President’s report

Proposed loan to the Federal Republic of Nigeria for the Livelihood Improvement Family Enterprises Project in the Niger Delta
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## Abbreviations and acronyms

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADP</td>
<td>agricultural development project</td>
</tr>
<tr>
<td>AWP/B</td>
<td>annual workplan and budget</td>
</tr>
<tr>
<td>CBNRMP</td>
<td>Community-based Natural Resource Management Programme – Niger Delta</td>
</tr>
<tr>
<td>COSOP</td>
<td>country strategic opportunities programme</td>
</tr>
<tr>
<td>CPE</td>
<td>country programme evaluation</td>
</tr>
<tr>
<td>FMARD</td>
<td>Federal Ministry of Agriculture and Rural Development</td>
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<tr>
<td>LGA</td>
<td>local government area</td>
</tr>
<tr>
<td>LIFE-ND</td>
<td>Livelihood Improvement Family Enterprises Project in the Niger Delta</td>
</tr>
<tr>
<td>LNDCO</td>
<td>LIFE-ND Coordination Office</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>monitoring and evaluation</td>
</tr>
<tr>
<td>MT</td>
<td>metric ton</td>
</tr>
<tr>
<td>NDDC</td>
<td>Niger Delta Development Commission</td>
</tr>
<tr>
<td>SO</td>
<td>strategic objective</td>
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<td>SPCO</td>
<td>state project coordination office</td>
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</table>
Map of the project area

Livelihood Improvement Family Enterprises Project in the Niger Delta
Design report

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 05-05-2017
Federal Republic of Nigeria

Livelihood Improvement Family Enterprises Project in the Niger Delta

Financing summary

Initiating institution: IFAD
Borrower: Federal Republic of Nigeria
Executing agency: Federal Ministry of Agriculture and Rural Development
Total project cost: US$130 million
Amount of IFAD loan under the performance-based allocation system 2016-18: SDR 42.4 million (equivalent to approximately US$60 million)
Terms of IFAD loan: Blend: Maturity period of 25 years, including a grace period of 5 years, with interest at a fixed rate equal to 1.25 per cent plus a service charge of 0.75 per cent per annum
Financing gap: US$32.1 million
Cofinancier(s): Niger Delta Development Commission (NDDC)
Amount of cofinancing: US$30 million
Terms of cofinancing: Parallel financing from NDDC in three additional Niger Delta states
Contribution of borrower: Federal Government: US$3.1 million
State Governments: US$4.9 million
Appraising institution: IFAD
Cooperating institution: 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 Livelihood Improvement Family Enterprises Project in the Niger Delta, as contained in paragraph 44.

**Proposed loan to the Federal Republic of Nigeria for the Livelihood Improvement Family Enterprises Project in the Niger Delta**

**I. Strategic context and rationale**

**A. Country and rural development and poverty context**

1. The goal of the country strategic opportunities programme (COSOP) is to achieve “a rural economy in which the targeted population can derive prosperity and equal benefit from economic growth”. This goal is supported by two strategic objectives (SOs): (i) sustainable, climate-resilient, economic and financial inclusion of young people in profitable agribusiness; and (ii) strengthened institutions at the state and community levels to work with private actors in key value chains. The COSOP targets poor families, the majority of whom are unemployed women and young people living in rural and peri-urban areas. The COSOP also recommended a project intervention focusing on a smaller number of states with a high level of commitment to IFAD projects.

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

2. The Livelihood Improvement Family Enterprises Project in the Niger Delta (LIFE-ND) project targets the COSOP’s first SO of including young people in profitable agribusiness. The project is aligned with the national LIFE programme, which is being designed to cover the entire country. The LIFE-ND project will leverage partnerships with other ongoing agribusiness development actions for youth, including investments by the African Development Bank with the proposed ENABLE Youth Programme instituted locally by the International Institute of Tropical Agriculture; and the Department for International Development. The LIFE-ND project will provide a framework for implementation of the national LIFE Programme in the remaining 30 states of Nigeria, as requested by the Federal Ministry of Agriculture and Rural Development (FMARD).

**II. Project description**

**A. Project area and target group**

3. Like its predecessor, the IFAD-assisted Community-based Natural Resource Management Programme – Niger Delta (CBNRMP), the LIFE-ND project will be implemented in the nine Niger Delta states (Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers), but IFAD financing will focus on six of the states in line with the recommendations of the 2015 country programme evaluation (CPE). The CPE noted that attempting to cover too many states under one project was counterproductive as it diluted the quality of outreach within each state and compromised results. The Niger Delta Development Commission (NDDC) has a mandate for the development of the region and provided cofinancing for CBNRMP. It is now partnering with IFAD and the federal Government to finance implementation of the LIFE-ND project in the remaining three states. The criteria for selecting the six states for IFAD financing included: (i) a clear focus on poverty,
community development and smallholder agriculture; and (ii) demonstrated commitment and political will, as expressed in the level of participation in the earlier CBNRMP, to support a joint programme with IFAD. On the basis of these criteria, the government participants in IFAD’s design mission recommended IFAD financing to cover Abia, Bayelsa, Cross River, Delta, Edo and Ondo states. In each of these, the LIFE-ND project will cover 10 local government areas (LGAs) and 10 communities in each LGA, based on defined criteria. Overall, the project will work in 60 LGAs and 600 communities across the six states. High-performing states will be considered for the purpose of adding two further LGAs during the project’s midterm review.

4. In the six states covered by IFAD, the LIFE-ND project will primarily target 25,500 youth and women beneficiaries as apprentices who will graduate from the incubation system with their own profitable enterprises and decent jobs, and eventually serve as incubators themselves. It will also target some 600 established and potential enterprise incubators as a pathway for job creation and economic empowerment among the beneficiaries. The latter will be young people 18 to 35 years of age and women heads of household with children under the age of 15. Overall, the project is expected to achieve equal male and female participation. The beneficiaries will be selected by their own communities at the village level, while the incubators will be identified on the basis of their involvement in market linkage activities; adoption of the outgrower model; experience with incubating new enterprises; and technical, financial, managerial and infrastructure capacity to provide enterprise incubation services to apprentices.

B. Project development objective

5. The development objective is to enhance income, food security and job creation for rural youth and women, through sustainable agribusiness development in Nigeria’s Niger Delta region. This is directly aligned with the COSOP SO 1, which is to promote sustainable, climate-resilient, economic and financial inclusion of young people in profitable agribusiness. The LIFE-ND project will also feed into SO2, which calls for strengthened institutions at the state and community levels to work with private actors in key value chains. The COSOP is in turn aligned with the Green Alternative – the Government’s Agriculture Promotion Policy (2016 – 2020) – which is founded on four pillars: food security, job creation, import substitution and economic diversification. Attainment of the project objective at the end of the project’s life will be measured by the following indicators, among others:

(a) At least 80 per cent of the direct beneficiaries (20,400) have obtained at least a 50 per cent increase in their food security, as measured by a reduction in the length of the lean/hungry season, more meals per day, and increased food diversity and quality.

(b) At least 80 per cent of the direct beneficiaries (20,400) have obtained at least 50 per cent growth in their assets, as expressed in a higher asset ownership index based on additional assets, as per the Results and Impact Management System (RIMS) indicator.

(c) At least 25,500 youth- or women-owned agribusinesses representing decent and gainful jobs have been created, made profitable and strengthened.

(d) At least 25,500 of the LIFE-ND project direct-beneficiary households (as defined in (c) above) have stable incomes leading to enhanced food security and sustainable livelihoods.

(e) Beneficiary agripreneurs have obtained at least a 50 per cent increase in volume produced and marketed.

(f) At least 50 per cent of rural institutions promoting profitable youth-based agribusinesses have been supported and strengthened.
C. Components/outcomes

6. **Component 1: Improvement of economic opportunities for rural youth and women**, by assisting beneficiaries to set up profitable agribusinesses. This is supported by four mutually reinforcing subcomponents.

(a) Subcomponent 1.1: Rural agribusiness incubation, which will generate about 25,500 agribusinesses through the incubation system.

(b) Subcomponent 1.2: Production and marketing infrastructure, which will support the demand-driven development of some 30,000 ha of land, a variety of production and processing facilities, and the construction of farm roads and bridges to facilitate market access.

(c) Subcomponent 1.3: Financial services for rural agribusiness, which will support enterprise development through: (i) savings promotion; (ii) payment systems; and (iii) cashless credit in off-taker pre-financing arrangements. Other systems currently under development, including the Bank of Agriculture’s credit facility and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending and Micro, Small and Medium Enterprises Development Fund, will be analysed in terms of their effectiveness for possible inclusion in the LIFE-ND project during the midterm review.

(d) Subcomponent 1.4: Institutional strengthening, which will support capacity-building for rural institutions, including the commodity apex development associations of the CBNRMP, and technical assistance to state-level agriculture development projects (ADPs) for inclusive and pluralistic extension delivery services, scaling up of the Value Chain Development Programme commodity alliance forum, and support to stakeholders and civil society organizations to effectively monitor LIFE-ND activities.

7. **Component 2: Project management and coordination** for an efficiently and effectively managed project that achieves results, with communication and knowledge management integrated into all aspects of operations.

III. Project implementation

A. Approach

8. FMARD is the lead implementation agency, and NDDC will serve as implementing partner. There will be four tiers of management coordination: (i) a national project coordination office that liaises with FMARD’s project coordination unit located in Abuja; (ii) a LIFE-ND Coordination Office (LNDCO) responsible for the overall management, coordination and supervision of LIFE-ND project activities for the Niger Delta region; (iii) state project coordination offices (SPCOs), located in each participating state, to coordinate and supervise LIFE-ND project activities in the respective states; and (iv) local government liaison offices located in the participating LGAs with responsibility for facilitating community involvement and for collecting data for dissemination to the state and regional offices. The project will receive oversight and guidance from the national project steering committee at the federal level, facilitated by the national LIFE programme. At the regional level, the regional technical steering committee will approve the annual work programme and budget (AWP/B). At the state level, a state steering committee will provide oversight on behalf of the state government and approve the state-level AWP/Bs.

B. Organizational framework

9. The LIFE-ND project activities at the field/community level will be implemented by competitively contracted private-sector entities. The local government liaison offices will be closely involved in awareness-raising and mobilization of youth and women in the project. The officials in the region are designated as “coordinators”, while those in the states are referred to as “officers”. Their counterparts at the local
government level are called “liaison officers”. Dual-phased implementation is envisaged: the first phase will span one to three years, with 25 incubators/established enterprises per state; while the second will last from four years to six years with an additional 75 incubators per state, building on the experiences of the first phase, for a total of 100 incubators per state. Beneficiaries will be identified through a call for expression of interest, which will be screened by a committee to be managed by competitively contracted service providers working in partnership with locally trusted non-governmental organizations.

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

10. The LIFE-ND project will develop a results-focused monitoring and evaluation (M&E) system to inform decision-making at all levels. This system will provide information for use in measuring implementation progress and the outcomes and impact of project activities on the target population, and for steering the project. It will incorporate a shortlist of readily verifiable indicators related to IFAD’s RIMS. The M&E system will be based primarily on the LIFE-ND project logical framework, with indicators disaggregated as far as possible by gender and age to document the project’s contributions to gender equity, women’s empowerment and youth inclusion.

11. A knowledge management strategy will be developed by the LIFE-ND project during the first six months of implementation and linked to the FMARD knowledge management strategy. The strategy will create a results chain between M&E, knowledge and communication to gather, process, document, use and widely distribute data and information generated by project activities. Multiple media and new technologies will be used.

D. Financial management, procurement and governance

12. At the federal level, Nigeria is making progress on improving its public financial management systems and adopting international practices and standards. At the state level, the quality of public financial management systems varies and requires improvements, as noted in the public expenditure and financial accountability reports.

13. A financial management assessment has been conducted as part of the project design process. The project’s initial risk rating is “high”. The financial management arrangements will largely follow the model already in place for ongoing IFAD projects. Accordingly, the LNDCO, acting through the SPCOs, will assume overall management of the project’s fiduciary performance, including budgeting, accounting, financial reporting, submission of withdrawal applications to IFAD and hiring of the external auditor. Qualified financial staff will be recruited on a competitive basis in the LNDCO and each of the SPCOs, including a financial controller, accountants and internal auditors. The LNDCO and the SPCOs will record all project transactions using customized accounting software in accordance with the International Public Sector Accounting Standards and will prepare periodic financial reports in formats agreed upon with IFAD. The project’s consolidated financial statements will be audited annually by an independent audit firm, in accordance with the Internationally Accepted Standards on Auditing and IFAD’s Guidelines on Project Audits. The IFAD financing will be disbursed against duly certified withdrawal applications pursuant to the Fund’s disbursement procedures, to be specified further in the programme implementation manual and letter to the borrower.

14. With regard to the flow of funds, a separate designated account in United States dollars will be opened for the IFAD loan at the Central Bank of Nigeria. To enable the federal Government of Nigeria to monitor the inflow of funds, the designated account will be a subaccount under the Government’s Treasury Single Account. The funds will flow from the designated account to a draw down account and the project
loan account (project account A) in naira (₦), the local currency. The federal counterpart funds will be deposited in a separate account. The LNDCO will be authorized to manage both the designated account and the federal counterpart fund account. Each state will open two accounts in naira: (i) a state project account (project account B) to receive IFAD loan funds from the draw down account; and (ii) a state counterpart fund account. Each SPCO will be authorized to manage the project account B and the state counterpart fund account.

15. The project will be subject to IFAD’s anticorruption policy, under which IFAD applies a zero-tolerance policy on fraudulent, corrupt, collusive or coercive actions in projects financed by its loans and grants.

16. **Procurement.** Like all other IFAD projects, the LIFE-ND project will have access to a national-level project management unit that will act as a service agency and centralize certain functions for all projects to increase efficiency, including liaison with the FMARD project coordination unit, M&E and competitive procurement. In the case of the latter – as distinct from low-value local shopping procurement – the national project management unit will competitively recruit professional procurement services to service all projects. These services will comply fully with both Nigeria’s Public Procurement Act and IFAD policies. The service provider will be independently audited each year. The national project management unit may also consider contracting the service provider on the basis of a base payment for each procurement and an annual incentive bonus for good performance.

**E. Supervision**

17. Project supervision will be done directly by IFAD and will include key partners. The supervision and implementation support function will include: (a) a start-up workshop; (b) reviews of the AWP/B and implementation monitoring; (c) an annual project review, including a review of progress reports from the RPCO; (d) reviews of withdrawal applications and procurement documents; (e) field missions conducted jointly by FMARD, NDDC, participating private-sector operators and other partners; (f) annual supervision and specialized implementation support missions undertaken by financial management and procurement specialists, and technical experts; (g) a midterm review of the project for any corrective measure; (h) knowledge events and workshops to capitalize and share knowledge on project performance; and (i) support for the project completion exercise.

18. IFAD and FMARD will organize a start-up workshop for stakeholders to establish a common understanding of the project’s implementation strategy, a shared vision of its objectives and an awareness of each participant’s role and responsibilities.

**IV. Project costs, financing, and benefits**

**A. Project costs**

19. The LIFE-ND project will be financed by: (i) the federal Government; (ii) the six participating states; (iii) NDDC; and (iv) IFAD. The federal Government will forego tax revenue. State governments will partly finance SPCO staff salaries, make 30,000 hectares (ha) of land available to the project and contribute 50 per cent of the cost of land preparation on the 6,000 ha earmarked for the incubators. NDDC will provide US$30 million in parallel cofinancing to extend the LIFE-ND project into the three Niger Delta states not covered by the IFAD loan.

20. IFAD financing for the first phase (2018-2024) will be provided as a US$60 million loan on the following terms: (i) interest at a fixed rate of 1.25 per cent on outstanding principal; (ii) a maturity period of 25 years; (iii) a five-year grace period; and (iv) a service charge of 0.75 per cent incurred by the borrower as of the date of approval by the Executive Board. Additional funding of US$32.1 million will be allocated by IFAD for the second phase (2025-2029) subject to availability and future financing terms and conditions.
Table 1
Project costs by component and financier
(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Component</th>
<th>IFAD loan</th>
<th>Financing gap</th>
<th>NDDC</th>
<th>Federal Government</th>
<th>State governments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1. Improvement of economic opportunities for rural youth and women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.1. Rural agribusiness incubation</td>
<td>27 874</td>
<td>50.5</td>
<td>14 339</td>
<td>26.0</td>
<td>12 496</td>
<td>22.6</td>
</tr>
<tr>
<td>1.2 Production and marketing infrastructure</td>
<td>17 201</td>
<td>41.6</td>
<td>9 686</td>
<td>23.4</td>
<td>10 462</td>
<td>25.3</td>
</tr>
<tr>
<td>1.3 Financial services for agribusiness</td>
<td>2 526</td>
<td>43.9</td>
<td>1 422</td>
<td>24.7</td>
<td>1 594</td>
<td>27.7</td>
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<tr>
<td>1.4 Institutional strengthening</td>
<td>2 784</td>
<td>45.1</td>
<td>1 569</td>
<td>25.4</td>
<td>1 594</td>
<td>25.8</td>
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<tr>
<td>Subtotal</td>
<td>50 384</td>
<td>46.4</td>
<td>27 016</td>
<td>24.9</td>
<td>26 146</td>
<td>24.1</td>
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<td>2. Project management and coordination</td>
<td>9 616</td>
<td>44.7</td>
<td>5 066</td>
<td>23.6</td>
<td>3 854</td>
<td>17.9</td>
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<tr>
<td>Total</td>
<td>60 000</td>
<td>46.1</td>
<td>32 081</td>
<td>24.7</td>
<td>30 000</td>
<td>23.1</td>
</tr>
</tbody>
</table>

B. Project financing

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Expenditure category</th>
<th>IFAD loan</th>
<th>Financing gap</th>
<th>NDDC</th>
<th>Federal Government</th>
<th>State government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1. Civil works</td>
<td>16 732</td>
<td>43.7</td>
<td>9 421</td>
<td>24.6</td>
<td>8 211</td>
<td>21.4</td>
</tr>
<tr>
<td>2. Vehicles and motorcycles</td>
<td>1 293</td>
<td>49.9</td>
<td>529</td>
<td>20.5</td>
<td>637</td>
<td>24.6</td>
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<td>3. Consulting services</td>
<td>3 550</td>
<td>41.6</td>
<td>2 249</td>
<td>26.4</td>
<td>2 311</td>
<td>27.1</td>
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<td>4. Equipment and materials</td>
<td>399</td>
<td>56.1</td>
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<td>18.9</td>
<td>147</td>
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<td>5. Salaries and allowances</td>
<td>3 592</td>
<td>40.8</td>
<td>1 537</td>
<td>17.5</td>
<td>1 350</td>
<td>15.3</td>
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<tr>
<td>6. Operating costs</td>
<td>900</td>
<td>33.4</td>
<td>689</td>
<td>25.6</td>
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<td>7. Grants and subsidies</td>
<td>21 450</td>
<td>49.5</td>
<td>10 725</td>
<td>24.8</td>
<td>11 146</td>
<td>25.7</td>
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<td>8. Training</td>
<td>5 737</td>
<td>47.7</td>
<td>3 231</td>
<td>26.9</td>
<td>2 589</td>
<td>21.5</td>
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<tr>
<td>9. Workshops</td>
<td>6 348</td>
<td>48.7</td>
<td>3 566</td>
<td>27.4</td>
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<td>19.9</td>
</tr>
<tr>
<td>Total</td>
<td>60 000</td>
<td>46.1</td>
<td>32 081</td>
<td>24.7</td>
<td>30 000</td>
<td>23.1</td>
</tr>
</tbody>
</table>

C. Summary benefit and economic analysis

21. Over its six years of implementation, the LIFE-ND project is expected to generate the following quantifiable benefits:

(a) Employment creation: at least 25,500 new jobs, distributed as follows: male youth 7,069 (28 per cent); female youth 5,553 (22 per cent); women 5,950 (24 per cent) and men 6,428 (26 per cent).

(b) Incomes (annual) accruing to the beneficiaries from: cocoa production ₦1,152,950; plantain production ₦1,144,310; oil palm production ₦2,034,060; cassava production ₦160,700; rice production ₦246,970; poultry production ₦535,280; fish production ₦407,390; fish processing ₦291,710; palm fruit processing ₦1,331,200; rice milling ₦989,760; and cassava processing ₦672,640.
(c) Yield increments as a result of improved management practices, estimated as follows: cocoa 30 per cent; plantain/banana 40 per cent; oil palm 40 per cent; stocking density of aquaculture ponds 50 per cent (from 800 to 1,200 fish); palm fruits, processed 50 per cent (from 20 metric ton [MT] to 30 MT) per processor; cassava tubers, processed 60 per cent (from 25 MT to 40 MT) per processor; and paddy rice milled 30 per cent (from 30 MT to 40 MT) per processor.

(d) Improved food security as a result of increased production of staple food crops, fish and poultry, more nutritious feeding regimes and better distribution of the food produced.

(e) Import substitution and foreign exchange savings with increased production of food items hitherto imported, such as rice, poultry and fish.

22. The estimated overall financial internal rate of return for the LIFE project is 43 per cent, with a net present value of ₦53,646,174,700 or US$175,889,100 and an incremental net benefit of ₦15,148,983,800 or US$49,668,800, assuming an opportunity cost of capital of 14 per cent.

23. The estimated overall economic internal rate of return for the LIFE project is 35 per cent, with a net present value of ₦31,758,741,400, or US$104,120,000, and an incremental net benefit of ₦13,089,456,900 or US$42,916,300, assuming an opportunity cost of capital of 14 per cent.

D. Sustainability

24. Sustainability of the LIFE-ND project will be facilitated through: (i) the existing institutional framework of FMARD (the lead implementing agency), NDDC’s Directorate of Agriculture (co-implementing agency), state ministries of agriculture and their ADPs, the youth agribusiness network (beneficiary organization), commodity apex organizations; (ii) a public-private partnership arrangement to enhance the beneficiaries’ market share; (iii) linkages with service markets (input dealers, financial institutions, produce off-takers, equipment fabricators, NGOs and civil society organizations); (iv) emphasis on profitable enterprises; and (v) addressing issues affecting social inclusion, the environment and climate change.

E. Risk identification and mitigation

25. Social conflicts and youth restiveness in the region (rated moderate): The project will: (a) focus on job creation for youth through agribusinesses; (b) include a robust conflict management strategy with peer-to-peer outreach, using successful youth entrepreneurs to reach out to other youth in the region; (c) develop a clear communication and community awareness-raising strategy to manage expectations; and (d) operate an effective complaints and grievance mechanism to pre-empt and avoid escalation of conflict.

26. Climate risk (rated moderate): The major climate risks are increasing rainfall and higher temperatures, and the likelihood of some activities (e.g. rice production) generating greenhouse gas emissions. The LIFE-ND project will mitigate this and related risks by providing specialist extension and training to project beneficiaries.

27. Environmental risk (rated moderate): Possible rehabilitation of agricultural land that has been overtaken by bush, pollution of water sources by agrochemicals, poor management of agricultural waste, and bush and pipeline fires are some of the environmental risks. The project will mitigate these risks through farmer education and by strictly refusing to finance any activity likely to cause negative environmental impacts.

28. Land tenure and social exclusion (rated moderate): The project will: (i) prioritize land access for young people and women on any developed public (government-owned) land; and (ii) make guaranteed access to land by young
people and women one of the preconditions for a community to be selected to participate in the project.

29. Resource-use conflicts among herders and farmers (rated moderate) will be addressed by: (i) advising agripreneurs to avoid lands in designated grazing reserves and around known grazing routes; (ii) encouraging agribusinesses to adopt agricultural insurance as a no regret strategy to compensate for losses arising from crops destroyed by animals; and (iii) encouraging state governments to consider options such as creating ranches or designated grazing areas for pastoralists.

30. Political and counterpart funding risk (rated moderate): The LIFE-ND project will: (i) select the priority commodities to be supported in each state, in conjunction with the state government and based on the importance of each commodity at the LGA level; (ii) minimize counterpart fund contributions by LGAs that have been unable to exercise their budgetary autonomy in recent years; and (iii) restrict state government counterpart funding requirements to the payment of salaries for seconded staff and accommodation for the project office, in line with the recommendations of the IFAD country programme evaluation and the practices of other development partners operating in the country, such as the World Bank.

31. Governance and fiduciary risk (rated high) will be mitigated by strict compliance with procurement thresholds, ex post review of procurement, and adoption of central procurement with regular third-party audits. Lastly, the project team will hold discussions with senior state government officials on reducing the cost of doing business for project beneficiaries, in particular illegal charges levied on their produce during transportation.

32. Rural infrastructure underdevelopment (rated moderate) will be addressed by: (i) supporting a campaign on the new interconnected economy and the opportunities created by globalization, to change the mentality that views agriculture as an exclusively rural occupation; (ii) encouraging state governments to provide basic infrastructure in the rural communities; and (iii) investing in productive and social infrastructure in support of the priority investments of young people and women.

33. Incubators dropping out midstream (rated low): The project will: (i) allow for attrition of a certain proportion of entrants (5 per cent to 10 per cent) to make sure the maximum intended number of incubators and apprentices is attained; and (ii) conduct a rigorous selection process for apprentices using community and commodity association guarantees.

34. Access to market: The project will assist beneficiaries with market information and capacity-building when needed to enter the mainstream local and external market channels.

35. Elite capture (rated high): The project will put in place strict due diligence and integrity checks when selecting youth and women participants, to ensure that only those who meet the established criteria are admitted for participation in the project.

V. Corporate considerations

A. Compliance with IFAD policies

36. IFAD’s overarching development goal for 2016 to 2025 is to invest in rural people to enable them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. The principles of engagement adhered to by IFAD in working to achieve its overarching goal are: (a) targeting; (b) empowerment; (c) gender equality; (d) innovation, learning and scaling up; and (e) partnerships.
**B. Alignment and harmonization**

37. The LIFE-ND project concept note was approved along with the 2016-2021 COSOP by the IFAD Executive Board in December 2016. The objective of the COSOP is to achieve “a rural economy in which the targeted population can derive prosperity and equal benefit from economic growth”.

38. The LIFE-ND project directly supports Nigeria’s agricultural policy and the Strategic Framework and Implementation Plan for Youth Employment and Job Creation. This strategic framework addresses the large and growing number of restless unemployed youth, especially in rural areas.

**C. Innovations and scaling up**

39. Based on the findings of the two CPEs in 2008 and 2015, together with the COSOP, the internal portfolio completion report, and the project completion reports of past IFAD-assisted projects, the design of the LIFE-ND project has incorporated CBNRMP’s innovative enterprise incubation model. This introduced youth to agribusiness and became an effective youth-to-youth mentorship model for creating decent jobs and sharing knowledge.

**D. Policy engagement**

40. The LIFE-ND project will support the strengthening of ADPs for effective policy dialogue on extension, quality assurance on the services provided to beneficiaries, and M&E activities. Regular and structured channels of communication from the community-level beneficiaries and incubators to the federal project coordination unit at FMARD are a project design feature to encourage federal-level learning and replication of good practice.

**VI. Legal instruments and authority**

41. A project financing agreement between 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 is attached in appendix I.

42. The Federal Republic of Nigeria is empowered under its laws to receive financing from IFAD.

43. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

**VII. Recommendation**

44. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Federal Republic of Nigeria in an amount equivalent to forty-two million four hundred thousand special drawing rights (SDR 42,400,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President
Negotiated financing agreement

Livelihood Improvement Family Enterprise Project in the Niger Delta

(Negotiations concluded on 6 December 2017)

Loan No: ______

Project Title: Livelihood Improvement Family Enterprises Project in the Niger Delta of Nigeria ("the Project") (LIFE-ND)

Federal Republic of Nigeria, represented by the Federal Ministry of Finance (the "Borrower")

and

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

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

WHEREAS:

A. The Project was designed over an implementation period of twelve years, divided in two phases of six years each;

B. The Fund has agreed to provide a loan to the Borrower to finance the implementation of the first phase upon terms and conditions set forth in this Agreement;

HEREBY agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project 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, amended as of April 2014, and as may be amended hereafter 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 loan (the "Loan") to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is forty two million four hundred thousand Special Drawing Rights (SDR 42 400 000).
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25 per cent and in addition a service charge of 0.75 per cent per annum payable semi-annually in the Loan Service Payment Currency and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years, starting from the date of approval by the Executive Board.

3. The Loan Service Payment Currency shall be United States Dollars (USD).

4. The first day of the applicable Fiscal Year shall be 1 January.

5. Payments of principal, interest and service charge shall be payable on each 15 May and 15 November.

6. There shall be an account designated to receive funds in advance from the IFAD loan in USD (Designated Account) for the exclusive use of this Project in the Central Bank of Nigeria. The IFAD funds will not be mingled with other funds.

7. The Borrower shall open and thereafter maintain a Draw Down Account in Naira to receive Financing from the Designated Account and a LIFE-ND Project Account (Project Account A) in Naira to receive Financing from the Draw Down Account. The Borrower shall also open and thereafter maintain a Project Account in Naira for the LIFE-ND Government counterpart contributions to the Project (the Federal Counterpart Fund Account). The LIFE-ND Project Coordination Office shall be authorized to manage the Designated Account, the Draw Down Account, the Project Account A and the LIFE-ND Counterpart Fund Account. Moreover, the Borrower shall cause each participating state to open and thereafter maintain: (i) a state Project account (each a "State Project Account B" and, collectively the "State Project Accounts B") to receive IFAD loan funds from the Draw Down Account, and (ii) a State Counterpart Fund Account to receive state counterpart funds. Each State Project Coordination Office (SPCO) shall be authorized to manage its Project Account B and the State Counterpart Fund Account. The IFAD funds will not be mingled with other funds.

8. The Borrower shall provide counterpart financing for the Project in the amount of three million and sixty thousand United States dollars (USD 3,060,000) equivalent, to cover all taxes and duties as well as a portion of operating costs respectively at the Federal and Project States levels. Additional co-financing in the amounts of four million nine hundred thousand United States dollars (USD 4,900,000) equivalent shall be provided to the Project by the Project States. The Project State contribution shall partly be used to cover the salaries and allowances of the SPCOs.

Section C

1. The Lead Project Agency shall be Federal Ministry of Agriculture and Rural Development.

2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Project supervised by the Fund, Federal Ministry of Agriculture and Rural Development (FMARD) and the Federal Ministry of Finance (FMF).
Section E

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

   (a) Key Project staff shall have been transferred, suspended, or terminated without the Fund’s prior no-objection; and

   (b) The Project Implementation Manual ("PIM") referred to in Paragraph 17, 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 Project.

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

   (a) The Designated Account, the Draw Down account, the Project Account A and the Federal Project Account, shall have been duly opened;

   (b) The RPCO shall have been duly established and its key staff including, the Regional Project Coordinator, Financial Controller, the Project Accountant, Procurement Officer, Monitoring and Evaluation officer shall have been recruited through a competitive process with the prior endorsement of the Fund;

   (c) The Project Implementation Manual including the financial administration and accounting manual, shall have been submitted to and approved by, the Fund.

3. This Agreement is subject to ratification and will take effect upon receipt by IFAD of evidence of inclusion of the Loan in the National Borrowing Plan or receipt of Government’s Legal Opinion. The evidence of inclusion of the Loan in the National Borrowing Plan shall be signed by the Minister of the Federal Ministry of Finance.

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

For the Borrower:

   The Honourable Minister of Finance
   Federal Ministry of Finance
   Ahmadu Bello Way
   Central Business Area
   Abuja, Nigeria

For the Fund:

   The President
   International Fund for Agricultural Development
   Via Paolo di Dono 44
   00142 Rome, Italy
This Agreement, dated _____________, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

FEDERAL REPUBLIC OF NIGERIA

__________________________
(Authorized Representative)
(Name and Title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

__________________________
Gilbert F. Houngbo
President
**Schedule 1**

*Project Description and Implementation Arrangements*

### I. Project Description

1. **Project area.** LIFE-ND will be implemented in the Niger Delta states. IFAD financing will cover Abia, Bayelsa, Cross River, Delta, Edo and Ondo states; while the Niger Delta Development Commission (NDDC) financing will cover Akwa Ibom, Imo and River states.

2. **Target group:** In the six states covered by IFAD, LIFE-ND will primarily target 25,500 youth and women beneficiaries as apprentices that will come out of the incubation system with their own profitable enterprises and decent jobs, and eventually serve as incubators themselves. It will also target about 600 established and potential enterprise incubators as a pathway for job creation and economic empowerment of the beneficiaries. The beneficiaries will be youth aged 18 to 35 years and women headed households with children under the age of 15. Overall, the Project will target 50 percent male and 50 percent female participation. The beneficiaries will be selected at the village level, while incubators will be identified on the basis of their involvement in market linkage activities; adoption of out-grower model; experience in the incubation of new enterprises; and technical, financial, managerial and infrastructure capacity to provide enterprise incubation services to apprentices.

3. **Development Goal.** The overall Project goal is to realize a transformed rural economy in which the rural population can derive prosperity and equal benefit.

4. **Development Objective.** The Project development objective is to enhance income, food security and job creation for rural youth and women through agri-enterprise development on a sustainable basis in the Niger Delta region of Nigeria.

5. **Components and outcomes.** The Project is structured along two components and related sub-components:

   5.1 **Component 1: Enhancement of economic opportunities for rural youth and women.** This component aims at facilitating the establishment of profitable agribusiness by beneficiaries. It is supported by four mutually reinforcing subcomponents.

   - **Subcomponent 1.1:** *Support to rural agribusiness incubation* will generate about 25,500 agri-enterprises through the incubation system.

   - **Subcomponent 1.2:** *Support to rural agribusiness production and marketing infrastructure* will support the demand-driven development of about 30,000 ha of land, a variety of production and processing facilities, and the construction of farm roads and bridges to facilitate market access.

   - **Subcomponent 1.3:** *Promotion of financial services for rural agribusiness* will support enterprise development through: (i) savings promotion, (ii) payment systems and (iii) cashless credit in off-taker pre-financing arrangements. Other systems currently under development including Bank of Agriculture’s credit facility and the Nigeria Insurance Risk-based Agricultural Lending Micro Small and Medium Enterprise Development Fund will be reviewed, based on their effectiveness for possible inclusion in LIFE-ND during midterm review.

   - **Subcomponent 1.4:** *Institutional strengthening and knowledge management* will support capacity building of rural institutions, including the Commodity Apex Development Associations (CADA) of the CBNRMP and technical assistance to the...
state level Agriculture Development Projects (ADPs) for inclusive pluralistic extension delivery services, up-scaling of the commodity alliance forum of the VCDP, support to stakeholders and Civil Society Organisations (CSOs) to effectively monitor the Project’s activities.

5.2 **Component 2: Project management and coordination.** This component will focus on the efficiently and effectively managed Project achieving results with communication and knowledge management integrated in all aspects of operations. The Project is expected to obtain the following outcomes:

- Market driven rural business incubators are strengthened.
- Production, productivity and marketing of agro-entrepreneurs are improved through public-private producer partnership (PPP) models.
- Market participation and profitability of beneficiaries enhanced through sustainable enterprises, improved market infrastructure, access to financial services, access to land as well as use of improved technologies.
- Increased ease of beneficiaries doing agribusiness.

**II. Project implementation**

6. The implementation of the Project will be governed by six main principles: (i) alignment, to the extent possible, with the Federal Government’s systems and procedures, especially those governing public expenditure management and procurement; (ii) performance-based engagement of private sector Implementation partners; (iii) continuous monitoring of public sector implementing partners and ensuring that their capacity is adequately strengthened so as to enable them to deliver on their mandates; (iv) empowerment of beneficiaries to take a leading role in Project implementation through their grassroots institutions; (v) stronger partnerships and harmonization with other development partners and stakeholders in the sector; and (vi) facilitation of enterprise creation to generate decent jobs for youth and poor women.

7. National level liaison office. LIFE-ND, in collaboration with the Value Chain Development Programme (VCDP), will facilitate certain key functions with a national level liaison office. This office will include: (i) a national level liaison officer (funded by LIFE-ND) that liaises on behalf of IFAD projects to the FMARD Project Coordination Unit; (ii) a knowledge management officer (funded by VCDP) responsible for overall M&E data consolidation and reporting; and (iii) contracted centralized services that may include procurement, consultancies, etc. and funded by one of the projects.

9. Project coordination and management (PCM) will be decentralized to four levels: federal, regional, state, and local government area (LGA). At the federal level, a National Steering Committee to be chaired by the Minister of Agriculture and composed of stakeholders representatives which will include the Permanent Secretary of the FMARD, Head of the Project Coordination Unit (PCU) recently created by FMARD to coordinate donor-funded projects/programmes, Directors of Department of Extension and Department of Agriculture in the FMARD, Director of Agriculture and Fishery Directorate in the NDDC, Director and Deputy Directors of IER of FMF, Federal Ministry of National Planning and Budget, Water Resources, Environment and Labour, Director of FMARD Rural Development; Director of FMARD Agribusiness, Processing and Marketing; Development Finance Department of Central Bank of Nigeria (CBN), Representative of Youth Group, will provide oversight to the implementation of the LIFE-ND and approve
the annual work plan and budget (AWPB). The National LIFE Project Coordinator will serve as Secretary to the National Steering Committee which is expected to meet once per year. The Regional LIFE-ND will serve as co-secretary.

10. At the regional level, a Technical Support Committee (TSC) chaired by the Managing Director of NDDC or his designee will comprise the NDDC Director of Agriculture and Fisheries, NDDC Director of Planning, National Project Coordinator of LIFE, FMARD Regional Director, Regional Project Coordinator (who serves as Secretary), representative of FMF, Head of PCU, representatives of recognised youth and women organisations, one representative from private sector operators of the Commodity Alliance Forum from each participating state, as well as relevant financial institutions and research institutions. The TSC will meet quarterly to review progress of Project implementation and provide guidance for the smooth implementation of the Project activities, or whenever there is an urgent technical issue that requires the attention of the Committee.

The Regional Project Coordination Office (RPCO) will have direct responsibility for supervision, technical support and coordination of the activities of the SPCOs. Headed by the Regional Project Coordinator (RPC), the RPCO will have the following professional staff: Agribusiness Promotion Coordinator; Rural Infrastructure Coordinator; Rural Institutions Coordinator; Monitoring and Evaluation (M&E) Coordinator; Knowledge Management and Communication (KMC) Coordinator; Project Financial Controller; Project Accountant; Procurement Coordinator; Administration and Logistics Officer; and Project Internal Auditor. In addition, subject matter specialists will be hired when the need arises for the following areas relevant for overall Project implementation: (i) Rural Finance; (ii) Gender and Youth; (iii) Climate and Environment; (iv) Nutrition and Food Security; (v) Sustainable Agriculture; and (vi) Project Management, under the technical assistance category of the Project. The professional staff of the RPCO shall be recruited on a competitive basis and a suitably qualified staff from NDDC’s Directorate of Agriculture and Fisheries will be deployed to work in the RPCO as one of the professional staff indicated above. Such staff shall report to the Regional Project Coordinator. Each Key Staff (Coordinators) will have an assistant to be competitively recruited. There will be limited number of support staff (like drivers, cleaners, receptionist, etc.) to be cleared by IFAD based on need.

11. At the state level, a State Project Steering Committee (SPCM) chaired by the Commissioner of Agriculture and composed of the commissioners of Finance, Budget and Planning, Women Affairs, representatives of government agencies and departments responsible for youth and women empowerment, FMARD State Director, representatives of selected commodity associations in the State, representatives of youth and women organisations, and relevant financial institutions, will provide oversight function on the Project and approve the AWPB at the state level. In addition the State Project Steering Committee will facilitate the effective participation of relevant actors in the Project.

12. Each participating state will have a State Project Coordination Office (SPCO) responsible for the coordination and supervision of project activities in the state and housed in the ADP. Headed by the State Project Coordinator (SPC), the SPCO will have the following professional staff: Agribusiness Promotion Officer; Rural Infrastructure Officer; Rural Institution/Gender and Youth Officer; M&E Officer; KMC Officer; State Project Accountant; State Finance Officer; Procurement Officer; Administration and Logistics Officer, as well as State Project Accountant, State Finance Officer and State Project Internal Auditor. In addition, subject matter specialists will be hired when the need arises for the following areas: Rural Finance; Gender and Youth; Climate and Environment; Nutrition and Food Security; Sustainable Agriculture; and Project Management, under the technical assistance category of the Project. Professional staff shall be recruited on a competitive basis and a suitably qualified staff from NDDC’s state office will be deployed to work in the SPCO as one of the professional staff indicated above. Such staff shall report to the State Project Coordinator. Alternatively the Financial Management function
of the SPCO outlined above may be outsourced to the Project Financial Management Units (PFMUs) under the State Accountant General's Office subject to IFAD's prior no-objection. Project implementation will be based on service contract to the competent and competitively engaged service providers.

13. At the local government area (LGA) level, the Project will maintain a Desk Office in the Department of Agriculture. The Desk Officer will be responsible for sensitization and advocacy at the community level under the guidance of the SPCO and will also participate in the selection of Project beneficiaries.

14. At the community level, the Project will strengthen the existing Commodity Apex Development Associations (CADA) through capacity building and promote the formation of new CADAs where they do not exist to promote further agribusiness among youth and women for employment creation. The CADAs will be encouraged to form a federated CADA at the state level from their representatives to ensure strong and viable agribusiness associations.

B. Partnerships for Project implementation

15. The key implementing partners for the Project include:

   (a) at the federal level, (i) the Federal Ministry of Agriculture and Rural Development, the Lead Implementing Agency; (ii) the Federal Ministry of Finance, the Borrower; and (iii) the Central Bank of Nigeria, for rural finance inclusion;

   (b) at the regional level, (iv) the Niger Delta Development Commission, a financing and implementing partner with a mandate for the development of the Niger Delta region;

   (c) at the state level, (v) the State Ministry of Agriculture, and (vi) the Agricultural Development Programme;

   (d) at the LGA level, (vii) the Department of Agriculture; and

   (e) at the community level, (viii) the Commodity Apex Development Association, (ix) the incubators, and (x) the apprentices.

16. The PCU, Bank of Agriculture, the Nigerian Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL), the Small and Medium Enterprise Development Agency, the Federal Ministry of Women Affairs, and institutions within the National Agricultural Research System, are also expected to play vital support roles.

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

   (i) Implementation responsibilities of the RPCO and SPCOs and PFMU as well as terms of reference of Project staff, consultants, service providers and other parties involved in implementation of the Project, as well as a framework agreement for engagement of service providers;

   (ii) Eligibility criteria and selection procedures with respect to Project beneficiaries and activities to be financed under the Project; and

   (iii) Detailed procedures for Project implementation, including a Financial Administration Manual covering financial management, audit and flow of funds arrangements.

Through the FMARD, the RPCO 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 Project 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 Proceeds.** (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>IFAD Loan Amount (expressed in SDR)</th>
<th>Percentage of Financing (net of taxes and duties under Terms described below)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Civil Works</td>
<td>10 640 000</td>
<td>100 % net of: taxes, Federal and State Government contribution and beneficiary contribution</td>
</tr>
<tr>
<td>II. Equipment and Materials(including Vehicles)</td>
<td>1 070 000</td>
<td>100 % net of: taxes, Federal and State Government contribution and beneficiary contribution</td>
</tr>
<tr>
<td>III. Consultancies (including Training and Workshops)</td>
<td>9 940 000</td>
<td>100 % net of: taxes, Federal and State Government contribution and beneficiary contribution</td>
</tr>
<tr>
<td>IV. Grants and subsidies</td>
<td>13 650 000</td>
<td>100 % net of: taxes, Federal and State Government contribution and beneficiary contribution</td>
</tr>
<tr>
<td>V. Operating cost (including Salaries and Allowances)</td>
<td>2 860 000</td>
<td>100 % net of: taxes, Federal and State Government contribution and beneficiary contribution</td>
</tr>
<tr>
<td>Unallocated (10%)</td>
<td>4 240 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>42 400 000</td>
<td></td>
</tr>
</tbody>
</table>

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

Category II "Equipment and Materials" means Eligible Expenditures related to Equipment and Materials as well as Vehicles and motorcycles.

Category III "Consultancies" means Eligible Expenditures related to Consultancies, Technical Assistance, Trainings and Workshops.

Category V "Operating cost" means Eligible Expenditures related to Salaries and Allowances as well as operating cost of the RCPO and SPCOs.

2. **Start-up Costs.** To facilitate a prompt start-up, withdrawals of up to USD 500 000 may be made to incur expenditures related to the Project start-up before the satisfaction of the additional general conditions precedent to withdrawal. The start-up funds will include inter alia: (i) establishment of the RCPO and salaries of key staff; (ii) formulation of the Project Implementation Manuals including the financial procedures, accounting and procurement manual; (iii) preparation of the first annual work plan and budget (AWPB) and procurement plan; (iv) organization of a start-up workshop; (v) preparation specifications for the accounting software; (vi) finalization of the scope of work and the terms of reference (ToRs) of the internal auditor as well as report format; and (vii) finalization of the agreement/MoU templates to be used with the States and other implementing partners.
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 to request withdrawals from the Loan Account if the Borrower 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. **Recruitment of staff.** The Borrower shall ensure that RPCO, and SPCO 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. In addition, VCDP will assist and facilitate the engagement of key staff of LIFE-ND, including handling of advertisement, shortlisting of candidates, inviting candidates for the interview, organizing venue and logistics for the interview, as well as delivery of engagement letter to successful candidates.

2. **Accounting software.** The Borrower shall ensure that the RPCO, and each SPCO put in place an automated accounting software acceptable to the Fund within the first six months of implementation of the Project.

3. **Transfer of the Proceeds of the Financing to the Project States.** The Borrower shall ensure that the proceeds of the IFAD loan are not transferred to any participating state until each such State shall have: (i) opened its State Project Account B; (ii) entered into a subsidiary agreement with the Borrower, 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) set up acceptable Financial Management arrangements to the Fund including adopting financial procedures manual, and hiring of the State Project Accountant, Internal Auditor and state finance officer. As an alternative to point (iii) above and subject to the Fund's prior no-objection, the SPCO may enter into a Memorandum of Understanding with the PFMUs under the State Accountant General's Office, 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.

4. **Audit.** The Borrower shall ensure that the RPCO shall appoint, based on terms of reference approved by the Fund, an independent auditor acceptable to the Fund to audit the consolidated financial statements of the entire Project on an annual basis, in accordance with international auditing standards and IFAD guidelines on Project Audits. An audited annual financial statement for the entire Project 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.

5. **Misuse of Funds at Community Level.** The Borrower 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 Project; (iv) a complaints handling mechanism shall be established and publicised through a communications campaign so that the beneficiaries contact the Internal Auditor of the Project to address complaints, requests and/or questions.
## Logical framework

### Narrative Summary

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Baseline</th>
<th>Targets</th>
<th>Means of Verification (MoV)</th>
<th>Frequency of Verification</th>
<th>Responsibility</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outreach</strong></td>
<td>Number of households benefiting from services supported of facilitated by the project</td>
<td>-</td>
<td>7 500</td>
<td>End of Project</td>
<td>Progress Reports Impact Assessment Studies</td>
<td>Annually</td>
</tr>
<tr>
<td><strong>Goal:</strong> Transformation of the rural economy in which all the rural population can derive prosperity and equal benefit</td>
<td>Per cent reduction in rural households living below the poverty line in the targeted village areas</td>
<td>Baseline Data</td>
<td>-</td>
<td>50 per cent</td>
<td>Progress Reports Impact Assessment Studies National Statistics</td>
<td>End of Project</td>
</tr>
<tr>
<td>Improved household assets ownership index (CI)</td>
<td>Baseline Data</td>
<td>-</td>
<td>20 per cent</td>
<td>Progress Reports Impact Assessment Studies National Statistics</td>
<td>End of Project</td>
<td>PCOs FMARD</td>
</tr>
<tr>
<td><strong>Development objective:</strong> Income, food security and job creation for rural youth and women through agribusiness development are enhanced on a sustainable basis.</td>
<td>Reduction in the number of households experiencing food insecurity in participating village areas</td>
<td>Baseline Data</td>
<td>-</td>
<td>60 per cent</td>
<td>Progress Reports Impact Assessment Studies National Statistics</td>
<td>End of Project</td>
</tr>
</tbody>
</table>

### Outcome: Subcomponent 1.1: Support to Rural Agribusiness Incubation

<table>
<thead>
<tr>
<th>Outcome 1: Establishment of Sustainable Economic Enterprises</th>
<th>Percentage of supported enterprises operating profitably after two production cycles of operation</th>
<th>N/A</th>
<th>85 per cent</th>
<th>85 per cent</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new jobs created (CI)</td>
<td>N/A</td>
<td>7 500</td>
<td>25 500</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
<td></td>
</tr>
</tbody>
</table>

### Subcomponent 1.2: Production and Marketing Infrastructure Support to Agribusinesses

<table>
<thead>
<tr>
<th>Outcome 2: Agribusiness-driven infrastructure for improved access to market and sustainably managed by beneficiaries is realized</th>
<th>Percentage of households reporting improved physical access to markets, processing and storage facilities (CI)</th>
<th>N/A</th>
<th>85 per cent</th>
<th>85 per cent</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
</table>

### Subcomponent 1.3: Financial Inclusion Support for Agribusinesses

<table>
<thead>
<tr>
<th>Outcome 3: Enhanced access to financial services for beneficiaries and their organizations</th>
<th>Amount of credit leveraged for supported agribusinesses</th>
<th>N/A</th>
<th>-</th>
<th>US$2 M</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of persons supported by the project reporting using financial services (CI)</td>
<td>N/A</td>
<td>85 per cent</td>
<td>85 per cent</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
<td></td>
</tr>
</tbody>
</table>
### Subcomponent 1.4: Rural Institution Strengthening

| Outcome 4: Rural institutions are able to identify and address infrastructure, policy and regulatory challenges | Number of existing/new laws, regulations/policies or strategies proposed to policy makers for approval, ratification or amendment (CI) | N/A | - | 6 | Progress Reports | Annually | PCOs | • State policy on agriculture and extension is reviewed to incorporate private section inclusion and • ADPs are open to change |

### Outputs: Subcomponent 1.1: Support to Rural Agribusiness Incubation

<table>
<thead>
<tr>
<th>Output 1.1: Rural Agribusiness Incubation networked and supported</th>
<th>Number of rural enterprises accessing business development services (CI)</th>
<th>N/A</th>
<th>7500</th>
<th>25500</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of people trained in Income Generating Activities (CI)</td>
<td>N/A</td>
<td>7500</td>
<td>25500</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
</tr>
<tr>
<td></td>
<td>Number of rural producers accessing production inputs and/or technological packages (CI)</td>
<td>N/A</td>
<td>7500</td>
<td>25500</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
</tr>
</tbody>
</table>

### Subcomponent 1.2: Production and Marketing Infrastructure Support to Agribusinesses

<table>
<thead>
<tr>
<th>Output 1.2a: Establishment and improvement of feeder roads</th>
<th>Number kilometers of road constructed, rehabilitated or upgraded (CI)</th>
<th>N/A</th>
<th>60</th>
<th>180</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1.2b: Land development for Agricultural Production</td>
<td>Number of hectares of land developed for agricultural production</td>
<td>N/A</td>
<td>6000</td>
<td>30000</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
</tr>
<tr>
<td>Output 1.2c: Establishment/Provision of production and processing facilities</td>
<td>Number of market, processing or storage facilities constructed or rehabilitated (CI)</td>
<td>N/A</td>
<td>60</td>
<td>120</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
</tr>
</tbody>
</table>

### Subcomponent 1.3: Financial Inclusion Support for Agribusinesses

| Output 1.3a: Increased Savings and internal capital accumulation among individuals and groups in the project area | Number of persons in rural areas trained in financial literacy and/or use of financial products and services (CI) | N/A | 7500 | 25500 | Progress Reports | Annually | PCOs |

### Subcomponent 1.4: Rural Institution Strengthening

<table>
<thead>
<tr>
<th>Output 1.4a: Capacity Building of Rural Institutions.</th>
<th>Number of Rural Institutions supported by the project (CI)</th>
<th>N/A</th>
<th>300</th>
<th>600</th>
<th>Progress Reports</th>
<th>Annually</th>
<th>PCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1.4b: Platforms for policy dialogue established</td>
<td>Number of functioning multi-stakeholder platforms supported (CI)</td>
<td>N/A</td>
<td>3</td>
<td>6</td>
<td>Progress Reports</td>
<td>Annually</td>
<td>PCOs</td>
</tr>
</tbody>
</table>