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NIGERIA EXPANDED TRADE AND TRANSPORT (NEXTT)

YEAR 2 ANNUAL REPORT

OCTOBER 2013 – SEPTEMBER 2014

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I. PROGRAM OVERVIEW/SUMMARY

Program Name:	Nigeria Expanded Trade and Transport (NEXTT) Program
Activity Start Date and End Date:	Oct. 11, 2012- October 10, 2016
Name of Prime Implementing Partner:	CARANA Corporation
[Contract/Agreement] Number:	AID-620-C-13-00002
Name of Subcontractors/Subawardees:	Crown Agents, Global Cold Chain Alliance, Integra, RBS Consulting
Major Counterpart Organizations	GoN, CMG, LDA
Geographic Coverage (cities and or countries)	Nigeria
Reporting Period:	3rd Quarter Y2 – April 01 to June 30, 2014

I.1. Program Description

The Nigeria Expanded Trade and Transport (NEXTT) Program was initiated in October 2012. NEXTT aims to support the Nigerian government’s efforts to expand trade domestically, within the ECOWAS sub-region and beyond, and improve its efficiency so that trade, particularly in agricultural products, can provide inclusive economic growth and development of Nigeria. Using an integrated approach to trade and transport competitiveness, NEXTT builds upon Government of Nigeria (GoN) and prior USAID efforts, including the Maximizing Agriculture Revenue in Key Enterprise and Target Sites (MARKETS) Project, and the Nigeria Expanded Exports Program (NEEP), in order to stimulate investment in trade-related infrastructure and services, reform trade policies and procedures, and improve the position of Nigerian firms in global and regional market.

Over the 4-year project lifespan, NEXTT is expected to leverage past and current efforts toward realizing the following outcomes

- \$25 million in new investments in projects along the LAKAJI Corridor;
- A 30% reduction in transport costs along the LAKAJI corridor;
- Dynamic trade policy coordination mechanisms that integrate public and private sector priorities into a strategic framework for engagement with trading partners;
- Modernization of customs procedures and systems for meeting international standards for agricultural goods; and
- \$30 million in additional exports as a result of more strategic positioning of Nigerian exporters by export promotion institutions and industry groups.

These outcomes are expected to lead to further and lasting impacts in the form of reduced costs and higher quality of food available in the domestic market, as well as jobs and income generation opportunities for people linked to firms exporting goods abroad.

Realizing this vision involves strategic deployment of NEXTT resources and capacity, leveraging and building the capacity of existing platforms such as the LAKAJI Corridor Management Group (CMG), the Trade Policy Advisory Council (TPAC), the Trade Facilitation Task Force (TFTF), and the National Food Safety Management Committee (NFSMC). NEXTT is sponsoring new initiatives, including the growth of a business development services (BDS) provider network targeting firms in non-oil export industries, and the development of a LAKAJI Agricultural Growth Corridor Initiative that defines and coordinates priority investments in critical agricultural infrastructure, services and other related projects along the corridor.

The NEXTT project's role includes contributing technical assistance toward the development and impact of these initiatives through a combination of analyses (investment/export opportunities, corridor constraints) and direct support (training, expert consulting) to Nigerian partners. NEXTT is building the capacity of Nigerian partners to continue the sort of analysis, training and expert consulting provided by NEXTT experts.

I.2. Summary of Results to Date

Standard Indicators	Baseline FY13	Annual Target	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Annual Performance Achieved (%)	On Target Y/N
Number of customs harmonization procedures implemented in accordance with internationally accepted standards as a result of U.S. assistance.	0	2	0	0	0	0	0%	N
Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted organizations.	0	2	2	1	0	0	150%	Y
Number of participants in trade and investment trainings.	0	40	50	10	52	20	330%	Y
Number of public and private sector standards-setting bodies that have adopted internationally accepted guidelines for standard setting as a result of USG assistance.	0	2	1	0	1	0	100%	Y
Number of Capacity-Building Service Providers receiving USG assistance	0	25	2	1	0	19	22%	Y
Number of firms receiving capacity building assistance to export	0	100	37	36	12	7	92%	Y
Number of firms receiving USG assistance that obtain certification with international quality control, environmental and other process voluntary standards or regulations	0	3	0	0	0	0	0%	N
Number of trade and investment capacity building diagnostics conducted.	0	1	0	0	1	1	200%	Y
Reduction in the cost to trade goods across borders as a result of U.S. assistance*	0%	0%	-	-	-	-	-	-
Reduction in the number of days required to trade goods across borders as a result of U.S. assistance*.	0%	0%	-	-	-	-	-	-
Number of participants in USG supported trade and investment capacity building trainings.	0	40	37	0	27	40	260%	Y

*Not measured this year

2. ACTIVITY IMPLEMENTATION PROGRESS

2.1. Progress Narrative

In Year 2, the NEXTT team made significant progress in achieving project goals. The team rallied public and private sector support around a shared vision for the LAKAJI Corridor. In Year 2, more than 200 stakeholders participated in events and working groups focused on LAKAJI Corridor improvement and agricultural investment.

The team facilitated greater connectivity between government agencies, between the public and private sector, and between private sector players. The NEXTT improved coordination of trade policy formulation and implementation. NEXTT built the capacity of key GoN institutions in tariff analysis. The team also developed detailed recommendations for improvements in the National Customs Service (NCS), a key contributor to the delays and costs associated with trade in Nigeria. Our work with the NCS is shifting the institution's role from revenue collection to trade facilitation. To support the reform food safety policy and implementation, in Year 2 the team supported the adoption of the Food Safety Policy and Implementation Strategy that NEXTT had helped draft in Year 1 by national standard-setting bodies.

The NEXTT team focused on high-potential value chains and developed strategic visions for export development in cashew, shea, home décor, and cocoa. The NEXTT team facilitated more than \$8 million in agricultural investment. Through our work in these value chains, and through collaboration with Nigerian entities, particularly the NEPC, we have begun to see a change in mindset toward a more market-oriented approach to agribusiness.

Some highlights from Year 2 include the following:

- **Unifying vision for the LAKAJI Corridor** - In Year 2, there has been strong buy-in and widespread support for the LAKAJI Corridor as a tool for economic renewal and trade facilitation along the most populous and busiest trade corridor in the country and as a possible template for other corridors. It is increasingly accepted as an alternative platform to oil for inclusive economic growth and is bringing together disparate players to work together to this end.
- **'Connected' Governance** - During the year, NEXTT focused on promoting the development of Nigeria's non-oil export sectors by strengthening trade policy institutions and facilitating improvements in the trade environment generally. NEXTT engaged the Federal Ministry of Industry Trade and Investment (FMITI), the Enlarged National Focal Point (ENFPP)/Trade Policy Advisory Council (TPAC) and the National Task Force on Trade Facilitation (TFTF) in a number of capacity building trainings to achieve a relatively improved coordination of trade policy formulation and implementation in Nigeria. The high point of this during the year was the successful preparation and participation of the Nigerian delegation to the 9th World Trade Organization (WTO) Ministerial Conference in Bali, Indonesia. On the back of support provided

by NEXTT, Nigeria meaningfully engaged negotiations at the Bali Conference leading up to agreement on the Trade Facilitation Agreement (TFA).

- **The ‘Market First’ approach** – NEXTT has taken the approach that value chain development should be based on market expectations and requirements, as opposed to supply side initiatives. The project has helped this idea gain momentum; mind-set change is already happening and translating into institutional reform. For example, the Executive Director of NEPC has been greatly influenced by contact with NEXTT this year and is now a strong advocate for the ‘Market First’ approach, which he has brought fully into his agency. This has laid the ground work to further spread the approach to other GoN leaders and work toward a coherent, integrated approach to; investment, export, infrastructure, skills, institutional strengthening and government regulation - based on the ‘Market First’ approach.
- **Support for GoN Investment Agenda** - NEXTT activities in relation to corridor and agri-business investment in Year 2, strongly supported GoN initiatives by connecting institutions, policies, programs and projects. In so doing the project was countering a strong tendency towards fragmentation and loss of synergistic effects in the public arena. Events and activities of the project in particular tied in with Government of Nigeria’s Agricultural Transformation Agenda (ATA) and the FMARD’s SCPZ program as well as with the Federal Ministry of Industry, Trade and Investment’s NIRP (Nigeria’s Industrial Revolution Plan) and the Federal Ministry of Health’s Food Safety Policy.

A more detailed description of NEXTT activities and achievements can be found in the following section, 2.2. *Implementation Status*.

2.2. Implementation Status

The following section outlines activities, progress and results achieved during Year 2 by Component, in relation to the specific tasks and activities planned in the Year 2 Annual Work Plan.

2.2.1. Component I: LAKAJI Corridor Improvement

Component I of the NEXTT project aims to strengthen transport corridor governance and development planning which will support the improvement of transport infrastructure and services along the LAKAJI Corridor, and increase investment in agricultural production and processing. Through NEXTT’s support of the LAKAJI CMG (Task 1) and the Agricultural Corridor Initiative (Task 2), NEXTT is bringing together public and private sector stakeholders into efficient institutions that can advocate for Corridor improvements, propose solutions to reduce transport inefficiencies, monitor improvements, and facilitate new private investment.

During this second year of project implementation NEXTT supported the establishment of new agribusiness along the LAKAJI Corridor, facilitated more than \$8 million in new agricultural investments and championed the submission of two proposals for Development Innovation Venture (DIV) funding. The project also made great strides towards launching the Agricultural Growth Corridor Initiative.

TASK 1: PROVIDE TECHNICAL CAPACITY AND SUPPORT TO THE LAKAJI TRANSPORT CORRIDOR MANAGEMENT GROUP (CMG)

Strengthening the capacity of the LAKAJI CMG for corridor performance monitoring and governance is central to NEXTT's strategy for improving the flow of goods along the LAKAJI Corridor. In Year 2, NEXTT's priorities were to help the CMG finalize legal registration, generate interest among potential members, re-invigorate the CMG's leadership, and support existing member to commit to a shared vision.

Operationalize the CMG's Governance Structure

NEXTT and the CMG achieved a major milestone in November, 2013, when the CMG was formally registered with Nigerian Corporate Affairs Commission as LAKAJI Corridor Management LTD/GTE. NEXTT supported the CMG registration process by coordinating registration as an entity with the Corporate Affairs Commission and the Federal Ministry of Justice.



Mr. Mike Jukwe at the AGCI Abuja Plenary, with the CMG's Certificate of Incorporation

Upon registration, NEXTT sought to integrate to showcase the CMG in events with public and private corridor stakeholders, so that the CMG could generate interest in the organization and demonstrate their added value. The CMG participated in the Borderless Alliance's 2014 conference and in a plenary session for the LAKAJI Agricultural Growth Corridor Initiative (AGCI), organized by NEXTT, both in February. After the plenary, the LAKAJI Development Alliance (LDA) began holding working groups around corridor issues. CMG members began actively participating in the Enabling Environment working group an important platform for prioritizing the most important issues in transport and logistics that can be effectively addressed in the immediate term. Through

the Enabling Environment Working Group, the CMG is hosting issue specific working group meetings which will result in action plans for corridor improvements. By bringing the CMG into the broader LDA group, NEXTT helped to carve out a broader platform for support for the CMG, especially with the private sector. As a result, key stakeholders are viewing the CMG as a credible and important entity, empowering the CMG to better realize goals and objectives moving forward. NEXTT anticipates this will also result in recruitment of new members in Year 3.

NEXTT also worked with the CMG to mobilize group members to participate in meetings and set up a permanent office. NEXTT was able to mobilize original members of the CMG who had not been participating in the initiative. The National Association of Road Transport Owners (NARTO) and the National Association of Nigerian Traders (NANTS) for instance participated in meetings for the first time since NEXTT began its engagement with CMG in October 2012. In addition, the Nigerian Shippers Council, which is a CMG member and has been an active participant in corridor initiatives, offered space to the group to be used as a Project Management Office for the CMG Secretariat. However, CMG members were unable to meet regularly or move activities forward, so the office has not yet been established. NEXTT will take a new approach to operationalizing the CMG in Year 3, establishing an office and secretariat on their behalf, rather than waiting for stakeholder-led action.

Securing State Government Commitment

NEXTT has signed MOUs with the four states: Katsina, Osun, Kwara and Niger states. The MOUs indicate the States' strong commitment and institutional support for NEXTT's mission. Four other MOUs are at an advanced stage of finalization and are expected to be signed by the first quarter of Y3. By cooperating under these MOUs in Year 3, and bringing the CMG into activities, we plan to build relationships directly between the CMG and state governments, so that they can sign their own MOUs in the next year. These MOUs will give the CMG leverage to push for infrastructure improvements and reforms that will reduce the time and cost of trading goods on the Corridor and attract investment for corridor development.

Corridor Performance Monitoring

In consultation with USAID, NEXTT did not undertake a transport and logistics assessment in Year 2, but will update our baseline assessment from Year 1 in Year 3. We will train the CMG in assessment methodology and undertake the assessment in coordination with the CMG so that they are prepared for future corridor monitoring activities.

Support to the Nigeria Borderless Alliance Chapter

NEXTT worked with the Nigerian chapter of the Borderless Alliance to build their capacity for greater advocacy. The project sponsored the Borderless Alliance's 2014 Global Conference held in Lagos on February 26 and 28, 2014. The theme of the Conference was "Enabling Growth" and it attracted more than 160 trade and transport experts from 15 countries. NEXTT presented on corridor management issues and emphasized the potential role of the CMG for improving corridor management in Nigeria. Five CMG members were present at the Borderless Alliance Conference: CRFFN, Nigerian Shippers Council, Inside Watch Africa, New Dawn Africa and CVS Consulting.

NEXTT also provided membership recruitment assistance to the Borderless Alliance. The project participated in the Borderless Alliance's membership drive on February 20, 2014, at the Nigerian Shippers' Council Plaza in Apapa, Lagos. Over 30 participants attended the meeting. As a result six of the seven private sector members of the CMG applied for Borderless membership, widening the CMG's network.

Development Innovation Venture (DIV) Pipeline

NEXTT facilitated the submission of two letters of interest (LOI) for Stage I funding from the USAID DIV. The LOIs were submitted by Specialty Natural Flavors Consulting Group (SNF) and Beacon Power Services Ltd. (BPS). NEXTT worked closely with SNF and BPS to review the draft applications, refine the identified problem and solution, and demonstrate potential for impact and scalability.

With DIV funding, SNF plans to extract flavors from cashew apples for commercial products. SNF's venture could contribute to job creation by creating value from a product that is currently treated as waste in the cashew nut processing industry. BPS is looking to test the cost-effectiveness of generating biofuel energy for agro-processors as an alternative to the current dependence on diesel-run generators. During the first stage they will work with Food Pro, a NEXTT-supported cashew processor, and will use biofuel obtained from cashew shells to test-run Food Pro's processing plant.

TASK 2: LAKAJI AGRICULTURAL GROWTH CORRIDOR

NEXTT's main aim under Task 2 is to facilitate and coordinate investments in agriculture processing and aggregation, as well as related infrastructure in targeted clusters on the LAKAJI Corridor. Ramping up trade and processing activities along the Corridor will depend heavily on investment in logistics services, as well as hard and soft infrastructure to link the production and processing areas in the foods industries with each other through the main truck route.

Building the AGCI Institutional Platform

Through NEXTT's efforts to generate interest in the LAKAJI Corridor and agricultural investment, a public-private partnership emerged as the main driver for the AGCI. The LAKAJI Development Alliance (LDA)¹ quickly became a platform for stakeholder-led dialogue and action along the LAKAJI Corridor. The LDA immediately demonstrated private sector-led dynamism, quickly organizing meetings and recruiting more than 200 members.

NEXTT supported the LDA to formalize its structure with a Steering Committee (SC) to oversee the initiative. This SC is constituted by the Chairman and Secretary of the three Working Groups (Investment Facilitation, Transport and Logistics, and Enabling Environment). These groups consist of leading private sector stakeholders along with public sector representatives from the Nigeria Investments Promotion Council (NIPC), Nigeria Export Promotion Council (NEPC), and the Federal Ministry of Finance. The CMG is also a member of the SC and CMG member, the Shippers Council, chairs the Enabling Environment working group. NEXTT participated in monthly meetings of the LDA Working Groups and continued to build a pipeline of immediately viable investment opportunities across multiple agricultural value chains.

The project worked closely with the LDA's SC to develop a draft work plan and reach out to important government and private sector actors. The NEXTT team conducted frequent one-on-one outreach to corridor stakeholders to promote the project's corridor efforts. These generated strong interest and enthusiasm and resulted in the following commitments, among others:

- The Lagos State Government, through the Honorable Commissioner for Agriculture and Cooperative, constituted a four-man top level committee led by the Director of Agricultural Services, committed to work with NEXTT on LAKAJI Corridor initiatives.
- The National Competitiveness Council of Nigeria (NCCN) joined the LDA's Enabling Environment Working Group and expressed willingness to work with the project on multi-modal corridor improvements.
- The Chairman of the Nigerian Railway Corporation (NRC) plans to establish a Freight Rail Operations Group and invited NEXTT to present to the corporation's board a proposal outlining how the current freight rail service can be improved to increase NRC's revenues and reduce the cost and time of shipping goods along the LAKAJI Corridor.

¹ Please note that that the LDA was formerly called the LAKAJI Corridor Advisory Council (LCAC), but later changed its name to reflect its nature as a public-private partnership/alliance. By either name, this group is the "LAKAJI Agricultural Growth Corridor Partnership" that the NEXTT team developed as required under Component 1, Task 2 of the NEXTT contract.

- The Trident Group, LLC of Maryland, United States, specialists in port decongestion, offered to support the work of the project to create a better business enabling environment through supply chain optimization and better trade corridor management.
- The Federal Ministry of Finance pledged its support to implement a public sector strategy for the Corridor.
- The President and CEO of General Electric (GE) International Operations (Nig.) Ltd., Dr. Lazarus Angbazo, expressed commitment to support NEXTT's efforts and interest in sponsoring the project's event LAKAJI Corridor Summit. GE assigned a liaison who will be the main interface with NEXTT.

In light of the proposed integration of the LDA into the LAKAJI CMG, the draft work plan will be revised to be included as part of the CMG's work plan, finalized after the CMG's annual general meeting.

Operationalizing the Project Development Facility (PDF)

NEXTT received a request for proposal from USAID for a Project Development Facility (PDF). The project submitted its proposal in December 2013 and had budget discussions in August and September of 2014. As envisioned by NEXTT the PDF would mobilize private capital for high priority investments along the corridor at a more rapid pace. The NEXTT team and corridor stakeholders continue to wait for a contract modification from USAID to implement the PDF. Upon final approval of the Facility, NEXTT will be able to use the PDF to catalyze new investment before and provide resources to close the gap between emergent investments and bankable projects.

Supporting Continued Corridor Investment

In Y2 NEXTT strengthened its pipeline of short and medium term agricultural investment opportunities in the Q2 report (see Table I). NEXTT maintained contact with those agribusinesses to keep track of their needs and continued to offer technical assistance and financial facilitation services. However, many are in need of market assessments, feasibility studies and business plan assistance, which NEXTT would only be able to fund through the PDF. In the meantime, the NEXTT team leveraged the relationships built with BDS providers under Component 3 to help some of the companies in the pipeline access finance.

Table I. NEXTT Investment Pipeline as of October 2014

Name of Partner	Value Chain	State	Investment Opportunity	Mode of Intervention	Investment Impact (USD)
Short Term Targets					
CDMA Projects	Cassava	Ogun	4000 ha cassava farm/offtake agreement with Thai Farms	Conduct feasibility study and develop business plan for PPP development	4,000,000
Lisabi Mills	Maize, Bean Flour	Lagos	Rehabilitation and upgrade of maize custard and bean flour processing mill	Market study and business plan development	1,500,000
Wilbahi Industries	Horticulture	FCT	Veggie conditioning/handling center	Update business plan and identify "pad" for industrial site	10,000,000

A&Shine Honey	Honey	FCT	Establish bee farm for honey production	Conduct pre-feasibility study for greenfield investment	1,000,000
Nelsag	Shea	Niger	Expansion of shea butter processing	BDS provision for operating capital and equipment purchase	300,000
Strange Industries	Shea	FCT	Expansion of shea butter processing	BDS provision for operating capital	500,000
Dantata Industries	Sesame Seed	FCT/ Kano	Greenfield investment in sesame seed oil processing mills	Feasibility study/Business Plan for greenfield investment	5,000,000
DANSA	Tomato	Kano	Develop small holder tomato farm scheme for Dansa tomato processing facility	Scoping study and business plan development to support growth of tomato producer coops	3,000,000
KanKat	Cashew	Abuja	Cashew processing	Access to finance	2,125,000
Tomato Jos	Tomato	Nasarawa	Food processing facility, agricultural center, logistics support	Access to finance, business plan	TBD
TOTAL					27,425,000
Medium Term Targets:					
Doreo Partners	Maize	Kaduna	Expand "Franchised Farming" in maize	Finance one coop/franchise; training of trainers TA; ICT applications	300,000
Shoprite	Horticulture	National	Expand sourcing of local produce	Survey prod. & supply parameters for 30+ new stores	1,000,000
Olam	Cashew	Oyo	Expansion of cashew processing plant in Ilorin	Business plan for new cashew plantations/improved varieties	2,500,000
Multi Trex	Cocoa	Ogun	Cocoa consumer products	Structure advertising campaign for Moor & Frangada products	3,000,000
Access Mobile	Poultry	Oyo	Digital platform poultry industry	Feasibility study/Identification of early adopters	500,000
TOTAL					7,300,000

NEXTT also directly supported the expansion of a number of agribusiness on the LAKAJI Corridor, all of which have invested, or are planning significant investments in FY2015. These include: AVM FarmNet Virtual Commodities Exchange (AVM), Catarina De Medici Africa (CDMA), Valency International and Tomato Jos.

- NEXTT helped Caterina de Medici Africa (CDMA) establish a pilot farm of 10 ha pilot farm in Ogun State. This project is a prelude to a larger \$4 million project, which will be a 4,000-hectare farm and is expected to provide employment for 500 farmers and 100 laborers. NEXTT supported CDMA by helping them acquire an ICT system, with cultivating a relationship Thai Farms- a key off-taker and off -shoot of Nigerian Flour Mills - and introduced CDMA to BDS provider Quick Projects to support implementation.

- NEXTT supported Valency International, a trading company, in completing and operationalizing an \$8 Million investment in a new cashew processing facility in Lagos. When NEXTT's cashew expert first met with Valency, the facility was still under construction. NEXTT provided crucial advice and technical assistance to ensure that the facility was designed to operate at maximum capacity and produce export-ready cashews for profit. The owner reported facing challenges making the economics of the investment unfavorable and unsustainable, including high energy costs, limited local markets for cashew by-products (husk, shell), low productivity of the staff, and an eroding profit margin because the the Export Expansion Grant (EEG) is not functional. NEXTT is providing ongoing technical assistance to Valency in the areas of food safety standards, worker compensation, industry benchmarks on kernel processing and marketing, price information, the fumigation of cashew kernels, market linkages and quality procedures for export, among other issues Valency has now operationalized the investment and is successfully exporting additional cashews. See section 2.2.3 of this report for additional details.

Valency's new cashew processing facility



- NEXTT continued to nurture the relationship established in Y1 with AVM and assist with their expansion. NEXTT signed an MOU with AVM and through its NEXTT subcontractor Integra, helped AVM refine its business strategy for FarmNet. NEXTT also brokered a relationship between AVM and Vanu-Africa, a US-based telecommunications company. Through this engagement, a specialized solar powered stand-alone tower could bring cellular and internet connectivity to a Niger State community thanks to a US\$50,000 investment from Vanu. Vanu and AVM Consults are still piloting the approach.
- Following consultations with NEXTT, Ms. Mira Mehta and Mr. Shane Kiernan, respectively the CEO and CFO of Tomato Jos (www.tomatojos.net), the business chose to locate their pilot operation in Keffi, Nasarawa State over other potential locations in West Africa. This new agribusiness will be investing in Nigeria to develop a vertically integrated tomato processing operation. This new agribusiness will be investing in Nigeria to develop a vertically integrated tomato processing operation. Tomato Jos will invest in Year 3 and aims to empower local farmers through three business lines:

- A farm and agricultural center offering farmer education and bundled inputs to help smallholder farmers grow and harvest crops more efficiently;
- Logistics and supply chain support to help smallholder farms navigate the “last mile” and safely bring produce to the processing facility; and
- A food processing and packaging facility that will prepare and brand finished goods for distribution in the domestic market.

2.2.2. Component 2: Trade Policy and Trade Facilitation

Component 2 of the NEXTT project is designed to promote the development of Nigeria’s non-oil export sectors by strengthening trade policy and facilitating improvements in Nigeria’s trade environment. Through ***institutional capacity building for both the public and private sector***, Component 2 aims to create an inclusive system of trade policy formulation and to drive trade facilitation and trade competitiveness in Nigeria. NEXTT aligns the formulation and implementation of trade policies, regulatory frameworks and facilitation services in ways that maximize market-driven competitiveness, support expanded trade, investment and job opportunities. This has resulted in greater ***willingness among public and private actors in the trade policy field to cooperate***, ensuring that government policies enhances the trade environment and indeed facilitate trade.

During Y2, activities under Component 2 focused on providing technical assistance and capacity building to a number of GoN institutions, building on the technical support previously provided to the GoN to implement its trade policy mandate locally and better engage in trade negotiations at the multilateral and regional levels. In addition to our core partners, the Federal Ministry of Industry, Trade and Investment (FMITI), The Nigeria Customs Service (NCS) and others, the project extended capacity building support in trade policy formulation and implementation to the Federal Ministry of Finance (FMF), Office of the Chief Economic Adviser to the President (OCEAP), Manufacturers Association of Nigeria, Bank of Industry (BOI), Nigeria Economic Summit Group and other public and private institutions and groups dealing with trade policy issues. Specifically in Year 2, NEXTT:

- Prepared Nigerian delegates for the WTO 9th Ministerial Conference in Bali
- Provided technical assistance to FMITI on the implementation of trade policy, trade strategy and tariff analysis unit
- Conducted training workshops on tariff impact analysis for GoN economists
- Coordinated with relevant stakeholders to redesign GoN Trade Facilitation Task Force (TFTF)
- Supported African Growth Opportunity Act (AGOA) Strategy Implementation
- Supported creation of an Authorized Economic Operator (AEO) Program through:
 - AEO Cost Benefit Analysis
 - Draft self-assessments and procedures for an AEO Program
- Assessed NCS Risk Management Techniques
- Conducted a gap analysis of the Post Clearance Audit (PCA) program in NCS, and recommendations for improvement
- Supported NCS HQ Policy strengthening through technical assistance and gap analysis
- Supported the emergence of a revised Food Safety Policy and Implementation Strategy in the country and secured endorsement of the Minister of Health
- Supported the establishment of the National Food Safety and Management Committee (NFSMC) and facilitated capacity building for some of its members

- Supported restructuring of core trade policy structures for efficiency, such as the Enlarged National Focal Point (ENFP)/Trade Policy Advisory Council (TPAC) and the TFTF, both housed in the Federal Ministry of Industry, Trade and Investment

The modernization of the Nigerian Custom Service was a priority focus for the project in Y2. The project completed four (4) strategic reports on NCS operations, including Post Clearance Audit, a cost-benefit analysis for the introduction of an Authorized Economic Operators program and a new Risk Management approach, and recommendations for NCS policies and procedures. Although formal approval from the GoN is still being expected for the implementation of the recommendations of the reports, elements of the reports are already being implemented by the NCS with support from NEXTT. It is expected that the implementation of the recommendations in the reports will greatly enhance NCS operations in line with internationally accepted standards.

In the course of Y2, NEXTT forged a successful and significant working relationship with the Federal Ministry of Finance (FMF) and the Economic Management Team of the GoN. As FMF serves as the coordinating Ministry for the national economy and to a large extent shapes the economic agenda of the GoN, the evolving relationship between the FMF and NEXTT through this trade policy component provides the project an excellent opportunity to scale-up its activities and situate itself in center of the GoN's economic agenda.

TASK 1: CAPACITY BUILDING FOR TRADE POLICY FORMULATION AND IMPLEMENTATION

The goal of this Task is to support the reform of Nigeria's trade policy process (TPP) and trade facilitation mechanisms (TFMs) to create a more inclusive system of trade policy formulation, and ultimately generate a significant reduction in the time and costs of doing business along the LAKAJI Corridor.

Building on momentum from Year 1, NEXTT continued to provide capacity building in trade policy formulation and implementation to various public and private institutions dealing with both local and national trade policy issues, as well as support to participate effectively in the WTO policy making process in 2014. The project established concrete working relationship between the AGOA resource centers and the Bank of Industry, a platform created by the GoN, to support the capacity of Nigerian firms and exporters to effectively utilize the preferential market access under AGOA. In addition to our core partners, FMITI, NCS and others, the project extended capacity building support to the Federal Ministry of Finance, Office of the Chief Economic Adviser to the President, Manufacturers Association of Nigeria, Bank of Industry, Nigeria Economic Summit Group and other public and private institutions and groups dealing with trade policy issues.

Per the Annual Work Plan Year 2, NEXTT targeted implementation of the following activities throughout the year:

- Strengthening National Trade Policy Coordination.
- Capacity Building for Tariff Analysis
- Support the Evolution of the Trade Facilitation Task Force (TFTF)
- African Growth Opportunity Act (AGOA) Strategy Implementation

Strengthening National Trade Policy Coordination

To implement this activity, NEXTT built relationships with key GoN stakeholders, and conducted a number of capacity building trainings and provided targeted technical assistance to public and private sector partners to improve implementation of trade policy and trade strategy, including:

1. Preparation of Nigerian delegates for the WTO 9th Ministerial Conference in Bali. In partnership with GIZ, the EU Delegation in Nigeria, and the Centre for Trade and Development Initiatives (CTDI), the project prepared Nigerian delegates for the conference, thus improving GoN capacity to participate in the global trade policy formulation and negotiation process. Specific activities included:

- NEXTT and its partners drafted a comprehensive agenda and organized three workshop sessions that brought all relevant agencies together to position Nigeria well for the global trade policy process.
- NEXTT assisted the GoN with the creation of public-private platforms for stakeholder dialogue, designed to obtain input from the Organized Private Sector (OPS) on perceived key interests for Nigeria. The OPS was represented by the Manufacturers Association of Nigeria (MAN), the Nigeria Chambers of Commerce, Industry and Agriculture, the Nigerian Association of Small and Medium Enterprises (NASME) and the Lekki Concession Company (LCC). The dialogue, which was organized at the behest of the ENFP/TPAC, in line with the WTO's multi-stakeholder model for trade policy decision making, provided an inclusive and transparent means to articulate national interests.
- NEXTT and its partners drafted background studies and supported preparation of Nigeria's proposals and responses to other countries' proposals to be tabled during the global trade policy negotiations on agriculture, trade facilitation and development. The preparation process for the Conference has now been adopted by FMITI as the standard for other similar events. The studies and texts prepared by the donor group supporting the conference, with input and guidance from NEXTT, are now important inputs into trade policy and trade facilitation reforms of the GoN. Key FMITI officials that received support acknowledged that Nigeria's delegates had never received guidance in the past in this capacity, and thanks to NEXTT support, they were better equipped to participate in and contribute to the conference.

The impact of the project's support is reflected in Nigeria's meaningful engagement in negotiations at Bali, particularly lead to the Trade Facilitation Agreement (TFA). Nigeria considers the TFA critical to its overall economic reform agenda, and is already implementing aspects of it even while a formal adoption is yet to be agreed by WTO members. Working with relevant GoN institutions like the FMITI, the TTF and the NCS, NEXTT is continuing to support this 'early harvest' implementation of the TFA by the GoN.

- 2. Facilitating collaboration between FMITI and other relevant agencies to build an integrated approach to trade policy.** NEXTT convened public sector agencies to discuss Nigeria's trade policy environment, including the Directors of Trade, FMITI and Economic Research and Policy Management Department (ERMPD), FMF, OCEAP, Nigeria Shipper Council and the BOI to discuss trade policy and trade facilitation environment. These agencies of the GoN participated actively in NEXTT's conference supporting the LAKAJI Agricultural Growth Corridor Initiative in the upper corridor, held in February 2014.
- 3. Providing technical assistance to the GoN on EU-ECOWAS EPAs and the Common External Tariff (CET).** NEXTT provided assistance to the GoN to analyze the implications of

the ECOWAS-EU Economic Partnership Agreements (EPAs) signed in February 2014. NEXTT supported Trade and Tariff Analysis trainers and other experts to provide detailed analysis of various EPA scenarios to the GoN and present it for a debate at an open FMITI forum. Based on the assistance to agencies of the GoN and private sector to better understand the potential implications of EPA for Nigeria, participants at the forum took a unanimous decision that Nigeria should not go ahead to sign the EPAs in its current form but subject the agreements to renegotiation. NEXTT is collaborating with the DFID, GIZ and the GoN to analyze the potential implications for Nigeria when the CET commences in 2015 and the implementation strategy that will benefit Nigeria.

4. **Supporting GON collaboration and buy-in of NEXTT activities.** The project held several meetings with the FMF to discuss NEXTT activities and how to obtain commitments at the highest national policy-making platform. The FMF now participates actively in LDA meetings both in Abuja and Lagos. The active participation of the FMF in NEXTT's trade policy component creates potential to scale-up NEXTT activities and bring the project's agenda to the forefront of the GoN's economic agenda.
5. **Supporting the development of efficient trade policy structures.** A NEXTT-supported audit of the Trade Policy Process (TPP) in Nigeria revealed the need to establish a functional secretariat for these institutions to facilitate their work. In view of this, NEXTT prioritized the restructuring of core trade policy structures, including the ENFP/TPAC and the TTF currently housed by the FMITI. NEXTT has continued to explore public-private partnerships as a viable option to establish these structures. NEXTT has successfully identified a private sector member of the ENFP/TPAC that is willing to provide logistics and funding support to enable the body to function efficiently and is currently pending the Minister's approval.

Capacity Building for Tariff Analysis

NEXTT supported the improvement of the trade ecosystem through its intervention in the capacity building of GoN economists for trade policy making and analysis. NEXTT, in collaboration with GIZ, the EU, and Equilibria Consulting, conducted several workshops and trainings on trade and tariff modeling and analysis. The workshops focused on enhancing the capacity of trade economists of the GoN to analyze trade issues and contribute to trade facilitation policy, equipping them with relevant skills to negotiate with other stakeholders and engage in informed debate on the implications of regional EPAs and CET for Nigeria. A greater capacity to complete those mandates is meant to translate into reduced transport costs and transit time for goods traded across the Nigerian borders. Furthermore, these workshops provided a platform for interaction between trade policy analysts from different government departments and private sector actors, and serves as an example of efficient public-private dialogue. Although training needs were originally expressed solely by FMITI, NEXTT ensured that the training sessions brought together other GoN and private sector actors.



Participants and facilitators at the Trade and Tariff Modeling training workshop

The knowledge acquired from the four-module training on trade and tariff modeling was put to effective use by Nigerian negotiators in engaging their counterparts from other ECOWAS countries and the EU. Based on the assistance to agencies of the GoN and private sector to better understand the potential implications of EPA for Nigeria, participants took a unanimous decision that Nigeria should not sign the EPAs in their current form but subject the agreements to renegotiation. Additionally, NEXTT-supported tariff modeling training provided GoN negotiators relevant skills to effectively engage negotiators during the negotiation of the ECOWAS Common External Tariff (CET). Based on their analysis, the negotiators firmly ensured that the adopted ECOWAS CET would not undermine Nigeria's domestic trade policy and strategy.

NEXTT is confident that these training modules will ultimately enable trade and tariff agencies and other stakeholders to effectively assess consumers and private sector concerns and take them in consideration when designing and implementing trade policies.

Support the Evolution of the Trade Facilitation Task Force (TFTF)

The project supported the FMITI to redesign the TFTF in line with the requirement of the WTO Trade Facilitation Agreement signed in December, 2013. Early in the year, the project cooperated with the senior echelon of NCS and the Nigeria Shippers' Council to explore avenues to either revive the TFTF or create a similar platform for effective trade facilitation. Mid-year, the Minister of FMITI decided to re-launch the TFTF and NEXTT subsequently engaged actively with the FMITI to create two working groups of the TFTF. Working Group 1 focuses on regulatory and trade infrastructure and Working Group 2 focuses on reduction of cost and time of moving goods and persons.

African Growth Opportunity Act (AGOA) Strategy Implementation

In Y2, the NEXTT team played a supportive role to GoN efforts to enhance participation of businesses under the African Growth Opportunities Act (AGOA). The team assisted FMITI to identify and engage with key desk officers within the various GoN ministries and agencies to develop a National Draft Strategy Document for validation with stakeholders. NEXTT commenced the process of identifying appropriate resources to provide technical input into the finalization of the Strategy during the validation earlier proposed for Q4. However, these activities were suspended by GoN until after the conclusion 13th AGOA Forum held in Washington 1 – 6, August 2014. This task will be concluded early Y3.

The NEXTT team also worked to sign a partnership agreement with the Bank of Industry and AGOA Resource Centre, one of the few remaining centers initiated by the West African Trade Hub in in the region. However, with the change in the executive leadership of the organization in Q4 and the transfer of the center back to the Nigeria Export Promotion Council (NEPC), NEXTT will pursue a partnership agreement which focuses more specifically on investment facilitation along the LAKAJI Corridor. Enterprise level support for export ready firms would be instead extended through the partnership agreement with NEPC.

TASK 2: SUPPORT CUSTOMS MODERNIZATION

The objective of this task is to build capacity in the Nigeria Customs Service (NCS) and other associated private sector customs operators to enable the growth of a more efficient and dynamic trading environment. NEXTT is committed to the reform of customs, processes ensuring that they are in line with international best practices through the deployment of experts to support development in the key process areas of Risk Management, Headquarters (HQ) Policy, Post Clearance Audit (PCA), Authorized Economic Operators (AEO), and the associated extension of the Lagos Fast Track Clearance regime.

The NEXTT project provided various support in the form of technical assistance, capacity building and other training support to the NCS in furtherance of its modernization program. Our assistance continues to have particular focus on improving the NCS capacity to facilitate trade and export along the LAKAJI corridor. Project implementation has been characterized by increased engagement with private sector actors to ensure that change and capacity building efforts are managed in a collaborative approach between the NCS and other actors such as the Freight Forwarders' Association. Ultimately, NEXTT strives to go beyond support for the customs system alone and will also assist in capacity building for all relevant actors in the trade facilitation field in Nigeria.

Key activities the NEXTT project conducted for NCS process modernization in Year 2 included:

- Support legislative and process modernization
- Improve risk management
- Strengthen the policy capability of the NCS
- Support automation and clearance procedures
- Provide NCS with a private sector orientation

Support Legislative and Process Modernization

Customs and Excise Management Act (CEMA) 2011 Implementation. CEMA 2011 has not yet been passed into law. During Year 1 NEXTT provided support to the NCS to resolve the contentious issues previously observed in CEMA. As a result CEMA 2011 was ratified by the Nigerian Senate and by the House. However, the draft Act has stalled within the Government machinery and is still awaiting final Presidential Approval. Once passed, the new legislation will open the pathway for the NCS to implement an enabling environment to operationalize modern customs practices in line with the global standards as set by the World Customs Organization (WCO), and implement stronger trade facilitation measures as mandated by the WTO. While some Year 2 activities are tied to the passing of this legislation, NEXTT is not letting this obstacle slow process. The team has made adjustment to adjustments to ensure that results can be achieved in the meantime. NEXTT is laying the foundations by developing AEO procedures and providing recommendations to NCS for policy and procedural changes that can enable the NCS to move forward quickly with implementing its own TTF and modernizing when CEMA is passed.

Technical assistance related to Post-Clearance Audit (PCA). NEXTT reviewed current practices and procedures of the Post Clearance Audit function against international best practice and the WCO guidelines for PCA, which revealed that it does not function in line with either WCO standards or international best practices. Staff primarily perform a documentary check at the point of entry, rather than post clearance at the traders' premises following a structured risk based audit program.

A NEXTT consultant made eleven recommendations, which if accepted and adopted by the NCS will lead to the creation of a dedicated PCA unit. With further carefully targeted support through NEXTT, this unit could quickly be developed and trained to a point where it can perform key, basic PCA functions within 9 months. The recommendations also provide for piloting of the PCA procedures with the focus being on an implementation through Customs HQ in Abuja and rolled out primarily in the LAKAJI Corridor trading area.

While awaiting approval from the GoN, the NCS, with the support of NEXTT, is already adapting its implementing procedures in several key areas, including the associated extension of the Lagos Fast Track Clearance regime to conform to international standards.

Improve Risk Management

NEXTT provided mentoring support and technical assistance to the NCS in areas of risk management, classification, valuation and rules of origin, and the overall modernization of its activities. NEXTT assisted NCS with the preparation of a risk management strategy document to enhance capability of NCS to take-over container scanning and verification duties from private contractors. NEXTT has facilitated a number of trainings and workshops to develop human resource capacity and skills of the NCS, including:

- A training of trainers (ToT) workshop on risk management, classification and valuation designed to scale-up NCS' capacity to operate effectively. This will be critical, once full responsibility for risk selection has been transferred from the existing pre-shipment inspection service providers to the NCS.
- A workshop for 26 NCS trainers, seven of them female, to raise awareness and knowledge on the partnership approach to increasing compliance, especially in matters of Valuation for Customs, Tariff Classification, and Rules of Origin in the Freight Forwarding Value Chain in Nigeria. Participants from many customs areas (including front line enforcement, HQ, ICT and

the training unit) considered how they could best balance the demands of revenue collection and protection of society with trade facilitation, through the adoption of the principles of the WCO's Revised Kyoto Convention and SAFE Framework of Standards.

- A Risk Management Workshop was held in order to build on the findings and recommendations of the NCS' previously conducted Risk Management Assessment, which had informed the development of a draft Risk Management Plan. Through the workshop, the NCS established key milestone dates, and assumed ownership of activities identified in the plan - a major stepping stone in capacity building for NCS Risk Management Unit (RMU).



Participants at the Training of Trainers Workshop for Risk Management held at the Nigeria Customs Command and Staff College, Gwagwalada, Abuja, Nigeria.

Although the NCS has not been able to transition to a modern RM system and obtain all the benefits that this would deliver, it should be noted that the NCS has taken a number of strides forward in adapting to modern RM methodologies. Until January 2014, RM activities were undertaken by a commercially-contracted service provider. The NCS is now beginning to implement RM directly.

The following table, which was included in the RM Report, shows the current status of NCS RM against a recognized indicator. By way of comparison, the text shown in red in the left column is the current NCS position, with the text in green, showing where they have moved to a modern RM style

	Traditional Customs Control (Gatekeeper) Style	↔	Modern Risk Management Style
Table 4. Risk Management Framework	Indiscriminate intervention or 100 percent check	↔	Focus on high-risk areas, with minimal intervention in low-risk areas
	Physical control focus	↔	Information management focus
	Focus on identifying noncompliance	↔	Focus on identifying both compliance and noncompliance
	Post-arrival import clearance	↔	Pre-arrival import clearance
	Physical control maintained pending revenue payment	↔	Breaks nexus between physical control and revenue liability
	No special benefits for recognized compliers	↔	Rewards for recognized compliers

Source: David Widowson, Chief Executive Officer, Centre for Customs and Excise Studies and Adjunct Professor, School of Law, University of Canberra, Australia.

To ensure the success of the related activities within the NCS (PCA and AEO), all of which will drive and improved trade facilitation agenda for Nigeria and lead to reduced clearance times in Lagos with a related quicker movement of cargoes through the LAKAJI Corridor, the NCS must show greater urgency in moving toward a modern RM functionality. NEXTT has outlined six key areas, where quick progress can be made by the NCS and provided recommendations to address these. Each of these has clear time scales, responsibilities and actions and these have been designed such that the NCS can actually progress much of this work themselves. This a critical for the implementation of change as ownership is a key success factor in any change program.

Strengthen the Policy Capability of NCS

NEXTT worked to improve the capacity of HQ Units in NCS to develop and implement policies and procedures and improve relationships between NCS and the FMF and FMIT to enable better informed policy through the GoN. A NEXTT consultant undertook an analysis of the current policy capability of the NCS, which was seen as largely reactive, with the organization viewed as an “implementer” rather than as an “instigator” of new policy initiatives and a driver of change. Policy was also somewhat disjointed with responsibility spread across each of the six divisions of the NCS.

The recently agreed Trade Facilitation Agreement (WTO Bali Agreement) and Nigeria’s ascent (June 2012) to the WCO Revised Kyoto Convention places a greater emphasis on NCS to engage with the GoN ministries responsible for policy in this area to ensure that all new policies can be practically implemented. As such, it is recommended that the NCS reorganizes and upskills in order that it can begin to actively influence and to drive forward the policy agenda employing a structured and systemized process for policy development, implementation and evaluation.

The consultant has identified the organizational and skill gaps within the NCS and produced a set of recommendations designed to modernize the policy unit and develop the internal capacity to enable a full engagement with central policy makers. The implementation of the recommendations from this report will see the development of fully informed policy covering all areas of the NCS activity, but in the short term with a primary focus on the key policies that will deliver a successful LAKAJI Corridor implementation.

Support Automation and Clearance Procedures

One key trade facilitation tool is the applicability of the AEO system in the current business environment in Nigeria. NEXTT undertook a cost benefit analysis for the introduction of an AEO system in Nigeria, considering the pros and cons for the Nigerian economy of introducing such a system against not doing so. A NEXTT consultant considered the benefits or costs associated in continuing with the status quo (i.e. the NCS continuing to operate the Lagos Fast Track process in its current form) against the introduction of an AEO program in Nigeria in accordance with the provisions of World Customs Organization, SAFE Framework of Standards (WCO SAFE).

The research and analysis undertaken clearly demonstrated that the only viable option was to implement and AEO Program in Nigeria, as failure to do so would:

- Put Nigerian traders at a significant competitive disadvantage, particularly when surrounding countries adopted an AEO program and whilst there are no operational AEO programs up and running in the ECOWAS region at present, it will be only a matter of time, with Ghana known to be looking at the implementation of AEO;
- Diminish the country's reputation and credibility at the international level, and relationships with international trading partners could be negatively affected, if Nigeria did not implement an AEO program;

Whereas if Nigeria does implement such a program:

- It would see improvements in the areas of safety and security of the supply chain
- NCS fiscal controls, would be risk based enabling quick release of goods to the Market;
- It would apply equally to both exports and imports, and would therefore deliver benefits for traders; and
- It would create a positive environment in the country in improving the competitiveness of the economy generally and encourage foreign direct investment.

Private Sector Training and Sensitization

NEXTT conducted a sensitization workshop, entitled "Working in Partnership for More Rapid Clearance," between NCS and the private sector to publicize changes in customs clearance procedures, changes in practice and other relevant news. At the end of the workshop, a strategy had been developed for the NCS trainers to continually engage and facilitate private sector awareness of evolving customs procedures and processes. Through a second Training of Trainers (ToT) workshop was held by NEXTT, which was designed for the NCS trainers to facilitate private sector awareness of procedures and processes. The goal of the workshop was aimed at increasing the competence and capacity of private sector brokers and agents to comply with customs rules and requirements.

TASK 3: PROVIDE INSTITUTIONAL CAPACITY BUILDING ON STANDARDS INFRASTRUCTURE FOR FOOD AND AGRICULTURAL PRODUCTS TRADE

NEXTT's Component 2 Task 3 is focused on the reform in core food safety standards institutions, particularly the Standards Organization of Nigeria (SON) and the National Agency for Food and Control (NAFDAC). NEXTT also provides institutional capacity building for the nascent National Food Safety Management Committee (NFSMC), strengthening it to serve as an interface between regulators and the industry.

NEXTT conducted a mapping, gap analysis and needs assessment of current food safety practices in food and agricultural production, processing and trade. NEXTT provided training and capacity building to relevant institutions, traders and exporters. The project is working to upgrade the capacity of Nigerian laboratories to ensure that food products comply with food safety standards. Ultimately, the project is looking to create a production environment in Nigeria that supports compliance of agricultural exports with international standards and food safety requirements.

NEXTT focused on supporting relevant agencies of the GoN to ensure the passage of the food safety policy and its implementation strategy by the Federal Executive Council (FEC). Key to this effort, NEXTT was able to obtain the approval of the Minister of Health, who signed off on the policy. In

collaboration with other donor agencies, NEXTT assisted the GoN in producing printed copies of the National Food Safety Policy and its Implementation Strategy.

Mapping Standards and Compliance Procedures

NEXTT liaised with relevant Government departments to adopt the revised Food Safety Policy and Implementation Strategy. Throughout the year, NEXTT worked to ensure that the National Food Safety Policy was signed by the Minister of Health and the FEC. The finalized policy document, which is awaiting presentation to the GoN through the relevant agencies, represents a comprehensive food safety management guideline and implementation plan. The involvement of seasoned, country-based and international experts provided the necessary guidance to produce a policy informed by international standards

The Ministry of Health indicated that funding constraints were responsible for the delay in the production and presentation of the policy to the FEC. Accordingly, NEXTT approached UN-FAO and UNIDO to support the finalization and presentation of the document for relevant authorities of the GoN. NEXTT emphasized collaboration with other donors in order to ensure the adoption and eventual implementation of the Food Safety Policy. NEXTT obtained commitment from the FAO, USDA and UNIDO to participate in the implementation of food safety policy when it is eventually signed by the GoN. The project also continued to engage with USDA and UNIDO on standards and competitiveness of Nigerian trade.

Strengthen the National Food Safety Committee (NFSMC)

GoN has increasingly relied on NEXTT's capacity to provide support to solve problems associated with standards, SPS and food safety. NEXTT continues to facilitate a clear procedure for identification of food safety needs and coordination for intervention are gradually being solved by NEXTT through the provision of recommendations for a more inclusive NSFMC and a jumpstarting of discussions around reforming its secretariat.

NEXTT facilitated capacity building for some members of the proposed NFSMC, staff of the Standard Organization of Nigeria (SON) and NAFDAC, which participated in the "Awareness on Food Safety Management Systems and Good Agricultural Practices (G.A.P)" workshop.

The project achieved 100% target for Task 3 indicator as two national standard setting bodies adopted the Food Safety Policy and Implementation Strategy, being internationally accepted guidelines for standards setting resulting from of USG support. The national bodies are Agricultural Research Council of Nigeria and Nigeria Agriculture Quarantine Service.



Joe Hain (Consultant), Kurt Seifarth (USDA), Denis Onyeagucha (MoH), and Roland Oroh (USAID) during Food Safety Assessment Mission in Nigeria from August 19-21st 2014

As a result of its proactive role in the food policy space in Nigeria, NEXTT was nominated to coordinate donor intervention in food safety management in the country. The project is also coordinating establishment of relationships between the Lagos State Food Safety Management Committee (LFSMC) and SON to improve trade standard and food safety at the Lagos end of the LAKAJI corridor. LFSMC is currently lauded as an excellent model of food safety control system in Nigeria. The project is currently finalizing discussions with its partners to support the capacity building of institutions within the food safety control system and also the National Food Safety Management Committee.

2.2.3. Component 3: Business Expansion and Export Support

The Government of Nigeria has predicated the success of its economic transformation agenda on successfully incentivizing the private sector to efficiently respond to market opportunities. Under this transformation agenda, micro, small, and medium scale Enterprises (MSMEs) are expected to catalyze inclusive growth, leveraging agriculture and agribusiness as key drivers. In order to achieve these goals it is imperative to address the inherent market failures and skills gaps that limit MSME access to both markets (local and international), such as limited and poor quality service provision for exporters, and difficulty in exporters accessing the finance and technology required to be competitive.

Under Component 3, the goal of the NEXTT project is to facilitate improvements in the competitiveness of Nigerian export and near export-ready firms and their capacity to meet market requirements through effective production, financing and marketing of goods and services, both domestically and internationally. NEXTT is designed to accomplish this through a strategy of concurrently building the capacity of public export promotion bodies to implement national export

strategies, establishing a viable BDS network of quality service provision for exporters, and by supporting exporting firms directly to increase their competitiveness in key value chains.

A key strategy to promoting export and investment in Nigeria is making business development support available to firms. NEXTT completed a BDS mapping activity in Year 1. This assessment indicated that access to finance is the primary challenge faced by SMEs. In Year 2, we held a validation activity to verify the results of the BDS mapping activity with market players. We also held initial training workshops with 24 BDS providers. Through this event the NEXTT team also identified key capacity building needs, and strong interest among BDS providers in participating in a BDS Network to build credibility in the sector, conduct joint awareness and marketing activities, and identify opportunities for collaboration among providers. NEXTT will work with the loose group of Network proponents identified through the event to formalize and strengthen the membership.

Over the past year, NEXTT worked closely with two BDS providers to facilitate access to finance for SMEs, engaging them under Performance Based Contracts (PBCs). These providers faced some challenges in MSMEs unwilling to pay for BDS services and financial institutions unprepared in agriculture. However, they began to have more success near the end of the year. At the time of writing, BDS providers were in the process of closing three deals worth more than 2 million USD. NEXTT plans to expand BDS contracts to more providers and provide additional training to BDS and banks to generate increased results in Year 3.

In Year 2, NEXTT engaged expert international consultants and leading industry associations, including the Global Shea Alliance (GSA) and the African Cashew Alliance (ACA) to identify opportunities in target value chains. We identified significant opportunities to increase cashew processing and sales to international buyers and began providing technical assistance to the highest-potential firms. In shea, we identified investment opportunities in shea processing and began working with state governments to identify opportunities for warehousing and aggregation of shea, which will enable rural women to earn higher prices on the shea nuts they collect. Proper storage and logistics improves quality, which earns collectors higher prices. Aggregation also improves negotiating power, and leads to access to a different class of buyers. In home décor, our consultant identified leading producers and is providing ongoing design and market linkage support. In cocoa, we mapped the sector and engaged all of the major international players to gauge interest in Nigerian cocoa; the result is a new model for cocoa development that NEXTT will be able to support, but not fully facilitate with current resources available.

Extract Lessons from the BDS Mapping Exercise

The BDS Mapping Exercise conducted in Year 1 indicated that access to finance was a critical constraint to business development in Nigeria. NEXTT has two BDS providers on performance based contracts to facilitate credit and investment for agribusinesses operating in the project's target value chains - Quick Projects and Finders Consulting. The NEXTT team monitored progress of these BDS providers in generating deals, and it was clear that additional support was needed for these BDS providers to facilitate financial transactions.

NEXTT successfully hosted a validation workshop of the BDS Mapping Exercise, convening 33 participants, 21 BDS firms, and 5 agribusiness SMEs. Participants acknowledged the findings from the BDP Mapping report as being generally reflective of the experiences working with SMEs. The group noted that BDS providers are often unable to meet funding needs to develop new streams of business.

Participants cited the importance of continual mapping of BDS needs of export-oriented SMEs, especially given the dynamic nature and growth of the domestic and regional markets. Coming out of the workshop, the NEXTT team was able to identify a nascent BDS network and validate the priority needs of the sector in terms of service provision and capacity gaps which will be filled through training and recruitment of additional providers in Year 3.



NEXTT BDS validation and training workshop, Lagos, August 15-16, 2014

Building Capacity of BDS providers

Following the validation workshop, NEXTT held a sector assessment training to build the capacity of participants to identify business opportunities within a value chain or market system, understand value chain analysis and development, as well as the role that inclusive market systems play in poverty reduction. This session provided an understanding of the concept and role for business development services, building interest among providers to launch and participate in a BDS Network designed to identify opportunities for providers.

By identifying key capacity building needs of BDS providers, NEXTT recognized the need to expand support to also target financial institutions with technical assistance in product development for SMEs and agribusinesses. NEXTT Investment Adviser, Mima Nedelcovych, met with NEXTT BDS facilitators to share information on investment deals identified by the project that could be transformed into 'quick wins'. The project team also introduced the BDS firms to fund providers SAHEL Capital, social fund managers Root Capital, and Fortis Micro Finance Bank (a lender currently accessing financing support from USAID Development Credit Authority). NEXTT also facilitated BDS contact with NEXIM Bank and Ecobank to expand the range of funding sources available to BDS clients. Additionally, the project identified 10 funding partners working with the USAID MARKETS II project that had received training in agricultural finance through the Shore Bank toolkit. NEXTT will provide expert STTA to develop new products and identify financial institutions that are motivated to increase their lending to SMEs and their agribusiness portfolios. These are likely to be the same institutions collaborating with USAID on the upcoming DCA guarantee.

In spite of these connections to financial providers, relatively few deals have been concluded. The two firms engaged in Q2, while being proficient in agribusiness, were unable to fully process the large client pipeline shared by the project (see table below). As at the time of reporting, only Finders Consulting had secured mandates - a total of 3 mandates and an offer letter in the sum of \$2,125,000 from the Bank of Industry (BOI) for new cashew processing investment KanKat General Enterprises. Kankat General Enterprises is a pipeline sourced independently by Finders Consulting and disbursement has yet to be

made. Quick Projects, on the other hand, was less successful in negotiating mandates over the past year. Recognizing that NEXTT will only pay for mandates successfully closed under the performance based contracts, there is a need to expand the number and range of service providers in Year 3 and NEXTT will utilize the growing BDS network as a platform.

NEXTT Pipeline for BDS Provider Support				
Company Name	Activity	Service Requirement	Location	Estimated Transaction Value
CDMA Projects	Cassava farming for Thai Farms (Nigeria Flour Mills)	Business plan for 4000 Ha PPP development (Ogun State Government, USAID NEXTT, CDMA, Thai Farms as offtakers) + ICT application	Ogun	\$4,000,000
Wilbahi Industries	Vegetable conditioning/handling center	Update business plan and identify location for industrial site	FCT	\$10,000,000
Integrity Farms	Feed Production	Cap Ex and Working Capital loan for a fish farm/feed production unit with Ziegler USA Technical Assistance	Lagos	\$4,000,000
Foodpro	Cashew Processing	Cheaper access to finance from social investment funds	Kwara	In discussion
Kashford	Cashew Processing	Support accessing financing for proposed new facility	Ogun	In discussion
Universal Quest	Cashew Processing	Support accessing financing for proposed new facility	Kogi	In discussion
KD Foods	Cashew Processing	Support accessing financing for proposed new facility in Kwara	Kwara	In discussion
Strange Industries	Shea butter processing	BDS provision for operating capital	FCT	\$500,000
Abod Success	Cashew Processing	Support to access cheaper working capital	Lagos	In discussion
Century Exports	Cashew Processing	Support to access cheaper working capital	Lagos	In discussion
Bellaella	Cashew Trading	Access to cheaper working capital	Lagos	In discussion
Nelsag	Shea butter processing	BDS provision for operating capital and equipment purchase	Niger	\$300,000
Springview Textile Limited	Apparel Manufacturing	Access to Equity funding	Ondo	\$300,000
Esteema Global Diamonds Limited	Cashew nut processing	BDS Provision for operating capital	Ogun	\$500,000

Dala Foods	Processed Foods	BDS Provision for operating capital	Kaduna	In Discussion
Pembamboo	Home Decor	BDS Provision for operating capital	Abuja	In Discussion
Arewa Cotton	Shea Nut Processing	BDS Provision for Investment Capital	Niger	In Discussion
Valency International	Cashew nut processing	BDS Provision for Operating Capital	Lagos	In Discussion
Frijay Consult	Food Exports	BDS Provision for operating Capital	Lagos	In Discussion
A& Shine	Honey Exports	BDS provision for investment capital	Abuja	\$2,000,000
Kankat	Cashew	BDS provision for investment capital	Abuja	\$2,125,000

Develop and Maintain a Pipeline of Export Opportunities in 10 Target Value Chains

Throughout Year 2, NEXTT continued to build its pipeline for providing technical assistance to SMEs on business development strategies, access to finance market access and supply chain improvements. The project continued to expand its pipeline of investment and export opportunities and worked with each company to identify specific areas of need and means for providing support.

Throughout the year, NEXTT provided specific sector support to develop opportunities in shea, home décor, cashews, and cocoa.

Shea. The Global Shea Alliance (GSA), a USAID-supported industry alliance, and NEXTT’s sector specialist collaborated to develop a concept note for implementing GSA Sustainability Initiative in Nigeria. The initiative is designed to strengthen the entire shea value chain, with benefits accruing to all stakeholders: women shea collectors will capture more value from their shea nuts and increase incomes through warehouse management; traders and buyers will have a new source of quality nuts in significant volumes, reducing consolidation costs; and governments will enjoy greater revenues from increased exports. After agreeing to collaborate, NEXTT supported a scoping visit in Abuja and Minna, Niger State to visit stakeholders in the shea value chain, meeting with 8 public, private and donor partners. NEXTT is in discussion with the Niger State Government to secure facilities in the Bida, Bokani, and Mokwa area of the State given their proximity to both large shea collecting communities and their access to the LAKAJI Corridor. NEPC has constructed four shea butter processing facilities in Oyo, Kebbi, Kwara and Niger States and discussions are ongoing to identify private sector investors willing to manage the facilities and expand the storage capacities available in each of the locations. By facilitating the implementation of this pilot project, NEXTT will enhance Nigeria’s shea sector—increasing investments along the LAKAJI corridor, boosting export and provide a foundation for the expansion of the initiative across the country’s shea region and throughout West Africa.

NEXTT facilitated a workshop in Accra, Ghana drawing GSA staff, representatives from SNV, Just Shea, StarShea, Technoserve, USAID West Africa Trade Hub, and African Partners Network to develop a draft manual and warehouse receipts system. A key success factor of the initiative will be the ability to provide pre-financing for the women shea collectors. The basic model will involve offering a base price equal to the local market price when women initially deposit their kernels at the warehouse (i.e., pre-financing), and once the kernels are sold (after the end of the season, typically in November) the women will receive a portion of the additional profits as a bonus payment. Without the pre-financing, women are unlikely to store their kernels in the warehouse in order to receive immediate payment in order to feed their families, pay school fees, etc.

Earlier in the year, NEXTT supported Strange Industries and Hayloft Limited, both shea companies, with market linkages, leading to exports in Quarter 1 and 2. NEXTT also put both companies in contact with BDS providers so that they can finance expansions in production in the future. For now, they are still seeking longer-term contracts with buyers.

Home Décor. The NEXTT team engaged a home décor specialist to identify export ready firms and support businesses with market linkages to increase exports from the sector. Through a partnership with NEPC, the consultant identified artisanal clusters in Niger State and met with 15 businesses in Abuja and Lagos, providing design advice and technical assistance to cost and price feeding. NEXTT and NEPC began to identify and prep the most promising four companies to participate in the Ambiente Home décor event in Frankfurt, Germany early in Y3. NEXTT's home décor and handicrafts consultant participated in a one-on-one product assessment of Nigerian Arts and Crafts in Abuja for fifty (50) Nigerian producers and exporters. The activity was held as an initial step towards a product and market development strategy for Arts and Craft by the NEPC. Of these companies, NEXTT's consultant provided initial design input for fifteen (15) businesses to improve the international competitiveness of their products. The NEXTT team provided additional access to finance support, linking one firm to Finders Consulting.



Manufacturing furniture, blinds, and flooring at Pemo Bamboo Products and a decorative table at Ethnocentrique.

Cashews. Following the initial sector scoping completed in Q2, NEXTT's cashew sector expert provided assistance to several cashew firms. The specific assistance provided by the team to the firms include technical assistance and information on processing technology, quality and food safety standards, human resource management, market development and intelligence, and labor standards. In

collaboration with the NEPC, NEXTT identified two new cashew processors in Q3 requiring intensive assistance to increase their capacity to export. NEXTT engaged the African Cashew Alliance (ACA)'s Business Advisor to assist **Food Pro** and **Esteema Diamond** to implement best practices in manufacturing and quality management as well as plans to expand into by-product processing.

- **Esteema Diamond**, a newly established processor located in Abeokuta, was connected to NEXTT-supported Quick Projects to facilitate access to finance. The firm also enjoyed market linkages to 3 international buyers from the US to support access to finance requests, which is expected to increase its export capacity from 750 to 3,000 tons per annum (TPA). Through ACA, NEXTT also delivered technical training sessions on cashew processing for the management team and additional sessions to develop understanding of export standards, quality assessment, pre-shipment inspections, and safety and efficiency measures for the production team. These interventions are designed to further integrate Esteema Diamond into the supply chains of larger processors and end users (roasters).
- **Food Pro**, a mid-size processor, now exporting to American and European markets. It also received support to expand its current capacity of 750 TPA to process 10,000 TPA with potential for new investments in by-products and secondary nut processing for further value addition. NEXTT is also helping the firm to secure the ACA Quality and Sustainability Seal, a program developed in collaboration with Planters, a large US snack brand and InterSnack, Europe's largest snack manufacturer. NEXTT is supporting the processor to put in place the required minimum standards for food safety and quality management systems as well as maintain strict adherence to labor standards. The processor is also receiving assistance to integrate a Cashew Nut Shell Liquid (CNSL) extraction facility into its production line to maximize additional income streams for by-products. NEXTT helped FoodPro achieve exports of \$152,000 – two containers – in Quarters 3 and 4. Before NEXTT interventions, Food Pro had not been exporting. NEXTT's experts identified quality issues that may have prevented Food Pro's shipment from being accepted and tarnished their reputation in foreign

In Q3, the NEXTT team also began working with cashew processor **Valency International** – a new \$8 million, 10,000 TPA investment in cashew processing located along the LAKAJI Corridor. NEXTT has worked to bring the investment on stream, addressing a number of quality and productivity issues which are impairing the firms' competitiveness. Without NEXTT support, the investment may not have been finalized; Valency did not have the capital for the technical assistance necessary to make the facility fully operational. In addition, Valency was concerned about moving forward with the investment, given that the Export Enhancement Grant (EEG) export incentive scheme has stalled. Valency was reassured that NEXTT is working with NEPC to re-instate it. NEXTT has also provided the technical assistance that Valency needed to get started, and is now giving ongoing support. The factory, established with a daily processing capacity of 40 MT/day, was producing at less than 2MT/day. NEXTT support has enabled the factory to increase kernel production to 5MT/day – an increase of \$217,800 in exports. Areas of intervention by the project included;

- Technical advice on processing technology/techniques to enhance productivity
- Technical advice on typical staff requirements for processing operations and national standards on labor wages
- Technical advice on fumigation agents, food safety programs required and support in implementing the ACA seal program
- Linkage to NEXTT supported credit facilitation services to explore/secure single digit trade financing
- Market linkages
- Market research to identify local off-takers of cashew nut oil, shell and testa

- Advocacy towards the reinstatement of the Export Expansion Grant or a similar scheme

Working with export firms such as Valency International, NEXTT is able to impact an estimated 200,000 farmer households through these and other investments in RCN providing income for roughly 1 million people, demonstrating that NEXTT interventions extend beyond the specific firms, impacting hundreds of thousands who are dependent upon the value chain. Valency International is also active in cocoa and sesame exports, VCs that NEXTT will support in Y3.



Valency International CEO Mr Balodi explaining a point to William Hall (USAID Nigeria) program economist

Furthermore, NEXTT is working to facilitate new investment in the cashew value chain by engaging Gold River Orchards Limited – one of the largest walnut processors in the US and a potential investor evaluating options for entering the Nigerian cashew business. The interest of this firm to commence buying operation and possibly the establishment of a cashew processing plant holds significant prospects to support another strong market maker within the value chain, first increasing local processing capacity and secondly transferring the technical expertise required to increase marketing and sale of Nigerian branded cashew kernels globally, both of which generate strong demand for RCN. NEXTT also established linkages between Bella Ella and Bende Import Export Limited, both Nigerian raw cashew nut exporters and buyers in Vietnam through VINACAS the Vietnamese Cashew association.

Formalizing a cashew cluster development partnership with Kwara State Government (KWSG)

Kwara state is producing 12,000-18,000MT of raw cashew nuts annually and is the second largest producing state in Nigeria, with 90,000-130,000 farmer family members earning a livelihood from collecting cashew nuts during the dry season. The areas' climatic and soil conditions are ideal for growing cashew nuts which has led to an agglomeration of cashew processors investing in the state to benefit from skilled labor and raw materials. NEXTT has been supporting several cashew firms in Kwara state, such as:

- *KD Foods*, a cashew investor, is receiving project support to engage with the Kwara State Government to facilitate the company's relocation to Kwara state after identifying a suitable warehouse/factory recently vacated by OLAM Nigeria.
- NEXTT has also established linkages for *Selema Farms*, a new entrant into the cashew sector interested in establishing a \$3m cashew processing facility.

NEXTT moved to formalize its partnership with the KWSG in Q4 through an MOU to implement a cashew cluster development model. Opportunities identified within the cluster strategy for intervention by the KWSG include:

- Kwara State PPP Office support for processing units with labor through a youth empowerment program
- Development of financing/joint-venture schemes
- Construction of storage facilities
- Provision of land for new cashew planting
- Construction of drying yards on PPP basis

- Hosting a cashew conference in 2015

The KWSG Cashew Cluster MOU engages the African Cashew Alliance and NEXTT to support the state government interventions outlined above, through technical assistance and training.

Cocoa. Our initial mapping of the cocoa value chain, completed at the time of writing, indicates that principally, the model for cocoa development is not sustainable. Additional findings include that: (1) industry players are prepared to invest in new models, (2) the federal government supports cocoa expansion, (3) state governments (particularly Osun and Ondo) are prepared to provide support, (4) land is underutilized, and (4) equity and debt financing is available. The next step will be to bring all of the pieces together in a coherent strategy that addresses the issues of land, inputs, intercropping, labor and finance. To transform the cocoa value chain in Nigeria, a commercial model will be necessary, and several models are currently under consideration (nuclear farm and outgrowers, nuclear farm as incubator, farm management and services company, cocoa alliance). NEXTT anticipates working closely with Markets II going forward to fully develop these models for cocoa production, which will culminate in an investment workshop that will be co-sponsored with Olam, and potentially Multi-trex and ECOM/Armajaro as members of the new Council for Cocoa Development. We anticipate this will generate interest from investors who will be able to access PDF funding for feasibility studies and business plans. NEXTT will support pilot initiatives in coordination with Markets II, to inform USAID and prepare for future involvement in the cocoa sector.

Building Capacity within Public Export Bodies

NEXTT's export development team continued to explore opportunities to strengthen the capacity of the NEPC (the foremost national trade promotion agency) to better link the supply and demand of export services. NEXTT signed an MOU with NEPC (signed by senior executives of USAID, NEPC, FMITI, and others), formalizing the partnership with NEPC in a public event well attended by members of the press. NEXTT is working with the leadership of NEPC to facilitate change management and improve effectiveness in trade promotion, targeting US\$30m growth in exports over the next 3 years from key value chains.

NEXTT is collaborating with NEPC on several value chain-specific initiatives, including shea, cashew, and home décor. In addition, through consultancies, we have identified areas where NEPC can play an important advocacy role. For example, reinstatement of the Export Enhancement Grant (EEG) export incentive scheme will be essential to promote investment in many agricultural value chains. In addition, NEXTT supported the Ministry of Trade Investment & Investment AGOA strategist to evolve a blueprint for a National Strategy identifying collaborating partners and facilitating the consultants work in Abuja. NEXTT will continue to support NEPC and export ready firms increase utilization of AGOA trade.



Seated from left Mr. Olusegun Awolowo, ED/CEO NEPC, Micheal Harvey Mission Director USAID Nigeria, Alf Monaghan Chief of Party NEXTT at the NEPC MOU signing in March , 2014

The NEXTT project continued to develop this partnership engaging NEPC technical staff in the Cashew Strategy Development process. In Q3, the NEXTT team led by Cashew Specialist made presentations to the management of NEPC and received input on the proposed strategy objectives and activities, sharing data and input from private sector and market, scenario's for development of strategic objectives and strategy drawn for the experience of benchmark organizations. Further meetings by the local team with the technical staff of the institution took place in Q3 when NEXTT home décor specialist worked through the NEPC to identify and mobilize export ready firms who benefitted from technical assistance in product design and market development with a view to participating in a major industry event in Frankfurt, Germany in 2015. NEXTT interventions in collaboration with the NEPC will propose an industry strategy to increase exports through this value chain. Through a process of engagement with a GoN partner institution NEXTT is building institutional capacity in NEPC, to better target export opportunities in key target sectors.

Develop Export Development Strategy for one Value Chain

NEXTT undertook a Value Chain Assessment Study to review long-term comparative advantages in 11 key VCs, and established a methodology to prioritize a single VC – the cashew value chain was selected. NEXTT proceeded to conduct a diagnostic of the cashew sector, identifying long term market opportunities for export of raw cashew nut (RCN) and processed cashews. NEXTT assessed the operations of 11 cashew exporters that account for up to 70% of Nigeria's total export volume of raw cashew nuts and cashew kernels. Key findings from the assessment were that the industry generally lacked a market oriented approach to investment, leading to challenges with quality, market entry, access to finance amongst others. Access to appropriate technical assistance was also identified to be limited and expensive for the smaller processing units.

In addition, NEXTT completed a Cashew sector strategy. The document targets an increase in the cashew industry's contribution to Nigeria's non-oil exports through value addition, quality improvements and market development. The focus of the strategy is to increase RCN production and support increased local processing. The driving objectives of the strategy are to:

- Provide incentives for processing of cashew nuts and raw nut exports
- Improve quality of Nigerian raw cashew nuts and kernel
- Promote Nigerian raw cashew nuts and kernels on the international market

Devolving the objective into actionable tasks within the constraints of time and cost, NEXTT identified 5 priority areas for focus by the NEPC within the window of 2014 – 2019. These include:

technical assistance to Food Pro

- Re-establishment of a robust processing incentive for the sector
- Focus on market promotion to establish brand identify for Nigeria Cashew
- Focus establishing Quality Standards & providing Capacity Building to export units
- Establish system for generating credible statistics on the sector and Market Intelligence
- Focus on farmer quality training



NEXTT consultant providing

In implementing this strategy two key recommendations made were:

- NEPC joins the Advisory Board of the African Cashew Alliance (ACA), a USAID supported industry platform, to partner directly with the largest players in the industry gaining access to Technical expertise, Advice Training & Best Practices Market linkages and Market intelligence.
- USAID NEXTT through a partnership agreement would support the National Cashew Association of Nigeria (NCAN) to develop local expertise, mobilize stakeholders (farmers, processors, traders) and strengthen advocacy for the sector through effective communication & information distribution.

While conducting the assessment, NEXTT's cashew expert provided technical assistance, guidance and market linkages to several cashew firms. After the assessment, the expert kept in contact with the firms remotely, then returned in late Q3 to further develop potential projects. During the visit, he held 15 meetings, with 12 private businesses and 3 government entities. He presented the cashew strategy to various groups and obtained feedback for refinement. Based on this trip, the NEXTT team also identified concrete interventions and technical assistance for three companies – FoodPro, Esteema, and Valency – and made a plan for ongoing collaboration with the ACA, NCAN and NEPC.

NEXTT convened a stakeholder forum, the Cashew Sector Development Strategy Validation Workshop, to assist NEPC and lead firms/associations develop and agree on a strategy to increase

exports in the cashew value chain. The event is a key part of NEXTT's support to the GoN to develop a model export strategy in one value chain.

NEXTT engagement with NCAN

As a sustainability initiative, NEXTT will build the institutional capacity of the local cashew association to effectively advocate for the sector, strengthening its ability to:

- Mobilize private sector participation in advocacy activities
- Collect and disseminate technical and statistical information
- Convene capacity-building and other sector events
- Lead dissemination of training and materials aimed at improving raw cashew nut quality

Integral to the sector development strategy, NEXTT proposes a marketing initiative to assist the NEPC and NCAN develop the market for Nigerian Cashews early in Year 3. The NEXTT team proposes to host RCN buyer-seller meetings in India and Vietnam, which will serve as an industry platform to discuss some of the challenges of increasing trade with the two leading importers of RCN. These targeted B2B events will support cashew firms with additional market linkage activities in India and will model similar interventions in Vietnam where NCAN already has an MOU in place.

2.3. Implementation Challenges

The increased security threat observed in Year 2 has led to a need for additional security protocols, and limited movement of staff and consultants, particularly in Northern Nigeria.

2.4. M&E Plan Update

In Year 2, NEXTT ramped up its support to private sector firm, providing technical assistance to businesses across several value chains. In many cases, NEXTT took a “light-touch,” facilitative approach to support, building the capacity of local actors to generate exports and investment, and promoting a commercial market for BDS. In other cases, NEXTT began working very closely with select firms, providing extensive TA. We found that, particularly in the case of “light-touch” facilitation, it could be difficult to obtain M&E information. Nigerian firms understandably are not always willing to share investment plans, export data, or financial information. The NEXTT team adjusted their data collection strategy in Quarters 3 and 4, initiating more direct contact and regular outreach to participant firms. This includes additional trips to the field and monitoring visits. We also simplified our export and investment questionnaires, to make the process less onerous. In addition, with the firms that we are supporting more intensely, the NEXTT team is now developing MOUs to clearly state the support NEXTT will give, the expected contributions of partners and the expected results of interventions.

The NEXTT team also participated in USAID activities to improve our M&E systems in Year 2:

- March 12-14, 2014, NEXTT participated in a Performance Management Plan workshop organized by the USAID Monitoring and Evaluation Management Services (MEMS). The workshop was aimed at improving Implementing Partners skills in constructing operational performance management, monitoring and evaluation plans for effective data collection and

analysis. NEXTT also participated in the MEMS' Semi-annual Review meeting on March 20, 2014 to review progress and challenges relating to data collection and reporting.

- May 14-16, NEXTT participated in Data Quality Assessment (DQA) training workshop organized by USAID Monitoring and Evaluation Management Services (MEMS). The workshop was aimed at understanding the rationale of data acquisition and transcription systems and their use to generate useful information for making efficient management decision.

3. INTEGRATION OF CROSSCUTTING ISSUES AND USAID FORWARD PRIORITIES

3.1. Gender Equality and Female Empowerment

NEXTT kept gender equality and female empowerment at the forefront of its activities throughout Year 2. Under Component 3 the project chose to focus interventions on three main value chains: Cashew, Shea and Handcrafts. This selection was strongly influenced by the impact of greater productivity and access to market in these value chains on women. Both the number of women working along these value chains and the how their income and livelihoods would be impacted were taken into consideration.

Women, most of them youth, make up between 70 and 90 percent of workers in cashew processing factories. In light of this statistic NEXTT significantly increased its support activities to the Cashew value chain with a mapping of investment and export opportunities for key cashew investors, the provision of technical assistance to cashew processors (Food Pro, Esteema Diamonds and Valency) and the design and validation of a Cashew export promotion strategy to be implemented in close collaboration with NEPC. NEXTT's support to the Nigerian Cashew industry has and will be critical for integrating the young women already working in cashew into a more efficient and profitable value chain. This will offer them more prospects for employment as the cashew processors boost their productivity and increase their income levels as return on investments are realized.

NEXTT also developed a strategy for the Shea sector, to collaborate with the Global Shea Alliance (GSA) and state governments to install warehouses. Women collectors play a vital role in the shea industry, as they form the foundation of the value chain. However, they have enduringly lacked bargaining power and direct market links to buyers; traders typically purchase nuts when supply is high and prices low, then store the nuts (properly stored nuts can last up to six months) and sell to large buyers at a later date at greatly inflated prices. The GSA is committed to enhancing formalization and organization of women collectors as well as their knowledge of shea markets to ensure that they capture more value from the sale of their shea. With the sustainability strategy finalized, NEXTT will be collaborating with the GSA to implement a pilot project to build warehouses for women shea collectors, provide trainings on quality improvement and business development services, and enhance their market linkages in Nigeria.

Through the work done by the Handcrafts Export Advisor, NEXTT established connections with Vitablom and Ethnocentrique which are both woman-led companies. Vitablom is involved in the production of Adire textile, pillows duvets and Ethnocentrique produces decorative furniture with an African aesthetic. They are both in communications with the NEXTT's Handcrafts Export Advisor and Ethnocentrique in particular has received advice on how to increase the appeal of its products to international markets. These engagements are still in an early stage but the project is looking to further support Vitablom and Ethnocentrique by facilitating access to finance to procure machinery and participation in trade shows.

Finally, during Year 2 NEXTT held and supported a total of 11 workshops and trainings on topics such as trade fair preparedness, trade and tariff modelling, the provision of business development services and post-clearance audit. These trainings were attended by a total of 278 participants of whom 22 percent were women. Thanks to NEXTT these 61 women received a total of 1,093 hours of capacity building - nearly 18 hours each. The rate of female participation in NEXTT trainings and workshops was most impressive during the NCS Training of Trainers on Risk Management, the TFTF Plenary and the most recent two-day BDS Workshop for value Chain and Market Development. Female representation during these events was respectively 37, 70 and 26 percent.

3.2. Sustainability Mechanisms

NEXTT consistently addresses sustainability in the Project across all three components. Activities in Year 2 supported the sustainability mechanisms for each Component.

- In Component 1, NEXTT is installing mechanisms to enable LAKAJI Corridor development to maintain operations, services and benefits during its projected life time and beyond. This is done through the development of the LDA and capacity building for the CMG. Integrating these two groups under the CMG umbrella and helping the CMG establish ongoing mechanisms for public-private dialogue (working groups), sustainable sources of funding, and a secretariat for sustainable corridor monitoring and action is central to NEXTT's approach. In addition, NEXTT has developed Corridor States Working Groups (CSWGs), which will continue to exist despite changes in state leadership and staffing.
- In Component 2, NEXTT is building the capacity of key public institutions to put improve trade policy and legislative processes, improve tariff analysis, install automation and clearance procedures, and strengthen implementation of food safety standards.
- In Component 3, NEXTT is building a qualified network of BDS providers to facilitate access to finance and support export and investment long after NEXTT closes.

3.3. Environmental Compliance

NEXTT's interventions in the Cashew value chain have the potential to contribute to significant reductions in the carbon foot print of cashew processing. NEXTT activities are pushing for more processing of Nigerian cashew in-country rather than shipping RCNs to Vietnam and India for shelling and then shipping to US and Europe for roasting and packaging, The team and the NEXTT Cashew Sector Expert are assisting Valency and Food Pro with the development of their cashew shell processing

capacities. Cashew shells are used to produce biofuels and thus reduce fossil fuel consumption, to the benefit of the environment.

The Cashew Sector Expert and a Cashew Specialist from ACA are also guiding Food Pro through the ACA Quality and Sustainability Seal certification process. The ACA Seal program provides certified companies training on environmental conservation measures such as waste management. Overall the program assures that certified processors are complying with a set of environmental regulations and the sustainability of their operations.

NEXTT's Year 2 activities were all governed by the Initial Environmental Examination (IEE) for USAID|Nigeria Economic Growth and Environment (EGE) office, Assistance Objective 2, and NEXTT remained in compliance with its Environmental Mitigation and Monitoring Plan. NEXTT remained committed to the protection of the environment and consistently upheld environmental conservation measures when the need arose. The project also encouraged, promoted and facilitated environmentally friendly actions among its partners and beneficiaries.

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The project facilitated the submission of Letters of Interest (LOI) to the USAID Development Innovation Venture (DIV) to fund solutions that address problems in the sectors of energy and environment in Nigeria. The LOIs were submitted by Specialty Natural Flavors Consulting Group (SNF) and Beacon Power Services Ltd. (BPS). With DIV funding SNF plans to extract from cashew apples flavour products meant for commercialization. SNF would be creating value from a product so far treated as waste in the cashew nut processing industry, all while contributing to job creation. BPS on the other hand is looking to test the cost-effectiveness of generating biofuel energy for agro-processors as an alternative to the current dependence on diesel-run generators. BPS estimates that the 350 registered Agro SMEs alone burn an estimated 4 million gallons of diesel a year. This produces roughly 120,000 metric tons of CO₂, equivalent to having 25,000 cars driving on the road per year. Shifting dependence away from diesel generators would thus contribute to reducing air pollution.

3.4. Youth Development

NEXTT continues to recognize the importance of youth as a current and future driver of the Nigerian economy. Working through Integra, a subcontractor, NEXTT engages youth in agriculture within AVM Consult's FarmNet Project. AVM FarmNet, based on the "e-choupal" model developed in India, aims to create a digital commodity aggregation platform, collecting products through internet-enabled kiosks in villages, aggregating them in government warehouses, and making them available for purchase online to processors or other buyers. Integrating a franchise model, AVM will utilize local university graduates concentrating on agriculture to manage the kiosks, provide local context and remain as a resource for

local farmers. This approach not only provides qualified employees to manage local services, but also builds the next generation of Nigerians engaged in agribusiness.

Cocoa is one of the value chains in which NEXTT has developed a strategy to make farming more attractive to youth. The average cocoa farmer in West Africa has old trees, low yields, and only 1-2 hectares of land. Young people migrate off the farms. The new structure that NEXTT's cocoa expert proposes will not marginally increase yields, but transform the industry and make it attractive to youth by turning it into a real business and multiplying profits. This means higher-value varieties and bigger farms. We plan to build on this strategy in Year 4.

NEXTT continues to develop a strategic partnership with a dynamic non-profit called LEAP (Leadership, Effectiveness, Accountability and Professionalism), which aims to build a new generation of leaders in Nigeria. In the meantime, the project focused on its plans to offer internship opportunities to engage young adults completing their National Youth Service in its activities. NEXTT identified a young woman who would be joining the team as Operations Intern. The project hopes to welcome her during the first quarter of Year 3. This would be a great opportunity to gain exposure to the various technical and administrative aspects of donor project implementation.

3.5. Policy and Governance Support

NEXTT is designed to support public-private dialogue and improve policy formulation and implementation around trade-related issues. Component 2 of the NEXTT program specifically works to align the formulation, coordination and implementation of trade policies, regulatory frameworks and facilitation services in ways that maximize market-driven competitiveness, supporting expanded trade, investment and job opportunities. NEXTT seeks to improve trade policy and facilitation so that: 1) Effective mechanisms for stakeholder engagement in the prioritization, coordination and follow-up of the most critical constraints to trade and investment, especially in opportunities with the greatest potential for creating jobs and improved livelihoods; 2) measurable performance improvements in customs and port/border post clearance times to reduce costs and time to market for traders; and, 3) a process for the development of food safety standards and infrastructure that facilitates agricultural trade and meets international standards. For relevant activities, please see section 2.2.2 of this report.

3.6. Local Capacity Development

Local capacity development is central to NEXTT's implementation approach and sustainability strategy. Given the range of stakeholders engaged in NEXTT's three components, capacity building activities involve both the public and private sectors, as well as building platforms to encourage sustainable dialogue, collaboration and action so that local actors can continue progress beyond the life of the project.

NEXTT has worked with a number of key **public institutions** to build their capacity to formulate and implement trade policy and processes, such as the Federal Ministry of Industry, Trade and Investment, the National Trade Facilitation Task Force, the Nigeria Customs Service, the Nigeria Export Promotion Council, and several other agencies and ministries. NEXTT has provided targeted trainings to improve tariff analysis, install automation and clearance procedures, and strengthen implementation of food safety

standards, and customs modernization processes. Specifically, NEXTT provided critical support to prepare the Nigerian delegation for the WTO Ministerial Conference in Bali, improving GoN capacity to effectively participate in the global trade policy formulation and negotiation process. This included the development of a comprehensive agenda, background studies, and platforms for stakeholder engagement. Key FMITl officials that received support acknowledged that Nigeria's delegates had never received guidance in the past in this capacity, and thanks to NEXTT support, they were better equipped to participate in and contribute to the conference.

Recognizing that the **private sector** plays an equally important role in ensuring the success and sustainability of the project's activities and objectives, NEXTT has provided capacity building for the private sector. For example, NEXTT identified a pipeline of firms seeking financial facilitation in key sectors, such as cashew, and mentored two BDS providers so that they could provide support to these SMEs. NEXTT also held a training to build the capacity of participants to identify business opportunities within a value chain or market system, understand value chain analysis and development, as well as the role that inclusive market systems play in poverty reduction. These sessions provided an understanding of the concept and role for business development services, building interest among providers to launch and participate in a BDS Network designed to identify opportunities for providers.

To promote useful collaboration and open communication between the **public and private sectors**, NEXTT has created platforms for collaboration on key issues. For example, NEXTT conducted a sensitization workshop, entitled "Working in Partnership for More Rapid Clearance," between NCS and the private sector to publicize changes in customs clearance procedures, changes in practice and other relevant news. At the end of the workshop, a strategy had been developed for the NCS trainers to continually engage and facilitate private sector awareness of evolving customs procedures and processes.

NEXTT continued to build the capacity of **corridor groups** including the CMG and LDA, facilitating LDA steering committee and working group meetings, as well as assisting in the development of a work plan. At the end of the year, we began work to promote a merger of the two groups under the CMG umbrella. By driving CMG recruitment through LDA membership, NEXTT will help the CMG become an organization that is truly representative of the public and private sectors.

NEXTT also actively supports the capacity development of **local staff**. The CARANA home office team has trained personnel in finance and administration procedures, and has conducted workshops on technical writing, M&E, and use of Microsoft Office. In addition, NEXTT promoted James Horgan to Security Supervisor and is planning to promote Office Manager Ochuko Piserchia to a technical support role next year. NEXTT sent Adebukola Sotubo, the project's Food Safety and Standard Advisor to Washington D.C. to participate in a conference and build her knowledge of global food safety trends.

3.7. Public Private Partnership (PPP) and Global Development Alliance (GDA) Impacts

Public Private Partnership is at the core of the NEXTT mission and implementation strategy. NEXTT began by first introducing a public-private dialogue (PPD) around the LAKAJI Corridor in Year 1. NEXTT found that when the even cross-sectoral private-private collaboration was rare, but the Corridor was an opportunity to bring together private stakeholders across sectors. NEXTT also found that the Corridor was an opportunity for public-public dialogue, between states and various government

agencies. The private sector rallied around the issues on the Corridor, and the public sector soon joined in, and LAKAJI Development Alliance emerged as a dynamic partnership to support the LAKAJI Agricultural Growth Corridor Initiative. Through the LDA, NEXTT has worked with a broad range of stakeholders to generate consensus, both at project concept and implementation levels, ensuring sustainable outcomes. Over 200 public and private sector organizations have so far participated in various LAKAJI Corridor Development activities, thus representing a powerful constituency of support for the realization of Corridor strategies. At the end of Year2, NEXTT began talks to merge the CMG and the LDA. By bringing the LDA under the CMG umbrella, new private sector energy will be infused into the mostly-public CMG. This broad partnership will address Corridor improvement as well as agricultural investment.

This year, NEXTT also developed an industrial cluster partnership with Kwara State Government (KWSG). Opportunities identified within the cluster strategy for intervention by the Kwara State Government include;

- Kwara State PPP Office to support processing units with labor through youth empowerment program
- Development of financing/joint-venture schemes
- Construction of storage facilities
- Provision of land for new cashew planting
- Construction of drying yards on PPP
- Hosting a cashew conference for 2015

The PPP arrangement envisages that USAID supported African Cashew Alliance (ACA) and NEXTT project would support the interventions of the State Government in the highlighted areas with technical assistance and training. It is anticipated the MOU would be signed early Q1 Y3.

3.8. Conflict Mitigation

With communal clashes emanating from agricultural land disputes along the corridor, the LAKAJI Development Alliance provides a forum for public-private dialogue to identify disputes that may arise, particularly around new investment. Resolving group conflicts by actively communicating information about their conflicting motives or ideologies to the rest of the group ahead of time prepare communities for a better investment climate.

3.9. Science, Technology, and Innovation Impacts

In Year 2, the NEXTT project was involved the application of technology in two major ways – ICT in Agriculture and virtual space in communication. Working with Integra, a subcontractor, NEXTT is supporting the deployment of ICT in agriculture and agribusiness along the LAKAJI Corridor in many ways:

- NEXTT has supported AVM FarmNet Virtual Commodities Exchange (AVM). This project seeks to facilitate a digital commodity aggregation platform. To collect products through internet-enabled kiosks in villages, aggregating them in warehouses and making them available online to

processors or other buyer. NEXTT introduced AVM to this technological innovation, now popular in India. AVM invested in this initiative in Y1 and continued to work with NEXTT on realizing the system in Y2.

- NEXTT developed an initiative in partnership with Technoserve and IBM to create and pilot voice activated extension services for cashew farmers. Integra identified the IT need through discussions with Nigerian cashew processors and approached IBM to develop the software and TechnoServe to provide technical extension data. If this initiative is realized in Year 3 or 4, it will improve the supply of high quality cashews to processors.
- NEXTT is supporting Esoko to re-launch their operations in Nigeria. Esoko offers a mobile and web platform for agricultural information management, which they sell directly in some markets and sell through licensed “resellers” in others. Their services provide data market prices, farmer messaging, and buyer-seller matching. Licensed resellers are local firms which market the product and develop sales, and in-turn receives technical support from Esoko’s Ghana team. Esoko had to terminate their relationship with their previous reseller in Nigeria, and NEXTT is currently seeking to find a local partner for Esoko

NEXTT also facilitated the submission of two letters of interest (LOI) for Stage I funding from the USAID Development Innovation Venture (DIV). The LOIs were submitted by Specialty Natural Flavors Consulting Group (SNF) and Beacon Power Services Ltd. (BPS). NEXTT worked closely with SNF and BPS to review the draft applications, refine the identified problem and solution, and demonstrate potential for impact and scalability.

- With DIV funding SNF plans to extract from cashew apples flavor products meant for commercialization. SNF would contribute to job creation by creating value from a product so far treated as waste in the cashew nut processing industry.
- BPS is looking to test the cost-effectiveness of generating biofuel energy for agro-processors as an alternative to the current dependence on diesel-run generators. During the first stage they will work with Food Pro, a NEXTT-supported cashew processor, and will use biofuel obtained from cashew shells to test-run Food Pro’s processing plant.

4. STAKEHOLDER PARTICIPATION AND INVOLVEMENT

All NEXTT components and activities draw heavily on stakeholder participation. NEXTT seeks to play a facilitative role, enabling local organizations to take the lead in Nigerian trade facilitation. While stakeholder involvement should be evident throughout the *Implementation Status* section of this report, a few highlights from Year 2 are detailed below:

During Q1, NEXTT cooperated with the senior echelon of NCS and the Nigeria Shippers’ Council to explore avenues to either revive the TFTF or create a similar functional platform for effective trade facilitation. A mechanism was explored to make the NCS and Nigeria Shippers’ Council (NSC) the main nucleus of TFTF in Nigeria. The Team held several meetings with the NCS authorities, including the

Comptroller General (CG) to discuss the Partnership for Trade Facilitation (PTF), review NEXTT intervention activities and further explore necessary areas of assistance.

In Q2, NEXTT supported the Nigerian Chapter of the Borderless Alliance to host the 2014 Global Conference held in Lagos from Feb. 26th – 28th, 2014. The theme of the Conference which was 'Enabling Growth' was attended by more than 160 participants from 15 countries. NEXTT participated in a panel discussion on Issues in Corridor Management in West Africa. The issues that are contributing to the high cost of doing business in Nigeria including the lack of coordination and communication between the public sector agencies that should be working together, between members of the private sector and between the public and private sector were fully discussed.



Participants during the Borderless Alliance Conference held in Lagos from Feb. 26-28th 2014

In Q3, NEXTT brought together Public Sector agencies, including the FTF, Nigerian Shippers' Council, etc. on Trade Regulation; Nigerian Investment Promotion Commission Council (NIPC), Nigerian Export Promotion Council; Federal and States Ministries such as the Federal Ministry of Finance, Lagos State Ministry of Agriculture; and Parastatals such as the National Competitiveness Council of Nigeria, Nigeria Customs Services, Nigerian Railway Corporation, and others. Private Sector participation includes firms such as Lafarge and Flour Mills in manufacturing; DHL, UPS, APMT, ConnectRail and others in transport and logistics; Accenture, BOI, FBN, Legacy Investments in services; and Lisabi Mills and Pedro Farms, among others (Agribusiness). These groups all participated in LDA working groups and events, in support of investment in agriculture and infrastructure improvements in the LAKAJI Corridor.

In Q4, NEXTT and the NEPC strengthened their partnership through information sharing and joint activities, particularly in the cashew value chain. In Q4, NEXTT also held its annual work planning session in Abuja with broad participation of public and private stakeholders. Their inputs and participation will heavily influence NEXTT activities in Year 3.



NEXTT's Cashew Expert with NEPC officials, Alhaji Aminu Suleman Takuma (NIPC) speaking at a Corridor working group

5. MANAGEMENT AND ADMINISTRATIVE ISSUES

Several staff changes took place in Year 2. Business Development Specialist, Akinyele Oluwole Aluko departed the project in Quarter 2, temporarily closing the Lagos office. In Q3, the project took possession of its new office facilities in Lagos and CARANA HQ staff member, Hadiatou Barry came to work in the office for the rest of Year 2 as well as Q1 of Year 3. Located at No 2 Sobo Arobiodu Street G.R.A Lagos, the location better serves the project's export facilitation initiatives providing improved workspace and conference/meeting facilities.

Trade and Capacity Building Manager Alaba Olumuyiwa and LAKAJI Corridor Manager Osita Aniemeka also both left the NEXTT project to pursue other opportunities. While this created a challenge for the NEXTT team, CARANA has identified excellent replacement candidates, both of which started work early in Q4. In Quarter 4, the project team also recruited additional staff to support Component Leads and project communications. We plan to hire them early in Year 3.

6. LESSON LEARNED

More direct support must be provided to the CMG. While the NEXTT project has sought to take a stakeholder-led facilitative approach in the past, supporting local institutions as they lead initiatives, it has become clear that NEXTT must take a more direct approach with the CMG to ensure success of the organization. This will include providing the CMG with a secretariat, developing a work plan, and recruiting new members. NEXTT began this process at the end of Year 2.

Working with the private sector increases the pace, impact and sustainability of initiatives. In Q2 and Q3, the NEXTT project began working more closely with the private sector than it had in the past. Project partners now include business owners, financial institutions, and contractors. They are highly motivated to push for changes along the corridor that will benefit their businesses, as well as all

others. Increased revenue and ease of operations will lead to economic development and job creation. The LDA brings the private sector flexibility that will allow the project multiply its impact, integrating its members into the CMG will increase the CMG’s effectiveness and sustainability.

Need for a Lagos Presence: In Year 2, the project actively pursued the development of NEXTT pipeline in Cashew and other target value chains. The provision of close support to both exporters and processors, however, proved difficult for an Abuja-based team. To continue to provide this level of support and track impact there is a need to have dedicated resources available in Lagos in close proximity to the majority of NEXTT pipeline. This continuous engagement reinforces the partnership with the private sector and facilitates mutual cooperation. In Q3, the project opened a Lagos office, and in Q4, Hadiatou Barry will relocate to Lagos from CARANA’s headquarters in the U.S. to provide additional Lagos-based support, and the team will seek to actively recruit additional staff and local STTA for communications, outreach and technical support to partner firms.

Stakeholder involvement at the design stage is key. It is important to have the stakeholders buy in before we design activities. If they are carried along, there will be little or no hindrances in implementing our programs. The stake holders must see themselves as strategic partners and be treated as such.

Additional support and training for BDS is required. In Year 2, NEXTT engaged two BDS providers on performance based contracts to facilitate financing along the corridor. The BDS providers were not able to close many deals. To facilitate more deals in Year 3, NEXTT will engage additional, regionally dispersed, BDS providers and provide them with training on financial facilitation. Further, we will engage financial institutions so that they better understand the concept and can provide appropriate financial products to agribusinesses.

7. PLANNED ACTIVITIES FOR NEXT QUARTER INCLUDING UPCOMING EVENTS

Please see tables below for a summary of NEXTT activities planned for the upcoming Quarter. Bolded activities indicate opportunities for media coverage and for USAID support, involvement and/or site visits.

COMPONENT I: LAKAJI Corridor Improvement

Activity	Date
Task I - Provide Technical capacity and support to the Lagos-Kano-Jibiya Transport Corridor Management Group	
Hold the CMG Annual Meeting	Dec 2014
Establish a Corridor Secretariat for the LAKAJI Corridor Management Group (CMG)	Nov 2014

Design and publish the first issue of the Corridor newsletter	Nov 2014
Support the Corridor in developing and/or updating a work plan and an action plan to institute corridor improvements.	Dec 2014
Continue to support the CMG with the expansion of its membership	Oct-Dec 2014
Complete the signature of MOUs with eight state governments.	Nov 2014
Task 2 - LAKAJI Agricultural Growth Corridor	
Continue to host working group meetings and workshops on topics affecting corridor development efforts (e.g., rail, connectivity, SCPZs, etc.)	Oct-Dec 2014
Develop investment training materials and an agenda for the Federal Ministry of Agriculture	Oct 2014
Host a Cocoa Investment Conference	Dec 2014

COMPONENT 2: TRADE POLICY AND TRADE FACILITATION SUPPORT

Activity	Date
Task 1: Provide technical Supports to the Federal Ministry of Industry	
Develop an action plan for the re-design of TPP and relevant implementing institutions (ENFP/TPAC)	Oct-Dec 2014
Hold TPP working group meetings of public and private stakeholders	Oct-Dec 2014
Engage the TTF and NCS on implications of benchmarking for customs modernization and conduct annual assessment of the TTF capacity and effectiveness	Oct-Dec 2014
Hold two workshops on TFM for TTF members on the effectiveness of trade facilitation measures against existing metrics	Oct-Dec 2014
Task 2: Support Customs Modernization	
Provide technical assistance to NCS in implementing its own TTF and ensuring that all procedures are compliant with the new CEMA, when ratified.	Oct-Dec 2014
Supporting NCS with its transition toward a functional PCA Unit as per WCO guidelines through the development of job specifications, a basic procedure manual and a basic PCA training program and the provision of training.	Oct-Dec 2014
Conduct Training of Trainers for NCS staff on AEO regulations and procedures	Oct-Dec 2014
Provide technical assistance to NCS to develop and deliver training to the trading community	Oct-Dec 2014
Conduct one sensitization workshop between NCS and private sector to publicize changes in customs clearance procedures, changes in practice and other relevant news	Oct-Dec 2014
Provide technical assistance to NCS to influence and provide input to training initiatives underway in the Nigerian Shippers Council and Freight Forwarders Association	Oct-Dec 2014
Task 3: Provide Institutional Capacity Building on Standards Infrastructure for Food Agricultural Trade	
Submit recommendations to NFSM Committee and relevant agencies on process improvements and streamlining	Oct-Dec 2014
Conduct workshop to NFSM Committee and relevant agencies on findings of mapping exercise, inter-agency policy coordination and impacts of food safety policy on the private sector	Oct-Dec 2014
Support NFSM Committee and relevant agencies to develop a training curriculum for domestic traders and exporters on compliance	Oct-Dec 2014

Ensure and Support convening of the first Inter-ministerial committee meeting	Nov 2014
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COMPONENT 3

Activity	Date
Hold AGOA capacity building workshop with BOI/NEPC	Nov 2014
BDS training in deal facilitation.	Nov-Dec 2014
Formalize the industrial cluster development partnership with Kwara State Government (KWSG). The formalization of NEXTT partnership with KWSG started on industrial cluster development would present a significant media opportunity to showcase USG support to Nigeria’s industrialization policy.	Oct 2014
Further validate the outcomes and recommendations of the BDS Mapping Exercise.	Oct-Dec 2014
Continue to engage (through competitive process) BDS providers to provide immediately demanded services as “transaction facilitators”.	Oct -Dec 2014

8. WHAT DOES USAID NOT KNOW THAT IT NEEDS TO?

NEXTT’s assessment of the cashew industry during the Quarter 3 of Year 2 identified a major impediment to industrial competitiveness created by the continuing uncertainty around the incentive structure available for processing and value addition. Investigations suggest the top priority and largest opportunity for the Nigerian cashew industry (and export processing as a whole) lies in the reinstatement of the Export Enhancement Grant (EEG), a scheme that offers import duty rebates (or sellable certificates) for non-oil exports with a built-in incentive for value-added exports. The scheme has been suspended by the GoN over abuse allegations. As a result of the suspension, Nigeria’s largest cashew processor has scaled down operations to less than 10% capacity. Reinstating the scheme could recover more than 4,500 jobs for women in rural areas at that company alone. NEXTT has been approached to support efforts to advocate for the EEG or for the introduction of new export and value-addition incentives. NEXTT is collaborating with the Nigerian Cashew Association (NCAN) to develop the internal capacity to evolve and sustain a strong advocacy platform for the industry.



9. HOW IMPLEMENTING PARTNER HAS ADDRESSED COR COMMENTS FROM THE LAST QUARTERLY REPORT

The following points summarize actions taken in response to the COR comments

- 1) NEXTT's efforts have shifted to actively supporting the LDA in becoming part of the LAKAJI CMG, rather than a separate entity under the Task 2 LAKAJI Agricultural Growth Corridor Initiative. NEXTT has renewed its efforts to promote the CMG as the leading LAKAJI Corridor organization.
- 2) NEXTT recognizes that state government MOUs should be signed with the CMG. NEXTT will utilize existing MOUs to begin co-implementing activities with the state governments as the CMG begins to become operational, involving the CMG in the process. The CMG will then sign MOUs with state governments in Year 3, when it is an operational entity.
- 3) Additional detail has been provided with regard to the Valency investment. The number has been revised to \$8 million, per Valency's clarification. The COR was able to meet with Valency on a monitoring visit, on which Valency representatives confirmed that the investment would not be operational without NEXTT facilitation. NEXTT has submitted an attribution memo to the COR for review, so that we may come to a clear agreement on how to attribute exports and investments in the future.

- 4) NEXTT included additional firms receiving assistance on the project monitoring visit.

ANNEX A: PROGRESS SUMMARY

Achieved progress versus planned for the period disaggregated by gender, geographic area and other relevant factors (use table below).

PMP Indicator progress - USAID Standard Indicators and Project Custom Indicators										
Indicator	Data Source	Baseline Data		FY 2014		Quarterly Status – FY 2014				Annual Performance Achieved (in %)
		Year	Value	Annual Cum. Target	Annual Cum. Actual	Q1	Q2	Q3	Q4	
Intermediate Result (IR): LAKAJI Corridor Improvement										
I.1.1. Reduction in the cost to trade goods across border as a result of US assistance	Corridor survey	2013	Im: \$4,737 Ex: \$3,041	0%	0%	0%	0%	0%	0%	N/A
I.1.2. Reduction in the number of days required to trade goods across borders as a result of US assistance	Corridor survey	2013	Im: 19.5 Ex: 12.5	0%	0%	0%	0%	0%	0%	N/A
I.1.3. Reduction in the to move goods between Kano and Lagos as a result of US assistance	Corridor survey	2013	Lagos-Kano: \$1,548 Kano-Lagos: \$837	0%	0%	0%	0%	0%	0%	N/A
I.1.4. Reduction in the time required to move goods between Kano and Lagos as a result of US assistance	Corridor survey	2013	Lagos-Kano: 4 Kano-Lagos: 4	0%	0%	0%	0%	0%	0%	N/A
I.1.5. Increase in membership of CMG	CMG official records	2012	7	15%	0	0	0	0	0	0%
I.2.1. Number of new agribusinesses established along LAKAJI corridor as a result of project support	Firm surveys	2012	0	5	2	0	1	1	0	40%

PMP Indicator progress - USAID Standard Indicators and Project Custom Indicators										
Indicator	Data Source	Baseline Data		FY 2014		Quarterly Status – FY 2014				Annual Performance Achieved (in %)
		Year	Value	Annual Cum. Target	Annual Cum. Actual	Q1	Q2	Q3	Q4	
1.2.2. Value of new agricultural investments facilitated along the LAKAJI corridor as a result of project support	Firm surveys	2012	0	\$1.25 M	\$8,008,714	0	\$8,714	\$8 M	0	641%
1.2.3. Number of development innovation venture proposals submitted	Applicant reports DIV applications	2012	0	2	2	0	0	0	2	100%
1.2.4. Value of investments mobilized by project development facility	N/A	2012	0	\$5 M	0	0	0	0	0	N/A
Intermediate Result (IR): Trade Policy And Trade Facilitation Support										
2.1.1. Number of legal, regulatory or institutional actions taken to improve implementation or compliance with international trade and investment agreement due to support from USG-assisted organizations	GoN official sources	2012	0	2	3	2	1	0	0	150%
2.1.2. Number of participants in trade and investment trainings	Attendance records	2012	0	40	132	50 M: 39 F: 11	10 M: 8 F: 2	52 M: 43 F: 9	20 M: 17 F: 3	330%
2.1.3 Person hours of training completed in trade and investment capacity building supported by USG assistance	Attendance records	2012	0	4500	4576	1,743 M: 1,357 F: 386	280 M: 224 F: 56	1,362 M: 1,114 F: 248	1071 M-790.5 W-400.5	102%
2.1.4. Number of days of USG supported technical assistance in trade and investment capacity building provided to counterparts of stakeholders	Project reports, timesheets, attendance records	2012	0	150	288.2	82.5	100	76	29.69	192%
2.2.1. Number of customs harmonization procedures implemented in accordance with internationally accepted standards as a result of USG assistance	GoN official sources	2012	0	2	0	0	0	0	0	0%

PMP Indicator progress - USAID Standard Indicators and Project Custom Indicators										
Indicator	Data Source	Baseline Data		FY 2014		Quarterly Status – FY 2014				Annual Performance Achieved (in %)
		Year	Value	Annual Cum. Target	Annual Cum. Actual	Q1	Q2	Q3	Q4	
2.3.1 Number of public and private sector standard setting bodies that have adopted internationally accepted guidelines for standard setting as a result of USG assistance	GoN official sources	2012	0	2	2	1	0	1	0	100%
Intermediate Result (IR): Expanded Export Support										
3.1.1. Number of firms receiving capacity building assistance to export	Registration forms, attendance records, surveys	2012	0	100	92	37	36	12	7	92%
3.1.2. Number of trade and investment capacity building diagnostics conducted	Project records	2012	0	1	2	0	0	1	1	200%
3.1.3. Number of participants in USG supported trade and investment capacity building trainings	Registration forms, attendance records, firm survey	2012	0	40	104	37 M: 31 F: 6	0	27 M: 20 F: 7	40 M: 25 F: 15	260%
3.2.1. Number of capacity building service providers receiving USG assistance	Attendance records, project reports	2012	0	25	22	2	1	0	19	88%
3.2.2. Number of firms receiving USG assistance that obtain certification with international quality control, environmental and other processes, voluntary standards or regulations	Surveys, attendance records, project reports	2012	0	3	0	0	0	0	0	0%
3.3.1. Value of export by NEXTT client firms facilitated as a result of project assistance	Firms via surveys and reports	2012	0	\$6 M	\$1,183,426	\$2,469	\$1,875	\$569,933	\$609,149	20%
3.3.2. Value of investment in NEXTT client firms facilitated as a result of project assistance	Firms via surveys, reports and other notifications	2012	0	\$5 M	\$8,086,714	\$0	\$8,714	\$8,078,000	\$0	162%

ANNEX B: MEDIA COVERAGE OF NEXTT INITIATIVES

NEXTT's LAKAJI Corridor development work, the partnership with NEPC (particularly the strides made to boost Cashew exports), the initiative with CDMA and the project's trade facilitation support received extensive media coverage. See links below for full stories.

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