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President's report

Proposed loan

Federal Republic of Nigeria

Special Agro-Industrial Processing Zones (SAPZ) Programme

Project ID: 2000003342

Note to Executive Board representatives

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For: Approval

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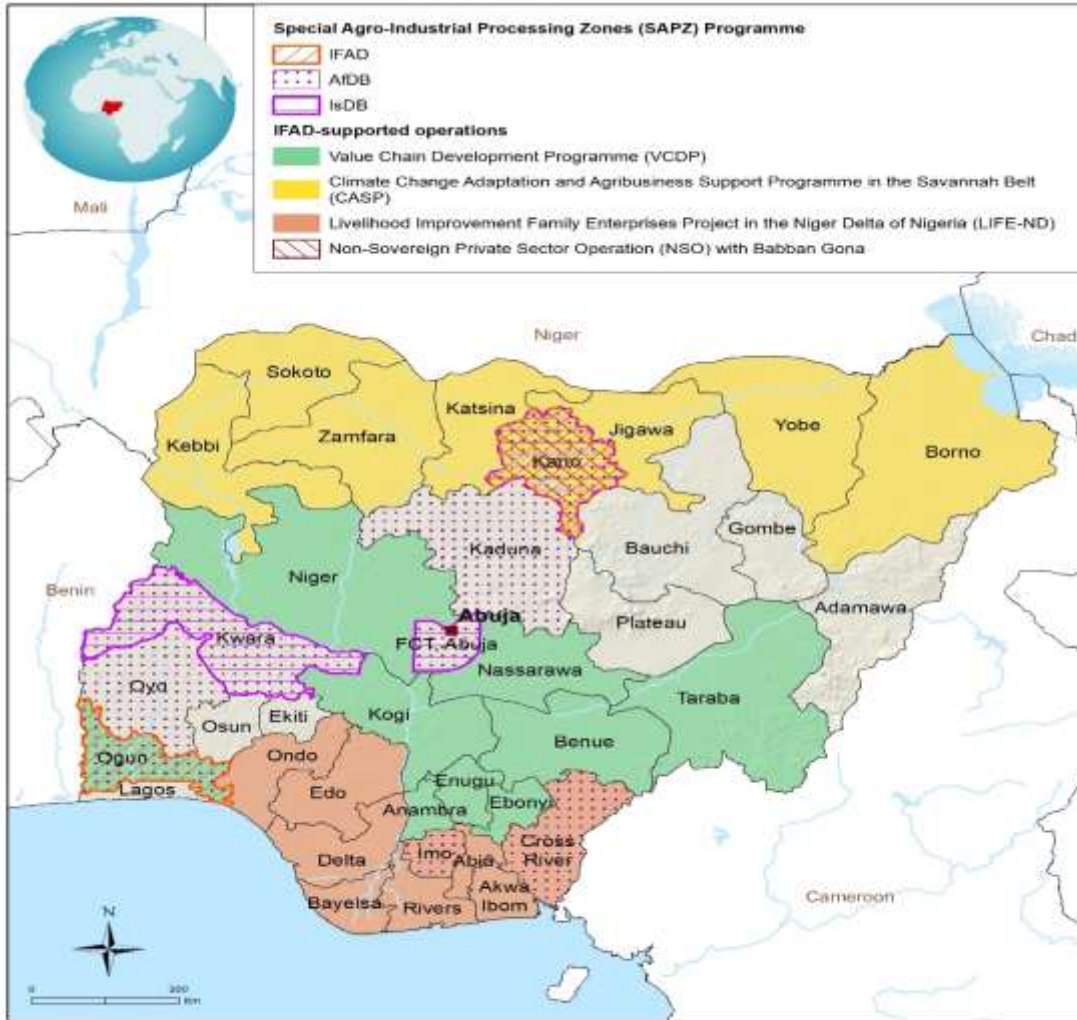
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Abbreviations and acronyms

AfDB	African Development Bank
AIH	Agricultural industrial hub
AWP/B	annual work plan and budget
FMARD	Federal Ministry of Agriculture and Rural Development
FMF	Federal Ministry of Finance, Budget and National Planning
FPCU	Federal Programme Coordination Unit
GCF	Green Climate Fund
IGREENFIN	Inclusive Green Financing for Low Emission and Climate Resilient Agriculture
IsDB	Islamic Development Bank
M&E	monitoring and evaluation
PSIU	participating states implementation unit
SAPZ	special agro-industrial processing zones
SDG	Sustainable Development Goal
VCDP	Value Chain Development Programme

Map of the programme area



 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 02-12-2021

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Federal Republic of Nigeria
Executing agency:	Federal Ministry of Agriculture and Rural Development
Total programme cost:	US\$541 million
Amount of IFAD loan:	US\$49.97 million
Terms of IFAD loan:	<p>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 Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the loan service payment currency, and shall have a maturity period of 25 years, including a grace period of five years starting from the date of approval of the loan by the Executive Board.</p> <p>The principal of the loan granted on blend terms will be repaid in equal instalments.</p>
Cofinancier[s]:	African Development Bank (AfDB), Africa Growing Together Fund (AGTF), Islamic Development Bank (IsDB) and the Green Climate Fund (GCF)
Amount of cofinancing:	<p>AfDB: US\$160 million</p> <p>IsDB: US\$150 million</p> <p>GCF: US\$60 million</p> <p>AGTF: US\$50 million</p>
Terms of cofinancing:	AfDB: loan, IsDB: loan, GCF: loan and grant, AGTF: loan
Contribution of borrower/recipient:	US\$19.14 million
Contribution of beneficiaries:	US\$2.89 million
Financing gap:	US\$50.03 million
Amount of IFAD climate finance:	US\$16.35 million
Cooperating institution:	Direct supervision by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 57.

I. Context

A. National context and rationale for IFAD involvement

National context

1. With a population of over 200 million people, Nigeria is the most populous country in Africa and the largest economy of the region. Like other middle-income countries, the country faces significant poverty and inequality challenges. Nigeria is home to the largest number of poor in the world, and over 50 per cent of country's poor live in rural areas. The majority of rural poor are women. Of the Nigerian farming population, 70 per cent are poor smallholders with limited ability to cope with shocks particularly related to climate change; 44.1 per cent suffer from food insecurity; 12.6 per cent are undernourished; and 37 per cent of children under 5 years of age are stunted.¹ To feed its growing population, Nigeria has reached a critical level of food importation, spending over US\$6 billion a year on agricultural imports.² Disruption of farming activities and disturbances in the food supply caused by COVID-19 are increasingly threatening the lives of about 100 million rural Nigerians and have contributed to perpetuating poverty.
2. The key priority of Nigeria's Medium-Term National Development Plan 2021-2025 is agricultural transformation to eliminate poverty, spur job creation and achieve food security. In addition, the National Agricultural Technology and Innovation Plan (NATIP) 2021-2025 guides Nigeria's post-COVID-19 economic recovery.

Special aspects relating to IFAD's corporate mainstreaming priorities

3. In line with Eleventh Replenishment of IFAD's Resources (IFAD11) mainstreaming commitments, the Special Agro-Industrial Processing Zones (SAPZ) programme is:
 - Youth-sensitive
 - Nutrition-sensitive
 - Including climate finance
4. **Youth.** The programme will provide youth with opportunities to engage in commercially oriented value chains, increase their skills base, improve their incomes and, in so doing, enable them to acquire assets. Youth (people aged 18-29)³ will make up 40 per cent of the direct beneficiaries.
5. **Food security and nutrition.** In Nigeria, 44.1 per cent of the population suffer from food insecurity and 12.6 per cent are undernourished.⁴ Leveraging the key role played by women within the food system, the programme will implement nutrition interventions that build on increases in incomes and empowerment of women.
6. **Climate.** The programme will enhance the resilience of smallholder farmers to climate change, supporting the adoption of climate change adaptation and mitigation solutions, including through access to green agricultural investments facilitated through the Inclusive Green Financing for Low Emission and Climate Resilient Agriculture (IGREENFIN) Programme.
7. **Gender.** Women represent over 60 per cent of Nigeria's rural workforce. The

¹ FAO, 2019: <http://www.fao.org/faostat/en/#data/FS>.

² CBN and National Bureau of Statistics, Annual Report, 2013.

³ Federal Ministry of Youth and Sports Development, 2019. National Youth Policy Nigeria, 2019 Edition.

⁴ FAO, 2019: <http://www.fao.org/faostat/en/#data/FS>.

programme will leverage the women-focused land development model and matching grant scheme developed under the Value Chain Development Programme (VCDP) to enhance their access to land and inputs and increase their participation in decision-making.

Rationale for IFAD involvement

8. The Federal Government of Nigeria requested the support of the African Development Bank (AfDB), Islamic Development Bank (IsDB) and IFAD to set up inclusive special agro-industrial processing zones (SAPZs) in the country. AfDB and IsDB will support the Government in setting up enabling fiscal policies, incentives, and infrastructure for private sector engagement in the zones. IFAD will leverage its know-how to help Nigerian smallholders and small operators, youth and women to take advantage of the SAPZ market outlets and overcome key challenges such as low marketing capacity, poor yields, limited value addition and deficits in access to infrastructure, inputs and financial backing.

B. Lessons learned

9. The SAPZ programme will leverage best practices and lessons learned from IFAD's experience in Nigeria and elsewhere, as well as key lessons learned relating to SAPZs.
 - The VCDP has shown that linking farmers, ahead of production, to guaranteed private off-takers is mutually beneficial as smallholders secure profitable outlets for the sale of their produce while off-takers secure a supply of produce in the required quantity and quality.
 - IFAD-supported commodity alliance forums provide public-private-producer networks at the local level where farmers, local authorities and private off-takers meet on equal footing to negotiate quantities and quality standards, competitive prices and means of production, and to manage/prevent conflicts.
 - Private sector extension service providers through farmer field schools have proved instrumental in enhancing smallholder productivity and production in the IFAD country programme.
 - Evidence shows that special economic zones must be built on strong demand from the business sector, and there is a need for a solid legal, regulatory and institutional framework.⁵ This is the foundation of the proposed programme.
 - The experience with IFAD-supported agripreneur schemes and the youth business incubator model in Nigeria has shown that youth engagement in agribusiness is driven by their interest in private enterprises rather than group enterprises.
 - Concessional resources for green finance support smallholders/small operators in starting up climate-resilient agribusinesses, as demonstrated by the IGREENFIN experience in Niger, which is stimulating a shift in the country's financial system.
 - The monitoring and evaluation (M&E) system of the proposed programme should leverage IFAD's impact assessment methodology, and allocate adequate budget for capacity-building, leveraging the PRiME training.⁶
 - Nigeria's context requires adapted country programme management modalities, including: (i) a country programme advisory team funded from loan proceeds to provide implementation support; (ii) a financial

⁵ Zeng, Douglas Zhihua. 2015. Global Experiences with Special Economic Zones: Focus on China and Africa. Policy Research Working Paper; No. 7240. World Bank, Washington, D.C.

⁶ The Program in Rural Monitoring and Evaluation (PRiME) is a global training framework in M&E that seeks to achieve better results in rural development projects. PRiME is a joint initiative developed and implemented by IFAD and the Centers for Learning on Evaluation and Results.

management expert providing oversight to projects on compliance with financial requirements; and (iii) a procurement expert to strengthen the review of procurement no-objection requests from the borrower.

II. Programme description

A. Objectives, geographical area of intervention and target groups

10. The overall objectives of the programme are twofold:
 - Supporting the development of SAPZs in high food production areas to supply the domestic food market and create exportable surpluses (AfDB-led);
 - Empowering smallholders and small operators, including women and youth, to take advantage of the markets created by the SAPZs to sustainably enhance their income and access to employment, household food security and nutrition, and resilience to climate change (IFAD-led).
11. **Implementation period.** The SAPZ programme will follow a two-phased programme approach. Under phase I (2022-2028), the Government and AfDB, over a period of 5 years, will set up enabling infrastructure and investment policies in targeted states. IFAD will operate over a period of seven years. This slightly longer period will allow IFAD to empower smallholders to take advantage of the SAPZs when they are fully operational. The programme will be expanded into additional states in subsequent phases, based on lessons learned and availability of funding.
12. **Programme area.** In phase I, the programme will support the set-up of SAPZs in the Federal Capital Territory and seven states, namely Kano, Kaduna, Oyo, Kwara, Ogun, Imo and Cross River. IFAD will focus on Kano and Ogun states, leveraging its ongoing programmes.
13. **Value chains.** Through a participatory selection process involving local authorities and communities at start-up, each participating local government area will select two focus commodities from among high-potential value chains that have been pre-identified in site-specific feasibility studies conducted during appraisal: cassava, rice, poultry and fisheries for Ogun state – and rice, tomatoes, groundnuts and sesame for Kano state.
14. **Target groups.** Phase I will directly benefit 1.5 million households, including private sector agribusinesses and agro-processors, smallholder farmers, agroentrepreneurs and agro-dealers. IFAD investments, including through the Green Climate Fund (GCF), will target a total of 100,000 direct beneficiaries (and 500,000 indirect beneficiaries).⁷ Rural women and youth are core target groups. Opportunities for participation will be created for internally displaced persons and persons with disabilities.

B. Components, outcomes and activities

15. The programme will have three operational components: (i) infrastructure development and management for agro-industrial hubs; (ii) agricultural productivity, production, market linkages and value addition in SAPZ catchment areas; (iii) policy and institutional development support.

Component 1: Infrastructure development and management for agro-industrial hubs

16. AfDB and IsDB will support the Government in setting up SAPZs in selected high-potential areas/states. Each SAPZ will comprise an agricultural industrial hub (AIH) and agricultural transformation centre (ATCs), strategically located within the production area to aggregate products from the community, transfer them to AIHs

⁷ Calculated on the assumption that a beneficiary household has five members.

for value addition and supply centres for distribution and retail to consumers. This AfDB and IsDB-led component is fully developed in their respective programme appraisal reports.

Component 2: Agricultural productivity, production, market linkages and value addition in SAPZ catchment areas

17. IFAD will lead this component, which has three objectives: (i) support smallholder farmers and small operators in increasing their productivity/production and capacity to add value to raw materials on a profitable and environmentally sustainable basis; (ii) link smallholder farmers and small operators to the additional market outlets offered by the SAPZs, and to small processors/traders supplying the local markets; and (iii) enhance the resilience and adaptive capacity of smallholders to climate change. Activities will be organized around three subcomponents: agricultural market linkages and value addition; smallholder productivity/production enhancement; and access to finance and financial inclusion, including access to green agricultural investments facilitated through IGREENFIN.

Component 3: Policy and institutional development support

18. AfDB and IsDB will support the Government and target states in setting up enabling policies, legislation and regulation for SAPZs to create a conducive business environment for private sector investment and address inefficiencies in agricultural value chains. Through the set-up of commodity alliance forums, IFAD will focus on: (i) facilitating local policy dialogue and influencing local investments for inclusive and conducive market linkages; (ii) strengthening quality control, grading and standardization systems; and (iii) strengthening community conflict management mechanisms. IGREENFIN funding will also promote policy dialogue for an adequate policy framework for green agriculture projects.

C. Theory of change

19. Through the SAPZ programme, the Government is tackling two interrelated challenges: (i) meet domestic food requirements and step up local sourcing to reduce its food importation bill, and (ii) modernize its farming model to reduce rural poverty levels while addressing the impact of climate change on farming systems.
20. The programme leverages the results of the IFAD-supported VCDP, which has demonstrated the feasibility of empowering Nigerian smallholders to enter into profitable contract farming with leading agri-business companies on a “win-win” basis. IFAD’s support will ensure inclusiveness, namely that vulnerable rural households can benefit from these new market outlets by linking smallholders/small operators to the SAPZ commercialized system.
21. The following outcomes are envisaged: (i) enabling infrastructure, policies and regulatory framework for SAPZ; (ii) demand-driven and climate-resilient infrastructure; (iii) remunerative and sustainable markets and employment for target groups; (iv) access of target groups to formal financial services, including for green investments; (v) increase in smallholders’ production and productivity; and (vi) improvements in the diets of the targeted population.

D. Alignment, ownership and partnerships

22. The programme is aligned with key government policies, including the National Industrial Revolution Plan, Economic Recovery and Growth Plan, the Medium-Term National Development Plan 2021-2025, the Federal Ministry of Agriculture and Rural Development (FMARD) Green Imperatives Programme and NATIP 2021-2025.
23. The programme will contribute to the achievement of the following Sustainable Development Goals (SDGs): no poverty (SDG 1); zero hunger (SDG 2); empowerment of women and gender equality (SDG 5); sustained, inclusive and

sustainable economic growth, full and productive employment (SDG 8); resilient infrastructure, promotion of sustainable industrialization and innovation (SDG 9); sustainable production (SDG 12); adaptation to climate change (SDG 13); and leveraging partnerships with the private sector (SDG 17). The programme is in line with the United Nations Sustainable Development Partnership Framework (2018-2022) for Nigeria, IFAD's strategic objectives, the Nigeria country strategic opportunities programme and its goal to support a rural economy in which the targeted population can achieve prosperity and benefit from economic growth, youth in particular.

24. The SAPZ programme is unique in that it brings the Government together with key international financial institutions operating in the region – AfDB, IFAD and the Islamic Development Bank (IsDB) – and also the GCF. The World Bank is already considering engaging in phase II. The programme is one of the largest operations designed in IFAD11, with total cofinancing envisaged at over US\$500 million.

E. Costs, benefits and financing

Programme costs

25. The programme costs, including contingencies, are estimated at US\$541 million over seven years of implementation (2022-2028).
26. IFAD will provide a loan of US\$49.97 million. AfDB financing will finance 29.6 per cent of programme costs, or US\$160 million, and US\$50 million through the Africa Growing Together Fund, or 9.2 per cent of programme costs. A total of US\$60 million will be mobilized through the GCF IGREENFIN programme. Cofinancing from IsDB is projected at 27.7 per cent of programme costs, amounting to US\$150 million. Domestic cofinancing constitutes 4 per cent of programme costs, and amounts to US\$21.21 million. The US\$50.03 million financing gap may be filled through subsequent cycles of the performance-based allocation system (under financing terms to be determined and subject to applicable procedures) or by cofinancing arrangements to be identified during implementation.
27. Component 1 accounts for 46 per cent of total baseline costs equivalent to US\$247.58 million, mainly due to the heavy infrastructure to be established. Component 2 accounts for 44 per cent of total baseline costs amounting to US\$236.47 million. Component 3 accounts for 1.6 per cent of total baseline costs equivalent to US\$8.83 million. Component 4 accounts for 9 per cent of total programme baseline costs amounting to US\$48.31 million.
28. Subcomponent 2.2 – smallholder production/productivity enhancement – is fully counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is preliminarily calculated as US\$16,351,000, representing 33 per cent of the total IFAD contribution.

Table 1

Programme costs by component and subcomponent and financier

(Thousands of United States dollars)

Component/subcomponent	ADB		IsDB		IFAD loan		Financing gap		AGTF		Government of Nigeria		Beneficiary contribution and Member States		IGREENFIN		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount in kind	%	Amount	%	Amount	%	Amount	%
1. Infrastructure development and management for agro-industrial hubs	100 895	41	91 058	37	-	-	-	-	37 990	15	-	-	17 646	7	-	-	247 589	46
2. Agricultural productivity, production, market linkages and value addition in SAPZ catchment areas																		
Agricultural market linkages and value addition	3 069	8	30 637	76	-	-	-	-	6 827	17	-	-	-	-	-	-	40 534	8
Smallholder production/productivity enhancement	20 646	15	12 536	9	47 873	35	48 541	36	3 457	3	84	-	2 891	2	-	-	135 944	25
Access to finance and financial inclusion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60 000	100	60 000	11
Subtotal	23 715	10	43 173	18	47 873	20	48 541	21	10 284	4	84	-	2 891	1	60 000	25	236 478	44
3. Policy and institutional development support	6 029	68	1 111	13	409	5	690	8	-	-	-	-	593	7	-	-	8 832	2
4. Programme coordination and management	29 361	61	14 658	30	1 689	4	799	2	1 725	4	-	0.2	-	-	-	-	48 316	9
Total programme costs	160 000	30	150 000	28	49 970	9	50 030	9	50 000	9	84	-	21 130	4	60 000	11	541 214	100

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

Expenditure category	ADB		IsDB		IFAD loan		Financing gap		AGTF		Government of Nigeria in kind		Beneficiary contribution and Member States		IGREENFIN		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment costs																		
A. Civil works																		
Constructions and rehabilitation	93 037	31	104 644	35	14 437	5	36 183	12	34 549	12	84		17 646	1			300 496	56
B. Services																		
Training	3 941	18	2 709	12	6 654	30	7 341	33	596	3					895	4	22 136	4
Technical assistance	13 298	52	5 102	20	2 695	11			3 148	12			593	0.1	740	3	25 575	5
Studies	3 488	46	41	1	2 049	27	1 956	26	19	0							7 552	1
Contractual services	10 328	52	7 528	38	262	1	280	1	1 513	8							19 912	4
Audit	985	67	492	33													1 477	0
Goods, services and inputs					8 419	12	3 237	5							57 789	83	69 446	13
Grants and subsidies					13 230	82							2 891	0.2			16 121	3
Subtotal	32 040	20	15 873	10	33 310	21	12 814	8	5 275	3			21 130	0.1	59 424	37	162 219	30
C. Goods																		
Equipment and materials	11 506	33	15 377	44	369	1			7 727	22							34 978	7
Furniture	-	-	730	41					1 069	59							1 799	0
Vehicle	998	67	499	33													1 497	0
Subtotal	12 504	33	16 606	43	369	1			8 795	23							38 274	7
Total investment costs	137 580	28	137 123	27	48 116	10	48 996	10	48 620	10	84	-	21 130	0.0	59 424	12	500 989	93
II. Recurrent costs																		
A. Personnel	10 893	55	6 147	31	1 854	9	1 034	5									19 927	4
B. General operating costs	8 003	58	4 796	35					1 080	8		0.1					13 887	3
C. Operation and maintenance	2 025	65	1 035	33								2.4					3 135	1
D. Salaries and allowances	1 500	46	900	28					300	9				576	18		3 276	1
Total recurrent costs	22 420	56	12 878	32	1 854	5	1 034	3	1 380	3		0.2		576	1		40 225	7
Total programme costs	160 000	30	150 000	28	49 970	9	50 030	9	50 000	9	84		21 130	0.0	60 000	11	541 214	100

Table 3
Programme costs by component, subcomponent and programme year
 (Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>Total</i>
1. Infrastructure development and management for agro-industrial hubs	22 326	62 397	68 680	70 094	24 092			247 589
2. Agricultural productivity, production, market linkages and value addition in SAPZ catchment areas								
Agricultural market linkages and value addition	-	17 218	14 640	4 932	3 744			40 534
Smallholder production/productivity enhancement	14 139	23 291	25 740	34 185	28 658	7 027		135 944
Access to finance and financial inclusion	679	55 797	1 312	1 033	749	430		60 000
Subtotal	14 818	96 307	41 692	40 150	33 151	7 457	2 902	236 478
3. Policy and institutional development support	4 663	877	891	1 128	920	59	293	8 832
4. Programme coordination and management	12 835	8 695	8 643	8 798	8 884	228	233	48 316
Total programme costs	54 642	168 276	119 906	120 169	67 047	7 745	3 428	541 214

29. The SAPZ programme has been designed and structured in a manner that any delays or non-accrual of activities financed by one partner will have either no or minimal impact on other partners' activities and outcomes.

Disbursement

30. The designated account for the IFAD financing will be operated and replenished following imprest account arrangements. Other methods of disbursement may include direct payments and reimbursements. After IFAD financing has entered into force and the conditions for first disbursement have been duly complied with, and upon the request of the borrower, IFAD will make an initial deposit to the designated account equal to the requirements for six months' implementation. The proposed thresholds for the statements of expenditures and authorized allocation will be outlined in the letter to the borrower.

Summary of benefits and economic analysis

31. The estimated cost per beneficiary is US\$320. The programme will replicate the VCDP approach in other value chains that have been used in the economic and financial analysis and the overall programme design approach. The results of the economic analysis justify the SAPZ investments. The analysis shows that the programme has the capacity to generate an economic internal rate of return (EIRR) of 23 per cent. The estimated economic net present value at a 12 per cent discount rate is US\$47 million, equivalent to Naira 19.5 billion over a seven-year implementation period. The benefit-cost ratio of 3.2 indicates a return of US\$2.38 for every dollar invested. These results indicate that the programme is a sound investment yielding a positive rate of return as the EIRR is greater than the hurdle rate (12 per cent) and the estimated economic net present value is greater than zero.

Exit strategy and sustainability

32. The exit strategy is built into the programme's market-driven and resilience-building approach that focuses on profitable value chains, knowledge transfer, time-bound support, improved access to services, infrastructure development and the institutionalization of lasting value chain mechanisms, which ensure the sustainability of outcomes and results beyond programme completion. The AfDB-funded infrastructure aims to crowd in private sector investments and AIHs and ATCs will have private sector-led management and revenues to maintain and further develop the support infrastructure. IFAD's extended implementation period will ensure support to beneficiaries in taking advantage of the additional markets created.

III. Risks

A. Risks and mitigation measures

33. Key risks to programme implementation and proposed mitigation measures are summarized in the table below (further details are provided in the integrated programme risk matrix).

Table 4
Risks and mitigation measures

<i>Risk</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Country context	High	High
Sector strategies and policies	Substantial	Moderate
Environment and climate context	High	Substantial
Programme scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Substantial	Moderate
Programme procurement	Moderate	Moderate
Environment, social and climate impact	Substantial	Moderate
Stakeholders	Moderate	Moderate
Overall	Substantial	Moderate

B. Environment and social category

34. As the lead agency, AfDB's environmental and social safeguards apply to the operation. Given the emphasis on infrastructure financing, the AfDB has classified the operation as category 1, equivalent to IFAD's category A. In accordance with its procedures, AfDB has disclosed the relevant documentation to the public for a period of 120 days.
35. IFAD has provided additional information on both the IFAD and the Government's websites to complement the AfDB environmental and social assessments. IFAD's background documentation provides more details of the activities it will finance, with an emphasis on productive activities and capacity-building.
36. The programme interventions entail the following possible environment and social risks: (i) deforestation and unsustainable energy sources; (ii) waste management and pollution in production and processing; (iii) health and safety in the field; (iv) need for eco-friendly land development; (v) land degradation and unsustainable land management; (vi) limited land access and social exclusion; and (vii) resource conflicts.

C. Climate risk classification

37. The overall programme has a high climate risk. The main climate change-related

risks include: flooding, dry spells and drought, resilience and adaptation to climate change. Mitigation measures are detailed in the integrated project risk matrix, and include climate resilience measures in production and processing through awareness campaigns and capacity-building interventions, good agronomic practices and improved seedlings, and resource efficiency. These will be further strengthened through access to IGREENFIN II funding and climate-resilient and low-emission agricultural practices/technologies.

D. Debt sustainability

38. Nigeria's public debt remains relatively sustainable but vulnerable to income and interest rate shocks. The International Monetary Fund states that despite Nigeria's relatively low debt level, liquidity-based indicators – driven by low revenue mobilization – remain a cause for concern, with the interest bill representing a high share of government revenue. This makes Nigeria's low debt-to-GDP ratio highly vulnerable to shocks. The interest-to-revenue ratio is particularly vulnerable to a real interest rate shock.

IV. Implementation

A. Organizational framework

Programme management and coordination

39. The programme will establish a common implementation management framework involving all cofinanciers. The Federal Ministry of Finance, Budget and National Planning (FMFBNP) is the designated representative of the borrower and will ensure compliance with the loan covenants. FMARD is the lead implementation agency working with state Ministries of Agriculture. Oversight and strategic direction for implementation of the SAPZ programme will be provided by an Inter-Agency Steering Committee. Inter-Agency Technical Committees will be established at the national level and in each participating state for review of progress implementation and approval of the annual workplan and budget AWP/B. The implementation of the programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU) managing AfDB, IFAD, IsDB and government counterpart funds. In line with Nigeria's federal structure, the FPCU will establish Participating States Implementation Units (PSIUs) in each target state.

Financial management, procurement and governance

40. Programme funds will be managed pursuant to the procedures of the Government and each cofinancier. These procedures will be detailed in the letter to the borrower and the manual of administrative, financial and management procedures.
41. The programme will be implemented by jointly funded programme management units. Cofinanciers will use the available country systems to the extent possible, while ensuring that financial management risks are minimized. IFAD will directly disburse funds to the FPCU through the treasury single account of the Federal Government and to the PSIUs through the acceptable private commercial banks. IFAD will use the Office of the Auditor General for the Federation (OAuGF) for the annual programme audit. AfDB will disburse both through the treasury single account and through private commercial banks and will explore the use of the OAuGF at the federal level and in IFAD.
42. Dedicated finance teams at FPCU and PSIU level will be appointed or seconded through competitive process. IFAD's no objection will be required before their engagement, as well as to any change in status of key programme staff.
43. A joint annual workplan and budget (AWP/B) will be developed by the FPCU and PSIUs. This will be approved by the steering committees at the federal and state levels and subject to no objection by the cofinanciers. At FPCU and PSIU level, joint financial reports will be prepared and submitted to the cofinanciers. Quarterly reports will be submitted 45 days after the end of the quarter and annual audited

reports will be submitted 6 months after year-end at the latest.

44. 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 Framework. Therefore, IFAD's Procurement Guidelines (and by extension the IFAD Procurement Handbook) will apply to all procurement actions, activities and frameworks, with allowances to use national systems as long as they are not in conflict with IFAD procurement guidelines.
45. The FPCU and the PSIUs (in Ogun and Kano) shall each have two procurement officers, respectively dedicated to AfDB and IFAD funding. The SAPZ programme will have an initial 18-month procurement plan at start-up. Following that, as part of the AWP/Bs, each PSIU will prepare and submit annually for approval a procurement plan for a 12-month period.

Target group engagement and feedback and grievance redress

46. The SAPZ programme follows a participatory approach at all levels of implementation. At the community level, farmers' organizations will be the entry point. Commodity alliance forums will serve as a platform to broker agreements between value chain stakeholders, for dispute resolution and grievance redressal and to influence policies related to agricultural value chain development. Results and plans related to the programme will be widely disseminated among all stakeholders.

Grievance redress

47. As soon as programme operations start, a grievance redress mechanism and procedures will be made operational through local government channels, in public spaces in communities and on local radio reaching target communities. The system will be gender and youth sensitive.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. **Planning.** The FPCU will develop a standardized format for the AWP/B. Each PSIU will prepare its AWP/B accordingly, planning the activities and investments in its state in a participatory manner involving all stakeholders. The FPCU will prepare the consolidated AWP/B for the programme based on states' submissions, to be submitted to the Inter-Agency Technical Committee for approval and to AfDB, IsDB and IFAD for no objection.
49. **Monitoring and evaluation.** The programme's M&E system will guide decision-makers and stakeholders on programme performance and will assess and document outcomes and impact. The FPCU will put in place M&E tools and procedures according to the Government's monitoring framework and responding to respective cofinanciers monitoring requirements.
50. **Knowledge management and communication.** At inception, the programme will elaborate and implement a knowledge management and communication strategy including: (i) the documentation of experiences and the capitalization of lesson learned on inclusive and pro-smallholder programme approaches in key major markets; (ii) the organization of knowledge fairs and learning events; (iii) the production and dissemination of educational and communication materials; and (iv) the establishment of an electronic library.

Innovation and scaling up

51. The programme is scaling up the IFAD-supported VCDP with key innovative features: (i) the piloting of inclusive SAPZs; (ii) the institutionalization of commodity alliance forums based on public-private-producer partnerships to engage smallholders and other stakeholders in targeted value chains on equal footing and a win-win basis; (iii) the expansion of digital extension services;

(iv) the introduction of blended Green Financing in Nigeria through partnership with the GCF; and (v) the mainstreaming of innovative indicators leveraging geospatial technology and innovative data analysis tools.

C. Implementation plans

Implementation readiness and start-up plans

52. Start-up is slated for 2022. The following pre-start-up activities are expected from national and state governments in Kano and Ogun to ensure that programme start-up is not delayed: (i) AWP/B approval for year 1 from state and national steering committees; (ii) recruitment of key staff for FPCU and PSIU; (iii) programme implementation manual; and (iv) establishment of FPCU and PSIU offices.

Supervision, midterm review and completion plans

53. Two joint supervision missions (AfDB, IsDB, IFAD and Government) will be undertaken annually to review progress and improve programme implementation. The FMFBNP, FMARD, AfDB, IsDB and IFAD will jointly carry out a midterm review of programme implementation based on terms of reference prepared by FMARD and approved by AfDB, IsDB and IFAD. At programme completion, the Government will provide IFAD, IsDB and AfDB with a report on the overall implementation of the programme.

V. Legal instruments and authority

54. A programme financing agreement between the Federal Republic of Nigeria and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing is attached as appendix I.
55. The Federal Republic of Nigeria is empowered under its laws to receive financing from IFAD.
56. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

57. I recommend that the Executive Board approves the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Federal Government of Nigeria in an amount of forty-nine million, nine hundred and seventy thousand dollars (US\$49,970,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President

Negotiated financing agreement

"Special Agro-Industrial Processing Zones Programme (SAPZ)"

(Negotiations concluded on 07 December 2021)

Loan No: _____

Programme name: Special Agro-Industrial Processing Zones Programme ("SAPZ"/ "the Programme")

Federal Republic of Nigeria, represented by the Federal Ministry of Finance, Budget and National Planning (the "Borrower")

and

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

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

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS the African Development Bank (AfDB) is co-financing the Programme with a loan of USD 160 million ("AFDB Loan").

WHEREAS the Islamic Development Bank (IsDB) is co-financing the Programme with a loan of USD 150 million ("IsDB Loan").

NOW THEREFORE, the Parties hereby agree as follows:

Section A

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

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provisions that refer to Loan financing which shall not apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

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

Section B

1. The amount of the loan is forty-nine million, nine hundred and seventy thousand dollars (US\$ 49,970,000).
2. 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. The interest rate and service charge determined will be fixed for the life cycle of the Loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be in US Dollars.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal, interest and service charge shall be payable on each 15 May and 15 November.
6. There shall be Designated Accounts in US Dollar, for the exclusive use of the Programme opened in the Central Bank of Nigeria for the Federal Government and commercial banks acceptable to IFAD for Ogun and Kano states. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account. The IFAD funds will not be mingled with other funds.
7. The Borrower shall open and thereafter maintain a draw down accounts in Naira to receive Financing from the Designated Account. The draw down account at Federal Government level will be opened in the Central Bank of Nigeria. The National Programme Coordinator will be authorized to manage both the designated and draw down accounts. Each state will operate two accounts in Naira: (i) a state programme account (Programme Account A) to receive IFAD loan funds from the State Designated Accounts; (ii) and a state counterpart funds account to receive state counterpart funds. Each State Programme Coordinator will be authorized to manage the Programme Account A and the state counterpart funds account.
8. The Borrower shall provide counterpart financing for the Programme in the amount of USD 18.85 million. This includes the Federal Government of Nigeria contribution of USD 85 thousand which will be exclusively in the form of taxes and duties and Participating States⁸ contribution of USD 18 million.

Section C

1. The Lead Programme Agency shall be the Federal Ministry of Agriculture and Rural Development. The implementation of the Programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU). The FPCU will establish Participating States Implementation Units (PSIUs) in each participating state.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
3. The Programme Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months

⁸ Ogun State and Kano State

later, or such other date as the Fund may designate by notice to the Borrower. The Financing Closing Date will be established as specified in the General Conditions.

Section D

1. The Fund will administer the Loan and supervise the Programme.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Programme Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Programme.
2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The IFAD No-Objection to the PIM including the Financial and Administrative Manual and Procurement Guidelines, shall have been obtained.
 - (b) Key Programme staff has been appointed or seconded as per section 10 of Schedule 3 of this Agreement.
 - (c) An appropriate and functional accounting software shall have been deployed at the Federal Programme Coordinating Unit and Participating States Implementation Units.
 - (d) The Borrower shall provide adequate counterpart contribution for the first programme year as specified in the first 18 months AWPB.
 - (e) The Subsidiary Loan Agreements (SLA) is signed between the Federal Government and Participating States and the Legal Opinion shall have been issued by the Federal Ministry of Justice.
3. The following provisions of the General Conditions shall not apply to this Agreement:
 - (a) Section 7.05 (Procurement): the procurement of goods, works and services to be financed out of the proceeds of the financing shall be subject to and governed by: (i) AfDB's *Procurement Guidelines* (2007, as amended from time to time); (ii) AfDB's *Guidelines on the Use of Consultants* (2007, as amended from time to time).
 - (b) Section 9.03 (Audit of Accounts): programme accounts, financial statements and statements of expenditure shall be audited by independent auditors acceptable to the Fund and the AfDB, in accordance with auditing standards acceptable to the AfDB.
4. This Agreement is subject to ratification by the Borrower.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

[click and type title of the representative]
[click and type the name and address of the ministry]

For the Fund:

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

Copy to:

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

FEDERAL REPUBLIC OF NIGERIA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall, in Phase I, directly benefit 1.5 million households including private sector agribusinesses and agro-processors, smallholder farmers, agripreneurs and agro-dealers. IFAD investments, including through the Green Climate Fund (GCF), will target a total of 100,000 direct beneficiaries (500,000 indirect beneficiaries). Rural women and youth are core target groups. Opportunities for participation will be created for Internally Displaced Persons and Persons with Disabilities. The Programme will benefit a total of 100,000 direct beneficiaries and 500,000 indirect beneficiaries.

2. *Programme Area.* The Programme will support the setup of SAPZ in Kano, Kaduna, Oyo, Kwara, Ogun, Imo, Cross River and the Federal Capital Territory (FCT). IFAD will focus on Kano and Ogun states, leveraging its ongoing programmes. (the "Programme Area").

3. *Objectives.* The overall objective of the Programme is twofold:

- Supporting the development of SAPZs in high food production areas to supply the domestic food market and create exportable surpluses (AfDB/IsDB-led).
- Empowering smallholders and small operators including women and youth to take advantage of the markets created by the SAPZs to sustainably enhance their income and access to employment, household food security and nutrition, and resilience to climate change (IFAD-led).

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

4.1. Component 1: Infrastructure Development and Management for Agro-Industrial Hubs. AfDB and ISDB will lead on the support to the FGN in setting up SAPZs in selected high potential areas/states. Each SAPZ will comprise an Agricultural Industrial Hub (AIH) and Agricultural Transformation Centres, strategically located within the production area to aggregate products from the community, transfer them to the AIHs for value addition and supply centres of demand for distribution and retail to consumers. This AfDB-led component is fully developed in their Programme Appraisal Report.

4.2 Component 2: Agricultural Productivity, Production, Market Linkages and Value Addition in SAPZ Catchment Areas.

4.2.1 *Sub-Component 2.1: Agricultural market linkages and value addition.* SAPZ will aim at improving the access of smallholder farmers, small scale agro-processors and traders to markets, leveraging the significant opportunities offered by the SAPZs and local markets. Expected outcomes: (i) increased access to markets of targeted smallholders, small-scale processors, aggregators and service providers; and (ii) climate resilient infrastructure for access to markets sustainably managed by the beneficiary communities.

4.2.2 *Sub-Component 2.2: Smallholder production/productivity enhancement.* The sub-component objective is to enhance smallholder farmer productivity on a profitable and environmentally sustainable basis to take advantage of the additional market demand created in the SAPZs. Expected outcomes: (i) Farmer Organizations effectively serve their members; and (ii) production and productivity of the smallholder farmers in the Programme Area increases to provide marketable surpluses.

4.2.3 *Sub-component 2.3 – Access to finance and financial inclusion.* The sub-component objective is to facilitate access to appropriate and affordably priced resources to smallholder farmer groups, small scale processors and other beneficiary enterprises supported by the Programme. Expected outcome: smallholder farmer groups, processors,

traders and community-based service providers access adapted and affordable formal financial services to sustain their agri-enterprises, including for green investments.

Beneficiaries of the financial services will be the eligible members of FOs supported by the Programme. The FOs will play a key role in facilitating access to finance of their members from the financial service providers (aggregation of the demand, monitoring of the use of the loans, group guarantee, etc.). FOs may also benefit from loans to finance services to their members as per their business plans. The SAPZ will adopt a gradual approach for improving beneficiaries' access to finance and financial inclusion based on the maturity of FOs.

The activities to be funded by GCF will be described in detail in the GCF loan agreement.

4.3 Component 3: Policy and Institutional Development Support

4.3.1 Under this component, the Programme will: (i) support the development of enabling policies and regulatory frameworks for Agro-Industrial Zones, (ii) facilitate local policy dialogue for conducive and inclusive market linkages, (iii) strengthen quality control, grading and standardization systems, (iv) establish and strengthen conflict management mechanisms. While AfDB interventions will focus on all targeted states and IsDB interventions will focus on Kano, Kwara and the Federal Capital Territory (FCT); IFAD-led interventions will focus on Ogun and Kano states.

4.4 Component 4: Programme Coordination and Management

II. Implementation Arrangements

5. *Lead Programme Agency.* Federal Ministry of Agriculture and Rural Development (FMARD).

6. *Programme Oversight Committee.* Strategic inter-ministerial collaboration for the Programme will be provided by an Inter-Agency Steering Committee (IASC) Chaired by the Federal Minister of Finance, Budget, and National Planning with the following Federal Ministries as Members of the Committee to include Federal Ministers of: Agriculture and Rural Development (FMARD); Water Resources; Power, Works, and Housing; and Governors of the Participating States. Oversight for the implementation of the Programme at the national level will be the responsibility of a Federal Inter-Agency Technical Committee (FIATC) chaired by the Federal Minister of Agriculture and Rural Development with membership to include Permanent Secretaries or their representative of the Federal Ministries of Industry, Trade & Investment; Finance, Budget, and National Planning; Water Resources; Power, Works, and Housing. In each participating state, a State Inter-Agency Technical Committee (SIATC) will be established and chaired by the Governor of the participating States with membership to include the Honourable Commissioners of Finance/Planning; Agriculture; Water Resources; Trade, Industry and Investment.

7. *Programme Management Unit.* The implementation of the Programme is delegated by the lead agency to a Federal Programme Coordination Unit (FPCU). The FPCU will be co-financed by IFAD, AFDB and IsDB and include the following key personnel: a National Programme Coordinator, a Financial Controller, an Accountant in charge of IFAD funding, a Procurement Officer in charge of IFAD funded procurement, a Monitoring and Evaluation Officer, an Infrastructure Engineer, an Environmental and Climate Change Safeguards Officer, a Knowledge Management and Communication Officer, an Agricultural Productivity Officer, Social Safeguards/Gender Officer, and a Rural Institutions Development Officer. The FPCU will establish Participating States Implementation Units (PSIUs) in each target state. The PSIU will be co-financed by IFAD, AFDB and IsDB and will include the following Key Personnel: a State Programme Coordinator, a State Financial Controller, a State Accountant in charge of IFAD funding, a State Procurement Officer in charge of IFAD funded procurement, a State Monitoring and Evaluation Officer, a State Infrastructure Engineer, a State Environmental and Climate Change safeguards officer, a State Development

Communication Officer, an Agricultural Productivity Officer, a Social Safeguards/Gender Officer, and a Rural Institutions Development Officer. Staff of the FMCU and PSIU will be appointed/seconded from the Federal and State Government following established Government procedures acceptable by IFAD and IFAD's No-Objection. The PPP officer will be recruited competitively in the open market.

8. *Implementing partners.* The SAPZ approach and activities are also designed to foster partnerships with public sector agencies, private sector industry and service providers, civil society organizations, development partners, academic and research organizations. It also seeks to create synergies with other programmes that pursue a business-oriented agriculture and aim at agricultural transformation through a value chain approach, including the World Bank-assisted FADAMA programme, the AfDB-assisted Agricultural Transformation Agenda Support Programme (ATASP), GIZ AgFin programme, and GCF-IFAD IGREENFIN II.

9. *Planning and Monitoring and Evaluation.* The FPCU will develop a standardized format for the AWPB. Each PSIU will prepare its AWPB accordingly, planning the activities and investments in its state in a participatory manner involving all stakeholders. The FPCU will prepare the consolidated Programme AWPB based on states' submissions, to be submitted to the National Steering Committee for approval and to AfDB and IFAD for No-Objection. The programme's M&E system will guide decision-makers and stakeholders on Programme performance and assess and document outcomes and impact. The FPCU will put in place M&E tools and procedures according to Government's monitoring framework and responding to respective co-financiers monitoring requirements.

10. *Knowledge Management and Communication.* At inception, the Programme will elaborate and implement a Knowledge Management and Communication Strategy including: (i) the documentation of experiences and the capitalization of lesson learned on inclusive and pro-smallholder programme approaches in key major markets; (ii) the organization of knowledge fairs and learning events; (iii) the production and dissemination of educational and communication materials; and (iv) the establishment of an electronic library.

11. *Programme Implementation Manual.* A Programme Implementation Manual will be developed at Programme inception.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in USD)	Percentage
1. Civil work	12 990 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
2. Grants and Subsidies	11 910 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
3. Services	10 500 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
4. Goods	7 910 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
5. Recurrent costs	1 670 000	100 % net of: taxes, Federal and State Government contribution and beneficiary contribution
Unallocated	4 990 000	
TOTAL	49 970 000	

- (b) The terms used in the Table above are defined as follows:
- (i) Category 1 "Civil works" includes construction, renovation, and rehabilitation.
 - (ii) Category 2 "Grants and subsidies" includes matching grant and capital simulation fund.
 - (iii) Category 3 "Services" includes training, technical assistance, studies, contractual services, and audit.
 - (iv) Category 4 "Goods" includes equipment and materials, goods, services, and inputs.
 - (v) Category 5 "Recurrent costs" includes personnel and general operating costs.

2. *Disbursement arrangements*

Start-up Costs. To facilitate a prompt start up, withdrawals in respect of expenditures for start-up costs in the services and recurrent costs categories incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500,000. Activities to be financed by Start-up Costs will require the No-Objection from IFAD to be considered eligible.

The start-up funds will include inter alia: (i) establishment of the FPCU, PSIU and salaries of key staff; (ii) formulation of the Programme Implementation Manual including the financial procedures, accounting and procurement manual; (iii) preparation of the first annual work plan and budget (AWPB) and procurement plan; (iv) organization of a start-up workshop; (v) deployment of a suitable accounting software; (vi) finalization of the scope of work and the terms of reference (ToRs) of the internal auditor as well as report format; and (vii) finalization of the agreement/MoU templates to be used with the States and other implementing partners including the subsidiary loan agreement with states.

Schedule 3

Special Covenants

I. General Provisions

1. In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan/Grant Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as it is the practice in IFAD on-going supported programmes, to satisfy International Accounting Standards and IFAD's requirements.
3. *Transfer of the Proceeds of the Financing to the Programme States.* The Borrower shall ensure that the proceeds of the IFAD loan are not transferred to any participating state until each such State shall have: (i) opened its State Designated Account; (ii) Programme Account B; (iii) entered into a subsidiary loan agreement with the Borrower, in form and substance acceptable to the Fund, setting forth the scope of the work to be undertaken, expected targets, estimated budget for specific activities, clearly defined target indicators, as well as proposed flow of funds arrangements; and (iv) set up acceptable Financial Management arrangements to the Fund including adopting financial procedures manual, and hiring of the State Programme Accountant, Internal Auditor and state finance officer.
4. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
5. *Audit.* The Borrower shall ensure that the SAPZ shall appoint, based on terms of reference approved by the Fund, an independent auditor acceptable to the Fund to audit the consolidated financial statements of the entire Programme on an annual basis, in accordance with international auditing standards and IFAD guidelines on Programme Audits. An audited annual financial statement for the entire Programme at Federal and State levels, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the fiscal year end.
6. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Programme Parties shall ensure that the Programme is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
8. *Use of Programme Vehicles and Other Equipment.* The Borrower shall ensure that:
 - (a) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Programme; and
 - (b) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

9. *FAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Programme Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Programme.

10. *Recruitment of staff.* The Borrower shall ensure that the FPMU and PSIU staff are appointed/seconded in conformity with the PIM. All such staff shall be appointed/seconded under procedures acceptable to the Fund and have qualifications and demonstrable experience commensurate with their duties. The recruitment process and the appointment of the Key Programme Personnel and technical staff shall be subject to prior review and No-Objection of the Fund. The Fund shall be notified of the transfer, suspension, and termination of Key Programme Personnel.

11. *The Key Programme Personnel* are listed in Schedule 1. In order to assist in the implementation of the Programme, the FPMU and PSIUs, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Programme Personnel shall be seconded to the FPMU and PSIUs in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Programme Personnel is subject to IFAD's prior review and No-Objection. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the SAPZ's circumstances.

12. The Programme Coordinating Unit in the Federal Ministry of Agriculture and Rural Development will coordinate and facilitate the engagement of key staff of the FPMU, including reviewing of candidate's CVs in conformity with the PIM, organizing venue and logistics for the interview, as well as delivery of engagement letter to successful candidates.

II. SECAP Provisions

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Programme in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For Programmes presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Programme in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk Programmes and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk Programmes and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples

Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Programme affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule. Provided that where the project person cannot be immediately compensated due to litigation issues, an acceptable alternative design option shall be firstly considered in order to avoid such situation and, in the case such alternative cannot be considered, the Borrower shall provide to the fund evidence that the agreed compensation due has been set aside in an interest yielding account, acceptable to the Fund.

4. The Borrower shall cause the Lead Programme Agency to comply at all times while carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Programme stakeholders and interested parties in an accessible place in the Programme-affected area, in a form and language understandable to Programme -affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Programme-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Programme activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Programme for people who may be unduly and adversely affected or potentially harmed if the Programme fails to meet the SECAP standards and related policies. The Programme-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. Any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labour issues or to adjacent populations during Programme implementation that, with respect to the relevant IFAD Programme:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

9. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Programme-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Programme level grievance mechanism according to the SECAP requirements;
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

10. **Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

11. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Programme and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

12. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits, and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature, and risks of the Programme.

13. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions/Risk/Mitigation
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1. Persons receiving services promoted or supported by the project					Semi Annually	IFAD-NPMU	Farmer Organizations are functional and have proper data management system
	Females - Number	0	25000	50000				
	Males - Number	0	25000	50000				
	Youth – People	0	20000	40000				
	Total number of persons receiving services - Number of people	0	50000	100000				
	1.a Corresponding number of households reached							
	Households - Number	0	50000	100000				
	1.b Estimated corresponding total number of households members							
	Household members - Number of people	0	250000	500000				
Project Goal: Rural poverty and unemployment reduction resulting in accelerated economic growth achieved by integrated value chain development for key commodities from production to manufacturing	Proportion of the population living below US\$1.90 per day				Baseline study, Impact Assessment Surveys, Midterm Reports, CORE outcome Surveys	Baseline, Midterm & End term	IFAD-NPMU	Government policies are stable and there are no global economic shocks affecting oil and commodity prices
	Population - %	53.5	50	45				
	Reduction in Unemployment rate							
	Total Reduction - %	23.1	20	18				
	Youth Reduction - %	29.1	24	15				
	SF.2.1 Households satisfied with project-supported services				COI Completion survey	Completion	IFAD-NPMU	
	Percentage of households (%)			70				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers							
Percentage of households (%)			70					
Development Objective: Support the development of Special Agro processing zones in high food production areas to supply the domestic food market and create export surplus	Percentage reduction of the number of households experiencing food insecurity				Baseline study, Impact Assessment Surveys, Midterm Reports, CORE outcome Surveys	Baseline, Midterm & End term	IFAD-NPMU	
	Reduction - %		20	50				
	Women reporting Minimum Dietary Diversity (MDDW) (IFAD CI 1.2.8)							
	Women- Percentage (%)		35	60				
	Women - Number		9702	16632				
	Percentage of households		35	60				
	Number of households		9702	16632				
	Household members- Number of people		48510	83160				
	Percentage of beneficiaries reporting an increase in real income							
	Females - %	0	17.5	40				
Males - %	0	17.5	40					
Youth - %	0	14	32					
Total - %	0	35	80					
OUTCOME STATEMENT 2: Increased private	Percentage of persons/households reporting an increase in production (IFAD CI 1.2.4)				Monitoring and Evaluation, Reports,	Baseline, Mid-line and End-line	IFAD-NPMU	Government supports import substitution policy
	Total number of household members- Number of people		148750	340000				

sector capacity in Agro-Industrial management and value chain development	Households - Number		29750	68000	Progress Reports, PCR, Core Outcome Surveys	Interest of off-takers to engage with farmers. A conducive policy and business environment for VC actors
	Percentage of Households		35	80		
	Supported rural producers' organizations providing new or improved services to their members (IFAD CI 2.2.4)					
	Number of POs- Organizations					
	Total number of POs members- Number of people		29750	68000		
	Males POs members- Males					
	Female POs members- Females					
	Young POs members- Young people					
	Supported rural enterprises reporting an increase in profit (IFAD CI 2.2.2)					
	Enterprises - Number		963	1925		
	Enterprises - %	0	35	70		
	Households reporting adoption of environmentally sustainable and climate resilient technologies and practices (IFAD CI 3.2.2)					
	Total number of household members		127500	297500		
	Percentage of Households	0	30	70		
	Households - Number	0	25500	59500		
	Persons with new jobs/employment opportunities (IFAD CI 2.2.1)					
	Females (50%) - Number	0	12500	25000		
	Males (50%) - Number	0	12500	25000		
	Youth (50%) - Number	0	12500	25000		
	Total number of persons with new jobs/employment opportunities- Number of people	0	25000	50000		
	Percentage of persons/households reporting using rural financial services (IFAD CI 1.2.5)					
	Total number of household members- Number of people	0	127500	297500		
	Percentage of households	0	30	80		
	Number of households	0	25500	59500		
	Households reporting improved physical access to markets, processing, and storage facilities (IFAD CI 2.2.6)					
	Households reporting improved physical access to markets- Percentage (%)	0	30	70		
	Households reporting improved physical access to processing facilities - Percentage (%)	0	30	70		
Households reporting improved physical access to storage facilities- Percentage (%)	0	30	70			
Households reporting improved physical access to markets- Households	0	25500	59500			
Households reporting improved physical access to processing facilities - Households	0	25500	59500			

	Households reporting improved physical access to storage facilities- Households	0	25500	59500				
	Percentage increase in yields for commodities produced by targeted smallholder farmers (in Ogun and Kano)							
	Rainfed Rice -%			100				
	Irrigated Rice - %			200				
	Tomato - %			50				
	Sesame - %			100				
	Ground nut			100				
	Cassava - %			100				
Output 2.1. Enabling economic infrastructure provided for value chain development	Number of boreholes, bridges and culverts constructed rehabilitated/ extended							
	Boreholes - Number		40	72	Semi-annually and annually Progress Reports, M&E Reports	Quarterly, Semi-annually, and Annually	IFAD-NPMU	
	Small Bridges - Number		40	72				
	Culverts - Number		79	144				
	Number of markets, processing or storage facilities constructed or rehabilitated (IFAD CI 2.1.6)							
	Total number of facilities- Facilities		422	768				
	Market facilities constructed/ rehabilitated- Facilities							
	Processing facilities constructed/ rehabilitated- Facilities							
	Storage facilities constructed/ rehabilitated- Facilities		264	480				
	Number of Farmer Organizations (FOs) Commodity Stores Established							
	Commodity Stores - Number		20	48				
Number of ACs constructed								
ACs - Number		13	24					
Output Indicator 2.2 Farm level infrastructure developed	Km of feeder roads constructed/rehabilitated or upgraded (IFAD CI 2.1.5)							
	Roads - Km	0	165	300				
	Hectares of land brought under climate –resilient management (IFAD C1 3.1.4)							
Total Land - Ha	0	2500	5692					
Output Indicator 2.3 Certified inputs provided to farmers in the vicinity of AIHs	Quantity of improved inputs provided to farmers in the Agro-Industrial production zones							
	Certified Seeds - Tons			80000				
Output Indicator 2.4 Skills of value chain actors developed	Number of persons provided with climate information services (IFAD CI 3.1.2)				Semi-annually and annually Progress Reports, M&E Reports	Quarterly, Semi-annually and Annually	IFAD-NPMU	
	Total- number	0	60000	100000				
	Females- number	0	30000	50000				
	Males- number	0	30000	50000				
	Youth- number	0	24000	40000				
	Number of persons trained in production practices and/or technologies (IFAD CI 1.1.4)							
	Females - Number	0	19125	42500				
	Males - Number	0	19125	42500				
Youth - Number	0	15300	34000					
Total - Number	0	38250	85000					

	Number of persons trained in income-generating activities or business management (IFAD CI 2.1.2)							
	Females -Number	0	19125	42500				
	Males - Number	0	19125	42500				
	Youth - Number	0	15300	34000				
	Total - Number	0	38250	85000				
	Persons provided with targeted support to improved nutrition (IFAD CI 1.1.8)							
	Persons - Number		10206	34020				
	Male - Number		1890	6300				
	Female - Number		8316	27720				
	Households- Households		10206	34020				
	Household members benefited		52920	170100				
	Young - Number		2835	9450				
	Number of persons accessing financial services (IFAD CI 1.1.5)							
	Females -Number	0	19125	42500				
	Males - Number	0	19125	42500				
	Youth - Number	0	15300	34000				
	Total - Number	0	38250	85000				
	Number of rural enterprises accessing business development services (IFAD CI 2.1.1)							
	Enterprises - Number		1650	2750				
	Persons accessing market information services in Ogun and Kano							
	Persons - Number		42500	85000				
	Number men and women farmers, processors/traders and community-based service providers trained in financial literacy in Ogun and Kano							
	Number - Total	0		90000				
Output Indicator 2.5 Development of a Value Chain Support System	Number of Commodity Alliance Forums (CAFs) Established in Ogun and Kano							
	CAFs -Number		26	48				
	Number of Farmer Organizations (FOs) Established							
	FO's - Number			2750				
	Rural producers' organizations supported (IFAD CI 2.1.3)							
	Total size of POs-Organizations							
	Rural POs supported- Organizations							
	Males							
	Females							
OUTCOME STATEMENT 3: (i) Enabling policies and regulatory framework for Agro-Industrial Zones are developed	Number of existing/new laws, regulations, policies, or strategies, proposed to policy makers for approval, ratification or amendment. (IFAD policy 3)							
	Policy Documents - Number	0		2	Baseline study, Impact Assessment Surveys, Midterm Reports, CORE outcome Surveys	Baseline, Midterm & End term	IFAD-NPMU	
Output 3.1 Development/ strengthening of	Existing policy document reviewed, updated, and approved by the Federal and State Governments (AfDB Indicator)							
	Policy Documents - Number	0	1	1				

enabling Policy, Legislation and Regulation for SAPZs	Regulatory institution/special regulatory regime established (independently or within existing institution) (AfDB Indicator)						
	Institution - Number	0	1	1			
	Number of policy-relevant knowledge products completed (IFAD Policy 1)						
Output 3.2 Provide technical assistance and capacity building for staff of relevant public institutions	KM Products - Number		1	2			
	CAFs capacitated in advocacy for improved business environment						
	CAFs - Number	0	10	24			
	Number of studies on CAFs business environment conducted						
	Studies - Number						

Integrated Programme Risk Matrix (IPRM)

Risk Categories and Subcategories	Inherent	Residual
Country Context	High	High
Political Commitment	Substantial	Substantial
<p>Risk(s): Poor governance and corruption will increase programme costs and compromise attainment of the expected impact. There is also a risk of political interference in the Programme Management Units at National and State levels and inadequate capacity of staff recruited, which affect the efficiency and effectiveness of Programme deliveries.</p>	Substantial	Substantial
<p>Mitigations: The programme will contribute to reducing unemployment and poverty, particularly among the youth, and thereby directly mitigating some of the main underlying factors of conflict. It will address the conflicts between herdsmen and farmers through CAF. Furthermore, social risks will be reduced through gender-sensitive approaches and ensuring that the poor are not excluded from programme benefits.</p>		
Governance	High	High
<p>Risk(s): Nigeria's score on the annual Corruption Perceptions Index as published by Transparency International for 2020 was 25, placing the country rank at 149 (out of 180 countries assessed), which is considered high-risk. Risks related to the country's fragility context, such as poor governance and corruption could increase programme costs and compromise attainment of the expected impact.</p>	High	High
<p>Mitigations: Supporting enhanced local participation in governance and improved local resource management and accountability, as well as involving stakeholders in the procurement process of good and services.</p>		
Macroeconomic	High	High
<p>Risk(s): Nigeria's prolonged economic crisis coupled with COVID-19 pandemic resulting in increases in the cost of inputs and transportation, and purchasing power of the population. This will negatively affect profit margins along the value chains.</p>	High	High
<p>Mitigations: The macroeconomic risks will be partly mitigated by the Programme through interventions that will reduce transaction costs (resulting from, e.g., economies of scale, improved infrastructures and improved access to market information).</p>		
Fragility and security	High	High
<p>Risk(s): a) Institutional and Social Fragility in Nigeria: Despite Nigeria's human and material resources, Nigeria is described as a badly governed nation with several weak institutions incapable of ensuring functional policies; where policies exist, they are poorly implemented or entangled in corruption or whims of office holders. b) Conflict and Violence: For over a decade, Nigeria has witnessed increased level of violent conflicts principally as a result of the Islamic insurgency in the northeast, kidnapping for ransom pervasive in the Northwest and farmer- herder conflicts rooted in the country's burgeoning livestock and human population in the face of climate change localised in the North Central and southern states. c) COVID-19 and Fragility: The outbreak of COVID-19 in Nigeria in March 2020 have worsened the fragility situation.</p>	High	High
<p>Mitigations: For Ogun state, the following mitigation measures will be taken: i) Setting up of conflict early warning committees in project locations especially local farmer-herder groups. The Commodity Alliance Forum (CAF) is tailored for such purpose.</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>ii) Regular dialogue/involvement of youth and women groups (including Omo-Inile groups as participants in the SAPZ project</p> <p>iii) Regular and sustained engagement with local vigilante groups especially Amotekun group.</p> <p>iv) Avoidance of Egbado North, Egbado South and Ijebu North LGAs as SAPZ project locations due to high prevalence of violence.</p> <p>v) Appropriate prevention measures including place markers with appropriate social distancing (2 meter interval recommended), hand washing facilities and compulsory use of face masks.</p> <p>For Kano state, the following mitigation measures will be taken:</p> <p>i) Getting regular security updates from UNDSS about project location and activities to inform programming throughout the duration of the project.</p> <p>ii) Setting up of conflict early warning committees in SAPZ project locations. The Commodity Alliance Forum (ca) should be utilized for this purpose.</p> <p>iii) Complete avoidance of Kano Municipal in the siting of SAPZ projects.</p> <p>iv) Direct involvement of typically marginalized groups (women and youth) as SAPZ's direct beneficiaries. Married young women should be deliberately targeted to avoid conflict and increase family income.</p> <p>v) Strict enforcement of rules guiding use of protective gears, safe distancing to avoid the risks of Covid-19.</p>		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Substantial	Moderate
<p>Risk(s): Agricultural and trade policies are unsupportive to programme goals. The import and export policies on rice, cassava wheat and poultry can negatively impact market prices and significantly reduce the profit margins along the value chains.</p>	Substantial	Moderate
<p>Mitigations: The Programme will support FMARD to review and advocate for appropriate policy support for the products supported by the programme.</p>		
Policy development & implementation	Substantial	Moderate
<p>Risk(s): The risk faced for SAPZ is to stay aligned to the country's different development strategies and policies. Nigeria has several key strategies as below: - The Economic Growth and Recovery Plan 2017-20 (EGRP). - The Vision 20:20 Road Map which emphasises a diversified private sector-led economy, agricultural growth, and employment creation. - The Green Alternative Roadmap for Agriculture, which prioritizes four pillars: food security, job creation, import substitution and economic diversification using a decentralized coordination framework - The Strategic Framework for Youth Employment and Job Creation of the FMARD which emphasizes youth employment in agriculture.</p>	Substantial	Moderate
<p>Mitigations: The development of SAPZ across the country is a key element of Nigeria's agricultural transformation agenda, the Economic Growth and Recovery Plan 2017-20 (EGRP). The FMARD is also working on a the medium term Agricultural policy strategy of FMARD which is encapsulated in the Agricultural Technology and innovation plan (NATIP).The NATIP is built on the following seven strands :i. Knowledge creation and Transfer; Rural access to mechanisation; Comprehensive extensive services; Value-addition; Market Development; Sustainable funding ; and Synergy and MDA Alignment.</p> <p>The SAPZs project is designed as strategy to generate mutual benefits for smallholders and agro-processing firms including youth and women. With SAPZs, the Nigerian Government aims to attract the private sector to set up processing plants in zones of high food production and process commodities into food products, while generating increased income generating opportunities for smallholders who account for the majority of the poor. The expected outcome is that food systems are improved, smallholders have increased and secured outlets for the competitive sell of their produce, and off-takers have a secured supply of produce in the required quantity and quality to supply Nigeria's huge food market.</p>		

Risk Categories and Subcategories	Inherent	Residual
Continued dialogue with the Government is necessary to ensure government support to the Agro-Industrialization agenda.		
Environment and Climate Context	High	Substantial
Project vulnerability to environmental conditions	Substantial	Moderate
<p>Risk(s): Deforestation and woodland degradation risk is a significant risk. The use of firewood for small-holder processing, land clearing for new farms, and development of market infrastructure are likely to increase forest and woodland losses in SAPZ project area. In addition, SAPZ production activities will likely trigger land/ soil degradation including erosion.</p>	Substantial	Moderate
<p>Mitigations: SAPZ will promote use of alternative energy to fuel wood for processing and also promote agroforestry. Where tree removal during land development and construction of market infrastructure is unavoidable, this will be compensated by tree replanting along the constructed roads and hedges along the farm boundaries. Contractors will be required to produce EMSP for market infrastructure. SAPZ will also promote Good Agricultural Practices through training on sustainable land development and preparation methods.</p>		
Project vulnerability to climate change impacts	High	Substantial
<p>Risk(s): Projected climatic changes suggest that due to the increase in the variability of climatic conditions, SAPZ project areas will experience fluctuations in temperatures and precipitation which can hamper smallholder agricultural value chains. Both rainfall and temperature are likely to increase with possibility of more disastrous floods. With the increase of dry spells, there could an increase of droughts during the wet season and rain during the dry season. Increased intensity when coupled with land clearing means a greater risk of surface runoff and topsoil erosion, increased risk of river damage to road infrastructure and increased risks of landslides.</p>	High	Substantial
<p>Mitigations: SAPZ will integrate climate resilience measures through capacity building programmes in climate smart agricultural strategies, strong collaboration with extension and climate information services, good agronomic practices and 'no regrets' mechanisms. The IGREENFIN financing mechanism will be accessed to finance some of the climate mitigation and adaptation activities.</p>		
Project Scope	Moderate	Moderate
Project relevance	Moderate	Moderate
<p>Risk(s): There is a risk of Nigeria's agricultural and trade policies and economic environment being unsupportive to programme goals. This will effect the import and export policies on rice and cassava can negatively impact market prices and significantly reduce the profit margins along the Value Chains.</p>	Moderate	Moderate
<p>Mitigations: In its Agriculture Promotion Policy (2016-2020), the Government's four main priorities are: food security, import substitution, job creation and economic diversification. The project is being developed at the request of the Government and its objectives and targets are a Government priority. The development of SAPZs across the country is a key element of Nigeria's agricultural transformation agenda, the Economic Growth and Recovery Plan 2017-20 (EGRP). The SAPZs project is designed as strategy to generate mutual benefits for smallholders and agro-processing firms including youth and women. SAPZ will contribute to IFAD's overarching strategic goal to support rural people to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods</p>		
Technical soundness	Moderate	Moderate
<p>Risk(s): Ineffective collaboration between public, farmers and private sectors organizations, affecting implementation of the 4P model.</p>	Moderate	Moderate
Mitigations:		

Risk Categories and Subcategories	Inherent	Residual
IFAD-supported Commodity Alliance Forums (CAFs) are an innovative mechanism that brings together value chain stakeholders on equal footing to agree on win-win business transactions and access value added services. Strengthening and institutionalizing the CAFs and supporting off-takers to develop their services for the farmers.		
Risk: Lack of reliable off-takers and markets for farmers.	Moderate	Moderate
Mitigations: Establishment of AIH and ATC will contribute to secure access to markets for the farmer in the different value chain supported by the project. In case of delays in operationalization of the AIHs and ATC, the project will link farmers to existing off-takers / processors as implemented under VCDP.		
Risk: The implementation of the Programme's gender mainstreaming agenda is simplified and considered as "business as usual".	Moderate	Moderate
Mitigations: The Programme will invest substantial efforts in providing all stakeholders directly involved in managing programme activities the support to equip them to do so.		
Risk: Possible resistance or reluctance to quality control and standardisation and grading by agro-processors and traders.	Moderate	Moderate
Mitigations: Sensitisation, consultation and training of relevant government agencies, and adequate demonstration of the benefits which agro-processors and traders get by having established quality norms and standards will help to increase incentives		
Risk: Farmers and other value chain actors supported by the Programme cannot access finance to sustain and develop their enterprise.	Moderate	Moderate
Mitigations: On the supply side, implementation of the financial inclusion framework will raise appetite of the financial institution to finance smallholder farmers and other value chain actors. Implementation of financial literacy training on the demand side.		
Risk: Lack of maintenance of market infrastructures supported by the Programme ToRs.	Moderate	Moderate
Mitigations: The Programme will strengthen ownership and capacities of the Operations and Maintenance committees set up by the Programme.		
Risk: Poor governance and management of the processing and marketing groups	Moderate	Moderate
Mitigations: Promotion of private enterprises rather than group managed enterprises.		
Risk: Beneficiaries fail to mobilize counterpart contribution for the matching grants.	Moderate	Moderate
Mitigations: The Programme will support development of savings strategy for the beneficiaries. The Programme will also support (i) channeling of concessional resources to attract and leverage private sector funds and decrease cost of finance, (ii) assistance to financial institutions to design financial products for the different categories of beneficiaries and various financing needs, supporting in particular the intra value chain input financing by off-takers / aggregators, (iii) leveraging various government promoted de-risking financing schemes, and (iv) enhancing financial literacy of the beneficiaries to enable them to make informed choices and increase their trust in the financial sector.		
Institutional Capacity for Implementation and Sustainability	Substantial	Moderate
Implementation arrangements	Substantial	Moderate
Risk(s):	Substantial	Moderate

Risk Categories and Subcategories	Inherent	Residual
Political interference in the Programme Management Units at national and state levels and inadequate capacity of staff recruited. Ineffective coordinating structures at national, state and local government levels.		
Mitigations: <ul style="list-style-type: none"> • Regular interaction between AfDB and IFAD programme management structures. Joint supervision and mid-term review missions • Staff is recruited on competitive basis with emphasis on skills and experience. • Capacity building of members of coordination structures, quarterly meetings to review implementation progress, and regular on site monitoring missions by NPMU. • Close supervision and oversight of project management by ICO and CPAT and provision of technical assistance. 		
M&E arrangements	Moderate	Moderate
Risk(s): The risks that the Project might experience delays in implementation and recruitment of staff will affect timely M&E exercises. In addition, capacity development required to follow IFAD's M&E requirements.	Moderate	Moderate
Mitigations: The SAPZ monitoring and evaluation will be guided by a limited but sound number of indicators to inform implementation in real time. There will be a strong emphasis on lessons learned, to build evidence to inform future crisis scenarios and ongoing IFAD-funded programme in the country. Monitoring and evaluation will be done through the proposed National Programme Management Unit, which will handle data generation and transmission. The NPMU will make quarterly progress reports on the SAPZ available to IFAD.		
Procurement	Moderate	Moderate
Legal and regulatory framework	Moderate	Moderate
Risk(s): The Procurement Act has been reviewed in 2016 and the risk for its use is rated at "Moderate" because the Act does not allow participation of foreign firms in National Competitive Bidding opportunities. The National Standard Bidding document for goods, works, and services, including General Conditions of Contracts (GCC) for public sector contracts, and the dispute resolution mechanism and enforcement procedures of outcome of the dispute resolution process, have been reviewed and the risk for its use is rated at "moderate" due to the following reasons: a) There are standard solicitation documents for consulting services, Goods and works available to public on the BPP website. b) There are standard and mandatory set of clauses or templates that are reflective of the legal framework for use in documents prepared for competitive bidding; c) The documents are kept up to date and guidelines are prepared to facilitate their use. Bureau of Public Procurement (BPP) has the responsibility of the preparation and update. The legal provisions, including the institutions in charge of dealing with prohibited practices (corruption, fraud, conflict of interest, and unethical behavior), which also define responsibilities, accountabilities and penalties for prohibited practices, has been reviewed and the risk is rated at "Low" due to the following provisions: (a) it is a punishable offence to conduct or attempt to conduct procurement fraud by means of fraudulent and corrupt acts, unlawful influence, undue interest, favor, agreement, bribery or corruption (PPA Art. 58 (3) b). A section on fraud and Corrupt practices covering Corrupt, Fraudulent, Collusive, Coercive and Obstructive Practices is included in the Bidding Documents; and (b) detailed Code of Conduct for Public Procurement is covered in Art. 57; and all offences relating to Public Procurement in Art. 58.	Moderate	Moderate
Mitigations: Based on the OECD/DAC MAPs tool, a Rational for Assessing Critical Indicators (RACI) review of the Nigeria public procurement System has been performed and led to the conclusions that the system was not found reliable for its use in the project. The review has also identified additional risks within the procurement system which may affect the efficiency of procurement operations, namely: absence of acceptable range of benchmark costs; inadequate preparation of investment projects prior to		

Risk Categories and Subcategories	Inherent	Residual
<p>being admitted in the budget; delay in obtaining procurement approvals; presence of bidder cartels; corrupt and fraudulent practices in procurement processes; ineffective procurement monitoring; delayed payments; delay in budget approval; late release of budgeted funds; lack of budget-linked procurement planning; failure of full compliance with the use of standard bidding documents; poor bid evaluation reports; delays in contract award approvals; weak procurement and performance monitoring; poor record keeping; fraud and corruption; and lack of effective enforcement of sanctions as provided for the law; lack of segregation of duties in the tendering and expenditure management processes; applying the 'shopping' method for higher value procurements inconsistent with the applicable rules and the methods defined in the procurement plans; splitting procurement packages to circumvent procurement thresholds; payment to suppliers who have not delivered the goods or have delivered sub-standard goods and several different suppliers sharing the same address – an apparent sign of collusion and attempt to show that there was competition; inflated costs (sometimes twice) on procurement of goods; etc.</p> <p>The following mitigation measures should be taken in order to address these issues:</p> <ol style="list-style-type: none"> 1. Ensure effective coordination at Federal and State level in terms of sequencing of implementation to ensure synchronization of procurements by different donors. 2. Ensure effective coordination between Federal and State level in terms of sequencing of implementation to ensure synchronization of procurements by different implementing agencies. 3. Adopt robust oversight and frequent monitoring 4. Provide Technical Assistance for capacity development and Project Management. Twinning arrangement to be adopted and gradual transfer of knowledge phased over the project duration. 5. Conduct market survey and analysis. 6. Conduct feasibility studies and design before acceptance for financing. 7. Step up oversight 8. Evoke sanctions as deterrent and adopt e-procurement to reduce human interaction 9. Provide training and adopt e-procurement to reduce human interaction 10. Link start of procurement with budget availability 11. Conduct training and step up monitoring and adopt e-procurement to reduce human interaction 12. Provide Technical assistance and Conduct training and step up monitoring. 		
Accountability and transparency	Substantial	Substantial
<p>Risk(s):</p> <p>There are inadequate accountability and control mechanisms, including lack of separation of implementation from regulatory functions; involvement of political appointees in procurement decisions; lack of enforcement of sanctions and weak capacity of the judiciary to adjudicate on procurement infractions. There is presence of bidder cartels; corrupt and fraudulent practices in procurement processes.</p> <p>The existing complaints system has been reviewed to ensure that it set out clear specific conditions that provide for fairness, independent and due process, and the risk for its use in Bank-financed projects is rated at "Moderate" due to the following reasons: (a) the Federal High Courts are not dedicated to receive and discharge appeals on procurement complaint within specified periods. Litigation may unduly take long period. No independent administrative reviewing body; (b) there are no established procedure to conduct independent Administrative Review; and (c) there are no independent Administrative Review Body.</p> <p>The Regulatory body has been assessed to ensure that it is not responsible for direct procurement operations and is free from other possible conflicts of interest in procurement, and the risk for its use in Bank-financed projects is rated at "High" due to the fact that though the BPP monitors public procurement proceedings and deals with any identified irregularities, it is also required to provide certification on the procurement decisions of the PE for certain thresholds determined by the Council. Thus giving the Bureau a dual responsibility when handling complaints, which may put it in a potential conflicting position with its oversight role.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>The following mitigation measures should be taken in order to address these issues:</p>		

Risk Categories and Subcategories	Inherent	Residual
1. Ensure effective coordination at Federal and State level in terms of sequencing of implementation to ensure synchronization of procurements by different donors. 2. Ensure effective coordination between Federal and State level in terms of sequencing of implementation to ensure synchronization of procurements by different implementing agencies. 3. Adopt robust oversight and frequent monitoring 4. Provide Technical Assistance for capacity development and Project Management. Twinning arrangement to be adopted and gradual transfer of knowledge phased over the project duration 5. Conduct market survey and analysis 6. Conduct feasibility studies and design before acceptance for financing 7. Step up oversight 8. Evoke sanctions as deterrent and adopt e-procurement to reduce human interaction 9. Provide training and adopt e-procurement to reduce human interaction 10. Link start of procurement with budget availability 11. Conduct training and step up monitoring and adopt e-procurement to reduce human interaction 12. Provide Technical assistance and Conduct training and step up monitoring		
Capability in public procurement	Moderate	Moderate
Risk(s): There is low procurement capacity in the public service and lack of access to information in spite of the Freedom of Information Act.	Moderate	Moderate
Mitigations: Sustainable procurement capacity building initiative and procurement certification should be implemented with support from AfDB.		
Public procurement processes	Moderate	Moderate
Risk(s): The Nigeria Procurement Value Chain Analysis (2012) observed the following weaknesses in public procurement: - Absence of acceptable range of benchmark costs; - Inadequate preparation of investment projects prior to being admitted in the budget; - Delay in obtaining procurement approvals; - Ineffective procurement monitoring and delayed payments.	Moderate	Moderate
Mitigations: The procurement methods should be implemented using the thresholds set and communicated through the Letter to the Borrower, and other instruments as applicable.		
Financial Management	Substantial	Moderate
Organization and staffing	Substantial	Moderate
Risk(s): <ul style="list-style-type: none"> • The key staff of the National Programme Management Unit and SPMU will be recruited from the civil service. From the experience with PMUs in the ongoing IFAD Funded Projects, there is a substantial risk of land. • This is the case with the NPMU which sources staff from the federal civil service and even more prevalent with the SPMUs at state level. • Delays in recruitment of key project staff has also often had a knock-on effect on the prompt start-up of other IFAD-financed projects. 	Substantial	Moderate
Mitigations: <ul style="list-style-type: none"> • The project will receive technical assistance and capacity building at the programme inception. This technical assistance and capacity building could be delivered by the Finance and Audit personnel of CPAT or an external consultant may be engaged in the first six months of entry into force of the project. • Additionally, only experienced and qualified staff be recruited through a transparent and competitive process. The IFAD Country Office will review the process and provide No Objection along the recruitment process. • FMD WCA will continue to include the programme finance staff in the WCA wide capacity building training and implementation support. 		

Risk Categories and Subcategories	Inherent	Residual
<ul style="list-style-type: none"> • There will be regular knowledge sharing sessions where the Finance Personnel of existing IFAD projects also pass down knowledge acquired over the years of implementing IFAD projects. 		
Budgeting	Substantial	Moderate
<p>Risk(s): Perennial delays in AWPB approval due to the non-constitution of the project steering committees at the Federal and State Government Levels who approve the AWPBs.</p>	Substantial	Moderate
<p>Mitigations: The set up and functionality of the Steering Committees at the State and Federal Level will be included as a condition for initial disbursement.</p>		
Funds flow/disbursement arrangements	Substantial	Moderate
<p>Risk(s):</p> <ul style="list-style-type: none"> • There is a risk that project staff will not understand the Imprest system or replenishment methods of the financiers including IFAD. • Provision of funds from various financiers – GCF, IFAD, AfDB, Counterpart and other sources may lead to cumbersome treasury arrangements. • Non-payment of counterpart obligations by the Government of Nigeria • The accounting system has to be able to report on the components and categories applicable to each financier and to help forecast financing requirements to prevent cash flow issues. • Project may struggle to appropriately value and report in-kind contributions from beneficiaries and the Government 	Substantial	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • A separate DA is opened for the IFAD loan in the CBN in US Dollars. In order to allow the FGN to monitor the income of funds, the DA is a subaccount under the FGN Treasury Single Account. From the DA, the funds flow to the project loan account (Project Account A) in Naira. The federal counterpart funds are deposited in a separate federal counterpart fund account. The NPC is authorized to manage both the DA and the federal counterpart fund account. Each state operates two accounts in Naira: (i) A state project account (Project Account B) to receive IFAD loan funds from the Project Account A; (ii) and a state counterpart fund account to receive state counterpart funds. Each SPC is authorized to manage the Project Account B and the state counterpart funds account. • We will include the set-up of an appropriate and functional accounting software as a condition precedent to the disbursement of the loan. Additionally, the procurement and installation of the software will be included as one of the activities to be considered in the FIPS. • Staff who have experience with IFAD projects will be recruited for the PMU if possible. The PMU will be established before the loan becomes effective. • The knowledge and experience with these systems will be included in the recruitment criteria and TOR of Finance Personnel of the PMUs. • Training on the use of the Imprest fund and donor funding Statement of Expenditure (SOE) procedures will also be provided to the finance personnel of the PMUs. • IFAD guidelines on valuing and recording in-kind contribution will be provided to the PMU. It will also be included in the various training plans of the PMU as well as in the technical assistance and capacity building programs. 		
Internal controls	High	Moderate
<p>Risk(s):</p> <ul style="list-style-type: none"> • Internal controls have been deemed adequate, however these controls are not operating effectively at portfolio level leading to noticeable lapse identified during IFAD Audit and Oversight reviews, supervision and implementation missions and the report of the office of the auditor general of the federation. • Heightened risk of fraud and poor financial management practices at the community level where IFAD resources support farmer organizations and smallholder farmers. • Also at portfolio level, we have identified instances of delayed retirement of advances. In some instances, advances are expensed without the necessary supporting documentation. • Weak controls around asset management including non-insurance of key project assets, inadequate asset register, none utilization of vehicle and fuel logbooks, 	High	Moderate

Risk Categories and Subcategories	Inherent	Residual
improper transfer and assignment of assets • There is a risk that the Internal Audit Unit will not be effective. There is no adequate follow up of issues and recommendations of the Internal Audit unit by FMARD.		
Mitigations: • An Internal Audit Unit that is independent of the PMU management should be set up to ensure that controls designed around the ordering, receiving, accounting for, and paying for goods and services are operating effectively. • The programme will leverage the partnership with the International Fertilizer Development Centre (IFDC) to manage the input supply chain and ensure the efficient, effective and transparent procurement and distribution of input packages to targeted farmers using a voucher system. The MoU/contract with IFDC will comply with all IFAD procurement and FM requirements. The project will use the template MoU developed collaboratively between IFAD Procurement and FM divisions. • The internal audit unit of CPAT should also ensure adequate oversight of these controls. • Advances not retired after a month post activity completion should be recovered fully against the monthly salaries of staff. • The reports of the CPAT internal audit unit and the NPMU/SPMU internal audit units should be furnished to IFAD on a quarterly basis and within 45 days after the end of each quarter.		
Accounting and financial reporting	Substantial	Moderate
Risk(s): Interim financial statements may not be submitted on time and at the required frequency and quality. The accounting software may not be customized enough to automatically generate reports meeting IFAD requirements.	Substantial	Moderate
Mitigations: Include the set-up of an appropriate and functional accounting system and software as a condition precedent to the disbursement of the loan.		
External audit	Low	Low
Risk(s): No issues identified	Low	Low
Mitigations: No issues identified		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity conservation	Moderate	Low
Risk(s): Biodiversity losses from deforestation, unsustainable land preparation, and agricultural expansion into virgin forests and wetlands is already a serious issue in the SAPZ project area. The smallholder cluster/aggregated production system to be adopted by SAPZ increases the risk of biodiversity losses through land development and preparation and the application of agrochemicals.	Moderate	Low
Mitigations: Environmental screening will be conducted for all subprojects to ensure minimal impact on the ecosystems and biodiversity. No production and processing activities will be approved around national parks and biosphere reserves and virgin forest and wetlands. Maintaining economic and multipurpose trees in land development sites and leaving at least 15 trees per hectare trees on developed lands will be promoted. SAPZ will strengthen capacity building for Good Agronomic Practices (GAP), Integrated Pest Management and Agrochemicals application. The programme will not support the opening of lands in virgin forests, sensitive areas (including forest reserves and important bird areas), and/ or new clearing of contiguous areas of above 100 ha in a single location.		
Resource efficiency and pollution prevention	Moderate	Low
Risk(s): The risks of waste proliferation from production and processing sites as well as excessive use of agrochemicals and inorganic fertilizers and pesticides is significant for SAPZ especially due to the small-holder cluster production and processing model to be adopted.	Moderate	Low

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations: SAPZ project will promote resource efficiency and integrated waste management including conversion of rice waste to briquettes, poultry waste and cassava peel to animal feeds, and biogas production from cassava effluents. The project will promote clean processing environment and achieve waste to wealth. Periodic monitoring of processing sites will be conducted to ensure compliance. As part of the good agronomic practices, farmers will be trained on appropriate use of fertilizers and pesticides. Production and use of farmyard organic manure will be promoted.</p>		
Cultural heritage	Substantial	Substantial.
<p>Risk(s): Resource conflicts especially farmers-pastoralists clashes resulting in destruction of farms by herd animals, ultimately, clashes, and reprisal attacks between farmers and pastoralist.</p>	Substantial	Substantial
<p>Mitigations: Strengthening conflict resolution mechanism through stakeholders' engagement using the innovative platform of the Commodity Alliance Forum to reduce land resources conflicts and insecurity (which affects women more) and impacts on production and processing Deepening risk transfer and no regrets options as compensation mechanisms for conflict losses.</p>		
Indigenous Peoples	Moderate	Moderate
<p>Risk(s): Social exclusion of women and youth due to limited access to land, elite capture.</p>	Moderate	Moderate
<p>Mitigations: SAPZ design team will include an expert on social inclusion to ensure that IFAD assumes leadership in this area throughout design and implementation. SAPZ will support policy dialogue on land reform and land management, tenure security and access to land by women, and risk transfer products to compensate agro-entrepreneurs for social conflict-related damages.</p>		
Community health and safety	Substantial	Moderate
<p>Risk(s): There is a risk related to COVID -19 pandemic and health, when the Project organizes meetings and events. The outbreak of COVID-19 may have worsened the fragility situation.</p>	Substantial	Moderate
<p>Mitigations: Implementation of the IFAD RPSF to address the COVID impact and build on lessons learned. Ensuring sensitisation and awareness raising on environmental and health-related risks in production, processing, and improving waste conversion and vaporisation. Strict enforcement of rules guiding use of protective gears, safe distancing to avoid the risks of Covid-19 and regular and sustained health messaging on the risks of Covid-19. The Project also supports farmers to produce nutritious commodities, agro-processing and increasing nutrition awareness have proven successful. The VCDP project supported farmers to produce bio-fortified pro-vitamin A rich cassava, rice, vegetables, and poultry. Cassava and rice were processed to produce diverse nutritious commodities which were consumed within and outside the VCDP areas, created employment and earned income for the processors. Nutrition education helped in increasing consumption of nutritious commodities and products by the project beneficiaries.</p>		
Labour and working conditions	Substantial	Moderate
<p>Risk(s): The spouses of married female beneficiaries could take over programme supported economic activities once these become profitable or more profitable than their own.</p>	Substantial	Moderate
<p>Mitigations: Structuring the implementation arrangements of GALS to ensure the reach among all married programme beneficiaries, strengthening the gender dimension of FO</p>		

Risk Categories and Subcategories	Inherent	Residual
governance, strengthening women's organizations and monitoring the programme outcomes on women.		
Physical and economic resettlement	Substantial	Moderate
Risk(s): Women, youth, IDP and PWDs face barriers in accessing land and securing land tenure.	Substantial	Moderate
Mitigations: Supporting the establishment of women and youth groups to acquire lands and leaseholds from communities, which are released to project beneficiaries. Establish enabling access to land to women, youth, IDP and PWDs as a pre-requisite to reach intended target area. In areas in which beneficiaries are expected to clear the land received, beneficiaries who do not have labour capacity will receive programme support to fulfil this requirement (only women headed households, female youth, IDPs and PWD who can prove not having access to labour power to fulfil this requirement). Strengthening the gender dimensions of FO governance, strengthening women's organizations and monitoring the project's outcomes on women and men. Supporting the establishment of women and youth groups to acquire lands and leaseholds from communities, which are then released to project beneficiaries. In respect of Gender: The gender strategy and action plan will be prepared as per usual practice – based on a deeper gender analysis that highlights barriers to women's full participation in the proposed project intervention areas. The strategy will also identify the human and financial resources needed to address gender and social inclusion. SAPZ will implement the Gender Action Learning System (GALS) to empower beneficiaries to address underlying gender barriers limiting women's and household progression. Furthermore, policy engagement will include a continuous focus on: (i) enhancing rural finance access for women to engage in agribusiness; (ii) improving access to markets; and (iii) facilitating better access to land for women to overcome the cultural barriers that limit women's ownership of land for agricultural production. Gender will also be mainstreamed in SAPZ's Monitoring and Evaluation System. To that end, the design team will also include an expert on social inclusion to ensure that IFAD assumes leadership in this area throughout design and implementation. In respect of Youth: The Project will encompass a youth strategy and action plan. As per usual practice, this strategy will identify priorities and actions acknowledging the differences within the group, with a particular focus on potential vulnerabilities affecting specific sections within the youth category (e.g. ensure young women have equitable opportunities with the young men to participate and benefit from the project, special provisions for youth with disabilities, young IDPs). It will leverage approaches of the LIFE-ND project, specifically the youth incubator model. Creation of employment opportunities and reducing poverty, particularly among the youth and thus reduce the chances of youth pulled into illegal activities and social disruption.		
Greenhouse gas emissions	Substantial	Moderate
Risk(s): The Agriculture, Forestry and other Land uses (AFOLU) sector accounts for 60% of Nigeria's GHG emissions. In addition to GHG from deforestation and use of fuelwood for processing, the risk of enteric fermentation leading to emission of greenhouse gases (especially methane) from rice paddies remains is significant in SAPZ.	Substantial	Moderate
Mitigations: SAPZ will promote the use of clean energy in production and processing. The project will also train farmers on how to drain rice paddies in mid-season to reduce CH4 emission, as well and improvement in nutrient management including the retention of rice residues. Agroforestry and climate-smart production and processing will be promoted.		

Risk Categories and Subcategories	Inherent	Residual
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Moderate
<p>Risk(s): Smallholder agricultural production in the SAPZ project areas are substantially tied to climate-dependent natural resources. Hence, some of the subprojects will be located in high exposure low-lying river valleys and semi-arid zones that are vulnerable to the risk of extreme climatic events, especially flooding, dry spells and drought. These can be exacerbated by projected changes in future climate with significant impacts for agricultural productivity and market infrastructure and concomitant impacts on livelihoods, food security, poverty, and loss of project investments.</p>	Substantial	Moderate
<p>Mitigations: SAPZ will strengthen collaboration with NIMET, deepen climate information-guided value chain and strengthen extensions services for climate smart and good agricultural practices including use of flood and drought tolerant cultivars, timing of cropping cycle to stave-off flood, and use of residual moisture to enhance production during the dry season. In line with the AfDB's Climate Risk Management and Adaptation Strategy, the SAPZ project will ensure that the infrastructure developed under the project will be climate proofed and that climate change adaptive responses and mitigation strategies are adopted. IFAD will help ensure a producer-centric approach to climate resilience building with a focus on livelihoods. In addition, the SAPZ project will implement in Nigeria the Inclusive Green Finance Initiative (financed by the GCF) which aims to unlock green financing to support low emission and climate resilient agriculture. This initiative seems to be under formulation. Information on expected effectiveness has not been provided. The use of private sector extension service providers through FFS has proven to be key to the high performance of smallholders in productivity and production enhancement.</p>		
Stakeholders	Moderate	Moderate
Stakeholder engagement/coordination	Moderate	Moderate
<p>Risk(s): There are risks such as: 1) Resistance to programme interventions and conflicts between actors 2) Ineffective collaboration among public actors, farmers and private sectors organizations, affecting implementation of the 4P model. 3) The implementation of the project's gender mainstreaming approach is not adequately prioritized and considered as "business as usual". 4) Lack of maintenance of infrastructures supported by the project.</p>	Moderate	Moderate
<p>Mitigations: To mitigate the risks, SAPZ will 1) Strengthen and institutionalize the CAF and supporting off-takers to develop their services for the farmers. 2) Invest substantial efforts in providing all stakeholders directly involved in managing project activities with the support to equip them to do so. 3) Set up Operations and Maintenance Committees to strengthen community ownership and sustainability.</p>		
Stakeholder grievances	Moderate	Moderate
<p>Risk(s): Ineffective coordinating structures at National, State and Local Government levels leads to poor implementation resulting from inadequate supervision and oversight.</p>	Moderate	Moderate
<p>Mitigations: Inception workshop will be organized to clarify the roles of coordinating structure to achieve Programme results. Capacity building of members of coordination structures and quarterly meetings to review implementation progress will be taken place.</p>		