I. Project Context

Country Context

Nigeria is Africa’s most populous country and its second largest economy. With a population of nearly 180 million people, Nigeria accounts for almost half of West Africa’s population. Oil accounts for more than two-thirds of the country’s fiscal revenues and about 90 percent of foreign exchange receipts. For a decade, since 2003, Nigeria had achieved strong growth, averaging over 6 percent a year. Growth was mainly driven by the non-oil-sector (agriculture and services), private consumption, and factor accumulation (capital mostly) with only minor contribution from productivity gains. Structural changes in the economy were particularly evident in services (telecommunications, transportation, hotel and restaurants), construction and real estate, and the financial sector.

Since the onset of the oil price shock in mid-2014, growth declined from 6.3 percent in 2014 to 2.8 percent in 2015. In 2016, the economy has registered negative growth in the first three quarters, with GDP contracting by -2.24 percent (year-on-year) in the third quarter. While the deterioration in the situation was triggered by the oil price shock, it has been compounded by additional factors including a sharp drop in oil production levels due to militant activities in the Niger Delta region. The recession has also brought to the fore the long-standing structural and institutional weaknesses of Nigeria’s economy. Similar to the federal government, states and local government budgets are also dependent on oil. However, the structural weakness went unaddressed given the buoyant
liquidity during boom years. In 2013, oil revenue represented 73 percent of total revenue of the states. The collapse of oil prices and the liquidity crunch revived tensions on the burden of the adjustment between federal government and subnational governments that ended in a state bailout in July 2015.

Poverty reduction was not commensurate with the rapid growth in gross domestic product (GDP) experienced in recent times. At national level, poverty rates, using consumption per capita, declined from 46 percent in 2003 to 35.6 in 2011. They remained unchanged (at 36 percent) through 2013. Factors that explain this include low labor absorption. Nigerian economy proved, in the last decade, to be unable to create enough jobs to absorb the growing labor force. The rapid widening in inequality slowed poverty reduction appreciably. Inequality in household consumption widened in 2004 by about 15 percent based on the Gini coefficient: from 0.36 to 0.41.

Nigeria has great potential but faces significant constraints. The overall picture is further complicated by the absence of a one-size-fits-all solution. The performances of northern and southern Nigeria differ. The coastal parts of the South West and South South states can be considered middle-income economies that have achieved important results in poverty reduction, but are facing the typical constraints of this group of economies, such as chaotic urbanization, unmet demand for high-quality services, and an unfavorable business climate. Meanwhile, the upper northern states have been experiencing deep poverty, sluggish growth, and limited access to basic services and infrastructure.

Nigeria's 2015 presidential elections brought to power the opposition candidate and his party, the All Progressives Congress (APC), won on a platform to improve security, address corruption, and promote more inclusive and job-enhancing growth in reaction to the country's security challenges, endemic governance issues, and weakened economy. The Government seeks to implement stabilization and recovery measures while addressing the medium and long-term development agenda, including efforts to improve security and combat corruption. The stabilization and recovery measures focus on (a) restoring macroeconomic resilience and growth; and (b) improving security in the North East and Niger Delta. The medium and long-term agenda is to promote job creation and build an economy led by a strong and responsible private sector; provide physical and economic infrastructure; enact social policies that would increase opportunities for the poor and vulnerable; and address climate change and other stressors. Agriculture, mining, infrastructure are key vehicles for increasing non-oil revenues, diversifying the economy and generating jobs stabilization and recovery measures focus on (a) restoring macroeconomic resilience and growth; and (b) improving security in the North East and Niger Delta. The medium and long-term agenda is to promote job creation and build an economy led by a strong and responsible private sector; provide physical and economic infrastructure; enact social policies that would increase opportunities for the poor and vulnerable; and address climate change and other stressors. Agriculture, mining, infrastructure are key vehicles for increasing non-oil revenues, diversifying the economy and generating jobs.

**Sectoral and institutional Context**

Agriculture continues to feature prominently in government effort to diversify the economy and government revenues away from oil. In the context of a sharp decline in oil prices, agriculture would continue to be a major contributor to Nigeria's economy. Agriculture particularly crop production which accounts for 93.45 percent of agriculture growth, provides livelihoods for about
90 percent of the rural population. The 2016 National Bureau of statistics second quarterly report on the economy showed that agriculture has overtaken trade as the largest contributor to the real GDP and to non-oil growth. Recognizing that growth in agriculture would have the greatest impact on poverty reduction and as part of promoting growth in the non-oil sector, the Government of Nigeria laid out the Green Alternative -Agriculture Promotion Policy (2016-2020), a strategy to decisively shift agriculture out of its subsistence, low input, low output, and low equilibrium trap. In July 2016, the Federal Government of Nigeria (FGN) approved the Green Alternative-Agriculture Promotion Policy (AAP; 2016-2020), building on the Agriculture Transformation Agenda developed under the previous administration. The key themes of this policy are: (i) supporting productivity enhancements; (ii) crowding in private sector investment; and (iii) institutional realignment of FMARD with a focus on improving the ease of doing business in Nigeria’s agriculture space.

In the context of weak oil prices, agriculture will continue to be a major contributor to Nigeria’s economy. Agriculture particularly crop production, which accounts for 92 percent of the agriculture sector, provides livelihoods for about 90 percent of the rural population. The 2016 third quarterly GDP growth report showed that agriculture now represents 28.7 percent of the economy, increasing from 22.6 percent in 2016 second quarter as the sector continued to post solid growth of 4.5 percent (YoY), in contrast to the continued contraction in the industrial sector and services sector.

Despite the increased contribution of agriculture sector to GDP, productivity remains low. Productivity has not grown sufficiently due to under-investment in new technologies, slow adoption of existing improved technologies, constraints associated with the investment climate and lagging infrastructure. There are large and exploitable yield gaps for most crops. For example, According to the WDI 2014, cereal yield in Nigeria is lower than half the world’s average. The total import of agriculture related items was estimated at US$4.25 billion (or about 6.6 percent of the total sector GDP) in 2010, providing a clear evidence on existence of unmet demand by domestic production in food items. Therefore, promoting higher agricultural productivity, especially in smallholders farming, can also close the gap while helping set off a strong rural dynamics. In that regards, gender dynamics in the agricultural sector need also to be addressed. As in much of sub-Saharan Africa, women in Nigeria have relatively limited access to productive agricultural land, inputs and services compared with men. Reducing the gender gap in agricultural productivity thus stands to substantially reduce poverty in Nigeria as a whole.

Investment in agricultural value chains and support services is justified on many grounds. It would be difficult to achieve rural poverty reduction unless there is significant improvement in agricultural productivity and efficiency in related public spending. Use of fertilizer, for example, is positively correlated with agricultural productivity improvement for both poor and non-poor farmers. A recent household survey points to an increase in the private sector non-farm activity across Nigeria, albeit limited.

Agriculture and small nonfarm household enterprises in both rural and urban areas will nonetheless account for the bulk of new jobs for the foreseeable future. The wage sector, where earnings and benefits are highest, remains modest at 17 percent of workers in 2011. Nearly 10 percent of these jobs are in the public sector. Even under favorable assumptions regarding wage sector growth rates in the next ten years, more people will still be working in agriculture and in the nonagricultural household sector. While it will be important to foster a formal, urban, and modern sector that can
create jobs with higher earnings, increasing productivity in agriculture and agro-processing enterprises by enhancing youth skills and empowering them to engage in those activities seems the most effective way to tackle unemployment in the short to medium term.

Following the government policy thrust of promoting value chain approach to achieve the Green Alternative goal, project intervention will consist of tackling key constraints hindering the development of the value chains and preventing greater inclusion of small and medium scale farmers to agribusiness supply chains. The project will scale-up the Business Alliance model being successfully implemented under the Bank supported Commercial Agriculture Development Project (CADP) and inspired by the ➢ (Productive Alliance) model, implemented across Latin America with the World Bank support. The scale-up will have an improved design features to account for lessons learned and country specific contexts.

The approach will address market imperfections that inhibit small holder producers ➢ (socio-economic progress, inter alia: (i) low productivity and limited scale of production; (ii) weak market negotiation ability of small producers vis-à-vis buyers and input providers to obtain better prices and more stable market relationships; (iii) inadequate knowledge of both production practices; technologies, and market requirements, as well as entrepreneurial management to become more competitive and resilient to economic and climatic shocks; (iv) limited access to financial resources for productive investments to increase efficiency and comply with requirements demanded by the markets; (v) inability of buyers and sellers to successfully integrate into local, national, and/or international value chains market; and (vi) women farmers ➢ lack of access to credit and technology. The Business Alliance approach involves three core agents: (i) a group of smallholder agricultural producers; (ii) one or more buyers; and (iii) the private/public sector. These three entities are connected through a business proposition, or ➢ (business plan ➢ ), which describes the capital and services needs of the producers and proposes improvements that would allow them to upgrade their production capacities and skills to strengthen their linkage with the markets, i.e. the buyer(s).

II. Proposed Development Objectives
The Project Development Objective (PDO) is to enhance agricultural productivity of small and medium scale farmers and improve value addition of priority value chains in participating States.

III. Project Description
Component Name
Production and Productivity Enhancement
Comments (optional)
Provision of support to improve farmers ➢ (participation to agribusiness supply chains and response to market requirements through: (a) technical assistance to develop value chain investment plans and stakeholder mapping, and for structuring business alliances and out-grower schemes linking farmers to off-takers and processing units; (b) acquisition and dissemination of improved, climate smart and nutrition-sensitive technologies (inputs, equipment and machineries, etc.) for agricultural production systems; and (c) support to technology adoption, through a grant mechanism to farmers and farmers ➢ groups, to facilitate access and adoption of proven technologies.

Component Name
Primary processing, Value Addition, Post-Harvest Management and Women and Youth

Component (optional)
Provision of support for post-harvest losses, consolidation of produce and primary processing by farmers, cooperative societies, and small and medium scale enterprises in Project intervention areas, focusing on gender sensitive activities along the value chains through: (a) Grants for start-up or consolidation of existing women and youth-led businesses, selected beneficiaries following agreed eligibility criteria and procedures; (b) Rehabilitation or construction of simple design aggregation centers, and provision of income generating assets such as equipment and machinery for post-harvest handling, storage and quality management, clearing, sorting, processing and packaging for organized group of beneficiaries in target production clusters; (c) Market development and linkages.

Component Name
Infrastructure Support to Agribusiness Clusters

Comments (optional)
Provision of support to improve the physical environment for agro-industrial processing units located in SCPZ sites or agribusiness clusters with significant potential for greater inclusion of small to medium size farmers in to the agribusiness supply chains through (a) design and construction of infrastructure such as access roads, jetties and other water transport infrastructure, mini water supply systems to unlock production clusters and facilitate linkage to processing units and aggregation centers; (b) same facilities aiming at connecting processing clusters to facilitate small and medium farmer’s inclusion onto agribusiness supply chains.

Component Name
Assistance, Knowledge Management and Communication

Comments (optional)
Provision of support to build capacity of Project staff and partners in the relevant areas of value chains development, through: (a) Capacity Building, including preparation and implementation of project capacity building and training plans, and support to Project’s collaborating institutions at federal and state levels; (b) Technical assistance and knowledge management, including studies and preparatory works for subsequent projects contributing to advancing the implementation of the government strategies; and support to FAMRD in improving quality control of inputs, and information to farmers on input markets and agro dealers; and (c) Communication and outreach.

Component Name
Project Management and Coordination

Comments (optional)
Provision of support to ensure effective management and coordination of the Project for technical, financial, administrative, monitoring and evaluation activities during Project implementation through: (a) Project management through provision of Project staff related costs, Operating Costs, equipment and tools necessary to carry Project day-to-day activities by NCO and SCOs, and provision of staff salaries and allowances through counterpart funding, (b) Monitoring and Evaluation (M&E) including Gender and tracker, Beneficiary assessment and impact evaluation; (c) preparation, implementation and monitoring of environmental and social safeguards instruments, as well as establishment of an effective grievance redress mechanism.

IV. Financing (in USD Million)

| Total Project Cost: | 203.50 |
| Total Bank Financing: | 200.00 |
V. Implementation

The overall responsibility for the implementation of the Project will be under the auspices of the Federal Ministry of Agriculture and Rural Development (FMARD). FMARD will execute the project using the structure of the on-going IDA financed CADP project (P096648). This existing structure will be revised and strengthened to accommodate the design elements of the new project as well as to reflect lessons learnt from the execution of CADP and similar projects.

It is agreed that the CADP National Coordination Office (NCO) within FMARD will be responsible for the overall coordination of the project and will also implement selected project activities from the Federal level. The NCO has the required qualifications and experience and has been performing satisfactorily during the past five years. The NCO will coordinate the project implementation and performance monitoring using CADP Project Implementation Manual, which will be updated to reflect the new project design. The NCO will also be responsible for the overall coordination of communication with the World Bank. At state levels, project activities will be implemented through the existing five States Coordination Offices (SCOs) and through new SCOs that will be established in the additional participating states. To account for new project activities, associated design and to reflect lessons learned from the execution of CADP, the relevant executing agencies and implementation arrangements both at Federal and State levels will be strengthened.

At the Federal level, the National Steering Committee (NSC) will be the oversight organ, while at the state level, there will be two layers of oversight comprising of the State Steering Committee (SSC) and the State Technical Committee (STC).

The National Steering Committee (NSC) will be chaired by the Minister of Agriculture and Rural Development or the Permanent Secretary as a designated representative while the committee's membership will comprise of representative of agencies at the Federal level and other stakeholders involved in the execution of the project (the list of the NSC is given in Annex 3). The functions of the NSC will be to carry out overall oversight of the project including review of consolidated project monitoring and implementation progress reports and approval of consolidated AWPB submitted by the NCO. The NCO will serve as the secretariat for the NSC.

The NCO will coordinate Project activities on behalf of the FMARD, and will implement cross cutting activities that benefit all participating states (in particular under Component 4, and Component 5). At Federal level, the NCO will be responsible for managing procurement; administering the M&E system; coordinating the work of the different partners; preparing periodic reports and providing support to SCOs. The NCO will be responsible for coordinating and consolidating the preparation of the project’s Annual Work Plan and Budgets (AWPB) approved by the NSC. Also, the NCO will also be responsible for consolidating project monitoring and implementation progress reports received from SCOs that will be part of the quarterly and annual overall project progress reports. The NCO will supervise and provide technical support to SCOs in implementing the project activities at state levels. The NCO will have a reporting responsibility both to NSC and to the World Bank. To ensure NCO discharges its duties on time and efficiently,
the entity will be staffed with appropriate staff and will benefit from TA as required. In addition, a third-party service provider will be contracted to provide support to NCO and SCOs in project execution.

At the State level, subject to the supervision of the SSC and STC, the State Coordinating Offices (SCOs) shall carry out the day-to-day execution of the project's activities. The existing SCOs under the current CADP operation will be strengthened to perform the new functions under this project while new SCOs will be created in the additional new participating states. In carrying out their functions, the SCOs will facilitate and coordinate project activities at their respective States and will be responsible for preparing monitoring reports, annual work plans and budgets, and preparing periodic reports and submitting to the SSC, STC and NCO. The SCO will serve as the Secretariat for both the SSC and the STC. In this regard, the SCO will have a reporting responsibility to the SSC, STC and NCO. They will also be responsible for all fiduciary aspect of project execution except financial matters.

The responsibility for the management of financial affairs will be executed by existing Projects Financial Management Units (PFMUs) in each of the participating states. Specifically, the PFMUs will be responsible for: (i) managing the State Designated Accounts, preparing activity budgets, monthly project bank account reconciliation statement, quarterly Statement of Expense (SOE) Withdrawal Schedule, quarterly Interim Financial Reports (IFRs) and annual project financial statements; and (ii) ensuring that the project financial management arrangements are acceptable to the Government and IDA. It will also forward the reports and statements to State Ministries of Agriculture and Finance and IDA.

Oversight policy and strategic orientation functions will be performed by the SSCs at state level. The SSCs will be headed by the Deputy Governor in each state or his designate. The SSCs will ensure alignment of the project with state policy and development programs; approve State Annual Work Plan and Budget (SAWPB) prepared by SCOs and cleared by STC; and assess project implementation progress reports. The SSCs will functions at the state levels, to a certain extent, the way the NSC functions at the federal level but will be supported by STC.

To support the activities of both the SCC and the SCO, a Technical Committee (STC) will be organized that will meet quarterly and as needed to provide technical back-up to the SCO. The technical group will be chaired by the Permanent Secretary for each state. Given that the project is designed to allocate resources based on the performance of each state, the STC will closely follow and facilitate the periodic utilization of funding availed under the project. The STC will review technical, monitoring and other reports; guide and facilitate project implementation; ensure project is executed in accordance with the project design; facilitate and create forum for collaboration among similar projects and agencies with activities relevant to the Project that are operating in their respective states; and ensure that project implementation is carried according to SAWPB as approved by the SCCs and in accordance to the Project Implementation Manuals. The STC has the mandate to facilitate stakeholders participation at the state level that will facilitate in enhancing operational synergy and complementarity. The technical committee will also ensure that agreed action between the SCC/SCO, the Bank Implementation Support Mission reports and other observations made by external assessment (such as audit service) are implemented timely.

The oversight and supervision mechanism, at both Federal and participating states levels, will significantly help in addressing any tendencies of lack of transparency and accountability that may tend to arise, in addition to strict observance of Bank's guidelines and procedures. Taking the
lessons learned from the implementation of CADP, this new Project implementation arrangement will strengthen areas where weakness was observed in project execution. These include addressing capacity limitations, ensuring participation of beneficiaries at local level, avoiding delays in approval processes, defining clearly the responsibilities of each participating actors, and staffing of SCOs with appropriate technical staff.

VI. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Comments (optional)
The project will initially operate in the five states under CADP plus Kogi State which was the basis for the preparation of this project in its early design.

The project will support agro-processing enterprises and infrastructure works under Component two and three. The project environmental category is rated B as a recognition of the potential adverse environmental risks and impacts that could include runoffs from the use of agricultural chemicals, and other potential adverse environmental impacts associated with small-scale civil works for food processing or storages, and other facilities to ensure that construction of warehouse, connection to infrastructure network such as rural roads and energy lines to connect commercial farms and agro-processing facilities.

However, the specific locations of the final individual site interventions are not known at this phase of project preparation, therefore an Environmental and Social Impact Framework (ESMF) has been prepared and was publicly disclosed in-country on January 30, 2017 and January 31, 2017 at the Infoshop of the World Bank.

As a principle, the World Bank's safeguard policies will apply to all investments to be supported under the project. Once the physical locations and design of the intervention areas are defined, the borrower will prepare and timely disclose publicly a site specific Environmental and Social Impact Assessments (ESIAs) and Environmental Management Plan (ESMPs) to provide the necessary mitigation measures for any unforeseen social and environmental aspects on the proposed intervention site. The ESIAs/ESMPs will be subject to prior review and concurrence by the Bank. Subsequently, the ESIAs/ESMPs will also be publicly disclosed both in-country and at the InfoShop prior to the physical start of the said activity.

VII. Contact point

World Bank
Contact: El Hadj Adama Toure  
Title: Lead Agriculture Economist  
Tel: 5331+3485 /  
Email: etoure@worldbank.org  

Contact: Adesimi Freeman  
Title: Lead Private Sector Specialist  
Tel: 473-9520  
Email: afreeman@worldbank.org  

Contact: Sheu Salau  
Title: Senior Agriculture Economist  
Tel: 5359+218 / 2  
Email: ssalau@worldbank.org  

**Borrower/Client/Recipient**  
Name: Federal Republic of Nigeria  
Contact: Ministry of Finance  
Title:  
Tel:  
Email:  

**Implementing Agencies**  
Name: Federal Ministry of Agriculture and Rural Development  
Contact: Dr. Aminu Babandi  
Title: Director of Federal Department of Agriculture  
Tel: 2348037860764  
Email: ababandi@gmail.com  

**VIII. For more information contact:**  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: http://www.worldbank.org/projects