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**President's report**  
**Proposed loan**  
**Federal Republic of Nigeria**  
**Value Chain Programme in Northern Nigeria (VCN)**  
Project ID: 2000003909

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

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- I. Negotiated financing agreement
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### Programme delivery team

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## 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.  
 IFAD Map compiled by IFAD | 16-08-2024

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	Federal Republic of Nigeria
<b>Executing agency:</b>	Federal Ministry of Agriculture and Food Security
<b>Total programme cost:</b>	US\$158.15 million
<b>Amount of IFAD loan 1 under the performance-based allocation system (PBAS):</b>	US\$56.70 million
<b>Terms of IFAD loan 1:</b>	Blend, with a maturity period of 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and interest rate of 1.25 per cent per annum in special drawing rights (adjustments for single-currency loans)
<b>Amount of IFAD loan 2 under the Borrowed Resource Access Mechanism (BRAM):</b>	US\$30.00 million
<b>Terms of IFAD loan 2:</b>	Ordinary, with a maturity period up to 35 years, including a grace period up to 10 years, within average repayment maturity up to 20 years, subject to interest at a rate equal to the IFAD reference interest rate including a variable spread
<b>Cofinancier:</b>	Agence Française de Développement (AFD)
<b>Amount of cofinancing:</b>	US\$50.80 million
<b>Terms of cofinancing:</b>	Parallel cofinancing of all components
<b>Contribution of borrower:</b>	US\$12.00 million
<b>Contribution of beneficiaries:</b>	US\$8.60 million
<b>Amount of IFAD climate finance:</b>	US\$37.70 million
<b>Cooperating institution:</b>	Directly supervised by IFAD

## I. Context

### A. National context and rationale for IFAD involvement

1. Despite the potential of the country, Nigeria's economy has experienced low growth rates since 2015 due to multiple shocks such as the COVID-19 pandemic, the floods in 2022, the war in Ukraine<sup>1</sup> and high inflation. It has a population of 218.5 million, 40 per cent of whom are extremely poor.<sup>2</sup> Eighty-five per cent of poor Nigerians live in rural areas and are engaged in low-productivity farming. Agriculture accounts for 23 per cent of the GDP.
2. In 2023, Nigeria was among the 37 countries classified as fragile.<sup>3</sup> Fragility is more pronounced in northern Nigeria, where the proposed programme will be implemented, due to the impact of climate change,<sup>4</sup> insecurity and violence (including conflicts between farmers and herders),<sup>5</sup> unemployment and poverty, food insecurity and malnutrition,<sup>6</sup> and social exclusion of poor women and other vulnerable groups.<sup>7</sup> These challenges have caused substantial destruction of livelihoods, loss of lives and displacement.<sup>8</sup>
3. The Value Chain Programme in Northern Nigeria (VCN) is aligned with: the Renewed Hope Agenda,<sup>9</sup> the State of Emergency Declaration on Food Security, the National Agricultural Technology and Innovation Policy,<sup>10</sup> the Pathways to Food Systems Transformation<sup>11</sup> and mainstreaming policies on gender, youth, nutrition and climate change.<sup>12</sup>

#### Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the programme has been validated as:
  - Including climate finance
  - Including adaptive capacity
  - Gender-transformational
  - Nutrition-sensitive
  - Youth-sensitive
5. The VCN addresses the four IFAD mainstreaming themes of environment and climate, gender, nutrition and youth.

#### Rationale for IFAD involvement

6. The VCN responds to the Federal Government of Nigeria's request for IFAD to design a programme to scale up the impact of the Climate Change Adaptation and Agribusiness Support Programme (CASP), and to enhance the resilience of rural communities to fragility challenges. The programme complements the Special Agro-industrial Processing Zones and the Rural Access and Agricultural Marketing Project in the states of Kano and Bauchi respectively.

<sup>1</sup> <https://www.worldbank.org/en/country/nigeria/overview>.

<sup>2</sup> <https://www.statista.com/statistics/1287811/number-of-people-living-in-extreme-poverty-in-nigeria-by-area>.

<sup>3</sup> <https://thedocs.worldbank.org/en/doc/a91e714e0a53291b569c4a41981aa2c5-0090082023/original/FCSList-FY06toFY23.pdf>.

<sup>4</sup> <https://www.undp.org/sites/g/files/zskgkq326/files/migration/ng/Assessing-the-Impact-of-Conflict-on-Development-in-NE-Nigeria---The-Report.pdf>.

<sup>5</sup> IFAD, project design report, annex 13.11. Technical note on assessment and strategies for promotion of gender equality. 2024.

<sup>6</sup> [https://www.ipcinfo.org/fileadmin/user\\_upload/ipcinfo/docs/ch/Fiche\\_Com\\_CH\\_Nov2023.pdf](https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/ch/Fiche_Com_CH_Nov2023.pdf).

<sup>7</sup> [https://africa.unwomen.org/sites/default/files/Field%20Office%20Africa/Images/Publications/2020/NE%20Nigeria%20RGA%20digital\\_compressed.pdf](https://africa.unwomen.org/sites/default/files/Field%20Office%20Africa/Images/Publications/2020/NE%20Nigeria%20RGA%20digital_compressed.pdf).

<sup>8</sup> Office of the United Nations High Commissioner for Refugees, Nigeria: All Population Snapshot as of November 2023.

<sup>9</sup> [https://media.premiumtimesng.com/wp-content/files/2023/02/RENEWED-HOPE\\_compressed.pdf](https://media.premiumtimesng.com/wp-content/files/2023/02/RENEWED-HOPE_compressed.pdf).

<sup>10</sup> <https://agriculture.gov.ng/wp-content/uploads/2024/06/National-Agricultural-Technology-and-Innovation-Policy-NATIP-2022-2027.pdf>

<sup>11</sup> <https://nationalplanning.gov.ng/wp-content/uploads/2023/09/Pathway-for-Food-A-Call-to-Action.pdf>.

<sup>12</sup> [https://climatechange.gov.ng/wp-content/uploads/2021/08/NCCP\\_NIGERIA\\_REVISIED\\_2-JUNE-2021.pdf](https://climatechange.gov.ng/wp-content/uploads/2021/08/NCCP_NIGERIA_REVISIED_2-JUNE-2021.pdf).

7. IFAD's comparative advantage in Nigeria includes: (i) lessons from the CASP on addressing fragility, including through Community Development Associations (CDAs) and Financial Services Associations (FSAs), the public-private-producer partnerships (4Ps) model (i.e. the Commodity Alliance Forum [CAF] of the Value Chain Development Programme [VCDP]), the youth entrepreneurship model of the Livelihood Improvement Family Enterprises Project in the Niger Delta and the agri-hub project, positive experiences in inclusive, nutrition-sensitive and climate-resilient value chains, partnership with the Government, private sector (Babban Gona) and research institutions; and (ii) experience in promoting agricultural policies and leveraging international best practices in food systems transformation.

## **B. Lessons learned**

8. **Developing pro-poor and nutrition-sensitive value chains in fragile environments is feasible.** Lessons from the CASP and the VCDP in this area include: (i) strategic partnerships through the CAF enabled substantial contributions by the VCDP to Nigeria's food security; (ii) CDAs and FSAs can be leveraged for value chain development; (iii) nutrition and dietary diversity can be enhanced through several entry points; and (iv) enhanced productivity and income requires greater investment in market access for beneficiaries,<sup>13</sup> as shown by IFAD research and the VCDP impact assessment.
9. **Priority must be given to gender transformation and targeting gender- and youth-sensitive value chains,** in line with the lessons from the CASP and the VCDP. Appropriate targeting, Gender Action Learning System (GALS) methodology and women-only groups yield a positive impact on youth and women's empowerment in fragile contexts.
10. **Scaling up digital solutions and relevant technologies enhances resilience to climate change,** as evidenced by the CASP's experience with climate information and services, digital agronomic advice, capacity-building of smallholder farmers on simple sustainable land management and climate-resilient technologies.
11. **The CASP's experience with FSAs demonstrates their potential to provide sustainable community-based financial services to farmers.** The programme will strengthen the FSAs and enhance their linkages with agro-friendly financial institutions.
12. **Alignment with the Government's priorities is key for progress on policy and sustainability.** At least three state governments made institutional and budgetary provisions to sustain community development associations after the closing of the CASP.
13. **The monitoring and evaluation (M&E) and knowledge management (KM) functions of IFAD projects need to improve substantially to enhance their effectiveness.** The VCN will incentivize implementers and communities to contribute to the participatory M&E and KM systems.

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<sup>13</sup> IFAD, Federal Republic of Nigeria, Value Chain Development Programme impact assessment report (2021), p. 45.

## II. Programme description

### A. Objectives, geographical area of intervention and target groups

#### Goal and objectives

14. The goal of the VCN is to contribute sustainably to poverty reduction, enhanced nutrition and better resilience of rural people in the northern states of Nigeria. The programme development objective is to improve the food and nutrition security and incomes of rural households in northern Nigeria through inclusive and sustainable value chain development, as an enabler for rural transformation.

#### Geographical area

15. The programme area covers nine states in northern Nigeria. These include the states previously covered by the CASP (Sokoto, Kebbi, Zamfara, Katsina, Jigawa, Borno, Yobe) and the states of Kano and Bauchi.

#### Target groups

16. The VCN target groups are: (i) subsistence and semi-subsistence producers (very poor and poor households), who make up 40 per cent of the beneficiaries; (ii) market-oriented producers (poor people and households vulnerable to poverty), who will account for 30 per cent of the beneficiaries; and (iii) entrepreneurs (very poor and poor people, and households vulnerable to poverty), with a special focus on women and youth (30 per cent of the beneficiaries). Of the total beneficiaries, 40 per cent will be women, 30 per cent youth and 45 per cent men. Across these groups, 10 per cent will be persons with disabilities and 5 per cent returnees (formerly internally displaced persons).

### B. Components, outcomes and activities

17. The VCN has two programmatic components. The cross-cutting themes of gender, youth, nutrition and climate change inform all activities, and information and communications technologies for development (ICT4D) and fragility mitigation measures will be mainstreamed across the programme.
18. **Component 1. Foster climate-resilient and nutrition-sensitive agriculture.** This component aims to: (i) improve productivity, climate adaptive capacity and resilience of the smallholder farmers in the target value chains; (ii) improve diet quality and nutrition awareness of the target households; and (iii) strengthen social cohesion, policy and institutions.
19. **Subcomponent 1.1. Promote sustainable agricultural systems, improved technology and climate-resilient agricultural practices.** This subcomponent aims to strengthen the productivity, resilience and adaptive capacity of smallholder farmers through: (i) the provision of quality inputs; (ii) training on good agricultural practices; (iii) investment in irrigation, land preparation and water-smart practices; (iv) waterpoints for livestock; (v) environment and climate mainstreaming; (vi) support to persons with disabilities and returnees in appropriate activities; and (vii) deployment of digital solutions such as a farmers' registry, e-advisory services and an e-voucher system.
20. **Subcomponent 1.2. Promote nutrition and gender awareness and practices.** This subcomponent will promote: (i) selection of the crops with the highest nutrition value for each state, backed by market-oriented nutrition-sensitive approaches and biofortified seeds; (ii) gender-sensitive social behaviour change, communication and nutrition education, and application of nutrition-sensitive GALS tools; and (iii) context-appropriate and nutrient-rich homestead food production, and small livestock starter packages targeting very poor women.

21. **Subcomponent 1.3. Promote social cohesion and an enabling policy and institutional framework** aims to: (i) foster community participatory planning involving stakeholders such as farmers and herders, women, youth, the private sector, and religious and traditional groups; (ii) strengthen capacities of target groups for policy dialogue and advocacy with the relevant government, private sector and traditional parties; (iii) create territorial dialogue spaces for fragility and conflict management, specifically for disputes between smallholder farmers and pastoralists, and establish and strengthen community-based conflict resolution committees.
22. **Component 2. Enhance inclusive and profitable integration of target groups into supported value chains** aims to: (i) improve post-harvest handling, value addition and access to markets; (ii) increase entrepreneurial opportunities for youth and women along the value chains; and (iii) enhance beneficiaries' access to financial services.
23. **Subcomponent 2.1. Improve post-harvest value addition, market linkages and partnerships with value chain actors** aims to: (i) support post-harvest climate-resilient infrastructure and equipment, construct and rehabilitate market infrastructure, including access roads to reduce post-harvest losses, and strengthen capacity of farmers' organizations; (ii) promote multi-stakeholder participatory planning and scale up digital platforms for value chain services and fragility mitigation; and (iii) leverage the value chain 4P platform.
24. **Subcomponent 2.2. Promote entrepreneurship for women and youth** will help create jobs for rural women and youth who are not members of farmers' organizations and whose access to land is limited through capacity-building, start-up and business packages, and enhanced market access.
25. **Subcomponent 2.3. Improve access to financial services** aims to enhance beneficiaries' access to financial services, leveraging matching grants for youth, women and other vulnerable groups, through: (i) capacity-building of rural financial service providers to strengthen their link to smallholder farmers and (ii) capacity-building of FSAs and strengthened linkages to financial institutions and (iii) de-risking lending to farmers through weather-based index insurance capacity-building for FSA and CDAs .
26. **Component 3. Programme coordination and management** aims to ensure programme compliance with relevant policies and guidelines, including for M&E and KM. It will leverage the lessons learned in fragile situations under the CASP and capitalize on the community participatory approach and digital solutions to ensure the programme's transparency, effectiveness, efficiency, accountability and sustainability. The response to emergency and disaster (RED) mechanism has been included as a disaster response contingency to minimize disruption in the programme areas in the case of emergency. The RED mechanism will be activated by triggers identified in the design report subject to approval by IFAD.

### **C. Theory of change**

27. The VCN addresses the high levels of fragility, poverty, food and nutrition insecurity, climate shocks, and social and financial inclusion challenges of smallholder farmers, women, youth and vulnerable groups in the northern Nigerian states. It will achieve this through three interlinked impact pathways: (i) promoting an enabling policy and institutional framework, and mechanisms for social cohesion and conflict management at the local level; (ii) fostering climate-resilient and nutrition-sensitive production; and (iii) enhancing inclusivity in profitable value chains.

### **D. Alignment, ownership and partnerships**

28. The VCN aligns with the strategic objectives of the country strategic opportunities programme (COSOP) of: (i) increasing rural people's productive capacities; and



(ii) strengthening the organizational policy frameworks and collaboration with the private sector for inclusive and resilient agribusiness value chains, which are in turn aligned to the IFAD strategic objectives related to productive capacities, market participation, and environmental sustainability and climate resilience. The programme is also aligned to Sustainable Development Goals 1 (no poverty), 2 (zero hunger), 5 (gender equality), 12 (responsible consumption and production), 13 (climate action) and 15 (life on land).

29. Stakeholder ownership of the VCN is anchored in its alignment with national policies, programme oversight by the Federal and State Governments, leadership of community and farmers' organizations, and execution of activities by the target communities and private sector partners. The VCN fosters partnerships with: (i) ongoing IFAD projects including non-sovereign operations and the Rural Access and Agricultural Marketing Project; (ii) development partners; (iii) government project agencies; (iv) private sector and value chain actors; and (v) civil society and research organizations.

## **E. Costs, benefits and financing**

### **Programme costs**

30. The estimated total programme cost over the eight-year implementation period is US\$158.15 million. Investment costs amount to US\$142.7 million (90 per cent of total costs), and recurrent costs to US\$15.3 million (10 per cent of total costs).
31. The cost per component is as follows: component 1, US\$59.5 million (38 per cent of the total costs); component 2, US\$74.8 million (47 per cent) and component 3 US\$23.7 million (15 per cent). As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for the VCN is estimated as **US\$37.7 million (43.5 per cent of IFAD funding)**.

Table 1  
**Programme costs by component, subcomponent and financier**  
 (Thousands of United States dollars)

Component/subcomponent	IFAD (PBAS)		IFAD (BRAM)		AFD		Government		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Cash/in-kind	%	In-kind	%	Amount	%
<b>1. Foster climate-resilient and nutrition-sensitive agriculture</b>												
1.1. Promote sustainable agricultural systems, improved technology and climate-resilient agricultural practices	18 518	55	2 694	8	10 672	31	622	2	1 434	4	33 940	22
1.2. Promote nutrition and gender awareness and practices	8 502	40	5 901	28	6 778	32	-	-	-	-	21 182	13
1.3. Promote social cohesion and an enabling policy and institutional framework	1 136	26	1 897	43	1 427	32	-	-	-	-	4 461	3
<b>2. Enhance inclusive and profitable integration of target groups into value chains</b>												
2.1. Improve post-harvest value addition, market linkages and partnerships with value chain actors	15 369	32	9 854	21	16 298	34	1 695	4	4 182	9	47 398	30
2.2. Promote entrepreneurship for women and youth	2 335	23	4 038	40	3 210	32	-	-	448	5	10 031	6
2.3. Improve access to financial services	4 476	26	4 793	28	5 582	32	-	-	2 593	15	17 444	11
<b>3. Programme coordination and management</b>												
3.1. Programme coordination and management	6 364	27	822	4	6 833	29	9 683	41	-	-	23 703	15
3.2. Response to emergency and disaster (RED)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56 700</b>	<b>36</b>	<b>30 000</b>	<b>19</b>	<b>50 800</b>	<b>32</b>	<b>12 000</b>	<b>8</b>	<b>8 656</b>	<b>6</b>	<b>158 157</b>	<b>100</b>

Table 2

**Programme costs by expenditure category and financier**

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD (PBAS)</i>		<i>IFAD (BRAM)</i>		<i>AFD</i>		<i>Government</i>		<i>Beneficiaries</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Cash/in-kind</i>	<i>%</i>	<i>In-kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>Investment costs</b>												
1. Consultancies	5 595	59	854	9	3 050	32	9	0.1	-	-	9 509	6
2. Works	14 083	38	6 860	19	11 620	32	2 317	6	1 771	5	36 650	23
3. Equipment and materials	1 873	48	744	19	1 232	32	59	2	-	-	3 907	3
4. Goods, services and inputs	14 697	46	7 125	22	10 269	32	35	0.1	-	-	32 127	20
5. Matching grant	10 510	27	8 060	21	13 509	35	-	-	6 886	18	38 965	25
6. Training and workshops	8 850	42	5 533	26	6 769	32	-	-	-	-	21 152	13
7. Vehicles	300	63	-	-	141	30	36	8	-	-	478	0.3
<b>Total investment costs</b>	<b>55 908</b>	<b>39</b>	<b>29 178</b>	<b>20</b>	<b>46 590</b>	<b>33</b>	<b>2 456</b>	<b>2</b>	<b>8 656</b>	<b>6</b>	<b>142 788</b>	<b>90</b>
<b>Recurrent costs</b>												
1. Operations and maintenance	171	8	177	9	548	27	1 151	56	-	-	2 047	1
2. Salaries and allowance	622	5	645	5	3 663	28	8 392	63	-	-	13 322	8
<b>Total recurrent costs</b>	<b>792</b>	<b>5</b>	<b>822</b>	<b>5</b>	<b>4 211</b>	<b>27</b>	<b>9 544</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>15 369</b>	<b>10</b>
<b>Total</b>	<b>56 700</b>	<b>36</b>	<b>30 000</b>	<b>19</b>	<b>50 800</b>	<b>32</b>	<b>12 000</b>	<b>8</b>	<b>8 656</b>	<b>6</b>	<b>158 157</b>	<b>100</b>

Table 3

**Programme costs by component, subcomponent and programme year (PY)**

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY4</i>	<i>PY5</i>	<i>PY6</i>	<i>PY7</i>	<i>PY8</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
<b>1. Foster climate-resilient and nutrition-sensitive agriculture</b>									
1.1. Promote sustainable agricultural systems, improved technology and climate-resilient agricultural practices	2 586	3 958	5 147	5 650	6 660	5 894	2 622	1 423	33 940
1.2. Promote nutrition and gender awareness and practices	1 469	2 870	2 894	2 920	2 779	2 807	2 835	2 609	21 182
1.3. Promote social cohesion and an enabling policy and institutional framework	284	690	696	702	709	489	494	395	4 461
<b>2. Enhance inclusive and profitable integration of target groups into value chains</b>									
2.1. Improve post-harvest value addition, market linkages and partnerships with value chain actors	4 097	6 061	6 685	7 976	8 918	6 441	4 496	2 725	47 398
2.2. Promote entrepreneurship for women and youth	1 216	1 225	1 235	1 246	1 258	1 271	1 283	1 296	10 031
2.3. Improve access to financial services	1 773	2 223	2 227	2 233	2 238	2 244	2 250	2 256	17 444
<b>3. Programme coordination and management</b>									
3.1. Programme coordination and management	4 083	2 443	2 949	2 621	2 858	2 841	2 892	3 014	23 703
3.2. Response to emergency and disaster (RED)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15 508</b>	<b>19 470</b>	<b>21 833</b>	<b>23 247</b>	<b>25 421</b>	<b>21 987</b>	<b>16 873</b>	<b>13 718</b>	<b>158 157</b>

### **Financing and cofinancing strategy and plan**

32. The programme financing is composed of: (i) a loan under the performance-based allocation system (PBAS) of US\$56.7 million (36 per cent of the total cost); (ii) a loan under the Borrowed Resource Access Mechanism (BRAM) of US\$30 million (19 per cent); (iii) a parallel cofinancing loan from the AFD across all subcomponents of US\$50.8 million (32 per cent); and (iv) domestic cofinancing from the Federal and State Governments of Nigeria and beneficiaries of US\$20.6 million (US\$12 million and US\$8.6 million, respectively) in cash and through in-kind contributions.

### **Disbursement**

33. Separate designated accounts will be opened for each IFAD financing source – PBAS and BRAM – at the Central Bank of Nigeria in United States dollars. The designated accounts will be sub-accounts under the Federal Government of Nigeria’s Treasury Single Account. From the designated accounts, the funds will flow to the programme operational accounts (with a drawdown account for each financing source) in Nigerian Naira, operated by the national programme coordination office (NPCO). The Federal Government of Nigeria’s counterpart funds will be deposited in a separate federal counterpart fund account. The modalities for operating programme bank accounts will be contained in the Financial Management and Financial Control Arrangements Letter.
34. IFAD and the AFD will manage their respective procurement and disbursement of funds for all components according to their own policies and procedures. IFAD and the AFD will sign a memorandum of understanding on information-sharing, programme coordination and financial reporting and supervision.

### **Summary of benefits and economic analysis**

35. The economic internal rate of return of the programme is 27 per cent and the economic cost-benefit ratio is 10.7. The sensitivity analysis indicates that, overall, the enterprise models and the VCN are both financially and economically justifiable, even in the most adverse risk environments.

### **Exit strategy and sustainability**

36. **Sustainability.** The VCN’s sustainability hinges on its effectiveness in addressing the fragility challenges in northern Nigeria. The VCN will ensure: (i) adherence to the safeguard documents of the Social, Environmental and Climate Assessment Procedures (SECAP); (ii) nutrition and social inclusion (iii) development of nutrition-sensitive and high market potential value chains (iv) stronger private sector participation, market linkages and access to finance; (v) capacity-building of communities, CDAs, FSAs and other service providers to continue service provision, including infrastructure maintenance, after programme completion; and (vi) leveraging of digital solutions for climate resilience, social cohesion, capacity-building for rural institutions, support for policy dialogue and engagement with governments.
37. The pillars of the VCN’s exit strategy are: (i) ownership by the communities, state governments and reinforced community institutions; (ii) sustained market linkage with the private sector; and (iii) deployment of ICT4D solutions to manage fragility and insecurity.

### III. Risk management

#### A. Risks and mitigation measures

38. Overall, the country context risk is high. Governance and financial management risks are high and will require strong capacity-building and oversight support for their mitigation. The macroeconomic risk is high because of the significant dependence of the country's economy on oil, the high unemployment and inflation rates, and fiscal stress on the Federal and State Governments in relation to meeting their counterpart contribution commitments. The VCN's inherent and residual risk is assessed as substantial for environment and climate (worsening climate scenario projections), programme scope (insecurity and challenges in accessing programme areas), procurement (weak accountability and transparency, and low public procurement capacity) and stakeholders (limited social cohesion). The risk associated with institutional implementation capacity is rated high because of CASP's weak staff capacity in some areas, and the erosion of even that modest capacity after CASP closure two years ago. The VCN will invest significantly in building the capacity of community institutions to mitigate this risk. For all risk categories that are rated substantial or high, the risk mitigation measures set forth in the programme design will be strictly monitored and implemented.

Table 4

**Overall risk summary**

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	High
Sector strategies and policies	Substantial	Substantial
Environment and climate context	Substantial	Substantial
Project scope	Substantial	Substantial
Institutional capacity for implementation and sustainability	High	High
Financial management	High	High
Project procurement	Substantial	Substantial
Environment, social and climate impact	Substantial	Substantial
Stakeholders	Substantial	Substantial
<b>Overall</b>	<b>Substantial</b>	<b>Substantial</b>

#### B. Environment and social category

39. The VCN's environmental and social category risk rating is substantial, in light of the agricultural intensification and development of medium-sized agroprocessing centres dependent on fossil fuel associated with the programme. An Environmental, Social and Climate Management Framework and Plan have been developed to mitigate such risks; in addition, a subprogramme-specific environmental and social management plan will be required for land development and construction of market infrastructure. Social risk is substantial due to possible insurgency, banditry, kidnapping and conflicts over resources (especially between farmers and pastoralists). Various safeguard documents have been developed along with the design report. Outlines have been prepared for an integrated pest management plan and a labour assessment and management plan to be developed at an early stage of programme implementation. The AFD will also disclose its environmental and social governance framework, which is coherent with SECAP.

#### C. Climate risk classification

40. The VCN is classified as having substantial climate risk based on the high temperatures and extreme heat, drought, river and pluvial flood hazards, and unsustainable land use and management practices in the programme areas. SECAP measures with targeted climate adaptation strategies are detailed in the SECAP review note and its annexes.

## D. Debt sustainability

41. The International Monetary Fund's Consultation Report of May 2024<sup>14</sup> indicated that Nigeria's debt-to-GDP ratio is expected to rise from 46.3 per cent in 2023 to 46.6 per cent in 2024 and then to stabilize in the medium term. The high debt service burden remains a significant concern, consuming around 56 per cent of tax revenue. With monetary tightening and the increased borrowing to finance infrastructure projects, social programmes and mitigation measures to deal with the economic impacts of external shocks, interest expenditure has gone up. To tackle this, Nigeria is seeking to increase issuance of medium-term securities and Eurobonds, maximize multilateral and bilateral support, and optimize its revenue mobilization agenda to further enhance debt sustainability. Overall, the Government's debt-to-GDP ratio remains within a manageable range, but continuous monitoring and prudent fiscal management will be crucial for maintaining financial stability and promoting sustainable economic growth.

## IV. Implementation

### A. Organizational framework

#### Programme management and coordination

42. As the lead programme agency, the Federal Ministry of Agriculture and Food Security (FMAFS) will set up a national programme steering committee with representatives of the Federal Ministry of Finance, the Ministry of Budget and Economic Planning and other ministries, the Central Bank of Nigeria, and representatives of farmer groups to provide oversight of programme implementation and approve the annual workplan and budget (AWPB). At the state level, a state programme steering committee chaired by the Commissioner of Agriculture will provide oversight.
43. The NPCO, based in Abuja, and the state programme coordination offices (SPCOs) will be responsible for programme implementation and coordination at the federal and state levels respectively. They will ensure compliant reporting on implementation progress and results to IFAD, the AFD and the FMAFS. The VCN will support a local government desk office in the Department of Agriculture in each participating state. At the community level, CDAs and FSAs will help to increase programme impact among smallholder farmers.

#### Financial management, procurement and governance

44. The financial management arrangements for the VCN will use the country's system to the extent possible, subject to meeting IFAD's minimum requirements for the fragility and conflict situations present in northern Nigeria. Regular risk assessments will inform the risk-based quarterly interim financial report disbursement method to be used. The NPCO and SPCOs will be assisted in establishing strong internal controls backed by financial management and accounting manuals. Any source of in-kind cofinancing from the Federal and State Governments, beneficiaries or the private sector (foregone taxes, use of buildings and land, labour, etc.) and any in-cash contribution from the beneficiaries (flowing outside VCN bank accounts) will be mapped and valued by the programme. The Office of the Auditor General for the Federation will undertake the statutory audit of the programme. The annual audited financial statements will be submitted to IFAD no later than 180 days after the end of each fiscal year.
45. **Procurement.** IFAD will oversee VCN procurement activities, including the review and approval of the annual procurement plan. A programme procurement manual is included in the design report to guide the procurement process. All procurement will be governed by the IFAD Project Procurement Guidelines and the IFAD Project Procurement Handbook. For states affected by fragility, the simplified project

<sup>14</sup> <https://www.elibrary.imf.org/view/journals/002/2024/102/article-A001-en.xml>.

procurement procedures for fragile and conflict-affected situations may be applied, as per the project procurement arrangement letter.

46. **Governance.** Procuring entities will benefit from capacity-building at start-up with an emphasis on post-qualification. BUILDPROC procurement training will be provided at all levels, as required. Debriefing and protest procedures for all procurement activities will be based on the procedures laid down in the IFAD Project Procurement Handbook.

**Target group engagement and feedback and grievance redress**

47. **Target group engagement and feedback.** LGAs and beneficiaries will be selected in line with the criteria defined in the programme implementation manual. The VCN will engage with all target groups through their representatives. Information disseminated by the VCN and agreements made with communities will be made available in the LGA offices and institutions representing the interests of all target groups for a period of three months.
48. **Grievance redress.** The grievance redress mechanism (see annex V of the design report) will allow complainants to have their concerns resolved in a fair and timely manner through an independent process. The NPCO, the SPCOs and IFAD will be committed to: (i) ensuring that the complaints procedure is responsive and effective; and (ii) maintaining records of all complaints and their resolution, and giving specific attention (in line with IFAD guidelines) to sexual harassment and sexual exploitation and abuse.

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

**Planning, monitoring and evaluation**

49. The AWPB preparation will start at the community level, based on the activities needed to achieve the theory of change and targets. Community-level plans will be compiled for each local government and state before consolidation into and validation of the AWPB, which will be submitted for the approval of FMAFS and for financiers' no objection. The monitoring and evaluation system will leverage participatory approaches and digital solutions to provide quality data and enhanced evidence-based decision-making, including for fragility management.

**Innovation and scaling up**

50. Several innovations will be scaled up: (i) CDA and FSA arrangements, to increase the number of beneficiaries accessing production resources and financial services; (ii) the 4P model, building on the success of the CAF and collaboration with Babban Gona for scaling up of market linkages; (iii) e-vouchers for input distribution; (iv) utilization of the data collected to allow more farmers to access credit without collateral; and (v) de-risking of loans for farmers in remote rural areas.

**C. Implementation plans**

**Implementation readiness and start-up plans**

51. To mitigate the risk of start-up delays, a start-up advance of US\$500,000 will be provided for in the financing agreement to enable the programme to meet the conditions precedent to the first disbursement. In addition, the AFD and IFAD will undertake feasibility studies prior to the effective start of programme activities. The AFD loan is expected to be approved in December 2024.

**Supervision, midterm review and completion plans**

52. **Supervision.** The VCN will be directly supervised by IFAD, together with the AFD, the FMAFS and the Federal Ministry of Finance. Supervision and implementation support missions will be organized annually to review progress and enhance results. These missions will be complemented by continuous strategic engagement by the IFAD country office.



53. **Midterm and completion.** A joint midterm review will be conducted in the fourth year and a completion mission will be carried out at the end of the programme.

## **V. Legal instruments and authority**

54. A 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 agreement 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 approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Federal Republic of Nigeria in an amount of fifty-six million seven hundred thousand United States dollars (US\$56,700,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Federal Republic of Nigeria in an amount of thirty million United States dollars (US\$30,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

## Negotiated financing agreement

Loan No: \_\_\_\_\_

Grant No: \_\_\_\_\_

Programme name: Value Chain Programme in Northern Nigeria ("VCN"/"the Project"/"the Programme")

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

and

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

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

**WHEREAS** 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 Fund has agreed to provide financing for the Programme;

**WHEREAS**, the Programme is expected to receive co-financing from the Agence Française de Développement (AFD).

**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 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide two Loans (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 eligible to blend terms is fifty six million and seven hundred thousand United States Dollars (USD 56 700 000) ("Loan 1").

2. The amount of the Loan eligible to ordinary terms is thirty million United States Dollars (USD 30 000 000) ("Loan 2").
3. The Loan 1 granted on blend terms 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 1 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 1 by the Fund's Executive Board
4. The principal of the Loan 1 will be repaid in equal instalments.
5. The Loan 2 granted on Ordinary terms shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty-nine (29) years, including a grace period of ten (10) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
6. The Loan Service Payment Currency shall be in USD.
7. The first day of the applicable Fiscal Year shall be 1 January.
8. There shall be two segregated Designated Accounts denominated in USD for the exclusive use of the Programme, which is to be opened at the Central Bank of Nigeria (CBN), to receive the proceeds of the Financing. The Borrower shall inform the Fund of the officials authorized to operate the Designated Accounts.
9. The Borrower shall open and thereafter maintain a two draw down accounts in Naira to receive Financing from the respective Designated Accounts. The draw down accounts 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 three accounts in Naira: (i) two state programme accounts to receive the Financing from the respective draw down 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 and the state counterpart funds account.
10. The Borrower shall provide counterpart financing for the Programme, in-cash and/or in-kind, in the amount of Twelve million United States Dollars (USD 12 000 000) mainly for taxes and duties, Participating States' contribution, as well as to cover costs relating to Programme activities.
11. The Borrower shall open a segregated Project Account for the purposes of depositing the counterpart financing

### **Section C**

1. The Lead Programme Agency shall be the Federal Ministry of Agriculture and Food Security (FMAFS).
2. Additional Project Parties are described in Schedule 1, Section II of this Agreement.

3. 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.

4. The Programme Completion Date shall be the eight (8<sup>th</sup>) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months 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

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

## **Section D**

1. The Fund will administer the Financing and the Programme will be jointly supervised with AFD.

## **Section E**

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

- (a) The Programme Implementation Manual (the "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.
- (b) The Programme Manager or other key Programme staff have been removed from the Programme without prior consultation with the Fund.

2. The following is designated as an additional ground for cancellation of this Agreement:

- (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without justification subsequent to the first eighteen (18) months from the Effective Date.

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

- (a) Refund of any outstanding balances of closed projects, and any ineligible expenditures.
- (b) The IFAD no objection to the PIM shall have been obtained.
- (c) The IFAD no objection on the financial management and accounting manual.
- (d) Key Programme staff have been recruited competitively as per Schedule 3 of this Agreement.
- (e) A suitable Programme financial management information system shall have been acquired and installed by the National Programme Coordination Office (NPCO) to meet Programme requirements.

- (f) Subsidiary loan agreements shall have been duly executed between the Federal Government of Nigeria and at least one of the Participating States<sup>15</sup> and a legal opinion issued by the Attorney General of the Federation of Nigeria.

For the avoidance of doubt, a first disbursement to a Participating State can only be effected if there is in place, a duly executed subsidiary loan agreement between the Federal Government of Nigeria and such Participating State and a legal opinion issued by the Attorney General of the Federation of Nigeria.

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:

Minister of Finance and Coordinating Minister of the Economy,  
Federal Ministry of Finance,  
Ahmadu Bello Way, Central Business District,  
P.M.B 14 Garki Abuja,  
Nigeria.

For the Fund:

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

Copy to: The Country Director, Nigeria

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

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

FEDERAL REPUBLIC OF NIGERIA

\_\_\_\_\_  
[Authorized Representative]

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Alvaro Lario Hervas  
President

<sup>15</sup> Kebbi, Sokoto, Zamfara, Katsina, Jigawa, Yobe, Borno, Kano, Bauchi

Date: \_\_\_\_\_

## Schedule 1

### *Programme Description and Implementation Arrangements*

1. *Target Population.* The Programme shall directly benefit a total of 456,000 rural Households (HHs) receiving services promoted or supported by VCN.
2. *Programme area.* The Programme will cover nine states in northern Nigeria, including: states previously covered by CASP (Sokoto, Kebbi, Zamfara, Katsina, Jigawa, Borno, Yobe), Kano and Bauchi States (*the "Programme Area"*).
3. *Goal.* The goal of the Programme is to contribute sustainably to poverty reduction, enhanced nutrition, and better resilience of rural populations in the northern states of Nigeria.
4. *Objectives.* The objective of the Programme is to improve food and nutrition security and income of households HHs in northern Nigeria through inclusive and sustainable VC development as an enabler for rural transformation.
5. *Components.* The Programme shall consist of the following Components:
  - 5.1 Component 1: Foster climate resilient and nutrition sensitive production. This component aims to: (i) improve productivity, climate adaptive capacity and resilience of the smallholder farming systems in the target Value Chains (VCs); (ii) improve diet quality and nutrition awareness of the target rural HHs; and (iii) improve social cohesion and policy/institutional frameworks.
    - 5.1.1 *Sub-Component 1.1 - Promote sustainable agricultural systems, improved technology, and climate-resilient agricultural practices.* This aims to strengthen the productivity of Small Holder Farmers (SHFs) through the provision of quality inputs; training on Good Agricultural Practices (GAP); investment in irrigation, land preparation and water-smart practices; waterpoints for livestock; environment and climate mainstreaming to build the resilience and the adaptive capacity of SHFs; and support to Persons with Disabilities (PWDs) and Internally Displaced Person (IDP) returnees in appropriate VC activities. Digital solutions such as farmer registry, e-advisory services, and e-voucher system will help mitigate fragility.
    - 5.1.2 *Subcomponent 1.2 - Promote nutrition and gender awareness and practices.* This will promote: nutrition-sensitive VC crops through the selection of the crops with the highest nutrition advantage for each state, backed by market- oriented nutrition sensitive approaches, and bio-fortified seeds; gender- sensitive Social Behaviour Change Communication (SBCC) and nutrition education, and application of nutrition-sensitive Gender Action Learning System (GALS) tools to strengthen the role of gender dynamics at HH level; and context appropriate homestead nutrient-rich food production, and support small livestock starter packages targeting very poor women.
    - 5.1.3 *Subcomponent 1.3 - Promote social cohesion and an enabling policy, and institutional framework.* This aims to: foster community participatory planning involving stakeholders such as farmer-herder, women, youth, private sector and religious/traditional authorities; strengthen capacities of target groups for policy dialogue and advocacy with relevant government, private sector and traditional authorities; facilitate territorial dialogue spaces for fragility and conflict management; specifically, for disputes between SHFs and pastoralists, establishment and strengthening of community-based conflict resolution committees, and local peace/conflict resolution committees.

5.2 Component 2: Enhance inclusive and profitable integration of target groups in the VCs aims to: (i) improve post-harvest handling, value addition, and access to markets in supported VCs; (ii) increase entrepreneurial opportunities for youth and women along the target VCs; and (iii) enhancing beneficiaries' access to financial services.

5.2.1 *Subcomponent 2.1 - Improving post-harvest, value addition, market linkages and partnerships with VC actors. This aims to:* support acquisition of post-harvest infrastructure and equipment, construct/rehabilitate market infrastructure, including access roads to reduce post-harvest losses, and strengthen capacity of Farmer Organisations (FOs); promote multi-stakeholder participatory planning, scale up digital platforms to provide VC services; and leverage VC Public-Private-Producer Partnership (4Ps) platform. Fragility will be mitigated through the development of climate-resilient infrastructure, and the use of digital platforms.

5.2.2 *Subcomponent 2.2 - Promoting entrepreneurship for women and youth will help* create jobs among rural women and youth who are not integrated in FOs and whose access to land is limited, through training, advisory, start-up/business package, access to market.

5.2.3 *Subcomponent 2.3 - Improving access to financial services* aims to enhance beneficiaries' access to financial services, in combination with programme Matching Grant (MG) funds for youth, women and other vulnerable groups, through: capacity building of the demand for rural financial services linkage of SHFs with Financial Institutions (FIs); capacity strengthening of the Financial Service Associations (FSAs) and linkage to financial institutions, developing financial products including for de-risking lending to farmers. Fragility of access to financial services will be mitigated through promotion of weather-based index insurance and FSAs and Community Development Associations (CDA) capacity building.

5.3 *The Component 3 - Programme coordination and management* aim to ensure programme compliance with relevant policies and guidelines, effective and efficient implementation, and Monitoring and Evaluation (M&E) and Knowledge Management (KM). It will leverage the best practices and lessons learned in fragile situations under CASP and capitalise on community participatory approach and digital solutions to ensure transparency, effectiveness, efficiency, accountability, and sustainability of the Programme. This component includes a Response to Emergency and Disaster (RED) mechanism, a disaster response contingency to minimize disruption of activities in the programme areas. RED will be activated by triggers identified in the design report and approval by IFAD.

## **II. Implementation Arrangements**

6. *Lead Programme Agency.* The Federal Ministry of Agriculture and Food Security (FMAFS) is the lead programme agency.

7. *Programme Oversight Committee.* The National Steering Committee with representatives of the Federal Ministry of Finance, Federal Ministry of Budget and Economic Planning (FMBEP), and other ministries, the Central Bank of Nigeria (CBN), and a representative of Youth and Women Groups, will provide oversight to the implementation of VCN and approve the Annual Work-Plan and Budget (AWPB). At the state level, a State Programme Steering Committee chaired by the Commissioner of Agriculture will provide oversight to the VCN activities.

8. *Programme Management Unit.* The National Programme Coordination Office (NPCO) based in Abuja and State Programme Coordination Office (SPCOs) will be responsible for the planning, monitoring, evaluating, coordinating, and supervising programme activities at the federal and state levels respectively while supporting



knowledge management, partnership building and policy dialogue. The key Programme personnel include the following: a National Programme Coordinator, a Financial Controller, Senior Internal Auditor, a Procurement Officer, 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. In addition, for disbursement at state level, all the key positions (State Programme Coordinator, a State Financial Controller, a State Accountant, State Procurement Officer, a State Monitoring and Evaluation Officer, a State Infrastructure Engineer, a State Environmental and Climate Change safeguards officer, a State Development Communication Officer, a state Agricultural Productivity Officer, a Social Safeguards/Gender Officer, and a Rural Institutions Development Officer) must be filled competitively through an open market method of procurement.

9. *Implementing partners.* The VCN approach and activities are also designed to foster partnerships with public sector agencies (government projects in the participating states and relevant national agencies), private sector industry, value chain actors, and service providers including ICT4D firms, civil society organizations, farmer organisations, community development associations, development partners, academic and research organizations. VCN will foster partnerships with AFD RAAMP project and ongoing IFAD projects including Non Sovereign Operations (NSO). VCN will also create synergies with other programmes that pursue a business-oriented agriculture and aim at agricultural transformation through a value chain approach while facilitating an inclusive dialogue spaces for fragility and conflict management; specifically, for addressing disputes between SHFs and pastoralists, including the World Bank- Livestock Productivity and Resilience Support Project - LPRES (World Bank) for improving policy/institutional frameworks for inclusive and sustainable VC development.

10. *Monitoring and Evaluation.* The VCN M&E system will: (i) better inform the Federal and State Governments, NSC, NPCO, and implementing partners on the progress in implementation; (ii) provide reports of results-based evidence in assessing the Programme development effectiveness through routine monitoring of outputs and outcomes that are attributed to the Theory of Change; and (iii) ultimately, inform decision making. The M&E system will leverage on the key national agenda that aims to develop efficient and integrated digitalized systems of development interventions. With guidance from IFAD and the IFAD ICT4D team, VCN will develop an MIS-based system that will be used for data storage, analysis and reporting.

11. *Knowledge Management.* VCN Knowledge Management and Communication (KMC) Strategy will provide tools to ensure the dissemination of information about the Programme, visibility of Programme interventions and achievement, knowledge transfer, and participation of key stakeholders and Programme beneficiaries. The strategy would elaborate on the following KM areas: (i) provide Programme beneficiaries with the necessary material to sustain the technical knowledge acquired with the support of VCN through production of training materials and communication platforms for sensitization, and continuously assess their adoption; (ii) generate evidence-based knowledge acquired from the experience of the VCN in various fields based on the information collected as part of the monitoring of results or thematic studies to inform decision making at implementation and evaluate the Theory of Change; and (iii) share this knowledge in the form of tailored KM products with the technical departments of the FMAFS, IFAD, AFD, other donors, and implementing partners.

12. *Programme Implementation Manual.* A Programme Implementation Manual will be developed at Programme inception, which shall include, inter alia:

- I. Implementation responsibilities of the NPCO and SPCO as well as the terms of reference of Project staff, consultants, service providers and other parties

involved in implementation of the Project, as well as a framework agreement for engagement of service providers.

- II. Eligibility criteria and selection procedure with respect to Project beneficiaries and activities to be financed under the project and
- III. Detailed procedures for Project implementation, including a financial administration manual covering financial management, audit, and flow of funds arrangement.

Through the FMAFS, the NPCO shall forward the draft PIM to the Fund for its comments no later than ninety (90) days after the entry into force of this Agreement. The Lead Project Agency shall adopt the PIM substantially in the form approved by the Fund and shall promptly provide copy thereof to the Fund.

**Schedule 2***Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Financing 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:

<b>Category</b>	<b>Loan 1 Amount Allocated (expressed in USD)</b>	<b>Loan 2 Amount Allocated (expressed in USD)</b>	<b>Percentage</b>
I. Works	12.000 000	6 460 000	100% net of: taxes, Federal and State Government contribution and beneficiary contribution
II. Consultancies, Training and Workshops	11 820 000	3 550 000	100% net of: taxes, Federal and State Government contribution and beneficiary contribution
III. Equipment	15 340 000	2 660 000	100% net of: taxes, Federal and State Government contribution and beneficiary contribution
IV. Matching Grant	9 130 000	11 290 000	100% net of: taxes, Federal and State Government contribution and beneficiary contribution
V. Recurrent Cost	2 710 000	3 020 000	
Unallocated	5 700 000	3 020 000	
<b>TOTAL</b>	<b>56 700 000</b>	<b>30 000 000</b>	

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

- (i) Category III includes Equipment and Materials, Goods, Services, and Inputs, and Vehicles
- (ii) Category V includes operation and maintenance, and Salaries and Allowances

## 2. *Disbursement arrangements*

- (a) *Start-up Costs*. Withdrawals in respect of expenditures for start-up costs (in Category(ies)) 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 NPMU, SPMU and salaries of key staff; (ii) Elaboration of the Programme Implementation Manual including the financial procedures, accounting and procurement manual; (iii) preparation of the first AWPB and procurement plan; (iv) organization of a start-up workshop; (v) establishment of financial management information, and M&E systems; (vi) 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**

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. Within 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 projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. **Transfer of the Proceeds of the Financing to the Programme States.** The Borrower shall ensure that the proceeds of the Financing 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 (i) 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 VCN 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 Project 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) all vehicles and other equipment procured under the Programme are allocated for Programme implementation;

- (b) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Programme; and
- (c) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

9. IFAD Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project 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 Project 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. The Key Programme Personnel are: Programme Coordinator, Financial Controller, Senior Internal Auditor, Officer for Monitoring and Evaluation, Knowledge Management Officer, Procurement Officer, Infrastructure Engineer, Agriculture Productivity Officer, Rural Institution Development officer, Social Inclusion and Gender Specialist, Environment and Climate Assessment Specialist, State Programme Coordinator, a State Financial Controller, a State Accountant, State Procurement Officer, a State Monitoring and Evaluation Officer, a State Infrastructure Engineer, a State Environmental and Climate Change safeguards officer, a State Development Communication Officer, a state Agricultural Productivity Officer, a Social Safeguards/Gender Officer, and a State Rural Institutions Development Officer. In order to assist in the implementation of the Project, the PMU, 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 Project Personnel shall be competitively recruited on the market. 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 and IFAD no objection. Any contract signed for Key Project 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 VCN's circumstances.

## **II. SECAP Provisions**

1. For projects/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 projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects 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 Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. The Borrower shall not, and shall cause the Lead Programme 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.

3. 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).

4. The Borrower shall ensure or cause the Lead Programme 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 and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious Environmental, Social, Health & Safety (ESHS) incidents (as this term is defined below); labor 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.

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; and
- 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.

**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 the context of the loan or within the Borrower 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

allegations 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).

6. The Borrower shall ensure or cause the Lead Programme 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 Management Plan(s) (if any) are respected.

7. 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.

8. 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
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach <sup>16</sup> VCN	1 Persons receiving services promoted or supported by the project				Programme M&E System	Quarterly/ Annual	Coordination Unit & IFAD	Average HH 6.82 persons/H. It is considered that VCN will account for one (max.) beneficiary per household. One HH member per household is a direct beneficiary. Maintain existing CASP beneficiaries and identification of new VCN beneficiaries in the new and old targeted states.
	Total number of persons		364800	456000				
	1.a Corresponding number of households reached				Programme M&E System	Quarterly /Annual	Coordination Unit & IFAD	
	Number of Households		25536	68400				
	1.b Estimated corresponding total number of households members				Programme M&E System	Quarterly /Annual	Coordination Unit & IFAD	
	Total household members		2487936	3109920				
	Persons receiving services promoted or supported by the project				Project M&E System	Annually	National Programme Coordination Office (NPCO)	
Women Headed Households		31920	68400					
Project Goal Contribute sustainably to poverty reduction, enhanced nutrition, and better resilience of rural populations in the northern states of Nigeria.	Percentage contribution in prevalence of severe food insecurity in the targeted population during the Project years				IFAD, FAO, UN -The State of Food Security and Nutrition in the World Reports	Baseline/Midterm/Endline	National Programme Coordination Office (NPCO), IFAD	Acceptable level of major economic, social, health and climate shocks that have a drastic impact on the country especially on the VCN targeted area.
	Reduction - Percentage (%)	21.3	20	18				
Development Objective Improve food and nutrition security and income of households in northern Nigeria through inclusive and sustainable value chains development as an enabler for rural transformation	1.2.8 Women reporting minimum dietary diversity (MDDW)				COI Survey	Baseline/Midterm/Endline	NPCO	Beneficiaries will have consistent and sufficient access and use of resources including adopting climate-resilient inputs/supplies/ technologies for improved livelihoods Youth and women are granted access to assets; Effective conflict resolution mechanisms are in place.
	Total household members		945416	2332440				
	Households reporting increased income				Project M&E System	Baseline/Midterm/Endline	NPCO	
	Total household members		1243968	2487936				
	IE.2.1 Individuals demonstrating an improvement in empowerment				COI Survey	Baseline/Midterm/Endline	PMU in consultation with IFAD	
	Total number of people		80000	200000				
	SF.2.1 Households satisfied with project-supported services				COI Survey	Baseline/Midterm/Endline	PMU in consultation with IFAD	
	Total household members		1243968	2798928				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI Survey	Baseline/Midterm/Endline	PMU in consultation with IFAD	
	Total household members		621984	1865952				
Outcome Outcome 1 Improved productivity, climate-adaptive capacity and resilience of farming systems in target value chains	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				COI survey /Thematic studies	Baseline/Midterm /Endline	NPCO and IFAD	Beneficiaries will have consistent and sufficient access and use of resources including adopting climate-resilient inputs/supplies/ technologies for improved livelihoods Youth and women are granted access to assets; Effective conflict resolution mechanisms are in place.
	Total household members		1243968	1865952				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI survey /Thematic studies	Baseline/Midterm /Endline	NPCO and IFAD	
	Total household members		995174	2176944				
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				COI survey /Thematic studies	Baseline/Midterm /Endline	NPCO and IFAD	
Number - Number		1	3					
Output Output 1.1 Increased land brought under climate/water resilient	3.1.2 Persons provided with climate information services				M&E system	Annual	NPCO	Digital solutions supported by offline capabilities in areas of limited connectivity
	Number of people		223440	410400				

<sup>16</sup> VCN targets 60% men, 40% women (including 15% women headed households), and 30% youth. It also targets 10% Internally Displaced Persons (IDPs) and 10% Persons with Disability (PwD).

management and good agricultural practices , including Improved access to agricultural inputs and advisory services	3.1.4 Land brought under climate-resilient practices			M&E System and Progress reports	Quarterly Annual	PMU	Digital content production in local languages is done Beneficiaries are responsive to climate interventions and try new tools and technologies	
	Hectares of land - Area (ha)		7000					17500
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated			M&E system	Annual	NPCO		
	Hectares of land - Area (ha)		4892					7756
	1.1.3 Rural producers accessing production inputs and/or technological packages			Project M&E system	Annually	NPCO		
	Number of people		364800					456000
Number of persons accessing digital extension services to increase production and productivity			M&E system	Annual	NPCO			
Number of people		364800				456000		
Output Output 1.2 Increased targeted action to improve nutrition diet diversity and gender transformative approaches	1.1.8 Households provided with targeted support to improve their nutrition			M&E system Progress Reports	Quarterly Annual	PMU	Youth and women are granted access to participate in nutrition and gender equality learning activities. Beneficiaries show interest in diversifying food consumption	
	Number of people		1088472					2176944
	Households reached in the Gender Action Learning System (GALS) methodology			M&E system	Annual	NPCO		
Total number of household members		248794	1243968					
Output Output 1.3 Dialogue spaces supported at territorial level	Policy 2 Functioning multi-stakeholder platforms supported			Progress Reports / M&E system	Annual	NPCO	Effective participation and involvement of key stakeholders in community	
	Number - Platforms		1					3
Outcome Outcome 2 Improved post harvest handling and value addition, and inclusive policies that support access to markets and entrepreneurial opportunities for youth and women along the target value chains.	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities			COI survey /Thematic studies	Baseline/Midterm /Endline	PMU in consultation with IFAD	The social and agricultural policies (at federal and state level) continue to prioritise the most vulnerable rural population; Community buy-in and willingness to formalise business processes/systems. Proper uses and maintenance of climate resilient of infrastructure	
	Number of POs		4590					5400
	Women in leadership position		30					40
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities			COI survey /Thematic studies	Baseline/Midterm /Endline	PMU in consultation with IFAD		
	Total household members		746381					2176944
	2.2.1 Persons with new jobs/employment opportunities			COI survey	Baseline/MidTerm /Endline	PMU in liaison with IFAD		
Total number of persons		9000	30000					
Number of PwD		450	3000					
Output Output 2.1 Improved access to market infrastructure and post-harvest practices and facilities (storage, processing, food safety)	2.1.6 Market, processing or storage facilities constructed or rehabilitated			M&E system Progress Reports	Quarterly Annual	PMU	Community buy-in and support for the construction and rehabilitation of market infrastructure	
	Total number of facilities		87					217
Output Output 2.2 POs, Youth, and women trained and supported with business packages for entrepreneurship and professional partnership	2.1.2 Persons trained in Income-Generating Activities (IGA) or Business Management			M&E system	Annual	NPCO	Youth and women are granted access to IGA training activities and business start-up packages.	
	Number of people		3555					9000
	Number of PwD		322	715				
	2.1.3 Rural producers' organizations supported			M&E system Progress Reports	Quarterly Annual	PMU		
Total size of POs		363920	456000					
Output Output 2.3 Improved uptake of agri-finance and digital services	1.1.5 Persons in rural areas accessing financial services			M&E system	Annual	NPCO	Financial Services Associations strengthened institutionally and financially, linked with financial institutions, and empowered with digital solutions to scale up delivery of to SHFs, FOs and rural	
	Persons accessing savings		120000					240000
	Persons accessing credit		29840					60000
	Farmers accessing digital e-voucher for production inputs			M&E system	Annual	NPCO		
	Households members		182400					456000
	Total household members		1243968					3109920

## Integrated programme risk matrix

Risk Categories and Subcategories	Inherent	Residual
<b>Country Context</b>	<b>High</b>	<b>High</b>
Political Commitment	Substantial	Substantial
<p>Risk: Under the Renewed Hope Agenda, the new Federal Government declared an emergency on Nigeria’s food security situation and developed Nigeria’s Agricultural Transformation Engagement Strategy and an Agribusiness Transformation Engagement Strategy. The VCN is in line with the Renewed Hope Agenda and support the Presidential Deceleration on Food Emergency. (i)However, the new administration at the federal and state level having to deal with socioeconomics crisis there is a risk that government focus will be more on food security and other emergency actions than on transformative strategies. This could lead to delay in decision making and implementation of policies and projects in the agri-food sector. (ii)The socioeconomic crisis having an impact on fiscal space could affect decision making and capacities of governments to pay counterpart funding and limit their investment capacities in the agri-food system transformation. (iii) This crisis can also affect the process of signature of Subsidiary Loan Agreement (SLA) between the Federal Government and States Government. All the aforementioned risks are likely to affect start-up and implementation of VCN.</p>		
<p>Mitigations:            (i)VCN will support national food and nutrition security priorities while investing in inclusive sustainable food systems transformation. (ii) IFAD to advocate with FMF and FMAFS for intensifying dialogue with state governments for timely negotiation of the signature of Subsidiary Agreement as required by the Federal Government. (iii) limiting the counterpart funding requirement by state governments to payment of seconded staff salaries and in-kind contribution such as accommodation for the programme office, in line with the recommendations of the IFAD country programme review and the practices of other development partners operating in Nigeria. (iv) strengthen policy engagements with the national and state governments for scaling up private sector investment in food system transformation.</p>		
Governance	High	High

Risk Categories and Subcategories	Inherent	Residual
<p>Risk:</p> <p>In 2023 Transparency International ranked Nigeria 145 out of 180 on the Corruption Perception Index with a score of 25. In view of this rating, new government may introduce measure that could result in delayed disbursement for projects. Corruption could affect the effectiveness and efficiency of project management as well as increase the risk of undue political interference on project. In addition, low capacities, and lack of transparency in financial management, procurement, audit, and M&amp;E also poses high risk to the VCN.</p>		
<p>Mitigations:</p> <p>(i) IFAD ICO will further broaden its oversight mechanisms by exploring relationships with the Office of the Auditor General of the Federation to strengthen compliance to rules of borrowing and projects implementation. (ii) IFAD will work with the Federal Government to promote understanding of rules of project management by high level government decision maker at both Federal and State Level. (iii) IFAD and FGN would work together to ensure transparent recruitment of staff the open market, applying appropriate salary structure and enforcing accountability mechanism including through objective evaluation of performance and strengthened internal audit function. (iv) VCN will also leverage the CPAT expertise to strengthen the NPCO's capacities in financial management, procurement, audit and M&amp;E to reinforce compliance.</p>		
<p>Macroeconomic</p>	<p>High</p>	<p>High</p>
<p>Risk:</p> <p>There is high vulnerability of the economy and public finances to: oil price shocks, insufficient jobs creation for the large number of young Nigerians going into the labour force every year, as well as exchange rate fluctuations and rising inflation caused by the removal of petrol subsidies. The VCN also faces the risk of government inability at the national and state levels to mobilize counterpart funding to leverage the contributions of IFAD and AFD for full impact on VC development with the target groups.</p>		
<p>Mitigations:</p> <p>VCN will: tap into the great potential in the young workforce to boost economic growth through the development of their digital and entrepreneurship skills; leverage partnerships with the private sector and other development partners to enhance the access of youth to financial resources, youth-led enterprises, and digitalization; work with the programme states and LGAs that demonstrate commitment on delivering impact to women and youth farmers; and consider basing unit cost of VCN support to beneficiaries on the USD equivalent to cushion the effect of inflation.</p>		

Risk Categories and Subcategories	Inherent	Residual
Fragility and security	High	High
<p>Risk: The high fragility and security risks in northern Nigeria are attributable mainly to: insurgency in the northeast, banditry and kidnapping crisis in the northwest, the high impact of climate change, and pockets of communal clashes. These problems usually wipe off project investments when farmers are forced to abandon their fields, constrain effectiveness of programme management, and ultimately undermine the achievement of the VCN objective.</p>		
<p>Mitigations: The proposed mitigation measures include: (i) support dialogue and policy dialogue to strengthen policy implementation and institutional service delivery to VCN beneficiaries and others, including the herders; (ii) avoid intervening in the areas characterized by high level of insurgency, insecurity, conflict.; (iii) deepen the use of ICT4D and digital tools deliver services in risky areas without putting at risk project staff; (iv) strengthen activities that promote social inclusion and shared benefits to reduce conflicts (v) integrate conflict and insecurity management committee within community development associations and CAFs; (vi) promote integration of herders in conflict resolution and committee (vii) strengthen the dialogue between FOs and local security committee (viii) involve herders and farmers in community planning process and (ix) integrate a Response to Emergency and Disaster (RED) component to increase VCN's responsiveness to potential natural disasters.</p>		
Sector Strategies and Policies	Substantial	Substantial
Policy alignment	Moderate	Moderate
<p>Risk: The Renewed Hope Agenda of the current Federal Government places a premium on the agricultural sector to drive job creation for youth and improve the food security situation in the country. However, considering the higher level of fragility, conflict and resulting food insecurities in Northern Nigeria, there is the risk that the state authorities will prioritize emergency actions over long term development strategies and policies for food systems (especially with regards to rural and agricultural sector development, and governance of natural resources). In addition, considering difficult economic situation, investments may not be sufficiently pro-poor and/or aligned with IFAD priority themes and target groups (e.g., on land, environment, climate, gender, nutrition, youth, private sector engagement, etc). In addition, high poverty. This has the potential to undermine project implementation and the achievement of project development objectives.</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations:</p> <p>Continued policy dialogue and engagement with the government to ensure consistency in policies implementation in line with the SDGs and pro-poor agriculture sector development, food systems best practices. IFAD will provide policy and technical advisory as well as investment funds through its country programme to support pro-poor policy implementation aligned with IFAD priorities (e.g., on land, environment, climate, gender, marginalized groups, nutrition, youth, private sector engagement, etc). Continuous advocacy and awareness building with decisions makers on importance to prioritize transformative pro-poor and cohesion enhancing investments to break the continuous cycle of food and insecurity emergencies.</p>		
Policy Development and implementation	Substantial	Substantial
<p>Risk:</p> <p>The substantial risk of this subcategory in northern Nigeria results from: (i) social isolation and discrimination of individuals and groups, which hinders community cohesiveness; (ii) economic inequality, contributing to social fragmentation, with vulnerable groups (youth, women, PWDs, IDPs) feeling disadvantaged in the community; (iii) political instability and insecurity, contributing to social unrest and division, and (iv) cultural barriers to gender equality, social inclusion and access to services and opportunities within the community.</p>		
<p>Mitigations:</p> <p>The policy and implementation risk will be mitigated by: promoting policy and regulatory framework fostering inclusivity, creating and/or strengthening spaces for open dialogue to strengthen social cohesion, addressing concerns and building connections; implementing programme activities that create opportunities for all community members, addressing poverty and unemployment; empowering community members to have a voice in decision-making processes and foster a sense of civic responsibility; promoting gender transformative approach through GALS methodology; ensuring that decision-making bodies and community leadership reflect the diversity of the population; and promoting strategies on equitable distribution of resources and opportunities among different cultural groups.</p>		
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Substantial	Substantial

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p><b>Risk:</b> The value chain development approach of sustainable rainfed arable crop agriculture in a difficult semi-arid ecology with widespread degradation conditions. poses the risk of poor yield, loss of crops and land conflicts.</p>		
<p><b>Mitigations:</b> The risk will be mitigation by: (i) developing SECAP safeguard documents (SRN, ESCMF, ESCMP) which will guide environment and climate mainstreaming and NRM; (ii) building on the achievement of CASP by integrating activities that deepen the capacity of farmers in SWC and LR to improve the environment and NRM; and (iii) supporting extension services to promote adoption of GAP.</p>		
Project vulnerability to climate change impacts	Substantial	Substantial
<p><b>Risk:</b> The unpredictability of rainfall in terms of onset and cessation dates in the VCN programme area poses significant risks to small rainfed agricultural VCs. In recent years, water scarcity in the dry season, alternating with flooding during the short rainy season, have greatly affected farmers' investments in the region. These uncertainties are even projected to increase in the future as the short rainy season gets wetter and the dry season also gets drier.</p>		
<p><b>Mitigations:</b> The mitigation measures for this risk will include: (i) promote climate-smart GAP practices; (ii) strengthen access to climate information services and climate risk insurance; (iii) support farmers with climate-tolerant and high yield seeds; (iv) promote clean and energy-efficient processing systems; (v) provide capacity building on SWC and LR techniques, and (vi) strengthen extension services to disseminate innovations and digital agriculture technologies that improve climate resilience.</p>		
Project Scope	Substantial	Substantial
Project Relevance	Substantial	Substantial
<p><b>Risk:</b> The VCN is relevant to Nigeria's priorities and the rural beneficiary needs in northern Nigeria. It is also aligned with the priorities of IFAD and AFD to improve food and nutrition security, income, and resilience of smallholder farmers and other vulnerable segments of the rural population (women, youth, PWDs, IDPs), connecting them to markets and income-generating opportunities and addressing some of main fragility drivers. However, VCN is being implemented in an unpredictable and challenging context which is often associated with a wide range of risks (e.g. social conflict, insecurity, and</p>		

Risk Categories and Subcategories	Inherent	Residual
vulnerability to climate change, food and nutrition insecurity), factors that may hamper the abilities of farmers to produce sustainably.		
<p>Mitigations:</p> <p>VCN will continue to support engagements and dialogues, capacity building and risk management to de-escalate and reduce the current fragility drivers.</p> <p>The design includes actions at different levels to strengthen the beneficiaries capacity to cope with the different risks and challenges, it will adopt a demand-driven and participatory approach, thereby ensuring that interventions are relevant. VCN will promote climate resilient economic activities, partner with NiMET to provide early warning for disaster preparedness, with insurance companies to reduce the risk of complete loss, and with off-takers to provide a profitable market for farmers' produce.</p>		
Technical Soundness	Substantial	Substantial
<p>Risk:</p> <p>Although VCN is not expected to be an extension of CASP, limited institutional memory and quick understanding of the project objectives and technical details at the State levels due to retirement and redeployment of former experienced project staff may affect initial take-off. There may be limited institutional memory at the state level since many of the staff of the predecessor project, CASP which closed two years ago, had moved to other areas. A complete appraisal of the entire programme area was limited due to insecurity, which may underestimate the major technical opportunities and challenges at hand. There is also the risk of over-complexity of the design to address the high level of fragility in the region, all of which may undermine programme implementation and achievement of the development objectives.</p>		
<p>Mitigations:</p> <p>At design, the risk was mitigated by: (i) drawing on lessons learned from CASP and ongoing IFAD and AFD projects; (ii) consultation visits to five out of the nine states, and inviting stakeholders of the remaining four states to join in the consultations in nearby states to understand the needs, gaps and opportunities for VC development in the northern region; (iii) holding meetings with staff of the CASP sustainability projects in three states and with the AFD-assisted RAAMP in Kano, for lessons of implementation and guidance focal areas for VCN; (iv) leveraging the technical expertise and strong knowledge of the country context of CPAT to arrange the field visits to the five states and guide the interactions with the stakeholders at the state and national levels; and (v) identifying and executing complementary studies to fill in data gaps for finalizing the design report.</p>		



Risk Categories and Subcategories	Inherent	Residual
Institutional Capacity for Implementation and Sustainability	High	High
Implementation Arrangements	Substantial	Substantial
<p>Risks:</p> <p>(i) Capacity - there is the risk of a potential erosion of implementation capacity, due to the three years that would have elapsed between the completion of CASP and the start of VCN, the dismantling of the CASP headquarters in Katsina, and some states not sustaining the CASP arrangements and activities after the completion of CASP; (ii) VCN's lack of experience with AFD projects/procedures and lack of capacity to coordinate implementation arrangements that may involve several government agencies, different levels of government, non-government entities, and multiple donor agencies with different procedures and/or reporting requirements; (iii) For financial inclusion, the operational risks of lack of reliable off-takers and markets for farmers' produce and poor implementation of the socially inclusive gender transformative approach, the financing risk of lack of participation by financial institutions (FIs), and the credit risk of non-payment of loan; (iii) For ICT4D, capacity for farmer data management including inaccurate and incomplete data, insufficient financial investment in data infrastructure and management, cultural sensitivity issues on sharing data, poor sensitization or community engagement, funding and language barriers to disseminating weather information, poor adoption and infrastructure of digital extension advisory services, resistance to input distribution through digital e-vouchers, and risks to improving farmers' access to output markets including competition, data security.</p>		
<p>Mitigations:</p> <p>The risk will be mitigated by: (i) Capacity - consider giving some advantage points to applicants who had served successfully in CASP during the recruitment interviews, to bring in useful institutional memory for a quicker take-off of implementation, leverage the technical capacity of CPAT and PCU of the FMAFS to build implementation capacity for staff at the start of VCN, exploit the capacity of the private sector for private-public partnership and service provision in support of VC development activities, and locate the VCN headquarters in Abuja for closer proximity to the national technical support and oversight agencies, and for more effective air links with all the programme states in the face of risky interstate road travels due to banditry and terrorism; (ii) Financial inclusion - apply a market-driven approach where the type, quantity, and quality of production is determined by the off-takers in agreement with the producers, ratified by CAF, seek the buy-in of relevant stakeholders to allow a higher number of women, and youth, PWDs and displaced returnees to participate in the programme and access credit, target the involvement of diverse FIs such as the Development Financial Institutions (DFIs) e.g., Bank of</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>Agriculture, the Deposit Money Banks (DMBs) and Micro Finance Banks (MFBs) and orient Fis and provide technical assistance, make loan disbursement mainly in kind to prevent loan diversion, make loan repayment by the smallholder farmers in kind through the delivery of harvested produce in the right quantity and quality to off-takers who are to remit cash to the loan accounts of farmers in satisfaction of loan repayment, facilitate part-guarantee on loans disbursed under VCN, and, provide agricultural insurance for the beneficiaries; (iii) ICT4D – implement robust data validation processes, conduct regular audits, provide training to data entry personnel, establish clear data collection protocols, conduct regular data quality checks, incentivize farmers for accurate information, allocate a dedicated budget for data management, explore public-private financing partnerships and external funding sources, implement community engagement programmes, respect cultural norms regarding data sharing, use multilingual communication channels, and leverage community networks for dissemination of weather information, collaborate with telecom companies for improved network services, conduct market analysis, robust data encryption, and comply with data protection regulations.</p>		
Monitoring and Evaluation Arrangements	High	High
<p>Risk: The risk rating is based on the lessons of CASP which showed several challenges in M&amp;E implementation, including: (i) absence of field M&amp;E staff to conduct routine monitoring of activities for about half of the project cycle, due to the conflict and fragility situation in the targeted areas; (ii) absence of an M&amp;E coordinator at national level; and (iii) absence of a concise M&amp;E plan, outlining standardized tools, roles and responsibilities.</p>		
<p>Mitigations: To mitigate these challenges, VCN will: (i) Ensure that an adequate budget for M&amp;E, that considers issues of conflict and fragility, provided and clearly outlined in the COSTAB; and (ii) Provide a thorough M&amp;E guidance in the implementation manual that will detail the flow of data from LGA to National level, contextualize the IFAD core indicator definitions as per the project and, provide a detailed framework of an M&amp;E plan.</p>		
Procurement	Substantial	Substantial
Legal and Regulatory Framework	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
<p>Risks: Public procurement in Nigeria is governed by the Public Procurement Act (PPA) 2007, revised 2018; information on bidding opportunities is available on (Nigeria Open Contracting Portal (NOCOPO)); there are Public Procurement Regulations (PPR) for Goods and Works and a separate one for Consulting Services, both 2007, and a Public Procurement Manual. There are 6 open and non-open methods for Procurement for Goods &amp; Works, and 5 selection methods for consulting services. The risks are: (i) Though the Nigeria Bureau of Public Procurement (BPP) has a full cache of bidding documents (4 for Goods and Works, and 5 for Consulting Services), none of these documents have the self-certification forms and requirements, and the SECAP requirements; (ii) Standard contract exists in each bidding document. The contract template is fine but does not cover SECAP and some other IFAD requirements; (iii) Basic contract management in place but no strategic provisions for contract amendments; (iv) The last BPP Annual Report demonstrates that of 984 contracts, less than 2% of its procurement were done by open means and over 50% used direct selection methods without competition, and emergency procedures; and (v) No updated supplier databases to show how bidders are selected to receive invitations for non-open methods.</p>		
<p>Mitigations: (i) Adjustment of procurement thresholds; amendment of emergency procedures; (ii) Need to establish supplier databases (that are updated) to show how bidders are selected to receive invitations for non-open methods; and (iii) Have contract amendment provisions to ensure that critical high-value amendments are properly reviewed while small amendments are processed expeditiously.</p>		
Accountability and Transparency	Substantial	Substantial
<p>Risks: The corruption perception index score for 2023 is 25/100, with a ranking of 145/180. Nigeria is ranked 15th in the Fragile State Index for 2023, and among the 'ALERT' countries. The Procurement Plans posted on the BPP website have not been updated since 2017. Contract award information is absent. Procurement complaints have a 9-step procedure prescribed by law. The 1st level review is made by the procuring entity, and the 2nd level review by BPP instead of an independent body. Decisions by BPP are communicated to the complainant and the procuring entity. There is no sanctions system or procedure by BPP for miscreant bidders.</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations: VCN will have all procurement opportunities and contract awards above the applicable threshold advertised in at least 2 newspapers. No mitigation measures identified for the rest of the items.</p>		
<p>Accountability, Integrity and Transparency of the Public Procurement System</p>	Substantial	Substantial
<p>Risks: (i) Risk of procurement approvals leading to significant time wastages as prior review items may need to be cleared by both AFD and IFAD, so a complex government approval procedure for procurement items may negatively affect good time management; (ii) Risk that the required competence and experience on the procedures of international procurement standards and good practices may be lacking in the NPCO.</p>		
<p>Mitigations: (i) Apart from signature of contracts, all procurement approvals should stop with the programme coordinator; (ii) Ensure that Procurement Specialist pursues appropriate training sessions in IFAD procedures (BuildProc, OPEN-E2E), if he or she does not have sufficient experience in donor-funded procurement.</p>		
<p>Public Procurement Operations and Market Practices.</p>	Substantial	Substantial
<p>Risks: Part VI and VII of the PPA provides procurement methods for all categories fully consistent with IFAD's framework. All legal and regulatory framework documents are available at BPP website. Section 31 of the PPA specifies a minimum of 3 for the RFQ method, consistent with IFAD PPF. No minimum is established for other competitive methods. Standard Bidding Documents where available, are mostly consistent with IFAD standard solicitation documents, except for a few items. Not all contract formats are consistent with IFAD's. The minimum number of days for advertised procurement as provided for in the PPR, for Goods/Works and for Consulting Services, are consistent with IFAD's. However, public implementing entities do not usually do a focused market research before procurement planning. The Nigeria procurement framework does not cover SECAP requirements.</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p>Mitigations: VCN to: (i) use IFAD's Standard Solicitation Documents (SSDs) across the board for all advertised procurement. The SSDs cover SECAP requirements; (ii) use the IFAD Handbook which has detailed procedures in Module P for contract management, since the Nigeria procurement framework does not carry detailed contract management procedures (apart from Disposal for Goods); (iii) implement and strengthen the use of procurement plans as a planning tool in portfolio project management; (iv) forward a copy of the bid opening minutes to all bidders, without exception; (v) ensure that supplier invoices are processed in a timely manner and that payment is made within 60 days; and (vi) integrate the provisions of the SECAP standards for all stages of procurement, from REOI, RFP, ICB/NCB to contract and performance monitoring.</p>		
Assessment of Project Complexity	Substantial	Substantial
<p>Risks: The project, covering nine northern states in Nigeria and supported by IFAD and AFD, involves complex and high-value procurements across multiple categories, requires substantial procurement expertise, and faces significant environmental risks, although it does not incorporate new procurement methodologies or community participation in procurement processes.</p>		
<p>Mitigations: The Project has developed SECAP safeguard documents (SRN, ESCMF, ESCMP) which will guide environment and climate mainstreaming and natural resource management</p>		
Assessment of Implementing Agency Capacity	Moderate	Moderate
<p>The procurement methods detailed in Part VI and VII of the Nigeria Public Procurement Act 2007 align with IFAD's procurement policies, although updates and specific data such as contract award information are lacking on the BPP website since 2018. While Nigeria's standard bidding documents mostly adhere to IFAD's requirements, they do not integrate IFAD's environmental and climate provisions (SECAP), and there are no standard prequalification documents available online. Additionally, some bid evaluation criteria in the existing documents are not always measurable, and while the PPA supports administrative review of procurement complaints, detailed contract award data is notably missing from the BPP platform.</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
IFAD advises using its Standard Shopping Documents (SSDs) for Quality and Cost-Based Selection (QCBS), National Competitive Bidding (NCB), and International Competitive Bidding (ICB) procurements to fully integrate SECAP considerations and emphasizes the importance of having strategically measurable terms of reference, specifications, and evaluation criteria as part of its due diligence process.		
Financial Management	High	High
Organization and staffing	High	High
<p>Risks:</p> <p>Despite having one of the oldest accountancy bodies in the region, a 2022 report by the Chartered Institute of Public Finance and Accountancy (CIPFA) found that only 42% of Nigerian public finance professionals felt they had the necessary skills to effectively manage public funds highlighting prevalent institutional capacity issues. Capacity is unevenly distributed across the country. Government interference in the recruitment process is prevalent.</p>		
<p>Mitigations:</p> <p>The staff will be recruited through open competitive procedure. The TORs will be cleared and non-objected by IFAD. Staff will receive in depth training on IFAD financial management procedures, fraud and corruption, and ethics.</p>		
Budgeting	Substantial	Substantial
<p>Risks:</p> <p>(i) Weak capacity at the NPCO and implementing entities to prepare and submit accurate work program and budget; (ii) weak consolidation of budgets; and (iii) weak budgetary execution and control; (iv) cost overrun or under run and reasons not detected in a timely manner.</p>		
<p>Mitigations:</p> <p>(i) Early start of budget bottom-up consolidation; (ii) sharp scrutiny for realistic estimates and budget phasing by quarter for IFAD no-objection; (iii) effective budget-module installed at accounting software to monitor deviations; (iv) AWPB reviewed and approved by the steering committee. The project Financial Procedures Manual will define the arrangements for budgeting, budgetary control and the requirements for budgeting revisions. IFR will provide information on budgetary execution and analysis of variances between actual and budget.</p>		
Funds flow/disbursement arrangements	High	High

Risk Categories and Subcategories	Inherent	Residual
<p>Risks:</p> <p>(i) Risk of misuse of funds and delays in payment of invoices/expenditures of activities implemented by various actors; (ii) inadequate coordination between the NPCO and the states during cash flow forecasting leading to cash shortages to pay expenditures; (iii) inefficiencies in management of bank accounts leading to co-mingling of funds; (iv) challenging economic environment may delay the flow of FGN and states co-financing</p>		
<p>Mitigations:</p> <p>(i) Payment requests will be approved by the Coordinator prior to payment of funds to contractors or consultants and implementing entities. Reporting requirements will be included in all implementation conventions and disbursement will be based on deliverables; (ii) states will produce quarterly sources and uses of funds to be used as input for preparation of consolidated cash forecast; (iii) separate designated and operational accounts will be opened for different IFAD financing, AFD financing and counterpart funds.</p>		
Internal controls	High	High
<p>Risks:</p> <p>(i) Misuse of funds and inadequate documentation of incurred expenditures; (ii) Inadequate documentation of transactions and failure that funds are used for the intended purposes with economy and efficiency; (iii) FCS of the implementing states does not permit full compliance with acceptable FM requirements.</p>		
<p>Mitigations:</p> <p>(i) Incorporation of alternative internal control and assurance arrangements for FCS context; (ii) Robust Financial Procedures Manual (FPM) including checklist of support documents for incurred expenditures to be in place, and staff familiar with the FPM; (iii) Independent and effective internal audit and risk management function will be in place; (iv) Enhanced project accountability framework over soft expenditures will be implemented; (v) Biometric identification (fingerprints) of beneficiaries.</p>		
Accounting and financial reporting	High	High
<p>Risks:</p> <p>(i) Poor policies and procedures, lack of qualified accountant staff (capacity staff) and no familiarity with IPSAS accounting system, IFAD requirements, and Federal reporting requirements; (ii) Inaccuracy and delay in submission of IFR due to weak capacity of FM team; (iii) Lack of familiarity of NPCO team leading to some delays in recording of expenditures as well as preparation of periodic financial reports.</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations:            (i) The project will adopt the IPSAS Cash basis of accounting and financial statements will be configured in the accounting system. Accounting procedures will be documented in the procedures manual; (ii) Training on IFAD FM procedures will be provided to the staff as needed; (iii) A computerized accounting system will be used; IFR and FS will be automated; (iv) IFR and financial statements formats will be agreed on at project negotiations; (v) FM team of the NPCO recruited on competitive basis and capacity building planned before project effectiveness.</p>		
External audit	Substantial	Substantial
<p>Risks:            Delays in submission of audit report. The scope of the mission may not cover expenditures incurred by implementing entities.</p>		
<p>Mitigations:            Auditor General engagement will be done at the start of the financial year.            The project's institutional arrangements allow for the appointment of adequate external auditors and the ToRs (to be reviewed by IFAD) will include field visits and specific report on findings of physical controls of goods, services and works</p>		
Environment, Social and Climate Impact	Substantial	Substantial
Biodiversity conservation	Low	Low
<p>Risks:            The VCN programme area harbours some protected areas, forest reserves, and delicate wetland areas (such as the Hadejia-Nguru wetlands) that also serve as important habitats for wintering birds. Desertification, land degradation and biodiversity losses are already serious issues in northern Nigeria because of unsustainable land management practices and significantly contribute to climate impacts and resource conflicts.</p>		



Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations: VCN will: (i) conduct environmental screening for all subprojects to ensure minimal impact on the ecosystems and biodiversity and ensure no activities around protected areas, forest reserves and important wetland areas of conservation significance; and (ii) follow through the activities outlined in the SECAP safeguard documents to protect ecosystems and biodiversity (including agroforestry, SWC, LR, etc.). In addition, the land, soil and water management and sustainable agricultural practices (agro-ecology, agroforestry, inorganic fertilizers, reduced tillage, etc.) have positive impacts on biodiversity due to better air, soil and water conditions. For AFD this positive approach ("Nature+") can be accounted for, with "biodiversity co-benefits" (estimated at 40% of the project's budget, following the current tracking methodology).</p>		
Resource efficiency and pollution prevention	Substantial	Substantial
<p>Risks: The VCN is a natural resource-dependent project that may involve or lead to primary environmentally unsustainable production of living natural resources including arable cropping of value chain crops. Other inherent risks include waste proliferation from production and processing sites as well as excessive use of agrochemicals including inorganic fertilizers and pesticides and the release of pollutants to the environment due to routine or non-routine circumstances with the potential adverse impacts. The cluster farming to be adopted poses the risk of agrochemical pollution as well as massive groundwater drawdown around clusters through tubewell irrigation by several farmers. Adulteration and inappropriate application of agrochemicals could also be an issue</p>		
<p>Mitigations: (i) Resource efficiency and integrated waste management will be promoted and monitoring systems related to air quality (dust, CO2 emission etc) as well as health and safety on the project sites. This includes conversion of rice waste at processing sites to briquettes and biochar; (ii) Periodic monitoring of the groundwater around farm clusters will be conducted to ensure sustainability; (iii) As part of the GAP, farmers will be trained in the appropriate use of fertilizers and pesticides; (iv) Production of compost and farmyard manure will be promoted; and (v) Livelihood opportunities in waste valorization and training of youth in agrochemical application as an enterprise will be explored</p>		
Cultural heritage	Low	Low

Risk Categories and Subcategories	Inherent	Residual
<p>Risks: Some of the communities in the programme area have invaluable material and non-material cultural heritages (mountains, ruins and buried monuments), geodiversity and geo-heritage and long history of culture, traditions, values, and festivals that enrich their heritages. However, the chances that VCN will negatively impact cultural heritage of the people is low.</p>		
<p>Mitigations: VCN will: (i) activate the procedure for chance finds and other protection and handling of cultural heritage throughout all stages and activities of the programme; and (ii) discourage migrant-influx and ensure project beneficiaries are localized around their communities to reduce negative impact of alien culture diffusion into local culture to upset the traditional values.</p>		
Indigenous people	Low	Low
<p>Risks: There are no indigenous people according to the UN classification whose existence is threatened by VCN. However, there are several distinct tribes and cultures spread across the programme area. The risk of exclusion of marginalized and itinerant tribes (such as the nomadic Fulanis) and those with weak political representation is real.</p>		
<p>Mitigations: VCN will deepen social inclusion by considering all the social actors and mainstream inclusion and equity through the targeting, stakeholders' engagement and grievance redress strategies.</p>		
Community health and safety	Moderate	Moderate
<p>Risks: Productivity of the rural population is also hampered by ill-health, particularly HIV/AIDS, tuberculosis, malaria and the COVID pandemic. There is the risk of surface water pollution because of the programme activities that can impact the health of poor people that depend on surface water sources in the programme area. This includes risk of improper application of agrochemicals and water eutrophication. Lack of personal protective equipment (PPE) on farm poses the risk of exposure to schistosomiasis and other water-associated neglected tropical diseases (NTD). Child malnutrition is also high in northern Nigeria, and this poses the risk of increased childhood mortality.</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations: VCN will: (i) establish and maintain working relationships with the line ministries (such as health, gender, education) to build synergy in nutrition-sensitive interventions; (ii) create livelihood opportunities in agrochemicals and application and waste valorization by training youths to become experts in agrochemical applications; and (iii) promote the use of appropriate PPE among farmers to safeguard human health.</p>		
Labour and working conditions	Moderate	Moderate
<p>Risks: The total fertility rate, family size and number of children out of school is high in the programme area. Poverty is also very high and literacy level is low. VCN could operate in value chains that are characterized by working conditions that do not meet national labour laws or international commitments. it could also involve child labour. The Child Rights Act (2003) states that: No child shall be employed or work in any capacity except where he is employed by a member of his family on light work of an agricultural, horticultural, or domestic character... and ... A young person under the age of fourteen years may be employed only:(a) on a daily wage;(b) on a day-to-day basis; and(c) so long as he returns each night to the place of residence of his parents or guardian, or a person approved by his parents or guardian. Thus, although the risk of forced labour is low, the risk of using child labourers on the farm is substantial. The risk of women carrying out unpaid labour in their husbands' farms is also substantial. This situation is heightened by the fragility situations across the programme area.</p>		
<p>Mitigation: VCN will: (i) promote the implementation of the GALS which supports collaboration and cooperation between men and women for common goals; VCN will promote a framework to encourage gender equality and inclusive participation and discourage child labour and unpaid women labour, sensitize on community health and safety, and establish an open and well publicized grievance reporting channel and redress mechanism. (ii) within Nigeria's labour law and Child Rights Act, sensitize the programme beneficiaries and stakeholders on the danger of using child labourers, while continually monitoring beneficiaries to ensure compliance.</p>		
Physical and economic resettlement	Low	Low

Risk Categories and Subcategories	Inherent	Residual
<p>Risks: The risk of physical and economic displacement is low as the VCN will not support enterprises on disputed lands. Banditry, the Boko Haram crisis and farmers-herders crisis have already precipitated significant physical and economic displacement.</p>		
<p>Mitigation: VCN will: (i) screen subprojects to ensure no physical and economic displacement; (ii) support the economic empowerment of IDPs and economically dislocated people within the programme area; (iii) advise farmers to avoid lands in designated grazing reserves and around known grazing routes; and (iv) promote compulsory agricultural insurance for producers and processors as a 'no regret' strategy and policy dialogue on land and resource conflicts.</p>		
Greenhouse gas emissions	Moderate	Moderate
<p>Risks: The likelihood of some activities (e.g., rice cropping) as well as unsustainable land management practices and operation of environmentally unfriendly processing machines leading to emission of GHGs is real. In addition, the reliance of processing facilities on fuelwood and charcoal as energy sources poses the risk of GHG emissions.</p>		
<p>Mitigations: VCN will promote climate-smart agriculture and the use of climate information to guide on- and off-farm activities. Safeguard guidelines developed to guide and promote sustainable agriculture will be followed through. Use of clean and renewable energy technology and use of climate information and advisory services will also be promoted.</p>		
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
<p>Risks: The VCN target group is substantially dependent on climate-sensitive natural resources especially rainfed agricultural plots. For example, Rice, one of the VCN value chain crops, is grown mainly in the FADAMA (inland wetlands) and the fertile alluvial plains of the major river systems. All parts of the programme area have been subjected to extreme flooding in the recent past. Projected future climatic changes suggest that the programme area will experience fluctuations in temperatures and precipitation due to increased climate variability, implying high likelihood of increased dry spells and high intensity rainfall leading to pluvial floods. These could affect the</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
impacts, sustainability and return on investment of the sub-projects. These climate change impacts also heighten the risk of land degradation, desertification, and loss of biodiversity, further threatening the natural resource base upon which the programme interventions are built.		
<p>Mitigations:</p> <p>Mitigation measures include: (i) capacity building of the target groups on climate-smart agricultural production strategies; (ii) strong collaboration with extension and weather/climate monitoring institutions for regular agro-climatic information and use of the climate-resilient seed varieties (early maturing and flood and drought tolerant varieties); (iii) investing in market infrastructure (including market-connected roads and small irrigation structures) to strengthen resilience of small-holder farmers; and (iv) pursuing partnerships with relevant agencies to enable farmers access market information and climate-risk insurance to cover losses to floods.</p>		
Stakeholders	Substantial	Substantial
Stakeholder engagement/coordination	Substantial	Substantial
Risks:		
Socially inclusive stakeholder engagement could be resisted by powerholders. In light of potential conflict in communities where conflict has occurred in recent years, stakeholders hold animosities that prevent dialogue and coordination between players.		
Mitigations:		
Stakeholders will be engaged for conflict prevention and resolution as well as for grievance management, as needed, through common spaces such as the CAF and local community venues. VCN's stakeholder engagement plan (SEP) will consider relevant interventions over the course of the project cycle, from project launch, to mobilization, during implementation as part and parcel of activities and for M&E, learning and planning purposes.		
Stakeholder grievances	Moderate	Moderate
<p>Risks:</p> <p>There is a risk that VCN has ineffective grievance/complaint redress processes (including with respect to allegations of non-compliance with IFAD's SECAP standards, fraud, corruption, or SEA), leading to unaddressed stakeholder complaints that may undermine programme implementation and achievement of the development objectives.</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p>Mitigations:            VCN will: (i) maintain robust knowledge management, information dissemination and community engagements to keep everybody informed; (ii) implement a simple SEP with a clear complaint/grievances redress and dispute resolution framework, which is make known to all stakeholders. The Grievance Redress Mechanism (GRM) identifies potential issues that may necessitate grievance redress and mitigation, providing access to information on a regular basis to help prevent grievances from arising in the first place, or from escalating to a level that can potentially undermine project performance</p>		