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Investing in rural people

## **Federal Republic of Nigeria**

### **Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt**

#### **Note to Executive Board representatives**

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Executive Board — 112<sup>th</sup> Session  
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**For: Information**

## **Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt**

1. In December 2013, the Executive Board was 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 document EB 2013/110/R.18.
2. Subject to the completion of the negotiations of the financing agreement in accordance with the terms and conditions presented in the President's report, and on the understanding that the negotiations would be completed within six months of approval and that the negotiated text would be duly shared with the Board for its information, the Executive Board adopted 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."
3. In accordance with the conditions of Executive Board approval, negotiations were concluded on 6 June 2014. The negotiated financing agreement is attached as an appendix.

## **FINANCING AGREEMENT**

Loan Number: [       ]

Grant Number: [       ]

ASAP Grant Number: [       ]

Programme Title: Climate Change Adaptation and Agribusiness Support Programme in the Savannah Belt (the "the Programme")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Federal Republic of Nigeria (the "Borrower/Recipient")

(each a "Party" and both of them collectively the "Parties")

### **WHEREAS**

A. The Borrower/Recipient has requested financing from the Fund for purposes of financing the Programme described in Schedule 1 to this Agreement;

B. The IFAD Executive Board approved at its 105th Session the proposal to establish a Trust Fund for the Fund's Adaptation for Smallholder Agriculture Programme (ASAP), with the purpose of financing, in the form of grants, components of the IFAD-financed core portfolio of projects and programmes to increase the resilience of small farmers to climate change in the five key ASAP outcome areas.

**NOW THEREFORE**, the parties hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Financing to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

### **Section B**

1. The Financing is composed of:

A. A Loan of forty-five million seven hundred thousand Special Drawing Rights (SDR 45 700 000) (the Loan).

B. A Grant of three hundred and ten thousand Special Drawing Rights (SDR 310 000) (the Grant).

C. A Grant from the ASAP of nine million eight hundred thousand Special Drawing Rights (SDR 9 800 000) (the ASAP Grant).

2. The Loan is granted on highly concessional terms.
3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and service charge of the Loan shall be payable on each 15 May and 15 November with payments of principal commencing on 15 May 2024.
6. There shall be an account designated to receive funds in advance from the Financing in USD (Designated Account) for the exclusive use of this Programme in a bank acceptable to the Fund.
7. The Borrower/Recipient shall open and thereafter maintain a Programme Account in Naira to channel the Financing from the Designated Account to spending units at the Programme Support Office (PSO) and Programme States, as defined in paragraph 1, Section I, Schedule 1 hereto (the "Programme Account A"). The Borrower/Recipient shall also open and thereafter maintain a Programme Account in Naira for Federal Government counterpart contributions to the Programme (the "Federal Programme Account"). Moreover, the Borrower/Recipient shall cause each Participating State to open and thereafter maintain a Programme Account in Naira for the respective State Government's counterpart contributions to the Programme (each a "State Programme Account" and, collectively, the "State Programme Accounts") as well as an account to receive the proceeds of the Financing allocated to each such Participating State from the PSO (each a "State Programme Account B" and, collectively the "State Programme Accounts B").
8. The Borrower/Recipient shall provide counterpart financing for the Programme in the amount of five million seven hundred and fifty thousand United States dollars (USD 5 750 000) equivalent, to cover all taxes and duties as well as a portion of operating costs respectively at the Federal and Programme States levels. Additional co-financing in the amounts of nine hundred and twenty thousand United States dollars (USD 920 000) equivalent shall be provided to the Programme by the Programme States and one million four hundred thousand United States dollars (USD 1 400 000) equivalent shall be provided to the Programme by the Programme beneficiaries.

### **Section C**

1. The Lead Programme Agency shall be the Federal Ministry of Agriculture and Rural Development (FMARD) of the Borrower/Recipient.
2. The following are designated as additional Programme Parties: (a) the Federal Ministry of Finance (FMF); (b) the Ministries of Finance and of Agriculture and Rural Development of the States of Borno, Jigawa, Katsina, Kebbi, Sokoto, Yobe, and Zamfara.
3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

**Section D**

The Financing will be administered and the Programme supervised by the Fund.

**Section E**

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The Programme Implementation Manual ("PIM") referred to in Paragraph 15, Section II of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Designated Account, the Programme Account A and the Federal Programme Account, shall have been duly opened;
- (b) The Programme Support Office (the "PSO") and the State Support Offices (the "SSOs") in the Programme Area as indicated in Paragraph 1, Section I of Schedule 1 hereto shall have been duly established and key staff including, for the PSO, the Programme Coordinator, Financial Controller, Procurement Officer, Monitoring and Evaluation Advisor and, for each SSO, the State Programme Officer and Accountant shall have been appointed with the prior endorsement of the Fund;
- (c) The PIM, including the Financial Administration Manual, shall have been submitted to and approved by, the Fund; and
- (d) Accounting software shall have been installed at the PSO.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Borrower/Recipient:

Minister of Finance  
Federal Ministry of Finance  
P.M.B. 14  
Abuja, Nigeria

This Agreement, dated [            ], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

\_\_\_\_\_  
For the Fund  
(insert name and title)

\_\_\_\_\_  
For the Borrower/Recipient  
(insert name and title)

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### **I. Programme Description**

1. *Target Population.* The Programme shall benefit poor households, with a strong emphasis on rural women and youth, in the States of Borno, Jigawa, Katsina, Kebbi, Sokoto, Yobe, and Zamfara (each a "Participating State" and, collectively, the "Programme States" or "Programme Area").

2. *Goal.* The overall goal of the Programme is to reduce rural poverty, increase food security and accelerate economic growth on a sustainable basis.

3. *Objectives.* The Programme objective is to increase incomes, enhance food security and reduce vulnerability for smallholder farmers, particularly women and youth, and create jobs in the Programme Area.

4. *Components.* The Programme shall consist of the following Components:

4.1. **Component 1: Productivity enhancement and climate resilience.** This component shall sensitize and train communities on best practices for productivity increase and on measures to address the impact of climate change risks.

4.1.1. **Subcomponent 1.1: Agricultural productivity and production enhancement.** The programme shall: (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 shall be explored to facilitate technology transfer and improve farmers' knowledge on best agronomic practices. Extension providers shall 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 will 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.

4.1.2. **Subcomponent 1.2: Climate change resilience and adaptation.** The Programme shall mainstream climate change adaptation measures through a landscape rehabilitation approach focused on sustainable land management, encompassing soil erosion control, water-harvesting techniques and soil and water conservation technologies. The main climate change impacts and interventions shall be identified through a participatory vulnerability mapping exercise carried out by target communities and assisted by service providers. Communities shall be encouraged to implement landscape rehabilitation activities through the provision of technical assistance. More specifically, this subcomponent shall demonstrate erosion control and rangeland management techniques by establishing demonstration sites and scaling up new ways of implementing innovative erosion control techniques. Support shall be provided for the undertaking of study tours in neighbouring countries to observe and learn good practices for sustainable land management, and cropping and irrigation technologies. In addition, ASAP funding shall be used to protect the investment in rural roads against the increased risks of floods and run off.

4.2. **Component 2: Enterprise development for women and youth.** This Component shall support individual or group private sector enterprise development specifically for women and youth who have demonstrated 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, the Programme shall support the development of job opportunities around value chains. The support shall also focus on enterprises and activities directly linked to adding value to production, processing, and marketing or addressing market constraints along the chains of the selected commodities. Programme support shall 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 shall 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.

**4.3. Component 3: Institutional development.** Institution-building support shall be provided under this Component farmers’ organizations (FOs) or production groups; community development associations (CDAs); and financial services associations (FSAs).

**4.3.1. Subcomponent 3.1: Support for setting up and strengthening CDAs and production groups.** The Programme shall facilitate the establishment and/or strengthening of CDAs. All group leaders (and in some cases, group members) of existing and newly formed groups shall participate in training on leadership skills, group management, bulk procurement, market information, private-sector engagement, product marketing strategies, enhanced agro-economic and livestock practices, and climate resilience measures. CDAs shall develop community action plans (CAPs) that will include participatory land use planning (PLUP) and rapid market analysis. Under the Programme, the PLUP for at least 350 CDAs shall be more rigorous and include participatory climate change vulnerability mapping. Funds shall be made available directly to the CDAs for community infrastructure identified through the CAP process. The ASAP shall provide incentives (within the CAP process) establishing a scaling up mechanism to leverage additional funding for the promotion of climate resilient agricultural practices.

**4.3.2. Subcomponent 3.2: Strengthening financial services associations and promotion of savings and credit services associations.** The Programme shall 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) shall be developed to expand the savings culture and increase outreach of financial services linked to the FSAs. The ASCAs shall provide a strong base for FSAs and target youth and women more inclusively. To promote sustainable support to the FSAs and ASCAs, the Programme shall foster the emergence of state-based service centres for the purposes of capacity-building and oversight.

**4.4. Component 4: Programme Coordination and Management.** The Programme shall 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 shall 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. A baseline study, a beneficiary assessment study, thematic studies, impact assessments and periodic policy analysis shall be conducted.

## II. Implementation Arrangements

5. Lead Programme Agency. In its capacity as Lead Programme Agency, the FMARD through its Department of Rural Development shall have overall technical responsibility for the Programme. The FMARD shall, *inter alia*: (i) ensure availability of annual funding for the Programme and timely release of relevant funds; (ii) coordinate the roles of the Federal agencies involved in the Programme; (iii) approve the consolidated Annual Works and Plan (AWPBs) and procurement plan of the Programme; (iv) ensure follow-up on the recommendations of supervision missions; (iv) jointly undertake the mid-term review (MTR), impact studies and finalisation of the Programme completion report (PCR) with IFAD.

6. Value Chain Development Steering Committee (VCDSC). At the Federal level, the Programme shall receive oversight and guidance from the VCDSC, which shall meet at least twice a year among other things to review the AWPBs and assess progress in Programme implementation.

7. Programme Support Office (PSO). The FMARD shall delegate day-to-day implementation and coordination of Programme activities to a PSO.

7.1. Composition. The PSO shall be staffed *inter alia* by a Programme Coordinator and an Institutions Development Coordinator, a Financial Services Association Coordinator, an Agriculture Development Coordinator, a Climate Change Specialist, an Agribusiness Promotion Specialist, a Rural Infrastructure Engineer, a Gender and Youth Coordinator, a Monitoring and Evaluation Coordinator, a Knowledge Management/Communications Coordinator, a Financial Controller, an Accountant, an Internal Auditor, a Procurement Officer, an Administrative Officer and support staff. The most senior technical expert shall act as deputy, in the absence of the Programme Coordinator.

7.2. Responsibilities. The responsibilities of the PSO shall be detailed in the Programme Implementation Manual and shall include overall Programme implementation, coordination and accountability.

8. Agricultural Rural Development Executive Committee (ARDEC). At the State level, there shall be an ARDEC in each Participating State which shall meet twice a year and on an *ad hoc* basis to provide oversight and coordination functions, to review and approve the AWPBs and procurement plans, and to assess implementation progress in the Programme States.

9. State Support Offices. The day-to-day implementation of the Programme at the State level shall be the responsibility of a SSO established in each Participating State. Each SSO shall report administratively to the Commissioner of the State Ministry of Agriculture and Rural Development in each Participating State and technically to the PSO. The SSO shall act as the secretariat for the ARDEC.

9.1. Composition. Each SSO shall comprise of a State Programme Officer, an Institutions Development Officer, a Financial Services Association Officer, an Agriculture Development Officer, a Climate Change Officer, an Agribusiness Promotion Officer, a Rural Infrastructure Engineer, a Gender and Youth Officer, a Monitoring and Evaluation Officer, a Finance Officer, a Programme Accountant, a Procurement Officer and an Administrative Officer as well as support staff. A Programme Accountant and an Internal Auditor shall be appointed from the Programmes Financial Management Unit of the State.

9.2. Responsibilities. The responsibilities of each SSO shall be detailed in the Programme Implementation Manual.



10. Local Government Development Committee (LGDC). At the Local Government level, there shall be a LGDC in each LGA, which shall meet twice a year and on an *ad hoc* basis to provide oversight and coordination function, review and approve the community AWPBs, and to assess progress made in Programme implementation in each LGA.

11. Local Government Support Office (LGSO). Each LGSO shall comprise a Local Government Support Officer, an Institutions Agent, an Agriculture/Climate Change Agent, a Business Promotion Agent, a Gender and Youth Agent, a Data Collection Agent, and a Programme Accountant. The LGSO shall be responsible for technical support and coordination of Programme activities at LGA level. The LGSO shall handle data generation and transmission to the State offices for onward delivery to the PSO and to facilitate approval of the CAPs submitted by the CDAs by the local government authorities and the integration of the AWPB into the Local Government budget.

12. Community Development Associations. The CDA shall be the primary vehicle for implementing agricultural and rural development support measures, and shall have the following functional positions: (i) Chairperson, (ii) Secretary, (iii) Treasurer, and (iv) Auditor. The Chairperson, Secretary and Treasurer shall be signatories to the CDA Accounts. The tenure of their leadership shall be determined by the members and reflected in their by-laws.

13. State Accountant General's Office. The Accountant General's Office in Participating State shall establish a Project Financial Management Unit (PFMU) to provide financial management services to the SSO operating in each such State and ensure compliance with the Programme's financial management requirements.

14. Mid-Term Review (MTR). The Borrower/Recipient and the Fund shall conduct a comprehensive MTR by the end of third year of Programme implementation to assess implementation progress and to determine the need for revisions to implementation arrangements and/or resource allocations in order to ensure successful Programme completion.

15. Programme Implementation Manual (PIM). The PSO shall prepare a draft PIM for initial approval by the FMARD, which shall include, *inter alia*:

- (i) Implementation responsibilities of the PSO, SSOs and PFMU as well as terms of reference of Programme staff, consultants, service providers and other parties involved in implementation of the Programme, as well as a framework agreement for engagement of service providers;
- (ii) Eligibility criteria and selection procedures with respect to Programme beneficiaries and activities to be financed under the Programme; and
- (iii) Detailed procedures for Programme implementation, including a Financial Administration Manual covering financial management, audit and flow of funds arrangements.

15.1. Through the FMARD, the PSO shall forward the draft PIM to the Fund for its comments no later than ninety (90) days after the entry into force of this Agreement. The Lead Programme Agency shall adopt the PIM substantially in the form approved by the Fund, and shall promptly provide copy thereof to the Fund.

**Schedule 2***Allocation Table*

1. *Allocation of Loan Grant and ASAP Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan, the Grant and the ASAP Grant and the allocation of the amounts of the Loan, the Grant and the ASAP Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	ASAP Grant Amount Allocated (expressed in SDR)	Percentage of Financing (net of taxes and duties under Terms described below)
I. Works	14 420 000	0	5 300 000	see paragraph (b) below
II. Equipment and Materials	11 020 000	0	1 430 000	see paragraph (b) below
III. Training	9 370 000	0	230 000	see paragraph (b) below
IV. Consultancies	2 100 000	310 000	1 860 000	see paragraph (b) below
V. Operating Costs	4 230 000	0		see paragraph (b) below
Unallocated	4 560 000	0	980 000	
<b>TOTAL</b>	<b>45 700 000</b>	<b>310 000</b>	<b>9 800 000</b>	

(b) The terms used in the Table above are defined as follows:

Category I: "Works" means Eligible Expenditures for:

- (i) Component 1; Sub-component 1.1: Infrastructure in support of production and market access for farmers' produce such as construction and/or rehabilitation of markets and produce assembly points, water boreholes and other sanitary facilities, small bridges/culverts, feeder roads, irrigation facilities, seed cleaning houses, earthen rural roads, gully stabilisation and erosion control works, land preparation/development and other similar infrastructure regarded as public goods. Such activities shall be financed 100% from the proceeds of the Loan.
- (ii) Component 1; Sub-component 1.2: Pilot and upscaling of demonstration sites on sustainable land management, establishment and rehabilitation of livestock watering points, financed 100% from the proceeds of the ASAP Grant.

- (iii) Component 3; Sub-component 3.1: i) CDA buildings financed 100% from the proceeds of the Loan; ii) Community Infrastructure financed 100% from the proceeds of the Loan, net of community contributions; and iii) Climate Resilient Community Infrastructure such as water supply facilities, livestock watering points, irrigation facilities, rural/village rural roads, gully stabilisation and erosion control works, and similar infrastructure regarded as climate-proofed, to be financed 100% from the proceeds of the ASAP Grant, net of community contributions.
- (iv) Component 3; sub-component 3.2: FSA building/office financed 100% from the proceeds of the Loan.

Category II: "Equipment & Materials" means Eligible Expenditures for:

- (i) Component 1: sub-component 1.1: Equipment for seed producers financed 100% from the proceeds of the Loan.
- (ii) Component 1; sub-component 1.2: On-farm equipment and materials financed 100% from the proceeds of the Loan. Bio digesters financed 100% from the proceeds of the ASAP Grant, on-farm and community wood lots and rehabilitation of degraded rangelands, GIS equipment, agromet tools financed 100% from the proceeds of the ASAP Grant.
- (iii) Component 2: Pilot agri-enterprises, such as weighing machines/balances, hand tillers, sprayers, reapers, threshers, winowers, polishers, sorters for the purpose of demonstrating best practices or any other tools for value addition for the selected agri-enterprises financed 100% from the proceeds of the Loan for the first three years of Programme implementation and 50% thereafter.
- (iv) Component 3; sub-component 3.1: Vehicles financed 100% from the proceeds of the Loan; Vehicles and Motorcycles financed 100% from the proceeds of the Loan.
- (v) Component 3; sub-component 3.2: Office furniture and office equipment financed 100% from the proceeds Loan.
- (vi) Component 4: Vehicles for the PSO, office equipment and furniture for the PSO and SSOs financed 100% from the proceeds of the Loan.

Category III: "Training" means Eligible Expenditures for:

- (i) Component 1; sub-component 1.1: Capacity building of farmer groups for FBS and FFS, training for seed producers financed 100% from the proceeds of the Loan. Demonstration activities on quality and standards and postharvest, linkage activities, commodity fairs and exchange visits between Programme States financed 100% from the proceeds of the Loan.
- (ii) Component 1; sub-component 1.2: Capacity building and study tours for sustainable land management and water harvesting, study tours for lead farmers financed 100% from the proceeds of the ASAP Grant.
- (iii) Component 3; sub-component 3.1: Awareness building, formation, strengthening of CDAs, formation of community action plans, participatory land use plans (PLUPs), participatory vulnerability mapping for the PLUPs, climate change sensitisation, participatory monitoring, regular monitoring, monitoring and supervision of groups and CDAs, cross visits of CDAs, and other related activities at the CDA level financed 100% from the proceeds of

the Loan. Monitoring of climate change initiatives and training material for climate change adaptation financed 100% from the proceeds of the ASAP Grant.

- (iv) Component 3; sub-component 3.2: Capacity building, linkage banking, value chain development, Monitoring and Information Support and peer to peer learning financed 100% from the proceeds of the Loan.
- (v) Component 4: Participation and organisation of review and monitoring missions, meetings and seminars, trainings, supervisions financed 100% from the proceeds of the Loan. Knowledge management materials and activities financed 100% from the proceeds of the Loan.

Category IV: "Consultancies" means Eligible Expenditures for:

- (i) Component 1; sub-component 1.1: Extension service providers for the Programme States and technical assistance financed 100% from the proceeds of the Loan. Technical assistance to master trainers financed 100% from the proceeds of the ASAP Grant. Seed farmer identification and registration at community level financed 100% from the proceeds of the Loan.
- (ii) Component 1; sub-component 1.2: Technical assistance, pre-feasibility studies, targeting and feasibility studies financed 100% from the proceeds of the ASAP Grant. Climate change specialist, climate change monitoring and evaluation specialist and support to climate adaptation policy dialogue financed 100% from the proceeds of the ASAP Grant.
- (iii) Component 2; Technical assistance for agri-enterprise development financed 100% from the proceeds of the Loan.
- (iv) Component 3; sub-component 3.1: National technical assistance financed 100% from the proceeds of the Loan. International technical assistance financed 100% from the proceeds of the ASAP Grant.
- (v) Component 3; sub-component 3.2: National technical assistance and local technical assistance for State Service Centres financed 100% from the proceeds of the Loan.
- (vi) Component 4: International technical assistance financed 100% from the Grant.

Category V: "Operating Costs" means Eligible Expenditures for:

- (i) Component 4: Salaries and Allowances of PSO staff, office running costs, operation and maintenance of PSO equipment and vehicles financed 70% from the proceeds of the Loan and the balance from Federal Government counterpart funds. Allowances of SSO and PFMU staff, operation and maintenance of equipment and vehicles financed 70% from the proceeds of the Loan and the balance from State counterpart funds.

### Schedule 3

#### *Special Covenants*

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan Account, the Grant Account and/or the ASAP Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. *Staff Positions.* The Borrower/Recipient shall ensure that PSO, SSO and LGSO staff are recruited in conformity with the PIM. All such staff shall be contracted under procedures acceptable to the Fund following an open, transparent and competitive process and have qualifications and experience commensurate with their duties. The recruitment process and the appointment of the staff shall be subject to no-objection of the Fund. Accounting facilitators shall be hired by each Participating State for at least the first three years of Programme implementation to provide training on basic book-keeping to community members.

2. *Programme States.* The Borrower/Recipient shall ensure that each Participating State shall: (i) provide counterpart funds to cover the costs of land, staff salaries, taxes, and office space, and a contribution equivalent to 30% of the determined amount of operations and maintenance; and (ii) should there be overlap with other development partners and government initiatives, carry out systematic planning to ensure complementarity and synergy of interventions.

3. *Criteria for Village and LGA Selection.* The Borrower/Recipient shall ensure continuation of activities in the sixty-nine (69) LGAs that have participated in the IFAD-funded Community-Based Agriculture and Rural Development Programme (CBARDP), to be expanded to five (5) additional village areas within the relevant LGAs. The Programme shall cover the LGAs supported by the CBARDP and five (5) additional ones in each Participating State, to be selected on the basis of: (i) poverty levels, and (ii) production levels of pre-identified crops and enterprises. The selection of village areas shall be based on connectivity by accessible roads as well as contiguity to each other.

4. *Gender and Youth Quotas.* The Borrower/Recipient shall ensure that at least 30% of the production and enterprise groups shall be formed of women only and at least 30% of youth only. Minimum quotas of 30% for women and 30% for youth participation in agricultural training, Farmer Field School as well as Farmer Business School activities shall be put in place to ensure accessibility of services. At least 50% of ASCAs shall be women-only, benefiting from financial literacy training.

5. *Monitoring and Evaluation (M&E).* The Borrower/Recipient shall ensure that a results-based M&E system shall 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) shall 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 gender and youth-sensitive M&E framework tracking the proportion of women and men accessing benefits shall be developed with gender specific indicators and milestones. A baseline survey, smaller annual surveys, a periodic thematic survey, a mid-term impact survey, and a Programme completion survey shall be carried out to obtain quantitative information on indicators at the outcome, development objective and goal levels. For the impact surveys, 30% of the sample size shall comprise women and an additional 30% shall comprise youth.

6. *Audit.* The Borrower/Recipient shall ensure that the PSO shall appoint, based on terms of reference approved by the Fund, a professional audit firm acceptable to the Fund as an independent auditor to audit the accounts of the entire Programme on an annual basis, following international auditing standards. The term of this firm shall last for a maximum of three (3) years after which another auditor shall be appointed subject to the Fund's prior review. An audited annual financial statement for the entire Programme at Federal and State levels, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the fiscal year end.

7. *Emergency Situation.* The Borrower/Recipient shall ensure that flexibility shall be adopted to allow implementation to respond effectively to evolving situations in emergency rule States within the Programme Area as declared by the Borrower/Recipient. The Programme shall allow for the use of third parties to support supervision and monitoring of field-level activities.

8. *Operation and Maintenance.* The Borrower/Recipient shall ensure that adequate human and financial resources are provided to support the operation and maintenance of Programme-financed investments and the recurrent costs of the Programme operations both during and after the Programme Implementation Period, at least for the useful life of such investments.

9. *Use of Programme Vehicles and Other Equipment.* The Borrower/Recipient shall ensure that all vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

10. *Misuse of Funds at Community Level.* The Borrower/Recipient shall ensure that: (i) any misuse of funds at community level shall be handled by community members; (ii) village community members report the misuse to local police; (iii) rules are established for the misused funds to be refunded to the Programme; (iv) a complaints handling mechanism shall be established and publicised through a communications campaign so that the beneficiaries contact the Internal Auditor of the Programme to address complaints, requests and/or questions.

11. *Community Contributions for Community Infrastructure.* The Borrower/Recipient shall ensure that community contributions shall be agreed upon at planning stage through the CDAs and collected through: (i) the Agriculture and Agribusiness Committee, (ii) the Enterprise Promotion Committee, (iii) the Works Committee, or (iv) the Water Committee, as appropriate.

12. *Beneficiary Contributions for Agri-enterprises.* The Borrower/Recipient shall ensure that the Programme pilot agri-enterprises from a menu of: (i) village-based input supply enterprises; (ii) post-harvest handling and processing enterprises; and (iii) produce marketing enterprises. On the basis of the successful completion of the pilot enterprises, through a demand driven selection process of the enterprises, the Borrower/Recipient shall ensure that Programme support is provided for investment and working capital for four additional enterprises in every CDA from among the selected enterprises, which shall mobilise fifty percent (50%) of equity to implement relevant activities.

13. *Transfer of the Proceeds of the Financing to the Programme States.* The Borrower/Recipient shall ensure that the proceeds of the Financing are not transferred to any Participating State until each such State shall have: (i) opened its State Programme Account B; (ii) entered into a memorandum of understanding with the Borrower/Recipient, in form and substance acceptable to the Fund, setting forth the scope of the work to be undertaken, expected targets, estimated budget for specific activities, clearly defined target indicators, as well as proposed flow of funds

arrangements; and (iii) caused the State Accountant General's Office to enter into a memorandum of understanding with the SSO, in form and substance acceptable to the Fund, setting forth the scope of the work to be undertaken, expected targets, responsibilities and service standards expected of the PFMU.

14. *Counterpart Funds*. The Borrower/Recipient shall ensure that adequate counterpart funds are made available to the Federal Programme Account for the first Programme Year and throughout the Programme Implementation Period, as specified in the relevant AWPBs.