of value chains, from the identification of beneficiaries and different actors, all the way to the delivery of products to the market.
21. *Best practices from Special Economic Zones (SEZ) demonstrates that strong commitment from the government and active participation of the private sector are essential ingredients to success.* According to a World Bank Study on Global Experiences with SEZ, with a focus on Africa and China,²⁷ evidence shows that there is a need for a strong legal, regulatory, and institutional framework, which must be updated to cater for the needs of the SEZ before the zones are built and operational. Best practices from Malaysia, China, South Korea, and Mauritius demonstrate that effective zone programmes must be an integral part of the overall national, regional or municipal development strategy and built on strong demand from business sectors. Given the large investments required for SEZs, a strong commitment from the government and active participation of the private sector is essential.
22. *Supporting women in farm and off farm activities is critical to achieve a transformative impact.* The use in VCDP of a women-focused land development model and matching grant scheme for inputs successfully enhanced women's access to land and inputs. Lessons learned show that this should be complemented with training modules that respond to the specific needs of women and enhancing women's participation in decision-making.
23. *Youth engage in VCDP farming and off-farm activities because of high profit margins.* Youth represent 40% of persons profiled by VCDP, indicating a strong interest of young people to receive programme support to engage in agriculture as a profitable business. Some of the youth

²⁷Zeng, Douglas Zhihua. 2015. Global Experiences with Special Economic Zones: Focus on China and Africa. Policy Research Working Paper; No. 7240. World Bank, Washington, DC.

engaged in VCDP increased their productivity by more than 100%. They transact large business deals with off-takers of agricultural produce and agro-input dealers. Some of the youths have employed peers to further grow their businesses. Priority should be given to the promotion of individual/small private enterprises rather than group managed/owned enterprises, as proven by CASP through N-agripreneurs as well as the youth business incubator model of LIFE-ND.

24. *Supporting farmers to produce nutritious commodities, agro-processing and increasing nutrition awareness* have proven successful. The VCDP project supports farmers to produce bio-fortified pro-vitamin A rich cassava, rice, vegetables, and poultry. Cassava and rice were processed to produce diverse nutritious commodities, which were consumed within and outside the VCDP areas. This created employment and earned income for the processors. Nutrition education helped in increasing consumption of nutritious commodities and products by the programme beneficiaries.
25. *The Matching Grant Model stimulates business start-up, but subsequently a proactive financial inclusion strategy is key to ensure the commercial development of the beneficiaries' agro-enterprises.* The matching grant scheme – designed as a capital simulation fund – has proven effective for financing smallholder production, local aggregation, and basic processing. However, there is a need to support the formal engagement of target groups with financial services (savings, payments, loans and insurance) to sustain their graduation to agri-businesses post-matching grant. This requires: (i) channelling of concessional resources to attract and leverage private sector funds and decrease cost of finance, (ii) assistance to financial institutions to design financial products for the different categories of beneficiaries and various financing needs, supporting in particular the intra value chain input financing by off-takers / aggregators, (iii) leveraging various government promoted de-risking financing schemes, and (iv) enhancing financial literacy of the beneficiaries to enable them to make informed choices and increase their trust in the financial sector.
26. *Concessional resources for green finance are beneficial to smallholder producers and processors to adopt climate resilient agriculture and agribusiness.* With its first successful experience in Niger, the Inclusive Green Financing for Low Emission and Climate Resilient Agriculture (IGREENFIN) is stimulating a paradigm shift within the country's financial system. IFAD is currently expanding this business model in thirteen countries of the Great Green Wall Initiative area, including Nigeria. It will support local financial institutions in setting up green credit lines to finance green agricultural investments and align their portfolio towards Nationally Determined Contributions (NDC) targets in the Land use, Land-Use change and Forestry (LULUCF) sector. SAPZ will leverage IGREENFIN II to promote green investments by smallholder farmers and small processors. The proposed programme will: (1) establish a Green Financing Facility, operated by local banks, to provide concessional loans to foster best adaptation and mitigation practices with an aim to finance green agricultural projects; and (2) create a Technical Assistance Facility to address capacity, knowledge and policy gaps hindering the uptake of green agriculture projects in the selected countries.
27. *The SAPZ M&E system will build on the experience and lessons learned from VCDP, including (i) the allotment of adequate budget for capacity building of the programme team and stakeholders to ensure a thorough understanding of the importance and appliance of M&E mechanisms, (ii) giving M&E staff the opportunity to undertake the PRIME training²⁸, and (iii) capitalizing existing M&E databases and applications. The SAPZ will also leverage the innovative VCDP experience of utilizing geo-spatial technology and state-of-the-art data analysis tools to measure transformative changes in target groups' livelihoods, as well as any emergent lessons learned from the ongoing RIA impact study of VCDP.*

²⁸The Program in Rural Monitoring and Evaluation (PRIME) is a global training framework in monitoring and evaluation (M&E) that seeks to achieve better results in rural development projects. PRIME is a joint initiative developed and implemented by the International Fund for Agricultural Development (IFAD) and the Centers for Learning on Evaluation and Results (CLEAR).

28. *IFAD's country programme management approach must be adapted to respond to the complexities and inherent risks related to the Nigerian context.* Nigeria is a complex country for international cooperation, rating high risk on all fiduciary indexes such as public financial management, corruption perception, procurement management, and rating low on the Mo Ibrahim Index of African Governance. Based on lessons learned, IFAD has developed adapted modalities for Nigeria as follows:

- *Adapted IFAD country programme management team:* Nigeria hosts a dedicated country office with a tailored country team composed of a Country Director, a Programme Officer, and two Country Programme Officers.
- *Country oversight:* The Government has agreed to finance from the loan proceeds a Country Programme Advisory Team (CPAT) under the leadership of the lead agency, which provides implementation support and technical oversight to the programme teams in the areas of gender, nutrition, climate change, financial management and audit. In addition, the country team mobilizes a conflict/fragility expert for key programme activities.
- *Managing fiduciary risks:* FMD and WCA have assigned a full time Financial Management Expert, providing programme teams with continuous oversight and guidance towards compliance with financial obligations and requirements.
- *Managing procurement risks:* A dedicated Procurement Expert is also mobilized on a retainer basis to provide implementation support to the programme teams and to strengthen prior review of procurement requests prior to IFAD's no objection.

2. Programme Description

A. Programme objectives, geographic area of intervention and target groups

29. **The overall objective** of the SAPZ programme is twofold:

(i) To support the development of SAPZs in high food production areas to supply the domestic food market and create exportable surpluses. This includes the creation of Agro Industrial Hubs (AIH) and Agricultural Transformation Centres (ATC) through the provision of support infrastructure and policy and regulatory incentives for the private sector (AfDB-led).

(ii) To empower smallholder farmers, small agro-processors and traders, and community-based service providers, including women and youth, to take advantage of the market demand created by the SAPZs to sustainably enhance their income, access to employment, household food security and nutrition, and resilience to climate change (IFAD-led).

30. The expected outcomes of the programme are: (i) the competitiveness and business environment of the Nigerian agriculture sector is improved through the provision of hard and soft infrastructure that will crowd-in private investment into the sector; (ii) incomes and food security of poor rural households engaged in agro-enterprises along the targeted value chains are enhanced on a sustainable basis; and (iii) dietary diversity of the target beneficiaries especially women of reproductive age is improved through food production, markets, climate resilience, income and women empowerment pathways²⁹.

31. **Implementation Period.** The SAPZ will follow a programme approach in two phases.

- *Phase I (2022-2028).* In this period, AfDB will develop Special Agro-Industrial Processing Zones and set up enabling infrastructure in the FCT and seven states, namely Kano, Kaduna, Oyo, Kwara, Ogun, Imo, and Cross River. IFAD Phase I will cover a period of 7 years, from 2022 to 2028 and target Ogun and Kano states. This slightly extended

²⁹ Refer to the nutrition mainstreaming strategy document developed during the programme design for detailed explanation of the agriculture- to- nutrition pathways for the case of SAPZ programme.

implementation period will allow IFAD to empower smallholders to capitalize on the additional markets that will be created through SAPZ. Beneficiary will be supported in building sustainable linkages with off-takers once they start operating in the AIHs.

- *In the second phase*, the FGN and AfDB plan to expand SAPZ into additional states, based on lessons learned and availability of funding. IFAD will consider expanding its support to selected states meeting readiness criteria including Cross-River (Niger Delta region). Cross River is the 3rd state already meeting the readiness criteria where IFAD is operational supporting young entrepreneurs through the Livelihood Improvement Family Enterprises Project (LIFE-ND) to develop agri-enterprises through an incubation system.

32. Programme Area. As mentioned above, in Phase I, investments for the setup of SAPZs will span FCT and seven states (Kano, Kaduna, Oyo, Kwara, Ogun, Imo, and Cross River). FGN and AfDB selected these states based on readiness criteria, namely: (i) availability of feasibility studies including environmental & social documents and vulnerability to climate change; (ii) identification of specific agricultural commodity value chains; (iii) contribution from the states; (iv) geographic balance across the six Nigerian Geopolitical Zones. In addition, state selection includes feasibility criteria, namely: proximity to high agricultural production areas; private sector development growth poles; existing or latent market potential; and linkages and synergies with existing and/or planned investments.

33. Within this target area, IFAD will focus its investments in Kano State in the North and Ogun State in the Southwest, to leverage ongoing IFAD-funded programmes in these states. These are two of the three states among those meeting readiness criteria where IFAD is operational.³⁰ IFAD currently supports the linkage of smallholders, processors, and traders to agro-processors through the VCDP in Ogun. In Kano, IFAD currently supports the graduation of over 3,000 smallholders to market driven approaches through a Non-Sovereign Operation (NSO) with the Babban Gona enterprise. In addition, the IFAD-funded CASP has supported readiness activities for IFAD’s investment in Kano over the past year including: (i) consultations with the state government to secure commitment/buy-in; (ii) a commodity value chain analysis to identify stakeholders, locations, and commodities to be supported; (iii) sensitization and awareness creation and support for feasibility studies; and (iv) resilience support through an RPSF. IFAD’s investment will leverage these achievements as well as current implementation facilities to expand its outreach to 24 LGAs that are currently unserved by VCDP and CASP. LGA coverage in each state has been apportioned in line with the relative population and size of the state. Eight LGAs have been pre-identified in Ogun and 16 will be selected in Kano at programme inception. LGAs are selected based on the following criteria: i) Volume of production (the higher the production the higher the score); ii) Presence of producers/processors clusters and organizations (including women/youth groups) to ensure market outlet; iii) Accessibility of communities; (iv) Opportunities to formally link FOs to large off-takers operating in the AIH or its catchment area; and v) Demonstrated commitment of the LGAs to participate in the programme by bearing the salaries of two Value Chain Liaison Officers.

Kano State	Ogun State
<ul style="list-style-type: none"> • Population of about 13.1 million in 44 LGAs. Second largest state after Lagos. Poverty in the North is high affecting 55.08% of the population in Kano, GINI Coefficient 28.64 	<ul style="list-style-type: none"> • Population of about 6 million people in 20 LGAs. Poverty affects 9.32 % of the population, GINI Coefficient 27.10 % (2019)³². Average stunting rate of 30%. • Ogun state shares borders with the capital Lagos State and the Benin Republic. It is

³⁰This focus is in line with the 2015 CPLE, which recommends that the geographic scope of any new programme should be reduced to minimize the political, cultural and agro-ecological diversity that will need to be managed.

³²2019 Poverty and Inequality in Nigeria, National Bureau of Statistic, 2019

<p>% (2019)³¹. Average stunting rate of 61.5%.</p> <ul style="list-style-type: none"> • Northern Nigeria commercial hub with largest agricultural market and highest concentrations of private sector operators. • Economy relies on agriculture: 70% of the population is engaged in agriculture and related jobs. • Average holding per household is 1 ha. • Major producer of most national staple food crops, such as rice, sweet potato, tomato, and cowpea. • Major supplier of industrial cereals (rice, wheat, and barley), legumes (groundnut), oil seeds (soya beans, sesame and castor), fibres (cottons and sisal), and spices (ginger, chili pepper) to other parts of Nigeria and neighbouring countries. • Even with the huge private sector presence and largest commodity market, farmers are poorly organized and inadequately capacitated to tap into the market. Private sector encounters difficulties dealing with the fragmented smallholder farmers. 	<p>nicknamed the "Gateway to Nigeria", having a high concentration of industrial estates and being a major manufacturing hub in Nigeria.</p> <ul style="list-style-type: none"> • Agriculture is the main source of the economy and livelihood for the population. • The principal cash crops are industrial cassava, rice, poultry, fisheries, tree crops, ago forestry and palm produce. • The state has 1.2 million ha of arable land of which only 32% is cultivated. • Average holding per household is 1 ha. • Strategic positioning gives the state a competitive advantage for logistics and exports as a gateway to Lagos, the rest of Nigeria and West Africa.
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

34. In the area of *environment and climate change*: Both states have abundant surface and groundwater resources. However, the peak rainfall in the river catchments across the two states often leads to massive flooding. Deforestation, woodland degradation, and biodiversity loss are major issues in both Ogun and Kano. Agriculture and grazing induced land degradation are very high in the Sudan Savannah where Kano is situated. Other major ecological issues in the Savannah include wind and water erosion, deforestation and vegetation degradation, declining soil fertility, drought and dry spells, pest infestations, environmental pollution and mining-induced land degradation and resource conflicts. Selective logging is the most important driver of deforestation and forest degradation in Ogun.³³

35. Regarding *fragility, conflict and violence*, Kano is classified as normal, despite periodic communal tensions, whereas Ogun is classified as a medium conflict state due to recurrent conflicts between farmers and herders. Based on experience from VCDP, SAPZ will implement conflict resolution and support mechanisms to compensate farmers and processing centres for conflict related damages. The CAFs will be supported to provide dedicated services to members on conflict mitigation measures especially as it affects farmers/herders. Furthermore, through

³¹2019 Poverty and Inequality in Nigeria, National Bureau of Statistic, 2019

³³Fasona, M., Adeonipekun, P.A., Agboola, O., Akintuyi, A., Bello, A., Ogundipe, O., Soneye, A., and Omojola, A. (2020): Drivers of Deforestation and Land-Use Change in Southwest Nigeria. In: W. Leal Filho (ed.), Handbook of Climate Change Resilience, Chapter 23, pp 475-498. https://doi.org/10.1007/978-3-319-71025-9_139-1. Springer Nature Switzerland AG

its focus on reducing unemployment and poverty in targeted communities, SAPZ is mitigating some of the underlying factors of conflict.

36. **Value chain selection.** At appraisal, the FGN and AfDB led site-specific technical feasibility studies in each of the targeted states. The feasibility studies identified several high-potential commodities based on the following criteria: (i) potential for import substitution, (ii) export prospects through value addition, and (iii) potential for pro-poor growth and inclusive employment generation, as well as (iv) prioritization in national adaptation plans to future weather impacts. In line with these criteria, the following value chains were pre-identified for SAPZ support: cassava, rice, poultry, and fishery for Ogun state – and rice, tomatoes, groundnuts, and sesame for Kano state.
37. In line with the state and community driven approach of the IFAD-country programme and IFAD’s guidelines on engagement in pro-poor value chain development, at start up each state/target area will select two focus commodities from among the pre-identified high-potential value chains, through a participatory selection process involving local authorities and communities. The selection at the state/target area level is based on the following criteria: (i) market demand, (ii) level of return on investment; (iii) opportunities for IFAD target groups to capture an equitable portion of the value addition generated; (iv) potential for enterprise and job creation along the selected commodity value chain; (v) existence of reliable off-taker(s); and (vi) government priority value chains and available support for the commodity.
38. **Target groups.** SAPZ primary target groups through AfDB’s investments are agroindustry investors, large aggregators and support service providers operating in the AIH and ATCs. SAPZ Phase I will directly benefit at least 1.5 million households (a large proportion of whom are directly engaged in agriculture, with 50% women) along the entire agricultural value chain including private sector agribusinesses and agro-processors, smallholder farmers, agripreneurs and agro-dealers. IFAD investments, including through the Green Climate Fund, will target **100,000 direct beneficiaries** corresponding to a total of 500,000 indirect beneficiaries.³⁴ These will include 75,000 direct beneficiaries in Kano and Ogun states comprising 90% of farmers/producers and 10% processors, traders, and community-based service providers. In addition, the programme will support another 25, 000 small operators and smallholders that are enrolled in the IFAD-supported VCDP programme and are operating in the catchment areas of the SAPZs. The SAPZ programme will empower them to take advantage of the new market outlets created through the SAPZ.
39. Rural women and youth are core target groups for the programme, including landless male and female youth interested in adopting agriculture as a vocation. To maximize outreach, the programme will benefit one beneficiary per household. Exceptions will be made in case of youth. Following IFAD guidance on social inclusion, opportunities for participation will be created for Internally Displaced Persons (IDP) and Persons with Disabilities (PWDs) or households (HH) with PWDs.
40. **The programme effectively mainstreams gender and youth, nutrition, and climate resilience.** 50% of the direct beneficiaries will be women (of which 15% female-headed households), and 40% youth (people aged 18-29³⁵) – of which 50% will be female youth. The programme will establish specific targets for women, youth and PWDs in each area of programme interventions. Adequate budget will be dedicated to implement mainstreaming activities and the programme will recruit specialized staff at the national and state levels. M&E indicators will be disaggregated by gender, age and for PWD and IDP when relevant, to monitor effective target group participation³⁶.

³⁴ Calculated based on the assumption that a beneficiary household has 5 members.

³⁵ Federal Ministry of Youth and Sports Development, 2019. National Youth Policy Nigeria, 2019 Edition.

³⁶ For further information please refer to the Social Inclusion Strategy document produced during programme design.

- **Gender strategy.** Supporting women farmers is critical to achieving rural transformation, as they represent over 60% of Nigeria’s rural labour force, yet they face difficulties in accessing the assets that are relevant to value chain development (capital, land, natural resources, information, knowledge, and technologies). SAPZ will therefore take transformative action to help women maximize their potential in food commodities and build on achievements for rural women’s economic empowerment and leadership in decision-making bodies. Accordingly: (i) The Gender Action Learning System will be implemented, to empower beneficiaries to address underlying gender barriers limiting the progress of women and households; (ii) Support the development of women farmer groups and develop business training modules which respond to the specific needs of women farmer groups; (iii) Building on lessons learned from VCDP, policy engagement will be reinforced in SAPZ with a focus on enhancing rural finance access for women to engage in agribusiness, improving access to a more structured market, and facilitating better access to land for women; (iv) Establish a robust monitoring and evaluation system with gender-disaggregated indicators to capture SAPZ performance on gender aspects. IFAD and AfDB gender action specific interventions were designed in a coordinated manner pursuing a common objective of a gender-mainstreamed impact across components. While gender is mainstreamed across the SAPZ programme with specific targets and a transformative approach, IFAD also budgeted USD 1.88 million for targeted gender mainstreaming activities.
- **Youth strategy.** Through targeted interventions, youth will be provided with opportunities to engage in commercially oriented value chains, increase their skills base, improve their incomes and in so doing, acquire assets. Interventions include: (i) support the establishment of youth enterprises for local production and provision of improved planting materials as well as mechanization support; (ii) strengthen the employability and skills of youth using modernised tools and methods to provide them with technical, managerial and entrepreneurial skills to make them more attractive for the labour market and increase their placement opportunities; (iii) promote youth leadership in mixed and youth only FOs, as well as in CAFs; (iv) facilitate access for bankable youth businesses to green lines of credit established by IGREENFIN; (v) M&E indicators will be disaggregated by age to monitor SAPZ’s achievements on youth economic empowerment; (vi) promote local policy dialogue in relation to youth’s sustainable access /tenure to land. IFAD and AfDB youth-specific interventions were designed in a coordinated manner pursuing a common objective of a youth sensitive impact across components. IFAD funds allocated for the implementation of specific youth sensitive programming under IFAD’s responsibility come to a total of USD 1.75 million.
- **Nutrition strategy.** Given the key role played by women within the food system, women's empowerment is key to advancing dietary diversity and household food security. SAPZ will therefore implement nutrition interventions that build on the increases in incomes and empowerment of women (especially control over resources), leveraging VCDP experience. Poor households with women of reproductive age (15-49 years), especially those with pregnant and lactating women and children under five years, will be targeted with specific nutrition interventions. Nutrition focused interventions include: (i) direct programme beneficiaries will be sensitized on the importance of nutrition through their respective farmer organizations and/or mass media; (ii) at least 30% of the total direct beneficiaries will receive targeted nutrition interventions which include establishing mixed home gardens for diverse nutritious commodities, support and training on intercropping of cereals and cassava with legumes and fruit trees, and cooking demonstration with women at the FOs and processing sites³⁷. The nutrition mainstreaming strategy document developed during

³⁷The target 30% are households with women of reproductive age especially pregnant, lactating or with children under five years.

programme design provides in depth information and guidance on nutrition mainstreaming. It shows impact pathways of achieving nutrition outcomes in the programme, theory of change as well as linkages between nutrition challenges, interventions and expected outcome and impacts. IFAD funds allocated for the implementation of nutrition focused interventions under IFAD’s responsibility come to a total of USD 18.2 million.

- **Climate strategy.** Nigeria is predisposed to severe negative impacts from climate change due to its fragile economy, weak resilience, and low adaptive capacity. The SAPZ will therefore enhance the resilience of smallholder farmers to climate change and support farmers in adopting and implementing climate change adaptation and mitigation best practices and solutions. Specifically, the programme will (i) train farmers and processors on climate smart agricultural production and processing practices; (ii) identify and promote alternate sources of fuel to reduce wood-burning and pressure on forests, including the promotion of efficient wood stoves, use of rice husk briquettes and cassava peel conversion; (iii) improve risk transfer by providing insurance against fire, flood and climate related losses for all processing units and weather-index insurance for farmers; (iv) support NIMET to improve climate advisory and messaging/dissemination services with seasonal weather prediction and downscaling for farmers before the cropping season; (v) encourage FOs to own and manage simple weather reader as proven successful in VCDP; as well as (vi) leverage the IGREENFIN initiative to facilitate financing of green investments at affordable cost by target groups. IFAD funds allocated for the implementation of climate focused interventions under IFAD’s responsibility come to a total of USD16,351,000.

SAPZ targets: Mapping of IFAD-supported direct beneficiaries

Value chain operators	Total direct beneficiaries					
	Men	Of which youth	Women	Of which youth	Total	Of which youth
Producers	47,273	18,909	42,727	17,091	90,000	36,000
Processors/traders/ community-based service providers	2,727	1,091	7,273	2,909	10,000	4,000
Total	50,000	20,000	50,000	20,000	100,000	40,000
Percentage	50%	40%	50%	40%	100%	40%
Number of PWD or HH with PWD	50	TBD	50	TBD	100	TBD
Number of IDP	2,500	TBD	2,500	TBD	5,000	TBD

Note: It is estimated that IDPs will represent at least 5% of the total direct beneficiaries.

B. Implementation Approach

41. Market demand is the programme’s entry point. Farmers' production is driven by business plans to respond to market demand identified through CAFs. The CAF is a public-private-producer platform set up with IFAD support in VCDP participating states that periodically brings together producers, off-takers, and local governments in each state to discuss market demand (quality and quantity). In the CAF, farmers are encouraged to enter partnership with leading national and international agri-business companies on equal footing for the marketing of their produce. Off-takers engage with VCDP because they are attracted by the huge consumer market provided by Nigeria. Off-takers' competition over quality produce from VCDP-supported farmers explains their

readiness to guarantee fair market price and services to them. They engage in the CAF to negotiate quantities and quality standards they are looking for, their terms of engagement and competitive market prices with farmers. In the CAF, value chain stakeholders, including the local government and the programme, agree on the obligations of each party and sign an MoU and contracts to hold each other accountable. Ahead of production, farmers have secured outlets for their produce while off-takers secure a supply of produce in the quantity and quality leading to a “win-win” outcome.

42. Each SAPZ will comprise an Agricultural Industrial Hub (AIH) and a number of Agricultural Transformation Centres (ATCs). AIHs are well-defined, centrally managed tracts of land developed, subdivided, and dedicated to supporting firms and other stakeholders engaged in agro-processing and related activities located throughout the production area surrounding the hub. The ATCs are strategically located within the production area and serve as aggregation points to accumulate products from the community to supply the AIH for further value addition or send to centres of great demand for distribution and retail to consumers. Through IFAD investment, smallholder farmers will be empowered to take advantage of the additional markets created through the AIHs, generating a third and major market outlet in addition to existing local markets and leading agro-processors operating in these areas.
43. IFAD’s extended implementation period will be used to empower smallholders to take advantage of the additional markets created through the SAPZs once the AIHs are fully operational – that is at the end of the 5 years dedicated to their set up. Until the AIHs are operational, the programme will continue to support the linkage of smallholders with local markets and agro-processors operating in these areas which also face supply gaps. The SAPZ programme will continue to work with target groups to step up their capacity to take advantage of the demand generated at the local level and through the new AIH markets. As AIHs become operational, smallholders' marketing options will expand from local markets and agro-processors operating in the area to contract with investors in the AIH, based on their comparative economic advantage. Additional opportunities offered by the ATCs (for aggregation and processing, access to inputs and other services), when operational, will also be leveraged, based on their economic comparative advantage for IFAD target groups. This will depend on the structure of the selected value chains, and a participatory assessment will be conducted to enable programme beneficiaries. to make informed choices.

IMPLEMENTATION APPROACH



*A detailed description of the implementation approach can be found in Annex 1

C. Programme Components

44. To achieve its objectives, the SAPZ programme is organized around three operational components:

1. Infrastructure Development and Management for Agro-Industrial Hubs (AfDB-led);
2. Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas (IFAD-led);
3. Policy and Institutional Development Support.

Component 1: Infrastructure Development and Management for Agro-Industrial Hubs
(AfDB-led, USD 247.58 Million, 46% of programme costs)

45. Under this component, the programme’s objective is to support the FGN in developing and setting up SAPZs in high potential states. Each SAPZ will comprise an Agro Industrial Hub (AIH) and a number of Agricultural Transformation Centres (ATCs) to serve as aggregation points at community-level (more details on the ATCs are under component 2). AIHs will be set up as a well-defined, centrally managed tract of land developed, subdivided, and dedicated to supporting firms and other stakeholders engaged in agro-processing and related activities located throughout the production area surrounding the hub.
46. The AIHs will: (a) provide enabling public economic infrastructure, logistics and specialized facilities and services required for agro-industrial activities (e.g. electricity, water, internal roads, cold-chain facilities, laboratory and certification services, operations support systems, business support services, information and communication technology, waste treatment, etc.); (b) offer associated social and support infrastructure (health facilities, recreational facilities, housing facilities etc.); (c) support private sector engagement in the management and operation of AIHs and in the procurement of private sector facility managers from the onset. These AIHs will be private sector managed and will serve as a nucleus for major processing activities of the selected value chain commodities. During SAPZ-Phase I, the FGN and AfDB will support the set-up of eight AIHs, namely one in each of the seven targeted states and one in the FCT, as follows:

State/FCT	Agro Industrial hub
1. Kano	Bagauda Agro-Industrial Hub
2. Ogun	Sagamu Agro Industrial Hub
3. Oyo	Ijaiye Agro Industrial Hub
4. Kaduna	Green Agro Allied Industrial Zone (GAAIZ)
5. Kwara	Lata-Nna Grazing Reserve Special Livestock Processing
6. Cross River	Ikom Agro-Industrial Hub
7. Imo	Okigwe Special Livestock Processing Hub
8. FCT	Paiko-kore/Dobi Livestock Industrial Hub Gwagwalada Area Council

The component description is fully developed in the AfDB’s Programme Appraisal Report.

Component 2: Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas
(IFAD-led, USD 236.47 Million, 44% of programme costs)

47. Under this component, the programme will (i) support smallholder farmers and small operators increase their productivity/production and capacity to add value to raw materials on a profitable and environmentally sustainable basis; and (ii) link them to the additional market outlets offered by the AIHs, off-takers supplying the local and national market who operate in the target area, and small processors/traders supplying the local markets, including primary processors operating in the ATCs and (iii) enhance the resilience and adaptive capacity of smallholder farmers to climate change. To this end, activities will be organized around three sub-components: (i) agricultural market linkages and value addition; (ii) smallholder productivity/production enhancement; and (ii) access to finance and financial inclusion including green finance to address the impact of climate change. Using the implementation approach described above, IFAD will support target groups in Ogun and Kano while AfDB and state

governments will do so in FCT, Kaduna, Ogun, Oyo, Kwara, Imo and Cross River, and IsDB will target Kwara, Kano and FCT.

48. Under component 2, AfDB and IsDB will also establish a number of Agricultural Transformation Centres (ATCs), strategically located within the production area of the AIHs to serve as aggregation points at community-level to supply the AIHs or local purchase for distribution and retail to consumers. The ATCs will also be private sector managed and aim at serving as an intermediate link between AIH and local producers for consolidation and processing for onward supply to AIHs. They will also house production support services like quality inputs, extension services, mechanization services, financial services, veterinary services etc.

Sub-component 2.1: Agricultural market linkages and value addition

49. SAPZ aims to improve the access of smallholder farmers, small-scale agro-processors and traders to markets, leveraging the significant opportunities offered by the SAPZs and local markets. Expected outcomes: (i) increased access to markets of targeted smallholders, small-scale processors, aggregators, and service providers, and (ii) climate resilient infrastructure for access to markets sustainably managed by the beneficiary communities. Key activities include:
- a. **Identification of value chain actors and market opportunities for smallholder farmers** at start up in each state.
 - b. **Support the institutionalization of CAFs in participating states/LGAs** through (i) trainings for value chain action planning; (ii) facilitation of business transactions between FOs and other value chain stakeholders, including processors/off-takers in AIH and SAPZ catchment area; (iii) adoption of a market information system and capacity training to CAFs for its ownership; (iv) business development support to processors/off-takers to expand services to target groups on a cost sharing basis.
 - c. **Enhancement of value addition** through support for improved post-harvest technologies and adoption of quality norms, standards, grading and packaging of processed agricultural products under changing weather patterns. The programme will also provide financial support to producer FOs and small-scale processors, through a matching grant scheme (sub-component 2.3) for acquisition of post-harvest and processing equipment.
 - d. **Climate resilient value chain infrastructure** for better access to markets including:
 - 300km of *climate resilient feeder roads* (average 12.5km per LGA with maximum length of 7km per road) to link production areas with the nearest processing/aggregation facility or market.
 - 144 *culverts* (average 6 per LGA) and 72 *small bridges* in target LGAs for smooth passage of production to market and processing facilities.
 - 1 private-based *small scale climate resilient processing facility* in each LGA to provide initial processing platforms close to the production base (a total of 24 facilities). The entrepreneurs will be supported by a matching grant. Women and youth FOs will be specifically targeted to own the business premises.
 - 120 *FOs' commodity stores/village bulking centres* meeting climate and environmental standards as local aggregation centres for off-take (5 per LGA). FOs will charge a user fee to establish a maintenance fund for sustainability.
 - 48 *local markets (two in each LGA)*. Youth will be supported in the purchase of durable *engine-run tricycles* equipped with trailers to move produce from the farms to the market.
 - 72 *solar powered boreholes* (one for each processing facility and climate resilient market) to ensure that supported facilities have access to adequate supply of safe

water. The boreholes will be owned by FOs that will also levy a user fee for maintenance and sustainability.

50. The local communities/FOs and entrepreneurs using the facilities will be responsible for their operations and maintenance (O&M). From the onset, the programme will facilitate the formation of a user's organization for each of the facilities which will assume responsibility for the O&M. For the feeder roads, the programme will also sign an MOU with the concerned state for maintenance beyond the capacity of the LGAs. Management will be aligned to the National Transport Policy, which plans maintenance of rural roads in all LGAs and communities through the Road Maintenance Committees (RMCs). The programme will ensure that MoUs are signed by relevant parties including community and FO representatives before execution of work.

Sub-component 2.2- Smallholder production/productivity enhancement

51. The sub-component objective is to enhance smallholder farmer productivity on a profitable and environmentally sustainable basis to take advantage of the additional market demand created in the SAPZs. Expected outcomes: (i) FOs effectively serve their members and (ii) production and productivity of the smallholder farmers in the programme areas increases to provide marketable surpluses. Activities include:

- a. **Capacity-building of FOs.** IFAD will support 3,288 FOs in Kano and Ogun states, which is an average of 137 FOs per LGA and support the establishment of Apex Value Chain Groups at cluster level. 90% of FOs will be of primary producers while the remaining 10% will be of processors/traders/service providers. The programme will contract service providers to identify capacity gaps of FOs and tailor training for effective business plans, including green business plans. Specific attention will be given to enhance women's business management skills. Service providers will be required to ensure at least 40% women staff for the training of women, considering time and venue, and child-care spaces for nursing mothers. At least 40% women participants in all training programmes will be encouraged. Formation of at least 40% women only FOs will be ensured. In other FOs, appointment of at least 40% women in management positions will be encouraged. The GALS methodology will be used to support vision development and planning. Nutrition awareness will be part of FO training.
- b. **Support smallholder climate resilient production.** The VCAP will guide activities for FOs' improved climate resilient production and productivity and will include:
 - *Assessment of supply chains* for quality and timely availability of climate resilient planting materials and inputs.
 - *Access to improved production inputs and equipment* through the matching grant scheme. Building on the VCDP model, six youth per LGA (total 144), including at least 40% women, will be trained and supported to become producers of quality certified planting materials for sale in target LGAs and beyond.
 - *Access to mechanization* facilitated through three windows: (i) linkages with FMARD's Green Imperatives Programme (GIP) whereby 636 mechanised Agriculture Service Centres are being established, one in each LGA; (ii) promoting youth engagement in service provision for farmers, and (iii) Promoting labour saving technologies specifically for women.
 - *Irrigation and water control* through the development of and rehabilitation of old irrigation facilities for 3,000 ha of land to facilitate year-round production. 50% of beneficiaries will be women. The programme will promote the provision of solar-powered boreholes and tube wells subject to feasibility and availability of reliable underground water source. An upfront agreement with FOs on the establishment of a sustainable O&M regime will be required prior to investment.

- *Climate resilience* through the rehabilitation /construction of small earthen dams for flood and erosion control and irrigation water for dry season farming. The programme will also support the Nigerian Meteorological Agency to expand data collection infrastructure for climate services in Kano and Ogun with at least one Automatic Weather Station for each LGA.
- *Sustainable land development for youth and women* working with state governments and LGAs to provide 1.5 ha of land per women and youth who do not have access to land on ownership or long-term lease basis. The programme will support them with the development of 2,700 ha of land including clearing, levelling, flood protection and irrigation.

52. To maximise the use of these investments, the programme will contract private/public service providers to train target groups on good agronomic practices (GAP) that withstand climate impacts, using a mix of training, demonstration, and Farmers Field School approaches. This will include the expansion of digital extension services to target groups through the IFAD's partnership with the Precision Agriculture for Development (PAD) in Nigeria. Training will cover issues such as the use of early maturing, flood drought resistant and insect/disease tolerant varieties; use of bio-fortified varieties for cassava and rice (once available) to increase nutritious foods in the households and markets; intercropping techniques; utilization of crop residues and by-products for the improvement of impoverished soils; the utilization of weather predicting gadgets for smart crop planting, harvesting and post-harvest handling decisions; flood and erosion control activities. The programme will carry out periodic environmental audits of processing facilities. The activities will be financed through a combination of matching grants and loan funding from GCF-IGREENFIN as described in sub-component 3.

Sub-component 2.3 – Access to finance and financial inclusion

53. The sub-component objective is to facilitate access to appropriate and affordably priced resources to smallholder farmer groups, small-scale processors and other beneficiary enterprises supported by the programme. Expected outcome: (i) smallholder farmer groups, processors, traders, and community-based service providers access adapted and affordable formal financial services to sustain their agri-enterprises, including for green investments. The total costs foreseen for the activities proposed in the Financial Inclusion Framework amount to a total of USD 73.230 million (IGREENFINII USD 60 million and Matching Grant Fund USD 13,230).
54. Beneficiaries of the financial services will be the eligible members of FOs supported by the programme. The FOs will play a key role in facilitating access to finance of their members from the financial service providers (aggregation of the demand, monitoring of the use of the loans, group guarantee, etc.). FOs may also benefit from loans to finance services to their members as per their business plans. The SAPZ will adopt a gradual approach for improving beneficiaries' access to finance and financial inclusion based on the maturity of FOs.
55. For green loans, the GCF Loan Operational Manual (OM) presents a description of project's components, activities, procedures, mechanisms and monitoring and evaluation instruments that will be applied for the execution and management of green loans, as well as the scope of their implementation. The OM also describes main actors involved in the project implementation and modalities of collaboration between them, while addressing financial and operational matters. The OM serves as a mandatory operating regulation for all officials, managers, technicians, and consultants, affected to fulfil the objectives of the green finance sub-component and all requirements set by the GCF. The operations manual is developed and approved by the GCF in addition to the IFAD Programme Implementation Manual.

- a. Facilitate access to matching grants for value chain input financing:** Building on the VCDP model, the programme will leverage the matching grant approach to facilitate access

to inputs for the smallholder farmers through formal linkages with off-takers. The matching grant subsidizes inputs for participating farmers: Farmers make an upfront counterpart contribution of the costs of production inputs (certified seeds, fertilizers, and herbicides), while the remaining part is covered by the IFAD Grant. The SAPZ grant scheme foresees 30% counterpart contribution by male farmers in year 1 and 70% in year 2; 20% counterpart contribution by female farmers in year 1 and 60% in year 2. The programme will facilitate the linkage of the off-takers with PFIs if need be to procure the inputs. Small farming equipment will also be considered for women and youth with a one-time matching grant contribution of 30%. The SAPZ grant scheme will be managed by the FPCU.

- b. Provide access to credit lines for green agricultural investments:** For more mature producer FOs, the programme will support access to credit lines for green agricultural investments, leveraging concessional resources provided by the IGREENFINII initiative. IGREENFINII will support (i) mitigation activities to reduce/mitigate GHG emissions and (ii) adaptation activities to strengthen climate resilience and improve adaptive capacity of programme beneficiaries in SAPZ. Business plans including green investments will be financed through tripartite agreements: 10% from the beneficiaries (savings), 50% contribution from the programme provided at 0% interest rate³⁸ and 40% from PFI resources. Green Investment criteria are set in the GCF IGREENFIN Operational Manual to ensure that business plans financed by the banks meet IGREENFIN requirements. The tripartite agreement will also be extended to other programme target groups (small processors / traders and service providers), that will be supported with matching grant of 70% of the initial investment costs to facilitate their linkage with the financial institutions³⁹. The IGREENFINII Technical Assistance Fund will be mobilized to support the beneficiaries in business plan preparation. This approach will reduce the lending risk and allow crowding in of private financial sector resources while enabling access to affordable finance for the target groups with below regular market-price financing.
- c. Build capacities of financial institutions:** To ensure the provision of appropriate financial services to programme target groups through PFIs, the programme will engage with them on a demand basis to strengthen their capacities, increase their understanding of agriculture, need for finance, develop adapted products and procedures, and upgrade their credit risk management skills. The IGREENFINII Technical Assistance Fund will be mobilized for this purpose.
- d. Financial literacy training of target groups:** The programme will provide financial literacy training to the programme target groups for a better understanding of financial concepts and services, including savings mobilization, and to empower them to make the right decisions on business and household budget management, climate risks and impact on investments and mitigation techniques. They will be encouraged to save and trained on savings practices to reduce borrowing needs and lower financial costs. Specific savings strategies will be designed for women and youth.

COMPONENT 3. Policy and Institutional Development Support (*USD 8.83 Million, 2% of programme costs*)

56. Under this component, the programme will (i) support the development of enabling policies and regulatory frameworks for Agro-Industrial Zones, (ii) facilitate local policy dialogue for conducive and inclusive market linkages, (iii) strengthen quality control, grading and standardization systems, (iv) Establish and strengthen conflict management mechanisms. While

³⁸ The rate will be 1% for solar-powered devices.

³⁹Regarding access to farming equipment for FOs engaged in the provision of services to others, the matching grant contribution will be reduced to 20% for women, as a specific support measure.

AfDB interventions will focus on all targeted states, IFAD-led interventions will focus on Ogun and Kano states⁴⁰.

a. Enabling policies and regulatory framework for Agro-Industrial Zones (AfDB-led):

The programme through AfDB will support: a) Develop/strengthen policy, legislation and regulation for SAPZ in Nigeria; b) Enabling business environment and incentives to support private sector investments in the AIHs; c) Investment promotion, branding and marketing of the agro industrial zones; d) Policy and regulatory reform to improve smallholder farmers, women and youth access to land, finance and quality technical and material inputs; and e) Technical assistance and capacity building for staff of relevant public institutions. Specific and targeted policies, laws, rules, and regulations to address inefficiencies and market failures in agricultural value chains will be supported under this component.

b. Facilitate local policy dialogue for conducive and inclusive market linkages (IFAD-led):

IFAD will specifically focus its support to the setup/ institutionalization of the CAF contributing to an enabling local policy and investment environment that ensures that IFAD's target group, can benefit from the opportunities created by the SAPZ. Policy dialogue at CAF level will aim to bring out key policy and regulatory issues affecting the activities and businesses of the direct beneficiaries of IFAD investments. This may involve specific studies. CAF and its members will be capacitated in advocacy for an improved business environment for IFAD target groups. Building on the policy dialogue facilitated through the CAFs, IFAD will develop with FMARD a policy guidance note for SAPZ to provide an environment conducive of market linkages with off-takers, creating opportunities for vulnerable smallholders and small VC actors to increase incomes and employment.

Further, under IGREENFIN, the programme will promote policy dialogue and advocacy to support the creation of an adequate policy framework for green agriculture projects and increase commercially bankable projects. This will include technical assistance to the Central Bank on designing and/ or reviewing policies and regulations, climate risk management practices (standards) at the programme level, development and harmonization of green lending products, instruments, and tools such as ESG benchmarks, strategic studies and knowledge on green finance within the financial system and climate allocation by both private sector and government, as well as mechanisms for sharing best practices.

c. Strengthen quality control, grading and standardization systems:

The programme will support the establishment of quality control, grading and standardization systems which are a precondition for credible and transparent markets, and smallholders' participation in them. VCDP provided Agriculture Development Programmes (ADPs) with Small Seed Testing Laboratories, working with the National Agricultural Seed Council (NASC) which has the national mandate for quality assurance. One such testing lab has been set up in Ogun. A similar lab will be established in Kano State for testing of seeds for the selected commodities, after assessing the existing state-level systems for regulating agricultural commodity quality, grades, and standards, in order to understand weaknesses and constraints and to address key issues. It will also facilitate collaboration among relevant state and local regulatory authorities with statutory roles and responsibilities in establishing and enforcing agricultural commodity quality norms, grades, and standards.

d. Establish and strengthen conflict management mechanisms:

The programme will support mechanisms to compensate farmers and processing centres for conflict related damages. The programme will develop an action plan to support conflict resolution in the participating LGAs, which will be validated by the CAF. The action plan will be based on lessons learned from VCDP – such as the need to explore the option of supporting NAIC to

⁴⁰IsDB is currently undergoing its design, which will inform their areas of focus with regards to policy engagement.

develop insurance products or for states to allocate a specific budget to offset losses arising from conflict– and on best practices in the field of violence prevention in Nigeria such as: i) community-level conflict management and resolution, and ii) the use of Information, Communication, and Technology (ICT). CAF will be supported to provide dedicated services to members in conflict mitigation measures especially as it affects farmers/herders.

COMPONENT 4: Programme Coordination and Management (USD 48.31 Million, 9% of programme costs)

57. While AfDB is responsible for the overall design and implementation of the SAPZ programme, the programme will operate under common implementation arrangements on a cost-share basis (see details under section 4: Implementation arrangements).

Component roles and responsibilities overview

58. The following overview of the components outlines the roles and responsibilities of the different co-financiers across targeted states:

Component	Intervention	Co-financier	States
Component 1	Setting up of Agricultural Industrial Hubs (AIHs)	AfDB	Ogun, Oyo, Kaduna, Cross River, and Imo
		IsDB	Kwara, Kano and FCT
Component 2	Strengthen agricultural productivity and market linkages for smallholders	IFAD	Kano, Ogun
		AfDB	Oyo, Kaduna, Cross River, and Imo
		IsDB	Kwara and FCT
	Development of Agricultural Transformation Centres (ATC) facilities	AfDB	Ogun, Oyo, Kaduna, Cross River, and Imo
		IsDB	Kwara, Kano and FCT
Component 3	Facilitate local policy dialogue for market linkages	IFAD	Kano and Ogun
	Enabling policies and regulatory framework for Agro-Industrial Zones	AfDB	Ogun, Oyo, Kaduna, Cross River, and Imo
		IsDB	Kwara, Kano and FCT
Component 4	Programme coordination and management	IFAD	Kano and Ogun
		AfDB	Ogun, Oyo, Kaduna, Cross River and Imo
		IsDB	Kwara, Kano and FCT

D. Theory of Change

59. **Development challenge:** Within its agricultural transformation strategy, the Government of Nigeria is tackling two interrelated challenges:

- *Meet domestic food requirements* by stepping up local sourcing to reduce its food import bill. To feed its population of 200 million people, the largest population in Africa, Nigeria has reached a critical level of food imports, spending over USD 6billion a year on

agricultural imports⁴¹. With competing needs on the national budget, this situation threatens national food and nutrition security. Over 70% of Nigeria's population cannot afford a nutrient-adequate diet.

- *Modernize its farming model to meet domestic food requirements and reduce poverty levels in rural areas while addressing the impact of climate change on farming systems.* Nigeria is home to the largest number of poor in the world – with over 50% of the poor living in rural areas. More than 70% of them are poor smallholders, operating at subsistence level with limited ability to cope with shocks. The majority are women. Climate risks and weather-related factors have increasingly negative impacts on agricultural production.

60. The Government's strategy is to turn the country's huge food deficit into a market and employment opportunity for smallholders and small operators. At the core of Nigeria's strategy is the development of *Special Agro-Industrial Processing Zones* to establish a modern in-country agro-processing capacity to supply the domestic market, promoting green investments, climate resilient agricultural production systems, and providing profitable market outlets to rural households. In addition to creating the right investment and policy frameworks for SAPZs, the Government's challenge is to capacitate the millions of Nigerian rural smallholders and operators, youth and women living below the poverty line to take advantage of the SAPZ market outlets. For this, they must be empowered to overcome key challenges of marketing capacity, poor yields in quality and quantity, vulnerability to climate change and climate variability, limited value addition and significant deficits in support systems such as infrastructure, access to productivity-enhancing inputs, financial backing including climate finance, commercial orientation, and effective policies.

61. **Pathways to food security, sustainable wealth creation and resilience.** The SAPZ's programme leverages the results of the IFAD-supported Value Chain Development Programme that has demonstrated the feasibility to capacitate Nigerian smallholders to enter profitable contract farming with leading national and international agri-business companies on a "win-win" basis. These firms are attracted by the huge consumer market provided by Nigeria. However, they face a supply gap with farmers unable to meet the quantity and quality of produce they need. In partnership with AfDB and IsDB, the Government will set up SAPZs in high potential areas. Ongoing operations have shown that competition over quality produce in Nigeria offers a unique income generation and employment opportunity to IFAD-target groups. To ensure that vulnerable rural households can benefit from these new market outlets, the Government and IFAD will support the linking of smallholders/small operators to the SAPZ commercialized system, with a specific focus on women and youth. The SAPZ programme will mainstream in participating states the successful IFAD-supported CAFs that brings together value chain stakeholders in high production areas, namely producers, small operators, off-takers and local government and programme representatives to agree on supply and demand (quantity and quality), competitive prices, terms of engagement, local services, investments, and policies required to meet commitments. The partnership with the GCF will provide an opportunity to further the resilience of rural communities through climate-smart farming operations and infrastructures, as well as green financing. The pathway for youth and women's empowerment will focus on addressing underlying barriers limiting the engagement of rural women and youth in agribusinesses and commercially oriented value chains. To this end, SAPZ will support the development of women/youth farmer groups, develop tailored business training modules, promote women/youth leadership in FOs and CAFs, strengthen local policy engagement with a focus on facilitating better access to finance, land, and market. Finally, the design of the programme prioritizes nutrition sensitive value chains and awareness activities aimed at dietary diversity, quality, and safety, while also strengthening local processing, value addition, and home gardens for year-round availability and affordability of nutritious food in

⁴¹CBN and National Bureau of Statistics, Annual Report, 2013

targeted areas. SAPZ's exit strategy is inbuilt in its market-driven and resilience building approach that focuses on profitable climate resilient value chains, capacitation and knowledge transfer, time-bound support, improved access to services, climate resilient infrastructure development and the institutionalization of lasting value chain mechanisms, which ensure the sustainability of results and outcomes beyond programme completion.

62. **Activities.** To reach expected outcomes, the SAPZ programme is organized around three clusters of activities corresponding to the programme's components. (i) infrastructure Development and Management for AIH and ATCs; (ii) support for Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas including partnership with financial institutions for green credit lines (IGREENFIN) to support the adoption of climate resilient and low emission agriculture; and (iii) policy and Institutional Development for enabling policies and regulatory framework for SAPZ, as well as smallholders and small operators. Gender, youth, climate and environment as well as nutrition are mainstreamed across programme activities through dedicated approaches and resources.
63. **Expected outcomes.** While boosting public and private investments in agriculture, including through green finance, and providing profitable market ventures for private operators, SAPZs will also contribute to enhancing national food security and nutritional status, adding value to agricultural commodities, and improving rural livelihoods, specifically for women and youth. The programme's investments envisage the following key outcomes: (a) Remunerative and sustainable markets and employment for target groups; (b) Demand-driven and climate resilient infrastructure, (c) FOs that effectively serve their members; (d) Increase in smallholders' production and productivity; (e) Improvements in the diets of targeted population; (f) Access of target groups to formal financial services, including for green investments; (g) Enabling policies and regulatory framework for SAPZ; (h) Conducive policies and regulations for agribusiness development.

E. Alignment, ownership, and partnerships

64. **Alignment with the Sustainable Development Goals (SDGs).** The programme contributes to the achievement of SDG1 (no poverty) and SDG2 (zero hunger). It also contributes to the empowerment of women and gender equality (SDG5); to the promotion of sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all (SDG8), the building of resilient infrastructure, the promotion of sustainable industrialization and innovation (SDG9), as well as sustainable production (SDG12), and the adaptation to climate change (SDG13). It is designed to leverage partnerships with the private sector to enhance access to productivity services by smallholder farmers (SDG17).
65. **Alignment with the priorities of the UN Country Team in Nigeria.** The programme is aligned to the UN Sustainable Development Partnership Framework (2018-2022) for Nigeria, particularly, Area 3 which focuses on Sustainable and Inclusive Growth and Development, Outcome 7 ("Diversified Economic Growth") and Outcome 9 ("Environmental Sustainability and Food Security").
66. **Alignment with national priorities.** SAPZ directly supports the Government's National Industrial Revolution Plan, Economic Recovery and Growth Plan (ERGP), the Medium-Term National Development Plan (MTNDP) 2021-2025, FMARD's Green Imperatives Programme (GIP) and the National Agricultural Technology and Innovation Plan (NATIP) 2021-2024. SAPZ is in line with the Government's plans and strategies to promote food security, import substitution, job creation – especially for the youth – and economic diversification, as well as empowering women and promoting gender equality in agriculture. Climate and environmental mainstreaming activities are consistent with Nigeria's aspirations to achieve the 40% GHG emission reduction targets of the Nationally Determined Contributions (NDC). Nutrition sensitive activities are in line with the national Food Security and Nutrition Strategy (2016-

2025), which advocates improved nutrition education and behaviour change communication, improved food safety and diversified food production.

- 67. Alignment with IFAD policies and corporate priorities.** The programme is directly aligned to IFAD's strategic objectives to: (SO1) Increase poor rural people's productive capacities; (SO2) Increase poor rural people's benefits from market participation; and (SO3) Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. SAPZ is also in line with the Nigeria COSOP and its goal to support a rural economy in which the targeted population can derive prosperity and equal benefit from economic growth, in particular the youth. It contributes directly to the COSOP's strategic objectives. The SAPZ also builds on the following IFAD corporate policies and strategies; (i) Private Sector Engagement Strategy (2019); (ii) Rural Enterprises Policy (2004); (iii) Targeting Policy (2008) and Revised Operational Guidelines on Targeting (2019); (iv) Gender and Women's Empowerment Policy (2015); (v) Environmental and Social Assessment Procedures (2017); Rural Finance Policy (2009); (vi) Mainstreaming Nutrition in IFAD Action Plan (2019-2025); (vii) Mainstreaming Gender mainstreaming Approaches Action Plan (2019-2025); (viii) Rural Youth Action Plan (2019-2021); (ix) Private Sector Development and Partnership Strategy (2012); and (ix) Operational Guidelines on IFAD's Engagement in Pro-Poor Value Chain Development (2020).
- 68. Harmonization and partnerships.** The programme is designed to foster close complementarity between AfDB-funded Agro-Industrial hubs and ATCs and IFAD-funded small-holder agriculture production and processing. Shared Steering Committees at federal and state levels will ensure close synergy and sequencing of interventions for high impact. The SAPZ approach and activities are also designed to foster partnerships with public sector agencies, private sector industry and service providers, civil society organizations, development partners, academic and research organizations. It also seeks to create synergies with other programmes that pursue a business-oriented agriculture and aim at agricultural transformation through a value chain approach, including the World Bank-assisted FADAMA programme, the AfDB-assisted Agricultural Transformation Agenda Support Programme (ATAPs), GIZ AgFin programme, and GCF-IFAD IGREENFIN II.
- 69.** IFAD-investments in SAPZ will also leverage partnerships fostered by VCDP between producers and private off-takers including with Olam, Onyx, Popular Rice Ltd, etc., with the International Fertilizer Development Centre, NASC, the National Agency for Food and Drug Administration and Control (NAFDAC), the Standards Organization of Nigeria (SON), NAIC, CBN, NIRSAL, the Agricultural Development Project (ADP), Africa Rice / IITA, the National Cereals Research Institute, the National Root and Crop Research Institute, and the Nigerian Meteorological Agency (NIMET). A particular area of focus will be to foster and formalize partnerships with financial institutions to facilitate smallholders' access to credit, leveraging funding available through GCF funded IGREENFIN and CBN / NIRSAL de-risking schemes.

F. Costs, benefits, and financing

a) Costs

- 70.** The SAPZ total programme costs have been estimated at approximately USD 541 million over a period of seven (7) years of implementation (2022-2028). Of this total amount:
- AfDB financing is projected to finance 29.6% of programme costs, amounting to USD 160 Million as well as USD 50 Million through the Africa Growing Together Fund (AGTF), corresponding to 9.2% of the total programme costs.
 - IFAD will co-finance 160(29.5%) million. Out of this total financing from IFAD, USD 37.47 million (23.4%) will come from the balance of the Nigeria -IFAD11 PBAS allocation and USD 12.5 Million (7.8%) from the partial loan cancelation from the Nigeria-Climate Change

Adaptation and Agribusiness Support Programme (IFAD9 PBAS allocation). IFAD financing is scheduled over two PBAS cycles. There’s also a financing gap amounting to USD 50.03 million (31.3%). USD 60 million (37.5%) will be mobilized through the Green Climate Fund IGREENFIN programme.

- Co-financing from IsDB is projected at 27.7% of the total programme costs, amounting to USD 150 Million.
- In line with current practice and requirements, domestic co-financing constitutes 4% of the total programme costs. This includes the Federal Government of Nigeria contribution of USD 85 thousand (0.4%), which will be in the form of duties and tax reimbursements, as well as contributions through the participating states of USD 18.23 Million (3%), and beneficiary contribution of USD 2.89 Million (0.6%).

71. IGREENFIN is one of the GCF top flagship programmes and the IGREENFIN II design process is well underway. The GCF Board approved IGREENFIN's Concept Note (CN) in November 2020. The Regional Programme Preparation Facility was also approved for USD 1.3 million in January 2021. The first set of IGREENFIN countries (Senegal, Mali, Burkina, Côte d’Ivoire, and Ghana) started their design and are at the third stage of review with the final reports scheduled for submission to GCF Board in March 2022. The design for the second set of IGREENFIN countries – which includes Nigeria – has started and will be delivered to the GCF Board in June 2022.

72. Co-financing of SAPZ- phase I by donor and geographic targeting is as follows:

Organization/donor	Funding	States
AfDB	USD 160 Million	Cross River
AGTF <i>(Trust fund managed by AfDB)</i>	USD 50 Million	Federal Capital Territory Imo Kaduna Kano Kwara Ogun Oyo
IFAD <i>(Including funding US 60 M mobilized through GCF and a financing gap)</i>	USD 160 Million	Kano Ogun
IsDB	USD 150 Million	Federal Capital Territory Kano Kwara
FGN & States	18.32 Million	All targeted states
Beneficiary contribution	2.89 Million	All targeted states
Total	USD 541 Million	

73. Component 1 (Infrastructure Development and Management for Agro-Industrial Hubs) accounts for 46% of the total baseline costs equivalent to USD 247.58 Million, and this is due to the heavy infrastructures to be established. Component 2 (Agricultural Productivity and Production) accounts for 44% of the total baseline costs amounting to USD 236.47 Million. Component 3 (Policy & Institutional Development Support) accounts for 2% of the total baseline costs equivalent to USD 8.83 Million, and Component 4 (Programme Coordination and Management) accounts for 9% of the total programme baseline costs amounting to USD 48.31 Million.

Federal Government of Nigeria
Special Agro-Industrial Processing Zones (SAPZ)
Programme Design Report

NIGERIA
SPECIAL AGRO-INDUSTRIAL PROCESSING ZONES PROGRAMME
Components by Financiers

	(USD '000)																									
	ADB		IsDB		IFAD 11				IFAD 12 (Financing Gap)				AGTF		FGN		Beneficiary Contribution		Member States		GREENFIN		Total		Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.			
A. INFRASTRUCTURE DEVELOPMENT AND MANAGEMENT FOR AGRO-INDUSTRIAL HUBS	100,895	40.8	91,058	36.8	-	-	-	-	-	37,990	15.3	0	-	-	-	17,645.8	7%	-	-	247,589	45.7	157,996	89,592	0		
B. AGRICULTURAL PRODUCTIVITY, PRODUCTION, MARKET LINKAGES AND VALUE ADDITION IN SAPZ CATCHMENT																										
Agricultural market linkages and value addition	3,069	7.6	30,637	75.6	-	-	-	-	-	6,827	16.8	0	-	-	-	-	-	-	-	40,534	7.5	27,941	12,593	0		
Smallholder Production/Productivity Enhancement	20,646	15.2	12,536	9.2	47,873	35.2	48,541	35.7	3,457	2.5	84	-	2,891	2.1	-	-	-	-	-	135,944	25.1	37,343	98,601	84		
Access to finance and financial inclusion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000	100.0	60,000	11.1	2,566	57,434	-	
Subtotal	23,715	10.0	43,173	18.3	47,873	20.2	48,541	20.5	10,284	4.3	84	-	2,891	1.2	-	-	-	60,000	25.4	236,478	43.7	67,850	168,627	84		
C. POLICY & INSTITUTIONAL DEVELOPMENT SUPPORT	6,029	68.3	1,111	12.6	409	4.6	690	7.8	-	-	0	-	-	-	593.3	7%	-	-	8,832	1.6	4,693	4,139	0			
D. PROJECT COORDINATION AND MANAGEMENT	29,361	60.8	14,658	30.3	1,689	3.5	799	1.7	1,725	3.6	0	0.2	-	-	-	-	-	-	48,316	8.9	5,499	42,816	0			
Total PROJECT COSTS	160,000	29.6	150,000	27.7	49,970	9.2	50,030	9.2	50,000	9.2	84	-	2,891	0.5	18,239.1	3%	60,000	11.1	541,214	100.0	236,039	305,175	84			

Table 2: Programme Costs Summary by Component/ Expenditure Account (USD Million)

NIGERIA
SPECIAL AGRO-INDUSTRIAL PROCESSING ZONES PROGRAMME
Expenditure Accounts by Components - Totals Including Contingencies
(USD Million)

B. AGRICULTURAL PRODUCTIVITY, PRODUCTION, MARKET LINKAGES AND VALUE ADDITION IN SAPZ CATCHMENT AREAS

	INFRASTRUCTURE DEVELOPMENT AND MANAGEMENT FOR AGRO-INDUSTRIAL HUBS	Agricultural market linkages and value addition	Smallholder Production/Productivity Enhancement	Access to finance and financial inclusion	POLICY & INSTITUTIONAL DEVELOPMENT SUPPORT	PROJECT COORDINATION AND MANAGEMENT	Total
I. Investment Costs							
A. CIVIL WORKS							
Constructions and Rehabilitations	215.62	34.25	50.62	-	-	-	300.50
B. SERVICES							
Training	-	-	20.79	0.90	0.42	0.03	22.14
Technical Assistance	-	-	17.26	0.74	7.31	0.27	25.58
Studies	-	-	3.41	-	0.70	3.44	7.55
Contractual Services	18.40	0.97	0.54	-	-	-	19.91
Audit	-	-	-	-	1.48	-	1.48
Goods, Services & Inputs	-	-	11.66	57.79	-	-	69.45
Grants and Subsidies	-	-	16.12	-	-	-	16.12
Subtotal	18.40	0.97	69.78	59.42	8.43	5.21	162.22
C. GOODS							
Equipments and Materials	11.95	5.13	15.54	-	-	2.36	34.98
Furniture	1.62	0.18	-	-	-	-	1.80
Vehicle	-	-	-	-	-	1.50	1.50
Subtotal	13.56	5.31	15.54	-	-	3.85	38.27
Total Investment Costs	247.59	40.53	135.94	59.42	8.43	9.07	500.99
II. Recurrent Costs							
A. PERSONNEL							
B. GENERAL OPERATING COST	-	-	-	-	0.40	19.53	19.93
C. OPERATION & MAINTENANCE	-	-	-	-	-	13.89	13.89
D. Salaries and Allowances	-	-	-	0.58	-	3.14	3.14
Total Recurrent Costs	-	-	-	0.58	0.40	39.25	40.27
Total PROJECT COSTS	247.59	40.53	135.94	60.00	8.83	48.32	541.21
Taxes	-	-	0.08	-	-	-	0.08
Foreign Exchange	158.00	27.94	37.34	2.57	4.69	5.50	236.04

b) Programme financing/co-financing strategy and plan

74. African Development Bank (AfDB) financing is projected to finance 29.6% amounting to USD 160 Million. Counterpart for AfDB; Africa Growing Together Fund (AGTF) is covering 9.2% of the total programme costs amounting to USD 50 Million. IFAD will co-finance USD 160 (29.5%) million. Out of this total financing from IFAD, USD 37.47 million (23.4%) will come from the remaining IFAD11 PBAS allocation and USD 12.5 Million (7.8) from cancelled funds from the Climate Change Adaptation and Agribusiness support programme (IFAD9 PBAS allocation). IFAD has a financing gap amounting to USD 50.03 million (31.3%) which may be sourced through subsequent performance-based allocation system cycles (under financing terms to be determined and subject to applicable procedures) or by co-financing arrangements to be identified during implementation. USD 60 million (37.5%) will come from the Green Climate Fund IGREENFIN; the IGREENFIN Umbrella Programme is being developed by IFAD and this will account for adaptation and mitigation finance. Co-financing from IsDB is projected at 27.7% of the total programme costs amounting to USD 150 Million. Domestic co-financing constitutes 4% of the total programme costs. This includes the Federal Government of Nigeria contribution of USD 85 thousand (0.4%) which will be exclusively in the form of duties and tax reimbursements, Beneficiary contribution of USD 2.89 Million (0.6%) and Member states contribution of USD 18.23 Million (3%).

Table 3. Financing Plan (USD '000)

NIGERIA
SPECIAL AGRO-INDUSTRIAL PROCESSING ZONES PROGRAMME
Financing Plan

	(USD '000)			
	Foreign	Local	Total	Percent
ADB	92,135	67,865	160,000	29.6
IsDB	93,311	56,689	150,000	27.7
IFAD 11	10,672	39,298	49,970	9.2
Financing Gap	2,689	47,340	50,030	9.2
AGTF	32,936	17,064	50,000	9.2
FGN	-0	84	84	-
Beneficiary Contribution	1,729	1,162	2,891	0.5
OGUN STATE GOVT	-	3,587	3,587	0.7
OYO STATE GOVT	-	5,702	5,702	1.1
KANO STATE GOVT	-	1,766	1,766	0.3
FCT GOVT	-	5,190	5,190	1.0
KADUNA STATE GOVT	-	74	74	-
KWARA STATE GOVT	-	74	74	-
CROSS RIVER STATE GOVT	-	1,771	1,771	0.3
IMO STATE GOVT	-	74	74	-
IGREENFIN	2,566	57,434	60,000	11.1
Total	236,039	305,175	541,214	100.0

models include on-farm production and poultry. It is understood that there will be more benefits arising from: (i) efficiency gains in the financial system that will lower operational costs and sustainability of financial services supply, (ii) incremental taxation revenues to the Government; and (iii) job creation.

78. Table 1 below shows that IFAD will be financing 300km of climate resilient rural access roads and repairing important infrastructure breakdown such as small bridges to enable the target beneficiaries to access both input and output markets. These efficiency gains have been factored into the EFA analysis.

79. Out of the total programme costs, co-financing from IFAD and IGREENFIN amounting to USD 160 million has been used to compute programme costs per beneficiary. The cost per beneficiary has been estimated at USD 320.

80. **Financial viability:** The financial viability assessment has been based on the models presented in Table 2.

81. **Economic viability.** The results of the economic analysis justify the SAPZ investments. The analysis shows that the SAPZ programme has the capacity to generate an economic internal rate of return (EIRR) of 23 percent. The estimated economic net present value (ENPV) at a 12 per cent discount rate is USD 47million equivalent to Naira 19.5 Billion over a 7-year period of implementation. The BCR of 3.2 indicates a return of USD 2.38 for every dollar invested. These results indicate that the programme is a sound investment yielding a positive rate of return as the EIRR is greater than the hurdle rate (12 per cent) and the ENPV is greater than zero.

82. **Sensitivity analysis.** An increase in programme costs by 10 per cent will reduce the EIRR to 22 per cent, while a decrease in overall programme benefits by 20 per cent will also result in an EIRR of 22 per cent. A one-year delay in benefits reduces the EIRR to 20 per cent and a two-year delay to 19 per cent. The switching values show that the programme will remain economically viable if benefits decreased by 31 per cent, or programme costs increased by 47 per cent. An examination of the response of the programme to identified programme risks including flooding reveals it remains viable in the face of multiple short and medium drought sequences (EIRRs of 19 per cent and 20 percent respectively). The programme would become unviable in the severe longer-term flooding (EIRR of below 13 percent), but historical trends and projections do not foresee such a flooding shock for Nigeria.

Table 1: Evidence of possible efficiency gains

<i>Other</i>									
Share of cultivated hectares	50%	Assumption							
Sales per hectare, kg	1000 kg	Average based on RICE as representative crop in the region							
Transport cost/kg, on a bad road	80.0 Naira								
Transport cost/kg, on a rehabilitated road	40.0 Naira								
Savings per kilo from using a rehabilitated road	40.0 Naira								
			Y1	Y2	Y3	Y4	Y5	Y6	Y7
Km of roads built/rehabilitated, additional, farm tracks	Computed		0	30	60	75	75	60	0
Km of roads built/rehabilitated, stock	Computed		0	30	90	165	240	300	300
Hectares with improved road network	Computed		-	30,205.75	90,617.25	166,132	241,646	302,058	302,058
Cultivated hectares with improved road network	Computed		-	15,103	45,308.63	83,066	120,823	151,029	151,029
Total kilos sold through improved roads, Naira			-	15,102,875	45,308,626	83,065,814	120,823,002	151,028,752	151,028,752
Savings from transport costs, Naira			-	604,115,008	1,812,345,025	3,322,632,545	4,832,920,066	6,041,150,082	6,041,150,082
Savings, USD			-	78,456	235,369	431,511	627,652	784,565	784,565

Table 2: Financial viability assessment

		Farm models' net incremental benefits (in Naira 000)							
		Cereals/On farm Agriculture				poultry		Horticulture	
		Cassava Model	Ground Nuts	Sesame	Rice Model	Layers	Broilers	Local Chicken	Tomato
PY1	(258)	20	(177)	(156)	(260)	(80)	(70)	(184)	
PY2	50	84	69	108	222	40	32	39	
PY3	110	122	114	107	222	40	62	87	
PY4	110	122	114	107	222	40	36	87	
PY5	110	122	114	107	222	40	62	87	
PY6	110	122	114	107	222	40	62	87	
PY7	110	122	114	107	222	40	36	87	
PY8	110	122	114	107	222	40	62	87	
PY9	110	122	114	107	222	40	62	87	
PY10	110	122	114	107	222	40	36	87	
IRR/**		34%	55%	68%	85%	49%	64%	37%	
NPV (Naira'000)		244	569	348	369	824	120	172	210

** ERR does not compute in models without negative cashflow

Table 3: Sensitivity Analysis.

Sensitivity analysis				
		IRR	NPV (Naira M)	Link with risk analysis
Base Scenario		23%	19,584	
Decrease of Project benefits	-10%	23%	19,684	Continuous climate shocks such as drought & floods. Nigeria has experienced flooding for the past many years until today, and this is can be a key risk which can lead to decrease of project benefits.
	-20%	22%	17,945	
	-30%	20%	14,445	
Delay of benefits	1 year	20%	15,151	Possible delay in replenishment and disbursement of funds in one source of funds to different procurement teams is a key risk that can highly impact on the delay of project
	2 year	19%	12,407	Political interference in the programme management units at national and state levels and inadequate capacity of staff recruited
Adoption rates	90%	22%	16,613	Low uptake of good practices
	80%	20%	12,187	
	70%	19%	10,255	
Cost Increase	10%	22%	18,717	High inflation/Macroeconomic fundamentals
	20%	20%	16,395	
	30%	19%	15,073	
Increase of benefits	10%	26%	17,767	
	20%	19%	29,891	

e) Exit strategy and sustainability

83. SAPZ's exit strategy is inbuilt in its market-driven and resilience building approach that focuses on profitable value chains, knowledge transfer, time-bound support, improved access to services, infrastructure development and the institutionalization of lasting value chain mechanisms, which ensure the sustainability of outcomes and results beyond programme completion. Specifically, AfDB funded infrastructure is aimed at crowding-in private sector investments in agro-processing and AIHs and ATCs will both have private sector led management and revenues from beneficiary industry and service providers to maintain and further develop the support infrastructure. IFAD's extended implementation period will secure supporting and accompanying its beneficiaries to take advantage of the additional markets created, once the AIHs and related infrastructure are operational.

84. In addition, the sustainability of programme benefits is facilitated by:

- A robust value chain analysis which supports a value chain action plan at the implementation stage. The value chain action plan addresses identified constraints of different players and links them up in win-win commercial partnerships.
- Anchoring programme activities from the beginning through existing permanent institutions of the Government of Nigeria, farmers' organizations, as well as the participation of credible private sector market operators in the implementing process.
- Aggregation, processing and marketing platforms that create the required pull factor for production as well as upstream linkage with off-takers and industry through planned establishment of AIHs and ATCs and become also a conduit for input supplies from off-takers to producers.
- Establishment and institutionalization of the CAFs, gathering value chain private and public stakeholders to set the conditions for sustainable business transactions.
- Establishment of production, processing and marketing FOs and apex value chain groups to ensure beneficiaries' sustainable access to services.
- Improving the internal governance and capacities of FOs to better serve the needs of their members in a sustainable manner.
- Inbuilt transition from matching grants to linkages with financial institutions to meet beneficiaries' future capital needs.
- Increased agricultural productivity, combined with the use of environmentally friendly good agronomic practices, will limit expansion of land area and halt deterioration of the physical agricultural landscape (structure and texture of the soil).
- The setting up and capacity building of O&M committees for each rehabilitated/constructed infrastructure with a self-financed O&M fund will ensure the sustainability of the investment.
- Local policy dialogue facilitated at CAF level will identify key policy and regulatory issues affecting the activities and businesses of the direct beneficiaries of IFAD investments and will contribute to an enabling policy environment that ensures that IFAD's target group can benefit from the opportunities created by the SAPZ.
- Through IGREENFIN, supporting local financial institutions in setting up green credit lines to finance green agricultural investments, providing concessional loans to IFAD target groups beyond programme completion - to foster adaptation and mitigation practices, stimulating a paradigm shift within the country's financial system.
- The programme logframe contains performance indicators related to its exit strategy which will be regularly monitored as part of programme progress monitoring as well as supervision to assess progress and effect any course corrections if required.

3. Risks

G. Programme Risks and mitigation measures

85. The key risks for IFAD interventions in the SAPZ programme are: (i) **risks related to the country's fragility context** (poor governance and corruption, violence and conflicts in the programme area such as farmers/herders conflicts in the Middle Belt, and the Islamic insurgency in the North, kidnapping for ransom pervasive in the Northwest); (ii) **operational risks** (possible delays mobilizing the different sources of funding, women's, youth, PWD and IDP access to land, low appetite of the financial institutions to partner with the programme to finance smallholder farmers); (iii) **institutional risks** (political interference in the Programme Management Units at national and state levels and inadequate capacity of staff recruited, poor

capacity to fulfil IFAD's requirements, ineffective coordinating structures at national, state and local government levels.

86. Key mitigation measures include: (i) close supervision and oversight of programme management by ICO and CPAT and provision of technical assistance; (ii) creation of employment opportunities and reducing poverty, particularly among the youth and thus reduce the chances of youth pulled into illegal activities and social disruption; (iii) gender-sensitive approaches and ensuring that the programme is inclusive (pro-poor and sensitive to social and cultural divides); (iv) requiring communities to provide land for vulnerable categories to farm as a pre-requisite criteria for selection and advocacy with States and LGAs for access to government owned land; (v) covering the costs of clearing the land for women HH and PWDs; (vi) strengthening conflict resolution mechanism through stakeholders' engagement using the platform of the Commodity Alliance Forum.
87. In terms of **financial management risks**, the overall FM risk for the programme is assessed as "Substantial" primarily due to the size and scope of the project, presence of multiple financiers, large geographical area and the need for proper coordination given the inherent weaknesses in the quality of financial management experienced by IFAD in the ongoing projects. The SAPZ programme will be implemented by ring-fenced joint IFAD/AfDB Programme Coordination Units – a Federal Programme Coordination Unit (FPCU) and Participating States Implementing Units (PSIUs) for the two states selected. The Programme Coordination Units will require AfDB, IFAD and FMARD approval and No Objection for significant and high-risk transactions but will remain largely independent of the Federal Ministries and Government. This arrangement insulates the programme from the high financial management risk context of the country. The major identified risks are inadequate capacity of FM personnel, sub-optimal budgetary processes, large size of the programme with multiple financiers, inability of Government to meet counterpart obligations, and heightened risk of fraud due to weak internal controls.
88. The IFAD Financial Management Risk Strategy for Nigeria will also be in operation on the SAPZ programme. This strategy incorporates five pillars including (i) Stringent adherence to procedures; (ii) Set-up of central "IFAD programmes support team"; (iii) Oversight and regular review of programmes/programs financial management processes; (iv) Regular reporting and quality assurance; and (v) Training and capacity building.
89. Risks that may affect programme execution and proposed mitigation measures are detailed in Integrated Programme Risk Management Framework.

H. Environment and social category

90. **Environment Risks.** SAPZ programme interventions contain the following possible risks that need to be guarded against through appropriate mitigation measures:
- *Deforestation and unsustainable energy sources:* Excessive reliance on firewood for small-holder processing, land clearing for new cluster farms, and development of market infrastructure are likely to increase forest and woodland losses in SAPZ programme area. To help establish a "green energy" supply, the programme will support farmers to engage in fast maturing plantations and promote the production and use of alternative energy sources from briquettes from rice husk and biogas production from cassava effluents.
 - *Waste management and pollution in production and processing:* The risks of waste proliferation from production and processing sites as well as excessive use of agrochemicals and inorganic fertilizers and pesticides is significant for SAPZ especially due to the small-holder cluster production and processing model to be adopted. SAPZ will promote resource efficiency and integrated waste management in production and processing. SAPZ will also promote a clean processing environment and periodic monitoring of processing sites. AIH

and ATCs will have dedicated liquid and solid waste management systems included in infrastructure development.

- *Health and safety in the field:* Unhealthy and unhygienic working conditions, poor and/or inappropriate application of agrochemicals and misuse of chemicals for storage of products, and roadside drying for rice and cassava remain a challenge. SAPZ will promote awareness about these issues through FOs and Farmer Field Schools, deepen good agronomic practices and invest in solar dryers and infrastructure that ensure hygiene processing.
- *Eco-friendly land development:* SAPZ design includes the development of new land to improve access to land and production. The risk is that land is cleared of all trees, rendering it vulnerable to water and wind erosion. SAPZ will provide technical support to ensure that land development plans follow existing guidelines that promote maintaining economic and multipurpose trees in land development sites and leaving at least 15 trees per hectare on developed lands.
- *Land degradation and unsustainable land management:* Soil erosion and infertility remain strong challenges to smallholder production due to lack of skills and technologies for sustainable land management. SAPZ will promote farmyard manure composting, soil and water conservation, landscape rehabilitation techniques and other sustainable land management to improve the natural capital and resource base.
- *Land access and social exclusion:* Access to land and security of tenure, especially for women and youth, remains a challenge across the SAPZ states. The programme will support access to land for women and youth by giving priority to women and youth in programme acquired lands and strengthening women and youth groups to acquire land on long-term leaseholds from communities with support from the Government. It will also promote policy dialogue on land access, land reform and security of tenure.
- *Resource conflicts:* Land and water resource induced conflicts have heightened across the SAPZ states in recent times, leading to significant human insecurity and loss of production. The CAF model of VCDP will be adopted and strengthened to deepen cooperation and confidence building among the various social groups to reduce conflicts.

91. **Category in environmental rating.** As the lead agency for the programme, AfDB's environmental and social safeguards apply to the operation. Given the emphasis on infrastructure financing involving heavy infrastructural development activities around the AIHs and ATCs (under component 1) with substantial environmental and social impacts, the AfDB has classified the SAPZ operation as category 1, equivalent to IFAD *category A*. However, component 1 activities are exclusively funded by the AfDB and AfDB's environmental and social safeguards apply to the SAPZ operation. As such and in accordance with its procedures, AfDB has disclosed the relevant documentation to the public for a period of 120 days.
92. IFAD complemented the AfDB environmental and social assessments to provide more details of the activities financed by IFAD under component 2. IFAD financing in component 2 is directed at smallholder production, processing, and market infrastructure development activities (market-connected feeder roads, small-scale irrigation and drainage development, etc) with moderate, limited, site-specific and remediable environmental and social impacts. IFAD has disclosed information within the overall framework and timelines of the AfDB's disclosure of an ESMF as additional information on IFAD's and the Government's websites.
93. IFAD will provide light, off-site market infrastructure including land development, rehabilitation of market-connected farm roads, construction/rehabilitation of earthen dams, provision of small irrigation facilities including tube wells, boreholes with solar pumping and provision of water facilities for animal and human consumption. IFAD will support agricultural intensification and/or expansion of crop production in non-sensitive areas as well as the development of agro-processing centres to cluster processors at aggregation centres. The potential environmental impact of IFAD interventions in the SAPZ will be limited, site-specific and related to production (including land development and agrochemical management issues), agro-processing facilities

(including the use of firewood, waste and effluent management, unhealthy working environment, etc.), and possible risks from construction of market infrastructure including market-connected feeder roads, and small-scale irrigation and drainage development. The impacts of these activities are remediable.

94. Activities in component 2 financed by IFAD under the SAPZ programme will not have any noticeable negative impacts on the people and livelihoods including resettlement, restriction on the use of land, and physical or economic displacement. IFAD activities will not support the opening of lands in virgin forests, sensitive areas (including forest reserves and important bird areas), and/ or new clearing of contiguous areas of above 100 ha in a single location. The mitigation options proposed in the SAPZ ESMF will be adopted and they include opportunities to mainstream environment and climate-resilient production and processing systems, resource efficiency, and integrating additional value chains within the existing system without extensive additional costs. The social risk is substantial in Kano and Ogun due to resource conflicts. The SAPZ programme will deepen conflict resolution mechanisms (including through the strengthening of the CAF), support policy dialogue on land reform and land management, tenure security and access to land by women, and risk transfer products to compensate agro-entrepreneurs for social conflict-related damages. The programme will mainstream and deepen inclusion by prioritizing women and youth in programme-secured lands.

I. Climate Risk Classification

95. Main climate change related risks in the programme area can be summarized as following:
- *Flooding:* The present and predicted rainfall trends suggest an increase in rainfall which is likely to occur in high intensity over a short time, leading to possible flash floods. Changes in precipitation patterns pose an increasing threat to Nigeria's largely rain-fed agricultural sector. Annual river flooding continues to be a growing challenge. Farmers' linkages with the Nigeria Agricultural Insurance Corporation (NAIC), NIRSAL and other private companies for weather-index insurance will be strengthened to improve the resilience of beneficiaries.
 - *Dry spells and drought:* There have been a sharp increase in extreme heat spells in recent times. These fluctuations are likely to continue, causing losses to farmers. Fluctuations in temperatures and precipitation will also increase drought and uncertainty. The programme will strengthen the partnership with the NIMET for delivery of rainfall prediction and climate information services to rural farmers to mainstream climate smart production and processing.
 - *Resilience and adaptation to climate change:* Very limited irrigation coverage does not allow year-round production which compromises smallholders' resilience as well as ability to create surpluses and reduce poverty. The programme will strengthen their resilience by investing in irrigation systems, boreholes and tube wells, and inputs to deepen dry season. It will also improve market infrastructure development including new land development, market-connected farm roads, and access to information and technology for climate information dissemination. These investments will enable all-year-round cropping. The programme will provide support to densify meteorological networks and encourage farmer organizations and groups to own simple weather devices to guide on-site activities.
96. **Programme category.** The SAPZ programme has a **high climate risk**. The programme will support the smallholder farmers and processors that are substantially dependent on climate-sensitive rain-fed agricultural plots. Some of the programme areas are prone to annual flooding. Unexpected dry spells with rising temperature have also become common. These represent major climate risk factors tilting the SAPZ programme to high climate risk. In addition, the Agriculture, Forestry and Other Land Use (AFOLU) sector is now Nigeria's most significant net source of GHG emissions contributing 60.1% of total aggregated emissions in 2016. The bulk of this comes from activities of the millions of smallholder farmers including direct conversion

of forestland into cropland, tree removal for firewood, rice cultivation, biomass burning, liming, urea application, indirect N₂O emissions from manure management, and enteric fermentation, among other sources. Selective logging and selective removal of trees for fuel wood and charcoal remain major deforestation concerns in the states. SAPZ may accentuate the risk of increasing selective wood removal for processing (rice parboiling, cassava frying, wheat processing, etc.) with concomitant risk of GHG emissions. However, SAPZ approach and design incorporates climate resilience measures in production and processing with awareness campaigns and capacity building interventions in climate-smart agriculture, good agronomic practices, and improved seedlings through the FFS and resource efficiency. These will be further strengthened through access to IGREENFIN II funding and climate resilient and low emissions agriculture practices/ technologies.

4. Implementation

J. Organizational Framework

a) Programme management and coordination

97. The Executing Agency for the SAPZ programme is the Federal Ministry of Agriculture and Rural Development (FMARD) working with the relevant core ministries. In line with implementation modalities of the IFAD Nigeria country programme, the SAPZ programme will establish a common implementation management framework supported by all co-financiers following the federal nature of Nigeria's administration, as follows:

- Strategic direction and policy guidance for the SAPZ Programme will be provided by an **Inter-Agency Steering Committee (IASC)** co-chaired by the Federal Minister of Industry, Trade & Investment, and the Federal Minister of Agriculture & Rural Development. Membership will include the Federal Ministers of Finance, Budget, and Planning; Water Resources; Works, and Power); the Bank of Industry (BOI), the Central Bank of Nigeria (CBN), the Nigerian Sovereign Investment Authority (NSIA), and Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL). It will meet twice a year.
- Oversight for the SAPZ Programme will be provided by a **Federal Inter-Ministerial Technical Committee (FIMTC)** chaired by the Minister of Agriculture and Rural Development and comprising an official from the Federal Ministries of Finance, Water Resources, Trade and Industries, Power, Works and Housing and Women's Affairs. The committee will hold quarterly sessions every year. The Steering Committee will provide support, guidance, and oversight of progress of the programme implementation.
- In each state, the programme will support the set-up of a **State Inter-Ministerial Technical Committee (SIMTC)** comprising representatives of key relevant ministries. The function of the SIMTC is to provide oversight to the PSIUs. The SIMTCs will meet twice a year to review and clear the annual work plan and budget of the PSIUs, as well as review and assess implementation performance.

The programme's oversight committees, i.e., the IASC, FIMTC and SIMTCs are Government-led and will continue their operations throughout the 7 years of IFAD implementation.

- A joint **Federal Programme Coordination Unit (FPCU)** funded by the federal and state governments, AfDB, IFAD and IsDB will be established under the leadership of FMARD. The FPCU will serve as the secretariat of the FIMTC and will coordinate the implementation of the programme at the national level. The FPCU will be co-funded by AfDB, IFAD, and the FGN⁴². Staffing of the FPCU and respective staff funding by co-financier will be as follows:

⁴²IsDB is currently undergoing its design, which will inform their contribution to FPCU staffing.

FPCU Staff	No	Funding	
		AFDB	IFAD
National Programme Coordinator	1	100%	
Financial Controller	1	50%	50%
Accountants (one dedicated to AfDB funding, the other dedicated to IFAD funding)	2	50%	50%
Procurement Officers (one dedicated to AfDB funding, the other dedicated to IFAD funding)	2	50%	50%
Monitoring and Evaluation Officer	1	50%	50%
Infrastructure Engineer	1	50%	50%
Environmental and Climate Change Safeguards Officer	1	50%	50%
Development Communication Officer	1	50%	50%
PPP Expert	1	100%	
Agro-logistics Officer	1	100%	
Agricultural Productivity Officer	1		100%
Social Inclusion Officer	1		100%
Institutions Development Officer	1		100%

It is planned that the FPCU will operate throughout Phase I and Phase II of AfDB operation, thus covering the full 7 years of IFAD implementation period. However, should there be a delay in the approval/funding of AfDB Phase II, IFAD would cover the full cost of the following staff after the end of Phase I, for the remaining two years: National Programme Coordinator, Financial Controller, M&E Officer, Environmental and Climate Change Safeguards Officer, Development Communication Officer. For procurement and financial management, IFAD will continue to fund one Procurement Officer and one Accountant dedicated to the IFAD-funded activities.

Other specialists might be recruited based on the needs of the programme. All programme staff will be recruited competitively. The FPCU provides technical support to staff, undertakes coordination of programme activities and is responsible for consolidating the Annual Work Programme and Budget (AWPB) and progress reports from the participating states for approval by the Federal Inter-Ministerial Steering Committee (FIMTC), AfDB and IFAD. It ensures regular supervision, monitoring and publicity of programme activities.

- At the state level, the programme will establish **Participating States Implementing Units (PSIU)**. In states that are covered by both IFAD and AfDB (Ogun and Kano), there will be one common PSIU in charge of implementing all programme activities at the state level. Staffing of the PSIU and respective staff funding by co-financier will be as follows⁴³:

PSIU Staff	No	Funding	
		AFDB	IFAD
Programme Coordinator	1	100%	
Infrastructure Engineer	1	50%	50%
Monitoring and Evaluation Officer	1	50%	50%
Environmental and Climate Change Safeguards Officer	1	50%	50%
Social safeguards/gender officer	1	50%	50%
PPP expert	1	100%	
Financial Management Specialists	2	100%	100%
Procurement Officers	2	100%	100%
Agricultural Productivity Officer	1		100%
Institutions Development Officer	1		100%

⁴³IsDB is currently undergoing its design, which will inform their contribution to PSIU staffing.

To ensure the continuation of the PSIUs in Kano and Ogun beyond the end of AfDB Phase I, during years 5 to 7, IFAD will cover the full cost of the following staff previously on a cost-share basis: Programme Coordinator, Infrastructure Engineer, M&E Officer, Environmental and Climate Change Safeguards Officer, and Social Safeguards/Gender Officer. For procurement and financial management, IFAD will continue to fund one Procurement Officer and one Financial Management Specialist dedicated to the activities funded by IFAD.

All staff will be recruited competitively. The PSIUs will serve as the secretariat for the SIMTCs, as well as for the Local Government Value Chain Advisory Committee.

98. *The national Country Programme Advisory Team (CPAT)* will provide services to SAPZ and other IFAD-funded programmes in Nigeria. Based on lessons learned and identified needs, support services cover financial management and procurement, as well as cross cutting areas, i.e., environment and climate change, gender and youth, monitoring and evaluation, knowledge management and communication. The CPAT draws its funding from IFAD programmes through an AWPB approved by the Steering Committee and IFAD. The CPAT reports to FMARD and is responsible for providing quality assurance and technical guidance to all IFAD programmes in Nigeria in selected thematic areas.
99. *The Rural Institution Development Department (RID)* of the ADP will be engaged by PSIUs to identify, mobilize, and form groups, as well as coordinate the activities of other related agencies in group formation and strengthening. In collaboration with the Rural Institution and Gender Mainstreaming Officer and supported by service providers, it will assist the programme in strengthening groups and communities to take advantage of market opportunities. It will ensure that groups are properly trained and registered, have legal and institutional status, and that their governance is strengthened. The ADP will also provide Extension Agents to work with FOs and VCOs in the selected commodity clusters. This will be further complemented by engagement of private sector extension service providers under specific performance-based contracts.
100. *Technical partners in implementation.* Existing partners include: Private off-takers and processors; input suppliers for facilitation of input supply chains; the National Agricultural Seeds Council (NASC) for seed certification; NAFDAC and SON for certification of the rice and cassava products of processing groups; NIMET in pre-season training of farmers on climate change using weather smart predicting equipment; the National Agricultural Insurance Corporation (NAIC) for crop insurance; CBN, and NIRSAL to facilitate access to finance for farmers; the ADP for the strengthening of public extension services and the establishment of seeds laboratory; the National Centre for Agricultural Mechanization (NCAM) and Creating Opportunities for Rural Youth for training and capacity building of young entrepreneurs; Africa Rice / IITA for training of rice seeds entrepreneurs; National Cereals Research Institute and National Root Crops Research Institute for crop research; Tractors Owners Operators Nigeria for land development; the Nigerian Building and Road Research Institute to build capacity of O&M committees for infrastructure; the Power Holding Company of Nigeria for provision of dedicated hours of energy to clusters of small-scale processors; and the News Agency of Nigeria for communication and knowledge management, the GIZ funded AgFin project for financial inclusion of programme beneficiaries. The programme will cooperate with Oxfam and other partners in the country supporting the expansion of the GALS methodology and the establishment of Empowerment Learning Centres.

b) Financial Management, Procurement and Governance

Financial Management

101. *Use of country systems:* IFAD and AfDB will use the available country systems to the extent possible that ensures FM risks are minimized. IFAD will directly disburse funds only through the treasury single account (TSA) of the FGN and utilize the OAuGF for programme annual audit. AfDB will disburse through both the TSA and private commercial banks and will explore the use of the OAuGF at the Federal Level and in IFAD states. The Government Integrated Financial Management Information System (GIFMIS) is presently not configured to perform program/fund

accounting of financial reporting – specifically GIFMIS is not yet configured to account for and report foreign currency transactions, is not fully adopted by State Governments, it is not adaptable for budgets outside the National Budget and not yet interfaced with REMITA – the Government payment platform used by the programmes. The review of the capacity and functionality of GIFMIS is included as an annex in the PIM. IFAD/AfDB will continue to assess the progress with the capability of GIFMIS and explore its future use should it be enhanced to support program/fund accounting and financial reporting.

102. *Organization and staffing:* Dedicated finance teams at FPCU and state levels will be recruited competitively. The Office of the Accountant General will actively participate in the recruitment of FM staff for the programme.
103. *Budgeting:* A joint (AfDB, IFAD and IsDB) AWPB will be developed by the NPCU and FSIUs. These budgets will be approved by the steering committees at the Federal and State levels and granted NO by the co-financiers. Timely approval of budgets will be ensured. IFAD/AfDB/IsDB will carry out the review of the SAPZ programme's budget vs. actual reports on a quarterly basis and require the same from the FPCU monthly.
104. *Internal controls:* FPCU and PSIUs will be assisted to establish strong internal controls including budget controls, asset management and contract management, backed by financial management and accounting manuals. Financial management capacity of all implementing partners will be assessed prior to entering into any agreements. All programme sites and interventions will be geo-tagged.
105. *Accounting systems, policies, and procedures:* The Flexible Accounting System used by the World Bank and IFAD will be used by all co-financiers.
106. *Reporting and monitoring:* At FPCU and PSIU level, monthly reconciled financial reports will be presented in the management meetings and minutes of such meetings and reviews recorded. Joint financial reports will be prepared and submitted to the co-financiers as required. Quarterly reports will be submitted 45 days after the end of the quarter and annual audited reports will be submitted on or before 6 months after the year-end.
107. IFAD will implement a *risk-based management approach* (including lowering of imprest levels and SOE thresholds in cases of non-compliance).
108. *Disbursement procedures:* The IFAD financing shall be disbursed against duly certified withdrawal applications via ICP in accordance with the IFAD disbursement procedures. Terms and conditions will be detailed in the Letter to the Borrower. The programme will transition to the report-based disbursement method in the pipeline for implementation along with the other programmes in the portfolio once the programme has proven its capacities to submit appropriate interim financial reports which are satisfactory to IFAD. A Designated Account (DA) for the IFAD loan, denominated in USD, for the SAPZ programme will be opened in the CBN to receive loan resources in advance as soon as possible after entry into force of the Financing Agreement. The DA will be administered following "Imprest Account " arrangements until the programme will be qualified to pass to the report-based disbursement arrangements. Advances from this financing must be segregated from other funds for the programme. The co-financiers will explore the use of harmonized disbursement forms to make them easy to be automatically generated from the system.
109. *Flow of funds:* A separate DA will be opened for the IFAD loan in the CBN in US Dollars. In order to allow the FGN to monitor the income of funds, the DA will be a sub account under the FGN Treasury Single Account (TSA). From the DA, the funds will flow to the programme loan account (Programme Account A) in Naira. The federal counterpart funds will be deposited in a separate federal counterpart fund account. The NPC will be authorized to manage both the DA and the federal counterpart fund account. Each state will operate two accounts in Naira: (i) A state programme account (Programme Account B) to receive IFAD loan funds from the Programme Account A; (ii) and a state counterpart fund account to receive state counterpart

funds. Each State Programme Manager will be authorized to manage the Programme Account B and the state counterpart funds account.

110. *Internal audit:* The internal audit function will be strengthened to include system reviews, review of administrative processes, coordination with the auditors at state level, and regular preparation of consolidated internal audit reports for the CPAT, PCU and IFAD. The internal audit unit of CPAT will also ensure adequate oversight of these controls. The reports of the CPAT internal audit unit and the FPCU/PSIU internal audit units should be furnished to IFAD on a quarterly basis and within 45 days after the end of each quarter. CPAT will develop a log of recommendations across assurance providers and mechanisms and ensure the programmes take appropriate actions to close out on the findings.
111. *External Audit:* The Office of Auditor General for the Federation (OAuGF) will undertake the statutory audit of the SAPZ FPCU and the two States in which IFAD will operate and produce a consolidated report on the use of IFAD funds. The TOR for the statutory audits will be finalized in consultation with IFAD and AfDB. The annual audit report will be furnished to IFAD within six months of the end of each financial year. IFAD will continue to provide feedback to the OAuGF on any areas of improvement. AfDB is committed to explore the possibility of relying on OAuGF for the states where IFAD is present to avoid duplications.

Procurement

112. Nigeria uses the Public Procurement Act of 2007 (PPA) for public procurement procedures. The Act provides the legal basis for the scope, processes, procedures, and arrangements for procurement. The Act establishes the Bureau of Public Procurement (BPP) and applies to the Federal Government and all its agencies and entities, except where the Government has specifically agreed that other regulations may be used as when a programme is funded by an international financial institution (IFI) or multilateral development bank (MDB), such as IFAD, AfDB and the World Bank.
113. A Procurement Risk Matrix (PRM) has been developed. The IFAD Procurement Manual states that Pillar A is assessed based on risks identified in country documentation and processes. Pillar B is based on assessment of programme management unit (PMU) documentation and processes. Since the PMU is not yet set up, the PRM identifies only Pillar A risks, with Pillar B to be included once the PMU procurement unit is hired and operating in due course.
114. For the SAPZ programme, IFAD Procurement Guidelines (and by extension the IFAD Procurement Handbook) will apply to all procurement actions, activities, and frameworks, with allowances to use national systems if they are not in conflict with IFAD procurement guidelines.
115. AfDB procurement arrangements will govern the procurement activities it funds. IFAD procurement procedures are based on the IFAD Procurement Guidelines⁴⁴, the IFAD Procurement Handbook 2020⁴⁵ and the complete cache of IFAD Standard Procurement Documents⁴⁶. For specialized Prior Review procurements where there are no provided standard procurement documents, the programme shall inform IFAD for advice. A Procurement Operations Manual – either as a standalone document or as part of a PIM – will be prepared to provide guidance and direction for the procurement process.
116. *Procurement staffing:* Both the FPCU and the PSIU's (in Ogun and Kano) shall have two Procurement Officers. One dedicated to AfDB funding, the other dedicated to IFAD funding – each undertaking all procurements related to activities funded by AfDB/IFAD respectively. IFAD will encourage decentralized procurement by PSIUs to instil ownership and sense of responsibility. While decentralized procurement will be encouraged, the FPCU and CPAT will ensure best practices are followed by the PSIUs.

⁴⁴Available on: <https://www.ifad.org/en/document-detail/asset/39501080>

⁴⁵Available on: <https://www.ifad.org/en/document-detail/asset/39501121>

⁴⁶Available on: <https://www.ifad.org/en/document-detail/asset/42187284>

117. *Procurement planning:* The SAPZ programme will have an initial Procurement Plan at start for 18-months. Following that, as part of Annual Work Plan and Budgets, each PSIU shall annually prepare and submit for approval a Procurement Plan for a 12-month period using the IFAD Procurement Plan template⁴⁷. Each Procurement Plan will specify, among other things, the procurement activity, its method, the level of review and the estimated budget. The FPCU shall prepare its own Procurement Plan also using the IFAD Procurement Plan template. A consolidated plan covering both FPCU and PSIU procurement plans will be submitted for IFAD's no objection. FPCU may combine procurement of similar items of FPCU and PSIUs if it is assessed that this will offer better value and/or better technical outcomes. In such cases, the Procurement Plan(s) must indicate this packaging and IFAD's No Objection should be attained.
118. *Procurement Thresholds:* Nigeria scores low on all four procurement indicators under the Public Expenditure and Financial Accountability (PEFA) Framework Report of 2019⁴⁸. Based on the procurement risk matrix and the inherent risk rating, the country risk is assessed as 1.70, a medium risk. The prior review and procurement thresholds are set taking into consideration this risk assessment and the thresholds of the other IFAD supported programmes in Nigeria. The aim of setting the thresholds based on the risk assessment is to curb errors through more frequent oversight and prior-review thresholds. While there are different thresholds proposed each for the FPCU and PSIUs, PSIUs will use the FPCU thresholds after the first year, with all ICB procurements still being managed by the FPCU.

K. Planning, M&E, Learning, KM and Communication

a) Planning, M&E, Learning, Knowledge Management and Communication

Planning

119. *Annual Work Plan and Budgets:* The FPCU will develop a standardized format for the AWPB for use by the PSIUs. Each PSIU will prepare its AWPB accordingly, planning the activities and investments in its state in a participatory manner involving all stakeholders. State level AWPB will be conveyed to the FPCU after approval of the State Steering Committee. The FPCU will prepare the consolidated programme AWPB based on states' submissions, ensuring alignment with programme budgets and the Programme Implementation Manual (PIM). This validated AWPB will be submitted to the National Steering Committee for approval and to AfDB and IFAD for No Objection.

The Monitoring and Evaluation System (M&E System)

120. The main objectives of the programme's M&E system will be to inform and guide decision-makers and stakeholders, the FPCU and PSIUs on the performance of the programme implementation in a result-based management perspective and assess and document the outcomes and impact of the programme. The M&E system should provide periodic, complete, and reliable data and information to allow the assessment of programme performance and programme results. The FPCU will put in place M&E tools and procedures according to the Government's monitoring framework and respond to respective IFAD and AfDB monitoring requirements. Requirements will be consolidated and harmonized to have a common mechanism for monitoring the programme's development results. The logical framework of the programme will be established in accordance with this principle in mind. The programme Monitoring and Evaluation System (M&ES) will build on lessons learned from ongoing IFAD programmes in Nigeria, especially VCDP, taking into consideration the assessment conducted by the geo-spatial analysis firm Fraym and the ongoing impact study of VCDP conducted by RIA. These lessons learned will allow for the following aspects to be taken into account: (i) capacity building needs of the team and stakeholders for a better internalization of the

⁴⁷Available on: <https://www.ifad.org/en/document-detail/asset/41917572>

⁴⁸Available on: <https://www.pefa.org/node/166>

importance and of the monitoring and evaluation mechanism of the programme; (ii) the requirements for a complete M&ES to allow good programme management throughout the planning, monitoring-evaluation and knowledge management cycle, taking into account the country context and context in the area of intervention; and (iii) the opportunity to capitalize on existing M&E database and existing M&E applications. The programme will therefore set up an M&E manual and M&E application and database building on the existing. Baseline surveys and results evaluations will be conducted by specialized structures/service providers and will rely on quantitative and qualitative surveys of beneficiaries. The COSTAB includes a budget for COI survey at baseline, mid-term, and completion. The expected products, outcomes and impact of the programme will be defined in the common Logical Framework and will include IFAD and AfDB key indicators. SAPZ will use the key indicators measured by VCDP and new indicators for the aspects not covered by VCDP (aspects of financial inclusion, indicators required for the financing of IGREENFIN of GCF) and innovative new indicators to capture transformation of livelihoods as well as indicators for reporting SAPZ contribution to SDG1 and SDG2.

121. *Innovative M&E:* To meet the Government's need to assess transformation of the livelihood of beneficiary households, the SAPZ programme will leverage the innovative VCDP experience of leveraging geo-spatial technology and innovative data analysis tools to measure transformative changes in target groups' livelihoods using the following indicators compared to national average. The indicators have been selected based on their relevance to identify and record changes in the socio-economic status among participating smallholder households:

- % of households that have improved their household assets index by at least 25%.
- % of households that have become owners of their residence.
- % of households that have upgraded the quality of their housing.
- % of households that have been able to access improved sources of water.
- % of households' children attending secondary school.

122. *Reporting:* SAPZ will prepare standardized progress reporting formats for each participating stakeholder in consultation with the funding agencies to ensure that these formats meet the required standards of the two funding agencies. This will also allow consistency and ease of reporting throughout the programme. The FPCU will report to AfDB and IFAD on a quarterly basis covering progress during the quarter and cumulative progress against AWPB targets and programme core performance indicators. Moreover, SAPZ will be required to produce a progress report and updated logical framework for each supervision mission. In addition, the M&E unit will be required to conduct periodic field visits to capture progress, challenges and lessons learned.

Knowledge management and communication

123. At inception, the programme will elaborate and implement a Knowledge Management and Communication Strategy that will be implemented throughout the programme life span. The Strategy will aim at: (i) providing programme beneficiaries with the necessary material to sustain the technical knowledge acquired with the support of the programme (production of training material, communication platforms for sensitization); (ii) generating shared knowledge acquired from the experience of the programme in various fields based on the information collected as part of the monitoring of the results or ad hoc thematic studies; (iii) sharing this knowledge with the Technical Departments of the FGN, IFAD, AfDB and other donors – such as the members of the ADWG and the UNCT in Nigeria, using various media. Various instruments and processes will be used for the management and sharing of knowledge based on best practices. They will include the documentation of experiences in general and the capitalization of lessons learned on inclusive and pro-smallholder programme approaches in key major markets in particular, the organization of knowledge fairs and learning events, the production and dissemination of educational and communication materials and the establishment of an

electronic library. To this end, the FPCU and PSIUs will comprise Knowledge Management and Communication Officers, both. They will work in close collaboration with their counterparts in ongoing IFAD programmes to ensure better coherence of IFAD interventions in the country and a continuous sharing of practices and lessons. Ultimately, a single Knowledge Management System will be developed for the IFAD entire Country Programme.

b) Innovation and scaling up

124. SAPZ is taking to scale through partnership the IFAD- supported VCDP programme with key innovative features: (i) the piloting of inclusive and pro-smallholder SAPZs which results and lessons learned will be documented; (ii) the institutionalization of the 4P CAFs for engagement of smallholders and small others and other stakeholders in targeted value chains on equal footing and a *win-win* basis; (iii) the expansion of digital extension services; (iv) the introduction of blended Green Financing in Nigeria through partnership with the GCF; and (vi) the mainstreaming of new indicators to capture transformation in target groups' livelihoods leveraging geospatial technology and innovative data analysis tools.

L. Programme Target Group Engagement and Feedback, and Grievance Redress⁴⁹

a) Programme target group engagement and feedback

125. SAPZ follows a participatory approach at all levels of implementation. At the community level, FOs will be the main forum for programme interface with beneficiaries. CAF at local and state levels will be a key forum to bring together government, private sector, aggregators and processors, value chain service providers and beneficiary farmers. It will serve not only as a platform to broker agreements between producers and buyers but also a forum for dispute resolution and grievance redressal and to influence policies related to agricultural value chain development. Results and plans related to the programme will be widely disseminated among all stakeholders for discussion and feedback. Additional information sharing activities will be adopted as the programme evolves and opportunities arise.

b) Grievance redress

126. A grievance redress mechanism (GRM) and procedures will be made operational as soon as programme operations start through local government channels, in public spaces frequented by men, women and youth in each community and local radios reaching target communities. All social groups will receive information on the purpose and way in which the GRM works. The system will be gender and youth sensitive. Each FPCU and PSIU will notify a GRM Focal Person. A Grievance Log System will be established by the Focal Person. The Focal Person will refer the grievance to the concerned officer/department for redressal in a specific timeframe. Progress on under process grievances will be regularly reviewed by the Programme Coordinator at national and state levels. All actions taken on a reported grievance will be conveyed to the complainant in writing and record of the same will be maintained. Performance of the GRM system will be reviewed during supervision missions. Any complaint related to any form of gender-based violence which could occur in the context of the implementation of programme activities shall be considered as urgent and reported by the complaint recipient directly to the coordinator of the IFAD SXPNU.

M. Implementation plans

127. The programme will be presented to the IFAD Executive Board in December 2021 for approval. Provided all loan effectiveness conditions are met in time, the programme start-up is tentatively slated for the first week of April 2022. The following pre-start up activities are

⁴⁹ See Framework for Operational Feedback from Stakeholders <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1>

expected from national and state governments in Kano and Ogun to ensure that programme start-up is not delayed:

- a. AWPB approval for year 1 from State and National Steering Committees
- b. Recruitment of key staff for FPCU and PSIU
- c. Programme Implementation Manual
- d. Establishment of FPCU and PSIU offices

a) Supervision, mid-term review and completion plan

128. *Supervision:* Two joint supervision missions (AfDB, IFAD and Government) will be undertaken annually to review progress and assist implementing agencies and the Government to improve programme implementation. The supervision missions will assess overall physical and financial performance, address poverty targeting and gender issues, provide implementation support, identify implementation constraints, and propose measures to address bottlenecks. They will be geared towards ensuring good governance and the programme's compliance with all the fiduciary aspects of the financing agreement.
129. *Progress reports and mid-term review:* The FPCU will furnish consolidated quarterly progress reports on programme progress to AfDB, IFAD and the Government. The reports will cover activities implemented by both FPCU and PSIUs. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the programme and achieving its objectives compared to AWPB and overall programme targets and budget; (ii) problems encountered during the reporting period; (iii) steps taken or proposed to be taken to remedy these problems; (iv) and the proposed programme of activities and the progress expected during the following reporting period. The FMF, FMARD, AfDB and IFAD will jointly carry out a review of programme implementation no later than the midpoint of the programme's implementation (the "mid-term review") based on terms of reference prepared by FMARD and approved by AfDB and IFAD. Among other things, the mid-term review shall consider the achievement of programme objectives and related constraints and recommend such reorientation as may be required to achieve objectives and remove any constraints.
130. *Completion plans:* FMF will ensure that the programme parties complete the implementation of the programme by its completion date. IFAD and FMF shall agree on the disposition of the assets of the programme upon its completion. As promptly as possible after the programme completion date but in no event any later than the financing closing date, FMF will provide IFAD and AfDB with a report on the overall implementation of the programme, in such form and substance as may be specified in the financing agreement or as IFAD shall reasonably request. At a minimum, the report shall address (i) the costs and benefits of the programme; (ii) the achievement of its objectives; (iii) the performance by FMF, the programme parties and IFAD on their respective obligations under the Financing Agreement; and (iv) lessons learned from the foregoing.