

Ex-Ante Evaluation (for Japanese ODA Loan)

Africa Division 1, Africa Department

Japan International Cooperation Agency

1. Basic information

- (1) Country: The Federal Republic of Nigeria (hereinafter referred to as “Nigeria”)
- (2) Program Site / Target Area: The whole of Nigeria
- (3) Program: Food Security Emergency Support Loan
- (4) Loan Agreement: April 24, 2024

2. Background and Necessity of the Program

- (1) Current State and Issues of the Agricultural Sector and the Priority of the Program in Nigeria

Nigeria has the second highest GDP (472.624 billion dollars) and the second largest population (218.54 million) in Africa (Source: The World Bank, 2022). The country, whose land covers various climate zones from the semi-arid region in the north to the tropical region in the south, has huge agricultural potential as approximately 77 percent (approximately 71 million hectares) of its land is arable land and fertile soil and abundant water resources are also available. The agricultural sector is one of the major industries in Nigeria, and it contributes 24.9 percent to its GDP (Source: The National Bureau of Statistics (NBS), 2022) and employs approximately 38 percent of its workforce (Source: The World Bank, 2022). However, approximately 90 percent of agricultural produce is grown by small-scale farmers, who make up the majority of the rural population (approximately 100 million people). The country faces a challenge of improving agricultural productivity. Those small-scale farmers primarily farm less than two hectares of land using traditional farming methods, and due to financial constraints on the use of agricultural inputs, such as quality seeds, fertilizers, and agricultural chemicals, as well as poor infrastructure, their production yield of rice, which is a staple for the country, is limited to 1.5 tons per hectare while the production yield of wheat is limited to 1.1 tons per hectare. With respect to the steady supply of food in the country, per capita food production declined because agricultural production volume did not increase as compared to the population growth rate, the country experienced global food supply chain disruptions resulting from the impacts of the recent COVID-19 pandemic, and

food export to neighboring countries increased due to the depreciation of the naira. These factors have driven up food prices in Nigeria. The average annual rate of food inflation for the 12 months ending January 2024 over the previous 12-month average was 28.91 percent, which was a 7.38 percent increase from the average annual rate of change of 21.53 percent recorded in January 2023 (Source: NBS, 2024). In addition, energy prices and prices of agricultural inputs, including fertilizers, are rising globally, which, in turns, drive up food prices even further, and put the country's food security at risk.

The Nigerian government in its National Development Plan (NDP) 2021-2025 aims at achieving (1) a broad-based real GDP growth rate of about 5% on average during the plan period; (2) increased employment generation of about 21 million jobs; and (3) through an inclusive growth in lifting 35 million people out of poverty over the plan period (2021-2025). One of its development issues to achieve these goals is agriculture and food security. To ensure food security, Nigeria is required to promote economic growth and improve agricultural productivity so that domestic demand for food can be met. In line with the NDP, the Federal Ministry of Agriculture and Food Security (FMAFS) (formerly known as the Federal Ministry of Agriculture and Rural Development) developed the National Agricultural Technology and Innovation Policy (NATIP) (2022-2025). The FMAFS aims to create a diversified economy that guarantees access to nutritious food, growth and employment opportunities across the agricultural value-chains. To achieve these goals, the FMAFS seeks to increase agricultural productivity and improve access to financial services by taking advantage of the latest knowledge, technology, and innovation and by mechanizing agriculture and using quality agricultural inputs. Examples of this effort include the National Agricultural Growth Scheme (NAGS), which has been established to implement the NATIP. In order to promote quality agricultural inputs, the NAGS plans to use an electronic platform (Agro-Pocket) and issue discount purchase coupons directly to small-scale farmers via an SMS, and to efficiently distribute them without involving several intermediaries. Collaboration with the Extension Services is also planned to consider the implementation of technology using radio, television, leaflets, and apps such as WhatsApp. In order to improve productivity of grains and oilseed crops, agricultural inputs such as quality seeds, fertilizers, and agricultural chemicals are essential, but quality seeds are in short supply for all crops except for maize. It is, therefore, necessary to develop and implement a policy that encourages the private sector to participate in breeder

seed and foundation seed production.

On the other hand, the budget allocated to the agricultural sector was only 1.8 percent of the total national budget for 2022 (291.5 billion naira (approximately 90.4 billion yen)), which is as low as it has been in recent years. In contrast to this, 10 percent of the budget allocation target of the 2003 Maputo Declaration agreed by the heads of governments at the African Union must be achieved to implement the NATIP, which means that there is a funding gap of up to 400 billion yen per year. The FMAFS is in the process of developing a NATIP investment plan to allocate 10 percent of the budget. In light of this situation, the Nigerian government has requested the African Development Bank (AfDB) to provide urgent financial support needed to implement the NATIP and also requested similar financial support from the Japanese government to co-finance with the AfDB.

The Food Security Emergency Support Loan (hereinafter referred to as “Program”) will contribute to developing a strong agricultural foundation and promoting food and nutrition security in Nigeria. As urgent financial support for the Nigerian government, JICA will provide assistance in institutional reform of the agricultural sector through the implementation of the NATIP, the improvement of small-scale farmers’ access to agricultural inputs and technology, and the promotion of the private sector’s participation to strengthen production of seeds and other agricultural inputs. The Program is identified as a priority program as it is in line with the NDP, Nigeria’s top development plan.

In Nigeria’s Nationally Determined Contribution (NDC), which was developed under the Paris Agreement in July 2021, the country has identified agriculture and food security as the sectors that are the most vulnerable to climate change. Nigeria will introduce measures to prepare for uncertainties about water resources resulting from climate change. The Program intends to ensure that steady agricultural production is achieved in the agricultural sector which is vulnerable to climate change risks and for which water resources are important. The Program will contribute to climate change adaptation measures and is consistent with Nigeria’s NDC.

(2) Japan’s and JICA’s Cooperation Policy and Operations in the Agricultural Sector

Agricultural development was identified as one of the priority areas of the Basic Policy of “promotion of high-quality and inclusive economic and social

development as well as stabilization of society” in Japan’s Country Development Cooperation Policy for the Federal Republic of Nigeria (September, 2017). JICA will provide support to ensure food security and increase small-scale farmers’ income and undertake the Program to provide cooperation in line with the Country Development Cooperation Policy. In relation to JICA’s issue-specific project strategies in the fields of agriculture and rural development (sustainable food systems), the Program will contribute to food availability, which is part of the four pillars of food security identified in the JICA Africa Food Security Initiative launched in 2022: namely, food availability, food access, food utilization, and food stability. The Initiative also provides mid- to long-term support through technical cooperation, ODA grants, and ODA loans (yen loans) in the framework of Phase 2 of the Coalition for African Rice Development (CARD). Nigeria has been a CARD participant since the launch of Phase 1 in 2008, and the Program, which is also aimed at rice farmers, will contribute to promoting the CARD.

The Program is in line with Nigeria’s development challenges and policy as well as Japan’s and JICA’s cooperation policy. It will contribute to enhancement of the country’s food production through parallel financing with the AfDB and to food and nutrition security by increasing small-scale farmers’ income and improving access to high-yield agricultural inputs, thereby contributing to SDG Goal 2: Zero Hunger.

(3) Other Donors’ Activities

To provide support for the finances and balance of payment of African countries including Nigeria, in response to the impacts of the food security crisis, the World Bank announced in May 2022 a plan to invest more than 30 billion dollars over the next 15 months to ensure food security. In the same month, the AfDB advocated the African Emergency Food Production Facility (AEFPF) to respond to complex crises faced by Africa and announced a 1.5 billion dollar (approximately 225 billion yen) emergency food production plan involving its development partners including Japan. The AfDB will provide 134 million dollars (approximately 20.1 billion yen) from the Facility to Nigeria under the Support to National Agricultural Growth Scheme – Agro-Pocket (hereinafter referred to as “Agro-Pocket”).

| |
|-------------------------------|
| 3. Program Description |
|-------------------------------|

(1) Program Description

① Program Objective

The objective of the Program is to provide financial support to Nigeria, which is impacted by the food security crisis, and to implement institutional reform of the agricultural sector, improve small-scale farmers' access to agricultural inputs, and strengthen domestic production of agricultural inputs through the promotion of the private sector's participation, thereby contributing to Nigeria's economic and social stability and the promotion of its development efforts.

② Program Components

The Program, which is parallel financing with the Agro-Pocket under the AfDB's framework, the AEFPPF, will provide financial support to the Federal Government of Nigeria in three areas agreed with the government, which are ① the institutional reform of the agricultural sector, ② the improvement of the distribution of agricultural inputs and quality provision service, and ③ the promotion of the private sector's participation in domestic production of agricultural inputs.

Two tranches will be established based on the timing of the achievement of the policy actions. 80 percent and 20 percent of the loan will be provided in Tranche 1 and Tranche 2 respectively, as an emergency loan to meet the Nigerian government's urgent financial needs.

(2) Program Beneficiaries (Target Group)

Nigerian people (Population: 218.54 million) (Source: The World Bank, 2022)

(3) Estimated Program Cost

32.175 billion yen (Japanese ODA loan: 15 billion yen)

(4) Schedule (Cooperation period)

The provision of financial support in the Program will begin when the Loan Agreement is signed. The policy actions must be achieved by August 2023 and by the end of December 2024. The loan will be provided when the achievement of the policy actions for each tranche is confirmed. The achievement of the policy actions for Tranche 1, which is the requirement for the ODA loan (yen loan), has been confirmed in August 2023. Upon completion of loan provision (scheduled for May 2027), the Program will be completed.

(5) Program Implementation Structure

1) Borrower: The Federal Government of Nigeria

2) Executing Agency:

The Federal Ministry of Finance, as the fund execution agency, will be responsible for managing funds and allocating budgets while the FMAFS, as the executing agency, will be responsible for implementing the policy actions in partnership with relevant organizations such as the NAGS Secretariat.

The Program will be supervised by the National Implementation Committee of NATIP established by the NAGS Secretariat to be an implementation supervision organization. The National Implementation Committee, whose chairperson is the minister of the FMAFS, will meet on a quarterly basis to review and assess the overall program, resolve policy issues, and make adjustments among stakeholders. The FMAFS will be responsible for gathering and sharing the data necessary for monitoring and assessment purposes.

(6) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activity

JICA provides support for the promotion of agriculture, which is Nigeria's key industry, under the Agricultural Development Program, in an effort to foster industrial and economic diversification of the country to reduce its reliance on oil exports.

In the "Project on Promotion of Market-oriented Agricultural Extension System for Livelihood Improvement (SHEP)", which is JICA's ongoing technical cooperation, JICA promotes market-oriented agriculture for small-scale farmers and provides guidance on agricultural technology and agricultural management techniques including appropriate use of agricultural inputs such as fertilizers. JICA plans to make effective use of the activities and results of this technical cooperation for farmers that the Program is aimed at, so that fertilizers which can be purchased for low prices are used appropriately and agricultural productivity is improved as a result.

In addition, JICA plans to improve the production and supply of quality rice seeds through the "Project for the Enhancement of Rice Seeds Production System" which is an ODA grant to provide equipment and materials used to improve rice seeds under the CARD Initiative, and the "Project on Capacity Development for Enhancement of Rice Seed Production in Nigeria" which is a

technical cooperation project to support improvement of the seed production system. JICA will link these projects to the Program to expand the distribution of quality seeds.

An expert, “Advisor for Agricultural Development”, who has been dispatched to Nigeria, will promote the implementation of the FMAFS policies (the NATIP and the seed policy, in particular) and support collaboration between JICA’s existing projects and the Program.

2) Other Donors’ Activity

As described in 2. (3) above, the AfDB provides support under the Agro-Pocket. The Program is co-financed with the AfDB (parallel financing), and the policy action matrix of the Program is based on the AfDB’s policy actions. JICA and the AfDB are to work together to undertake their respective projects.

(7) Environmental and Social Consideration

1) Social Consideration

① Category: C

② Reason for Categorization: The Program is likely to have minimal adverse impacts on the environment as described in the Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations (issued in January 2022).

(8) Cross-Sectoral Issues

The Program is classified as a program that tackles poverty as it aims to provide supplementary support for the development of a system to improve access to agricultural inputs by farmers, including those small-scale farmers who are more likely to be in poverty.

Furthermore, one of the policy actions of the Program is to finalize a new national seed policy, which has been completed through the support given by the preexisting AfDB project. The Program is likely to contribute to climate change adaptation measures as one of its goals is to promote seeds that are resilient to climate change.

(9) Gender Category: ■ GI (S) (gender activity integration program)

<Details of Activities/Reason for Categorization>

Women represent nearly half of the agricultural workforce in Nigeria, and agricultural productivity is expected to increase by 30 percent if women's access to farms and agricultural inputs and technology is improved. In order to improve women's access to agricultural inputs, the Program is designed to distribute agricultural inputs discount purchase coupons of the same value through the Agro-Pocket Program, regardless of gender, while eliminating male dominance. The Program also specifies the number of beneficiary farmers by gender as an indicator. Furthermore, elements that may contribute to women's empowerment are to be described in the policies that JICA will help to develop and implement.

(1 0) Other Important Issues: N/A

4 . Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

| Indicator | Baseline (Actual value in 2020) | Target (2024) [Upon completion of loan provision] |
|---|------------------------------------|---|
| Grain production (maize, wheat, rice, soybeans, sorghum) (tons/year) | 28,672,504 | 35,000,000 |
| Grain productivity (calculated by weighted average) (tons/ha) (Note) | 1.42 | 2.0 |
| No. of farmers receiving support through Agro-Pocket (by gender) (people) | 0 | Men: 455,000 Women: 245,000 |
| Quantity of certified seeds purchased through Agro-Pocke (tons/year) | 0 | 46,000 |

Note: Baseline and target grain productivity (2020⇒2024, tons/ha) are as follows:

Rice: 1.5⇒3.0, Maize: 2.0⇒4.0, Wheat: 1.1⇒3.5

(2) Qualitative Effects

The development of a strong agricultural foundation and the promotion of food and nutrition security (The qualitative effects will be comprehensively judged based on quantitative outcome indicators and indicators for productivity and volume of domestic food crop production)

(3) Internal Rate of Return

The internal rate of return is not calculated as the Program is a program loan.

5 . External Factors and Risk Control

(1) Preconditions: N/A

(2) External Factors: Measures must be taken to manage limited global food

and fertilizer supply and to control rising prices so that a rapid deterioration of the situation worldwide can be avoided.

6 . Lessons Learned from Past Projects

The Budget Strengthening Support Loan for the Lao People's Democratic Republic (2017 ex-post evaluation) and others show that it is essential to collaborate with other cooperation such as dispatch of policy advisors, technical cooperation projects, in order to smoothly provide support for general public finances.

JICA will support the FMAFS in ensuring its effective policy implementation in collaboration with JICA's existing technical cooperation (e.g. by working with an expert "Advisor for Agricultural Development", who has been in Nigeria since 2021), and also promote collaboration with other JICA cooperation.

7 . Evaluation Results

The Program is in line with Nigeria's development challenges and policy and Japan's and JICA's cooperation policy. It will contribute to ensuring food security in Nigeria through the institutional reform of the agricultural sector by implementing the NATIP with financial support and through the implementation and promotion of measures to improve access to agricultural inputs. The Program is expected to contribute to SDG Goal 2: Zero Hunger. It is, therefore, crucial to support the implementation of the Program.

8 . Plan for Future Evaluation

- (1) Indicators to be Used: As indicated in Section 4.
- (2) Future Evaluation Schedule: After the completion of the Program

END

Attachment: Policy Action Matrix

Attachment Policy Action Matrix

| Component | Measures | Responsibility |
|--|--|----------------|
| Tranche 1 (August 2023) | | |
| Agriculture Sector Institutional Reforms | ① NATIP approval by the Federal Executive Council (FEC) and accessible in the FMARD website. | FMARD/NIC |
| | ② Procurement of IT firm in respect of the Agri Pocket Platform | |
| | ③ Development of the NATIP Investment Plan | |
| | ④ Establishment of NATIP Committee | |
| | ⑤ Establishment of NAGS Implementation Secretariat | |
| Tranche 2 (December 2024) | | |
| Agriculture Sector Institutional Reforms | ⑥ Timely production of independent audit(s) covering all food crisis response and emergency expenditure; and | FMARD/NIC |
| | ⑦ Procurement plans, contract awards for large contracts and agriculture related procurement published in the BPP contract portal for access by the public | |
| Improvement in Delivering Farm Inputs and Quality Extension Services | ⑧ Reactivation of Agro-Pocket | NAGS/NWC |
| Enhance Private Sector Participation in Local Production of Agriculture Inputs | ⑨ Completion of the new National Seed Policy | FMARD/NASC |