



NICOP's Contributions to Food Systems Changemakers Conference, Abuja, 15th September 2023

The Nigeria Competitiveness Project

The Nigeria Competitiveness Project (NICOP), commissioned by the German BMZ and co-funded by the European Union under the West African Competitiveness envelope, is being implemented by the GIZ Pro-Poor Growth and Promotion of Employment in Nigeria Programme - SEDIN.

Since 2018 NICOP has supported the development of the tomato, ginger and chili value chains in Nigeria to promote structural transformation, deliver coordinated growth and address linkage failures to improve access to regional and international markets. Innovative, sustainable, and inclusive approaches addressing social and environmental concerns are fundamental to NICOP's strategy.

The following notes reflect the lessons NICOP has learned in its attempt to improve livelihoods and deliver commercial opportunity for actors at all stages of the value chain. The approaches recognise the need for Nigeria to meet the food security challenge and ultimately develop products capable of delivering sustainable economic reforms at local level and to further harness Nigeria's potential to serve the growing demands and potential of the international marketplace.

Drivers of change

Nigeria faces a fascinating scenario as it seeks to address the food security challenge. A potentially inexhaustible market of 1 billion consumers by 2090 offers a compelling reason for inward investment. Conversely, the risk of security and social development challenges through an increasingly parlous governance structure serves to discourage that same investment.

Urbanization in the coming years will see an increasing percentage of Nigeria's population drifting toward major towns and cities. The rural population will also see significant growth in real terms exacerbating demand for increasingly limited space within rural communities. Increasing food production to meet the needs of that growing urban population will necessitate changes in rural land use which in turn will have to achieve harmony with the needs of the rural communities providing the essential labour and associated factors of production.

Something must be done to meet the needs of investors and communities alike in a way that serves to improve the livelihoods of the most vulnerable while delivering commercial profit.

Given the risk of inequitable outcomes, uncertain security, and the potential for reputational damage foreign investors increasingly see Nigeria as a poor investment location. Frustratingly, without foreign investment, and in the face of competing priorities for state funds, it is unlikely that some existing initiatives will achieve meaningful impact.

Many state governments encourage investors by offering access to land under the terms of the Land Use Act. Experience shows that certificates of occupancy granted under these acquisitions



can be annulled by subsequent administrations or that compensation to displaced communities has not been paid resulting in encroachment and unrest. The resulting legacy of weak tenure security and the reputational harm that can arise from local land related conflict reduces the commercial value of the land and invites considerable risk to investors.

To ensure inclusive outcomes existing communities must be protected

An increase in production invites a very significant impact on land use as existing land use patterns change and new land is brought into production. The scale and pace of change required means that traditional ‘top down’ government initiatives are unlikely to be sufficient in themselves. An enabling, secure environment for foreign investment will be critical.

The process by which that new land is restructured will inevitably incur a deep social impact on rural communities. Ensuring equitable and inclusive outcomes for these communities will be essential if Nigeria is to guard against conflict and so demonstrate to investors that food security can be achieved in parallel with equitable social outcomes.

By allowing existing communities to remain on their traditional land while respecting the tenets of the Land Use Act, physical and economic displacement is eliminated and thus the reputational risk to investors is minimized. Collaborative outcomes offer the win-win solution required by Nigeria to demonstrate that is serious about change. Improved tenure security invites more responsible investment and allows improved local and regional land governance.

Private sector investment must be achieved if Nigeria is to achieve food security

Market realities dictate that Nigeria in 2050 will have a large urban marketplace for agricultural products. Existing supply chains will be incapable of serving the market via fresh produce and food will increasingly need to be processed to aid longevity as well as to mitigate the post-harvest losses that the increasing population will be unable to bear.

Government funding will be insufficient to generate these processing centres. Private funding will only be attracted to create these plants if a steady supply of products to required standards can be guaranteed. The only way to achieve that supply is through a more sophisticated contract farming model developed in compliance with international standards of best practice. In addition to the basic production of crops at farm level a plethora of additional investment must be realized to address storage, transportation, training, maintenance, and logistical challenges.

The requirements for optimal investment standards are well defined and respected by the international community. Introducing them to Nigeria would actually reduce the compliance burden for all existing stakeholders whilst also strengthening community tenure, and tax revenue and go a long way toward mitigating the environmental challenges invited through essential changes in land use.

The approach offers a more far-reaching *economic* impact for Nigeria over and above the short-term financial gain typically propagated by current investment models.



What investment principles should Nigeria adopt in pursuit of inclusive and equitable outcomes

National and international investors are increasingly required to demonstrate responsible and inclusive frameworks predicated on uplifting the livelihoods of actors at the base of the socio-economic pyramid. Access to international markets is likely to be measured by adherence to a new international standard in agricultural production – ISO 26000¹. Francophone countries in Africa have been laying the groundwork for this for several years and are now reaping the reward as foreign investors are able to demonstrate ‘fair trade’ outcomes that European markets find appealing. East African countries are aligning to the trend and now offer a more inviting investment location than Nigeria for companies within, for example, the Interlaken Group².

Fundamental to these approaches is the respect for existing community land rights and the minimization or elimination of displacement of existing communities entrenched in the FAO principles of responsible governance of tenure³. These principles are further refined through various IFC performance standards for sustainability⁴ and the principles of responsible agricultural investment⁵. It should be highlighted that Nigeria has recognized adherence to these principles at the national level in the past.

Various states in Nigeria, notably Kaduna and Ogun, have also been invited by the World Bank to introduce a framework for responsible and inclusive large-scale investment in agriculture – or ‘FRILIA.’ FRILIA ought to distil the various principles mentioned above into a coherent, inclusive, and equitable tool to attract foreign investment. The current status of FRILIA in Kaduna and Ogun is unknown and, as a consequence, the potential competitive advantage the World bank sought to create to attract investment remains unrealized.

How to create an attractive, enabling environment for the type of investment Nigeria needs

Many African countries are recognizing the necessity of demonstrating compliance with the principles of responsible investment⁶. This commitment to transparent, equitable, and inclusive outcomes is laying the foundation for growth and creating a competitive advantage to catalyse better outcomes for all stakeholders.

While the core principles are recognized in Nigeria and are becoming increasingly mainstream through the activities of Nigeria’s Impact Investors Foundation and the newly created Nigerian

¹ <https://www.iso.org/iso-26000-social-responsibility.html>

² <https://www.interlakengroup.org/>

³ <https://www.fao.org/policy-support/mechanisms/mechanisms-details/en/c/448858/>

⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_pps

⁵ <https://www.facing-finance.org/en/database/norms-and-standards/principles-for-responsible-agricultural-investment-prai/>

⁶ [What are the Principles for Responsible Investment? | PRI Web Page | PRI \(unpri.org\)](#)



Advisory Board in Impact Investment the critical commitment required by the Federal and local governance is not reflected through tangible, published investment policies.

To attract the necessary foreign investment at scale, and to ensure that investment provides positive, sustainable, environmental, and social outcomes Nigeria must create a more sophisticated investment framework predicated on demonstrably positive change in key sectors. The administrative solutions are available elsewhere and readily adaptable to the Nigerian ecosystem but without these systems, Nigeria will slip further behind other investment locations that offer more immediate opportunities.

The SDGs also shine a light on the risks facing women. Studies confirm the significant contribution women make to the informal economy. Assistance must be given to provide them the chance to multiply that contribution within formal business models towards economic and social empowerment that cultural norms might otherwise militate against.

The foundation GIZ and other donors are laying

GIZ has instigated numerous value chain projects intended to both improve the competitiveness of various sectors as well as ensuring improved livelihoods for stakeholders. It has become apparent that the existing financial infrastructure is insufficient to address the needs of individual smallholder farmers. Banks lack the capacity, and often the vision, to understand the needs of the sector and it is evident that funding for agricultural development demands more innovative sources.

Many GIZ projects have investigated cluster development initiatives whereby farmers in a defined location are trained in more efficient, competitive farming techniques under a collaborative or cooperative structure with a prescribed management methodology. The clusters are then linked directly to processors through a contract farming model. The existence of a defined market for the farm produce, the processor, coupled with the existence of a defined source of reliable inputs for the processor, the farm cluster, mitigates the risks typically defined as rendering agricultural finance unworkable.

Despite these solutions, Nigerian financial institutions continue to struggle to lend to these potentially profitable businesses. The historic legacy of poorly defined business models or failed repayments and loan default appears to persist as a suspicion among banks that the agricultural sector is in some way corrupt. Consequently, loans remain difficult to achieve from traditional commercial banks though the Mubaraha and Mudabara approach of Jaiz Bank is gaining traction.

In the absence of local sources of finance, GIZ has invited diaspora investors and crowdfunding solutions to evaluate the farmer/processor contract model. Attitudes are favourable on the proviso that it is possible to define the precise nature, location, make up and commercial potential of the farm units. Modern technology makes this simple and GIZ has mapped clusters and undertaken demographic surveys of producers. This allows potential investors to identify producers that may align especially well to their investment vision – perhaps a high proportion of females living in poverty or an opportunity to address climate change through innovation, etc.



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The proof of concept will not achieve scale under the strictures of GIZ's funding limits. To make the impact required to meet Nigeria's food security challenge will necessitate a change in government policy away from expropriation and perceptions of land grabbing toward approaches that embrace international standards of best practice. Failure to adopt these standards quickly simply encourages investors toward the more progressive Francophone and East African countries.

Next steps toward inclusive outcomes

Nigeria's population is projected to be 440 million by 2050. That represents a doubling of demand within a generation. Policy development and the creation of an enabling environment likely to attract the right sort of foreign investment to ensure equitable and inclusive outcomes is critical.

The expectations of those investors are well defined and well understood in other countries. Nigeria needs to adapt quickly to capitalize on the huge potential its people and its geography offer.