



## 1. Project Data

Operation ID P130012	Operation Name Agricultural Transformation DPO		
Country Nigeria	Practice Area(Lead) Agriculture		
L/C/TF Number(s) IDA-52670	Closing Date (Original) 31-Mar-2015	Total Financing (USD) 100,000,000.00	
Bank Approval Date 28-Jun-2013	Closing Date (Actual) 31-Mar-2015		
	IBRD/IDA (USD)	Co-financing (USD)	
Original Commitment	100,000,000.00	0.00	
Revised Commitment	100,000,000.00	0.00	
Actual	101,760,555.00	0.00	
Sector(s) General agriculture, fishing and forestry sector(56%):Agricultural extension and research(25%):Agro-industry, marketing, and trade(19%)			
Theme(s) Rural policies and institutions(25%):Rural services and infrastructure(25%):Rural markets(25%):Regulation and competition policy(13%):Other Private Sector Development(12%)			
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## 2. Project Objectives and Policy Areas

### a. Objectives

The program development objective (PDO) of the First Agriculture Development Policy Operation (AgDPO1) of the Federal Republic of Nigeria is: "to strengthen the policy environment and institutional capacity to enhance agricultural productivity and market access among farmers, and to improve agriculture sector management" (Program Document (PD), page 28).



- b. Were the program objectives/key associated outcome targets revised during implementation of the series?

No

- c. Pillars/Policy Areas

The AgDPO1 was prepared as the first of a two-part programmatic operation, the second part of which would be the Second Agriculture Development Policy Operation (AgDPO2). The failure of the Government to complete the preparation of the AgDPO2 within a 24-month mandatory period (reckoned from the Bank approval date of the AgDPO1) resulted in the conversion of the AgDPO1 to a stand-alone operation (although the preparation of the AgDPO2 remains well underway, albeit as another stand-alone operation).

The AgDPO1 has four policy areas, the objectives of which are as follows (the expected medium-term outcomes for the combined AgDPO1 and AgDPO2 are also cited to complete the exposition):

Policy Area 1: Farmer access to improved technologies, including through development of input markets. The objectives are (1) to expand farmer access to, and adoption of, seed and fertilizer technology, and to develop efficient and profitable seed and fertilizer supply chains; (2) to give farmers broader access to effective publicly- and privately- delivered extension services; and, (3) to enhance agricultural research capacity and research-extension linkages. The expected medium-term outcomes are: (1) an increased proportion of farmers using improved seeds and fertilizers; (2) an increased effectiveness and efficiency of publicly-supported seed and fertilizer distribution systems; (3) an enhanced responsiveness and accountability of the agricultural extension services; and (4) an enhanced ability of the agricultural research systems to identify and program the research priorities of producers and other stakeholders.

Policy Area 2: Market development. The objective is to improve the competitiveness of agricultural production and processing. The expected medium-term outcomes are: (1) that agricultural producers, processors and other value chain actors are encouraged to invest in the sector; and, (2) that the Government has established and implemented a framework for the multi-agency monitoring of the impacts of the Agricultural Transformation Agenda (ATA) on both producers and consumers, with the analysis directly informing government decision making.

Policy Area 3: Improving the business investment climate. The objective is to enhance local market participation and local value-added in agriculture through improved access to finance, in line with the Principles of Responsible Agriculture Investments. The expected medium-term outcome is that there is an improved access to finance for agriculture.

Policy Area 4: Improving agriculture sector management. The objectives are: (1) to improve public sector management in the agriculture sector and to improve the capacity of the Government to implement the ATA; and, (2) to integrate climate change strategies in agriculture sector policies and programs. The expected medium-term outcomes are: (1) an enhanced allocative efficiency and execution of the agricultural sector budget; (2) an improved field-level coordination between the Federal Ministry of Agriculture and Rural Development (FMARD) and the states on the implementation of the ATA; (3) an improved enabling environment for integrating climate considerations into agriculture sector development, through a strengthened institutional capacity for planning, implementing and monitoring climate-smart activities; and (4) greater support to farm-level uptake through dedicated research and extension efforts.

- d. Comments on Program Cost, Financing, and Dates

Project Cost: The cost for AgDPO1 was SDR66.3 million (US\$100.0 million equivalent at appraisal, US\$101.76 actual). The credit was provided as general budget support to the Government of the Federal Republic of Nigeria.

Financing: The credit instrument was a Development Policy Loan (DPL), financed in the amount of SDR66.3 million by the International Development Agency (IDA). The financing was allocated in a single withdrawal tranche in the full amount of SDR66.3 million.

Borrower Contribution: There was no counterpart funding for AgDPO1 from the borrower, the Federal Republic of Nigeria.

Dates: The effectiveness date of the AgDPO1 was December 9, 2013. The closing date was March 31, 2015.



### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

The PDO of the AgDPO1, which was relevant to Nigeria's development priorities at the time of program preparation, continues to be fully aligned with the country's current development agenda, "Vision 20: 2020", and its medium-term implementation strategy, "Transformation Agenda, 2011-2015". The current development agenda emphasizes the need for Nigeria to diversify its economy to achieve sustainable and inclusive growth and to accelerate job creation. The economy, while growing annually at 6-8 percent in the past decade, remains highly dependent on oil; the population growth is close to three percent, with 45 percent of the working age population unemployed or out of the work force; and, the number of extreme poor topped 100 million in 2010, from 86 million in 2004. The government aims to implement programs to unlock the country's agricultural potential and create employment opportunities for the growing labor force.

Because it accounts for one half of the non-oil economy and employs 70 percent of the working population, agriculture is naturally a major focus of the national development agenda. Agriculture has grown over the past decade, but not fast enough to prevent an increase in the number of the rural poor. Nigeria's ATA combines policy and institutional reforms with private sector participation and public investment to enhance productivity in the agriculture sector. The ATA aims to rationalize the seed and fertilizer sector, improve the functioning of market institutions, attract private investment into areas of high production, add value to locally produced crops, foster rural economic growth, promote rural infrastructure improvement, and enhance farmer access to markets, technologies, extension services, and finance. The AgDPO1 supports the policy reform agenda of the ATA, adding to the public resources allocated to the agriculture sector.

The PDO of the AgDPO1, which was consistent with the objectives of the Bank's Country Partnership Strategy (CPS) for Nigeria for FY2010-13, remains tightly aligned with the strategic focus of the Bank's current CPS for Nigeria for FY2014-17. The current CPS stresses the need for Nigeria to increase agricultural productivity, to sustain growth in the agriculture sector and to enhance the contribution of agriculture to growth in the non-oil economy. The AgDPO1 supports structural reforms that: boost agricultural productivity, promote farmers' linkages with agro-processors; scale up resilience to current and future climate variability; and, strengthen the ability of development finance institutions to mobilize private finance for key sectors of the economy, including the agriculture sector (CPS, page viii).

Rating

High

#### b. Relevance of Design

The AgDPO1's results framework (PD, pages 28-38 and pages 57-60) is logical. The PDO "to strengthen the policy environment and institutional capacity to enhance agricultural productivity and market access among farmers, and to improve agriculture sector management" is clear and explicit. The AgDPO1 supports the implementation of the ATA along three dimensions: the creation of an enabling policy environment for agricultural development, the establishment of effective implementation modalities of government programs in agriculture, and the development of concrete agriculture and agribusiness investments (PD, page 28).

The AgDPO1 policy areas --- farmer access to improved technologies, market development, business investment climate, and sector management --- represent strategic choices of policy and institutional reforms that aim to increase agricultural productivity and improve agriculture sector management.

These choices are underpinned by important findings from empirical literature on Nigerian agriculture. First, sustained agricultural growth is most likely to come from the increased use of inputs, including improved seeds, fertilizers and other agro-chemicals, agricultural machinery, and irrigation, combined with better farmer access to credit, extension services, and modern technologies (ICR, page 16). Second, to realize Nigeria's agricultural growth potential, the focus should shift from land area expansion to on-farm productivity growth, including by unlocking the potential in downstream segments of the agricultural value chains (PD, page 24). Third, putting Nigerian agriculture on an accelerated and sustained growth path requires addressing the critical constraints in factor markets, in output markets, and, more importantly, in the business investment climate (PD, page 24). Fourth, increasing agricultural productivity and competitiveness can only be achieved by scaling up public expenditures in the sector and improving their efficiency (PD, page 24).



Each of the four key policy areas advances its own set of objectives (see Section 1.a). The prior actions --- the set of policy and institutional actions critical to achieving the objectives of the program (see Section 4) --- are explicitly stipulated. The triggers --- the set of planned actions laying the foundations for the second operation in the programmatic series, the AgDPO2 --- are also well set. Finally, the expected medium-term outcomes of the programmatic series are clearly specified (see Section 1.a).

The link from prior actions and triggers to medium-term outcomes to policy area objectives is logical. And so is the link from policy area objectives to, ultimately, the PDO of the AgDPO1.

Rating  
High

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

To strengthen the policy environment and institutional capacity to enhance agricultural productivity.

#### Rationale

The degree of achievement of this objective is assessed as Substantial.

Agricultural productivity was enhanced, with an increased proportion of farmers using improved seeds and fertilizers. A new mechanism for delivering subsidized inputs to farmers helped expand the farmers' access to seed and fertilizer technology. The number of targeted farmers redeeming seed and fertilizer vouchers was 6.8 million in 2014, significantly exceeding the target for this outcome of 5.0 million. Only 1.2 million farmers redeemed seed and fertilizer vouchers in 2012 (the baseline). Over 2012-14, some 14.3 million farmers received 102,701 metric tons of rice seeds, 47,991 metric tons of maize seeds and 1.2 million metric tons of fertilizers. Rice farmers increased their average yield from 1.5 to more than 4 metric tons per hectare, cutting the rice supply gap by 45 percent from 2.6 million metric tons in 2012 to 1.5 million metric tons in 2014. The percentage of targeted farmers receiving improved seeds and fertilizer was 136% in 2014, exceeding the target for this outcome indicator of 92%. In the baseline, the percentage had been 86% in 2012. The Government also successfully targeted farmers in areas of the country where poverty was more prevalent.

The effectiveness and efficiency of the publicly-supported seed and fertilizer distribution systems increased, as evidenced by the higher rate of adoption of the improved seed and fertilizer technology. The national average of farmers adopting the improved seed and fertilizer technology was 86% in 2014; the target for this outcome was 66% (the baseline was 17.9% in 2012). As expected, granting farmers greater access to seeds and fertilizers, by using the private distribution system, as well as better access to extension services, led to the increased technology adoption rate.

The responsiveness and accountability of the agricultural extension service was enhanced. Training programs at the federal and state levels for extension workers and for farmers achieved their output targets. The number of fortnight training events in the federally-funded client/extension staff training program on the delivery of extension services, conducted using the new curriculum agreed between the FMARD and the states, was 2,271 in 2014, surpassing the target of 1,125 (the baseline was zero in 2012). The number of farmer field and business schools in the training program was 1,456 in 2014, surpassing the target of 1,400 (the baseline was zero). And, the number of farmers trained was 150,000 in 2014, surpassing the target of 84,300 (the baseline was 22,500).

An enhancement in the ability of the agricultural research system to identify and program the research priorities of producers and other stockholders was not achieved by the AgDPO1 closing date. No research programs were consolidated by 2014, leaving the number of research programs in the system at 40, the same as in the baseline in 2012. The target for this outcome was to consolidate the system into 10 research programs by 2014. A restructured and rationalized research system would be better able to help farmers develop the technologies and solutions that increased their productivity in Nigeria's high-risk rain-fed agricultural production system.



These outcomes were achieved following the successful completion by the Government of the prior actions for the first policy area of AgDPO1:

Policy Area 1: Farmer access to improved technologies, including through the development of input markets

Policy Objective 1: Expand farmer access to, and adoption of, seed and fertilizer technology, and develop efficient and profitable seed and fertilizer supply chains

- The Government revised the modality of the agricultural input subsidy program. It withdrew completely from the direct procurement, distribution, and marketing of seeds and fertilizers and transferred the function to the private sector. It has instead focused on strengthening its planning capacity and regulatory functions. Beyond completing this prior action, the Government innovated with the use of electronic information and communication (ICT) technology --- e-vouchers on an e-wallet phone platform --- to deliver subsidized inputs to targeted beneficiaries. These policy reforms and innovations are institutionalized in the Government program, Growth Enhancement Support Scheme (GESS). A vital part of the ATA, the GESS restructured the seed and fertilizer system by allowing the private sector to distribute and deliver seeds, fertilizers and other agricultural inputs to farmers and by providing a mobile digital technology by which subsidy vouchers could be conveyed directly to farmers and by which the farmers could shop directly for agricultural inputs.
- The National Council on Agriculture (NAC) approved a new seed policy, removing the state monopoly on seed technology development (breeding), multiplication, and marketing in favor of the private sector, and laying out instead, a regulatory role for the government in seed registration, inspection, certification and variety release.
- The Federal Executive Council (FEC) liberalized the fertilizer sector further, by approving a new Fertilizer Quality (Control) Bill which would repeal the National Fertilizer Board Act and the Fertilizer (Control) Act. After some delay, the FEC submitted the bill to the National Assembly for enactment into law. Previously, the Government removed the state monopoly on fertilizer production and marketing (exercised by the National Fertilizer Board) and let the Federal Ministry of Agriculture and Rural Development (FMARD) regulate the sector. The new law provides for strengthening the Government's capacity to monitor the manufacture, importation and distribution of fertilizers and the quality control of fertilizer products, with the Department of Fertilizer, under the FMARD, acting as the implementing agency.

Policy Area 1: Farmer access to improved technologies, including through the development of input markets

Policy Objective 2: Give farmers broader access to effective publicly and privately delivered extension services

- The Government established, and provided a budget for, a new Department of Extension at the FMARD to direct, coordinate and support extension services at the state level. Following the success of several pilot programs, the FMARD started to scale up the use of an ICT innovation --- e-extension --- to deliver extension services to farmers. The initiative aims to grants farmers easier access to a greater range of information and to leverage the time and the effectiveness of the government extension agents.

Policy Area 1: Farmer access to improved technologies, including through the development of input markets

Policy Objective 3: Enhance agricultural research capacity and research-extension services

- The Government established a task force to lead the restructuring of the Agricultural Research Council of Nigeria (ARC�). The restructuring strategy and the accompanying restructuring bill drafted by the task force was approved by the ARC� Board and by the NAC. Stakeholder consultations and change management workshops were completed. But the agricultural research programs had yet to be rationalized and consolidated by the AgDPO1 closing date.

Rating  
Substantial

## Objective 2



#### Objective

To strengthen the policy environment and institutional capacity to market access among farmers.

#### Rationale

The degree of achievement of this objective is assessed as Modest.

The medium-term outcome expected from the attainment of this objective was: that there is an improved access to finance for agriculture. The target for the outcome indicator for this objective was not achieved, however, by the AgDPO1 closing date. Lending by commercial banks to the agriculture sector was 3.5% of their total lending in end-2014, below the target for this outcome of 5.6%. In the baseline, bank lending to the agriculture sector was 3.6% of total lending in end-2012. The target was missed, in large part because it was likely too ambitious, and because commercial bank lending to sectors other than agriculture expanded briskly in 2014.

Nonetheless, by completing the prior action for the third policy area of the AgDPO1, the Government effectively set the stage for future progress with the objective:

#### Policy Area 3: Improving the business investment climate

Policy Objective: Enhance local market participation and local value-added, through improved access to finance, in line with the principles of Responsible Agriculture Investments

- The Government successfully established the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) to provide loan guarantees to commercial bank loans to the agriculture sector and thereby generate greater lending to the sector. The NIRSAL was organized as a public limited company in 2013. With the NIRSAL issuing 60 loan guarantees following its creation, the value of total loans to the agriculture sector that were extended guarantees increased by more than 470% from NGN3.0 billion in 2012 to NGN14.2 billion in 2013. Nonetheless, commercial bank lending to the agricultural sector in 2014 remained under the target of 5.6% of all commercial bank lending.

#### Rating

Modest

### Objective 3

#### Objective

To strengthen the policy environment and institutional capacity to improve agriculture sector management.

#### Rationale

The degree of achievement of this objective is assessed as Substantial.

Agriculture sector management was improved, with the allocative efficiency and execution of the agriculture sector budget enhanced. The FMARD utilized 100% of the actual fund releases for its capital budget in 2014; the target for this outcome was 99.3% (the same as the baseline). The FMARD utilized only 42.5% of the funds appropriated for its capital budget; the target for this outcome was 67.5% (the baseline, computed as the average execution rate for appropriated funds for 2008-12, was 54.3%). These indicators measure the performance in capital budget execution by the FMARD, relative to appropriated funds and fund releases. The mixed result is not surprising, considering the general unpredictability in budget releases from the federation account to ministries and agencies. What remains important is that the FMARD utilized all budgetary releases from the federation account.

Sector management was also enhanced, with the improved field-level coordination between the FMARD and the states on the implementation of the ATA. The number of de-concentrated FMARD staff was 3,508 in 2014; the target for this outcome was 2,800 (the baseline was 1,500). The FMARD intended to establish a staffing presence in the regions and states to facilitate the coordination of ATA activities at the sub-national level.

These outcomes were enabled by the completion by the Government of prior actions for the fourth policy area of the AgDPO1:



Policy Area 4: Improving agriculture sector management

Policy Objective 1: Improve public sector management in the agriculture sector and improve the capacity to implement the Agricultural Transformation Agenda

- The NAC, together with all the State Commissioners of Agriculture, adopted the ATA.
- The Government established the Agricultural Transformation Implementation Council (ATIC) in 2012 to provide oversight of the implementation of the ATA. The organization of the ATIC would pave the way for the formation of ATA implementation committees at the state and local government levels.

Rating  
Substantial

## 5. Outcome

The outcome for the AgDPO1 is rated as Moderately Satisfactory.

The relevance of program objectives is rated as High. The program development objective --- to strengthen the policy environment and institutional capacity to enhance agricultural productivity and market access among farmers, and to improve agriculture sector management --- is highly relevant to the development priorities of Nigeria for the economy, as articulated in Vision 20: 2020 and in the Transformation Agenda, 2011-2015, and for the agriculture sector, as articulated in the ATA. The objective is also well aligned with the strategic focus of the Bank CPS for Nigeria for FY2014-17, which emphasizes the importance of raising agricultural productivity to sustain growth in the agriculture sector and to enhance its contribution to growth in the non-oil economy.

The relevance of program design is rated as High. The results framework is logical with the set of policy and institutional prior actions and triggers causally linked to the attainment of policy objectives in four key policy areas. The four policy areas --- farmer access to improved technologies, market development, business investment climate, and agriculture sector management --- represent strategic choices of policy and institutional reforms that support the program development objective.

The degree of achievement of the objective to strengthen the policy environment and institutional capacity to enhance agricultural productivity is assessed as Substantial. There was an increased proportion of farmers using improved seeds and fertilizers, an increased effectiveness and efficiency of the publicly-supported seed and fertilizer distribution system, and an enhanced responsiveness and accountability of the agricultural extension services.

The degree of achievement of the objective to strengthen the policy environment and institutional capacity to enhance market access among farmers is assessed as Modest. Access to finance for agriculture was only partly enhanced. A guarantee program for bank lending to agriculture was created, but bank lending to the sector remained modest, relative to total bank lending.

The degree of achievement of the objective to improve agriculture sector management is assessed as Substantial. The allocative efficiency and execution of the agriculture sector budget was enhanced. The field-level coordination between the FMARD and the states on the implementation of the ATA was improved.

Considering that the relevance of objectives is rated High, the relevance of design is rated High, the achievement of two of the three program objectives is assessed as Substantial and the third is assessed as Modest, the outcome of the AgDPO1 is rated as Moderately Satisfactory.

Two points are worth noting about this assessment:

First, the outcome rating is based on an assessment of the contribution of the AgDPO1 to the achievement of the DPO end-of-series programmatic targets. Normally, this assessment would not have been prepared at the closing of the AgDPO1, as the AgDPO1 was not planned to be a stand-alone operation. Rather, both the AgDPO1 and the AgPDO2, taken together, were intended to contribute to the program objectives





and end-of-series targets. Hence, no indicator targets were set for the first of the two-part operation alone. However, the delay in the preparation of the AgDPO2 past the 24-month deadline has reduced the AgDPO1 to a stand-alone operation, necessitating an ICR evaluation of the AgDPO1.

Second, two other policy areas were not included in this assessment. In "Policy Area 2 - Market development and the Policy Objective - Improve the competitiveness of agricultural production and processing", no policy or institutional prior actions were stipulated for this objective under AgDPO1, only activities to lay the foundation for triggers to AgDPO2. Similarly, in "Policy Area 4 - Improving agriculture sector management and Policy Objective 2 - Integrate climate change strategies in sector policies and programs", no policy or institutional prior actions were stipulated for this objective under AgDPO1, only activities to lay the foundation for triggers to AgDPO2.

- a. Outcome Rating  
Moderately Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

There are significant risks to the sustainability of the development outcome of the AgDPO1.

One, any reversal of the prevailing policy for a private sector led transformation of the agriculture sector in Nigeria risks eroding the gains so far achieved in the AgDPO1 and in the ATA. Vested economic and political interest may conceivably trigger such a reversal. The new government has expressed a willingness to continue with the reform program supported by the AgDPO1, but any departure from the current policy stance on the primacy of the private sector will prove to be counterproductive.

Two, any decision to increase the tariff on rice may also prove counterproductive. Self sufficiency concerns may arguably motivate such a decision. The AgDPO1 had, so far, led to a productive dialogue on the use of tariff policy in agriculture and to a substantial revision of the levies on rice. Import restrictions alone will not be effective for achieving self-sufficiency in rice considering, among others, the problem of smuggling in the country.

Three, the persistent volatility in international oil prices and, therefore, in Nigeria's oil revenues (oil accounts for nearly 75% of consolidated government revenues) could increase the unpredictability of budget appropriations and budget releases to the FMARD. This could affect the funding for actions required of the FMARD to sustain the reforms under the AgDPO1.

Four, delays in the release of budgetary funds to the FMARD may adversely affect the sustainability of reforms pursued under the AgDPO1. Several reform measures are to realize their greater impact when the measures are supported with complementary federal government investment. Weaknesses in the Government's public financial management (PFM) capacity had been apparent during AgDPO1 implementation.

Five, any breakdown in the level of collaboration among the federal agencies and between the federal government and the autonomous state governments may risk sustaining the gains from policy and institutional reforms undertaken in the AgDPO1. The reform program is multi-sectoral, requiring coordination among the federal agencies, and is inter-governmental, requiring cooperation between the FMARD and the autonomous state governments.

- a. Risk to Development Outcome Rating  
Substantial

## 7. Assessment of Bank Performance

- a. Quality-at-Entry  
The AgDPO1 benefitted from strong points at entry:

The Bank worked to ensure that policy and institutional prior actions supported by the AgDPO1 were consistent and aligned with the





development priorities of the Government. The Bank and the Government drew on a robust body of analytical work to formulate the policy areas (see Section 3.a) and to specify the policy and institutional prior actions. The policy actions and triggers on agricultural insurance and on climate change were, for instance, drawn from a Bank technical assistance project with Nigeria.

The Bank adopted a participatory process in identifying and specifying the prior actions for the AgDPO1. The Bank collaborated with other donors to Nigeria on the content of policy and institutional reforms across several sectors. The Bank also deliberately considered the International Monetary Fund's (IMF) assessment of the macroeconomic framework for Nigeria at the time of the preparation of the AgDPO1.

The Bank's design of the Results Framework for the AgDPO1 was best practice. The outcome indicators reflected the logic of the PDO very well and were measurable, with the M&E data sources well specified.

The AgDPO1 was deficient at entry in two aspects:

A couple of the targets for outcome indicators were too ambitious.

While the Bank's analysis of the risks to the AgDPO1 was generally adequate, the risk mitigation measures proposed for M&E data and implementation could have been improved on.

Quality-at-Entry Rating  
Moderately Satisfactory

#### b. Quality of supervision

The Bank carried out periodic missions that resolved implementation issues effectively. In one mission, the Bank discovered the inadvertent withdrawal by the FMARD of some amounts from the AgDPO1 loan account --- an instance of non-compliance with the funds flow arrangement for AgDPO1. In another, the Bank noticed that the Fertilizer Bill (a prior action under Policy Area 1) was not promptly transmitted to the National Assembly.

The Bank was able to mobilize technical assistance to help with the implementation of the AgDPO1. The Bank included required technical experts in its supervision team. The Bank produced two Implementation Status Reports (ISRs) for the AgDPO1, the first in February 2014, which rated the Development Outcome (DO) and the Implementation Progress (IP) as Moderately Satisfactory, and the second in November 2014, which rated the DO as Moderately Satisfactory and the IP as Moderately Unsatisfactory.

The Bank also used its convening power to improve aid effectiveness. The Bank encouraged and engaged in constant policy dialogue with the Government to focus on the development objectives of the AgDPO1. A combined AgDPO1 and AgDPO2 programmatic operation would have provided the extended time needed for a sustained policy dialogue with the Government in the face of a long political transition in Nigeria.

Quality of Supervision Rating  
Satisfactory

Overall Bank Performance Rating  
Moderately Satisfactory

## 8. Assessment of Borrower Performance

#### a. Government Performance

The Government showed strong ownership of policy and institutional reforms supported by the AgDPO1, both during program preparation and implementation. The Government considered the AgDPO1 a valuable vehicle to pursue agriculture sector reforms articulated in the ATA. Moreover, the Government has since been able to sustain its reform program beyond the prior actions stipulated in the AgDPO1.



Bureaucratic lapses within the Government in issuing the legal opinion on the AgDPO1 and in opening the DPO account with the CBN delayed the disbursement of the DPO funds by half a year.

The delay in the passage by the National Assembly of the 2014 Appropriations Act prevented the AgDPO1 from being implemented as a programmatic DPO. Four triggers for the AgDPO2 were dependent on the timely approval of the 2014 Budget. Consequently, the inability of the government agencies to enact, in time, the triggers for the AgDPO2 delayed the preparation of the AgDPO2, in turn nullifying the status of the AgDPO1 as the first of a two-part programmatic operation.

Moreover, delayed budget releases to FMARD hampered the smooth implementation of policy actions in the AgDPO1.

Government Performance Rating  
Moderately Satisfactory

**b. Implementing Agency Performance**

Generally, the FMARD acted responsibly as implementing agency of the AgDPO1.

The FMARD competently coordinated the AgDPO1 activities of other ministries, departments and agencies.

The FMARD implemented the M&E for the AgDPO1 and regularly shared the Synthesis Reports with the Bank, although with slight delays in some cases.

The FMARD, however, erred in withdrawing some funds from the AgDPO1 loan account, the result of a misunderstanding that funds from the AgDPO1 were earmarked for the FMARD. The Auditor General of the Federation conducted an audit of the account in 2015 and, while noting that the withdrawal of funds was inappropriate and contravened the terms of the Financing Agreement with the IDA, concluded that it found no evidence of fraud in the withdrawal of the funds. All the funds wrongly withdrawn, plus accrued interest, were returned by the FMARD to the Consolidated Revenue Funds Account of the Government with the Central Bank of Nigeria (CBN).

The Bank clarified with the Government that proceeds from the AgDPO1 were provided to the Government as general budget support, and not earmarked for any agency.

Implementing Agency Performance Rating  
Moderately Satisfactory

Overall Borrower Performance Rating  
Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

**a. M&E Design**

The Results Framework and M&E design for the AgDPO1 lists outcome indicators for objectives in the key policy areas. The indicators are measurable and have baseline numbers and end-of-series targets.

There are cases, however, where indicators were not specified for some of the outcomes. There is no indicator, for instance, for the outcome of agricultural insurance reform.

The M&E design specifies the data source for each indicator (PD, pages 57-60).

The choice of data sources was generally reasonable. However, there were glitches in the ready availability of some data. The use of panel data from the Integrated Surveys of Agriculture (part of the Living Standards Measurement Study (LSMS) of the General Household Survey



(GHS)) was, for instance, appropriate. However, there were delays in completing the survey. The GHS also suffered from a lack of funding for 2013-14. Hence, data for some of the outcome indicators were not readily available when needed for M&E implementation.

**b. M&E Implementation**

As implementing agency, the FMARD was responsible for M&E implementation. The FMARD managed this task through a Technical Working Group (TWG), which included, rightfully, representatives from the National Planning Commission, the National Bureau of Statistics, the Federal Ministry of Finance, and the CBN.

The TWG worked to ensure that the M&E implementation covered all policy areas in the AgDPO1. To this end, the TWG developed a monitoring template which identified the results and indicators to be covered, the data sources to be used, and the ministries, departments and agencies responsible for the M&E implementation.

The TWG produced the 2013 Synthesis Report and submitted the document to the heads of the TWG-member ministries, departments and agencies and to the Bank. The TWG, however, found the task difficult in some respects. The TWG encountered problems obtaining the necessary information from some participating ministries, departments and agencies, even from departments and agencies within the FMARD itself. The TWG found that staff responsible for the M&E implementation had to contend with competing work priorities. And while it completed the report in early 2014, the TWG missed the deadline for including information from the report in the Government's Budget Speech for the 2014 Appropriations Law. The appropriations act normally serves as the vehicle for the Government to announce policy decisions.

**c. M&E Utilization**

Data gathered from the M&E implementation were used to enhance policy reforms in the AgDPO1. Two cases illustrate this.

Using findings from the Synthesis Report, the FMARD created a committee to explore options for reducing the high tariff rate on rice imports. The President subsequently approved a substantial reduction in trade taxes, for which the Federal Ministry of Finance prepared the implementation instructions: the tariff rate would be retained at 10 percent, but the levy on rice imports would be reduced from 100 percent to 60 percent for rice traders and to 20 percent for domestic millers.

Using findings from the report's coverage of the GESS, the Government decided to reduce the seed subsidy rate from 100 percent to 90 percent and to reduce the seed subsidy program overall for 2014.

M&E Quality Rating  
Substantial

## 10. Other Issues

**a. Environmental and Social Effects**

**Poverty:** The AgDPO1 is assessed to have had a positive impact on poverty reduction. The Policy Area 1 (Farmer Access) objectives to expand farmer access to improved seed and fertilizer technology and to agricultural extension services targeted poor smallholders, who dominate Nigeria's food crop sector. Smallholder farmers cultivate between one to three hectares of land, most of which are located in rural areas where poverty is high. Using farm size as the criteria for targeting poor farmers made sense because farm size and rural poverty correlate well in Nigeria, as they do elsewhere in Africa. The focus on poor smallholders is particularly relevant, considering that a 2014 study found, using data from the GHS for 2010-11, that a 10 percent increase in agricultural productivity decreases the likelihood of being poor by 2.5-3.0 percent. Another 2015 study finds the GESS to have had a positive impact on income, income diversification, and welfare. Maize farmers participating in the GESS had, on average, NGN 50,381 more total income than maize farmers in the control group, and cassava farmers in the GESS, NGN 19,412 more. In making this calculation, the sample sizes chosen were sufficient to detect significant differences in cassava and maize incomes between the GESS participants and the control group at the 95% statistical confidence level. The GESS increased the rate of income diversification by 23.45 percent for households growing maize and by 3.35 percent for households



growing yam. The differences in income could be attributed to participation in the GESS as the authors of the study took careful steps to establish causality by using conventional quasi-experimental statistical methods of matching to create comparable treatment and control groups conditional on a set of exogenous observable covariates. The methodological approach of analyzing endogenous treatment effects was adequate to establish attribution of the results to participation in the GESS.

**Gender:** The AgDPO1 is assessed to have had a positive impact on gender. In particular, the GESS supported productivity enhancements in rice, cassava, and other staples --- the crops largely produced by women farmers. The program addressed constraints on women farmers' access to seeds, fertilizers, and extension services. The outcome indicator on the adoption of seed and fertilizer technology show that 41% of women farmers adopted the improved seed and fertilizer technology in 2014, exceeding the target of 28% (the baseline was 8.7% in 2012). In comparison, 91% of men farmers adopted the improved seed and fertilizer technology, exceeding the target of 72% (the baseline was 19.1%). Other AgDPO1-related activities with a positive impact on women include: the Government partnership with the Shell Petroleum Development Company for capacity building initiative benefitting women rice producers in Bayelsa State, and the Micro, Small and Medium Enterprise Development Fund which earmarked 60 percent of its resources for women entrepreneurs.

#### b. Fiduciary Compliance

**Procurement:** The DPO proceeds were provided as general budget support to the Government and not earmarked for any agency or purpose. Hence, no special procurement requirements were issued (other than that the NGN equivalent of the proceeds transferred to Government's Consolidated Revenue Fund Account at the CBN not be applied to finance expenditures in a negative list). No procurement issues arose either.

**Financial Management:** The inappropriate withdrawal by the FMARD of some funds from the AgDPO1 loan account was resolved promptly. The audit by the Auditor General of the Federation found no evidence of fraud and concluded that the inappropriate withdrawal was the result of a misunderstanding that funds from the AgDPO1 were earmarked for the FMARD. All the funds wrongly withdrawn, including accrued interest, were redeposited by the FMARD in the Government's Consolidated Revenue Funds Account at the CBN.

#### c. Unintended impacts (Positive or Negative)

The ICR cites two unintended positive impacts of the AgDPO1.

The AgDPO1 helped the Government prepare for the Cooperation Framework for the Group of Eight (G8) Alliance on Nutrition. The implementation of the AgDPO1 vested Nigeria with added credibility both with its development partners and with potential private sector investors.

The AgDPO1 contributed positively to a Bank non-lending project aiming to scale up innovations in the use of information and communication technology (ICT) in agriculture in Africa. Nigeria and Uganda are to share with each their experiences and lessons learned in the use of ICT in agriculture. And, Nigeria and Uganda are to share with other countries in Africa good practice on the development and use of e-vouchers.

#### d. Other

No other issues were raised by the ICR.

## 11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---



Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

#### Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 12. Lessons

The first four lessons are drawn from the ICR, with some adaptation (ICR, pages 35-36), and the last, is from the IEG.

One, the strategy of leveraging public policy reform with private sector development has a high payoff. In the case of the AgDPO1, the Government terminated its monopoly over the procurement and distribution of seeds and fertilizers in favor of the private sector. The policy reform has earned good results, with farmers gaining greater access to, and adopting, the improved seed and fertilizer technology and the private sector developing and delivering on a business competency while the government rightfully focuses on regulation.

Two, DPOs can benefit from complementary TA activities, including analytical work, and complementary funding support from the borrower government, if not from other development partners. It was crucial to have mobilized TA in the implementation of the AgDPO1, in view of the FMARD's comparatively weak capacity for public policy analysis. The operation identified a number of policy studies that could aid policy decision making but could not pursue many of them for lack of resources. It could also have benefitted the AgDPO1 to have received complementary funding from the Government for certain activities --- the conduct of the GHS LSMS and the conduct of studies supportive of policy making. Funding support from other development partners would have also been helpful.

Three, it cannot be emphasized enough that multi-sector and inter-governmental reform programs require coordination among national agencies and cooperation between the central government and subnational governments. The design and implementation of the ATA was the product of close collaboration between the Nigerian federal and autonomous state governments (ICR, page 9). But there were also cases where a lack of coordination between federal agencies caused slippages in AgDPO1 implementation --- the Fertilizer Bill was ratified by the FEC but not submitted to the National Assembly in time because of objections from the Federal Ministry of Industry, Trade and Investment.

Four, for any sector management program that invariably includes a public financial management (PFM) activity, budget planning tools are a necessity. In the case of AgDPO1, the Medium Term Expenditure Framework would have served to provide insight into the Government's budget management practices and problems. Timely budgetary releases to the FMARD proved to be a serious issue with the implementation of the AgDPO1.

Five, the Bank and borrower governments should design the M&E framework for the eventuality that a two- or multi-part DPO is reduced to a stand-alone DPO if work on successor operations gets bogged down. The ICR had to improvise on an approach and methodology for conducting a mandatory evaluation on the front-end DPO using end-of-series PDO outcome targets (ICR, page 21). This ICR's approach worked well, but could have benefitted from a clear definition of what the evaluation standards would be when the evaluator has end-of-series programmatic targets but only mid-term results.

## 13. Assessment Recommended?

No

## 14. Comments on Quality of ICR



The strengths of the ICR are:

One, the ICR is well researched, very thorough and highly analytical. It presents a comprehensive record of the AgDPO1, tracing its history to Vision 20: 2020 and the Transformation Agenda, examining its value within the wider context of the ATA, and explaining its links with the AgDPO2 and with other national and global development initiatives. The ICR presents a candid analysis of the results of the operation, including not just the gains of the program but its shortcomings as well. The ICR also underpins its analyses with multiple references to a robust body of empirical work on agricultural development.

Two, considering that the AgDPO1 was planned as the front end of a two-part programmatic operation and not meant to be assessed independently at mid-term, the ICR conducts a credible evaluation of the AgDPO1 as a stand-alone operation. The ICR has had to measure AgDPO1 outcomes against end-of-series targets, and does a fairly reasonable job.

Three, even as the AgDPO1 is a stand-alone operation, the ICR is able to report on progress toward the AgDPO2 by examining the Government's work on the triggers under AgDPO1. In this regard, Table 2 (ICR, pages 11-15) is highly informative. It is noteworthy that the Government has completed two triggers for the AgDPO2 stipulated under Policy Area 2 (Market Development) --- the development and approval of the legal and institutional framework for Staple Crops Processing Zones (SCPZs) and the assessment by an inter-agency TWG of the impacts of ATA trade policies. The overall ICR conclusion that the Government is on track to achieve the objectives of the two part programmatic operation (ICR, page 21) is supported by the evidence of progress towards end-of-series targets.

The weaknesses of the ICR are:

One, while striving to be conceptually creative, the ICR method of parsing the PDO --- so that the institutional capacity building elements of the PDO are assessed using the program outputs (see Section 4), while the enhancement of agricultural productivity and market access and the improvement of agriculture sector management are evaluated in the light of progress with the program outcomes --- is both a strength of the ICR and a weakness. On one hand, the list of outputs is interesting information. On the other hand, the discussion on how these particular outputs reflect a strengthened policy environment and institutional capacity is rather incomplete. For example, there is scant discussion of how public funding for the institutions responsible for regulation and extension has built capacity in these institutions.

Two, the International Fund for Agricultural Development (IFAD) has submitted an interesting observation that the ICR, while covering the AgDPO1 sufficiently, does not analyze the ATA well enough (ICR, page 36). Full coverage of the ATA is obviously outside the purview of the ICR, but the IFAD advances convincing arguments why the ATA requires a more robust scrutiny --- among others, the need for the Government to know what works in the ATA and what does not. The IFAD statement should have merited a comment or two from the ICR.

a. Quality of ICR Rating  
Substantial