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Investing in rural people

Proposal to accept supplementary funds from the Rockefeller Foundation

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Rockefeller Foundation in support of value chain development activities within the ongoing Value Chain Development Programme in Nigeria, substantially as contained in paragraph 9.

Proposal to accept supplementary funds from the Rockefeller Foundation

I. Background

1. The Executive Board is invited to note that IFAD is seeking supplementary funds from the Rockefeller Foundation, a non-profit philanthropic organization located in New York. To this end, the President is seeking the Executive Board's approval to negotiate and finalize a supplementary funds agreement, substantially in accordance with the terms presented in the appendix to this document.
2. IFAD has sought supplementary funds from the Rockefeller Foundation in the amount of US\$1,500,000 over three years to provide specific technical assistance for smallholder cassava farmers in Ogun State, Nigeria, with the objective of bringing the farmers into the cassava starch supply chain of Nigeria Breweries PLC (NBPLc), the local Heineken subsidiary.
3. Having identified a market opportunity for smallholder cassava farmers in Ogun State, IFAD aims to support the implementation of extension and technical assistance activities in collaboration with value chain partners to build a sustainable and business-oriented marketing opportunity for smallholders. This assistance is aligned with the objectives and deliverables of the ongoing IFAD-supported Value Chain Development Programme (VCDP) in Nigeria.
4. The overall goal of this project is to help aggregate, train and connect local cassava farmers to an identified starch mill partner, the Psaltry International Company Ltd. (PIL) operating in Oyo State, which is a supplier of cassava starch to NBPLc. Due to a lack of raw supply, PIL is unable to meet the full demand of its client NBPLc. The project will help the mill close this gap while increasing the incomes of smallholder cassava farmers through a sustainable, market-oriented approach. NBPLc, the end buyer, is seeking the partnership as it needs to obtain a sufficient supply of locally sourced processed cassava starch to operate its local brewery to full capacity. The Rockefeller Foundation is interested in the collaboration given its strategic priority of decreasing post-harvest losses in cassava value chains in Nigeria. Together, the partners have prepared the attached concept note to highlight the activities and outcomes to be achieved in the collaboration. Due diligence has been conducted by IFAD locally on the private-sector partners engaged in the partnership.
5. IFAD and the Rockefeller Foundation have identified the European Cooperative for Rural Development (EUCORD) as the main implementing partner for this project, subject to compliance with IFAD's due diligence requirements for grant recipients in line with the IFAD Policy for Grant Financing. EUCORD, a Brussels-based non-profit organization, has worked extensively with NBPLc on its cassava supply chain development in Nigeria, and was recommended by the Rockefeller Foundation as the implementing partner for IFAD in this collaboration. Under this initiative, IFAD and EUCORD will work with 3,000 smallholder farmers cultivating about 3,000 hectares of land to supply 60,000 metric tons of cassava (the identified demand gap) to PIL. These farmers are already actively engaged in the VCDP and will be

provided with specific extension and technical assistance services to meet the demand of PIL and NBPLc.

6. The Executive Board is the competent organ to decide on acceptance to administer supplementary funds and on the related conditions and restrictions. The Board resolved to delegate a part of that authority to the President, that is, to receive and administer grants from any source for the financing of ongoing IFAD projects, and from Member States for the financing of studies and short-term technical assistance activities related to IFAD operations, on similar conditions as specified in EB 1986/28/R.47 and EB 1987/30/R.28 respectively. As the Rockefeller Foundation is not a Member State of IFAD, and the proposed supplementary fund contribution will not directly finance the implementation of the VCDP, though it will support the achievement of the objectives of the VCDP, the Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Foundation.
7. A full cost-recovery principle (7 per cent plus interest retention) will apply, and indirect costs will be covered by these management fees.
8. The signed agreement will be submitted to the Board for information at a subsequent session.

II. Recommendation

9. The Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Rockefeller Foundation in support of the Value Chain Development Programme in Nigeria, substantially in accordance with the terms presented in the appendix to this document.

Annotated project proposal

Connecting Smallholder Cassava Producers to Sustainable & Productive Value Chains in Nigeria

Key objectives and Activities The International Fund for Agricultural Development (IFAD) aims to productively and sustainably connect 3,000 smallholder cassava farmers in Ogun State (one of the six benefiting IFAD-assisted VCDP states) to Psaltry International Company Ltd (PIL) in the adjacent Oyo State, whereby they will become needed raw material suppliers to enable the mill to meet the full demand of its buyer, Nigeria Breweries Plc (NBPLc). Since 2012 PIL has been a supply chain partner of NBPLc providing processed cassava starch for its brewery in Lagos. However due to shortage of raw material supply the mill has been unable to meet the buyers' full demand. At the request of NBPLc, dialogue began with IFAD to explore how to leverage the IFAD-financed Value Chain Development Programme (VCDP) to help aggregate, train and connect local cassava farmers to the mill and bridge the supply gap, but at the same time use the platform of the mill to increase farmers' income.

Overall, PIL is a woman-owned medium scale cassava processing factory which was established in 2005 with over 200,000mt of installed capacity per annum. While PIL is maintaining a strong out-growers scheme of about 3,000 farmers, this number of farmers can only supply 50% of its market demand. PIL needs additional 3,000 farmers to operate at full capacity and meet the demand of its main buyer, and seeks additional partners and resources to achieve this wider farmer engagement. At the same time IFAD/VCDP is working with cassava farmers along the value chain in Nigeria. Consistent with a value chain/market demand project, IFAD/VCDP seeks dedicated private sector extension services to effectively expand the number of farmers within the VCDP targeted Ogun state to become suppliers to PIL.

IFAD, working with implementing partner European Cooperative for Rural Development (EUCORD), a Brussels-based non-profit organization with extensive experience working in the cassava value-chain in Nigeria, will work with 3,000 small farmers cultivating about 3,000 hectares of land to supply 60,000 metric tons to PIL (the identified demand gap). These farmers, already actively engaged in the VCDP, would need to maintain an average productivity level of 30 metric tons per hectare to meet the demand. To meet this objective EUCORD in close coordination with IFAD and VCDP staff will undertake the following key activities:

- Increase the out-growers base from 3,000 to 6,000 with strong technical/extension support to achieve productivity potential of up to 30mt/ha. i.e. IFAD through VCDP to establish additional 3,000 farmers and link them to PIL.
- Establish mini-bulk farms and establish learning infrastructure on farm management and productivity.
- Liaise with government and/or communities to secure the lands for mini-bulk farms with a use right of not less than 10 years. The land will be put into cassava production by women and youth from the same communities.
- Provide basic agricultural infrastructure like water boreholes, access road and culverts to the farms to facilitate produce removal from the field. Develop farmlands where appropriate, consistent with VCDP model, provide extension services, provide initial revolving cashless credit as matching grant to the farmer groups to strengthen the producer groups.
- Establish youth mechanization entrepreneurs and spray-team entrepreneurs to handle land preparation operations, agro-chemical spraying and produce haulage businesses.

Specific activities to be undertaken are:

A. Develop additional supply stream of cassava roots:

- Mobilize, establish and strengthen 1,000 farmers as pilot in 2017 and additional of 2,000 farmers in 2018, with strong agronomic and business orientation and link them to PIL
- Broker partnership relationship between PIL and the farmers to create sustainable production and supply of cassava roots
- Manage the farmer-PIL relationship to ensure the parties meet their obligations. Continue with PIL's confidence/integrity building approach. Provide trust and confidence training biannually with farmers to sustain the relationship
- Provide technical assistance to farmers to meet factory needs. The use of a local NGO will be pursued.

B. Provide technical assistance to farmers:

- Farmer mobilization, group formation, group registration, group management and vision building
- Facilitate the establishment of out-growers or contract growers or any viable form of clusters for the production and supply of cassava PIL
- Engage private extension provider to facilitate actual field implementation in a business manner
- Pre - and in-season trainings for improved agronomic practices including safe and effective use of agri inputs. Establish 2 to 3 demo farms within each bulk farms
- Farmer organization/institution building including training on record keeping 3 times a year
- Facilitate the establishment of stem multiplication farms/groups to promote the adoption of best agronomic practices amongst producers for sustainable supply of quality roots to the mill.
- Link and network producers to Nigerian Agric Insurance Company (NAIC).
- Marry the VCDP matching grant model and PIL cashless grant model to provide farmers with inputs (fertilizers, stems, herbicides and minimum land preparation) in collaboration with private input dealers using a cashless credit model
- Participate/facilitate Technical Review Meetings with PIL and farmer groups to sustain synergy amongst interested parties
- In line with IFAD reporting requirements, conduct periodic basic surveys to track performance and provide feedback to PIL for decision making.

In addition to the immediate supply chain opportunity in Ogun, the grant will also serve to lay the ground for a potential longer-term collaboration in Benue State. Building on an initial pilot investment, NBPLC is interested in scaling up its local sourcing of cassava to produce maltose, glucose and fructose for its wider beer and drinks business in Nigeria. NBPLC is currently in discussion with potential investment partners that would support an intermediary processor to invest in a processing plant to produce cassava-based maltose, glucose and fructose supplied by cassava roots from surrounding smallholder farmers. This significant investment is currently under exploratory stage, and learnings from the IFAD-Rockefeller grant will help inform how best smallholders can supply this much greater investment in the coming years.

Complementarity with IFAD-financed Value Chain Development Programme

The activities of this project will complement the IFAD loan investment of US\$74.5 million and grant of US\$500,000 to the Federal Republic of Nigeria for VCDP that is supporting improved food security and incomes of smallholder farmers, with a particular focus on young people and rural women. The Rockefeller Foundation grant will inject targeted grant support to enable the contracting of EUCORD's technical assistance services, which are an identified vital need by national and local VCDP partners to ensure success in linking farmers to the identified PIL/NBPLc market, as well as helping the programme and PIL go to scale.

Further, via the VCDP and other IFAD value chain investments in the country, the grant will create synergies with other on-going private sector partnerships. These include a current Unilever/Knorr/GIZ collaboration in Ogun state, whereby Unilever is training 2,500 VCDP cassava smallholder farmers in its Sustainable Agriculture Code, in efforts to create a pipeline of trained cassava producers to fulfill future supply needs. The Rockefeller Grant will help IFAD to leverage and expand these partnerships by identifying synergies and opportunities to take successes to scale.

Expected Results

- 3,000 farmers and their families, a total of around 18,000 people, will directly benefit from increased awareness, knowledge and capacity to grow cassava efficiently. The households will increase their income and consumption of cassava. They will also improve their access to the cassava value chain by establishing long term partnerships with private sector actors.
- The leaders of 120 PO will have more capacity to manage their organizations, as well as more access to mechanization, increased negotiating capacity with financial institutions, private sector buyers and government representatives. It is also expected that there will be a change in behavior, and that PO leaders will have a more entrepreneurial outlook and will be more respectful of engagements and contracts.
- Up to 200 young "agripreneurs" will be created from the business of mechanization and agro-chemical to provide services to PO in a sustainable manner.
- As for the private sector, PIL will benefit from increased supply of raw materials and will be able to increase production, benefitting the local population with increased employment opportunities. NBPLc will have access to more raw materials for its products and will be able, through this project, to have a proof of concept for cassava sourcing in Nigeria and subsequently scale up their investment in the sector.
- The project will become a model for other processors of cassava in Nigeria.

Project management and implementation arrangements

The IFAD country office in Abuja will support the overall activities by overseeing the grant with the implementing partner and conducting project supervision. Further, the IFAD office will also work to link the grant project to the wider value chain partnerships being brokered under VCDP with cassava farmers, and additional supply chain links and best practices coming out of the full IFAD investment portfolio in Nigeria. These include Rural Finance Institutions Building Programme and recently climate change adaptation and agribusiness support programme (CASP) focusing on rye and other cereal crops.

Timeline and budget

The total project is envisioned to be implemented over a three-year period to cover two cassava growing cycles, with a supplementary funds request of \$1.5 million over three-years to Rockefeller Foundation to support the project. The contribution shall be administered in accordance with IFAD's Financial and Administrative Regulations and Rules applicable to supplementary funds.