

# AFRICAN DEVELOPMENT BANK GROUP



**PROJECT: SPECIAL AGRO-INDUSTRIAL PROCESSING ZONES PHASE  
TWO (SAPZ - II)  
SAP CODE : P-NG-AAG-011  
COUNTRY: NIGERIA**

## **ASSESSMENT REPORT OF THE BORROWER'S ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)**

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<b>Preparation Team</b>	Task Manager	Chukwuma Ikechukwu EZEDINMA, Chief Agro-Industry Officer	AHFR2
	E&S Safeguards Officers	Seunayo ADEBAYO, Environmental and Social Safeguards Officer	SNSC/RDNG
		Andrews ABOJE, Environmental and Social Safeguards Officer	SNSC/RDNG

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# 1 PROJECT DESCRIPTION

## 1.1 Project Background

The Special Agro-Industrial Processing Zones (SAPZs) are agro-based spatial development initiatives designed to concentrate agro-processing activities within areas of high production, processing and marketing of selected commodities. Following the launch of Phase I in seven (7) states in Nigeria, the remaining 29 states in Nigeria (Abia, Adamawa, Akwa-Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Jigawa, Katsina, Kebbi, Kogi, Lagos, Nasarawa, Niger, Ondo, Osun, Plateau, Rivers, Sokoto, Taraba, Yobe and Zamfara) have all expressed interest to be part of the second phase of the SAPZ program (SAPZ II).

The development objective of the program is to support inclusive and sustainable agro-industrial development in Nigeria. The key expected outputs of the SAPZ Program (Phase II) are: development of infrastructure for Agro-Industrial Processing Hubs (AIHs), Agricultural Transformation Centers (ATCs), irrigated lands; farm to market access roads; supply of certified agricultural inputs and extension services; skills development for farmers and Micro, Small and Medium Scale Enterprises (MSMEs), an updated agro-industrial zone policy and establishment of regulatory institution/special regulatory regime.

The SAPZ II Program is aligned to the National Agricultural Technology and Innovation Plan (NATIP) 2021-2024 and the National Livestock Transformation Plan 2019-2028. It will support economic and social development programs of the Federal Government of Nigeria (FGN) and the Participating States. It will also contribute to rural infrastructure development, improved access to agricultural markets, increased farm productivity, the adoption of agricultural technology, climate smart agricultural production and processing practices, increased value addition and agro-processing, increased skills acquisition and job creation, for all actors along the value chain, including the smallholder farmers, women and youth. The SAPZ Program interventions will seek to enhance the competitiveness of selected value chains. This will be achieved through increased productivity, aggregation and reliable supply of quality raw materials, value addition, market access and private sector investment.

The key challenges to agriculture growth in Nigeria include poor infrastructure, low levels of agro-industrialization and value addition, declining agriculture sector productivity, limited irrigation farming, climate change and land degradation. Investments and financing of production and processing is low and insufficient to support the full exploitation of the country's potential in the sector. Other challenges include low technology, high production cost and poor distribution of inputs, high post-harvest losses and poor access to markets. To comprehensively improve agricultural sector in Nigeria, private sector driven Special Agro - Industrial Processing Zones (SAPZs) are being established to stimulate development of agriculture value chains.

## 1.2 Project Components

1. Infrastructure Development and AIHs Management:
  - Focus: Create central hubs with improved facilities and services for agribusiness activities.
2. Improving Agricultural Productivity and Enterprise Development:
  - Focus: Boost agricultural productivity, support enterprise development, and foster economic growth.
3. Supporting Agro-Industrial Zone Policy and Institutional Development:
  - Focus: Develop policies, regulations, and institutions that facilitate agro-industrial activities.
4. Program Coordination and Management:
  - Focus: Ensure efficient implementation, monitoring, and evaluation of the program through effective coordination and management.

### Project Sub-Components:

1. Infrastructure Development and Operationalization in AIHs and ATCs:
  - Construction of AIHs and ATCs.
  - AIHs aggregate products, add value, and distribute for consumption or export.
  - Non-processing infrastructure (administration, R&D, health centers) and shared facilities reduce costs.
2. Farm-Level Productivity Enhancement Infrastructure:
  - Development of ATCs near AIHs to boost productivity.
  - Provide farmers access to essential inputs (seeds, mechanization), handling facilities, and extension services.
  - Develop common infrastructure (water, power, roads).
3. Boosting Productivity for Identified Commodities:
  - Provide certified inputs, skills development, and updated policies to support productivity.
  - Focus on key commodities and sustainable production.

## **2 E&S CATEGORIZATION AND DUE DILIGENCE**

### **2.1 E&S Categorization**

The project is classified as Category 1 due to the nature and scale of the program entailing the construction and operation of multiple Agro-Industrial Hubs (AIH) for the processing of various produce as well as the development of over 100 ATCs across 27 states. Some of the project activities envisaged include rehabilitation of dams, construction of water supply infrastructure, construction of access roads, installation of power plants (gas-fired, solar, diesel generators etc), operation of heavy-duty farm equipment, usage of fertilizers, herbicides and other agro-chemicals as well as movement of haulage trucks conveying produce from the ATCs/ACs to the AIHs. These activities could potentially result in the significant loss of vegetation which serves as medicinal and food plants as well as economic or physical displacement of hundreds of people, with the attendant loss of livelihoods.

The project activities are also envisaged to be capable of leading to other significant adverse and irreversible environmental and social impacts including but not limited to soil, water and air pollution resulting from erosion/run-off, accidental spillage/seepages and gaseous/dust emission; generation of hazardous waste; conflicts and crises over resettlement, project benefits and influx of alien workers; potential spread of STDs/STIs including HIV/AIDS and increased risk of GBV/SEA and child labour amongst others. The categorization is further justified due to the weakness of E&S institutions for implementation and compliance monitoring and the current lack of competent E&S personnel within the project implementation team at the participating state level.

### **2.2 Key E&S Risks and Impacts**

The SAPZ II program will entail the construction and operation of several large scale Agro-Industrial Hubs (AIHs) across the 27 participating states as well as the establishment of over 100 Agricultural Transformation Centers, Aggregation Centers (ACs) and ancillary infrastructure to support the program implementation. As such, it is envisaged that the program may lead to the following key environmental and social risks and impacts during construction and operation of the various key components across participating states:

- Air quality deterioration due to gaseous and dust emission from the release of dust and gaseous emissions from exposed soil surfaces and vehicles.
- Loss of vegetation cover and loss/fragmentation of habitat due to clearing of land for AIHs.
- Contamination of surface water resulting from accidental spills during transportation, storage and handling of fuels as well as seepage from waste during construction.
- Sedimentation of surface water resulting from erosion and runoff from exposed surfaces during construction.

- Predisposition of soil to erosion during excavation and earth movement.
- Runoff or leaching from excessive or inappropriate use of synthetic chemicals (fertilizers, herbicides and pesticides) at the ATCs may lead to surface water contamination.
- Soil contamination from spillages of oil due to leakages and/or improper handling during maintenance of tractors and other farm machines at the ATCs.
- Abstraction of large volume of water from groundwater or surface water sources may affect supply for other water users and result in conflicts over water use.
- Impacts to human health associated with dust emissions during construction of AIHs and operation of ATCs.
- Generation of normal and hazardous effluents from processing complexes during the operation of the AIHs.
- Generation of solid waste from the AIHs such as cassava peel and shaft, rice husk & bran, cocoa bean shell, cocoa pod husk & pulp etc.
- Loss of assets (including land, crops, economic trees etc.) and loss of access to place of livelihood due to land allocation for the AIHs and ancillary infrastructure.
- Potential conflicts and crises over resettlement and benefits.
- Threat to community culture, safety and security due to presence of workers and business opportunists.
- Labour Influx which could lead to an increase in sexual activities and potential spread of STDs/STIs including HIV/AIDS in the project location.
- Potential risk of Sexual Exploitation and Abuse (SEA)/ Gender Based Violence (GBV) due to Influx of workers to project location.
- Increase demand on community health and sanitation infrastructure due to influx of workers and camp followers.
- Traffic congestion and increased road traffic accidents along access roads due to the movement of heavy-duty vehicles in and out of the construction sites.
- Risk of occupational accidents and injuries from working in excavations and the use of machinery and equipment.

### **2.3 E&S Studies**

In order to manage the environmental and social risks and impacts, the Borrower is required to establish an Environmental and Social Management System (ESMS) at the national level which will be implemented by the National Programme Coordinating Unit (NPCU). The ESMS will be an overarching E&S risk management instrument for the SAPZ Program encompassing E&S policies, organizational structure, planning activities, roles and responsibilities of various actors, procedures (including screening and categorization of sub-projects), and resources for developing, implementing, achieving, reviewing, and maintaining compliance with the ISS and national E&S requirements.

At the state level, the site-specific E&S instruments required to manage the E&S risks and impacts of the respective AIH and ATC include the following:

- Environment and Social Impact Assessment (ESIA).
- Resettlement Action Plan (RAP)/Livelihood Restoration Plan (LRP).
- Stakeholder Engagement Plan (SEP).
- Grievance Redress Mechanism (GRM).
- Pest Management Plan (PMP)<sup>1</sup>
- Biodiversity Management Plan (BMP)<sup>2</sup>

These site-specific E&S instruments must reflect evidence of robust stakeholder engagement and consultation.

## 2.4 Applicable Operational Safeguards (OS)

The applicable operational safeguards applicable to the project and E&S instruments required to address the OS are highlighted in Table 2.1.

Applicable OS and required E&S instruments

E&S Operational Safeguards	Applicability	E&S Instrument Required to Address OS
E&S OS 1 (OS1): Assessment and Management of Environmental and Social Risks and Impacts	Yes	ESMS, ESIA
E&S OS 2 (OS2): Labour and Working Conditions	Yes	ESIA
E&S OS 3 (OS3): Resource Efficiency and Pollution Prevention and Management	Yes	ESIA
E&S OS 4 (OS4): Community Health, Safety and Security	Yes	ESIA
E&S OS 5 (OS5): Land Acquisition, Restrictions on Access to Land and Land Use, and Involuntary Resettlement	Yes	RAP/LRP, SEP
E&S OS 6 (OS6): Habitat and Biodiversity Conservation and Sustainable Management of Living Natural Resources	Yes	ESIA, PMP, BMP
E&S Operational Safeguard 7 (OS7): Vulnerable Groups	Yes	ESIA, RAP/LRP, SEP
E&S Operational Safeguard 8 (OS8): Cultural Heritage	Yes	ESIA, RAP/LRP, SEP
E&S Operational Safeguard 9 (OS9): Financial Intermediaries.	No	N/A
E&S Operational Safeguard 10 (OS10): Stakeholder Engagement and Information Disclosure	Yes	ESIA, SEP

### Borrowers Capacity In E&S Safeguards

Nigeria has an enabling Environmental Impact Assessment (EIA) Act of 2004 and the Federal Ministry of Environment (FMEnv) is the principal institution responsible for the administration of the EIA Act ensuring all projects with potential impacts are subjected to the EIA process. The

<sup>1</sup> may be required in adherence to the ISS and national requirements.

<sup>2</sup> may be required in adherence to the ISS and national requirements.

FMEnv has the Environmental Assessment (EA) Department that is well staffed with officers who have the capacity to monitor the implementation of ESMPs and other safeguards functions during project implementation and operation. They carry out these functions in collaboration with their state counterparts (State Ministries of Environment (SME) and State Environmental Protection Agencies (SEPA)) as well as other relevant agencies.

The SAPZ II program will be implemented by the Federal Ministry of Agriculture and Food Security (FMAFS) at the federal level and the State Ministries of Agriculture at the state level. At the Federal level, a National Programme Coordinating Unit (NPCU) has been established to coordinate the programme. The NPCU is staffed with an Environmental/Climate Change Officer and a Social/Gender Officer both of whom will be responsible for managing the E&S aspects of the program at the federal level and providing oversight of E&S issues across the participating states. Following an initial assessment of the E&S capacity at the NPCU level, recommendations have been made to increase E&S staffing to at least 4, considering that the national entity is responsible for implementing both the SAPZ I and II.

The participating states at this period are yet to set up their Program Implementation Units (PIU) and as such do not have competent environmental and social officers to provide support to the program at the state level. It is therefore recommended that each state ensure that an Environmental Safeguards Officer and a Social Safeguards Officer are part of the PIU when constituted.



### **3 REVIEW OF THE SAPZ ESMS**

#### **3.1 Assessment of the Borrower's ESMS**

The Borrower's ESMS was reviewed against the four key pillars of an ESMS as enshrined in the Bank's ISS to identify any gaps. Where significant gaps or non-alignment with the Bank's policy are identified, corrective measures, intended to close these gaps within a reasonable period, are recommended in an Environmental and Social Action Plan (ESAP).

The ESMS was assessed against the following four key pillars:

- i. E&S Policy Statement approved by the NPC.
- ii. Clearly spelt out procedures for managing each of the E&S aspects of the SAPZ
- iii. Institutional capacity (E&S staffing requirement commensurate to the E&S challenges within the NPCU and participating states PIUs) with clear organogram for E&S management.
- iv. Budget estimates to facilitate the operation of the ESMS.

#### **3.2 High Level E&S Policy Statement Approved by the Company's Senior Management.**

The Borrower has in place a high-level E&S Policy Statement signed by the Minister of State for Agriculture and Food Security of the Federal Republic of Nigeria. The endorsement demonstrated ownership and commitment at the highest level to implementing the ESMS. The E&S Policy amongst other items stated the Borrower's commitment to:

- i. Implement a robust Environmental and Social Management System (ESMS) aligned with national laws, regulations and international standards including the AfDB's ISS.
- ii. Prioritize gender equality, social inclusion, and climate change adaptation
- iii. Build strong partnerships with ministries, departments and agencies of the government, civil society groups, and the private sectors.
- iv. Ensure compliance with all applicable environmental and social laws and regulations.
- v. Monitor and evaluate the E&S performance of the project to identify areas for improvement.

#### **3.3 E&S Management Procedures (ESMP)**

The Borrower has put in place an Environmental and Social Risks Management Process for the SAPZ process. The process is in alignment with the general environmental and social sustainability principles including major element such as screening, categorization, due diligence, sustainability, monitoring, capacity building etc. The procedures established set criteria for screening sub-projects with exhaustive list of exclusion list in alignment with the Bank's policy. In addition, the procedures established in the ESMS established sub-project categorizations in alignment with the country system using categories A, B and C for high, moderate and low risks respectively. Relevant templates to guide participating states through the process of screening and categorization were

also included in the ESMS as well as the relevant scoring system established to further strengthen the process of categorization.

The above notwithstanding, the procedures established to manage the E&S aspects of the SAPZ project appears to be generic and do not adequately reflect the peculiarity of the SAPZ program. It is highly recommended that the ESMS Consultant engaged by the Borrower to adequately review project documents, conduct site visit to participating states, conduct interview with relevant staff of the NPCU and participating states to gain an in-depth understand the project as well as the E&S aspects in other to develop bespoke procedures within the ESMS that is robust enough to manage the E&S aspect of the project.

### **3.4 Institutional Capacity**

A comprehensive assessment was conducted, analyzing program objectives, target beneficiaries, and implementation phases. The assessment identified specific training requirements for the various stakeholders. Consequently, a training matrix was developed which outlines core, role-specific, and additional training needs. An assessment of key ESMS competencies revealed deficiencies in ESMS knowledge, project management, stakeholder engagement, risk management, monitoring and evaluation, and technical expertise. The capacity assessment indicated that the level of competence involved in integrating ESMS into the SAPZ project, adhering to AfDB safeguards, and addressing climate change adaptation varies for each stakeholder group. Emphasis should be placed accordingly to ensure effective training outcomes.

The ESMS did not identify the E&S staffing requirement commensurate to the E&S challenges within the NPCU and participating states with clear organogram for E&S management. Currently, the NPCU is staffed with two E&S personnel, the ESMS should specifically establish the adequacy of the current staffing in terms of number and required skills considering that the national entity is responsible for implementing both the SAPZ I and II. The ESMS should equally identify the staffing requirement for E&S at the level of the participating states to ensure the procedures outlines in the ESMS and other E&S due diligence are implemented.

### **3.5 ESMS Budget**

Although the ESMS recognized adequate funding will be required to ensure implementation of the E&S procedures and other aspects of the ESMS including training and capacity building, monitoring, personnel (salary and other benefits) etc, the estimate cost was not included in the document. The financial resources that the NPCU and participating states set aside on an ongoing basis to achieve effective and continuous social and environmental performance of the SAPZ operations is not provided. In addition, the sources of funding included in the document vaguely assigned the funding responsibilities to multiple parties. The ESMS ought to state the estimates of funds required and the sources of such funds.

## **Monitoring and**

The procedures to monitor and measure the effectiveness of the management program were outlined in the ESMS. Due to the scope and scale of the sub-projects with significant impacts that are diverse, irreversible, or unprecedented, there is need for the NPCU to retain qualified and experienced external experts to verify its monitoring information. The extent of monitoring should be commensurate with the project's risks and impacts and with the project's compliance requirements. Monitoring shall be adjusted according to performance experience and feedback. The monitoring results as well as the necessary corrective and preventive actions shall be documented in the amended management program. The NPCU and participating states shall implement these corrective and preventive actions and follow up on these actions to ensure their effectiveness.

## **Stakeholders Engagement**

The ESMS established the importance of open and transparent engagement between the NPCU/State PIUs, workers, local communities and wider stakeholders that will be directly or indirectly affected by the SAPZ program. Effective community engagement promotes sound and sustainable E&S performance, and leads to improved financial, social and environmental outcomes. The ESMS also states clearly the adoption of the AfDB's approach to resolving grievances (GRM at project level, grievance redress committee, procedures for complaint, independent review mechanism, etc.) arising from the SAPZ program. The role of gender balance in AfDB supported projects and the monitoring of gender issues during the project are all included in the ESMS.

**ENVIRONMENTAL AND SOCIAL MANAGEMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS) REVIEW CHECKLIST.**

Approved High level E&S Policy Statement	Yes	No	Observation	Endorsed and signed by Client's Senior Management		Month/Year	Evidence of compliance (Web site link & signed/approved documents)
				Board of Directors	Senior Management		
Approved High Level Corporate Social Responsibility Policy	√		E&S Policy Statement approved by Senior Management		√	August, 2024	Borrower/Client's signed E&S Policy
Existing E&S procedure for handling each E&S aspect as well as its corporate social responsibility	√		E&S procedure documented but need to be more streamlined to address the E&S aspects of the SAPZ more specifically.		√	August 2024	Disclosure at country E&S website
Screening procedure for assessing SAPZ sub-projects	√		Screening procedures included		-		-
Sub projects categorization checklist	√		Categorisation checklist Included. The categorization to be revised to reflect the Bank's and country system's format.		-		-
Institutional capacity (existence of E&S unit/function)		√	Institutional capacity not assessed.		√	August 2024	Disclosure at country E&S website
Organogram of the E&S unit		√	The organogram included does not reflect the E&S organization of the SAPZ at the participating states level.		√	August 2024	Disclosure at country E&S website
Number of E&S staff + their CVs.		√	Not assessed and the CVs of personnel or skills required not included.		-	-	
Sustainable financing of the E&S Unit (Annual budget of the E&S unit)		√	Cost estimates not included		√	August 2024	Disclosure at country E&S website
Exclusion list	√		Exclusion list provided		-	-	-

## 4 CONCLUSION AND RECOMMENDATION

The Borrower's ESMS is **Acceptable**.

The ESMS generally meets the requirements of the International Safeguards Standards (ISS) and the national system. It includes an Environmental and Social (E&S) policy endorsed by the Honourable Minister of State for Agriculture and outlines procedures for managing the E&S aspects of the Special Agricultural Processing Zones (SAPZ). However, these procedures need to be more specifically tailored to address the unique E&S risks and impacts associated with the SAPZ. Additionally, while the ESMS includes an assessment of institutional capacity, it falls short as it does not cover the E&S capacity at the NPCU and participating states. A comprehensive capacity assessment is needed. Furthermore, the ESMS does not specify the funding required for its implementation, and the sources of funding are described in a vague manner. The implementation of the recommendations below will ensure the ESMS is significantly improved to make it a good and comprehensive ESMS.

### 4.1 Recommendations

1. **Streamlining the ESMS:** The ESMS should be refined to accurately reflect the specific characteristics of the SAPZ program. The consultant should review project documents, conduct site visits to participating states, and interview relevant NPCU and state staff to gain a comprehensive understanding of the project and its E&S aspects. This thorough analysis is essential for developing an ESMS that effectively manages the E&S impacts of the project.
2. **Identification of E&S Impacts:** The ESMS must identify and describe all SAPZ activities that could lead to E&S impacts. Engaging with participating states from both SAPZ I and II is crucial to fully understand the scope and boundaries of the ESMS. A detailed appreciation of the project activities and potential impacts will facilitate the development of a robust ESMS framework to manage these impacts effectively.
3. **Assessment of Institutional Capacity:** Instead of merely recommending an assessment of the NPCU's capacity, the ESMS should provide a thorough evaluation of the capacity of both the NPCU and participating states. It should include specific recommendations for human resources (E&S staffing) and financial resources necessary for effective ESMS implementation. Details should be provided on the number of E&S staff at the NPCU and in each participating state, their skills and knowledge as E&S officers, and an analysis of their job functions.
4. **Financial Resources and Budgeting:** The ESMS should outline the financial resources required by the NPCU for ongoing social and environmental performance management of SAPZ operations. The annual budget for ESMS implementation should cover training,

capacity building, monitoring, grievance redress mechanisms (GRM), and other E&S due diligence activities.

5. **Categorization Ratings:** The categorization rating system in the ESMS should be revised to align with either the country system or the AfDB's ISS, where A/1 represents High Risk, B/2 represents Moderate Risk, and C/3 represents Low Risk. This alignment will prevent confusion among stakeholders who are familiar with the FMEnv/AFDB's categorization system.
6. **Annexes and Templates:** The ESMS should include annexes with required templates and Terms of Reference (ToR) for E&S studies to guide participating states and ensure a uniform approach to E&S risk management. At a minimum, the annexes should include ToRs and templates for all identified studies such as ESIA, RAP/LRP, GRM, SEP, BMP, PMP, emergency response plans, as well as screening and scoping checklists.