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Investing in rural people

## President's memorandum

### Proposed additional financing to the Federal Republic of Nigeria for the Value Chain Development Programme

Programme ID: 1100001594

#### Note to Executive Board representatives

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For: Approval

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## Abbreviations and acronyms

|      |  |
|------|--|
| AF   | additional financing                                   |
| CAF  | commodity alliance forum                               |
| FOs  | farmers' organizations                                 |
| HH   | household  |
| ILO  | International Labour Organization                      |
| LGA  | local government area                                  |
| MTR  | midterm review   |
| NPMU | national programme management unit                     |
| OECD | Organisation for Economic Co-operation and Development |
| PME  | planning, monitoring and evaluation                    |
| SDR  | special drawing rights                                 |
| SPMU | state programme management unit                        |
| VCDP | Value Chain Development Programme                      |
| WEAI | Women's Empowerment in Agriculture Index               |

## Financing summary

|   |   |
|---|---|
| Initiating institution:                     | IFAD  |
| Borrower:                                   | Federal Republic of Nigeria   |
| Executing agency:                           | Federal Ministry of Agriculture and Rural Development   |
| Total programme cost:                       | US\$329.5 Million   |
| Amount of original IFAD Loan (2012)         | SDR 47.9 million (equivalent to approximately US\$74.4 million)   |
| Amount of original IFAD grant (2012)        | SDR 0.3 million (equivalent to approximately US\$0.5 million)   |
| Terms of original IFAD financing:           | 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum  |
| Amount of additional IFAD loan (2018):      | US\$89.1 million  |
| Terms of additional IFAD loan (2018):       | Blend: 25 years, including a grace period of five years starting from the date of approval by the Executive Board, with a fixed interest rate equal to 1.25 per cent per annum and in addition a service charge of 0.75 per cent per annum.   |
| Amount of additional IFAD financing (2019): | US\$50.0 million  |
| Terms of additional IFAD financing (2019):  | The loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the loan by the Fund's Executive Board.  |
| Amount of additional IFAD climate finance:  | US\$13.7 million  |
| Cofinanciers:                               | Federal Government of Nigeria, state governments, local governments, private sector, corporate organizations, financial institutions, and beneficiaries.  |
| Amount of cofinancing                       | Original loan: US\$26.7 (federal government US\$9.9 million; state government US\$10.4 million; local government US\$4.3 million and beneficiaries US\$2.1 million)<br><br>Additional loan (2018): Total US\$47.805 million – federal government US\$5.8 million; state governments US\$12.4; local governments US\$0.6 million; private sector US\$15 million; corporate organizations US\$2.3 million; financial institutions US\$2.0 million; beneficiaries US\$9.7 million<br><br>Additional Loan (2019): private sector US\$16.6 million; financial institutions US\$1.9 Million |
| Terms of cofinancing (2019):                | Parallel financing  |
| Contribution of borrower/recipient (2019):  | Federal Government of Nigeria US\$2.5 million; state governments US\$8.2 million  |
| Contribution of beneficiaries (2019):       | US\$11.7 million  |
| Cooperating institution:                    | Directly supervised by IFAD   |

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 47.

### I. Background and programme description

#### A. Background

1. This memorandum seeks the approval of the IFAD Executive Board for additional financing (AF) to scale up the Value Chain Development Programme (VCDP) in the form of a loan in the amount of US\$50 million. This additional financing in 2019 (AF2019) responds to the request of the Federal Government of Nigeria to IFAD to support its scaling up of the VCDP.
2. From design, Nigeria and IFAD agreed that VCDP would be gradually expanded as additional resources become available. Through IFAD10, VCDP was expanded from six to nine states, and from 45,000 to 100,000 beneficiaries. AF2019 will be allocated from the IFAD11 funding cycle. It will increase VCDP outreach in these states to 135,000 beneficiaries and deepen the impact on climate change, nutrition, gender and youth. The aim is to move to a scaling-up approach that progressively expands VCDP's successes to a larger number of beneficiaries, integrating the lessons learned.
3. VCDP is now scheduled over a twelve-year period. The President's approval of the AF – along with approval of a 24-month extension of VCDP's completion date – would take the completion date from 31 December 2022 to 31 December 2024 and the loan closing date from 30 June 2023 to 30 June 2025.

#### B. Original programme description

4. VCDP supports Nigeria in its vision of moving away from years of neglect of the agricultural sector, by building an agribusiness ecosystem that addresses two major challenges:
  - Nigeria's inability to meet domestic food requirements. The country spends over US\$6 billion on agricultural imports each year, which threatens national food security;
  - The productivity crisis, driven by a still inefficient input system and farming model.
5. The specific VCDP development objective is to help increase the incomes and food security on a sustainable basis of poor rural households engaged in the rice and cassava value chains. The focus is on rice and cassava, because they are major staple foods for the Nigerian population and the market potential for smallholders is huge, since supply does not reach demand. In addition, the government seeks to reduce the country's rice import bill (estimated at US\$2 billion) and create market opportunities for cassava to capitalize on cyclical surpluses, as well as taking advantage of the potential for job creation for women and youth.
6. Through VCDP it is expected that: at least 70 per cent of programme smallholder farmers will increase their agricultural income by at least 25 per cent; at least 40 per cent of beneficiary households will increase their food security by at least 25 per cent; the prevalence of child malnutrition in the programme area will decrease by 20 per cent (wasting), 30 per cent (underweight) and 10 per cent (stunting); and at least 70 per cent of beneficiaries will report adoption of environmentally sustainable and climate-resilient practices. Through specific targeting, VCDP is expected to have a transformative impact on women and youth.

## II. Rationale for additional financing

### A. Rationale

7. With a population estimated at almost 200 million people, Nigeria is the most populous country in the Africa region. Since 2018 it is home to the largest number of extreme poor people in the world. With 70 per cent of Nigerians being rural and economically deprived, Nigeria is a key country for the achievement of the Sustainable Development Goals (SDGs), in particular SDG1 (No poverty) and SDG2 (Zero hunger).
8. Empirical evidence shows that the VCDP's value chain and public-private partnership models have significantly contributed to the profitable engagement of smallholders in the cassava and rice value chains. For instance, while the VCDP target for yield increase was 25 per cent, participating farmers increased their productivity for rice from less than 2 tons/ha to an average of 4.5 tons/ha (125 per cent increase), and from 15 tons/ha to 25 tons/ha for cassava (66 per cent increase). In 2018, farmers supported by VCDP contributed 450,000 tons of rice (US\$221.3) and 654,000 tons of cassava (US\$42.9 million) to the national food basket and economy. While the programme target was that at least 75 per cent of farm produce be sold, participating farmers were able to market about 80 per cent of their produce, demonstrating the success of VCDP's market-led model. They have increased their incomes commensurably, by 79 per cent, while contributing to national priorities on import substitution and food security. However, while farmers have increased the productivity and market for cassava by up to 80 per cent, sales remains limited to the garri market, which does not have enough depth to absorb new entrants in the cassava value chain. AF2019 will support a comprehensive assessment of the cassava value chain to design customized action plans that will address identified issues based on the programme's comparative advantage in the cassava subsector.
9. Over 40 per cent of farmer groups and processors enrolled in VCDP are young people, engaging in agriculture as a profitable business because of the high profit margins they generate. Some of the youth increased their productivity by more than 100 per cent. Like other participating farmers, they now engage in large business deals with leading national and international agribusiness companies.
10. After six years of implementation, VCDP is recognized nationally and internationally as a transformative example of public-private partnership in the Nigerian agriculture sector. VCDP won recognition by the United Nations Economic and Social Council in New York in 2018 as an innovative public-private partnership in smallholder agriculture. Last year IFAD won the prize for Best Development Partner of the Year in Nigeria with VCDP. This year, VCDP has also been named by the IFAD West and Central Africa Division as one of its three best gender projects. Out of thousands of programmes worldwide, VCDP was a finalist for the 2019 P3 Impact Award from the U.S Department of State for the best performing public-private partnership for development. Lastly, VCDP was also selected under the IFAD Innovation Challenge.
11. With AF2019, VCDP's target will be increased to a total of 135,000 beneficiaries by 2023. Beyond extending its outreach, Nigeria has requested IFAD's support to also deepen VCDP's approach in cassava, climate, gender, youth engagement and nutrition, for an equally transformative impact in these areas.

- Special aspects relating to IFAD's corporate mainstreaming priorities
12. In line with the mainstreaming commitments of IFAD11, the programme has been classified as:
    - Climate-focused;
    - Gender-transformational;
    - Nutrition-sensitive; and
    - Youth-sensitive.
  13. Climate-focused: Nigeria is predisposed to severe negative impacts from climate change. Rural livelihoods significantly depend on the performance of climate-sensitive natural resources, especially in the agricultural sector. AF2018 provided initial resources for the mainstreaming of climate-smart agricultural practices in the programme. AF2019 will step up VCDP environmental and climate change activities under a systematic strategy that includes mainstreaming options for green growth and climate-smart production and processing, improvement of resilience through deepening of insurance and "no regrets" options, and provision of appropriate climate information.
  14. Gender-transformational: Support to women farmers is critical to achieving a transformative impact in the cassava and rice value chains. In many areas targeted by VCDP, women largely dominate small-scale paddy rice trading. It is also estimated that women in rural areas account for 70 per cent of the labour involved in Nigerian cassava production and processing. However, women represent the most vulnerable actors in those value chains, as they face difficulties in accessing the assets that are relevant to value chain development (capital, land, natural resources, information, knowledge and technologies). With AF2019, VCDP will take transformative action to help women maximize their potential in food commodities and build on achievements for rural women's economic empowerment and leadership in decision-making bodies. Accordingly:
    - Forty-nine per cent of VCDP beneficiaries will be women, as against 39 per cent currently;
    - Implementation of the Gender Action Learning System will be strengthened, to empower beneficiaries to address underlying gender barriers limiting the progress of women and households;
    - The Women's Empowerment in Agriculture Index (WEAI) will be included within VCDP's monitoring and evaluation system. The baseline study will include a pro-WEAI assessment. To capture VCDP-AF performance on gender aspects, WEAI indicators on gender equality and women's empowerment (GEWE) will be evaluated, like (i) autonomy in production and ownership of assets; (ii) control over use of income; (iii) leadership; and (iv) workload;
    - Policy engagement will be reinforced in VCDP-AF with an ongoing focus on: (i) enhancing rural finance access for women to engage in agribusiness; (ii) improving access to a more structured market; and (iii) facilitating better access to land for women.
  15. Youth-sensitive:<sup>1</sup> The 2017 National Employment Policy identifies transformation of the agricultural sector as critical for employment generation, including for young people. AF2019 aims to scale up VCDP's success in youth engagement, with specific attention to young women. It is expected to be complemented by a policy grant that, along with the government, will bring together the expertise of IFAD, the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD). The objective is to generate evidence for policy engagement with the government and other development partners, so as to

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<sup>1</sup> Refer to appendix III – executive summary of the Nigeria grant: "Policy action for rural youth employment and entrepreneurship (PAYE)".

step up approaches and investments for Nigerian youth entrepreneurship and employment in agricultural value chains.

16. Nutrition-sensitive: 36.4 per cent of the Nigerian population suffers from food insecurity. AF2019 will intensify nutrition interventions that build on the increases in incomes and empowerment of women (especially control over resources) generated by VCDP interventions, since experience has shown that this approach is the most effective and efficient. In addition, VCDP will step up support to farmers engaged in the cassava value chain, since cassava is a rich source of carbohydrates.
17. Finally, VCDP will also develop a proactive financial inclusion strategy. Thus far, VCDP's strategy has been to facilitate linkages between programme beneficiaries and financial institutions, and to include general elements of financial literacy in the business skills training activities. The programme will now implement both a comprehensive financial literacy programme for beneficiaries, plus engagement with financial institutions.

## B. Description of geographic area and target groups

### Programme area

18. VCDP's original design provided that the programme area be expanded to other states as additional resources became available. To date, VCDP has expanded from six to nine states (Anambra, Benue, Ebonyi, Enugu, Kogi, Nasarawa, Niger, Ogun and Taraba). The states are targeted based on: (i) their level of production; (ii) the presence of other value chain programmes; and (iii) the existence of processors for value addition. The area covered by VCDP has an estimated population of around 14 million (7 per cent of Nigeria's population). The average poverty headcount per capita is 65.9 per cent, ranging from 51 per cent in Niger State to 82.9 per cent in Ebonyi State.

### Target group

19. The primary target group consists of rural smallholder households engaged in or interested in engaging in the cassava and rice value chains. This includes asset-poor farmers owning or cultivating up to five hectares of land, small-scale processors, traders and local dwellers engaging in the provision of required services. Women and rural youth are core target groups. VCDP is presently targeting 100,000 beneficiaries. Through AF2019, VCDP's target will increase to a total of 135,000 beneficiaries by 2023. VCDP will take transformative action to meet specific targets and eligibility criteria for women and youth. The programme will aim to reach 69,000 men (51 per cent) and to improve gender targeting to 66,000 women (49 per cent). A minimum of 150 persons with disabilities will be strategically supported.

## C. Components and activities<sup>2</sup>

20. VCDP remains structured around two complementary components: (i) agricultural market development, whereby VCDP links up smallholders and processors to leading national and international agroprocessing firms interested in their products, on an equal footing; and (ii) smallholder productivity enhancement, whereby – based on demand – VCDP supports smallholders' and small processors' efforts to meet the quantity and quality standards of off-takers on an economically and sustainable basis.

## D. Benefits, costs and financing

21. With AF2019, VCDP's combined total costs amount to US\$329.5 million. Following approval of AF2018, total programme costs were US\$238.5 million (original financing of US\$101.6 million plus AF2018 of US\$136.9 million). The proposed AF2019 totals US\$91 million, of which US\$50 million from IFAD and US\$41 million

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<sup>2</sup> An updated description of components is provided in appendix IV.



from cofinanciers and beneficiaries. The overall IFAD contribution now amounts to US\$214.0 million. The tables below outline the cumulative programme costs. In line with Nigeria's three-tier government – federal, state and local governments – under AF2019, out of the US\$10.8 million contribution Nigeria contributes US\$2.5 million through exemption from duties and taxes.

22. The amount of IFAD climate finance for this AF is estimated at US\$13.7 million.<sup>3</sup>

Table 1

**Original and additional financing summary**

(Thousands of United States dollars)

|                      | <i>Original financing</i> | <i>Additional financing</i> |               | <i>Total</i>   |
|----------------------|---------------------------|-----------------------------|---------------|----------------|
|                      |                           | AF2018                      | AF2019        |                |
| IFAD loan            | 74 400                    | 89 097                      | 50 000        | 213 497        |
| IFAD grant           | 500                       | -                           | -             | 500            |
| Other cofinanciers   | -                         | 19 300                      | 18 520        | 37 820         |
| Beneficiaries        | 2 100                     | 9 700                       | 11 696        | 23 496         |
| Borrower/counterpart | 24 600                    | 18 805                      | 10 784        | 54 189         |
| <b>Total</b>         | <b>101 600</b>            | <b>136 902</b>              | <b>91 000</b> | <b>329 502</b> |

Table 2

**Additional financing: Programme costs by component and financier**

(Thousands of United States dollars)

|   | <i>Additional IFAD loan (AF2019)</i> |             | <i>Other cofinanciers including private sector</i> |             | <i>Beneficiaries</i> |             | <i>Borrower/ counterpart</i> |             | <i>Total</i>  |            |
|---|--------------------------------------|-------------|--|-------------|----------------------|-------------|------------------------------|-------------|---------------|------------|
|   | <i>Amount</i>                        | <i>%</i>    | <i>Amount</i>                                      | <i>%</i>    | <i>Amount</i>        | <i>%</i>    | <i>Cash</i>                  | <i>%</i>    | <i>Amount</i> | <i>%</i>   |
| <b>A. Agricultural market development</b>       |                                      |             |  |             |                      |             |                              |             |               |            |
| Support to value chain and market linkages      | 15 692                               | 49.6        | 5 225  | 16.5        | 9 972                | 31.5        | 728                          | 2.3         | 31 617        | 34.7       |
| Support to market infrastructure                | 9 346                                | 28.6        | 13 167   | 40.3        | 1 375                | 4.2         | 8 819                        | 26.9        | 32 707        | 35.9       |
| Subtotal  | 25 038                               | 38.9        | 18 392   | 28.6        | 11 347               | 17.6        | 9 547                        | 14.9        | 64 324        | 70.7       |
| <b>B. Smallholder productivity enhancement</b>  |                                      |             |  |             |                      |             |                              |             |               |            |
| Support to farmer organization                  | 4 403                                | 94.7        | 128  | 2.8         | -                    | -           | 117                          | 2.5         | 4 648         | 5.1        |
| Support to smallholder productivity             | 17 132                               | 94.0        | -  | -           | 349                  | 1.91        | 736                          | 4           | 18 217        | 20.0       |
| Subtotal  | 21 535                               | 94.2        | 128  | 0.6         | 349                  | 1.5         | 853                          | 3.7         | 22 865        | 25.1       |
| <b>C. Programme management and coordination</b> |                                      |             |  |             |                      |             |                              |             |               |            |
|   | 3 427                                | 89.9        | -  | -           | -                    | -           | 384                          | 10.1        | 3 811         | 4.1        |
| <b>Total</b>                                    | <b>50 000</b>                        | <b>54.9</b> | <b>18 520</b>                                      | <b>20.3</b> | <b>11 696</b>        | <b>12.9</b> | <b>10 784</b>                | <b>11.9</b> | <b>91 000</b> | <b>100</b> |

<sup>3</sup> Climate was not mainstreamed in the original design, but has been in the additional financing.

Table 3  
**Additional financing: Programme costs by expenditure category and financier**  
 (Thousands of United States dollars)

|   | Additional IFAD loan (AF2019) |             | Other cofinanciers |             | Beneficiaries including private sector |             | Borrower/ counterpart |             | Total         |            |
|---|-------------------------------|-------------|--------------------|-------------|--|-------------|-----------------------|-------------|---------------|------------|
|   | Amount                        | %           | Amount             | %           | Amount                                 | %           | Amount                | %           | Amount        | %          |
| I. Civil works  | 20 938                        | 63.0        | 1 178              | 3.5         | 1 607                                  | 4.8         | 9 485                 | 28.6        | 33 208        | 36.5       |
| II. Vehicles, equipment, materials and agricultural inputs                    | 2 966                         | 26.7        | 314                | 2.8         | 7 256                                  | 65.5        | 555                   | 5.0         | 11 091        | 12.2       |
| III. Training, technical assistance, service providers, studies and workshops | 16 730                        | 73.9        | 3 445              | 15.2        | 2 414                                  | 10.7        | 41                    | 0.2         | 22 630        | 24.9       |
| IV. Matching grant fund   | 5 220                         | 26.7        | 13 583             | 69.5        | 419                                    | 2.1         | 319                   | 1.6         | 19 541        | 21.5       |
| V. Salaries and allowances  | 3 824                         | 97.1        | -                  | -           | -                                      | -           | 114                   | 2.9         | 3 938         | 4.3        |
| VI. Office equipment and maintenance expenses                                 | 322                           | 54.4        | -                  | -           | -                                      | -           | 270                   | 45.6        | 592           | 0.6        |
| <b>Total</b>  | <b>50 000</b>                 | <b>54.9</b> | <b>18 520</b>      | <b>20.3</b> | <b>11 696</b>                          | <b>12.9</b> | <b>10 784</b>         | <b>11.9</b> | <b>91 000</b> | <b>100</b> |

Table 4  
**Programme costs by component and programme year**  
 (Thousands of United States dollars)

|   | PY 2021       | %            | PY 2022       | %            | PY 2023       | %            | PY 2024      | %            | Total         | %            |
|---|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|
| <b>A. Agricultural market development</b>       |               |              |               |              |               |              |              |              |               |              |
| Support to value chain and market linkages      | 7 403         | 29.5         | 9 004         | 21.6         | 10 433        | 68.2         | 4 777        | 54.1         | 31 617        | 34.7         |
| Support to market infrastructures               | 13 167        | 52.4         | 17 201        | 41.2         | 2 339         | 15.3         | -            | -            | 32 707        | 35.9         |
| <b>Subtotal</b>                                 | <b>20 570</b> | <b>81.8</b>  | <b>26 205</b> | <b>62.8</b>  | <b>12 772</b> | <b>83.5</b>  | <b>4 777</b> | <b>54.1</b>  | <b>64 324</b> | <b>70.7</b>  |
| <b>B. Smallholder productivity enhancement</b>  |               |              |               |              |               |              |              |              |               |              |
| Support to farmer organization                  | 1 085         | 4.3          | 1 119         | 2.7          | 1 141         | 7.5          | 1 303        | 14.7         | 4 648         | 5.1          |
| Support to smallholder productivity             | 2 995         | 11.9         | 13 926        | 33.4         | 902           | 5.9          | 394          | 4.5          | 18 217        | 20.0         |
| <b>Subtotal</b>                                 | <b>4 080</b>  | <b>16.2</b>  | <b>15 045</b> | <b>36.1</b>  | <b>2 043</b>  | <b>13.4</b>  | <b>1 697</b> | <b>19.2</b>  | <b>22 865</b> | <b>25.1</b>  |
| <b>C. Programme management and coordination</b> |               |              |               |              |               |              |              |              |               |              |
|   | 483           | 1.9          | 483           | 1.2          | 483           | 3.2          | 2 362        | 26.7         | 3 811         | 4.2          |
| <b>Total</b>                                    | <b>25 133</b> | <b>100.0</b> | <b>41 733</b> | <b>100.0</b> | <b>15 298</b> | <b>100.0</b> | <b>8 836</b> | <b>100.0</b> | <b>91 000</b> | <b>100.0</b> |

23. Financing and cofinancing strategy and plan  
 The total outlay is estimated at US\$329.5 million over twelve years. The total updated contribution from cofinanciers is US\$115.5 million, of which US\$18.2 million from Nigeria, US\$31.0 million from the federal states, US\$4.9 million from local governments, US\$31.6 million from the private sector, US\$2.4 million from corporate organizations, US\$3.9 million from financial institutions and US\$23.5 million from beneficiaries.

24. Disbursement<sup>4</sup>  
 The expenditure categories will be maintained in line with the original financing. The current fund flow and disbursement arrangements are considered efficient and will be maintained.

<sup>4</sup> Disbursement details are provided in appendix V.

#### Summary of benefits and economic analysis

25. The enterprise models used under AF2018 are valid for AF2019. The economic rate of return for the consolidated VCDP (original, AF2018 and AF2019) is estimated at 18 per cent. There are also mainstreaming investments that cannot be financially and economically quantified, but are important to the overall development objective. These include GEWE, nutrition mainstreaming, financial inclusion and climate change activities.

#### Risk and sensitivity analysis

26. The estimated economic internal rate of return is positive for a number of risk simulations for the two crops supported by the programme. The net present value remains positive for all risk simulations, except that: (i) benefits are reduced up to 50 per cent if there are severe droughts for three years in a row; and (ii) if costs increase by 10 per cent, the benefits drop by 20 per cent.

### III. Risk management

#### A. Risks and mitigation measures

27. Building on the lessons learned from VCDP implementation, the risks that may affect programme execution have been updated, as have the proposed mitigation measures. In addition, given the size of IFAD's investments in Nigeria, the programme's financial and procurement risk management strategy was specifically beefed up with features that apply across the country programme.

##### Inherent risks:

- Poor governance and corruption. For 2018, Nigeria's score on the annual Corruption Perceptions Index as published by Transparency International was 0.27, putting it in the high-risk category. IFAD will support enhanced local participation in governance with local resource management and accountability, and will strengthen oversight of programme implementation in accordance with IFAD's policy on preventing fraud and corruption.
- Social and political conflicts. VCDP contributes to reduce unemployment and poverty, thereby mitigating some of the underlying factors for conflict. Mitigating conflicts between herdsmen and farmers is also fully mainstreamed into the VCDP implementation strategy.
- Risks related to sector strategies and policies. The programme activities include support to the Ministry of Agriculture to review and advocate for better policies on cassava products.

##### Operational and institutional risks:

- Ineffective collaboration between public, farmer and private sector organizations.
- Poor implementation of gender transformative approach. Specific performance targets will be set, including the objective that women represent 49 per cent of the beneficiaries.
- Political interference in the programme management units and inadequate capacity of staff. IFAD loan covenants provide that programme staff be recruited on a competitive basis, with the emphasis on skills and experience.

##### Financial management:

28. Considering the country's inherent risk and the size of IFAD's ongoing portfolio, an updated financial risk management strategy was developed. It has five pillars: (i) stringent adherence to procedures; (ii) establishment of a central "support team for IFAD programmes"; (iii) oversight and regular review of programme financial management processes; (iv) regular reporting and quality assurance; and (v) training and capacity-building. The key innovation in the management of

financial risks is the regular review of financial management processes to ensure that they are in line with procedures. The financial management review will be conducted by a programme support team and validated by IFAD during supervision. Regular review of financial management processes will allow early identification of bottlenecks or inefficiencies and will strengthen the fiduciary function at programme and country programme levels. This will, among other things:

- reduce inherent risks to the financial management of IFAD-funded programmes;
- accelerate disbursements of funds linked to programmes assessed as low-risk, without compromising related disbursement risk; and
- reduce ex ante and ex post controls performed by IFAD, in line with the risk-based disbursement approach followed by the organization.

## B. Environment and social category

29. VCDP is rated as a category B programme with a medium overall environmental and social risk. The potential environmental impacts are limited, site-specific and constrained to production, agroprocessing facilities and possible risks from construction of market infrastructure. This includes feeder roads and small-scale irrigation and drainage development, including the construction of tube wells and watering points. Appropriate mitigation plans will enable the remedying and/or considerable reduction of potential risks. The programme is not expected to have any severe negative impact on the livelihoods of people, such as the involuntary appropriation or restriction on the use of land resulting in physical or economic displacement. It is not envisaged to negatively affect indigenous peoples or sites of historic, religious or cultural significance.
30. The social risk is high in some of the states (especially Benue and Taraba), due to land resource conflicts and related threats to human security. VCDP is intensifying conflict resolution mechanisms and support mechanisms to compensate farmers and processing centres for conflict-related damages.

## C. Climate risk classification

31. The programme area is assessed as high-risk in terms of climate. The target group is substantially dependent on climate-sensitive natural resources, especially as regards rainfed agricultural plots. Climate variability – including unexpected dry spells occasioned by unpredictable rainfall and temperature – can affect the subprogrammes' impact, sustainability and return on investment. Predictions of future climatic changes suggest that the programme areas will experience fluctuations in temperatures and precipitation due to increased climate variability. This suggests the possibility of increased dry spells during the wet season and rain during the dry season. Increased rainfall intensity, coupled with land clearing, increases the risk of surface run-off, erosion and landslides, and the risk of damage to road infrastructure. Increased production further represents a greater risk of use of firewood, with concomitant greenhouse gas emissions from deforestation and forest degradation and waste.
32. AF2019 will further integrate climate resilience measures through capacity-building programmes in climate-smart agricultural strategies, strong collaboration with extension and weather/climate monitoring institutions for regular agroclimatic information, and use of appropriate varieties of crops. VCDP is also investing in market infrastructure to improve resilience. In addition, greenhouse gas emissions will be reduced that result from deforestation through fuelwood usage for processing. AF2019 will invest in clean energy infrastructure, including conversion of effluent from cassava processing into biogas, cassava peel into animal feeds, and rice husks into briquettes. It will also encourage the use of liquefied petroleum

gas in processing. Weather index insurance to cover losses to floods will be strengthened so as to improve the resilience of beneficiaries.

#### D. Debt sustainability

33. Nigeria's debt-to-GDP level, while higher than in the past decade, remains relatively low compared to other frontier market economies. However, Nigeria's fiscal space is at risk. Stress scenarios confirm the vulnerability of public debt to a scenario of low growth and a wide primary deficit. Nigeria's level of public debt has continued to increase in 2018. Under current policies, Nigeria's financing needs in the medium term will average about 7 per cent of GDP. Financing pressures are primarily driven by interest payments, which are projected to approach 75 percent of federal government revenue in 2024, up from 60 percent in 2018.<sup>5</sup> At the same time, economic forecasts show that Nigeria's own public resources are not sufficient to deal with the many challenges it faces as the largest country of the region, including violent unrest in many parts of the country and severe economic difficulties.

### IV. Implementation

#### A. Compliance with IFAD policies

34. VCDP is in line with the Nigeria COSOP 2015-2021, as well as with IFAD's Strategic Framework 2016-2025 and its corporate policies as embodied in the: (i) IFAD Private Sector Engagement Strategy 2019-2024; (ii) Rural Enterprises Policy, 2004; (iii) 2019 revised guidelines on targeting; (iv) Social, Environmental and Climate Assessment Procedures, 2017; (v) Rural Finance Policy, 2009; (vi) Mainstreaming Nutrition in IFAD – Action Plan 2019-2025; (vii) Rural Youth Action Plan 2019-2021; and (viii) 2018 IFAD Policy on Project Restructuring.

#### B. Organizational framework

##### Management and coordination

35. VCDP works through the Federal Ministry of Agriculture and Rural Development and the state Ministries of Agriculture. The federal ministry has overall responsibility for programme execution, delegating day-to-day implementation and coordination of the programme to the national programme management unit (NPMU). The NPMU provides technical support to and undertakes coordination of relations with the Federal Ministry of Finance, which is the representative of the borrower. The programme steering committee (PSC) under the Federal Ministry of Agriculture and Rural Development, chaired by the Permanent Secretary, provides oversight and guidance to the NPMU. A country programme advisory team (CPAT) will provide services to all IFAD-funded programmes in Nigeria. Support services will cover dedicated expertise in financial management and procurement, as well as gender and youth, nutrition, climate adaptation and environment, and financial inclusion. The CPAT will draw its funding from existing IFAD programmes, through an AWP/B approved by the PSC and IFAD. Day-to-day implementation of the programme at state level is the responsibility of the state programme management unit (SPMU).

##### Financial management, procurement and governance

36. The Ministry of Finance is the official representative of the borrower. The financial control environment in VCDP is relatively strong in terms of key controls. The current programme staffing of the finance units at central and state level is adequate. Overall, there is adequate segregation of duties. The programme will continue using the cash basis of accounting. The main IFAD recommendation is for the programme to improve budget management as a core control feature. The "flexible" accounting system used by the programme, development of which was

<sup>5</sup> IMF Country Report No. 19/02: 2019 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Nigeria.

supported by the government and the World Bank, is also undergoing further customization to improve its efficiency in terms of automated reporting.

37. External audit. Over the years, the Office of the Auditor-General of the Federation (OAGF) has built its capacity to audit projects financed by development partners such as IFAD, and its performance is now satisfactory. While the OAGF will continue to undertake the statutory audit of the VCDP, the internal audit function will also be strengthened.

#### Procurement

38. From a country perspective, public access to procurement information and the management of procurement complaints are high-risk, according to the Public Expenditure and Financial Accountability assessment. Taking this into account, procurement for VCDP is carried out in accordance with national procedures, to the extent that they are compatible with the procurement guidelines adopted by the IFAD Executive Board allowing the use of national procurement systems during programme implementation. The procurement officer will ensure that procurement is carried out in accordance with the established guidelines. Each procurement plan will specify, among other things, the method for each contract, the threshold and applicable preferences.

### C. Monitoring and evaluation, learning, knowledge management and strategic communication

39. At each level of impact/outcome/output, indicators are integrated into the Results Monitoring Framework of the Nigeria National Agriculture Investment Plan. The WEAI will also be included in VCDP's monitoring and evaluation system. Data and analyses will be disaggregated by gender and age groups. The NPMU and SPMUs are responsible for updating the planning, monitoring and evaluation (PME) system within six months of programme implementation to include new indicators that are captured in the AF, in consultation with the programme stakeholders. The PME system is part of an integrated PME system for information, knowledge management and communication.
40. Programme knowledge products and learning processes. The programme will continue to package information to the respective stakeholders (such as brochures, studies, articles, newsletter and TV/radio programmes). In addition, the programme will leverage the Nigeria country programme management team as a mechanism for learning and exchange of knowledge among IFAD-supported programmes and between them and other in-country programmes.

#### Innovation and scaling up

41. The key innovation of the programme is the development of an innovative market-driven public-private-producer partnership (4P) value chain development approach. It supports linkages between organized farmers (in farmer organizations) and private off-takers. One of the key factors for selection of farmers' organizations (FOs) is the potential for linkage with reliable off-takers. The programme will establish 4P-based commodity alliance forums (CAFs) at state level, with representations at local government area (LGA) level. The CAFs bring together farmer organizations, the private sector and public actors to: facilitate business linkages between farmers and the private sector; link value chain actors and facilitators for partnerships and access to services; advocate for conducive policies for all value chain actors; and promote conflict resolution.
42. The potential for scaling up the VCDP model was demonstrated by the government's request to scale up the programme under AF, adoption of the VCDP off-taker model in other commodities and locations, and the promotion of CAF in additional states, including the northern states.

#### D. Proposed amendments to the financing agreement

43. Subject to approval by the Executive Board, the VCDP financing agreement will be amended to: (i) include the additional resources; and (ii) extend the programme completion and loan closing dates by two years. No new expenditure category will be created.

#### V. Legal instruments and authority

44. A financing agreement between the Federal Republic of Nigeria and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower/recipient. The signed financing agreement will be amended following approval of the additional financing.
45. The Federal Republic of Nigeria is empowered under its laws to receive financing from IFAD.
46. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

#### VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan under blend terms to the Federal Republic of Nigeria in an amount of fifty million United States dollars (US\$50,000,000), upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Updated logical framework incorporating the additional financing

| Results hierarchy  | Indicators   |   |  |                     |   | Means of verification  |                         |                | Assumptions/notes   |
|--|--|---|--|---------------------|---|--|-------------------------|----------------|---|
|  | Name   | Baseline  | Midterm  | Original target     | End target                                      | Source   | Frequency               | Responsibility |   |
| <b>Outreach</b>  | Number of individuals receiving programme services (men/women)   | 0   | 34,957   | 53,480 <sup>6</sup> | 135,000 <sup>7</sup><br>(F- 66,150<br>M-68,850) | VCDP reports, SM Reports, mid-term review (MTR), PCR, Baseline | Periodic, Annual        | NPMU           | Farmer Organizations are functional   |
|  | Corresponding number of households reached<br><b>CORE 1a</b>   | 0   | 34,957   | 53,480              | 135 000   |  | Periodic, Annual        | NPMU           | Farmer Organizations are functional   |
|  | Estimated corresponding total number of household members<br><b>CORE 1.b</b>   | 0   | 351,636  | 320,880             | 810 000   |  | Periodic, Annual        | NPMU           | Farmer Organizations are functional   |
| <b>Programme goal<br/>Rural poverty reduced and accelerated economic growth achieved on a sustainable basis</b>                                | Percentage reduction in households below the poverty line (International Poverty Line of US\$ 2 /day)                    | 69 (per cent household (HH) below poverty line) | NA – until Impact is assessed                            | 15per cent          | 40per cent                                      | Progress Reports, SM Reports, MTR, PCR, Baseline               | Twice in programme life | NPMU           | Government supports the import substitution policy on cassava and rice value chains |
|  | Percentage reduction in length of lean/hungry season, increased number and quality of meals a day by at least 25per cent | 0   | NA – until Impact is assessed                            | 0                   | 40per cent                                      | Progress Reports, SM Reports, MTR, PCR, Baseline               | Twice in programme life | NPMU           | Government supports the import substitution policy on cassava and rice value chains |
|  | No of persons reporting improved knowledge, attitudes and practices on nutrition segregated by gender CORE 1.2.8         | NA  | NA- New indicator (AF2019)                               | NA                  | 94,500<br>(70per cent of 135,000)               | SM reports, Impact Survey. PCR.                                | Periodic, Annual        | NPMU           | Implementation is not hampered by insecurity.                                       |
| <b>Development objective<br/>Incomes and food security of poor rural HH engaged in rice and cassava value chains in targeted LGAs enhanced</b> | per cent of VCDP supported beneficiaries (women and men smallholder farmers, processors and                              | 0per cent                                       | 53per cent beneficiaries increased their income by 74per | 50per cent          | 70per cent                                      | Baseline, SM reports, Impact Survey. PCR.                      | Periodic, Annual        | NPMU           | Government supports the import substitution policy on cassava and rice value chains |

<sup>6</sup> 45,000 Producers, 7,680 processors and 800 traders, which is 53,480 direct HH beneficiaries or 320, 880 at 6 persons/HH

<sup>7</sup> 121,000 producers, 14 000 processors and traders, which is 135,000 direct HHs beneficiaries (out of which 49per cent of women) or 810,000 persons at 6 persons/HH



| Results hierarchy<br>on sustainable basis   | Indicators  |           |                               |                 |  | Means of verification                                       |                  |                | Assumptions/notes  |
|---|---|-----------|-------------------------------|-----------------|--|---|------------------|----------------|--|
|   | Name  | Baseline  | Midterm                       | Original target | End target   | Source  | Frequency        | Responsibility |  |
|   | marketers) that have increased their real agricultural income (by average 25per cent)                                   |           | cent                          |                 |  |   |                  |                |  |
|   | per cent Increase in number of assets owned by men and women (asset index)  | 0per cent | NA – until Impact is assessed | 10per cent      | 15per cent   | Baseline, SM reports, Impact Survey. PCR.                   | Periodic, Annual | NPMU           | Government supports import substitution policy   |
|   | per cent Reduction in the prevalence of child malnutrition (stunting, wasting, underweight)                             | NA        | NA – until Impact is assessed | 25per cent      | Stunting<br>10per cent<br>Wasting<br>20per cent<br>Underweight<br>30per cent | Baseline, SM reports, Impact Survey. PCR.                   | Periodic, Annual | NPMU           | Availability of complementary health services.<br>External shocks do not have a negative impact on nutrition status and programme inputs |
| <b>Outcome 1.1: Increased value addition and access to markets realized by men and women beneficiary smallholder farmers as well as small and medium-scale processors</b> | No of supported rural men and women led enterprises or smallholders reporting an increase in profit – <b>Core 2.2.2</b> | 0         | 32,000                        | 40,000          | 94 500 (70per cent of 135,000)   | Off-takers data, VCDP report                                | Periodic, Annual | NPMU           | Government supports import substitution policy<br>Interest of off-takers to engage with farmers  |
|   | No. of targeted men and women farmers and processors accessing formal financial services <sup>8</sup>                   | NA        | NA – New indicator            | NA              | 108 000 (80per cent of 135,000)  | Off-takers data, financial institutions report, VCDP Report | Periodic, Annual | NPMU           | Financial products adapted to target groups<br>Conducive environment for agricultural finance  |
|   | No (and per cent) of farmers formally linked with off-takers (disaggregated for rice and cassava)                       | NA        | NA – New indicator            | NA              | 84,700 (70per cent of 121,000 farmers)                                       | Off-takers data, VCDP report                                | Periodic, Annual | NPMU           | Conducive policy and business environment for VC actors  |
| <b>Outcome 1.2: Demand-</b>   |   |           |                               |                 |  | VCDP Reports, SM mission                                    | Periodic,        | NPMU           | Service providers, improved  |

<sup>8</sup> Formal financial services include here services from formal financial institutions as well as loans by off-takers to smallholder farmers (in cash or kind) and mobile money payments by off-takers

| Results hierarchy   | Indicators   |          |   |                    |  | Means of verification                        |                  |                | Assumptions/notes  |
|---|--|----------|---|--------------------|--|--|------------------|----------------|--|
|   | Name   | Baseline | Midterm                                   | Original target    | End target   | Source                                       | Frequency        | Responsibility |  |
| <b>driven infrastructure investments for access to markets realized and managed by beneficiary organizations</b>                            | No of market, processing or storage facilities constructed or rehabilitated – <b>CORE 2.1.6</b>  | 0        | 129 (27 market facilities and 102 stores) | 618 <sup>9</sup>   | 1,270 <sup>10</sup>  | reports                                      | Annual           |                | processing technologies available  |
| <b>Outcome 2.1: Targeted FOs in effectively serve members</b>   | No of producer organizations members reporting new or improved services provided by their organization <sup>8</sup><br><b>CORE 2.2.4</b> | 0        | 1,748                                     | 2,250              | 5,670 (90per cent of 6,300 FOs)                            | VCDP Reports, SM reports, Impact Survey, PCR | Periodic, Annual | NPMU           | Presence and interest of input dealers, off-takers, financial institutions to provide the services |
|   | No of producer organizations supported<br><b>CORE 2.1.3</b>  | 558      | 1,748                                     | 2,250              | 6, 300   | VCDP Reports, SM reports, Impact Survey, PCR | Periodic, Annual | NPMU           | Availability of skilled service providers  |
| <b>Outcome 2.2: Production and productivity of men and women smallholder rice and cassava farmers in the Programme areas increased (MT)</b> | per cent Increase in yields for rice produced by targeted smallholders (per cent men, per cent women, per cent youths)                   | 2MT/ha   | 125per cent (4.5MT) <sup>6</sup>          | 4MT (100per cent)  | Rainfed (4 MT (100per cent)<br>Irrigated (6MT 200per cent) | VCDP Reports, SM reports, Impact Survey, PCR | Periodic, Annual | NPMU           | Yield enhancing varieties are available  |
|   | per cent increase in cassava yield produced by targeted smallholders ((per cent men, per cent women, per cent youths))                   | 10MT/ha  | 150per cent (25MT)                        | 20MT (100per cent) | 30MT (200per cent)   |  | Periodic, Annual | NPMU           | Yield enhancing varieties are available  |
|   | No. of beneficiaries adopting sustainable and climate resilient practices (per cent men, per cent women, per cent youths)                | 0        | 35,538 (13,860 females; 21,678 males)     | NA                 | 94,500 = 70per cent of 135 000                             |  | Periodic, Annual | NPMU           | Policy support to adaptation; Agricultural insurance schemes are available.                        |

<sup>9</sup> 618 comprise of 60 markets, 108 processing centres and 450 commodity stores/bulking centres.

<sup>10</sup> 1,270 comprise of 60 markets, 195 processing centres and 1,015 commodity stores/bulking centres.

<sup>6</sup> Not segregated accordingly to gender.

## Updated summary of the economic and financial analysis

Table A  
Financial cash flow models

| A)         |      | Enterprise models' net incremental benefits<br>(in Naira) |           |             |                        |
|------------|------|---|-----------|-------------|------------------------|
|            |      | Production  |           | Processing  |                        |
|            |      | Rice  | Cassava   | Rice        | Cassava tuber<br>Garri |
|            | PY1  | (230,000)   | (350,000) | (1,063,542) | (633,054)              |
|            | PY2  | 73,632  | 75,588    | 199,757     | 235,463                |
|            | PY3  | 77,808  | 78,198    | 592,595     | 475,821                |
|            | PY4  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY5  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY6  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY7  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY8  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY9  | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY10 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY11 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY12 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY13 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY14 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY15 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY16 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY17 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY18 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY19 | 77,808  | 78,198    | 985,433     | 716,179                |
|            | PY20 | 77,808  | 78,198    | 932,157     | 716,179                |
| IRR        |      | 33%   | 22%       | 57%         | 72%                    |
| NPV (9.6%) |      | 396,598   | 291,469   | 5,793,313   | 4,453,662              |

Table B: Programme costs and logframe targets

| B)  |         |              |         |                                       |          |
|---|---------|--------------|---------|---------------------------------------|----------|
| PROGRAMME COSTS AND INDICATORS FOR LOGFRAME |         |              |         |                                       |          |
| TOTAL PROGRAMME COSTS (in million USD)      |         |              | 330     | Base costs                            | 330      |
| Beneficiaries                               | 810,000 | people       | 135,000 | Households (But adoption rate is 80%) | 135,000  |
| Cost per beneficiary                        | 407     | USD x person |         | 2,441                                 | USD x HH |
| Components and Cost (USD million)           |         | 330          |         |                                       |          |
| Agricultural Markets Development            |         | 186          |         |                                       |          |
| Smallholder Productivity Enhancement        |         | 109          |         |                                       |          |
| Programme Management and Coordination       |         | 34           |         |                                       |          |

**Table C: Main assumptions and shadow prices**

| c)  |                               |           |                   |               |
|---|-------------------------------|-----------|-------------------|---------------|
| MAIN ASSUMPTIONS & SHADOW PRICES <sup>1</sup> |                               |           |                   |               |
| FINANCIAL                                     | Output                        |           | Yields (Annually) | Price (Naira) |
|   | Rice- without project         | kg        | 4,100             | 31,150        |
|   | Rice- with project            | kg        | 6,000             | 31,150        |
|   | Cassava Garri-without project | kgs       | 12,179            | 89,000        |
|   | Cassava Garri-with project    | kgs       | 20,000            | 89,000        |
| ECONOMIC                                      | Official Exchange rate (OER)  | USD/Naira | 305               |               |
|   | Shadow Exchange rate (SER)    | USD/Naira | 341.0815          |               |
|   | Standard Conversion Factor    |           | 0.894214433       |               |
|   | Labour Conversion factor 3    |           | 0.5215            |               |

**Table D  
Beneficiary adoption rates and phasing**

|  | Design Target | End Target of HH members at 6 persons per HH by AF 2018 | End Target of HH members at 6 persons per HH by AF 2019 | Adoption rate | End Target of HH members at 6 persons per HH by AF 2019 after applying adoption rate |
|--|---------------|---|---|---------------|--|
| # Beneficiaries receiving programme services   |               |   |   |               |  |
| 15,000 Producers, 1,680 processors, 800 traders, which is 17,480 direct HH beneficiaries or 104,880 persons at 6 persons/HH  | # 17,480      |   |   |               |  |
| End target AF1: 91,000 producers, 8,000 processors, 1,000 traders, which is 100,000 direct HHs beneficiaries or 600,000 persons at 6 persons/HH                            | #             | 100,000   |   |               |  |
| End target AF2: 121,000 producers, 14,000 processors and traders, which is 135,000 direct HHs beneficiaries (out of which 49% of women) or 810,000 persons at 6 persons/HH | #             |   | 135,000   | 0.80          | 108,000  |
| Estimated corresponding total number of households is 135,000 direct HHs or 810,000 persons  | # 104,880     | 600,000   | 810,000   | 0.80          | 648,000  |

**Table E  
Economic cash flow**

| Project year          | OVERALL ECONOMIC ANALYSIS (Naira '000) |                    |                 |                    |                       |              | Total Incremental Benefits | Total Incremental Costs | Cash flow |
|-----------------------|--|--------------------|-----------------|--------------------|-----------------------|--------------|----------------------------|-------------------------|-----------|
|                       | INCREMENTAL BENEFITS                   |                    |                 |                    |                       |              |                            |                         |           |
|                       | Rice production                        | Cassava production | Rice Processing | Cassava Processing | Road efficiency gains |              |                            |                         |           |
| PY1                   | (3,004,416)                            | (3,360,000)        | (1,072,051)     | (427,057)          | 0                     | (7,863,523)  | 1,052,250                  | (6,811,273)             |           |
| PY2                   | 651,475                                | 1,048,711          | 497,260         | 238,527            | 243,597               | 2,675,570    | 8,006,250                  | (5,326,680)             |           |
| PY3                   | 967,929                                | 1,073,767          | 497,260         | 238,527            | 277,748               | 3,055,231    | 8,936,500                  | (5,881,269)             |           |
| PY4                   | 1,224,249                              | 1,500,967          | 497,260         | 238,527            | 346,100               | 3,807,103    | 20,912,423                 | (17,105,319)            |           |
| PY5                   | 1,480,569                              | 1,500,967          | 497,260         | 238,527            | 371,732               | 4,089,055    | 9,842,644                  | (5,753,589)             |           |
| PY6                   | (13,229,165)                           | (4,791,833)        | (3,535,693)     | (3,368,020)        | (2,292,471)           | (25,217,182) | 9,208,220                  | (16,008,962)            |           |
| PY7                   | (714,816)                              | (2,694,412)        | 634,117         | 445,181            | (232,999)             | (2,562,923)  | 11,646,736                 | (14,209,659)            |           |
| PY8                   | 8,200,335                              | 6,173,121          | 3,172,103       | 1,521,605          | 1,906,716             | 20,973,880   | 4,160,375                  | 16,813,505              |           |
| PY9                   | 10,131,932                             | 7,077,633          | 3,172,103       | 1,521,605          | 2,190,327             | 24,093,600   | 2,026,041                  | 22,067,559              |           |
| PY10                  | 11,943,260                             | 7,932,033          | 3,172,103       | 1,521,605          | 2,456,900             | 27,025,901   | 255,632                    | 26,770,269              |           |
| PY11                  | 15,053,276                             | 8,786,433          | 3,172,103       | 1,521,605          | 2,853,342             | 31,386,759   | 255,632                    | 31,131,127              |           |
| PY12                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY13                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY14                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY15                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY16                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY17                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY18                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY19                  | 16,078,556                             | 9,640,833          | 3,172,103       | 1,521,605          | 3,041,310             | 33,454,407   | 255,632                    | 33,198,775              |           |
| PY20                  | 16,078,556                             | 9,640,833          | 3,118,401       | 1,521,605          | 3,035,939             | 33,395,334   | 255,632                    | 33,139,702              |           |
| NPV @ 14% (Naira 000) |  |                    |                 |                    |                       |              | 15,751,156                 |                         |           |
| NPV @ 14% (USD 000)   |  |                    |                 |                    |                       |              | 51,643                     |                         |           |
| ERR                   |  |                    |                 |                    |                       |              | 18%                        |                         |           |

Table F  
Sensitivity analysis

| <b>F)</b>  |            |                        |
|--|------------|------------------------|
| <b>SENSITIVITY ANALYSIS (SA)</b>   |            |                        |
|  | <b>IRR</b> | <b>NPV (naira 000)</b> |
| base scenario  | 18%        | 15,751,156             |
| costs +10%   | 17%        | 11,554,258             |
| costs +20%   | 16%        | 11,554,258             |
| costs +50%   | 13%        | (5,233,333)            |
| benefits +10%  | 19%        | 21,523,170             |
| benefits +20%  | 20%        | 27,295,183             |
| benefits -10%  | 17%        | 9,979,143              |
| benefits -20%  | 15%        | 4,207,129              |
| benefits -50%  | 10%        | (13,108,911)           |
| Benefits lag by two years  | 17%        | 15,594,821             |
| climate change events affecting outputs<br>several times during the project lifetime | 13%        | (2,800,493)            |
| Rice and cassava prices drop by 10%  | 16%        | 6,734,913              |
| If costs increase by 10% and benefits drop by<br>20%                                 | 13%        | (4,170,508)            |

## Nigeria grant: “Policy Action for Rural Youth Employment and Entrepreneurship (PAYE)”

### Background/relevance

1. The Nigeria population is estimated at 193 million people with youth (15-34) accounting for 44 million of the labour force. Nigeria is home to the largest population in the region and by implication the largest number of youth. The majority of youth lives in rural areas. The National Bureau of Statistics (NBS) classified that more than 50 per cent of Nigeria's young people are either unemployed or underemployed. In addition, ILO estimates that some 60 per cent of young people in Nigeria are in working poverty. According to the Brookings Institute, women accounted for more than 50 percent of unemployed youth in Nigeria. The Government and development partners are increasing their support to rural youth for poverty reduction, employment generation and food and nutrition security. Preliminary data shows that while the aim is to create decent jobs for rural youth, most of the youth end up in subsistence activities, working in low valued added segments of the food value chain. Empirical evidence of successful youth initiatives exists, but is insufficient to address youth unemployment and underemployment. This project will support the GoN and development partners to leverage experience and collect data and evidence to identify the key factors that enable rural youth to move away from subsistence activities to successful agro-entrepreneurship and decent wage employment in agricultural value chains.
2. The Project will specifically contribute to IFAD's Priority Areas for its 2019-21 grants programme namely: by providing opportunities for youth, production for food security, nutrition and income generation; gender equality and women's empowerment; and business opportunities and partnership with the private sector. The Project is also consistent with IFAD's objectives to: (i) promote innovative, pro-poor approaches and technologies with the potential to be scaled up for greater impact; and (ii) strengthen government and partners' institutional and policy capacities. Further, it will define proven approaches to sharpen VCDP engagement in youth, enhance IFAD's policy engagement, and generate and share knowledge for development impact. Finally, it contributes to the implementation of the IFAD 11- Action Plan for youth mainstreaming which calls for evidence-based policy engagement and partnerships – learning from experience to help rural young women and men achieve their potential.

### Direct and indirect target group

3. Main project target groups:
  - (i) Young Nigerian men and women living in rural areas. The VCDP targets 135,000 smallholders (49per cent women and 51per cent women). Within this group 54,000 are youth of which 51per cent are young men (27,500) and 49per cent are young women (26,500); and
  - (ii) The GoN, and the national institutions who play a leading role in the policy making for rural youth in agricultural value chains.
4. Indirect target groups are development partners in Nigeria who will use the data and evidence collected by the Project to identify success factors and share lessons about the effectiveness of their support.

### Goal, objectives and expected outcomes

5. Based on the collaborative partnership between GoN, IFAD, ILO, and OECD, the project objective is to step up the knowledge base on rural youth engagement in agriculture using rigorous data and evidence-based analyses to inform policy making at all levels of government. The specific objectives are to:

- (i) Determine measures of success (indicator framework) for rural youth in agricultural value chains in the context of their economic and social performance. Indicators should be limited in number; simple, policy-relevant; consensus-based, in line with international norms and standards; relevant to all other countries; and disaggregated to track progress for young women<sup>11</sup>. Rural youth focus groups will help inform this framework.
  - (ii) Profile rural youth along the value chains in Nigeria against the above measurement framework.
  - (iii) Steer policy dialogue for more effective development co-operation to help curb current trends in rural youth unemployment and working poor in Nigeria. The OECD/UNDP-hosted Global Partnership for Effective Development Cooperation (GPEDC) will capitalize on the collaborative work of IFAD, ILO and the OECD Development Centre to explore informed and multi-stakeholder policy dialogue on the effectiveness of development cooperation in support of rural youth employment.<sup>12</sup>
6. The project will generate the following outputs/outcomes in Nigeria:
- key success factors for profitable and sustainable youth employment and entrepreneurship;
  - Profile of youth employed in agricultural value chains;
  - Benchmarks for successful youth engagement;
  - Statistics on youth employment and entrepreneurship in agricultural value chains;
  - Strengthened national capacities for labour market statistics;
  - Good practices of effective development cooperation for rural youth employment; and
  - Policy groups to discuss inclusion of new frameworks and benchmarks.

#### Key activities by component

Component 1. Develop framework to measure success of rural youth in agricultural value chains (ILO Led): This work will be done jointly with the NBS to strengthen capacities to periodically generate and analyse labour market information on rural youth in a sustainable manner.

Component 2. Diagnosis of youth employment in agricultural value chains (OECD-DEV-Led)

- The project will Analyze data on rural youth employment in agricultural value chains against the above mentioned measurement framework
- The project will generate profiles of Nigeria's young rural entrepreneurs and the characteristics of their businesses to inform the Government on the effectiveness of rural youth policies

Component 3: Policy engagement and Influence (co-led by IFAD, ILO and OECD)

7. The project will leverage the evidence generated on rural youth employment in Nigeria to inform existing national, regional and global platforms on rural youth employment challenges to sharpen policy and investment approaches. These dialogues will also include stakeholders such as the private sector, social partners and youth organizations.

#### Grant recipients

8. The project will be implemented collaboratively with leading international organizations and in consultation with stakeholders. The grant recipients are the International Labour Office (ILO), the Development Centre of the OECD, and the Development Co-operation Directorate of the OECD.

<sup>11</sup> Ibid.

<sup>12</sup> Based on "Indicators and a Monitoring Framework for the Sustainable Development Goals: Launching a data revolution for the SDGs"; the Sustainable Development Solutions Network, Report to the UN Secretary General, May 2015

## Components, Outcomes and Activities of VCDP AF2019

### VCDP implementation approach

1. The starting point of VCDP's approach remains Value Chain Analysis (VCA) which provides the basis for a commodity-specific Value Chain Action Plan (VCAP) at each LGA level. The preparation of the VCAP involves representatives from major value chain actors. The value chain approach is participatory to ensure that the plan responds to identified needs, and the focus and scope of interventions varies among the LGAs depending on the outcome of the VCAP.
2. The original design of VCDP did not mainstream the issues of climate change, financial inclusion, and nutrition and gender transformation at the level it requires today. However, VCDP promoted some interesting activities that have shown the potential to be scaled up, for instance intercropping of legumes of cassava as well as mulching with residues, the use of energy-efficient "false bottom" parboilers in rice processing, the introduction of early maturing rice varieties, the provision of drainage systems to control flood, as well as the promotion of crop insurance and input financing by private off-takers. Building on these, the AF2018 provided dedicated resources to start integrating these issues into the programme's approach. The AF2019 will purposively deepen VCDP's approach in these areas to move its impact to the next level.

### VCDP Components

3. VCDP remains structured around three complementary components at the root of its successful market-led approach; i.e.: (i) agricultural market development; (ii) smallholder productivity enhancement; and (iii) programme management and coordination. Under each component, Outcomes and activities were updated to reflect the renewed emphasis on gender transformation, climate change and nutrition, as well as financial inclusion.

### Component 1: Agricultural market development (US\$180.7 million)

4. VCDP's objective under this component is to enhance the profitability of smallholder farmers and small/medium-scale agro-processors by improving their access to markets and their capacity to add value to raw materials. This is achieved by (a) facilitating the linkages between FOs and value chain operators and (b) easing critical infrastructure constraints to the production, processing, storage, handling and marketing of farm produce and their processed products. The component is divided into two sub-components, i.e. (i) Support to value addition and market linkages, and (ii) Support to value chain infrastructure. Activities follow a beneficiary demand-led approach. Support is provided through FOs, value chain organizations, private sector/Business Membership Organizations (BMOs) and selected MSMEs.

#### Sub-component 1.1: Support to value addition and market linkages (US\$76 million)

Expected outcome: Increased value addition and access to markets realized by beneficiary small and medium-sized producers and processors.

5. VCDP interventions consist of an integrated set of activities at macro, meso and micro levels. At the macro level, VCDP supports (a) the improvement of the policy and regulatory framework for value chain development, (b) the establishment of quality control, grading and standardization systems, and (c) the expansion of Agricultural Market Information Systems (AMIS). At the meso level, the



programme (a) fosters linkages between smallholder farmers and agro-processors and market operators, (b) strengthens the business management capacity of value chain organizations, and (c) links agro-processors and market operators to financial service providers and/or existing agricultural and rural finance projects. At the micro level, the programme promotes the adoption of improved processing, storage, packaging and handling technologies.

## Update

6. VCDP's approach and activities are updated to:
- Address the issue of low performance in the cassava value chain. VCDP will undertake an updated market analysis of the cassava sub-sector to support the Federal Ministry of Agriculture and Rural Development in the identification of structural and policy issues constraining marketing of cassava products and import substitution. VCDP will conduct location-specific studies at state/LGA levels to establish the demand and structure of production, processing and marketing for cassava products (garri, flour, fufu, starch, ethanol, yellow cassava, etc.). The studies will provide evidence (a) on the sub-products with the highest market potential, (b) to improve linkages of smallholders with the market under a model similar to rice, (c) to define the business model to support cassava processing at beneficiary levels; and (d) to identify the enterprise nodes where women have a comparative advantage. The study will also inform modalities to support cassava processing centers as business units that drive cassava production and processing in targeted communities (sub-component 1.2). It will also highlight specific strategies and activities related to issues of climate change, gender, nutrition and financial inclusion that could be implemented.
  - Dedicate technical and financial resources for the institutionalization of CAFs across states/LGAs through (a) a categorisation of CAFs (strong, moderate or weak); (b) capacity building plans according to their categorization; and (c) the establishment of a CAF in new states/LGAs. Capacity building plans will include (i) trainings and targets to improve women's participation at all levels of the value chains; (ii) support (including business plan development) to selected off-takers to expand services to smallholder farmers, including young men and women, on a cost sharing basis. An estimated total of 27 off-takers will be targeted mainly for the cassava value chain (three per state in average).
  - Upgrade to a market information system 2.0. To date, over 20,000 stakeholders are using the VCDP-supported market information platform (AMIS). The aim is to increase this number to 81,000 users (60 per cent of targeted beneficiaries) by 2024. The objective is to upgrade to a web-based platform to increase outreach and facilitate tracking of transactions between users. In each state, the programme will support the leadership of the CAF with capacity training to take ownership of the platform for sustainability.
  - Improve linkage with financial institutions: Access to loans to finance business needs of the farmers, processors and market operators remains a challenge due to the lack of tailored financial products. VCDP activities will now include support to selected financial institutions to develop relevant strategies, products and delivery models for the different categories of VCDP beneficiaries with attention to the specific needs of women and youth. Implementation modalities will include:
    - (a) A partnership with GIZ funded AgFin Project: VCDP is in the process of signing an MoU with AgFin, which combines training of potential bank clients to make them "bankable" with technical assistance to commercial banks to offer services adapted to smallholder farmers and possibly agri SMEs. Partnerships will include commercial smallholder farmers linked to reliable off-takers as a way to mitigate the risk of lending for the banks and agri SMEs supported by VCDP.

(b) For beneficiaries not covered under the MoU with AgFin, VCDP will enter directly into partnerships with selected financial institutions regulated by the CBN for the provision of technical assistance. The CAF will be involved in the competitive process of identification and selection of the financial institutions, and a budget will be allocated for the TA under a performance-based MoU (main indicator being actual delivery of services to the programme beneficiaries). It is expected that financial institutions will be linked with relevant CBN and NIRSAL schemes.

- Enhance women's business management skills: Building on VCDP's Training of Trainers (ToT) approach and coaching/mentoring,<sup>13</sup> the programme will train female entrepreneurs to enhance their performance in record keeping and business management to own and operate their business sustainably. Service providers will strive to reach 50 per cent participation of women field staff to meet the need of women beneficiaries. Training schedules will be organized in a manner that is convenient for women in terms of frequency, timing and duration, and venue. The programme will target an additional 4,000 women in processing facilities to bring the total target to at least 9,000.
7. Regarding mainstreaming activities, the programme will, among other things, (i) support the Federal Ministry of Agriculture and Rural Development for dialogue on measures to address gender gaps in agriculture; (ii) be an active participant in various fora on nutrition and use the opportunity for advocacy on increased investment in nutrition, (iii) conduct an acceptability study on pro vitamin A cassava to enable development of appropriate support not only on consumption but also to create markets for farmers, (iii) promote green energy and clean environment by carrying out a profitability analysis for briquettes and cassava peel conversion to support interested entrepreneurs; (iv) train processors on environmental sustainability and climate change; (v) improve awareness on health, environment and safety standards and food production hygiene; (vi) establish drying slabs for cassava and rice; (vii) support the establishment of fuelwood plantations; (viii) conduct periodic environmental audits of processing facilities; and (ix) support cooking demonstrations at processing sites for improved nutrition. For enhanced sustainability, VCDP will continue to work through existing service providers, public/private organizations and/or NGOs.

## Sub-component 1.2- Support to climate resilient value chain infrastructure (US\$104.7million)

Expected outcome: Demand-driven infrastructure for improved access to markets realized and sustainably managed by the beneficiary communities.

8. VCDP supports the improvement of (a) feeder roads connecting production areas to market and processing outlets by rehabilitating the existing feeder roads and constructing critical new ones, (b) market, processing and storage facilities through the construction/ rehabilitation of agro-processing and marketing infrastructure (stalls, stores, structures for agro-processing units and related ancillary works), and (c) water supply through provision of safe, adequate and sustainable water supply to these processing and market facilities by constructing new schemes and rehabilitating existing ones.

### Update

9. Improvement of feeder roads: The programme has supported the development of 246 km of roads. An additional 174 km of roads with less than 10km per portion are planned to cover new states and LGAs, in particular to link new land

<sup>13</sup> 1,210 people trained out of which only 29 per cent women, while majority of processors are women.

developments planned for women. A total of 520 km will thus be completed by 2024. VCDP will align with the Nigerian standard for establishment or rehabilitation of feeder roads; as such roads must be climate resilient.

### Improvement of market, processing and storage facilities

10. Processing facilities: VCDP will no longer support small-scale home-based processors or isolated (stand-alone) processors because the approach has not worked. To build on best practices, VCDP will support the establishment of “semi-industrial” processing centers, both for rice and cassava that meet market requirements including hygiene, quality standards and environmental management. Based on the outcome of the cassava value chain analysis, more focus will be on cassava processing to strategically increase women’s participation. In the context of the poor performance of collectively managed enterprises, VCDP will support a private-based management model. Depending on the locations – culture/social setting and business environment (to be determined during the study) – two models will apply; i.e.
  - Model 1: A complete line of processing activities, owned/managed by one entrepreneur. For instance, in the case of garri business, this means from peeling to garri frying; or
  - Model 2: Different business segments in the processing chain owned or managed by separate individual entrepreneurs.
11. In the case of the first model, the processing facilities (machineries and related applications) will be owned/managed by one entrepreneur who will provide services to clients. In the case of the second model, the different entrepreneurs will own different processing facilities in the center. The entrepreneurs in each model will be supported by a VCDP matching grant. The cluster FOs will have full ownership of the business premises comprising the building, electricity, water borehole and physical environment funded by VCDP in line with matching grant stipulation. FOs will collect the maintenance levy and utilities bills from the users (entrepreneurs) for sustainability. Women FOs will be specifically targeted to own the business premises as a strategy to increase their participation in commodity value chain and business management skills. Youth will be prioritized, and preference given to female youth entrepreneurs. Whichever model is adopted, it is expected that at least 30 women will be engaged in processing activities in each processing centre, either as entrepreneurs or employee. To further encourage women’s participation, VCDP will finance the establishment of child-care spaces at processing sites to ensure the care and safety of children. Guidelines on minimum quality standards and terms of use for these child-care corners will be developed. Each semi-industrial processing centre will be solar-powered using the UNDP-MSME standard as demonstrated in OFADA Rice Processor in Ogun State. Presently 24 processing centres have been provided. For this update, VCDP targets an additional 171 processing centres by 2024 for rice and cassava (AF2018-40 processing centres, AF2019- 131 processing centres). This means an average of three processing centres per LGA owned and managed mostly by women.

### Climate resilient market and storage facilities:

12. Presently 39 markets (327 stalls), and 276 storage facilities have been provided.<sup>14</sup> VCDP will support the construction/rehabilitation of 120 additional market centres (AF2018-60 and AF2019-60). Each market centre will contain 5 stalls and 10 open commodity shade storage facilities, making it a total of 600 stalls (and 1,200 commodity storage facilities for AF2019). This is another strategic area that will bring more women into the programme, as about 60 per cent of the stores will be allocated to women using selection criteria to be established by the programme/women groups. Through matching grants, VCDP will promote the use

<sup>14</sup> 60 markets and 515 commodity stores/bulking centres are planned by end of AF1 in 2022.

of durable engine-run tricycles equipped with trailers to move produce from the farms to the market.

#### Water supply:

13. 63 drinking water systems have been constructed or rehabilitated, all solar-powered. VCDP will maintain the model by providing drinking water (borehole) in the new processing centres and market commodity centres to bring it to a total of 436 boreholes/drinking water points (AF1- 158 and AF2 - 215).
14. VCDP will retain its implementation modalities. However, it will clearly define the maintenance mechanism for rural roads and community infrastructure and work with local government authorities to facilitate the establishment of an agricultural road maintenance team.

#### Component 2- Smallholder Productivity Enhancement (US\$106 million)

15. The component objective is to enhance smallholder farmer productivity on an economically and environmentally sustainable basis to increase incomes and employment, improve food security and reduce poverty. The component has two subcomponents: (i) strengthening of FOs; and (ii) support to smallholder production.

##### Sub-component 2.1- Strengthening of farmers' organizations (US\$ 34.1 million)

Expected outcome: FOs in programme areas effectively serve their members (facilitating access to inputs, improved technologies, credit and information).

16. Under this sub-component, VCDP will continue to support FOs in the preparation of Value Chain Action Plans and capacity building. Main programme activities are: (i) selection of FOs and support for VCAPs through participatory needs assessment and prioritization of activities; (ii) capacity-building of FOs in the areas of group dynamics, good governance, enterprise planning and management, participatory monitoring and evaluation and functional literacy; (iii) support for registration and development of by-laws for FOs, and (iv) support for apex organizations including women's organizations. New groups will also be supported for formalization to ensure that all groups are registered. The programme will also continue its support for Apex Value Chain Groups (AVCG) in new states and enhance their capacity to deliver services to their members. Under AF2 about 1,750 FOs will be selected to reach 35,000 additional beneficiaries for rice or cassava. Out of these around 1,570 will be production FOs and 180 processors/ traders FOs.

#### Update

17. Selection of FOs: To increase the participation of women, service providers will be asked to employ more women staff (at least 40 per cent) for the training of women, giving consideration to time and venue, and child-care spaces for nursing mothers. The programme will conduct advocacy with traditional rulers and religious leaders to ensure buy-in in the gender transformative approach of VCDP. VCDP will improve results in GALS through training of more staff and stakeholders.
18. Youth capacity-building: Building on the findings of the youth grant, a more dynamic and differentiated approach to youth employment will be further explored, above all for those young people who are not participating in organized groups. Beyond the creation of self-employment opportunities through the provision of matching grants and start-ups - the wage-employment path will be pursued by strengthening the employability competencies and skills of youth using modernised tools and methods to provide them with technical, managerial and entrepreneurial skills to make them more attractive for the labour market and increase their placement opportunities.
19. Nutrition: VCDP will (i) deploy training manuals on Essential Nutrition Actions (ENA) and Essential Hygiene Actions (EHA); and (ii) train select mothers/fathers on

ENA/EHA/consumption of diversified diets/planning and budgeting for food and facilitate step-down training through the ToT approach.

Financial inclusion: For smallholder farmers to sustain and develop their enterprise beyond the matching grant support, VCDP will strengthen its financial inclusion strategy as follows:

- (i) The programme will develop a comprehensive financial literacy programme for farmers to have a better understanding of financial concepts and services and empower them to make the right decisions on business and household budget management. This will be done in partnership with the GIZ funded AgFin programme and through existing service providers for the beneficiaries not targeted by AgFin, through a ToT approach (two members per FO - one man and one woman). The updated financial strategy will include the building of savings at group and individual levels for beneficiaries to self-finance their business, to reduce borrowing needs and lower financial costs. Specific savings strategies will be designed for women and youth. This will also allow beneficiaries to build a track record with the financial institutions and mobilize collateral.
  - (ii) Provide (demand-led) technical assistance to selected financial institutions for the design of agricultural finance strategies and delivery of adapted financial services (savings, loans and payments), under performance-based MoUs. The programme will ensure that adapted products are designed for women and youth. This will be done through a partnership with AgFin.
20. Since the focus of the AF is now to increase the long-term enterprise development path beyond the matching grant support, the capacity building plan will include key training modules on post capacity development, such as post-mentoring coaching, follow-ups with the trainees, together with support services and an incentives/recognition system that complement the capacity development activities.
21. Activities are carried out by individual consultants or consulting firms/NGOs, in collaboration with relevant government ministries and agencies, under the overall coordination of the State Programme Management Unit (SPMU). Service providers are contracted to coordinate implementation and are responsible for organizing training sessions and registration of FOs, under the overall coordination of the SPMU.

#### Sub-component 2.2: Support to Smallholder Production (US\$71.8 million)

Expected outcome: Production and productivity of rice and cassava smallholder farmers in the programme areas increases.

- 22. Under this component, VCDP facilitates access of FOs to improved planting materials of cassava, quality seeds of rice, fertilizers and agro-chemicals, improved production techniques and mechanization for land preparation and harvesting.

#### Update

- 23. Assessment of the cassava planting material supply chain. The assessment was carried out for the rice supply chain and guided the implementation of VCDP's support in this area. The planned market analysis on the cassava value chain (component 1) will look into the chain for cassava planting material to bring information on the demand and supply need.
- 24. Strengthening quality control. VCDP provided Agriculture Development Programmes (ADPs) with six Small Seed Testing Laboratories, one in each of the first six states working with the National Agricultural Seed Council (NASC) which has the national mandate for quality assurance. AF2018 will finance the set-up of seed laboratories for the three new States of Enugu, Nasarawa and Kogi. AF2019

will provide capacity building support to the programme team to enable the participating states to expand outreach beyond VCDP commodities.

25. Production and dissemination of improved planting material of cassava and certified seeds of rice. VCDP has largely focussed on supporting youth entrepreneurs for the provision of improved rice seeds and improved varieties of cassava stems to farmers. Evidence shows that their enterprises are very profitable and attract youth into agriculture. Under AF2018, VCDP plans to train an additional 45 rice seed and 30 cassava stem youth entrepreneurs to cover the three new states. An additional 60 youth will be supported in the new states under AF2019 with emphasis on young women.
26. Promotion and dissemination of sustainable and climate resilient agricultural practices. Through VCDP support on GAP, baseline yields of rice of 2MT/ha increased to 4.5 MT/ha on average. Cassava yield increased from 10 MT/ha to 25 MT/ha on average. The aim is to increase yields to 30MT/ha for cassava by the end of the programme to inject competitiveness in the value chain, and to maintain yields achieved for rice. In the area of production, VCDP's support will be stepped up as follows:
  - Farmers Field Business School (FFBS): This will continue especially for proven cassava business models. In this context, VCDP will support exchange visits to the Delta State to learn from the Cassava Processing for Export (CP4E) model of the state.
  - GAP and adaptation to Climate Change: VCDP is recruiting environment and climate change specialists for each state to support training of farmers on climate smart agricultural practices and environmental sustainability and climate change. VCDP will support the Nigerian Meteorological Agency to improve seasonal weather prediction and forecasts for agriculture. The programme will continue linking farmers with NAIC, but for sustainability it will now be promoted under a matching grant mechanism, rather than fully subsidized as done during the pilot.
  - Extension services: VCDP will continue contracting private service providers on performance-based contracts. To ensure an increase in participation of women and efficiency of the training, service providers will be expected to work with at least 40 per cent women staff to provide extension services to women. ToT and training schedules will be adapted to women's specific constraints.
27. Land development. To address the issue of access to land by women and lack of equipment, the new financing programme will support the development of 2,000 ha targeting women as a key measure to improve women's participation in commercially oriented agricultural production.
28. Access to fertilizer and agro-chemicals as well as to improved cuttings and certified seeds. To date, VCDP has supported farmers with seeds, stem cuttings, fertilizers, herbicides and insecticides on a matching grant basis. The main challenge is the difficulty of many farmers, especially women, to mobilize their contribution for the matching grants. AF2019 will revise the matching grant modalities for inputs as follows, for men and women: 30 per cent contribution by the farmer in year one and 70 per cent in year two for men; 20 per cent contribution in year one and 60 per cent in year two for women. Additional equipment will also be considered to increase labour saving options, namely, transplanters and harvesters for rice and planters for cassava based on the existing matching grant modality. With regard to access to farming equipment for FOs engaged in the provision of services to others, the matching grant contribution will be reduced to 20 per cent for women, as a specific support measure. Additional equipment will also be considered to increase labour saving options for women, namely, transplanters and harvesters for rice and

planters for cassava, as well as personal protective equipment for spraying certifications.

29. Irrigation and water control. The programme has supported irrigation sites totalling 6,761 ha of land for dry season irrigation including the construction of flood protection dykes. This has enabled double and, in some cases, triple cycles of production, with improved productivity. VCDP will extend 3,000 additional hectares under AF2018. A provision is made to add 2,000 ha under AF2019 specifically targeting women.
30. Nutrition and conflict management: VCDP will support women to establish mixed home gardens for homestead food production, as part of the training by extension service providers. It will also support mechanisms to compensate farmers and processing centres for conflict related damages, which are significantly affecting the programme beneficiaries, who have had in many cases to abandon their farms. It will explore the option of supporting NAIC to develop insurance products (with state subsidy) or for states to allocate a specific budget to offset losses arising from conflict. CAF will be supported to provide dedicated services to members in conflict mitigation measures especially as it affects farmers/herders.
31. The programme will retain its implementation modalities of VCDP as per initial design. To ensure sustainability, it will build more synergy between the private sector extension providers and the ADP system in order to strengthen the public sector in its provision of effective extension support to farmers.

#### Component 3: Programme coordination and management (US\$33.8 million)

32. This component will ensure that the programme is efficiently and effectively managed to achieve expected results. It will maintain the two-tier programme management structure, comprising the NPMU at the federal level, and the SPMU at the state levels. Updates on programme management are provided in Section III below.

#### Programme expected outcomes

33. VCDP expected outcomes through Component 1, Agricultural Market Development, are: (i) Increased value addition and access to markets realized by men and women beneficiary smallholder farmers as well as small and medium-scale processors; (ii) Demand-driven infrastructure for improved access to markets realized and sustainably managed by the beneficiary communities. Achievement of outcomes will be measured by the following indicators:
  - 94,500 supported rural men and women led enterprises or smallholders reporting an increase in profit (70 per cent of total direct beneficiaries).
  - 84,700 smallholder farmers (70 per cent of supported farmers) formally linked with cassava or rice off-takers.
  - 108,000 men and women farmers and processors (80 per cent of total direct beneficiaries) associated with the cassava or rice value chain accessing formal financial services leading to financial inclusion.
  - 195 processing centers and 60 market centers, 300 commodity storage facilities constructed or rehabilitated with integration of sustainable environmental management practices.
34. Expected outcomes under Component 2, Smallholder Productivity Enhancement are: (i) FOs in the programme areas effectively serve men and women members; (ii) production and productivity of men and women rice and cassava smallholder farmers in the programme areas increase. Achievement of outcomes will be measured by the following indicators:

- 6,300 rural producers' organizations supported in productivity enhancement with climate and environmental adapted agronomic practices as well consideration for fortified products from a nutrition perspective.
  - 5,670 supported rural producers' organizations members reporting new or improved services provided by their organization including support for financial inclusion.
  - Increases in yields for rice and cassava produced by target men and women smallholder farmers (100 per cent for rainfed rice, 200 per cent for irrigated rice, and 200 per cent for cassava).
35. Expected outcomes under Component 3, Programme Management and Coordination, are: Programme efficiently and effectively managed to achieve planned developmental and gender transformative results with knowledge management, gender, nutrition, and climate change/environmental and financial inclusion considerations integrated in all aspects of management.
36. Outcomes will be disaggregated by age to support effective youth participation.