



# Increasing Agricultural Productivity by Accelerating Mechanization in Nigeria: Ongoing Activities and Plans

*Green Imperative Project (GIP): A Nigeria - Brazil Bilateral Agricultural Development Project in Nigeria*

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# 1.0 INTRODUCTION

- The More Food International Programme (MFIP) tagged the *‘The Green Imperative Project’* was launched by His Excellency, Prof. Yemi Osibanjo, Vice President of the Federal Republic of Nigeria on the 17th January, 2019 in Abuja.
- The MFIP aims at strengthening the productive capacity of smallholder farmers in African countries;
  - i. It was created using the **Brazilian Model** that seeks to provide support to agrarian development projects; and
  - ii. to **increase family farming production** in participating countries.
- Countries already implementing the MFIP are; Ghana, Senegal, Mozambique and Zimbabwe.
- In Nigeria, the MFIP will enhance **Agricultural Mechanization**, Specialized Extension Services and Agro-Processing in the 774 LGAs including the six (6) Area Councils in the FCT.



# 1.0 INTRODUCTION

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The objectives of this project in Nigeria is to;

- Further develop our Agriculture based on a sustainable private business model, through a food value chain approach, involving a full technology package transfer that will cover all stages, from agricultural production to industrial processing and marketing.
- this project will be a landmark achievement to drive the Agricultural sector of Nigeria to the next level.

Under this arrangement the Brazilian Government is committed to funding the project with a loan of 1.2 Billion USD or Euro 995 million (In-Kind) from two banks:

- **Deutsche Bank (DB);** and
- **BNDES (Development Bank of Brazil);**

The interest rate is 3% over a period of 15 years including a moratorium of 3 years for the BNDES and 7 years including 2 years moratorium for the DB.



# 1.0 INTRODUCTION

The programme is designed to enable the country to acquire;

- **10,000** units of **tractors**;
- **50,000** units of **assorted implements and equipment** for assembly in Nigeria;
- **Training** of the Project beneficiaries for over five years;
- Establishment of 632 Primary (Type 1) and 142 Secondary (Type 2) **Service Centres** in Nigeria that will help smallholder farmers prepare the soil, cultivate, produce and harvest farm produce and process products respectively all with equipment maintenance.
- The project is expected to **benefit 300,000 young people** directly and to impact on **1,800,000 people indirectly**.



# 2.0 STRUCTURING OF THE AGRICULTURAL TECHNOLOGY PACKAGE TRANSFER

## BUSINESS MODEL:

The main field-level key players will be;

- a) the **Assembly Plants** owned by a private operators;
- b) the **Service Centre operators** established by farmers; and
- c) **agricultural enterprises** who are already land owners and involved in agricultural production and processing, local commercial and development banks.



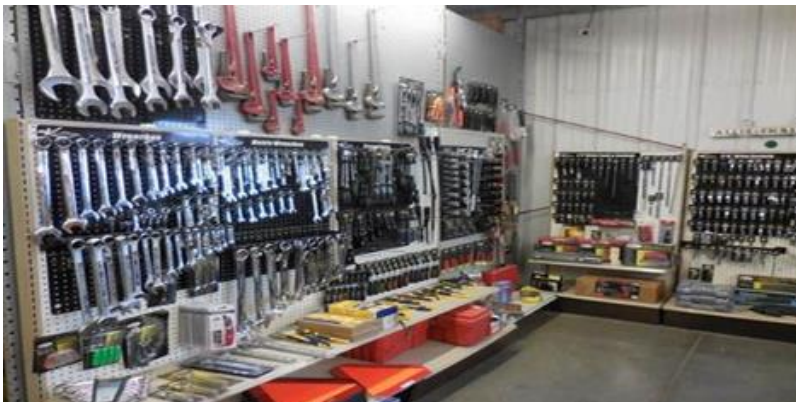
# 3.0 PROJECT COST ESTIMATES

The total project cost is estimated to be Euro995million. The breakdown is summarized in the following table;

Euro Millions	1 <sup>st</sup> tranche	2 <sup>nd</sup> tranche		3 <sup>rd</sup> tranche	Total
	Private Bank (DB)m	Public Bank (BNDES)m	Private Bank (DB)m	Public Bank (BNDES)m	
Machinery & Equipment	€105.70	€361.20	€47.00	€309.80	€823.70
Working Capital	€31.30	-	€107.00	-	€138.30
Service (Training, Project Management, etc.)	€13.00	-	€20.00	-	€33.00
<b>Total</b>	€150.00	€361.20	€174.00	€309.80	€995.00
<b>%</b>	<b>15%</b>	<b>54%</b>		<b>31%</b>	<b>100%</b>

# 4.0 INSURANCE COVER FOR THE PROJECT

- i. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) of the Islamic Development Bank (IsDB) and The Brazilian Guarantees and Fund Managements Agency (ABGF) **will insure the Equipment & Machinery.**
- ii. The Insurance will cover the total amount provided by the Brazilian Development Bank (BNDES) and other financial institutions.
  - The **ProEx Brazil program** credit line could provide interest rate equalization for total financing that comes from BNDES.



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## 5.0 FUNDING MECHANISM

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- Central Bank of Nigeria will **receive from DB** and make available to the local banks concessional resources to cover the **working capital needs of the Service Centres** for the first 2 years.
- It will also ensure the **repayment of the loan** to the two Financing Institutions.
- It is particularly **crucial for the sustainability** of the project.



# 6.0 SHIPMENT AND LOGISTICS

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- To avoid the role of middlemen and trading companies:
  - ✓ One of the equipment manufacturers and suppliers **will be selected** to organize the goods from other manufacturers, before they are shipped to Nigeria.
- This is an important phase of the Project implementation, **where the goods**, before shipment are **organized according** to the needs of each **Service Center**.
- Fundacao Getulo Vargas (FGV) in collaboration with the Federal Ministry of Agriculture & Rural Development (FMARD), Technical Team will manage all these processes until the goods are shipped from Brazil.



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# 7.0 EQUIPMENT PROVIDERS

- The equipment providers will be selected considering **guidelines prepared by FMARD and FGV** with the support from the Brazilian Machinery Builders Association (ABIMAQ).
- The **Technical Criteria** to be applied during the selection of manufacturing company to supply to the project will include;
  - i. Company's Financial and Tax Health;
  - ii. Company's Proposal for Technical Assistance and other Sales Services to the Service Centers and Assembly Plants;
  - iii. Company's proposal for Training and Capacity Building in Nigeria for the Service Centers;
  - iv. Product Quality and Suitability;
  - v. Price competitiveness of similar products in the Market;
  - vi. Experience and performance in similar projects in Africa;
  - vii. Good Standing with Brazilian Regulations with participation on similar bilateral projects; and
  - viii. Compliance with Brazilian financial Crime Regulations such as Money Laundering, Bribery, etc

# 8.0 SELECTION OF PRIVATE OPERATORS

- The selection of private operators to run the Service Centers on Hire-Purchase principles will be in-line with Technical criteria below;
  - i. Financial and Technical Capacity of the Candidates;
  - ii. Evaluation of Business Plan;
  - iii. Interview with Candidates;
  - iv. Ownership of sizeable land situated in the midst of primary producers; and
  - v. Young people that express interest will be given priority.
  
- The best candidates evaluated in this transparent process will:
  - i. sign the contract with the Federal Ministry of Finance, Budget and National Planning
  - ii. receive the Machinery, Equipment, Working Capital and Training.



# 9.0 DEVELOPMENTS ON THE GREEN IMPERATIVE PROJECT (GIP) AND NEXT STEPS

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- As soon as the National Assembly approved the in-kind loan for the Project, the first tranche offer letter of Euro150m received by the Federal Ministry of Finance, Budget and National Planning will become effective.

The next steps are as follows;

- i. **Zonal sensitization of Stakeholders** (*farmers, private sector players and assembly plants owners*) on selection processes for private sector operators of the Assembly Plants and Service Centers;
  - ii. A **Multi-MDA Implementation Team** is already selected with the Hon. Minister of Agriculture and Rural Development as Chairman will begin to work;
  - iii. A **Technical Team** with National Project Coordinator is also in place;
- Weekly virtual meeting with stakeholders to develop an operational guidelines for the implementation of the Project (FMARD, FMFBNP, CBN & DMO).

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