

## Summary of Investment: Great Farm - Babban Gona – Nigeria

<b>Company Name</b>	Babban Gona Farmer Services Nigeria Limited
<b>Country</b>	Nigeria
<b>Region</b>	Sub-Saharan Africa
<b>Status</b>	Pending Approval
<b>Environmental Category</b>	B
<b>Sector</b>	Farming, Trade and Supply Chain
<b>Industry</b>	Financial Institution
<b>Date of Disclosure</b>	09 November 2020
<b>Projected to be presented at the Board</b>	07 December 2020

### Project Description

IFAD will provide up to \$5M in senior debt financing to fund the expansion of the Babban Gona’s franchising model of grassroots level farmer Trust Groups. Trust Groups are comprised of 3-6 farmers, who, through the Agricultural Franchise Model - receive a holistic package of services including inputs, precision agricultural training, credit, and marketing services- enabling these smallholders to increase their yields and net incomes by 2 times and 2.5 times the national average, respectively and help to effectively de-risk smallholders for loans- resulting in a 99% repayment rate. Smallholders will be enabled to progress from smallholder farming that is largely based on subsistence, to a market-driven approach that creates opportunities to expand their income base and improve their livelihood. Building on the efforts of IFAD’s sovereign operations, the project focuses on maize with rice expected to expand its importance in the future. These are both high priority value chains identified in Nigeria’s National Agricultural Investment Plan (NAIP) with the potential to enhance the income of smallholder farmers and significantly contribute to poverty reduction and food security.

### Sponsor/Cost/Location

Project Sponsor and Major Shareholders of Project Company

Babban Gona (Great Farm in Hausa) Farmers Services Nigeria Limited is a private social enterprise established in Nigeria in 2012 with equity investments from local investors and its two founders: Kola and Lola Masha.

The shareholding is as follows:

<b>Shareholders</b>	<b>Shareholding (%)</b>
Doreo Partners <sup>1</sup>	42%
Bukola Masha	5.2%
Omolola Masha	5.2%
KfW	15.4%
Babban Gona Members' Trust	23.7%
Babban Gona Employee Share Scheme	8.5%
<b>TOTAL</b>	<b>100.0%</b>

The company is guided by a board of 9 members, which includes both local and international representation and a representative of the small farmer members who is

<sup>1</sup> Owned by Bukola and Omalola Masha.

nominated by the farmers themselves. The Board has oversight over all activities including operational and financial as well as HR issues.

#### Location of the Project

Babban Gona is a Nigeria-based company. IFAD's funding will support the company's operations in Jigawa, Kano, Katsina, Kaduna, Plateau and Bauchi states.

#### **Additionality**

IFAD's additionality is both financial and non-financial. Financial additionality is achieved through the provision of long term financing with grace periods to better support the planned expansion of the business and effectively mobilize IFAD's loan to increase the projects outreach and impact. IFAD's reputation as leading IFI specialized in agriculture should also help catalyze further investments and leverage more senior lenders to join. Non financial additionality will be achieved through Babban Gona's links to IFAD's public sector operations, which will provide a potential new client base for the company. IFAD's rigorous E&S requirements should also translate into improved performance of the company in this area.

#### **Environmental and Social Rationale (SECAP)/Risks and Mitigation**

Babban Gona has made climate-smart agriculture a core focus of its business. The efforts are centered around climate change mitigation initiatives and building farmers resilience to climate related shocks which include the following aspects: (i) **Reduced deforestation**: discouraging slash and burn farming practices and advising our farmers to trim, and not cut down, trees on their farm; (ii) **Reduced crop burning**: to prevent farmer members from burning residue at the end of harvest season; (iii) **Crop rotation**: members are trained on the importance of seed and crop diversification as it is important to diversify their crops to build resilience to single-crop shocks, improve family nutrition, and diversify incomes: and (iv) **Optimized input use**: as a result of an extensive farm analysis to determine optimal input use that prevents overuse of fertilizer with microdosing and other inputs.

IFAD conducted a rigorous Social, Environmental and Climate Assessment based on its SECAP standards. The main finding was that the potential environmental impact posed by the updated programme are limited, site-specific and constrained to production (including land development and agrochemical management issues), agro-processing facilities (including the use of firewood, waste and effluent management, unhealthy working environment, etc.), and possible risks from small-scale irrigation and drainage development including, tube-well and watering point construction. Appropriate mitigation plans will enable the remedy and/or considerable reduction of potential risks. The project will not have any severe negative impacts on the livelihoods of other peoples including involuntary taking or restriction on the use of land resulting in physical or economic displacement. It is not envisaged to negatively affect indigenous peoples or sites of historic, religious or cultural significance. The project will not support the opening of lands in virgin forests, sensitive areas (including forest reserves and important bird areas), and/or new clearing of contiguous areas of above 100 ha in a single location.

The social risk is high in some of the states (especially the North-East states) due to land resource conflicts (especially between farmers and pastoralists) and related threats to human security. This project is strengthening conflict resolution mechanisms and supporting mechanism to compensate farmers and processing centres for conflict-related damages. Tenure security and access to land by women also pose a challenge. This programme will prioritize women in project-secured lands, and support policy dialogue on

land reform as a mitigation strategy for both land access for women and conflict management.

**Contact**

For further information about the project, please contact:

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