

Document:	<u>EB 2017/122/R.8/Sup.1</u>
Agenda:	<u>6(a)(iii)</u>
Date:	<u>8 December 2017</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

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Investing in rural people

Federal Republic of Nigeria

Livelihood Improvement  
Family Enterprises Project in the Niger Delta

Negotiated financing agreement

Executive Board — 122<sup>nd</sup> Session  
Rome, 11-12 December 2017

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For: Information

# 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.

### A. Overall implementation arrangements and responsibilities

7. The FMARD is the lead implementation agency while NDDC is an implementing partner to the FMARD.

8. 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:

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

(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.

## 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 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.