RURAL INFRASTRUCTURE AND
AGRO-INDUSTRIES DIVISION

Country case studies

Africa

AGRIBUSINESS PUBLIC-PRIVATE PARTNERSHIPS

A country report of Nigeria

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Preface

It is recognized that high levels of investments are required to unleash the potential of agriculture for sustainable development and poverty reduction in developing countries. However, in recent decades, many countries have decreased their relative budget allocations to the agricultural sector, yet at the same time, the expected increase of private sector investments and the associated efficiency improvements have not been forthcoming. The high risk (actual and perceived) of doing business in agriculture often deters private sector participation in agrifood sector investments. Against this backdrop, public private partnerships (PPPs) are being promoted as an important institutional mechanism for gaining access to additional financial resources, sharing risks, and addressing other constraints in pursuit of sustainable and inclusive agricultural development.

While various forms of collaboration between the public and private sector have existed for some time, there is limited systematic information available about the current experiences and best practice for using PPPs to initiate agricultural programmes. In addition, despite a surge of interest in PPPs in the agricultural sector in recent years, there remains significant variation in the type of partnerships involved; and poor documentation of the real potential for PPPs to deliver on commonly stated objectives associated with rural employment and income generation, food security and increased agricultural competitiveness.

In 2010, FAO initiated a series of appraisals of PPPs implemented in 15 countries in Africa, Asia and Latin America. The primary objective was to draw lessons that can be used to provide guidance to member countries on how to partner effectively with the private sector to mobilize support for agribusiness development. On this basis, a specific sub-set of PPPs were selected which conformed to two key criteria: each PPP must involve an agribusiness enterprise; and a formalised relationship between specific public and private partners must be in place. There should also be an expectation of positive societal impacts as a result of the partnership.

Seventy individual case studies have been profiled and details provided on the circumstances that led to their formation, management and performance to date. The partnerships analysed cover different topics and intervention areas and involve different types of arrangements and actors. Particular attention was given to the identification of specific roles and functions for each of the partners, including roles in governance, implementation and monitoring. Key results of the study include identification of the factors that influence success or failure in the development and implementation of PPPs, and best practices for creating an enabling environment for increased investment in agriculture through the PPP mechanism.

FAO is publishing this series of case studies of agribusiness PPPs as a contribution to enriching knowledge and sharing information on this type of mechanism for informed decision making on investment promotion for engendering agrifood sector development.

Executive summary

After many years of neglect, the Government of Nigeria is refocusing on the agricultural sector and related industries in its quest to create jobs and ensure more balanced economic growth. In line with its long-term development strategy, Nigeria Vision 20: 2020, it is mobilizing the private sector and aspiring to achieve a high degree of public-private partnerships (PPPs) in agriculture, particularly in research and development.

This report is a synopsis of five case studies that illustrate the experience of Nigeria regarding the implementation of agribusiness PPPs. The following cases are examined.

1. *Full-scale sugar production*: a partnership between Kwara state, the former Nigerian Sugar Company (NISCO) and the Josepdam Sugar Company.
2. *Commercial agriculture initiative* involving Kwara state, Shonga Farms, five private commercial banks and 13 Zimbabwean farmers.
3. *Rice production and processing* (*value addition*) initiated in Benue and Kwara states in partnership with the United States Agency for International Development (USAID), Africa Enterprise Challenge Fund (AECF), Olam Nigeria Ltd, First Bank and the Nigerian Agricultural Insurance Corporation (NAIC).
4. *Integrated rural and agricultural development initiative* involving Enugu state and the Songhai Centre in Benin.
5. *Agriculture Youth Empowerment Scheme (Agric-YES*): a partnership between Lagos state and Dizengoff Nigeria Ltd.

The report initially gives the country's development context, focusing on the institutional environment and relevance of agribusiness PPPs. Subsequently, it characterizes each of the five agribusiness PPPs, outlining their stated purposes, direct beneficiaries and the nature of benefits; type and levels of financial support, concessions or other services provided through the partnerships; roles and functions of each of the partners; and how the agreements were formalized. Because of lack of information, the report is unable to analyse fully the performance of the PPPs studied. It was hoped to learn lessons from the challenges and specific issues to be considered in the development and implementation of agribusiness PPPs in Nigeria.

A clear similarity among the PPPs is the involvement of state and local governments in response to the vision and direction set by the Nigerian Government. Kwara state, in particular, has embraced the private sector in its agro-industrial development strategies. Since all partnerships are ongoing, a follow-up study is recommended in order to analyse outcomes and impacts of these cases further and in more detail.

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Acronyms

AECF	Africa Enterprise Challenge Fund
CAADP	Comprehensive Africa Agriculture Development Programme
ECOWAS	Economic Community of West African States
ECOWAP	Regional Agricultural Policy for West Africa
GAIN	Global Agricultural Information Network
GDP	Gross domestic product
MDGs	Millennium Development Goals
₦	Naira (Nigerian currency) symbol
NAIC	Nigerian Agricultural Insurance Corporation
NBS	National Bureau of Statistics
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for Africa's Development
NFSP	National Food Security Programme
NISCO	Nigerian Sugar Company
NPC	National Planning Commission
PPPs	Public-private partnerships
USAID	United States Agency for International Development

Chapter 1
Introduction

Agribusiness is the off-farm link in agrofood value chains. It provides inputs to the farm sector and links the sector to consumers through the handling, processing, transportation, marketing and distribution of food and other agricultural products (FAO, 2007). A dynamic and efficient agribusiness sector stimulates agricultural growth, and a strong link between agribusiness and smallholder farmers has the potential for reducing rural poverty and broadening farmers' income opportunities.

As in many developing countries, the agricultural sector plays an important part in the economy of Nigeria. According to recent figures, the sector contributes almost 42 percent to Nigeria's gross domestic product (GDP) and employs around 70 percent of its workforce. The contribution of agribusiness to GDP is currently 16 percent and represents the sector that holds great opportunities for diversifying the economy away from oil revenues. However, Nigeria's agricultural industries, despite their growth potential, continue to suffer from insufficient investment and other challenges such as high costs and risks associated with working in the sector. Nevertheless, through its Nigeria Vision 20: 2020 plan, the Nigerian Government has revitalized commitment to agriculture and related industries. It has, for instance, subsidized agrochemicals and supported the rehabilitation of run-down farms. Moreover, it has encouraged its banks to increase their lending to the agricultural sector.

In addition to providing direct support, the government continues to encourage both foreign and domestic private investment in key commodities and industries such as cocoa processing, sugar refining and poultry production. Vision 20: 2020 is acknowledged as a harmonized view of the key principles and thrusts of the National Economic Empowerment and Development Strategy (NEEDS), Millennium Development Goals (MDGs) and the Seven-Point Agenda within a common perspective that is consistent with Nigeria's long-term national aspirations.

Agriculture transformation in Nigeria is based on five key drivers.

- *Rapid urbanization*: the percentage of the population in urban areas has doubled in 40 years from 24 to 49 percent.
- *Rising population*: the population has risen to 165 million over the last 30 years and is projected to reach 450 million by 2050.
- *Growth in food demand*: the result of a growing population and increased consumption of livestock products.
- *Need to create jobs*: four million youth enter the workforce every year.
- *Post-harvest losses*: these are estimated at 50 percent for vegetables and fruit, 30 percent for roots and tubers and 20 percent for grains.

A number of government agencies and official development institutions (public sector) have recently been partnering with agro-enterprises and service providers (private sector) to further the government's goal of achieving food self-sufficiency through agricultural transformation. According to Vision 20: 2020, the agricultural sector is expected to achieve many more PPPs, particularly in agricultural research and development, by 2020 (NPC, 2010). The country aspires to become one of the top 20 economies in the world by this date. By hosting the High-Level Conference on the Development of Agribusiness and Agro-Industries in Africa (HLCD-3A) in March 2010 in Abuja, the Government of Nigeria further demonstrated its concerted efforts to accelerate agribusiness development.[1] With a current annual growth rate of 7.8 percent, Nigeria is one of the fastest growing economies in the world and offers many opportunities for investment in the agricultural sector.

1.1 OBJECTIVES OF OVERALL APPRAISAL

The purpose of the present study is to appraise the use of PPPs as an instrument for accelerating agribusiness development in sub-Saharan Africa. In particular, the document describes the experi-

1 http://www.hlcd-3a.org/en/About.htm/

ence of Nigeria in building synergies between the public and private sectors for mitigating business risks and increasing investments in the agricultural sector. The in-depth appraisals were undertaken in five countries: Ghana, Kenya, Nigeria, Uganda and the United Republic of Tanzania. In each country, the study set out to:

- appraise the national development context, trends and policies influencing the relevance of and need for agribusiness PPPs;
- characterize and appraise specific agribusiness PPPs;
- consider the challenges and specific issues in the development and implementation of agribusiness PPPs.

FAO believes that it is an opportune moment to document the development and implementation of agribusiness PPPs in Africa – in this case, Nigeria – in order to draw from past experience and guide future projects. While many ministries of agriculture have prepared and endorsed strategic plans that call for closer working relationships with the private sector in order to increase competitiveness, value addition and employment generation, the key challenge lies in translating general principles into practical guidance for the technical officers of ministries of agriculture – as well as those in ministries of commerce and finance that deal with the agribusiness sector. It is necessary to learn from ongoing and suitably advanced agribusiness PPPs.

1.2 METHODOLOGY AND SELECTION OF COUNTRY CASES

The first step in the research project was to characterize and appraise five specific agribusiness PPPs within the national development context of Nigeria. These cases were selected on the grounds that an agribusiness enterprise was involved in the partnership. The selection focused on PPPs with a collaborative relationship between specific public and private partners for the purpose of increasing investment. The chosen partnerships were also deemed suitable for appraisal because of the contractual and equity (joint ownership) arrangements made between the public entities and private agribusiness enterprises involved. The agribusiness PPPs had to have been in operation for a minimum of two years to allow informed analysis and it was also desirable that they had shown a positive societal impact on their communities. The PPP cases selected for Nigeria satisfied these selection criteria, each with good prospects of increasing agribusiness enterprise investment in the agricultural sector as well as reducing the risks and increasing the rewards of the participating agribusiness enterprise. Furthermore, they supported the attainment of public sector development strategies and have great potential for enhancing public sector revenues. The selected cases are presented in Table 1.

The appraisal used two main sources of information: (i) secondary information and data; and

TABLE 1
Overview of the agribusiness PPP cases appraised

PPP	Nature of PPP/objective	Public partner(s)	Private partner(s)	Start date
Josepdam Sugar Company/Kwara state	Full-scale sugar production: milling, refining and distribution	Kwara state; Nigerian Sugar Company (NISCO)	Josepdam Sugar Company	2008/ 2009
Shonga Farms	Commercial agriculture initiative: dairy, poultry and mixed farming	Kwara state government	Five banks,13 Zimbabwean farmers	2004
Olam/USAID/AECF integrated rice farming and processing project	Promote demand-driven production/value addition of rice	USAID, Benue/ Kwara state, AECF	Olam Nigeria Ltd, First Bank, NAIC	2006 2009*
Enugu-Songhai Initiative	Integrated and sustainable rural agriculture development – Songhai model	Enugu state government	Songhai Centre, Benin	2009
Agric-YES	Agric-YES: Youth Empowerment Scheme	Lagos state government	Dizengoff Nigeria	2009

Source: author, 2011
* Start date for partnership in Kwara state.

(ii) key informant interviews. Secondary information and data were drawn from relevant strategy, policy and planning documents; investment appraisals and reports; and other relevant reports by chambers of commerce, private sector associations, universities and research institutes. Key informants were selected to give their views from a wide variety of key stakeholders in both the public and private sectors.

The definition of PPPs is highly contested. However, in general terms, this arrangement refers to a type of partnership between the public and the private sector for the purposes of designing, planning, financing, constructing and/or operating projects that would traditionally be regarded as falling within the remit of the public sector. Infrastructural projects such as roads and bridges are prime examples. PPPs entail a sharing of responsibility between government and the private sector. For example, the private sector contributes design, construction, operation, maintenance, finance and risk management skills while the government is responsible for strategic planning and industry structure, obtaining permits, certain customer interface issues, regulations, community service obligations and (sometimes) payment on behalf of the service users.[2]

1.3 ORGANIZATION OF THE REPORT

The report has been structured into seven chapters. After the introductory chapter, Chapter 2 gives the country development context, focusing on the institutional environment and relevance of agribusiness PPPs. The third chapter focuses on characterizing each of the five agribusiness PPPs, outlining their stated purposes, direct beneficiaries and the nature of benefits; the type and levels of financial support, concessions or other services provided through the partnerships; roles and functions provided by each partner; and how the agreements were formalized. Chapter 4 details issues such as the circumstances that led to the development of these partnerships; the main drivers behind the PPPs and their specific roles; procedures and criteria used to identify and assess market opportunities; and time frames on negotiating partnerships, revenues and returns on investment, including aspects of the enabling environment potentially impacting on the success of the arrangement. Chapter 5 analyses the management and operational structure while the sixth chapter assesses the performance and development outcomes of the selected cases. Chapter 7 concludes the report, considering the challenges and specific issues and lessons to be learned in the development and implementation of agribusiness PPPs within a national development context.

2 See Savas (2000) for a comprehensive discussion on the definition of PPPs.

Chapter 2
Country context

2.1 BACKGROUND AND COUNTRY OVERVIEW

Nigeria is the most populous country in sub-Saharan Africa with a population of 154.7 million, accounting for 18 percent of the continent's total population (World Bank, 2011). Prior to the oil boom of the early 1970s, the country was one of the world's leading producers of cocoa, palm oil and palm kernel, groundnuts, cotton, rubber, hides and skin. Moreover, the agricultural sector contributed over 60 percent to GDP, 70 percent of exports and 95 percent of food needs. However, with the discovery of oil and its commercial exploitation, the agricultural sector was neglected, which resulted in a decline in both productivity and growth of the sector. Despite this downturn, agriculture remains dominant in Nigerian economic growth, contributing almost 42 percent to GDP and employing around 70 percent of its workforce (NBS, 2012). On the contrary, the oil industry is estimated to provide employment for only 4 percent of the population.[3]

While oil generates considerable revenue and is undeniably one of Nigeria's most lucrative assets, the rest of the economy remains underdeveloped with a large percentage of people still living in rural poverty. Youth unemployment is widespread, which has caused the government to rethink its development strategy. Indeed, there is now widespread recognition, both at federal and state level, of the need to take the emphasis off oil wealth and focus on developing agriculture, small and medium enterprises, and PPPs. Across a range of agricultural commodities, the government aims to reduce dependence on imports or even achieve total self-sufficiency.

To some extent, this concept has been reflected in several strategic planning frameworks where the agricultural sector is accorded high priority, such as the Seven-Point Agenda introduced by former President Yar'adua. Based on the level of transformation occurring in Nigeria, this agenda was conceived as a means of fostering Western ideals of democracy, good governance, free enterprise and the rule of law. In particular, the agenda is aimed at a more structural approach to tackling some of the challenges that need to be overcome if the government is to succeed in raising the living standards of the Nigerian people, achieving the Millennium Development Goals (MDGs) and realizing its vision by 2020.

Food security is a core aspect of the Seven-Point Agenda and has great affinity with the need to make Nigeria self-sufficient in food production. The emphasis here is on the development of modern technology and increased financial investment in the agricultural sector. This is of vital importance because Nigeria is still predominantly an agrarian society, even though it is known to the outside world as a major oil producer. Even with rapid urbanization, developing countries such as Nigeria are expected to remain predominantly rural until about 2020 and the majority of the poor are projected to continue to live in rural areas until 2040 (Ravallion, Chen and Sangraula, 2007).

Nigeria's production records for most food crops tend to show low productivity when compared with that of other major producers in the world (NBS, 2010). Some of the factors mentioned earlier are implicated in this low productivity, coupled with the fact that the general decrease in food prices may have discouraged farmers from engaging in any further expansion of their farming activities. Experience from other countries has shown that poor levels of infrastructural development are also a major contributory factor to low agricultural productivity. Nigeria has a total land area of 92.4 million ha, of which 79 million ha are suitable for cultivation, yet only about 50 percent is used for both staple and industrial crops.[4] Moreover, over 90 percent of Nigeria's

3 See the speech made to mark Nigeria's 48th Anniversary by the former President, Umaru Yar'adua, in the article by Allison Feig, Runar Holm and Mitchi Gregoire (PMC Ltd). *Nigeria Part One*. Published Thursday 4 December 2008.

4 Statistics from presentation (2008) by Dr Sayyadi Abbs Ruma, Minister of Agriculture and Water Resources, Nigeria.

agricultural output comes from peasant farmers in the rural area where 60 percent of the population live.[5] Hence, the majority of people working in agriculture tend to lack any formal education and have little ability to learn from new technologies or existing best practices. As a result, most of these farmers are unable to access funds and therefore continue to rely on government for subsidies on major farm inputs such as seedlings, fertilizers, pesticides and other chemicals (Saraki, 2009).

Several government officials have noted that up to 70 percent of the various agricultural credit schemes offered by banks, particularly the Central Bank of Nigeria and Nigerian Agricultural and Commerce Bank, which have the capacity to provide the level of funding required to achieve significant growth in the sector, are inaccessible because most farmers cannot meet the banks' conditions (Yusuff, 2009). The net result is that agriculture in Nigeria is grossly underfunded, making it increasingly difficult to reduce rural poverty and meet the MDGs.

Low productivity inevitably equates to a heavy reliance on food imports. Nigeria is a net importer of food, including staples such as rice. The country produces just 500 000 tonnes of rice with an annual consumption of 2 500 000 tonnes (IITA, 2009). In his keynote address in 2005, the Kwara state governor reported that Nigeria had spent about USD2 billion in importing food items (Saraki, 2005). This observation still holds. At present, Nigeria is the largest importer of United States wheat in the world at 3.3 million tonnes (Flake and David, 2010). Wheat importation exemplifies how domestic demand for certain food crops is exceeding internal supply and production capabilities, leading to an increased need for imports. In 2010/11, Nigeria's wheat production was forecast to remain low at only 100 000 tonnes while demand for wheat products continues to increase (Flake and David, 2010).

Given Nigeria's abundance of natural resources and its vast areas of uncultivated agricultural land, estimated at around 32 million ha,[6] there is enormous scope for increasing productivity if efforts are tailored towards investing in adequate agricultural infrastructure. Investments in agriculture are important to increase food security and create more market access for rural farmers. Rising productivity increases rural incomes and lowers food prices, making food more accessible to the poor. Other infrastructural investments such as improved irrigation and drought-tolerant crops reduce price and income variability by mitigating the impact of droughts and other climate-related disasters. Productivity gains are an essential aspect of food security in African countries such as Nigeria where households may have little access to food markets. Agriculture's contribution to food security needs to be complemented by long-term programmes to raise the incomes of the poor, as well as to provide enough funding to improve small-scale agribusiness enterprises.

Agribusiness PPPs in Nigeria play an important role in the context of the Nigerian economy. The agricultural sector not only makes a significant contribution to the country's total GDP but also provides employment for a vast majority of the rural population while ensuring food security in general. Thus, in achieving the broader goals of economic growth and poverty reduction, the overarching issue is not only to ensure that growth is pro-poor but also sustainable in general and bound to the agricultural sector in particular. The main challenge is to focus on designing effective mechanisms and institutional arrangements to alleviate rural poverty and sustain the growth of agriculture. This challenge is increasingly being addressed through the growth of agribusiness PPPs within the country. They play an important part in Nigeria's economic development not only in terms of fostering increased employment generation, infrastructural investment and output expansion but also in being a major source of government revenue.

Four categories of agribusiness firms can be identified in Nigeria. These include agribusiness operations in agricultural production, processing, distribution and consumption (Ajakaiye and Akande, 1999). Agribusiness firms are scattered all over the country but are mainly concentrated in three industrial clusters: Kano, Kaduna and Jos in the north; Lagos, Otta and Ibadan in the southwest; and Port Harcourt, Aba, Nnewi and Onitsha in the southeast. The Lagos, Otta and Ibadan axis accounts for 44 percent of registered firms and approximately 52 percent of employment. Based on the average number of employees per firm, the largest firms are located in this area. While most of the sector is made up of small-scale enterprises (about 60 percent of the firms have between 20

5 See Country Profile Report by Nigerian National Committee of the International Commission on Irrigation and Drainage (ICID), 2008 at www.icid.org/v_nigeria.pdf/ (accessed 18 January 2011).

6 Presentation by Dr Sayyadi Abbs Ruma (2008), Minister of Agriculture and Water Resources, Nigeria.

and 49 employees), these account for 12 percent of employment. With a few exceptions, firms with more than 500 employees provide the bulk of sectoral employment. As a whole, they account for 53 percent of total employment (Marchet *et al*., 2001).

In Nigeria, the agricultural sector is becoming increasingly market-oriented and private-sector led. The unfolding scenario is such that small-scale farmers face considerable market constraints, including poor market information, restricted access to credit and modern inputs, and high transaction costs arising from poor market integration. Little emphasis has been placed on the development of markets and commercialization of agricultural outputs, with a consequent negative impact on the country's agribusiness operations (FAO, 2004a). Another disadvantage is the lack of access to financing by small-scale farmers. Research from the Kano metropolitan area suggests that rural grain traders have little access to diverse sources of capital – notably institutional or formal loans from the government, banks and private companies – to expand their activities (Ayodele Ariyo, Voh and Ahmed, 2001).

Consequently, farmers are finding it increasingly difficult to compete and are becoming more vulnerable to economic exclusion and poverty. It is not surprising, therefore, that the agribusiness sector is currently being encouraged to engage in PPPs. Such initiatives are important to counter poor market integration where there is a weak or non-existent relationship between farms and agro-processing/agro-industrial firms that may affect the performance of the agricultural sector. Hence, in many specific cases, agribusiness PPPs tend to be the preferred option. For farmers, the positive effects of these PPPs are favourable farmgate prices, higher incomes and increased access to modern inputs, financial resources and sustained profitability. With a keen focus on market orientation and commercialization of agriculture, agribusiness PPPs invoke a new strategy in which the Nigerian Government provides regulatory policies that encourage more private sector participation in agriculture and agribusiness (FAO, 2004b).

The Nigerian Minister of Agriculture and Water Resources listed the key priority areas for commercial and market-oriented agricultural development.[7] These include the following.

- *Cash crops*: cotton, oil palm, fruit trees, rubber, sugar cane and *Jatropha curcas*.
- *Food crops*: rice, wheat, cassava, maize/soybeans, beans/millet, tomatoes and vegetables (including medicinal plants).
- *Poultry*: broiler, eggs and poultry feed production.
- *Livestock*: dairy (milk) development and abattoir (meat) enhancement programme, cold chain development, meat processing, animal feed production.
- *Aquaculture*: hatchery, feed mills development/fisheries production, cold chain fish processing and fish feed production.

The identified priority areas build on presidential initiatives launched in 1999 for seven agricultural products (cassava, rice, vegetable oil, sugar, livestock, cultivated trees and dry grains).

These key priority areas have been listed as a means of encouraging agribusiness PPP objectives[8] that ultimately seek to:

- enhance market competitiveness in wheat, rice, sugar, milk and fish;
- sustain national food security and employment generation;
- promote modern agricultural practices in production, storage/preservation, processing and marketing;
- enhance natural resource conservation, increase utilization of irrigated aquaculture and mitigate the effects of climate change;
- enhance incomes for smallholder farmers.

In Nigeria's national development context, agribusiness PPPs are an important element in providing the necessary agricultural infrastructure needed to achieve the key objectives mentioned. The major benefits are that, on the one hand, the private sector can leverage its advantages in creative financing, greater operational efficiency, lower distribution costs, more complex delivery systems, faster decision-making, management flexibility and innovation. On the other hand, the public sector can provide strategic direction – the choice, location and pricing of infrastructures; ensure transparency in procurement; and, above all, enable small private firms to enter large markets with guaranteed consumers through capital or user fee subsidies, or commitments to purchasing agreements (United Nations Millennium Project, 2006).

7 PowerPoint presentation by Dr Sayyadi Abbs Ruma (2008), Minister of Agriculture and Water Resources, Nigeria.

8 Ibid.

2.2 AGRIBUSINESS SECTOR OVERVIEW AND TRENDS

Agribusiness PPPs are based on a proactive agricultural development policy[9] that is carried out via a value chain approach, with the overall goals of:

- reducing high market concentration power in multinational agribusiness;
- enhancing market competitiveness of commodities, improving the investment climate to induce the entry of private investors and increased participation of small and medium enterprises/smallholder farmers;
- promoting global best and fair practices in agricultural production and agribusiness;
- promoting corporate social responsibility;
- achieving sustained food security;
- mitigating the effects of climate change (optional but necessary).

Agribusiness comprises diverse private agro-enterprises, a majority of which are small, mostly in rural market towns, and operated by households that often have wage labour and farming as other sources of income (Freeman and Estrada-Valle, 2003). Medium and large agro-enterprises are mainly urban-based because of the requirements for economies of scale and infrastructure. Large enterprises are often dominated by multinational corporations that have consolidated through vertical and horizontal integration (Van der Meer, 2007). Driven by gains from economies of scale and the globalization of the food chain, multinational agro-enterprises increasingly dominate the agribusiness private sector along the value chain. They provide inputs such as pesticides, seeds and crop genetic technologies that have consolidated horizontally and vertically into a small number of multinational firms (World Bank, 2007).

On the marketing side, a few multinational enterprises are widely diversified from seeds, feeds and fertilizers to product handling and processing of sweeteners and biofuels. Food processing firms are integrating backwards to primary product handling and forwards to retail distribution. Retailing of food supplies has been transformed by the "supermarket revolution". Indeed, national, regional and global supply chains are being radically altered, bypassing traditional markets where smallholders sell to local markets and traders. Supermarkets control 60 to 70 percent of food sales in Argentina and Brazil, and are expanding rapidly in China, India and urban Africa. Although these trends in agribusiness consolidation have been going on for years in Western developed countries, they are now becoming common in developing countries as well (Reardon and Berdegué, 2002).

2.3 POLICY AND STRATEGIC DOCUMENTS FOR AGRIBUSINESS DEVELOPMENT AND ENGAGEMENT WITH THE PRIVATE SECTOR

The Federal Ministry of Agriculture and Rural Development (FMARD)[10] is the primary federal body responsible for policy formulation and the development of the agricultural sector. Agricultural policy in Nigeria has evolved considerably since the country's independence in 1960. The 1960s were characterized by strong public intervention in agriculture that boosted agricultural productivity, particularly of cash crops such as rubber and cocoa. The 1970s marked the period of intensive oil extraction and diminished support to the agricultural sector that led the country to a growing dependency on food imports. It was only in 1998, after undergoing structural adjustment programmes, that the government turned its attention once again to the agricultural sector. In 2001, these efforts led to the development of a refined agricultural policy reference document: "Agriculture in Nigeria: The New Policy Thrust", emphasizing improved agricultural productivity and food self-sufficiency for the country.

At present, agricultural development in Nigeria is guided by two strategic frameworks that set priorities for the development of agriculture to improve food security, create jobs, increase incomes and reduce poverty. These countrywide frameworks are the:

i. National Agricultural and Food Security Strategy now embedded in the Agricultural Transformation Agenda;
ii. Nigeria Vision 20: 2020 economic transformation blueprint, which is the Nigerian Government's overarching national plan for economic growth.

The Agricultural Transformation Agenda (ATA) was launched in 2011. Its main focus is on the development of agricultural value chains, including:

- provision and availability of improved inputs (seeds and fertilizers);

9 See Section 2.3.

10 Formerly the Federal Ministry of Agriculture and Water Resources.

- increased productivity and production, and the establishment of staple-crop processing zones;
- reduction of post-harvest losses; and
- improving linkages with industry with regard to backward and forward integration, as well as access to financial services and markets (through FMARD, September 2011).

Nigeria Vision 20: 2020 aims to transform agriculture into a sustainable profitable sector with the focus on increasing agricultural productivity and production for direct consumption and processing for local market and export (NPC, 2010). To this end, it seeks to attract large-scale investments for mechanized production/processing of agricultural produce (e.g. tubers, cereals, oil palm, cocoa) where Nigeria has a comparative advantage, as well as agricultural produce inputs for processing plants (e.g. citrus fruits, pineapples). Consequently, agribusiness development is at the heart of Nigeria's attempts to diversify its economy and reduce its dependency on oil. This was illustrated by the willingness of the country to host the High-Level Conference on the Development of Agribusiness and Agro-Industries in Africa (HLCD-3A) in March 2010 in Abuja, which saw endorsement of the African Agribusiness and Agro-Industries Development Initiative (3ADI) by the African Union member states.

Furthermore, a number of the country's strategic frameworks have emphasized the role of the private sector in driving the growth process. The National Economic Empowerment and Development Strategy (NEEDS) emphasizes economic development driven by the private sector. NEEDS was first launched in 2004 as Nigeria's poverty reduction strategy paper and was, at the time of writing, in its second phase of implementation (NEEDS II 2008–2011). Moreover, the Seven-Point Agenda adopted in 2007 is another medium-term policy document highlighting the importance of the private sector for economic reform in the country. These medium-term frameworks are intended to help the country achieve the MDGs for 2015 and Vision 20: 2020. Drawing on NEEDS II and the Seven-Point Agenda, the Ministry of Agriculture and Water Resources developed a Five-Point Agenda for agriculture, a detailed plan of steps to be implemented to attain the objectives listed for agriculture in the Seven-Point Agenda. However, all the frameworks guiding agricultural transformation in Nigeria are developed and adopted within the context of the Comprehensive Africa Agriculture Development Programme (CAADP). While the Nigerian Government provides the policy direction and strategic vision for the country, it is the state and local government with the participation of the private sector that actually executes the programmes.

2.4 SCOPE AND NATURE OF PPPS IN THE AGRICULTURAL SECTOR

As already mentioned, one of Nigeria's key strategic goals for the future is to become a significant player in the global political economy and be self-sufficient in food production. In order to facilitate this strategy, the country aims to expand trade and investment and, most important, to create jobs and alleviate poverty. A means of achieving these objectives is to focus on a new paradigm that has the potential to yield benefits for the country's physical infrastructural development. This paradigm is founded intrinsically on the caveat that private and public sectors must be prepared to engage in a viable partnership. The realization that these sectors need to work together in order to foster economic growth and infrastructure development in Nigeria has given rise to the importance attached to PPPs. They are seen as a sustainable effort between the public and private sectors, where each contributes to planning and providing the resources needed to accomplish a mutually shared objective. Such initiatives are designed to tackle the growing complexities surrounding infrastructure projects and enable private investors to participate in profitable socio-economic development through partnership with the public sector.

Indeed, Nigeria's infrastructural challenges are great. Recent reports have stated that the country requires between USD12–15 billion annually for the next six years to meet infrastructure requirements (Izuwah, 2010). It has become increasingly evident that the government alone cannot muster the finance and expertise to meet these challenges. Hence, the involvement of the private sector is vital. It is consequently not surprising that the majority of the infrastructure development projects currently under way at both state and federal levels are powered by PPPs. Key players in the financial sector, especially banks, are beginning to adopt a more innovative long-term approach in facilitating credit to meet the financial and managerial needs of projects that will yield both infrastructural and societal benefits in the long term. This suggests that there is an urgent need for the continued growth of effective PPPs where risks are shared in a way that makes both commercial and economic sense and also results in value for money for all participants and for the country's national development.

In the agricultural sector, the development of agribusiness PPPs requires a substantial infusion of fixed investment and working capital. Private investors in the financial sector have the capacity to provide most of the resources needed. For many reasons, however, the agricultural sector is not attractive to private sector investors and commercial financial institutions. The key to unleashing private and financial sector resources is to increase profitability and reduce risk. The profitability-risk ratio can be addressed by improving productivity and efficiency and reducing business costs (FAO/UNIDO, 2010). Agribusiness PPPs have been developed to share the costs and risks of operational activities that are beneficial from both a public and private sector viewpoint. Support for agribusiness partnerships has been specifically developed in research and development, for infrastructure development, and to ensure that the specialized management competencies and technical expertise of private sector firms are directed at benefiting small farmers and processors.

The investment funds acquired from agribusiness PPPs can help stimulate the much needed growth of agro-enterprises. Investment funds can also enable firms to access additional capital. In particular, smaller agribusiness-targeted investment funds are important. Reducing the market and economic risks for smallholder farmers, small and medium agro-enterprises and agro-industries is one of the most important factors for mobilizing sustained investment in the agricultural sector. Agribusiness PPPs would help improve the capacity of financial institutions to develop and support risk mitigation products, and enable the capacities of the public sector to create the right policies and regulatory frameworks. Agribusiness PPPs also contribute to creating jobs in the agricultural sector, while alleviating poverty and targeting issues of food security. Moreover, these partnership initiatives can address risks that emanate from socioeconomic, environmental and political conditions.

Chapter 3
Characterization of agribusiness PPPs

3.1 JOSEPDAM SUGAR COMPANY (FULL-SCALE SUGAR PRODUCTION AND DISTRIBUTION)

Stated purposes and specific outputs, particularly with regard to agribusiness investment and the development of agribusiness enterprises

The Josepdam Sugar Company was formed when the Josepdam Group, a private company, took over the assets and operations of the Nigerian Sugar Company (NISCO), a former government parastatal in Bacita, Kwara state. The state facilitated the privatization process. Josepdam's main objective was to go into full-scale sugar production, from farming the canes to milling, refining and distribution of sugar and its by-products. In addition to refined sugar, the company would also produce and sell fuel ethanol and electricity on a commercial scale. The purpose of the PPP was to contribute efficiently to the Nigerian economy not only through sugar refinement but also through farming.

Direct beneficiaries and nature of benefits, particularly expected increases in agribusiness enterprise profitability, levels of investment or returns on investment, and any social and developmental outcomes

Under the PPP arrangement, companies such as Josepdam have pledged to increase sugar production in order to exploit emerging business opportunities in the production of fuel ethanol, a cleaner and more sustainable alternative to petrol and more in tune with the demands of the Kyoto Protocol agreement, to which Nigeria is a signatory. The new biofuel policy has added a new and challenging dimension to sugar production and use. At recent petrol consumption levels, the proposed E10 fuel ethanol programme requires about 1.5 million litres of automotive ethanol to be produced from about 190 000 ha of sugar cane. Exporting sugar to the Economic Community of West African States (ECOWAS) subregion or the European Union (under the African, Caribbean and Pacific Group of States [ACP] Protocol) also provides further attractive opportunities.

Sugar-cane production and the sugar industry generate massive employment and help with the problem of rural-urban migration. Since the industry is rural-based, it offers one of the best chances of developing rural areas since it facilitates the provision of relevant infrastructure: roads, water, electricity, etc. The potential of small-scale sugar-cane production and sugar industries in rural development, poverty alleviation, employment and income generation has not been fully exploited. Sugar-cane and sugar production are now being seen as critical productive sectors of the economy that add value to primary sources, thereby contributing to the achievement of the Seven-Point Agenda and attainment of the MDGs.

Nature and levels of financial support, concessions or other services (such as technical assistance and training) provided by PPPs in support of beneficiary agro-enterprises

Josepdam & Sons (Nigeria) Ltd paid an initial USD2 million to the Bureau of Public Enterprises, representing 50 percent of a USD4.4 million bid. This was to resuscitate the moribund NISCO and run it in an efficient manner in order to combat sugar imports and provide jobs for Nigerian youth.

Roles and functions of each partner, including roles in governance, implementation, monitoring and evaluation of agreements and, as relevant, governance of the beneficiary agro-enterprises

The Josepdam Sugar Company focuses on full-scale sugar production. As the new owner of NISCO, it has intensified the rehabilitation and expansion of cane fields and was expected to commence milling operations during the 2010/11 season.

3.2 SHONGA FARMS HOLDINGS LTD (Commercial agriculture initiative)

Stated purposes and specific outputs, particularly with regard to agribusiness investment and the development of agribusiness enterprises

The Shonga commercial agriculture initiative is a PPP involving five major banks in Nigeria: Intercontinental Bank, Guaranty Bank, FinBank, Platinum Habib Bank and Unity Bank; the Kwara state government; and 13 Zimbabwean white farmers. The partnership is managed by Shonga Farms. The banks agreed to fund the project through debt and equity financing options. They own a 45-percent share, the farmers own 40 percent and the state owns 15 percent. Once the banks obtain their investment returns, farmers can acquire the bank shares and largely own their respective farms.[11]

Shonga Farms Holdings Ltd was incorporated as a special purpose vehicle to facilitate the PPP with regard to the commercial farming project of the Kwara state government. Overall, the aim of the partnership is to create a commercial farming hub in Kwara that will not only benefit farmers but also provide a base for capacity building and infrastructural development of the indigenous farming community.

The focus of the Shonga project is on the cultivation of six crops: cassava, rice, maize, cowpeas, soybeans and groundnuts. Other crops that could be grown include cashew nuts, yams, beans, sugar cane, cotton, cocoa, coffee, tobacco and palm produce. Various vegetables and fruit such as tomatoes, mangoes, oranges, pineapples and bananas are also cultivated.

Processed chicken production is another feature of the Shonga Farms PPP, initiated by the administration of Kwara state.[12] The farm poultry zone includes a chicken processing factory to produce a minimum of 7 500 processed chickens for consumption by Ilorin residents, Kwara state at large and people in other parts of the country. It has been stated by the head of operations at the factory that 2 500 frozen chickens are processed per day but, when the farm is fully operational, this will increase to 10 000 chickens per day. To date, the farm has engaged the services of 42 workers who are all from the host community, although more hands will be needed as the farm expands.

Shonga Farms Holdings Ltd is an independent entity of its own, quite separate from the Kwara state government. Farmers are each given 1 000 ha of land with a long lease for commercial farming purposes. However, in view of the huge capital outlay required to fund an agricultural project of this magnitude, Shonga Farms was incorporated to facilitate the provision of necessary funding for the capital expenditure and working capital requirements of the project.

Direct beneficiaries and nature of benefits, particularly expected increases in agribusiness enterprise profitability, levels of investment or returns on investment, and any social and developmental outcomes

The partnership between commercial farmers and their host government has completely revolutionized Kwara's agricultural sector. Opportunities for investment include direct cultivation of crops, agroprocessing, transport, provision of agricultural inputs and marketing of produce. Investors can easily acquire land with the assistance of the state government. Numerous incentives are also offered to attract investment in the sector. In terms of providing new expertise, the PPP initiative is also enabling local farmers to be adequately trained in processing an increased production of poultry by using modern technology.

Nature and levels of financial support, concessions or other services (such as technical assistance and training) provided by PPPs in support of beneficiary agro-enterprises

The Kwara state government is transferring the knowledge and techniques used by the Zimbabwean farmers to the local population. Agriculture inputs such as tractors and fertilizers are currently sold or hired to farmers at greatly subsidized prices. Local farmers are taught about various farming practices at the Youth Training Farm and, once they graduate, they are offered 5 ha of land and a loan to facilitate their skills as the next generation of commercial farmers.

The Zimbabwean farmers' commercial agricultural project began in 2005 with a USD250 000 loan. It represents a PPP with a focus on viability and profitability. It was projected that the Zimbabwean farmers would make satisfactory returns in poultry and dairy in the first three years. Furthermore, they

11 *Sunday Trust* article, 10 October 2010.

12 Information gathered from Kwara state government Web site: www.kwarastate.gov.ng/

declared profits in mixed farming in the first four years. Currently, total agricultural output is anticipated to increase substantially over the next five-year period as production expands and improved farming methods and techniques are disseminated to a smallholder population through a planned agricultural programme.

3.3 OLAM NIGERIA LTD (Rice production and processing)

Stated purposes and specific outputs, particularly with regard to agribusiness investment and the development of agribusiness enterprises

The PPP is between Olam Nigeria Ltd and the Kwara state government, which has opened its doors wide to investors from all over the country and beyond. Olam Nigeria Ltd has a significant presence in Kwara and constitutes an important partner in its drive towards industrialization and food self-sufficiency. As an example, the Patigi rice processing plant is a joint PPP venture between the Nigerian Government, Kwara state government and Olam Nigeria Ltd. The Kwara state government has called for appropriate fiscal policies and tariffs to create further opportunities and markets for agricultural produce.

The rice initiative started in Benue state in 2005 when Olam decided to test a new business approach by investing in local production of high-quality rice for Nigeria's domestic market, given the high import tariffs on milled rice. It began processing locally produced rice from a government-leased mill in Makurdi, Benue state. However, it was faced with the challenge of an insufficient supply of rice to use appropriate economical production and post-harvest technologies that would ensure improved productivity and a high-quality paddy to meet its 18 000-tonne capacity. In 2006, the Government of the United States of America, through USAID, entered into partnership with Olam. The goal was to promote demand-driven production by developing a supply chain model that encouraged the use of improved technologies, farmer capacity building, commercial linkages to credible market outlets (such as mills) and strategic PPPs.

The programme is divided into three components: (i) production through an outgrowers' extension programme; (ii) value addition through processing; and (iii) increased market share in end markets through improved product quality and branding. The outgrowers' programme is designed to strengthen the capacity of smallholder farmers to produce a sustainable supply of high-quality paddy. It develops farmers' capacities to use appropriate economical production and post-harvest technologies to ensure improved productivity and a sustained volume of high-quality paddy at a viable cost. Model farms are used for the multiplication of improved rice varieties and as a platform for farmer training, field days and demonstrations. The plant provides a credible market by paying a premium for paddy that meets both quality and quantity standards. Following the success of the partnership in Benue state, it is being replicated in Kwara.

Shareholders. The Kewalram Chanrai (KC) Group owns about 460 million shares, representing 23.1 percent of the total issued share capital of Olam International, while Temasek Holdings has 13.7 percent. The management team of Olam has about 13.4 percent in the total issued share capital, which greatly aligns shareholder and management interests in creating value. International partners are USAID, the Bill & Melinda Gates Foundation and the International Financial Corporation. National partners are the First Bank, and the governments of Benue, Kwara and Niger. Crop insurance is provided by the Nigerian Agricultural Insurance Corporation (NAIC), while credit is supplied by the First Bank. The Africa Enterprise Challenge Fund (AECF) provided a grant of USD1 500 000. This PPP is mostly successful in the Kwara state agricultural sector, where hundreds of hectares of farmland are being cultivated for various crops, including maize, soybeans, rice, cassava, Jatropha and ginger, with some crops, particularly maize and Jatropha, geared towards the production of biofuel. Interested parties also sponsor cassava cultivation for the production of ethanol.[13] Olam has further established a cashew-processing plant at Ogbondoroko, which produces exclusively for the export market. At least 5 000 local farmers are involved in harvesting the raw product, which the company then purchases for value-added processing.

13 Information gathered from Kwara state government Web site: www.kwarastate.gov.ng/

Direct beneficiaries and nature of benefits, particularly expected increases in agribusiness enterprise profitability, levels of investment or returns on investment, and any social and developmental outcomes

The PPP has furthered the promotion of domestic rice processing on a large scale, in order to avert the current use of Nigeria's hard-earned foreign exchange on rice imports.

Removing constraints. Many farmers had little or no access to market information. Through the partnership, Olam provides credit, improved seeds, training, inputs and ready market access, thus addressing the main challenges facing farmers.

Physical infrastructure. In terms of development outcomes, the PPP will ensure sufficiency in food production. In pursuance of the National Food Security Programme, the Nigerian Government made the sum of ₦10 billion available from the rice development levy to address the identified problems of rice processing factories in Nigeria. This initiative will subsequently impact on Olam rice operations in Kwara. Rice farmers benefiting from the PPP have recorded an average yield of 3.25 tonnes per ha as against the national average of 1.25 tonnes per ha. In monetary terms, this translates to an increase in farm earnings from USD235 to USD1 000/ha. Other benefits are that farmers can now pay school fees, build new homes and pay medical bills.

In terms of environmental and societal benefits, Olam promotes sustainable forestry management practices among small and medium foresters in West Africa. It encourages farmers to work in the most profitable way by emphasizing the correct mix of fertilizers and pesticides, believing that if farmers operate profitably and in a sustainable manner, their interests must align with those of Olam in conserving the natural resource base. Olam has a specialized unit called the Nuclear Estate Initiative that trains farmers on the use of inputs to ensure that the environment is not degraded.

In Benue state, the USAID/MARKETS/Olam partnership provided over 10 000 farmers with secure markets, high-quality inputs, access to commercial finance and technical assistance to produce high-quality rice. This resulted in on-farm productivity increases of almost 260 percent from a base figure of 1.25 tonnes per ha to an average yield of 3.25 tonnes per ha. More important, farmers' net incomes more than doubled. On model farms, which increased in size from 22 to 100 ha, recorded yields ranging from 3.0 to 6.5 tonnes per ha. In 2007, factory capacity was upgraded from 18 000 to 36 000 tonnes per year, almost doubling the value-added market for local farmers and capitalizing on the increased availability of quality paddy. In 2008, the success of the programme encouraged the First Bank, a Nigerian commercial bank, to become a major stakeholder with a smallholder farmer commercial credit programme, providing USD2.5 million in credit to over 8 000 farmers.

The programme has demonstrated the benefits of a market-driven value chain model for all stakeholders, including farmers, input dealers, financial institutions, processors and public sector partners and is being replicated in Kwara state. Through the success of this partnership, Olam Nigeria Ltd was one of ten winners of the 2008 World Business and Development Awards. Sponsored by the United Nations Development Programme (UNDP), the International Chamber of Commerce and the International Business Leaders Forum, the award is given to companies whose work demonstrates that "business can both make a significant contribution to development and be commercially successful at the same time".

Nature and levels of financial support, concessions or other services (such as technical assistance and training) provided by PPPs in support of beneficiary agro-enterprises

The Minister of Agriculture disclosed that the Kwara state government will be funding a ₦5 billion Commodity Development Centre with the help of the Federal Government in order to be able to sustain an agroprocessing complex project in the state. Under the partnership agreement, about 40 percent of the total cost of equipment, valued at €2 million, is to be provided for the centre.[14] Plans to increase rice production in Kwara and throughout Nigeria received a boost in late 2009 with the opening of Olam's 40 000-tonne capacity rice processing factory in Patigi. Olam stated that it wanted to produce more than 20 000 tonnes of rice per year by 2010 from its facilities throughout the country. The Federal Government has a declared aim of making the country self-sufficient in the production of rice and the establishment of rice-processing factories is clearly an important part of that process. The government has set up a Rice Processing Intervention

14 Information gathered from Kwara state government Web site: www.kwarastate.gov.ng/

Fund scheme and Kwara state is one of the chosen locations for this to begin.

Public sector incentives, commitments or other benefits for private partners providing support to beneficiary agro-enterprises

Olam Nigeria Ltd, as the country arm of Olam International Ltd, is a supplier of raw and processed agricultural commodities. The benefits and public sector incentives are based on the fact that this partnership is about maximizing value for shareholders and keeping Olam Nigeria Ltd in business by raising the capital base of the enterprise, increasing its rate of profitability, ensuring growth and extending the competitive advantage it has over other competitors in the agribusiness sector to be able to sustain its growth over time.

Rice has become a strategic commodity in the Nigerian economy and increasing demand and high prices will continue to be major issues in national food security. Consequently, the Government of Nigeria has actively intervened in the country's rice economy over the last few years, using specific measures in the form of PPP initiatives. This has been backed by national policies such as the Seven-Point Agenda, which promotes the need for self-sufficiency in rice production. The Seven-Point Agenda also recognizes the need for agrarian-based food reform to create wealth in order to shift undue emphasis away from oil and gas.

3.4 ENUGU-SONGHAI INITIATIVE (Integrated and sustainable rural/agricultural development)

Stated purposes and specific outputs, particularly with regard to agribusiness investment and the development of agribusiness enterprises

The Enugu-Songhai Initiative is based on a proposed regional programme framework and a joint initiative between FAO, the International Fund for Agricultural Development (IFAD), International Labour Organization (ILO), United Nations Development Programme (UNDP) and United Nations Industrial Development Organization (UNIDO), working in partnership with the Songhai Centre, an International Non-Governmental Organization (INGO) based in Benin. In search of more sustainable and environmentally friendly farming systems as a means of solving the socio-economic problems in Africa, these United Nations agencies decided to support the Songhai model as a regional initiative within their development programmes. The model is an integrated farming approach with a zero waste policy where all farm inputs and other logistics are organized in such a way that farmers have one primary delivery-point for all farming facilities. This particular model adopts a holistic approach to agribusiness and entrepreneurship development, which involves training its graduates, provision of support services and linkage to credit and markets through networking.

Enugu state was chosen as the headquarters for the implementation of the initiative, which is funded by the World Bank. The farm revolution planned for Enugu through "sustainable rural green cities" uses the Songhai model at the Songhai Centre international agricultural farm in Benin. The centre is globally recognized as a world leader in promoting innovative and ecologically sustainable agribusiness enterprises. It has established an integrated value chain system organized in commercially viable clusters of agro-enterprises, and developed a practical training programme for graduates and youth in rural and urban areas. The Enugu state government approved the establishment and development of 21 "green cities" in various parts of the state in order to boost commercial and sustainable agriculture, increase food security, develop agricultural infrastructures (rural roads, rural markets, irrigation works, rural energy and information and communication technology) and train young agribusiness entrepreneurs.

Direct beneficiaries and nature of benefits, particularly expected increases in agribusiness enterprise profitability, levels of investment or returns on investment, and any social and developmental outcomes

The direct beneficiaries of this initiative are young agribusiness entrepreneurs (primary producers) – youth that would otherwise be unemployed – and Enugu state. The aim of establishing green cities in all the local government areas was to create employment opportunities there and solve the problems inherent in agricultural production in the state in primary, secondary and tertiary agricultural services. The idea of sending local council chairpersons to farms is to familiarize them with farm activities and enable them to propose managerial actions since the cities are located in their various (rural) areas and have trained graduates as managers. The state government's plan is to embark on the development of green cities in all 17 local government areas in the state, three in each of the three zones, while the main centre will be at

Heneke Lake in Obinofia, Ezeagu local government area. With regard to agribusiness enterprise profitability, the graduates are expected to achieve an annual turnover of ₦1–10 million. Returns on investment for the private sector in the initiative are estimated at over 20 percent.

Nature and levels of financial support, concessions or other services (such as technical assistance and training) provided by PPPs in support of beneficiary agro-enterprises

The Enugu government had investigated several agricultural models all over the world before settling on the Songhai model. It took all 17 local government chairpersons to the Songhai Centre in Benin in order to study the activities of the international agricultural farm for the state-planned agricultural revolution. The state government also sponsored 170 graduates selected from local government councils to train at the Songhai Centre in different fields of agriculture and enhance the economic development of Enugu state through improved and sustainable agriculture, based on the Songhai model. These graduates are now settled in rural green cities with leasehold interests in state-acquired community lands with irrigation infrastructure and access to key inputs such as fertilizers. They also have access to soft loans and grants such as those from the World Bank Commercial Agriculture Development project. The estimated total capital cost of the infrastructure arrangement contributed by all partners collectively is over ₦10 million and the operational cost is between ₦100 000 and ₦500 000.

Public sector incentives, commitments or other benefits for private partners providing support to beneficiary agro-enterprises

The Enugu-Songhai Initiative builds on the successful operation of the Songhai model and, as such, is an example of the increasing wish by several African countries to implement agribusiness entrepreneurship development programmes based on this model. The private partners have granted a capital sum of ₦100 million for start-up costs (with no expectation of infrastructure-related return) and ₦275 million for training costs. This commercial loan is to be paid back in two or more years.

Roles and functions of each partner, including roles in governance, implementation, monitoring and evaluation of agreements and, as relevant, governance of the beneficiary agro-enterprises

The role of the Songhai Centre (private sector) according to its founder, Father Godfrey Nzamujo, is to facilitate and support the establishment of a regional centre of excellence for agribusiness and entrepreneurship development in Africa; reinforce the capacity of relevant national institutions to establish National Centres for Agri-Enterprise Development in participating countries; develop agribusiness entrepreneurial skills, technical expertise and capabilities of youth, women and men, particularly in rural areas; create platforms to facilitate effective linkages between agribusinesses and credit, market and business support service providers; and improve the institutional, infrastructural and business environment for small- and medium-scale agribusiness development.

The role of the Enugu government (public sector) is to implement agribusiness entrepreneurship development programmes based on the Songhai model; offer land and other assets to its graduates; improve rural livelihoods, increase incomes of the rural poor; and enhance opportunities for decent employment for youth and the unemployed through interventions that stimulate capital investment in sustainable agribusiness enterprise development, promote environmentally sustainable waste management practices and create incentives and a regulatory framework for private sector investment and participation. The functions of the initiative are to promote the access of youth, men and women in the state to appropriate entrepreneurial, leadership and risk management skills necessary for their effective participation in the creation of and investment in commercially viable agro-enterprises.

Formalization of the agreement. The agreement was formalized as a joint-venture partnership targeting young rural farmers as beneficiaries, based on the Songhai farming model. The design, construction and operational arrangements adopted in this PPP are based on the design-build-operate transfer method. The PPP is expected to last between two and five years.

3.5 AGRIC-YES (AGRICULTURE YOUTH EMPOWERMENT SCHEME)

Stated purposes and specific outputs, particularly with regard to agribusiness investment and the development of agribusiness enterprises

The Agriculture Youth Empowerment Scheme (Agric-YES) at the Agricultural Training Institute, Araga, Epe, is a Lagos state government interventional approach to the local problems of youth unemployment and food shortages. Food security has become an imperative in Nigerian national policy and strategies such as Agric-YES are being developed as a result. The limited effectiveness of farm settlement programmes in Lagos is caused by the absence of a clear-cut policy on landownership. This has served as a disincentive to settlers to intensify production and also discourage private investment and continuous utilization on a long-term basis. Agric-YES trains, empowers and ultimately settles youth in secured and amenable land. It not only encourages them to continue in agriculture but also makes it attractive for others, thereby guaranteeing sustainable production and employment generation.

The young agro-entrepreneurs are given 1–5 ha of land to start their agribusiness, depending on the requirements of the productive activity. They are also given between ₦1 and ₦5 million, again depending on specific needs. This sum is supported by a robust business and loan repayment plan. Although many farms coexist adjacent to each other, with the current Agric-YES farm in the Lekki peninsula, others are dispersed throughout the state according to strategic priorities. There are soft loan repayment terms and a moratorium for the agro-entrepreneurs. Farmers' kits are supplied to give the agro-entrepreneurs access to an intensive greenhouse drip irrigation infrastructure. This consists of a tank of approximately 1 500 litres, suspended on a 1-m-high elevated platform to provide a water source for microsprinklers or drip irrigation in a greenhouse of 8 x 15 m. Biofeed and organic fertilizers can be added to the water tank for controlled dosage through drip pipes to the horticultural plants. The unit can also improvise as an aquaculture farm to produce fish fingerlings and table fish.

Direct beneficiaries and nature of benefits, particularly expected increases in agribusiness enterprise profitability, levels of investment or returns on investment, and any social and developmental outcomes

In the wake of growing urban youth unemployment and the perennial food crisis, the Lagos state government embarked on Agric-YES as a social protection response aimed at empowering the youth of Lagos in modern agricultural practices. The government's decision was informed by a series of reports indicating that, in the twenty-first century, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction in developing countries. A six-month intensive training programme was designed to empower youth with skills for productive employment in cutting-edge agriculture.

Nature and levels of financial support, concessions or other services (such as technical assistance and training) provided by PPPs in support of beneficiary agro-enterprises

The overall aim of Agric-YES is to breed a new generation of agro-entrepreneurs. To date, 100 participants have undergone six months' training in Course One, while 100 participants in Course Two have commenced training at the Agricultural Training Institute, Araga, Epe. After their intensive training, the Course One participants go on to another six-month internship in the commercial farms managed by a Lagos-Israeli partnership. There they will be exposed to best practices in modern farm management. The top five trainees in each course will benefit from a three-month internship on farms in Israel, and return to the Lagos Agric-YES farm to complete the remaining three months of internship. On completion, these graduate farmers will be settled in contiguous landholdings provided by the government across the state. They will also have the privilege of being able to access extension services and microfinance loans through the Lagos State Ministry of Agriculture and Cooperatives and microfinance agencies, respectively.

While the agro-entrepreneurs are on the government-funded training programme, they receive small allowances. At the end of the first six months, they proceed to industrial attachment for another six months with the Agric-YES production farm and processing facilities. They are paid a monthly wage of ₦35 000 and accommodated in individual modern flats and bungalows. This lasts during the initial start-up period of the business plan for the type of commercial farming, poultry, animal husbandry, conditioning, processing or marketing activities to be later embarked upon.

Public sector incentives, commitments or other benefits for private partners providing support to beneficiary agro-enterprises

Commercial farming with highest possible returns is key to food security in a populous city state such as Lagos. The major obstacle to commercial farming is access to credit on farmer friendly terms. The Lagos state government initiated a ₦50-billion long-term investment credit agreement with the Bankers' Committee of the Central Bank of Nigeria for agricultural development in the state. During this period, extension officers reached more than 301 000 farmers, where 842 contact farmer groups were formed and consolidated with appropriate training and exposure. The various technical messages disseminated to farmers/fishers on improved agricultural technologies adaptable to the local environment resulted in increased food production in the state and increased profitability for the Israeli partners.

Roles and functions of each partner, including roles in governance, implementation, monitoring and evaluation of agreements and, as relevant, governance of the beneficiary agro-enterprises

Agric-YES is based on a two-tier model. The first is the partnership between the Lagos state government and the Israeli company, Dizengoff. This tier is based on a management service arrangement to set up training, food production and processing facilities. These facilities provide training and support young agro-entrepreneurs for six months. The government's role is to fund the scheme, while the Israeli company manages the food production and processing facilities for the government. The Israeli company makes the returns and is paid a management fee by the government and also works to liquidate the set-up and start-up loans and return modest profits.

Formalization of the agreement. The agreement was formalized as a joint-venture partnership that targeted young graduate farmers as beneficiaries. The design, construction and operational arrangements adopted in this PPP are based on the design-build-operate transfer method. The PPP is expected to last between two and five years.

Chapter 4
Development of PPPs

4.1 CIRCUMSTANCES LEADING TO THE DEVELOPMENT OF PPPS

The partnership between the Josepdam Group and the Nigerian Sugar Company (NISCO) was a result of Josepdam's interest in going into full-scale sugar production. This led to the development of the Josepdam Sugar Company, which currently employs about 250 staff. In addition to refined sugar, the company saw the lucrative opportunities existing in the biofuel sector and therefore decided to embark on a takeover/partnership in order to produce and sell ethanol and electricity as by-products on a commercial scale.

Shonga Farms Holdings Ltd was incorporated as a means of facilitating the provision of the necessary funding required for the proposed commercial farming project. Since 2001, the political turmoil in Zimbabwe has left large numbers of white farmers without farms or livelihoods. In 2004, the Kwara state government invited 13 displaced farmers to come and continue their trade. It saw that these farmers had generations of commercial farming experience in Africa and their skills were lying as fallow as their land. A delegation was sent immediately to the Zimbabwe Commercial Farmers' Union asking these farmers to relocate to Kwara state with a view to restarting their farming livelihoods in Nigeria and, more important, creating a commercial farming hub in Kwara that would provide a base for capacity building and development of the indigenous farming community.

The Olam partnership was developed in order to ensure sufficiency in food production, especially rice. The PPP between Olam Nigeria Ltd and the Kwara state government is specifically based on making the country self-sufficient in rice production. Olam, which started an outgrowers' scheme in collaboration with the state government in 2007, on just 250 ha of land, currently has an area of 5 163 ha involving 3 500 farmers from five local governments in the state.[15] As a result of these developments, rice imports will soon be a thing of the past and local farmers will not face the risk of losing their jobs. Moreover, they will be assured of strengthened markets for their products. This level of commitment and investment in the agricultural sector will also assist poverty and hunger reduction.

The reasons for the Songhai PPP are to increase food security; train young agribusiness entrepreneurs; develop local infrastructures; provide employment for rural people; and offer improved and sustainable agriculture based on the Songhai model.

The Agric-YES partnership in Lagos state was created with five objectives in mind, i.e. to:

- increase food security
- train young agribusiness entrepreneurs
- develop local infrastructures
- provide employment for youth
- encourage sustainable production

4.2 MAIN DRIVERS IN THE DEVELOPMENT OF PPPS, AND THEIR SPECIFIC ROLES

Josepdam Group. The main driver behind the development of the PPP was Josepdam's successful bid for the Nigerian Sugar Company (NISCO). Wema Bank granted a loan facility to enable the group to bid at the Bureau of Public Enterprises, with confidence in Josepdam's ability to utilize the funds profitably.

Shonga Farms. The partnership was envisaged in 2004 by the government of Kwara state. It invited displaced farmers from Zimbabwe to assess the potential of developing commercial farming in the state.[16] The government realized that without a dramatic improvement in technical capabilities and ensuring that white farmers had as much at stake as the financiers, it would be impossible to make an impact. This realization led to the PPP and the development of Shonga Farms.

Olam Nigeria Ltd. A desire to develop the agricultural sector further and provide an envi-

15 See, for example, *Kwara TradeInvest 2010/11*.

16 Information gathered from Kwara state government Web site: www.kwarastate.gov.ng/

ronment conducive to investment is one of the main circumstances leading to the development of the Olam integrated rice partnership. Olam has a significant presence in Kwara state and constitutes an important partner in both the federal and state governments' drive towards industrialization and food self-sufficiency. The partnership developed with the specific aim of providing crucial facilities for numerous rice-producing areas in Nigeria and encouraging mass production. The Kwara state government supported the initiative because it would create more than 400 direct jobs and indirect employment for more than 6 000 people. The establishment of a large-scale rice processing plant in Patigi, Kwara state is seen to be central to the attainment of the MDGs to ensure food security and eliminate rural poverty by generating employment for local small-scale farmers.

Enugu-Songhai. United Nations agencies such as FAO, IFAD, ILO, UNDP and UNIDO, the Enugu state government and the Songhai Centre (an International Non-Governmental Organization [INGO]) were the main drivers behind the arrangement. The role of the UN agencies was to support the Songhai model as a regional initiative within their development programmes. The role of the Songhai Centre is to train young agribusiness entrepreneurs and promote innovative and ecologically sustainable agribusiness enterprises. That of the Enugu state government is to boost commercial and sustainable agriculture, increase food security and develop agricultural infrastructures.

Agric-YES. The main driver here is the Lagos state government. Its specific role is to empower youth in the state with modern agricultural practices. This is achieved through training at the Agricultural Training Institute, Araga, Epe. The government also offers access to extension services and microfinance loans through the Lagos State Ministry of Agriculture and Cooperatives and microfinance agencies, respectively.

4.3 MAIN REASONS ADVANCED IN FAVOUR OF PPPS

The main reasons for the Josepdam PPP were to contribute efficiently to the infrastructural development of the country and curb the increased need to import raw sugar from Brazil. Coupled with this, Nigeria's overall sugar consumption in market year 2010/11 was forecast to rise to 1.4 million tonnes from the revised 1.3 million tonnes in 2009/10 (GAIN, 2010). This forecast is based on population growth, as well as increasing industrial demand for sugar. The use of sugar in the manufacture of soft drinks, pharmaceuticals, biscuits, other beverages and confectionery products is rising steadily, while demand for household consumption remains stable. Soft drink production alone accounts for about half the total industrial output.

Existing literature has many quantitative studies on sugar as an important agricultural commodity in terms of competitiveness of sugar products in the international market and the performance of the sugar industry. Busari (2004) considered certain qualitative aspects of these issues and identified causes for the dismal production record of the sugar industry. The main causes are: (i) low capacity use in existing mills; (ii) too few operating sugar mills in the country; (iii) availability of cheap imported sugar leading to progressive decline in local output; (iv) persistently inadequate supply of raw material (sugar cane); (v) lack of improved indigenous technology for sugar processing; (vi) lack of a statutory regulatory organ for sugar cane and sugar research and development prior to the establishment of the National Sugar Development Council in 1993; and (vii) low level of efficiency of sugar recovery in existing mills. As argued by Busari, the unit cost of production of local sugar is higher than the price of imported sugar largely because of the heavy subsidies and varied grants enjoyed by producers that have dumped their surplus sugar on the international market. He concludes that it is highly unlikely that countries such as Nigeria will be able to produce sugar at costs low enough to match the prices of these cheap imports. This implies that domestic efforts aimed at reducing production costs will be vital to ensure that Nigerian sugar is competitive in the international market, an important aspect in the value of the PPP arrangement.

Shonga Farms Holdings Ltd was set up to diversify the local economy and provide additional infrastructure arrangements to benefit Kwara state and its inhabitants. The state government was in favour of a PPP as the only means of addressing several infrastructural problems. In addition, the PPP intended to establish a fertilizer subsidy scheme, which would allow farmers to access products from the National Food Security Agency. Under the PPP arrangement, ₦600 million was approved for the procurement of fertilizers for the 2010 fertilizer subsidy scheme. Similarly, ₦79.4 million was approved for the development of the new Government Reserved Area (GRA) along Tanke Road, Ilorin under a PPP arrangement.[17]

Nigeria's fixation with the oil industry has left the agricultural sector largely undeveloped.[18] The Kwara state government identified agriculture as the main driver of economic growth and has therefore paved the way in the agrarian revolution. With enabling government policies, the state has seen a number of significant investments in the sector. The goal of the state government is to ensure that Kwara produces enough food for the local population, as well as supplying the rest of Nigeria and international markets. By acknowledging agriculture as a business, the state welcomed commercial farmers from Zimbabwe and now has nearly two million ha of land used for agriculture and livestock production.[19]

The Olam PPP's main thrust is the promotion of domestic rice processing on a large scale in order to avert the current use of the country's hard-earned foreign exchange on rice imports. The production of rice as a commodity is subsistence-based and is also an important aspect of household food security and livelihoods. Of all staple crops, rice has become increasingly important in terms of consumption and income. These factors have a considerable impact on the commercial viability and sustainability of the PPP between Olam, the Government of Nigeria and the Kwara state government (Adejumo-Ayibiowu, 2010).

Nigeria is one of the largest importers of rice, second only to Indonesia. It is consequently the largest rice importer in Africa, accounting for 25 percent of imports, over 25 percent of agricultural imports, and more than 40 percent of domestic consumption (Adejumo-Ayibiowu, 2010). As the top rice producer in West Africa, Nigeria produces an average of 3.2 million tonnes of paddy or two million tonnes of milled rice per year. Nevertheless, there is still a wide gap between local supply and the ever-increasing demand for rice in the country. Estimates indicate that over 90 percent of domestic rice production comes from resource-poor and badly organized small-scale producers, with an average farm size of 1–2 ha.

17 Speech by Mas'ud Adebimpe (2010), Chief Press Secretary to the Kwara State Governor, 19 March. www.kwarastate.gov.ng/

18 www.kwarastate.gov.ng/

19 Briefing paper on agriculture by Kwara state government on Web site: www.kwarastate.gov.ng/

The Enugu-Songhai Initiative was set up to enhance the economic development of Enugu state through improved and sustainable agriculture, based on the Songhai model; to increase food security and generate on-farm employment for youth; increase revenue and profits through commercial farming; promote PPPs; and create sustainable rural livelihoods.

The main reason for Agric-YES can be found in the high levels of unemployment among young graduates. The scheme is well aligned with other local and national objectives such as the commercialization of agriculture and increasing food security.

4.4 PROCEDURES AND CRITERIA IN IDENTIFYING AND ASSESSING MARKET OPPORTUNITIES AND PROSPECTS FOR AGRIBUSINESS ENTERPRISES

The significant increase in the price of sugar has meant that the Josepdam Sugar Company is in an optimal position to attain its key objectives. With the successful privatization of NISCO, Josepdam was able to assist the nation not only in boosting sugar-cane production and exports in the long term, but also generate profits through market opportunities (see Table 2). Since the liberalization of the sugar industry, with the Government's 2003–2007 privatization reform agenda, private sector response has been favourable. Increased private-sector investment in the sugar industry is expected to assist refinery efforts and yield desired results, particularly in terms of increased sugar production and reduced imports.

Nigerians consume about 5.4 million tonnes of rice annually (recently valued at USD9.2 billion), while local production only amounts to about 2.3 million tonnes per year. The remaining 3.1 million tonnes are imported. Nigerian rice consumption is expected to increase by 35 million tonnes annually by 2050, largely as a result of population growth.[20] Key problems facing the rice subsector are lack of competitiveness resulting from low and uneconomic productivity; little access to expensive inputs (especially fertilizers and credit); low capacity to meet quality standards; and little or no encouragement or participation from the private sector. Poised to reverse this trend, the

20 According to remarks made in 2012 by Dr Akinwunmi Adesina, Minister of Agriculture and Natural Resources, Nigeria.

TABLE 2
Nigerian sugar production and supply (Units: 1000 MT)

Sugar, centrifugal, Nigeria	**2009**			**2010**			**2011**		
	2008/2009			**2009/2010**			**2010/2011**		
	Market year beginning November 2008			**Market year beginning November 2009**			**Market year beginning November 2010**		
	USDA official data		**New post**	**USDA official data**		**New post**	**USDA official data**		**New post***
Initial stocks	50	185	50	75	185	75			75
Beet sugar production	0	0	0	0	0	0			0
Cane sugar production	50	50	50	60	60	60			65
Total sugar production	50	50	50	60	60	60			65
Raw imports	1 200	1 200	1 200	1 200	1 300	1 300			1 400
Refined imports (raw value)	50	350	50	50	350	100			125
Total imports	1 250	1 550	1 250	1 250	1 650	1 400			1 525
Total supply (TS)	**1 350**	**1 785**	**1 350**	**1 385**	**1 895**	**1 535**			**1 665**
Raw exports	0	0	0	0	0	0			0
Refined exports (raw value)	150	250	150	150	300	200			250
Total exports	150	250	150	150	300	200			250
Human domestic consumption	1 085	1 310	1 085	1 110	1 360	1 260			1 340
Other disappearance	40	40	40	50	50	50			60
Total use	1 125	1 350	1 125	1 160	1 410	1 260			1 340
End stocks	75	185	75	75	185	75			75
Total distribution (TD)	**1 350**	**1 785**	**1 350**	**1 385**	**1 895**	**1 535**			**1 665**
TS=TD			0			0			0

Source: GAIN, 2010.
* Estimated data

Government of Nigeria developed farmer friendly policies through the presidential initiative on rice. There is consequently wide recognition of the need for combined government/public and private sector spending and cooperation if aspirations are to be realized.

Structural increases in rice consumption have had a notable impact on the success and sustainability of PPPs, including their importance within a national context. In order to identify market opportunities, government policies and financial assistance/investments need to align with the core objectives of Olam Nigeria Ltd so that rice production must inevitably meet the demand and increased consumption patterns that are emerging. The infrastructural developments that have emerged from the PPPs are one way of addressing this predicament through the agroprocessing developments established.

The commercial farm is at the epicentre of Agric-YES. It guarantees the sustainability of the scheme since it has to generate sufficient income at full capacity to pay the salary of interns, run the scheme efficiently and return revenues to the government. Once 1 000 young people have been trained and settled on a farm estate, it will become a regional enterprise centre whose function, among others, will include being a buyer of last resort for Agric-YES farmers statewide and providing training and capacity development in cutting-edge agricultural production technology. The latter will include:

(i) short courses in specialized areas of production;
(ii) refresher programmes for farmers already practising;
(iii) initiation into commercial farming for serving and retiring civil servants.

With regard to provision of logistics support for proposed satellite settlements and commercial farmers in and around Lagos state, Agric-YES will:

(i) provide seeds, seedlings, day-old chicks and fish fingerlings;
(ii) develop private-sector- based extension services for commercial farmers;
(iii) develop efficient low-cost feeds for fish and poultry for sale to commercial farms in the state.

The project will also engage in research and development, such as:

(i) formulation and testing of feeds for poultry and fish to guarantee cost-effective production within the proposed settlements and other commercial farms in Lagos state;
(ii) testing of vegetable seeds in different ecological zones within the state for adaptability and high yields to enable recommendation of production packages to farmers;
(iii) testing, selecting and developing seedlings of high-value vegetables such as tomatoes, bell peppers and carrots to ensure availability of ready-to-plant seedlings to expand vegetable production;
(iv) research and potential for ram breeding ;
(v) continuous evaluation of the potential and economics of peri-urban dairy milk production and fattening up cattle;
(vi) establishment of diagnostic laboratories for two main purposes:
   - carrying out routine pathological examinations for dead birds and fish;
   - investigating diseases of economic importance in poultry and fish production as well as those of public health significance.

4.5 ASPECTS OF THE ENABLING ENVIRONMENT APPRAISED

The aspects of the enabling environment that were appraised as potentially impacting on the success of PPPs include: reforms to regulatory frameworks; access to risk finance for capital expenditure; access to affordable working capital for cash flow during operations; political will and popular support; and local human resource development.

Chapter 5
Management and operations

5.1 ROLE OF EACH PARTNER IN MANAGEMENT AND IMPLEMENTATION OF PPPS

In *Shonga Farms Holdings Ltd*, the Kwara state government's role is to provide an enabling environment for Zimbabwean farmers. It also has a facilitating role promoting commercial agriculture and managing agricultural programmes to ensure the success of Shonga Farms. The role of the Zimbabwean farmers in management and operations is to teach best farming practices to local farmers and transfer their knowledge of commercial farming to the state's agricultural sector.

The role of the Kwara state government and the Nigerian Government in the *Olam* partnership is to provide an enabling environment as well as human and institutional capacity building for long-term sustainability, management and implementation of the PPP. Olam oversees the production and processing of rice in sufficient quantities to reduce the need for rice imports. The Africa Enterprise Challenge Fund (AECF) provided part of the project funding while USAID offers technical assistance in order to increase the quantity and quality of rice.

In the *Enugu-Songhai Initiative*, the Songhai Centre takes day-to-day management decisions and is responsible for training potential agribusiness entrepreneurs, while the Enugu state government has a monitoring role. It further implements the initiative through the sustainable rural green cities' plan. The Songhai Centre not only provides training and technology, including post-harvest technologies, and procures all materials required but also manages operations and has reactivated the infrastructure at the sustainable rural green city Adani settlement. The centre manages the lease, rental of equipment, maintenance and infrastructure, and revenue collection. Individual agribusinesses take responsibility for day-to-day management of their productive activities. These are pooled together at the cooperative level.

The Lagos state government has a monitoring and facilitating role in *Agric-YES*. Its Israeli partners use their farms for training and play a management role in the scheme. They have also introduced new technology, including post-harvest technologies. Furthermore, they are responsible for procuring all materials required. The trained agro-entrepreneurs take responsibility for the day-to-day management of their productive activities. The roles of each partner are pooled together at the cooperative level. The infrastructure provision and project management are outsourced to the Israeli partners as well as the Agricultural Training Institute in Ape. The Lagos state government's contribution is largely infrastructural: provision of land, equipment, access to finance and funding for training the young agro-entrepreneurs for six months. During the first three months, the trainees will benefit from an internship on farms in Israel, and return to the Lagos Agric-YES farm to complete the remaining three months of training. At the end of the first six months, they go on to an industrial attachment for another six months, using the Agric-YES production farm and processing facilities.

5.2 MAIN PERFORMANCE MONITORING AND APPRAISAL MECHANISMS

The Kwara state government has monitoring and appraisal mechanisms that focus on analysing the socio-economic benefits of commercial farming in Kwara. These mechanisms have a direct bearing on the Seven-Point Agenda. The Enugu state government has set up an independent monitoring team led by the Enugu-Songhai Initiative desk officer to carry out periodic monitoring and evaluation. The outcome will feed into strategic progress review meetings which, in turn, will trigger programme review.

Agric-YES has been set up to include an independent monitoring team that carries out periodic monitoring and evaluation. The outcome will again feed into strategic progress review meetings and trigger programme review.

5.3 MAIN RISKS IN IMPLEMENTATION OF PPPS

Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. These were particularly evident in the Enugu-Songhai Initiative.

In Agric-YES, there were concerns about corruption, bribery and extortion by public officials. However, the government keeps closely involved and has zero tolerance for corruption. The private partners were weary of political risks such as community hostility, the risk of expropriation and economic risks such as inflation. On the operational side, late payment by users of the training facilities and debt service problems at corporate and micro-agribusiness levels are factors that could derail implementation of the programme.

5.4 ADDITIONAL SUPPORT FROM OTHER PPPS

The Shonga Farms partnership has benefited from the Second National Fadama Development Project (Fadama II), which has complemented the state government's effort to reduce poverty in Kwara by ensuring food security. Rural areas have been further developed by infrastructural facilities such as 33 boreholes, 30 km of rural access roads, tube wells, open wells and three veterinary clinics for pastoralists across the three senatorial districts in the state. An agro-input support programme was also put in place to take care of the Fadama project beneficiaries. In this regard, 8 000 bags of fertilizer, 5 000 litres of agrochemicals, two tractors, two rice milling machines and substantial amounts of improved seed varieties were made available to the farmers.

As the public partner, the Enugu state government secured a ₦1 billion low-interest loan for the Enugu-Songhai Initiative to guarantee payment to the entrepreneurs that contribute to the cooperative. This loan is expected to be repaid in two to three years. The Enugu State College of Agriculture was integrated in the planning and implementation of the Songhai Initiative to provide institutional backstopping and continuity. Moreover, the Enugu State Agricultural Development Programme, World Bank Commercial Agriculture Development Project and Fadama III are stakeholders, providing cross-subsidy, collaborative support and access to further finance and support.

Additional funding for Agric-YES was made available through the World Bank Commercial Agriculture Development Project, the Central Bank of Nigeria (CBN) Intervention Fund and other development partner intervention funds from IFAD and the USAID outgrowers' scheme.

Chapter 6
Performance and development outcomes

The cases studied have shown increased food production and marginal improvements in food security, rising profitability and a greater agro-entrepreneurship profile. Moreover, PPPs have resulted in a greater diversity of agribusiness and agro-industrial activities. Microfinance has attracted complementary funding. There has also been greater investment in downstream food processing, storage, distribution and retailing activities.

6.1 INCREMENTS IN INVESTMENTS, RETURNS OF INVESTMENT, REVENUES AND EMPLOYMENT

Shonga Farms has attracted investments of more than ₦3 billion in loans and equity from five major banks in Nigeria. This has boosted economic activities in the Kwara socio-economic plan. Shonga Farms has provided many employment opportunities for local farmers. Over 4 000 people are employed by a mere 13 farmers. Through the project, Kwara state has led the way in Nigeria's quest for an alternative development framework by changing the country's reliance on imported food such as poultry, milk and milk products. Moreover, six extension agents are attached to the area with each managing less than 1 000 farmers to help transfer technology to local farmers. To date, the Shonga Farms concept is already showing positive results so that future expectations for its continued success are high. Shonga Farms has generated a ₦3 million investment for social and infrastructural benefits such as improved road networks, while schools and drinking-water have been provided for the communities.

The returns of investment for rice farmers and agribusiness enterprises in the Olam rice initiative have been estimated by comparing the recorded average rice yield of 3.25 tonnes per ha as against the national average of 1.25 tonnes per ha. In monetary terms, this translates to an estimated increase in farm earnings from USD235 to USD1 000 per ha. The most notable investment is the ₦5 billion development centre set up with the help of the Nigerian Government in order to sustain an agroprocessing complex in the country.

Olam invests in removing constraints in rural areas by helping a large population of farmers with little or no access to market information. The large-scale rice processing factory in Patigi is poised to offer employment benefits as well as infrastructure, especially electricity and roads. These expectations are realistic, based on the current socio-economic progress being made through the PPP. Olam is providing over 10 000 farmers with secure markets, high-quality inputs, access to commercial finance and technical assistance to produce high-quality rice. In less than three years, the partnership is expected to have improved farm productivity by more than 200 percent and increased farmer profitability by more than 250 percent.

6.2 PRODUCT OR PROCESS INNOVATIONS

One of the reasons why a cargo shed has been constructed at the Ilorin International Airport in Nigeria is to facilitate export of goods from agro-allied industries that have sprung up in Kwara. The shed has an inbuilt cold store where products for export can be stocked, pending their despatch to the Middle East, Europe and other destinations. The Kwara state government is not only concentrating on Shonga Farms but has also established the Malete Integrated Youth Farm Centre, a clear testimony of its determination to make the people of Kwara, particularly youth, understand and appreciate modern ways of farming. The centre is one way of ensuring transfer of technology and training of the new generation of future commercial farmers.

Over 500 school-leavers and graduates have been trained in all aspects of commercial farming, particularly crop, livestock and fish production. One hundred young people drawn from the 16 local government areas of the state are learning all they can about modern farming. Similar to Shonga Farms, the Malete community and those around Malete will benefit. The government is buying grain produced by local farmers who will also benefit from the new technology used at the youth farm. Provision is being made to supply local farmers with inputs. Moreover, Malete and its surrounding communities will be provided with many social amenities.

Shonga Farms is expected to yield high profitability for farmers and investors as a result of the success stories of their project, which has also proved to be sustainable, given that this PPP initiative has been replicated in other parts of Kwara state. The farms have moved from crop production to processing. This has helped in gradual industrialization of the Shonga environment. People continue to troop to Shonga from all over Nigeria to buy sweet bananas, yoghurt, pasteurized milk, UHT milk, cassava and even grain (maize and soybeans). The Shonga poultry syndicate will soon have 3.2 million broilers for sale annually, as well as cassava flour and pando yams. A value-chain approach to food processing facilitates a supply of high-quality produce from farmers.

Olam promotes sustainable forestry management practices among small and medium foresters in West Africa. It encourages farmers to work in the most profitable way emphasizing the correct mix of fertilizers and pesticides believing that if farmers operate profitably and in a sustainable manner, their interests must align with those of Olam in conserving the natural resource base. Olam has a specialized unit called the Nuclear Estate Initiative that trains farmers on the use of inputs to ensure that the environment is not degraded.

In the Enugu-Songhai Initiative, the entire food chain is linked and fully integrated both within individual value chains and between crops and animals in other value chains. Employment-intensive revenue-yielding capacity is remarkable, based on crop yield per ha, intercropping and, in some cases, zero tillage.

In Agric-YES, intensive drips and micro-sprinklers have introduced innovative all-year farming with high yield potential. This has resulted in an increased supply of food of enhanced quality and variety across the value chain. Conservation agriculture and a zero waste production cycle are evident.

6.3 RISKS MITIGATED FOR BENEFICIARY AGRIBUSINESS ENTERPRISES

Political risks of non-continuity are mitigated by government guarantees of loans. Any infrastructure deficiencies and maintenance of infrastructures such as water, electricity, irrigation and earth-moving equipment, together with market risks are reduced by offtake agreements.

6.4 HOW LEGISLATIVE AND REGULATORY FRAMEWORKS AFFECT BENEFITS

Legislative efforts have a direct bearing on the Seven-Point Agenda for when agriculture is well developed, there will be food security, the foundation of national security. Since abundant production of raw materials will lead to rapid industrialization, poverty and unemployment will be stalled and healthy living restored. Young people's restlessness will be at a minimum since their energies will be directed towards gainful employment in agriculture. Adequate food intake will improve mental capability and alertness and lead to improvements in the education sector. Nigeria's dependence on oil and its attendant land degradation, as experienced in the Niger Delta, will be reduced. The transformation and recognition of the agriculture sector will mean obtaining alternative sources of energy (such as *Jatropha* and cassava); the transformation will open up rural access roads and build a new socio-economic infrastructure at the grassroots level.

In Lagos state, legislative support was readily available for scholarships for the young trained graduates as was cooperation in procuring loans for "onlending" to agribusinesses.

Chapter 7
Conclusions and the way forward

This report has appraised five agribusiness PPPs in order to highlight the benefits that they can give to the agricultural sector. In particular, each of the chosen cases has highlighted the significant role that PPPs play in developing commercial agriculture through a value chain approach, as well as yielding an array of infrastructural and societal benefits. Besides creating employment and establishing a younger generations of agro-entrepreneurs, agribusiness PPPs have proved to be an initiative for reducing poverty, improving human development standards and creating an enabling environment and structure for investments. As shown in the agribusiness PPPs appraised, they have redefined the role of government as a facilitator and promoter of economic development by directing investments towards high-impact sectors such as agriculture and by promoting enabling environments.

7.1 OVERALL EFFECTIVENESS OF PPPS

The five PPPs have effectively achieved their stated purpose and outcome. This is evident from the infrastructural and societal benefits that have arisen as a result of the agribusiness PPPs. For example, Shonga Farms Holdings Ltd achieved its stated purpose by completely revolutionizing the agricultural sector in Kwara state. With 3 000 to 4 000 people employed each year at Shonga Farms, the impact of the PPP arrangement between the state government and the Zimbabwean farmers in providing a commercial centre for local employment and training is obvious. Moreover, the surrounding infrastructure developments that have resulted from this PPP, i.e. irrigation, electricity and transport, exemplify the success of the initiative. Shonga Farms also gave investors the opportunity to invest in local areas given that the project presented a PPP with a focus on viability and profitability. Overall, the project helped improve farming methods and techniques used by smallholder farmers through the planned agricultural programmes envisaged by the partnership.

Olam Nigeria Ltd represents a further successful PPP where the core objective was met at the early stages. From the outset, the PPP resulted in increased rice processing and production on a large scale and infrastructure development such as roads and electricity. It has also provided ready market access and investment opportunities, credit, improved seeds, training and inputs. The PPP between Olam Nigeria Ltd (VT Rice) and the Kwara state government aims to make Nigeria self-sufficient in rice production. This objective is also helped by various outgrowers' schemes, highlighting the PPP's commitment to assist small-scale producers and farmers and ensure they do not lose their jobs.

The Enugu-Songhai Initiative achieved its purpose through the establishment and development of 21 green cities throughout the state in order to boost commercial and sustainable agriculture. This PPP has significantly enhanced the economic development of Enugu state and its young agro-entrepreneurs. Overall, the PPP has made it possible for agribusinesses to access credit, market and business support service providers, while improving the institutional and business environment for small- and medium-scale agribusiness development.

Agric-YES is yet another PPP scheme that has proved to be successful in achieving its stated purpose of tackling the problems of youth unemployment and food shortages in the state of Lagos. The core objective of Agric-YES is to breed a new generation of agro-entrepreneurs; it has already empowered a number of young people through training and credit assistance. With a specific focus on commercial farming, the PPP has also generated best practices in modern farm management.

7.2 KEY ISSUES TO BE CONSIDERED IN DEVELOPING AGRIBUSINESS PPPS

There are several issues to be considered, including focusing on increasing private sector investment flows and participation in agriculture. Other issues are to develop highly productive and profitable agrovalue chains, effectively linking producers to markets, increasing value addition, fostering innovative institutions and services, reinforcing financing and risk mitigation mechanisms and promoting enabling policies. By focusing on increasing market opportunities for small-scale farmers, agribusiness PPPs can be used to address issues of food security while improving rural livelihoods by increasing household incomes. Agribusiness PPPs should help small-scale farmers to produce and market high-value commodities and thus offer training and encourage the use of sustainable practices in order to achieve long-term food security.

7.3 LESSONS LEARNED FROM SUCCESS STORIES AND PITFALLS TO AVOID

With the increasing role played by PPPs in the agricultural sector, smallholder farming has become more commercialized, and agribusiness and agro-industry are further impacting on economic and social development opportunities. In light of the perceived importance of these recent trends, agri-food systems worldwide are driven by increases in per capita incomes, changing technology, trade liberalization and urbanization. Higher incomes, changing diets and more and more women in wage employment mean greater demand for high-value agricultural commodities.

While agribusiness and agro-industry development can increase competitiveness in international and domestic markets, benefits are not automatic and will not be shared by all. The changes in agri-food systems pose particular risks for small-scale farmers, processors, traders, wholesale markets and retailers. For the small-scale farmer there will be short-term difficulties in meeting agro-industry standards and contractual requirements. Small processors will increasingly have to compete with large food manufacturers that benefit from economies of scale in processing technologies. Traders in local markets will be hard pressed by the growing importance of specialized procurement practices and certified products. It has long been understood that traditional farming and marketing systems will have to change as farming becomes more commercialized and integrated into national markets. What is new is the extent and rapidity of these changes that are being driven by global and national trends in agribusiness.

The main lessons learned from the success stories are that agribusiness PPPs need to be context-specific to succeed, depending on the product sector; market needs; the stage of development of a particular country and area; agricultural sector policies, institutions and services; and the actions taken or not taken by governments to promote agro-industries and agricultural value chains. If agribusiness PPPs are to play a key role in reducing rural poverty and fostering infrastructural development, governments must understand this and create enabling conditions for agribusiness while also monitoring and taking necessary steps to protect and enhance the livelihoods of small-scale farmers and others members of rural and urban communities likely to be affected by agribusiness and agro-industry developments.

7.4 ENHANCING BENEFITS FOR ENTERPRISES AND RURAL DEVELOPMENT

Benefits for enterprises and rural development could be enhanced through the use of enabling policies and institutional frameworks. The policies, institutions and support services that establish the environment where enterprises commence and flourish constitute the so-called enabling business environment. This environment represents one of the most important drivers of competitiveness for domestic and export-oriented agro-enterprises and agro-industries. It is critically important for reducing business costs and attracting investment. It also affects the risks and opportunities resulting from competitiveness and the progressive refinement and replication of successful agribusiness PPPs.

7.5 POTENTIAL AND ESSENTIAL REQUISITES FOR REPLICATION OF PPPS

The potential for replicating successful agribusiness PPPs is undoubtedly promising, particularly in the context of Nigeria's development. The essential requisites are based on developing policies and institutions to encourage major agribusiness investment. These policies include good public governance, a stable macroeconomic climate, enforceable commercial laws, appropriate financial services, protection of property rights and adequate infrastructure. Supporting trade policies are particularly important especially in the light of World Trade Organization (WTO) discussions on special products and safeguard mechanisms.

There are aspects of enabling environments that are distinct or particularly important for agribusiness and agro-industries. Examples include policies, institutions and services relating to food safety regulations; the establishment and enforcement of grades and standards; contract negotiation and compliance; market information; rural transport systems; product, technology and process innovation; risk management; farm and agro-enterprise managerial and technical capacity; business linkages; cross-border and regional trade; and public-private sector cooperation.

7.6 PPPS AS A POTENTIAL TOOL FOR ACCELERATING AGRIBUSINESS INVESTMENT AND DEVELOPMENT

PPPs have the potential to accelerate agribusiness investment and development. They pay particular attention to strengthening business linkages; reducing transaction costs; increasing alignment of farm and firm capacities and requirements; ensuring fair governance within chains; consolidating market intelligence; improving management practices; strengthening producer organizations; and upgrading technologies. As a tool for accelerating development, PPPs are an important dimension in developing the global partnership for development envisaged in MDG 8. The PPP initiative both ensures that agribusiness is committed to best practices and addresses food security constraints. With a focus on value chains, agribusiness PPPs help reduce the cost of food production, increase employment opportunities and provide incentives for sound environmental management practices, thereby contributing to MDG 1 – with at least an indirect impact on eradicating extreme poverty and hunger – and MDG 7, ensuring environmental sustainability.

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Country *case studies*

Africa

AGRIBUSINESS
PUBLIC-PRIVATE
PARTNERSHIPS

A country report of Nigeria

Public private partnerships (PPPs) are being promoted as an important institutional mechanism for gaining access to additional financial resources, sharing risks, and addressing other constraints in pursuit of sustainable and inclusive agricultural development. While various forms of collaboration between the public and private sector have existed for some time, there is limited systematic information available about the current experiences and best practice for using PPPs to initiate agricultural programmes.

In 2010, FAO initiated a series of appraisals of PPPs implemented in 15 countries in Africa, Asia and Latin America. The primary objective was to draw lessons that can be used to provide guidance to member countries on how to partner effectively with the private sector in order to mobilize support for agribusiness development. The outcome of FAO appraisals is presented in this series of Country case studies as a contribution to enriching knowledge and sharing information on PPPs mechanisms for informed decision making on investment promotion for engendering agrifood sector development.

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