

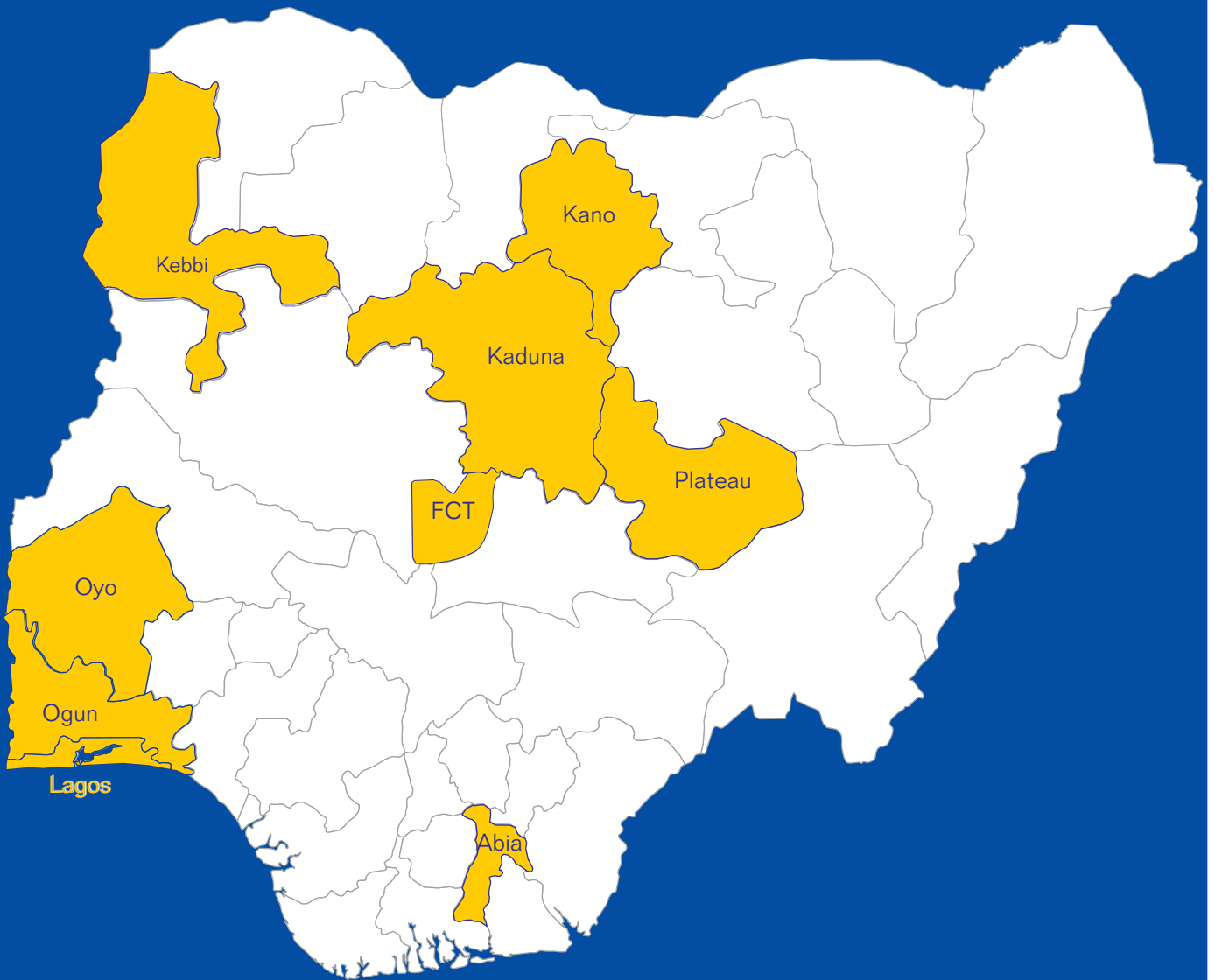


## GIZ NICOP An Integrated Value-chain Based Approach with Focus on Innovation



Co-funded by the  
European Union





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# Innovation in NICOP

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In the NICOP context, innovation is not limited to the introduction of technologies and equipment; innovation refers to a broader concept including incremental, disruptive, sustained and radical cutting edge approaches, novel interventions and original methodologies introduced by the project across pillars.

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The Nigeria Competitiveness Project (NICOP) was designed with an integrated value-chain approach focused on inclusivity and innovation to improve tomato, ginger, chilli, leather and garment production to deliver structural transformation, improve coordination and address linkage failures to strengthen access to regional and international markets.

Beyond the stated objectives and the log frame targets, NICOP has pursued a proof of concept approach to demonstrate successful pilot projects that could be refined, improved, replicated, and scaled up. Stakeholder engagement, partner commitment, and buy-in were critical for the project's ability to deliver the work on the ground with practical and tangible results in a sustainable way. Similarly, strategic partnerships and collaborations were vital to increase reach and deliver support in a cost-effective way that not only provided value for money but also multiplied impacts.

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**Proof of concept, also known as proof of principle, is the realization of a certain approach or method at small scale with clear timelines and objectives to test assumptions and to demonstrate its feasibility. At pilot completion, the results are analysed and the approach may be refined and improved for subsequent replication and scale up.**

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NICOP has maintained gender inclusivity as one of its major priorities and this has translated to all interventions and activities carried out on the ground. Ensuring that all female beneficiaries were included, and their additional limitations and access barriers were fully acknowledged and addressed by the project and by the partners was fundamental to intervention design.

Collaborations with state and federal governments, development partners, public and private sectors offered multiplier effects for NICOP and project beneficiaries reinforcing commitment and embedding sustainability.

# Innovation

## Inclusive Business Approach



Has enabled NICOP to reach and provide tailored support to

**+28,000 beneficiaries** in an inclusive, efficient and sustainable manner

## Mainstreaming of Gender

Has enabled NICOP to ensure



**62%**

of beneficiaries trained in entrepreneurship were female



**47%**

of beneficiaries supported in access to finance were female



**100%**

of beneficiaries accessing loans in Lagos and Kaduna 60% in Kano were women

## COVID19 Responses

Has enabled NICOP to facilitate

**+80 Million NGN**

in input finance as part of the COVID19 response to small holder farmers and MSMEs as part of the immediate response to the pandemic



Supported and stimulated the independent production of **+1 Million** face coverings

## Alignment and Collaboration with State Governments in Ogun and Oyo States

Has enabled NICOP to facilitate input finance to



**+2,000** smallholders farmers



Trained **+4,000** farmers



Provide **+6,000** instances of training



**+70%** of yield increase



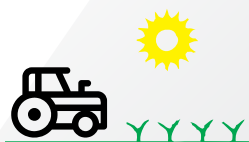
**+70 clusters**

formed and extension workers trained

## Renewable and Sustainable Energy Usage, Mechanisation and Digitalisation

Has enabled NICOP to introduce equipment, technology and innovation to

**+7,000** farmers



## Climate Change Mitigation and Adaptation



**Almost 9,000 farmers trained** on specific climate change mitigation and adaptation approaches

**1 inclusive** weather index insurance developed and marketed for the ginger farmers to mitigate on the climate change challenges

## Access to Finance and Investment



**+590 Million NGN** facilitated to **over 5,000 beneficiaries**



**+12,000 beneficiaries** informed on access to finance initiatives

## Circular Economy



**+8,000 farmers** trained on compost making, organic farming, integrated soil fertility management and others

## Policy



**+90 legislations** analysed

**10 position papers presented**

Small holder farmers and MSMEs included through the inclusive business approach with private public dialogues, alternative dispute resolution and contract farming

## Technical / Value Chain Core



**+24,000 hectares** of land supported



**+260,000 tons** of tomato and ginger harvested and over 110% yield increase achieved



**+140,000NGN** average income increase per small holder farmer



**+ 590 million NGN** realised in new/increased exports by MSEs and businesses

## Innovation that Sets the Basis for Future Programming

**+30 innovative pilots** on circular economy, renewable energies, job creation, women economic empowerment, inclusivity, digitalisation and others

# Inclusive Business Approach

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Inclusive businesses are those that provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the pyramid, making them part of the value chain of companies as suppliers, distributors, retailers, or customers.

The inclusive Business approach has been chosen by NICOP across pillars and value chains to successfully engage inclusive businesses and effectively reach out to multiple MSMEs and Smallholder Farmers (SHFs) in an organized and coordinated manner to address multiple and diverse challenges and gaps, ensuring sustainability from the onset.

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NICOP's wide variety of beneficiaries across the selected value chains such as smallholder farmers, cooperatives, commercial farmers, off takers, processors, retailers, wholesalers, and exporters invited the adoption of the inclusive business approach. All pillars embraced the concept to successfully and effectively reach out to key partners and a diverse range of MSMEs, artisans, and smallholder farmers embedding a coherent vision for sustainable change from the outset. NICOP promoted inclusive business opportunities across value chains capable of fully integrating the Base of the Pyramid (BoP) in their business models on a commercially viable basis. This magnified the impact

across value chains for companies that included BoPs as suppliers, distributors, retailers, or customers.



*Figure 1. Weighing of chili produce for offtake by an inclusive business processor.*

This inclusive business approach not only embedded sustainability from the onset but ensured partners' contributions for additional value for money, guaranteed off takers for the farmers and MSMEs produce, and encouraged mature analysis around pricing mechanisms in pursuit of fairer and more transparent outcomes for all.

## Mainstreaming Gender Considerations

Gender has been mainstreamed in NICOP from the design and planning to the actual implementation and monitoring stages. Consequently, all approaches and interventions ensure that female access barriers have been considered and addressed and safe spaces have always been promoted for women to fully benefit from NICOP's interventions. Women associations have been prioritised in selected interventions to receive targeted support, such as the AFDEC and MADAF groups that received

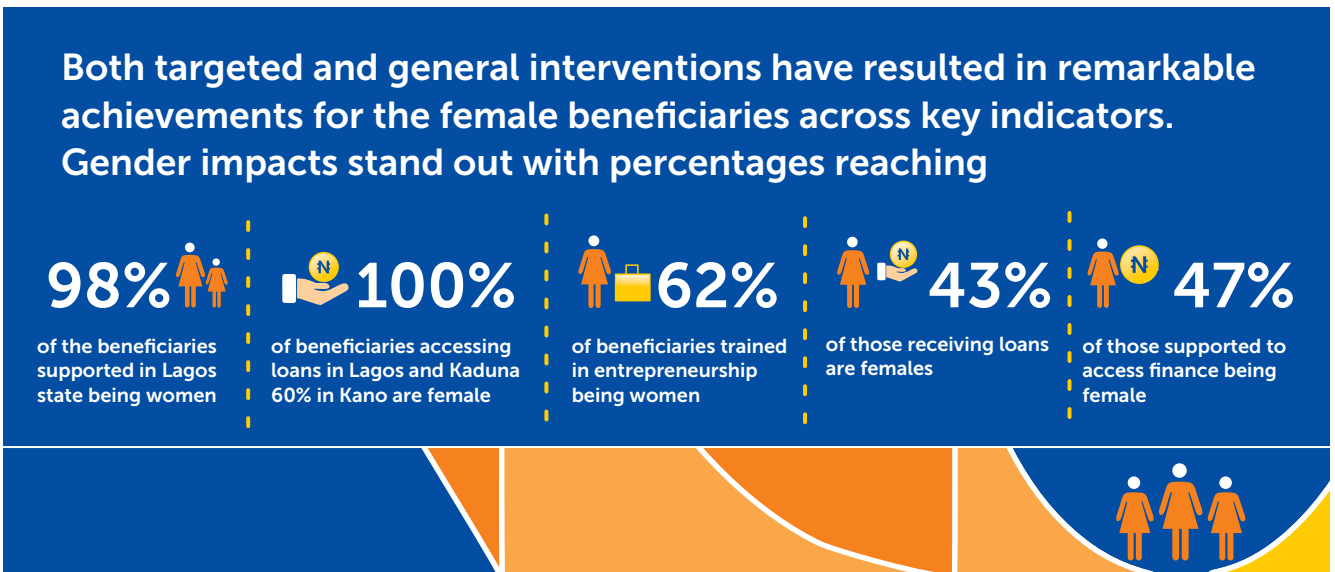
personalised support around technical and quality improvement, workshop productivity, efficiency improvement, product development, access to markets, and access to finance. This comprehensive support is now culminating with the support to empower these business member associations to continue providing professional business services and support to all their members. Across the agricultural and light manufacturing value chains, women groups have benefited from



Figure 2. AFDEC members supported as part of the inclusive support.

personalised support to improve their yields and increase their productivity and add value to facilitate access to new markets. Access to finance and investment activities mainstreamed gender through specific interventions on selected groups such as the self-financing community initiative that has provided female groups with financial literacy and empowerment to increase their ability to save, demonstrate effective record keeping, and improve their financial discipline resulting in a better credit history that will enable them to access external sources of finance.

Both targeted and general interventions have resulted in remarkable achievements for the female beneficiaries across key indicators.



# Alignment and Collaboration with State Governments

To ensure the scalability and sustainability of its initiatives, NICOP collaborated with the Ogun State Ministry of Agriculture to align project activities with the State's strategic agricultural plans. This was done in recognition of the fact that the state government offered good prospects to institutionalize sustainability as developing the chilli and tomato value chains fitted within the state's development agenda. Through this partnership, the project and the State government have been co-implementing activities including cost-sharing in the training of lead farmers and Ogun State Agricultural Development Program (OGADEP) extension agents through a Training of Trainers (ToT) on tomato and chilli production. This training was then stepped down to farmers across the state to maximise impact resulting



Figure 3. Official launch of the TomaPep joint programme in Ogun State.

in the formation of 73 farming clusters across Ogun State and up to 1,800 persons in total. The state government has so far taken the initiative to ensure that the new groups formed under this arrangement get registered with Corporate Affairs Commission



(CAC) and with the support of the lead farmers and extension agent assigned to each cluster. NICOP has delivered training on Good Agricultural Practices and Integrated Pest Management in tomato and Chilli production. A joint work plan was also developed to jointly support farmer clusters and link them to off takers both within and outside the state - an initiative that is still ongoing.

During the COVID19 pandemic, NICOP partnered with the Oyo state government to distribute agricultural inputs worth 28 million Naira to selected

farmers at a critical time where fertilisers and other essential inputs were not available. This not only guaranteed that the agricultural inputs were distributed to the right clusters but also ensured food security was not jeopardized thus safeguarding vulnerable livelihoods.

Similarly, critical partnerships in other states are allowing NICOP's interventions to progress while embedding sustainability through strengthened business models.

## COVID19 Responses

In the first quarter of 2020, NICOP was severely affected by the COVID19 pandemic. The project quickly reacted in innovative ways that allowed the team to continue implementation by obtaining special passes allowing value chain advisors to freely move in the states to continue supporting smallholder farmers and by leveraging on aggregators, processors, and inclusive partners that were close to the beneficiaries and thus well placed able to reach out and deliver constructive support.

It was clear at that time that alternatives to fertilisers were required as travel limitations had significantly hampered distribution and reduced supply. NICOP quickly trained farmers to develop compost solutions that were also more ecological. The project also explored direct assistance to improve the supply chain of input materials and accessories for the production of face masks and linked them with supported farmers.

All NICOP trainings were conducted with the COVID19 protocols implemented by the Ministry of Health and NDCC and/or through online interaction whenever possible.

Critical and specific measures were designed and implemented to address the Immediate liquidity issues that MSMEs and farmers were facing and NICOP actively supported its beneficiaries to successfully access the Central Bank of Nigeria COVID19 targeted facility. Farmers and aggregators were also supported to access funds for raw inputs.

Limited movement seriously affected the ability of stakeholders to access essential markets. NICOP addressed the challenge by facilitating linkages to open markets, identifying, and developing collection centres closer to producers, supporting further

processing and value addition closer to the farms, and introducing receipting systems. The approach resulted in actively expanded schemes that transparently linked farmers with retailers, reducing opportunities for profiteering.

On the financial side, with a medium-term horizon, NICOP supported the setting-up of the COVID19 Impact Consortium as the online platform for coordinated COVID19 Impact Investment responses including the establishment of advisory and facilitation for MSMEs. This Consortium was later merged into the National Advisory Board for Impact Investment.

As part of the support to the states, NICOP mapped the states and federal responses to COVID19 for peer learning and alignment and included a revision of the economic impact of COVID19 and policy responses in an analysis of national and state policy frameworks. NICOP actively engaged with state governments to support the development of appropriate policy




*Figure 4. AFDEC member producing face coverings during the pandemic for the pilot supported by NICOP.*

responses to address the impact of the COVID19 pandemic on the state economy and particularly MSMEs in selected value chains and promoted public-private sector engagements around COVID19, development, and implementation of appropriate policies and measures targeting selected sectors in selected states. Continuous peer learning and federal-state linkages on addressing the economic impacts of COVID19 on MSMEs and value chains were encouraged culminating with selected states implementing critical COVID 19 recommendations that positively impacted NICOP's beneficiaries and the overall states.

As part of the innovative responses to COVID19, NICOP supported a pilot for the AFDEC women group to produce

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**10,000**  
face coverings (masks)

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that initially started with the distribution of 500 pieces to the support healthcare staff in hospitals and to densely populated vulnerable communities in Lagos state.

They also produced these coverings for farmer communities where NICOP was supporting agricultural initiatives across its focal states. The face coverings were produced based on recommendations from various scientific literature. The AFDEC women were supported with technical information on the construction of these face coverings to ensure the critical access areas were covered and they applied appropriate ergonomics to ensure comfort while being worn.

After the support from NICOP, AFDEC independently produced over

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**+1,000,000**  
face masks

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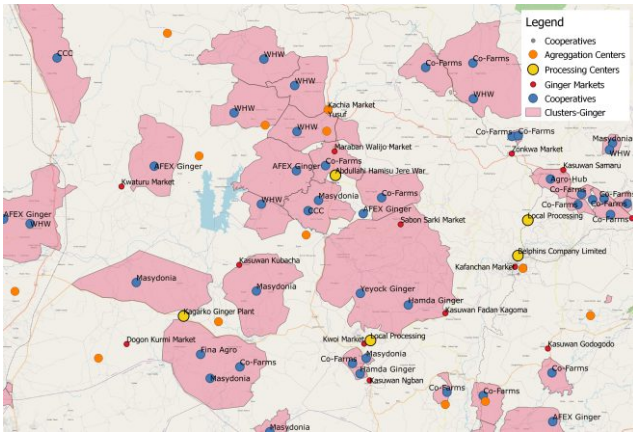
throughout the pandemic years allowing production to continue and livelihoods to be secured.

# Renewable and Sustainable Energy Usage, Mechanisation and Digitalisation

Renewable energy and farming have demonstrated to be a winning combination, therefore solar irrigation initiatives were explored in states to develop cost-effective business models that enabled smallholder farmers to access these technologies and to create awareness amongst selected clusters. NICOP also supported processors and off takers that had introduced green energy sources in tomato processing in Kebbi state while solar and hydro energy options were explored in the tomato value chain in Kano.

*Figure 5.* Sample of innovative equipment provided by NICOP to processors that demonstrated an inclusive business approach.





**Figure 6.** Map showing main ginger clusters that are investable in Kaduna state.

Several messaging solutions have been explored to provide smallholder farmers with information about COVID19, weather, and good agricultural practices. In its pursuit of data to attract investment to NICOP's value chains, a digital mapping exercise of ginger value chain activities was conducted in Kaduna state generating geospatial data on cooperatives, clusters, and the supply chain. The geographic relationship between production, aggregation, markets, and processors can be used to optimise factors of production and identify market opportunities and encourage investment.

NICOP is also leveraging digital platforms for e-commerce for its leather value chain through selected aggregators to ensure digital literacy access barriers and quality and standardization issues are effectively addressed.

Across the agricultural value chains, targeted mechanization for planting, production, harvesting, and value addition of the crops has been introduced. This equipment support to selected partners is coupled with additional training and business development ideas to add value, produce new products, and access new markets.



**Figure 7.** Ginger farmers during the training to use ginger planters and harvesters.

In addition to the solar irrigation pumps, several pilots were explored to test and upscale climate smart innovations and irrigation techniques to save water and to introduce a cost-efficient and sustainable alternative to the rain-fed farmlands. The introduction of green energy through direct equipment support with a focus on solar dryers for the tomato and chili value chains additionally contributed to these approaches.



**Figure 8.** Farmers processing chilli with the hot air dryer provided by NICOP.

# Climate Change Mitigation and Adaptation

NICOP has adopted innovative strategies to be able to explore climate mitigation and adaptation solutions within tight project timelines. In this area, active collaborations have materialised with sister GIZ programmes and with other partners and initiatives that focused on mitigating the negative impacts of climate change.

Partnerships with Nationally Determined Contributions II (NDCII) enabled NICOP to explore pilots to mitigate climate change and introduce efficient and sustainable innovations. Selected NICOP's beneficiaries are benefiting from the ongoing investment readiness programme that will enable them to access climate change mitigation and adaptation solutions and investment opportunities to adopt climate-friendly outcomes.

The project has also been working with seed companies and agro-dealers for disease-resistant/weather tolerant seed varieties and subsequently supported the introduction of these improved varieties across various farmer clusters. NICOP's support for the development of the first weather index insurance on the ginger value chain in Nigeria was another example of innovative approaches to implement strategies to de-risk investment in agriculture through climate change mitigation and adaptation. More eco-friendly approaches across agricultural value chains such as compost making were evaluated to improve soil management and improve yield.

## Circular Economy

Similarly, NICOP has explored circular economy approaches in its interventions by exploring the use of agricultural waste in composting and recycled plastic crates to substitute single use packaging materials. Traditional knowledge around soil protection in the form of crop rotation was also introduced in the trainings for the smallholder farmers. NICOP also promoted and provided visibility to climate-friendly processing solutions nearer to production points.



Figure 9. Awareness creation materials of inclusive weather index insurance for ginger.

In addition, NICOP actively promoted improved planting methods through the use of nursery trays to reduce seedling mortality during transplant, staking in tomato production for better disease management, bunding practices in ginger production to mitigate soil erosion, green manuring & use of compost in ginger production to improve soil fertility and mulching to maintain soil moisture and suppress weeds. Tomato production was improved through the use of bio stimulants and the application of organic fertilisers. This support for ecological agricultural production also offered more resilient crops better suited to Nigeria's changing climate.

In the light manufacturing value chains, waste management solutions have been explored to minimise the negative impact on the environment while green energy sources have been explored across both light manufacturing and agricultural value chains.



Figure 10. Female farmers sorting harvested tomatoes into plastic crates implemented by NICOP to minimise post harvest loss.

# Technical/ Value Chain Core

The technical pillar of the project positioned all the interventions with the focus of empowering smallholder farmers and linking them to selected off takers and processors through mutually, commercially based relationships that encompassed inclusive contract farming methods. Delivering support through inclusive businesses proved an efficient mechanism to reach smallholder farmers while offering sustainable outcomes.

To increase yield quality and quantity, NICOP introduced agro-dealers to smallholder farmers to showcase improved seeds and inputs within demonstration plots for improved yields. The initial linkages to off takers and processors from the outset meant that smallholder farmers were capable of producing crops to the quality, quantity, and standards required by the off takers. The additional support provided to processors on certification and standards meant that comprehensive and all-encompassing support was provided to critical actors across the value chains achieving long lasting results.



*Figure 11. Farmers at the nursery site at the Tomato Jos factory in Kaduna.*

Within the technical pillar, strong considerations were provided around food security, ensuring agricultural value chains backward and forward integration to avoid disruption and ensure food

security, improving productivity, and facilitating market linkages which exposed farmers to additional income which could be used to buy food and improving farming efficiency with VGGT guidelines to improve yield yet support crop diversity through stronger contract farming models.



*Figure 12. Training farmers to ensure delivery of crops in optimal condition for off takers.*

Overall, the strengthening of contract farming and the development of business models for stronger business cases and improved access to market linkages and off taking agreements for enduring financing relationships have been critical innovations strengthened by NICOP in addition to the adoption of robust Economies of Production and business modelling to create investable and replicable business models that sustainably increase jobs.

# Access to Finance and Investment

Longstanding weaknesses in Nigeria's financial services sector have restricted the flow of capital to support investment. The impact of the COVID19 pandemic further restricted access to finance particularly among the SMEs typical of NICOP's value

chains necessitating innovative solutions to deliver commercial growth and improved competitiveness. The work of the technical pillar served to highlight small scale, community-driven initiatives that typically struggled to access traditional sources of

finance, but which might be attractive to more patient sources of capital. NICOP evaluated the interest of the diaspora and crowdfunding solutions that might seek positive social and economic impact. Potential investors highlighted the importance of understanding the underlying business models which influenced subsequent project activity to address data gaps and adoption of higher quality record keeping.

The scope of the project, directly impacting many thousands of smallholder farmers, artisans, and MSMEs across multiple states afforded opportunities to promote impact investment through inclusive businesses as means to deliver positive social and environmental outcomes in a financially sustainable way. NICOP's catalogue of input and service providers, producers, and delivery networks attracted the interest of franchisors and culminated in collaboration with AFEX to strengthen the ginger sector in Kaduna.



**Figure 13.** The launch of the non-interest micro loans to MSMEs in Kano.

Evident interest in the impact investing opportunities offered by NICOP invited collaboration with the Impact Investors Foundation (IIF) leading to several joint initiatives between NICOP and the IIF. NICOP actively supported the creation of the Nigerian Advisory Board (NAB) on Impact Investing to promote and mainstream impact investment in Nigeria. Feedback from the NAB encouraged NICOP to expand the scope of the impact investing ecosystem and initiate the setting up of wholesale impact investment fund to replicate successful similar schemes in other countries allowing the application of dormant accounts, unclaimed dividends, and other funds in pursuit of inclusive but commercially driven investment for SMEs to deliver jobs and strengthen Nigeria's financial sector. As part of the collaboration with the IIF, Ford Foundation, and the office of the

President on Sustainable Development Goals, the draft framework for the wholesale impact investment was developed to create a one billion dollar fund to build the market for impact investment and provide impact funds to the healthcare, education, and agriculture sectors.



**Figure 14.** Booklet presenting the inclusive Jaiz MSME financial project supported by NICOP.

Many of NICOP's value chain actors had struggled to access finance notwithstanding a demonstrable business operation with a proven track record. NICOP supported partner financial institutions in the design of financial products that are tailored to the specific constraints of these actors while considering adequate de-risking mechanisms. Through a succession of match-making and promotional events, NICOP exposed these MSMEs to banks culminating in Jaiz Bank recognizing the merit of facilitating loans under its recently designed mudabara no interest micro loan scheme. Loans were successfully repaid encouraging Jaiz Bank to expand the scheme and, more importantly, pursue the development of a new financial product specifically intended to improve access to lending for women who had hitherto struggled to access formal loans.

The competitive advantage granted to production clusters through NICOP's support reflects equally on producers themselves and the states within which they are housed. Federal and state Investment Promotion Agencies (IPAs) offer a storefront for NICOP's beneficiaries, products, and services and NICOP has built the capacity of the IPAs to appreciate the potential of commercially driven, motivated producers to support state economic development plans. Federal and State IPAs have been empowered by NICOP to effectively promote and attract impact investment and support impact investment opportunities across the project's main value chains. As NICOP developed stronger data on the location

and cycles of production within specific agricultural clusters it became possible to invite the interest of insurance providers to further mitigate the risks associated with commercial lending to smallholder farmers. The project actively supported leading insurance providers to design and roll out a weather index insurance product among ginger farmers in Kaduna that was the first of its kind in Nigeria.

In pursuing innovation within its own ecosystems, NICOP has also actively pursued opportunities to collaborate with and learn from other programmes. The Inclusive Business Advisory Network (iBAN) has proven to be a valuable platform allowing NICOP to promote its expertise to a broader audience whilst also benefitting from the ideas and experience of experts in other sectors and different countries. With climate change a pressing issue NICOP also

collaborated with a GIZ sister project, NDC Assist II supporting Nigeria's Nationally Determined Contribution (NDC) to the United Nations-Framework Convention on Climate Change. The collaboration with NDCII included specific investment readiness support for NICOP's beneficiaries to access climate adaptation and mitigation funding.

Efforts have also been made to promote and adopt technological solutions in pursuit of more efficient and transparent financial management. Transactions at all stages of the value chains invite modern 'point of sale' equipment but the ground reality is that too few actors at the base of the pyramid have ready access to essential hardware or the requisite bank accounts. Formalising the most informal sectors will remain challenging until access to markets reach scale.

## Policy

The policy pillar has explored inclusive and sustainable approaches to ensure that policies and regulations that constrained the business enabling environment of the selected value chains were reviewed and improved to increase the efficiency and competitiveness of the actors in the value chains.

These approaches encompassed inclusive policy advocacy to ensure full inclusion in the policy advocacy and reform process, public private dialogues approach to facilitate a dialogue platform between the public and the private sector and ensure all the voices were heard, alternative dispute resolution (ADR) mechanisms that provide access to an affordable and efficient system of commercial dispute resolutions and therefore encourages trading, contract management training and empowerment to ensure MSMEs and smallholder farmers are not short-changed in the contract process.

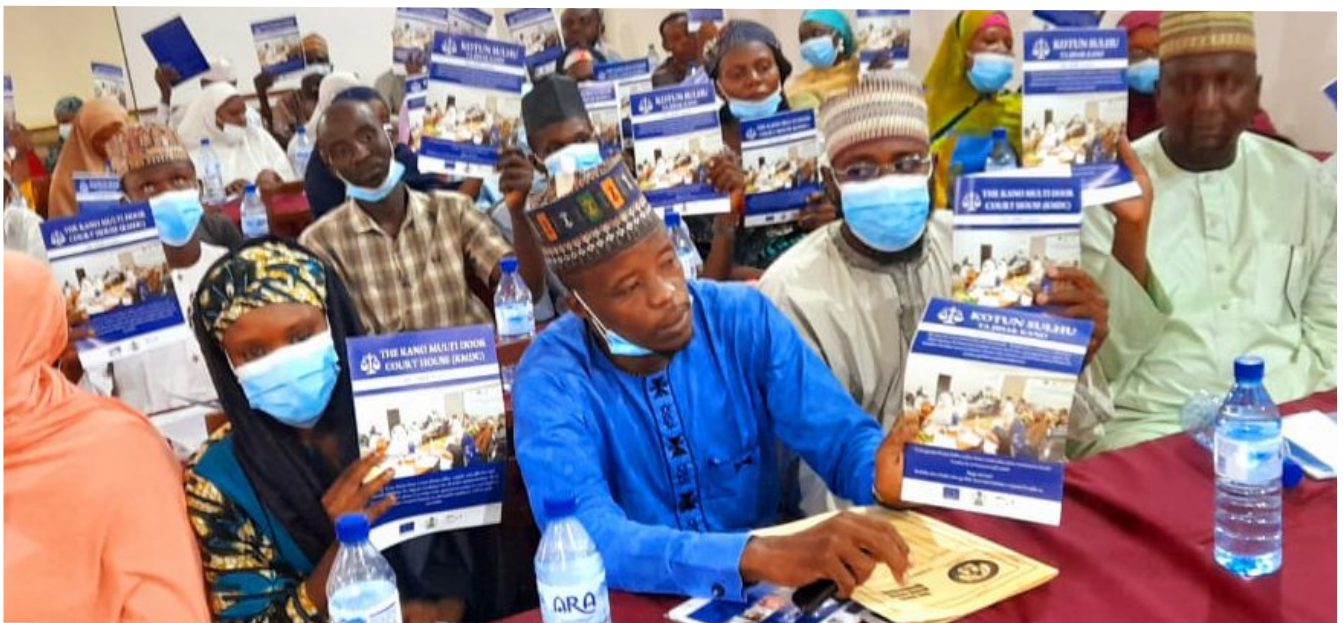


Figure 15. ADR sensitization event amongst NICOP's beneficiaries in Kano.

The active exploration of the Kaduna dry port by NICOP as an innovative alternative to the congested maritime ports in Nigeria has provided a substitute solution to increase trade in Nigeria.



Figure 16. Vice President Osinbajo lauds the EU support for Nigeria.

## Innovation that Sets the Basis for Future Programming

NICOP has successfully introduced innovation across value chains and interventions to improve the impact of its interventions and enhance its sustainability and scalability. This proof of concept approach is additionally allowing the project to set the basis for future programming of the EU Delegation and of other development partners as NICOP has been willing to partner with key stakeholders from the private and public sectors and the donor community. This willingness to collaborate is also innovative as it reduces costs, provides additional value for money, improves brand recognition and value, and provides multiplier impacts.

Figure 17. A sample of an autoclave packaging machine as an innovative equipment provided by NICOP to processors.







Published by:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH  
Nigeria Competitiveness Project (NICOP)  
Pro-Poor Growth and Promotion of Employment in Nigeria Programme – SEDIN

+234 (0) 9139383422  
Nicop@giz.de

<https://sedin-nigeria.net/the-nigeria-competitiveness-project-nicop/>

This programme is commissioned by  
German Federal Ministry for Economic Cooperation and Development (BMZ) and co-financed by the European Union (EU)