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Enabling poor rural people
to overcome poverty

President's report

Proposed loan and grants to the Federal Republic of Nigeria for the

Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt

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Annex

Negotiated financing agreement (to be tabled at the session)

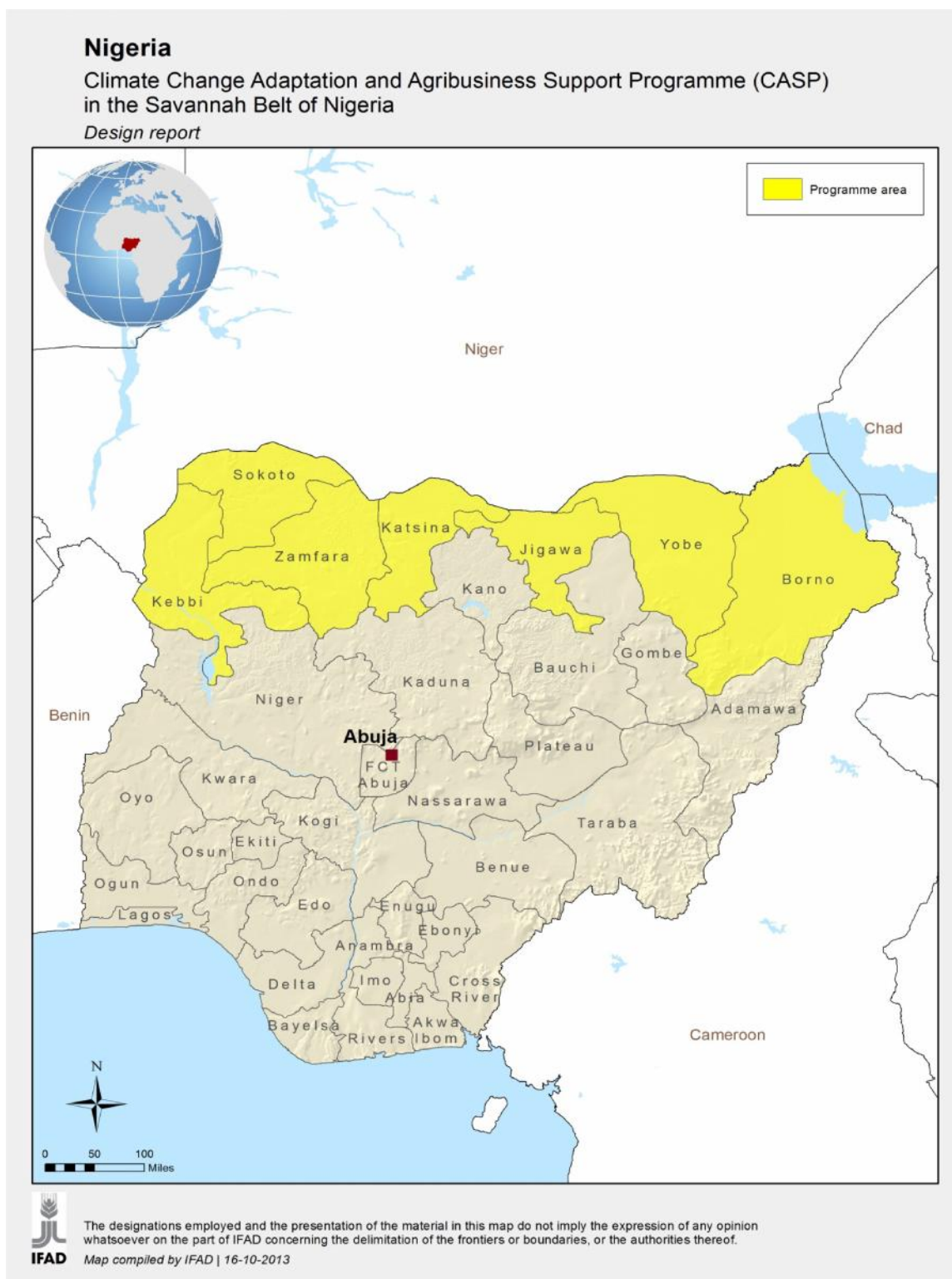
Appendix

Logical framework

Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
ASCAs	accumulating savings and credit services associations
ATA	Agricultural Transformation Agenda
CDA	community development association
FMARD	Federal Ministry of Agriculture and Rural Development
FO	farmers' organization
FSA	financial services association
MTR	midterm review

Map of the programme area



Federal Republic of Nigeria

Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Federal Republic of Nigeria
Executing agency:	Federal Ministry of Agriculture and Rural Development (FMARD)
Total programme cost:	US\$93.55 million
Amounts of IFAD loan:	SDR 45.7 million (equivalent to approximately US\$70 million)
IFAD grant:	SDR 310,000 (equivalent to approximately US\$0.48 million)
Adaptation for Smallholder Agriculture Programme (ASAP) grant:	SDR 9.8 million (equivalent to approximately US\$15.0 million)
Terms of financing:	IFAD loan: 40 years on highly concessional terms, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum; IFAD grant and ASAP grant
Contribution of borrower/recipient:	US\$5.75 million
Contribution of beneficiaries:	US\$1.40 million
To be determined:	US\$0.92 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Federal Republic of Nigeria for the Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt, as contained in paragraph 45.

Proposed loan and grants to the Federal Republic of Nigeria for the Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Nigeria has a population of approximately 162.5 million people of which 23.9 per cent are currently unemployed. The country has recorded strong economic growth at 8.4 per cent on average from 2000 to 2010. However this has not translated into jobs, thereby leaving millions of youth and recent graduates unemployed and poor. The poverty situation has worsened over the last three decades. The incidence of poverty rose from approximately 28 per cent in 1980 to 70 per cent in 2010 (National Bureau of Statistics [NBS], 2010). Despite its status as a major oil-exporting country, Nigeria remains heavily dependent on agriculture. Up to 53 per cent of Nigerians live in rural areas, of which about 80 per cent derive their livelihood from subsistence agriculture and related activities.
2. Agriculture is a major contributor to GDP, accounting for 40.2 per cent in 2011, yet the sector is currently characterized by low productivity. A number of structural challenges characterise the agricultural sector, namely: (i) lack of continuity in the implementation of policy; (ii) weak market orientation of institutions; (iii) market failure issues including lack of linkages from production to output markets; (iv) high operational costs for processors; (v) small-scale nature of production; (vi) poor agricultural service delivery mechanisms (agro-inputs, research, extension, private sector participation, etc.); (vii) a weak infrastructure base, particularly roads, storage, processing and irrigation facilities; (viii) an absence of long-term financing windows for agriculture; (ix) limited investment by both private and public sector; and (x) limited knowledge of measures for climate change adaptation in production systems and production landscapes.
3. To restore the key role of agriculture in the economy, the Government of the Federal Republic of Nigeria introduced the Agricultural Transformation Agenda (ATA). The objective of the ATA is to achieve a hunger-free Nigeria through an agricultural sector that drives income growth, accelerates progress towards food and nutritional security and generates employment, ultimately transforming Nigeria into a leading player in global food markets. Key elements of the strategy include: (i) a focus on commodity value chains where Nigeria has a comparative advantage; (ii) improving access to agro-inputs to increase productivity and profitability; (iii) development of new marketing institutions to continuously stimulate produce supply; and (iv) infrastructure development and incentives through staple crop processing zones (SCPZs) to encourage private investors to invest in Nigerian agriculture. The Government has called for development partner support to realize the objectives of ATA.

B. Rationale and alignment with government priorities and RB-COSOP

4. The rationale for the intervention is rooted in IFAD's continued commitment to the fight against poverty in Nigeria. The states of the Savannah Belt in the north of the country have the lowest GDP per capita (US\$718), the highest poverty rate (74 per cent), the highest unemployment rate and the lowest rate of school enrolment (30-40 per cent). These factors, in conjunction with rapid population growth and a fragile ecology, make the population of the states in the Northern regions the poorest and most vulnerable to climate variability. Rainfall of a shorter duration but of higher intensity and aggressiveness is increasing the incidence of floods and erosion, contributing significantly to crop failure and the deterioration of rural infrastructure.
5. The Community-Based Agricultural and Rural Development Programme (CBARDP), which was completed in May 2013, brought about improvements in the rural livelihoods of the inhabitants in 207 village areas of the participating states (Borno, Jigawa, Katsina, Kebbi, Sokoto, Yobe and Zamfara). Given the Federal Government's expressed commitment to investment in the business environment, it is expected that the greater geographic coverage foreseen under the Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt (CASP) and the scaling up of CBARDP interventions that have worked will enable the programme to have a greater impact on overall poverty rates in the participating states.
6. Through the holistic landscape approach to climate change adaptation supported through the Adaptation for Smallholder Agriculture Programme (ASAP), CASP investments will address the wider risks that have an impact on productivity and rural assets. The climate change adaptation interventions will generate the following direct benefits: (i) improved and stable food supply; (ii) enhanced food security during "hunger periods"; (iii) reduced soil erosion (a significant problem in northern Nigeria and a major contributor to vulnerability); (iv) reduced impact on rural infrastructure; (v) awareness and understanding of climate-resilient agricultural practices and their integration into local planning processes; and (vi) better knowledge of climate change and its implications for food production and the ecosystem. ASAP funding will be catalytic by providing incentives to bring climate resilient agricultural practices to a larger scale.
7. The CASP presents an opportunity for IFAD to further the goals of the ATA. The programme will support the Government's focus on priority staples by promoting the sustainable productivity and climate resilience of smallholders, particularly women and youth; increasing smallholders' access to input and output markets; strengthening market linkages between smallholders and processors for select commodities in the SCPZs; and fostering job creation through investment in commodity value chains. In alignment with the strategic objectives of the country strategic opportunities programme, CASP design takes advantage of emerging opportunities under the ATA to enhance farmers' access to markets.¹

II. Programme description

A. Programme area and target group

8. The CASP will be implemented in the seven states of Borno, Jigawa, Katsina, Kebbi, Sokoto, Yobe and Zamfara, which constitute the Savannah Belt of Nigeria. Specifically, it will be implemented in 104 local government areas (LGAs), 69 of which participated in CBARDP and an additional 35 new LGAs, which is roughly

¹ Strategic objective 1: Improve access by rural poor people to economically, financially and environmentally sustainable production, storage and processing technologies, markets and support services; Strategic objective 2: Strengthen community involvement in local planning and development, and promote government support for rural infrastructure.

50 per cent of the total number of LGAs in these seven states. ASAP activities will focus on building climate resilience in the climate hotspots identified through the climate change vulnerability analysis.

9. The priority target group will be moderately poor and core poor households, who represent over 90 per cent of the population of the target states.² The **core poor** are characterized by low disposable income, little capital to invest in agriculture, food insecurity, vulnerability to climate change and with small farms (of less than 2 hectares). The **moderately poor** share most of these characteristics but have moderate disposable income, cultivated land of over 2 hectares and produce to sell. As most rural households in the belt fall into these categories, geographic targeting as well as direct targeting measures that ensure inclusion of rural women and youth will be applied.

B. Programme development objective

10. The overall goal of the CASP is to reduce rural poverty, increase food security and accelerate economic growth on a sustainable basis.³ The programme development objective is to increase incomes, enhance food security and reduce vulnerability for smallholder farmers, particularly women and youth, and create jobs in the participating states.

C. Components/outcomes

11. **Component 1: Productivity enhancement and climate resilience.** The productivity enhancement and climate resilience component will sensitize and train communities on best practices for productivity increase and on measures to address the impact of climate change risks.
12. **Subcomponent 1.1: Agricultural productivity and production enhancement.** The programme will: (i) support and strengthen production and productivity through effective extension. Depending on their availability and strength, the use of public and private sector extension providers will be explored to facilitate technology transfer and improve farmers' knowledge on best agronomic practices. The extension providers will use cost effective extension delivery approaches including farmer field schools (FFS) and farmer business schools (FBS); (ii) establish community-based seed production with the assistance of the National Agricultural Seeds Council of Nigeria; (iii) enhance market access in particular by supporting construction and rehabilitation of infrastructure that could facilitate produce access and marketing, improving the quality and standard of farm produce and processed products, developing cluster/outgrower arrangements, and joining with the existing market information platform. All the approaches aim to foster a strong agribusiness and value chain orientation among smallholder farmers and farming communities.
13. **Subcomponent 1.2: Climate change resilience and adaptation.** The CASP will mainstream climate change adaptation measures through a landscape rehabilitation approach focused on sustainable land management, which encompasses soil erosion control, water-harvesting techniques and soil and water conservation technologies. The main climate change impacts and interventions will be identified through participatory vulnerability mapping exercise carried out by target communities (and assisted by service providers). Communities will be encouraged to implement landscape rehabilitation activities through the provision of technical assistance. More specifically, this subcomponent will demonstrate erosion control and rangeland management techniques by establishing demonstration sites and scaling up new ways of implementing innovative erosion control techniques. Support will be provided for the undertaking of study tours in other countries – e.g. Morocco, Niger and Burkina Faso – to observe and learn

² Nigeria Poverty Profile. NBS. 2012

³ In line with ATA objectives.

good practices for sustainable land management, and cropping and irrigation technologies. In addition, ASAP funding will be used to protect the investment in rural roads against the increased risks of floods and run off. This will entail, for example, better drainage systems, road pitching, road protection against erosion etc.

14. **Component 2: Enterprise development for women and youth.** Component 2 will support individual or group private sector enterprise development specifically for women and youth who have demonstrated interested interest to engage in agriculture or agricultural-related enterprises. In line with a key government objective, as captured in the Youth Employment in Agriculture Programme (YEAP), specifically the "N-Agripreneurs" initiative, CASP will support the development of job opportunities around value chains. The support will also focus on enterprises and activities that are directly linked to adding value to production, processing, and marketing or addressing market constraints along the chains of the selected commodities. Programme support will be in the areas of: (i) village-based input supply enterprises; (ii) post-harvest handling and processing enterprises; and (iii) produce marketing enterprises. The programme will fund two-tiers of activities, namely: (i) capacity-building on business plan development, operation and management, and technical aspects of the selected enterprise; and (ii) provision of starter packs as working instruments to enable the beneficiaries to start-up businesses after satisfactory completion of the trainings to enable successful trainees launch into business. On the basis of a successful completion of the pilot enterprises, the Programme shall on a demand driven basis, provide investment and working capital support from among the list of viable enterprises.
15. **Component 3: Institutional development.** CASP will provide institution-building support to the three principal structures that determine programme implementation, namely: farmers' organizations (FOs) or production groups; community development associations (CDAs); and financial services associations (FSAs).
16. **Subcomponent 3.1: Support for setting up and strengthening CDAs and production groups.** CASP will facilitate the establishment and/or strengthening of CDAs, which are apex bodies of the commodity/producers or enterprise groups. All group leaders (and in some cases, group members) of existing and newly formed groups will participate in training on leadership skills, group management, bulk procurement, market information, private-sector engagement, product marketing strategies, enhanced agroeconomic and livestock practices, and climate resilience measures. CDAs are to develop community action plans (CAPs) that will include participatory land use planning (PLUP) and rapid market analysis. Under the CASP, the PLUP for at least 350 CDAs will be more rigorous and include participatory climate change vulnerability mapping, with additional resources provided through the ASAP grant. Funds will be made available directly to the CDAs for community infrastructure identified through the CAP process. ASAP will provide incentives (within the CAP process) establishing a scaling up mechanism to leverage additional funding for the promotion of climate resilient agricultural practices.
17. **Subcomponent 3.2: Strengthening financial services associations and promotion of savings and credit services associations.** Building on the experience of the emerging FSAs in CBARDP, CASP will strengthen financial institutions, ultimately linking the FSAs with commercial and development banks, microfinance banks and NGO microfinance institutions. In order to strengthen the FSA model, informal accumulating savings and credit services associations (ASCAs) will be developed to expand the savings culture and increase outreach of financial services linked to the FSAs. The ASCAs will provide a strong base for FSAs and will target youth and women more inclusively. To promote sustainable support to the FSAs and ASCAs, CASP will foster the emergence of state-based service centres for the purposes of capacity-building and oversight.

18. **Component 4: Programme Coordination and Management.** The programme will establish a programme support office (PSO) under the Federal Ministry of Agriculture; state support offices at the state level; and local government support offices at the local government level. The programme will support training, studies, workshops, reviews, monitoring and evaluation and carry out supervision missions and other knowledge-sharing activities, such as field days and youth forums. CASP will conduct a baseline study, a beneficiary assessment study, thematic studies, impact assessments and periodic policy analysis.

III. Programme implementation

A. Approach

19. The CASP approach builds on two key precepts: (i) change is a gradual process that has to gain acceptance through the community; and (ii) there is a need to build institutions to introduce change. CBARDP has demonstrated that CDAs are an operational and democratic body, accepted and run by communities for participatory and transparent implementation of development activities at the village level. CDAs will therefore remain the primary vehicle for implementing agricultural and rural development support measures. The first year of implementation will focus on sensitization and awareness-building to ensure that communities, programme staff and authorities at federal, state and local government levels are made aware of the orientation of agriculture as a business and the relevance of incorporating climate-resilient measures in the approach.
20. As part of CASP, ASAP interventions will focus on strengthening the knowledge and capacity of local farmer organizations concerning sustainable agricultural production. This will assist in planning and promoting climate-resilient techniques while implementing larger investments that both increase the resilience of the production landscape and reduce the impact of climate hazards on rural infrastructure.

B. Organizational framework

21. At the federal level, CASP will be placed under the technical responsibility of the Federal Ministry of Agriculture and Rural Development (FMARD) as the lead implementing agency. The Federal Ministry of Finance, as the representative of the borrower/recipient, will ensure proper utilization of programme resources. The National Planning Commission will participate in the monitoring of programme results. A programme steering committee will provide policy support and advisory oversight and will review/approve the annual workplan and budget (AWP/B). The programme will be guided at the federal level by the value chain development steering committee (VCDSC); at the state level by the agricultural rural development executive committee (ARDEC); and at the local government level by the local government development committee.
22. FMARD will delegate day-to-day implementation and coordination of activities to the programme support office. At the state level, it will be placed under the technical responsibility of the State Ministry of Agriculture and will be directly implemented by the SSO. At the local government level, it will be under the technical responsibility of the Department of Agriculture and directly implemented by the local government support office.

C. Planning, monitoring and evaluation, and learning and knowledge management

23. **Planning.** The three planning instruments to be used under the programme are the logical framework, participatory planning tools, and the results-based AWP/B and procurement plan. The planning process will start with CAPs at the community level. The results-based AWP/B and procurement plan represent the culmination of the planning process.

24. **Monitoring and evaluation (M&E).** A results-based M&E system will be set up to: (i) assess impact; (ii) monitor progress; (iii) capture and disseminate lessons learned and good practices; and (iv) build local capacity for data collection and analysis. An integrated, automated management information system (MIS) will be set up based on the logical framework indicators, and aligned with the MIS of the Agricultural Development Programme and those of the National Planning Commission and FMARD to ensure input of all relevant information. A baseline survey, annual survey, periodic thematic survey, midterm impact survey and programme completion survey will be carried out to obtain quantitative information on indicators at the outcome and impact levels. All impact surveys will include gender- and youth-related issues.
25. **Climate change monitoring.** In order to plan adaptation actions and implement them in a cost-effective manner, ASAP will support the downscaling of climate models in the participating states. In addition, ASAP will finance the establishment of a geographic information system (GIS) to monitor impact and to be used as a planning tool. The production and publication of climate change adaptation-related knowledge management/information material will be used to communicate CASP results.
26. **Learning and knowledge management.** Knowledge management products and events will include: (i) development of information packages, fact sheets, impact assessments, policy analysis and tracer studies, and documentation of success stories, to be disseminated to implementing partners, communities and other relevant stakeholders; (ii) use of web-based, print, video and audio media to share/disseminate knowledge with farmers, key stakeholders and the general public; and (iii) regular learning events and networking forums for stakeholders at all levels including field days for farmers to share improved practices, commodity fairs where producers meet private-sector buyers, and annual youth forums for N-Agripreneurs. CASP will buy into the central communication platform of IFAD programmes in Nigeria to share and dissemination knowledge of implementation successes as well as upscale its communication and knowledge management efforts

D. Financial management, procurement and governance

27. **Financial management.** The financial management assessment assigned a high risk rating due to geographical dispersion, particularly in remote and underserved areas of the country, which will make fiduciary oversight challenging; weak financial accounting and reporting capacity; and fiduciary weaknesses inherent in community-driven development. These risks will be mitigated as follows: (i) the PSO will have overall responsibility for financial management with support from state-level public financial management units (PFMUs) within the State Accountant General's office and the SSO; (ii) at the state level, financial accounting arrangements and fiduciary oversight of expenditures will be integrated into PFMUs that have been previously equipped with appropriate accounting software systems, and with staff already trained in donor reporting, internal audit and disbursement procedures; (iii) accounting procedures will be consistent with international accounting standards and government requirements; (iv) regular risk-based internal audits will be carried out by trained staff at the state PFMU, especially over CDA expenditures; (v) internal audit reports will be made available to national and state PSO and SSO staff; (vi) accounting facilitators will be hired at local government levels for at least the first three years of programme implementation to provide continuous community training on basic bookkeeping; and (vii) financial procedures, including community-level procedures, will be documented in a manual and set out in the financing agreement and the letter to the borrower/recipient (LTB). The programme will use the imprest fund method for designated account advances, as set forth in the LTB. An independent external auditor will be recruited

to audit the annual financial statements for the programme in accordance with IFAD procedures.

28. Procurement of goods and services financed by the IFAD loan, the IFAD grant and the ASAP grant will be undertaken in accordance with the IFAD Project Procurement Guidelines. Procurement of services, equipment, materials and vehicles will follow the appropriate procurement methods and thresholds.

E. Supervision

29. CASP will be directly supervised by IFAD. The relevant line agencies would participate in the missions.

IV. Programme costs, financing, benefits

A. Programme costs

30. The total programme cost, including price and physical contingencies, duties and taxes, is projected at US\$93.55 million for the six-year period. This cost has a projected foreign exchange component of US\$8.9 million, or about 9.6 per cent of total programme costs. Projected taxes and duties, calculated at the prevailing rates, amount to US\$4.1 million, or about 4.4 per cent of total programme costs. The projected total base cost amounts to US\$85.75 million, while physical and price contingencies are estimated to total of US\$7.8 million. Investment costs are US\$86.09 million and account for 92 per cent of the total cost of the programme. Recurrent costs are US\$7.46 million and account for 8 per cent of the total cost of the programme.

Table 1

Nigeria
Climate Change Adaptation and Agribusiness Support Programme (CASP)
Components Project Cost Summary

	(Naira Million)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Productivity Enhancement and Climate Resilience								
1. Agricultural Production and Productivity								
a. Agricultural Extension Delivery Strengthened	1 194.1	310.2	1 504.3	7 463.4	1 938.6	9 402.0	21	11
b. Community Based Seed Production	138.0	9.6	147.6	862.4	60.0	922.4	7	1
c. Support for Market Access	802.7	133.8	936.5	5 016.9	836.1	5 853.0	14	7
Subtotal Agricultural Production and Productivity	2 134.8	453.6	2 588.4	13 342.7	2 834.7	16 177.4	18	19
2. Climate Change Resilience Adaptation	1 379.6	81.8	1 461.4	8 622.5	511.5	9 134.0	6	11
Subtotal Productivity Enhancement and Climate Resilience	3 514.4	535.4	4 049.8	21 965.2	3 346.2	25 311.4	13	30
B. Enterprise Development for Women and Youth	1 759.7	-	1 759.7	10 998.0	-	10 998.0	-	13
C. Institutional Development								
1. Support for Formation and Strengthening of Production Groups and CDAs	5 331.4	801.6	6 133.0	33 321.4	5 010.0	38 331.3	13	45
2. Strengthening and Linkages for FSAs	498.4	0.5	498.9	3 115.0	3.0	3 118.1	-	4
Subtotal Institutional Development	5 829.8	802.1	6 631.9	36 436.4	5 013.0	41 449.4	12	48
D. Programme Management	1 247.6	31.6	1 279.2	7 797.5	197.4	7 994.9	2	9
Total BASELINE COSTS	12 351.5	1 369.1	13 720.6	77 197.1	8 556.6	85 753.7	10	100
Physical Contingencies	474.2	-	474.2	2 964.0	-	2 964.0	-	3
Price Contingencies	3 789.3	375.6	4 164.9	4 396.6	435.9	4 832.5	9	6
Total PROJECT COSTS	16 615.1	1 744.7	18 359.8	84 557.7	8 992.5	93 550.2	10	109

B. Programme financing

31. IFAD will provide a loan of US\$70 million and a grant of US\$0.48 million (to finance international technical assistance for agribusiness and M&E activities), equal to 75.34 per cent of the total cost of the programme. ASAP will provide a grant of US\$15 million (about 16 per cent of total costs) for climate change initiatives for the seven participating states. The Government will provide a projected US\$5.75 million of which US\$4.10 million will finance duties and taxes on costs relating to programme management and US\$1.60 million will constitute direct Government counterpart financing for allowances and operating costs of programme activities. The Government will finance all duties and taxes in conformity with the principle that no taxes or duties will be financed from the proceeds of the IFAD loan, the IFAD grant or the ASAP grant. Beneficiaries will

make a contribution of US\$1.40 million. The amount of US\$0.92 million, that is “to be determined”, is expected to be in the form of contributions from the state counterpart financing for scaling-up activities and may be increased. The table below provides a breakdown of the financing.

Table 2

Nigeria
Climate Change Adaptation and Agribusiness Support Programme
Disbursement Accounts by Financiers
(US\$ '000)

	Government		IFAD		ASAP		To Be Determined		Beneficiary		IFADGRANT		Total		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
A. IFAD Financed Disbursement Accounts															
1. Civil Works	1 724.8	5.0	26 030.3	75.5	5 818.8	16.9	922.9	2.7	-	-	-	-	-	34 496.8	36.9
2. Vehicles, Equipment and Materials	2 004.2	9.8	18 429.2	90.2	-	-	-	-	-	-	-	-	-	20 433.4	21.8
3. Training Studies, Planning and Workshops	0.0	-	15 302.8	100.0	-	-	-	-	-	-	-	-	-	15 302.8	16.4
4. Technical Assistance															
International Technical Assistance	-	-	452.7	48.6	-	-	-	-	-	-	478.8	51.4	931.5	1.0	
National Technical Assistance	-	-	3 125.5	100.0	-	-	-	-	-	-	-	-	3 125.5	3.3	
Subtotal Technical Assistance	-	-	3 578.2	88.2	-	-	-	-	-	-	478.8	11.8	4 057.0	4.3	
6. Recurrent Costs															
Recurrent Costs Co-financed	1 920.9	30.0	4 482.0	70.0	-	-	-	-	-	-	-	-	6 402.9	6.8	
7. Recurrent Costs	38.8	5.0	737.0	95.0	-	-	-	-	-	-	-	-	775.8	0.8	
Subtotal IFAD Financed Disbursement Accounts	5 688.7	7.0	68 559.5	84.2	5 818.8	7.1	922.9	1.1	-	-	478.8	0.6	81 468.7	87.1	
B. ASAP Financed Disbursement Accounts															
1. Civil Works	-	-	-	-	3 727.0	100.0	-	-	-	-	-	-	3 727.0	4.0	
2. Equipment and Materials	-	-	-	-	2 430.0	100.0	-	-	-	-	-	-	2 430.0	2.6	
3. Training Studies, Planning and Workshops	-	-	1 436.0	80.2	355.0	19.8	-	-	-	-	-	-	1 791.0	1.9	
4. Technical Assistance															
International Technical Assistance	-	-	-	-	504.0	100.0	-	-	-	-	-	-	504.0	0.5	
National Technical Assistance	-	-	-	-	2 164.9	100.0	-	-	-	-	-	-	2 164.9	2.3	
Subtotal Technical Assistance	-	-	-	-	2 668.9	100.0	-	-	-	-	-	-	2 668.9	2.9	
Subtotal ASAP Financed Disbursement Accounts	-	-	1 436.0	13.5	9 180.9	86.5	-	-	-	-	-	-	10 616.9	11.3	
C. Government Financed															
D. Beneficiary Financed															
1. Beneficiary Contribution	59.2	4.0	-	-	-	-	-	-	1 405.4	96.0	-	-	1 464.6	1.6	
Subtotal Beneficiary Financed	59.2	4.0	-	-	-	-	-	-	1 405.4	96.0	-	-	1 464.6	1.6	
Total PROJECT COSTS	5 747.9	6.1	69 995.5	74.8	14 999.6	16.0	922.9	1.0	1 405.4	1.5	478.8	0.5	93 550.2	100.0	

C. Summary benefit and economic analysis

32. The key direct beneficiaries are smallholder producers and enterprises. The programme will directly target 727,000 members in production and entrepreneurial groups, 215,000 FSA members and 450,000 ASCA members. There will be 200,000 direct beneficiaries applying climate-resilient initiatives. CASP is expected to have short- and longer-term effects on employment in local communities. The expansion in production and processing should bring about a more sustainable and higher demand for labour, especially of women. In addition to the number of jobs to be supported in production and processing, a minimum of 3,535 new enterprises will be created, excluding the additional 520 enterprises to be engaged by pilot enterprises and the multiplier effect in creating additional jobs by each enterprise supported.
33. **Economic analysis.** The programme's economic internal rate of return (EIRR) is estimated at 13 per cent over 20 years. Compared to the internationally accepted opportunity cost of capital of 12 per cent, the programme is considered economically viable. Sensitivity tests show that the programme is viable and would continue to yield positive returns even with a decrease in benefits of 30 per cent (EIRR reduced to 7.7 per cent), an increase in cost of 20 per cent (EIRR reduced to 10.2 per cent).

D. Sustainability

34. **Institutionally,** CASP will emphasize capacity-building support for the three principal institutions driving implementation in the field: the FOs/production groups, the CDAs, FSAs and ASCAs. Particular emphasis will be given to strengthening the leadership of FOs, CDAs, FSAs and ASCAs in management skills and other aspects of group dynamics. Their development will be reinforced with technical assistance and methodological guidance based on good agricultural practices, climate-resilient production practices, etc. The relationships between the FOs and CDAs and TTSCs, private extension delivery firms, and private sector

market outlets will be made sustainable. Private sector actors will be the change agents for farmer groups and CDAs to become effectively integrated into value chains. The programme will also provide capacity-building support to the state-based service centres to support FSAs and ASCAs after programme completion.

35. **Environmentally**, ASAP activities are intended to confer **environmental sustainability** on the programme by promoting the use of climate change resilience measures, including support to sustainable land management through erosion control and water conservation techniques.

E. Risk identification and mitigation

36. The main risks identified and mitigated are as follows:

- (a) A lack of commitment to the **CDA approach** by the state and local governments and non-**release of state counterpart** funds may occur.
- The proposed states have demonstrated a high level of commitment during implementation of CBARDP. A written letter of interest to establish CASP, committing to buy-in of the CDA approach and to counterpart financing is to be obtained from the states by the Government.
- (b) Political unrest in northern Nigeria might pose security challenges for programme implementation and ability of IFAD to establish supervision missions.
- Working through CDAs is a form of conflict management, as traditional leadership is made aware that programme activities are for the development of the community, and acceptance is gained. The Government emergency rule is restoring normality in the two states. However, if the security constraints continue in Borno and Yobe, third party monitoring will be introduced.
- (c) Programme staff may be selected based on their current positions in the CBARDP or connection to influential persons.
- At all levels, transparent competitive recruitment will be promoted for all programme positions.
- (d) Activities may not be conducted as scheduled due to slow transfer of funds or weak financial management.
- Disbursement arrangements have been simplified and made more flexible with a single designated account at the PSO level only and operational accounts for each state.

V. Corporate considerations

A. Compliance with IFAD policies

37. The programme is fully in accordance with the five objectives of the IFAD Strategic Framework 2011-2015 and with IFAD strategies and policies, specifically the: (i) Rural Finance Policy; (ii) Private-Sector Strategy – Deepening IFAD’s engagement with the private sector (iii) Partnership Strategy; (iv) Climate change strategy, (v) Environment and Natural Resource Management Policy; and (vi) Policy on Gender Equality and Women’s Empowerment.

B. Alignment and harmonization

38. In line with the first strategic objective of the RB-COSOP, CASP is to promote agricultural production and productivity in a sustainable manner taking into consideration climate change impacts, while looking upstream at agro-allied enterprises and markets to ensure that income generated from increased yield will lead to sustainable income for farmers and employment opportunities for

entrepreneurs, particularly women and youth. In consonance with the second objective, CASP will build on the institutions and capacity developed at the state, local government and community levels to promote good governance and inclusive development.

39. CASP is guided by IFAD's Strategic Framework 2011-2015: promoting resilience in small-scale agriculture with the support of ASAP; promoting win-win arrangements to help small agricultural producers seize opportunities at lower risk in value chains; supporting the development of technologies and institutional mechanisms for sustainable intensification of small-scale agriculture; building the capacity of financial institutions to provide a broad range of financial services to poor rural people; and promoting the capabilities of rural women and men, including youth.

C. Innovations and scaling up

40. The CASP will consolidate, scale up and refine CBARDP activities that have the potential to generate greater poverty impact. Such activities include support for CDAs and the Community Development Fund, the FSAs, rural farmer inputs shops, community-based seed production, FFS, dry season agriculture, small-scale enterprises and income-generating activities for women. Under the CASP, innovations will include: developing an institutional mechanism for using private sector extension providers; promoting farming business schools alongside farmer field schools; integrating climate change adaptation measures into extension schemes; incorporating PLUPs and participatory climate change vulnerability mapping (PCCVM) as part of the community planning exercise to identify demand-driven community level interventions; linking FSAs to formal financial markets; and generating a marketable surplus for output markets, in particular the SCPZs. The main drivers of scaling up are farmers and farmers' organizations. The state governments, which will have ownership of the programme and will replicate and scale up the CASP approach. Some government reform initiatives such as ATA, the Nigerian Incentive-based risk-sharing scheme for agricultural lending (NIRSAL) and YEAP will provide political space for CASP implementation. ASAP will provide incentives to CDAs in order to create an institutional pathway to bring climate resilient agriculture to a larger geographical scale in northern Nigeria.

D. Policy engagement

41. CASP will contribute to the implementation of ATA on the ground, i.e. by drawing out and offering lessons from the programme implementation experience that can help shape the larger ATA operational strategy, and specifically, provide ATA with perspectives relative to smallholder engagement in agricultural growth. Policy engagement will be based on knowledge management routes that will serve to identify policy issues. Analytical work will be undertaken where necessary to build an evidence base for policy dialogue and advocacy. Potential routes for dialogue and advocacy will include: the ARDEC, the VCDSC, the Directorate of Planning, Research and Statistics in FMARD, and the relevant ATA commodity task force groups.

VI. Legal instruments and authority

42. A programme financing agreement between the Federal Republic of Nigeria and IFAD will constitute the legal instrument for extending the proposed financing to the Borrower/Recipient. A copy of the negotiated financing agreement will be tabled at the session.
43. The Federal Republic of Nigeria is empowered under its laws to receive financing from IFAD and from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund, acting through IFAD in its capacity as Trustee of the ASAP Trust Fund.
44. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

45. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Federal Republic of Nigeria in an amount equivalent to forty-five million seven hundred thousand special drawing rights (SDR 45,700,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Federal Republic of Nigeria in an amount equivalent to three hundred and ten thousand special drawing rights (SDR 310,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Federal Republic of Nigeria in an amount equivalent to nine million eight hundred thousand special drawing rights (SDR 9,800,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Summary Logical Framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
Contribute to National ATA goal “ Rural poverty reduced, food security increased and accelerated economic growth achieved on a sustainable basis”	<ul style="list-style-type: none"> ▪ 25% reduction in child malnutrition in targeted LGAs (RIMS) ▪ 15% beneficiaries of households in targeted LGAs with improvement in Asset Ownership (RIMS) ▪ 52% of food poor persons decreased to 27% in the programme states⁴ (2010 NBS figures) 	<ul style="list-style-type: none"> ▪ National Bureau of Statistics ▪ Baseline Survey ▪ MTR Survey ▪ Programme Completion Survey ▪ UNICEF food security and nutrition surveys ▪ Government data 	Macro-economic situation is maintained and security situation is improved in two states (Yobe and Borno)
Programme Development Objective:			
Incomes increased, food security enhanced and vulnerability reduced for smallholder farmers, particularly women and youth in the participating States	<ul style="list-style-type: none"> ▪ 242 000 rural persons (33% of beneficiaries) pulled out of poverty (using the USD2.0 based WB definition) ▪ 30% increase in net income of 727 000 individuals (disaggregated by women, youth) ▪ Production increases in identified food staples by x metric tonnes (ATA Indicator) NB: Figures are to be established with baseline survey ▪ Increase in number of farmers with reduced erosion in their fields by 40% (ASAP) 	<ul style="list-style-type: none"> ▪ Baseline Survey ▪ MTR Survey ▪ Programme Completion Survey ▪ State Government data ▪ Interview and focus groups 	States continue to allocate resources for sustainable and resilient agriculture for rural poverty reduction
Outcome 1: Smallholder farmers’ productivity, sustainability, and resilience enhanced	<ul style="list-style-type: none"> ▪ 50% increase in yield/ha of selected commodities per State (disaggregated by commodity)⁵ ▪ 40-50% increase in total production of selected commodities per State ▪ 225 000 hectares of land managed under climate-resilient⁶ practices (ASAP) 	<ul style="list-style-type: none"> ▪ State wide Agricultural Analysis ▪ Impact Survey ▪ Programme progress reports 	Private sector services providers are tapped on from within and outside the region Communities have capacity to maintain and manage market

⁴As household assets of rural poor households are measured in a composite manner, this will be captured a baseline and completion survey based on indicators found in the logframe

⁵ Baseline is 1.5ton/ha for rice; 1.8ton/ha for maize; less than 0.5ton/ha for millet; 2ton/ha for sorghum; 1.4 ton/ha for Groundnut (RIMS)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	<ul style="list-style-type: none"> ▪ Disaggregated by sex of HH ▪ Reduction in pre and post-harvest losses by 20% by commodity, by state (ATA) ▪ Number of smallholder farmers using improved, high quality seeds by 50% 		relationships
Outcome 2: Smallholder farmers, particularly women and youth, benefiting from linkages with efficient and reliable markets for agro-inputs and commodities	<ul style="list-style-type: none"> ▪ Number of smallholder farmers using agrochemicals and fertiliser increase by 50% ▪ Up to 4,000 jobs created by Micro-Small & Enterprises (MSEs), particularly for women and youth (RIMS & ATA) ▪ Increased% of produce processed (volume of value added) for selected commodities ▪ At least 25% of production groups (representing 9000 groups) engage in off-take arrangements with industries 	<ul style="list-style-type: none"> ▪ Impact Survey ▪ Programme progress reports 	<p>A transparent business environment for private companies to work</p> <p>No crowding out of the private sector by the Government</p> <p>Financial institutions' participation secured</p>
Outcome 3: Sustainable, inclusive and market-oriented rural community institutions developed	<ul style="list-style-type: none"> ▪ 75% of CDAs assessed as high performing ▪ 30% of CDA members are women ▪ 50% of groups assessed as commodity groups selling to processors, markets ▪ Number of community infrastructure schemes operating and being maintained (disaggregated by type) ▪ 80% of Financial Service Associations (FSAs) operating in a sustainable manner ▪ 350 FSAs linked to financial institutions ▪ Women/ youth to form at least 60% of ASCA members 	<ul style="list-style-type: none"> ▪ Programme Annual CDA assessment ▪ Programme Annual groups assessment ▪ Financial reports from the FSAs 	<p>Local Governments and States willing to adopt and scale up CDAs</p> <p>Avoidance of political interference in farmer groups</p> <p>Elite capture is guided against</p>
Outcome 4: ATA implementation approaches informed by Climate Change Adaptation and Agribusiness Support Programme (CASP) experience	<ul style="list-style-type: none"> ▪ Coordination with key stakeholders functioning smoothly and partnerships developed ▪ Routes for lesson learning and managing knowledge established and functioning ▪ Routes for policy dialogue and advocacy established and functioning 	<ul style="list-style-type: none"> ▪ Programme progress reports ▪ Supervision reports 	Turn over of key staff is minimal

⁶ "In the context of this programme, a resilient household is defined as a household that has taken active measures to reverse land degradation, is participating actively in community-based land use planning, and has access to communal infrastructure that is protected from climate hazards".