

Annual Review

Title: Propcom+ (not an acronym) – supporting economic development in conflict and climate affected regions in Nigeria		
Programme Value £ (full life): £95,000,000		Review date: March-April 2023
Programme Code: 300826	AMP start date: 13/05/2022	AMP end date: 31/03/2030

Summary of Programme Performance

Year	2023							
Overall Output Score	A							
Risk Rating	Major							

DevTracker Link to Business Case:	DevTracker Programme GB-GOV-1-300826 (fcdo.gov.uk)
DevTracker Link to results framework:	DevTracker Programme GB-GOV-1-300826 (fcdo.gov.uk)

A. SUMMARY AND OVERVIEW

Description of programme

Propcom+ is a new £95 million, eight-year, International Climate Finance (ICF), rural and agricultural market development programme. This Annual Review covers the first year of the programme that has focused on the procurement of the supplier for the main programme delivery and mobilisation of the Strategic Response Fund (SRF) to support initiatives ahead of the main supplier coming on board.

Propcom+ will support climate-resilient and sustainable agriculture that benefits people, climate, and nature. It will (i) increase productivity, improve nutrition and food security (ii) enhance climate resilience, pursue lower emissions, and protect and restore nature, and (iii) help tackle some of Nigeria’s underlying drivers of conflict and insecurity.

The programme seeks to stimulate sustainable pro-poor climate-resilient growth in selected rural markets. It does this by working as a ‘market facilitator’, identifying constraints in markets systems and facilitating changes to enable rural markets to work better for the benefit of poor and climate-vulnerable smallholder farmers and rural small-scale entrepreneurs.

Propcom+ aims to increase the incomes and climate resilience of 3.79 million poor and vulnerable men and women in Nigeria, 50% of whom will be women, through a “3Ps” approach of interlinked components:

- P1: Scaling-up** a focused basket of **Proven** climate-smart interventions around agricultural and primary processing / storage practices and models to get these adopted by millions of poor and vulnerable smallholder farmers and small-scale entrepreneurs.
- P2: Building markets** by developing and **Piloting** new business models that improve productivity, enhance resilience to climate change, reduce emissions, and improve nutrition outcomes.
- P3: Enabling Policies** that support a strengthened enabling environment for sustainable food and land-use system.

The programme adopts a two-tier approach to regional and state level implementation. Tier 1 states are currently from North-West (NW) and North-East (NE) Nigeria and considered priority states delivering climate smart agriculture to help the poor and climate vulnerable. Tier 2 States are currently from Southern Nigeria and will have a more focused set of priorities on deforestation-free commodities.

Climate Smart Agriculture (CSA) is an integrated approach to managing landscapes that addresses the interlinked challenges of food security and accelerating climate change. CSA initiatives aim to simultaneously achieve three outcomes: (i) **increasing productivity** to produce more and better food to improve nutrition and boost incomes; (ii) **enhancing resilience** by reducing climate vulnerability and improving capacity to adapt and grow in the face of long-term stresses such as shortened seasons and erratic weather patters, and (iii) **pursuing lower emissions** for each calorie or kilo of food produced, avoid deforestation from agriculture, and identify ways to absorb carbon out of the atmosphere.

Propcom+ was announced by the Foreign Secretary at COP27 to support climate resilient agriculture and tackle the impacts of climate change.¹ The announcement was reported by more than 20 Nigerian media outlets.

¹ [Foreign Secretary at COP27 pledges new support for developing countries to deal with climate change - GOV.UK \(www.gov.uk\)](#)

Context over the last 12 months

The last 12 months have been characterised by a challenging external operating environment as set out in the Business Case, including a poor national economy, a volatile humanitarian situation in the NE, a deteriorating NW, and a fragile security status. Key challenges over the reporting period were strong inflationary pressures (22% as of February 2023); a cash crisis with the rapid introduction of new currency bills resulting in scarcity of cash, limited market functioning and economic access to food and non-food items; ongoing fuel scarcity that is increasing transaction costs (such as transportation) on agricultural commodities (amongst other impacts); flooding which limited food production and exacerbated food and nutrition insecurity, and; the dual impacts of the Russia-Ukraine conflict and Covid-19 on rising food and input prices. The humanitarian situation has persisted, now with 24.8 million people in combined critical (crisis and emergency) phases of food and nutrition insecurity.

As a result of significant and unanticipated costs incurred to support the people of Ukraine and Afghanistan, there has been a reduction in ODA allocations which has resulted in changes to this programme which is being adapted accordingly. Early action was taken in the procurement process to reduce indicative budgets in the published Terms of Reference for prospective suppliers interested in the main programme contract, support to HarvestPlus under the Strategic Response Fund for FY2023/24 was reduced by 55%, and an early decision was taken in the reporting period to pause and then delay the procurement of the independent Monitoring, Evaluation, Research and Learning (MERL).

Implementing Partner Performance

HarvestPlus received a grant through Propcom+’s SRF (see *Section C*). At the beginning of the project, HarvestPlus managed staff recruitment well and responded efficiently to requests from FCDO to engage with the Mutual Accountability Frameworks (MAFs) in the UK’s priority states of Kano, Kaduna and Jigawa. The quality, delivery and timeliness of reporting has been satisfactory, but has at times required strong FCDO engagement. HarvestPlus were proactive and responsive to the ODA pressures to adjust and amend programme objectives for the remainder of FY2022/23 and the workplan for FY2023/24. This required consolidation of its portfolio by implementing a prioritisation strategy to guide interventions that gained early traction and are core to the Theory of Change, and those to exit from. There have been some challenges on financial management consequently, with recommendations in this Annual Review for HarvestPlus to strengthen budget and forecasting accuracy (see *Section F*).

Palladium International Limited is the new supplier for Propcom+. However, it is too early to assess their performance.

FCDO Management of the Programme

FCDO Nigeria’s programme team remained unchanged over the reporting period, maintaining oversight of procurement and mobilisation from programme design. FCDO Nigeria quickly established a strong partnership with HarvestPlus to maintain delivery and impact during a challenge period (see *Section E on risks*). FCDO engaged with partners through periodic reports, technical and operational meetings, site visits, meetings with partners, and government stakeholders. FCDO implemented weekly meetings with HarvestPlus during programme approval and mobilisation, moving to fortnightly from January 2023. These are supported by monthly operations meetings to discuss financials, partnerships, and any emerging risks.

The programme team worked closely with colleagues from FCDO’s Programme Delivery Commercial Team on the procurement of the main contract. The procurement process benefitted from a very constructive relationship between FCDO Nigeria and the Commercial Team. Both teams are well versed in programme objectives, FCDO procurement procedures, contract management, and working with Suppliers. This ensured the contract award was delivered on time and to a high standard, and any emerging risks were responded to promptly.

The procurement of the Propcom+ contract received very positive feedback from potential suppliers during the Early Market Engagement and FCDO Procurement Steering Boards. Propcom+ is being used as an example of best practice in FCDO procurement, notably for the innovative approach to evaluating and building in Social Value, the Payment by Results approach that drew on lessons learnt from across FCDO Nigeria, the clear and well laid out Terms of Reference, and the contract award report. This best practice is now being adopted in several other large procurements across FCDO.

FCDO Nigeria have driven value for money (VfM) in the design and mobilisation of Propcom+, employing a VfM framework nested within the wider delivery framework to inform VfM judgements, decision making and improving programme performance that particularly focuses on value and achieving the best outcomes for beneficiaries relative to our spend. These will be guided by key VfM metrics that will provide a reference point to help assess whether Propcom+ continues to represent VfM during its life, with ‘stop go’ procedures to help support incentives to know when to cut losses and not proceed, and when to continue investing in an intervention, balancing risk, rewards, and other criteria in the portfolio (see *Section D* for more detail). FCDO Nigeria has identified and transferred assets from several closing programmes to Propcom+, helping improve VfM across the programmes.

Summary supporting narrative for the overall score in this review.

The overall score of Propcom+ is A and is currently meeting expectations in terms of completing procurement and mobilisation, with early progress made on delivery through the Strategic Response Fund.

Output 1: Met expectations **(A)** with the procurement phase completed, Ministerial approval, and the contract awarded.

Output 2: Moderately exceeded expectations **(A+)** with HarvestPlus funded through the Strategic Response Fund to scale up climate-smart biofortified seeds and crops to enhance climate resilience, and nutrition and food security in Northern Nigeria.

Output 3: Moderately did not meet expectations **(B)** with FCDO taking the decision to pause and delay the procurement of the independent Monitoring, Evaluation, Research and Learning (MERL) Unit due to ODA pressures.

Major lessons and recommendations for the year ahead

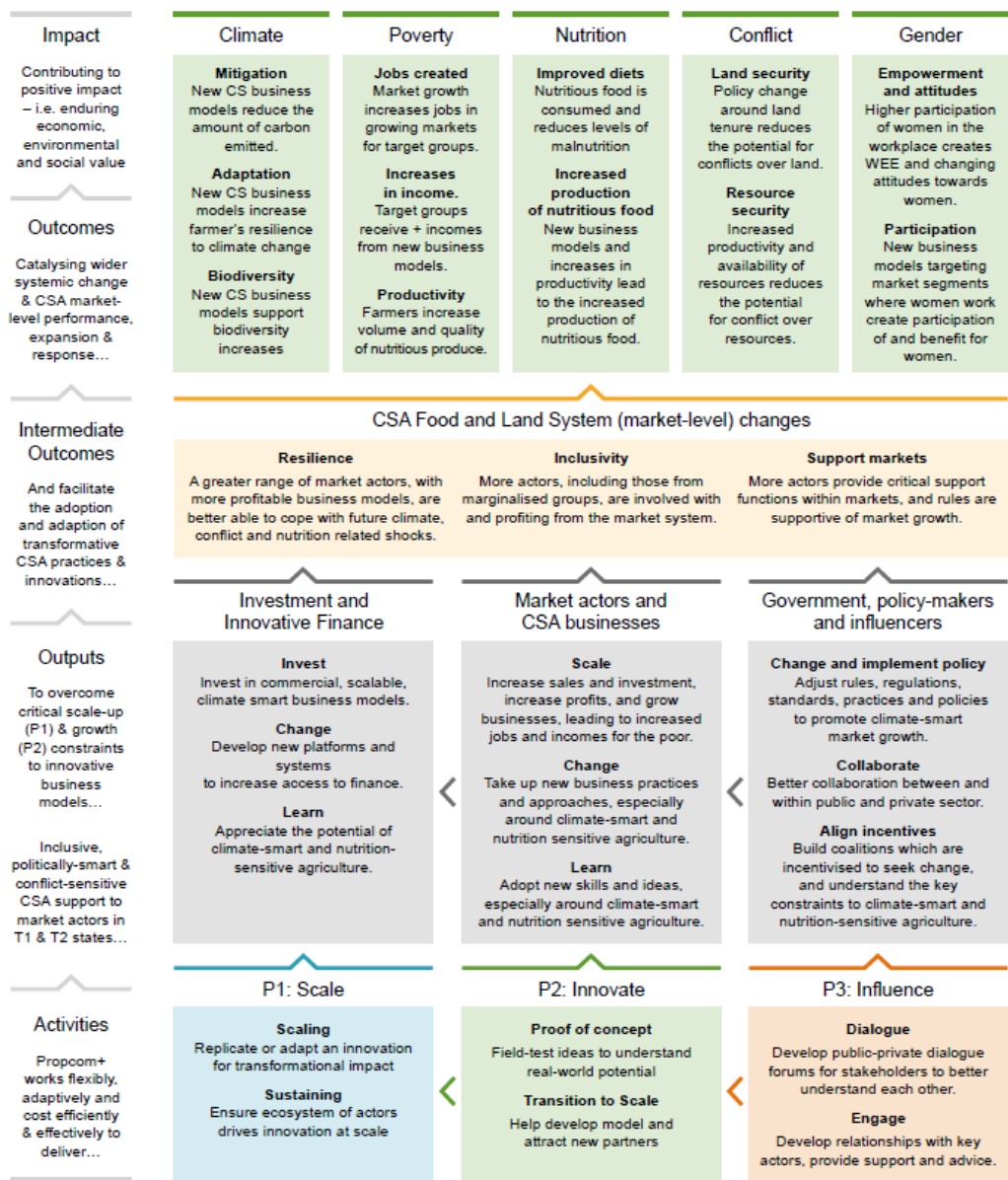
Several lessons were learned on the procurement process, which have been shared within FCDO Nigeria and to the operations and strategic Procurement Steering Boards. These have already been incorporated into FCDO Commercial Governance, along with ongoing and pipeline procurement in both FCDO Nigeria and the wider FCDO.

Key Recommendations

- Following the 2023 Presidential and Gubernatorial elections, the newly appointed Propcom+ team should engage promptly with key counterparts (Civil Servants) of institutions as soon as mobilisation occurs to build the necessary relations ahead of the appointment of political heads for the focal states.
- FCDO, HarvestPlus and Palladium to review the option for the management and oversight of HarvestPlus to come under Palladium for improved strategic coherence and cost efficiencies.
- FCDO to update and transition the programme logical framework from a process procurement and mobilisation focus to capture the work of the Inception Phase and implementation of the Strategic Response Fund.
- FCDO to prioritise the procurement of the independent MERL, with a preferred bidder identified, contracted, and mobilised by April 2024.

B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

Programme’s Theory of Change



Summary of Theory of Change

The Theory of Change (ToC) underpinning the programme follows a market systems development theory of change. Propcom+ identifies market constraints, designing and implementing interventions leading to outputs that result in better functioning markets, greater access to market related foods and services, and increased market system capacity. Consequently, partners and other market actors adopt these innovations that result in improved enterprise practices and performance among, and in turn increased income and climate resilience for, target beneficiaries and decreasing their levels of poverty and climate vulnerability.

Is the programme on track to contribute to the expected outcomes and impact?

Propcom+ is still in programme design and mobilisation and therefore it is too early to assess contribution to programme outcomes and impact.

Should the programme continue, based on its own merits and in the context of the wider portfolio

Nigeria has one of the largest numbers of poor people in the world, many of whom are rural, and is one of the most climate and conflict vulnerable countries. Agriculture is critical for economic development and to address poverty, adaptation, mitigation, food, and nutrition security. Farmers are on the frontline of climate change and conflict-related land disputes, and increasingly vulnerable to shocks and stresses from climate change and environmental degradation.

Propcom+ is FCDO Nigeria’s flagship food security and climate programme, delivering on the International Development Strategy and Integrated Review Refresh priorities on climate, nature, food security, and nutrition. Propcom+ is fully aligned with FCDO Nigeria’s current Business Plan, promoting climate-resilient sustainable agriculture, and helping tackle some of Nigeria’s underlying drivers of conflict and instability. For this reason, this review recommends the programme continues.

C. DETAILED OUTPUT SCORING

Output Title	Procurement phase completed, with service provider for main contract signed following ministerial contract approval		
Output number:	1	Output Score:	A
Impact weighting (%):	50%	Weighting revised since last AR?	n/a

Indicator(s)	Milestone(s) for this review	Progress
1.1: Tender documents developed and signed off at appropriate levels.	<u>Milestone 1: June 2022</u> Early market engagement event held. <u>Milestone 2: August 2022</u> Sourcing strategy and ITT documents completed and approved. <u>Milestone 3: August 2022.</u> Tender documents operationalised.	Met. An Early Market Engagement was held in early July 2022. In September 2022, the sourcing strategy was approved and ITT documents finalised.
1.2: Preferred bidder identified through competitive process.	<u>Milestone 1: September 2022</u> ITT pack published. <u>Milestone 2: December 2022</u> Bids from interested potential contractors received and evaluated. <u>Milestone 3: February 2023</u> Evaluation completed and implementation contractor selected.	Met. The ITT pack was published in October 2022. 3 bids were received by November 2022 and evaluated. In December 2022, FCDO completed the bid moderation and identified a preferred Supplier.
1.3: Preferred bidder contracted and mobilised.	<u>Milestone 1: March 2023</u> Implementation contractor approved and contract signed. <u>Milestone 2: March 2023</u> Ministerial Approval of Contract <u>Milestone 3: April 2023</u> Procurement completed, with contractor mobilised and ready to commence implementation.	Met. The contract award recommendation was submitted to and approved by the strategic Procurement Steering Board in January 2023. Ministerial approval was received in March 2023. The contract was signed, and Supplier mobilised in April 2023.

Briefly describe the output’s activities and provide supporting narrative for the score.

Overall, this output met expectations, scoring an **A**. Output 1 is the principal output and captures the procurement process for selecting the Supplier for Propcom+, including signing the contract and ready to start the Inception Phase. The procurement process spanned the entire year, and as such no implementation was planned for the year under review.

The Output 1 milestones were originally set against an anticipated route to market through a procurement framework, sourcing from a pre-qualified group of suppliers with a shorter procurement timescale. However, during the sourcing strategy it was decided to go through an Open Tender to open the market to all interested parties. FCDO set a high bar for winning the contract, requiring a fair commitment from suppliers in bidding to ensure only those capable of delivering bid.

An Early Market Engagement (EME) was held on 5th July 2022. Prior to the EME, attendees were provided with a draft copy of the Terms of Reference (ToR). Attendees were asked if the ToR was clear and to outline what they perceived as the key challenges in delivering the contract and programme requirements. The draft evaluation criteria as well as specific questions on the Payment by Results mechanisms were also discussed at the EME. 129 people attended, representing 94 organisations of which 50 suppliers expressed an initial interest in bidding at a 1st or 2nd tier (sub-contract) level.

The Invitation to Tender (ITT) pack was published on FCDO’s e-procurement portal on 10th October 2022. Three compliant bids were received and evaluated against the scoring criteria. Palladium International Limited's bid was deemed to be the most economically advantageous tender and therefore value for money. This was based on the best technical and commercial proposal, by a strong margin. The contract employs a payment by results mechanism that

focuses the Supplier on delivering the overall outcomes of the programme and the contract model will enable FCDO to focus on interventions that work while scaling back those that don't (see Section F for further information).

The contract award recommendation received Ministerial approval in March 2023, with contract signature on 17th April 2023.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

No changes were made to Output 1 in the reporting period. With the procurement of the main Supplier now complete, Output 1 with its indicators, milestones and targets should be updated and changed to cover the Inception phase.

Lessons Learnt and Recommendations

Several lessons were learned on the procurement process, which have been shared within FCDO Nigeria and to the operations and strategic Procurement Steering Boards. During the reporting period, FCDO Nigeria held an internal lessons learnt workshop on Payment by Results (PbR) mechanisms with FCDO Nigeria's programme SROs. The learning from this helped inform Propcom+'s PbR, which received positive feedback from potential suppliers during the EME and the FCDO Procurement Steering Boards. The FCDO PRO presented lessons learnt on Propcom+'s PbR mechanism to FCDO's Indo Pacific, America's & Overseas Territories, Climate and Trade (ICAT) commercial team in March 2023 as it was considered a great example for a simple and tailored PbR to deliver programme objectives.

R1: With the completion of the procurement process, Output 1 with its indicators, milestones and targets should be updated and changed to cover the Inception Phase activities.

Additional recommendations from the procurement have been shared with both the strategic and operations Procurement Steering Boards.

Output Title	Strategic Response Fund partners, identified, procured, and delivering Propcom+ objectives		
Output number:	2	Output Score:	A+
Impact weighting (%):	35%	Weighting revised since last AR?	n/a

Indicator(s)	Milestone(s) for this review	Progress
2.1: Progress on drafting of AG/MOU agreement, approval, and AG signing with partner	<u>Milestone 1: July 2022</u> Proposal received from partner, assessed, and approved. <u>Milestone 2: August 2022</u> Due diligence of partner drafted and approved. <u>Milestone 3: September 2022</u> MOU Letter drafted, Project documents developed, reviewed, and signed with partner.	Exceeded. A proposal from HarvestPlus was received, with due diligence completed and approved, and an MoU signed all by July 2022.
2.2: Inception phase documents developed, and partner implementing	<u>Milestone 1: October 2022</u> Procurement completed and partner(s) mobilised and ready to commence implementation. <u>Milestone 2: November 2022</u> Analytical studies, intervention plans, workplan and strategy finalised. <u>Milestone 3: February 2023</u> Portfolio of pilot interventions identified and started.	Met/Exceeded. HarvestPlus commenced implementation in September 2022, initiating their opening portfolio of interventions ahead of the dry season starting in January 2023.

Briefly describe the output's activities and provide supporting narrative for the score.

Overall, this output has moderately exceeded expectations, scoring an **A+**. This output is for finalising funding agreements under the Strategic Response Fund (SRF) that was designed to be utilised in the first two years of the programme to catalyse opportunities and allow the main Supplier to hit the ground running to demonstrate early results.

The Business Case envisaged a total of three to five projects to be funded through the SRF. However, due to the Business Case approval process taking longer than anticipated several initiatives that were planned under the SRF, particularly on Nature, were picked up through other funding opportunities. This allowed FCDO to continue to support Propcom+ objectives through diversified funding channels, keeping in line with the number of projects we set out in the Business Case (i.e., four). These projects include three new Nature projects in Cross River State supporting assurance of forest-positive commodity exports, on integrated land management of mangrove ecosystems, and scoping work to

expand the Cocoa and Forests Initiative (CFI) into Nigeria to support deforestation-free cocoa. We expect these projects to be reviewed during the programme's Inception Phase and potentially absorbed by Propcom+.

As a result, one larger project has been funded under the SRF aligned with the Business Case priority of accelerating delivery of biofortified crops.² HarvestPlus submitted a project proposal that will enhance the climate, nutrition and economic resilience of smallholder farmers and consumers in Northern Nigeria. They do this by strengthening and scaling up climate-smart biofortified markets to work more effectively for poor farmers and small-scale entrepreneurs. Biofortified staples crops are nutritionally enriched, high-yielding and climate-smart, and can be a critical intervention that can provide food systems with the resilience needed to ensure everyone has access to sufficient food and sufficient nutrition despite shocks to the global food systems.

The project will contribute directly to Propcom+'s key results through (i) increasing the incomes of 391,000 smallholder farmers; (ii) enhancing the climate resilience of 520,000 households (**ICF KPI 4**), and (iii) supporting 649,200 households to adapt to the effects of climate change (**ICF KPI 1**). The project will also seek to improve the enabling environment for climate-smart biofortified crops and seeds.

Key initial achievements have been on increasing access to climate and nutrition smart inputs, such as biofortified seed, through partnerships with 66 seed companies and 559 agro-dealers to produce certified seeds of Vitamin A maize (VAM), Iron Pearl Millet (IPM) and High iron enriched cowpea. HarvestPlus has also partnered with the State Government Ministries of Agriculture in Kaduna, Kano, Jigawa and Gombe that assigned 87 public extension workers, who HarvestPlus collaborated with, in training more than 20,000 farmers (13,500 male and 7,523 female) on climate-smart biofortified seeds and good agricultural practices.

HarvestPlus have also reviewed the Kaduna state Mutual Cooperation Framework, provided written inputs on the Kano-UK Mutual Accountability Framework and Kano State Agricultural Sector Strategy for Achieving Food Systems that Improve Nutrition (KASFSN) 2023 – 2026, and held high level discussions with the Jigawa State Government towards the development of roadmaps for integrating climate adaptation and agriculture policy. Further collaboration is expected with the Kano state government from mid-2023 to build on this initial momentum and facilitate the co-creation of state level roadmaps for Kano, Kaduna and Jigawa.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

No changes were made to Output 2 during the reporting period.

Lessons Learnt and Recommendations

A key lesson observed this year is that there is no single strategy on raw material sourcing that works for all aggregators and processors. Every business entity within the subsector has its own strategy that fits into its own business model. It is therefore critical for market development programmes to have the flexibility and adaptability to support business to tailor interventions that respond to their needs.

R2: With the finalisation of SRF partners, Output 2 should transition from process to implementation for its indicators, milestones, and targets to align with the delivery of HarvestPlus under the SRF alongside the Inception Phase of the main programme delivery.

² [Scaling Climate- and Nutrition-Smart Crops in North Nigeria](#)

Output Title	Preferred bidder(s) to deliver independent MERL identified and procured through contract		
Output number:	3	Output Score:	B
Impact weighting (%):	15%	Weighting revised since last AR?	n/a

Indicator(s)	Milestone(s) for this review	Progress
3.1: Preferred bidder identified through mini-competition on existing EQUALS framework	<u>Milestone 1: October 2022</u> ToRs developed and signed off by procurement Board. <u>Milestone 2: December 2022</u> ITT Pack Published and bids evaluated. <u>Milestone 3: January 2023</u> Evaluation completed and implementation contractor selected.	Not met. Draft Terms of Reference for the independent MERL were developed. However, FCDO took the decision to pause and delay procurement in July 2022 due to ODA reductions for FY2022/23 and FY2023/24.
3.2: Preferred bidder contracted and mobilised.	<u>Milestone 1: February 2023</u> Supplier approved and contract signed. <u>Milestone 2: March 2023</u> Procurement completed with supplier contracted and mobilised.	Not met. Same as above.

Briefly describe the output’s activities and provide supporting narrative for the score.

Overall, this output did not meet expectations, scoring a **B**. This output captures the procurement of Propcom+’s independent Monitoring, Evaluation, Research and Learning (MERL). A draft Terms of Reference was developed in June 2022. However, due to forecasted ODA cuts to FY2022/23 and FY2023/24, a decision was taken to pause further work until later in the year. With the outcome to the ODA reductions, FCDO took the decision to postpone the procurement of the independent MERL due to insufficient budget available for viability. FCDO Nigeria resumed the procurement process in April 2023, with an anticipated FY2024/25 start.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

No changes were made to Output 3 during the reporting period. The logical framework milestones should be updated with the revised procurement timelines.

Lessons Learnt and Recommendations

See key recommendations in Section A.

D: VALUE FOR MONEY

Key cost drivers and performance

The key cost drivers stem from the cost of the Supplier to set up and manage the programme. The Business Case sets out management fees, overhead costs, staff, and consultancy costs as the key determinant of Value of Money (VFM). The primary cost drivers are from the increased costs of working in a conflict-affected and fragile environment, the adoption of new climate smart agriculture areas, and inclusion of vulnerable groups (women, geography, internally displaced persons, persons with disability, etc.).

FCDO's VFM framework measures VFM on the 5E's – economy, efficiency, effectiveness, equity, and overall cost-effectiveness. With the reporting period focusing on procurement and mobilisation there is no data to assess programme performance on efficiency, effectiveness, equity, and cost-effectiveness. Therefore, this Annual Review will focus its VFM assessment on economy and the VFM proposition in the Business Case.

Propcom+ measures **economy**, referring to inputs, through a ratio typical to market systems development programmes of total operations costs (overhead & management) to total cost. Over the first six months to December 2023, HarvestPlus had a ratio of 55.8% and compares to 41.1% in the predecessor Propcom Mai-Karfi programme in its first year of implementation. The initial high operations costs reflect the mobilisation and start-up of the HarvestPlus grant with some early preparation work for the January dry season. This ratio is expected to significantly reduce over the remainder of the year as activities are delivered for the dry season and the major rain season. HarvestPlus have maintained good value for money in the early stages of implementation by utilising the HarvestPlus and IITA platform in Nigeria, competitive bidding in procurement, and leveraging strong and mature relationships with trusted partners enabling the project to hit the ground running.

Propcom+'s VFM indicators will be disaggregated between the three programme components, as cost drivers and focus are likely to be different. For example, P2 on building climate-smart markets is likely to have a higher operational budget because more effort will be spent identifying pilots and setting them up. Similarly, as with the predecessor Propcom Mai-Karfi programme, a higher operational budget is also required when working in certain geographies such as the North-East. This will be built into the programme's Value for Money framework (*see below*).

VfM performance compared to the original VfM proposition in the Business Case

Propcom+ was designed to achieve Value for Money (VfM) by functioning as a market facilitator to help market systems work more efficiently rather than providing goods and services directly. It is too early to provide an assessment against the VFM proposition in the Business Case. Below is a summary of Propcom+'s VFM proposition.

Propcom+ will employ a VfM framework nested within the wider delivery framework to inform VFM judgements, decision making and improve programme performance. The programme's VFM framework will be developed during the Inception Phase and will ensure that the VfM proposition in the Business Case can be traced through to programme completion.

The Business Case highlighted that certain indicators are pivotal to the VFM of the programme. These indicators will be identified for every intervention *ex ante* and tracked accordingly to ensure they are offering good VFM. These include a Benefit-Cost-Ratio of Propcom+'s interventions of at least 2; cost per beneficiary with improved income of £23-25; net attributable income change (NAIC) per beneficiary per year of £132, and a cost per tonne of CO₂ avoided of £20.

To ensure good cost economy processes, Propcom+ will build in 'stop go' procedures – i.e., the programme should know when to cut losses and not proceed with a project that is deemed to fail thus saving on costs, and to continue investing in a project, balancing risk, rewards, and other criteria in the portfolio. A robust VFM framework will help support incentives to stop activities that are not proving worthwhile even in cases where significant investment has already been undertaken.

Assessment of whether the programme continues to represent value for money

The VfM proposition presented in the Business Case still appears valid, and supporting climate change, nature, food security, and nutrition remains a high priority. It is too early to make a VFM assessment, however early economy data from HarvestPlus demonstrate good initial cost controls of inputs. There is no VFM reason why the programme should not continue.

E: RISK

Overview of risk management

Overall risk rating: This AR recommends maintaining the programme risk rating at **Major**. This reflects the continued challenging external context the programme operates in and the early stage of the Inception Phase of the main contract.

FCDO Nigeria's risk appetite for Propcom+ remains receptive (inclusive of major risk) as per the Business Case, where FCDO accepts the majority of activities carry a major degree of residual risk. The highest risks for the programme are the external context (weak markets) and the escalation of conflict and insecurity in the country. As set out in the Business Case, FCDO believes that the potential rewards are commensurate with the level of risk and within FCDO Nigeria's risk appetite.

A key priority during the programme's Inception Phase will be to ensure the programme aligns with FCDO Nigeria's risk appetite by consolidating investments, close alignment with Federal and State growth and climate priorities, conflict-sensitivity, and continuous political economy assessments. We will avoid investments that carry a reputational risk, aligning and building on existing investments, and maintaining the highest standards of conflict-sensitivity, and environment and social safeguarding. A 'portfolio approach', with adaptable and flexible interventions, allows the programme to respond to a changing context (see also Delivery Chain Risk Mapping in Section F below).

FCDO maintains a comprehensive risk register tracking strategy and context, policy and programme delivery, safeguarding, public service delivery and operations, financial and fiduciary, reputational, and people risks. The risk register is updated and proactively managed. FCDO Nigeria has a regular catch-up with HarvestPlus and FCDO's Programme Delivery Commercial Team where emerging risks are flagged and actions to mitigate them discussed.

Strategy and context remain the highest risk to the programme, particularly the deteriorating security situation. A key new risk is programme funds not being available or not sufficiently predictable to provide multi-year funding or advance planning (fundamental for VfM). During the reporting period, this risk was mitigated for the main contract with publication of lower budget availability in the Terms of Reference between FY2023/24 and FY2025/26, including a delayed start to FY2023/24. HarvestPlus incurred a 55% budget cut, with the impact mitigated through advanced comprehensive scenario planning and a quick stop and exit from some activities. Both these two risks have potential significant impact on several other risks in Propcom+'s risk register, and appropriate mitigation measures have been put in place.

Public Service Delivery risks have been affected by inadequate supply and access to inputs such as fertilisers, rising food prices, and Nigeria's cash crisis in 2023. Petrol and diesel scarcity and rising prices have pushed the estimated cost of production up by 35% according to HarvestPlus. A key impact has been on farmers ability to buy and sell in markets, and potential reduced production levels from the 2023 dry season. Additional measures were put in place by HarvestPlus to help support farmers access inputs and finance, and FCDO has engaged with Government and key businesses on the availability of fertiliser.

Key risks highlighted in the due diligence assessments were on: (i) mobilisation of HarvestPlus, with the need to recruit large numbers of staff for the project. Overall, good progress was made but there were challenges in securing a project team leader. HarvestPlus put in place mitigations through the Country Director providing strong cover until recruitment was completed. All team members were mobilised and in place by end of December 2022. (ii) lack of evidence on the due diligence process of downstream partners, particularly for the requirements of the Nigerian context. This was updated by HarvestPlus early in the project to an acceptable standard. (iii) some gaps identified in communication of fraud notices, duty of care, environmental risks in the project, and risk assessment of implementation locations and mitigations. These were addressed during the due diligence assessment and are regularly reviewed with FCDO in the monthly operations meetings.

R3: During programme inception, FCDO should agree governance arrangements for the programme, particularly with respect to technical advisory inputs as set out in the Business Case from climate, private sector, conflict, governance, and social development.

F: PROGRAMME MANAGEMENT: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Summarise the performance of partners and FCDO, notably on commercial and financial issues.

The Propcom+ contracting modality uses a hybrid Payment by Results (PbR) model to incentivise efficiency and maximise results and value for money whilst ensuring that risk is shared between FCDO and the Supplier. The PbR model splits total fee payments between either:

- (i) **Key Performance Indicators** (KPI's) based on a fixed percentage of total programme management and programme administration fees, paid monthly on an input basis (time). 50% of these fees are at risk.
- (ii) **Payment Milestones** – output-based on a fixed price per milestone and linked to 100% of frontline delivery fees.

The contract includes input-based (materials) monthly payments of reimbursable expenses, and grants. Key cost drivers for the programme are fees, market facilitation, grants, direct facilitation costs, overhead, and management cost. This is consistent with the Business Case.

Funding to HarvestPlus is through a Memorandum of Understanding (MoU), signed with the International Food Policy Research Institute (IFPRI) on behalf of HarvestPlus, totalling £2.89m. This is for implementation of the project under the Strategic Response Fund (SRF). The first tranche of £451,707 was disbursed in August 2022 to cover a 6-month period ending December 2022. A second tranche of £132,395 was disbursed in March 2023.

To date, the programme has spent a total of £580,000 to 31st March 2023.

Partner Delivery

HarvestPlus has to date delivered against its initial objectives, but it's too early to assess whether it has met its output targets. At times the project has required strong FCDO engagement. HarvestPlus faced some initial challenges in staff recruitment for the project and put in place contingencies through significant support from the Country Director and staff based in Washington. By the end of December 2022, HarvestPlus had fully mobilised and were implementing dry season activities which appear to be yielding promising early results. The ODA cuts to FY2023/24 has led to scaling back programme ambition, and financial variance for the reporting period as planned activities were closed early (see below for further discussion).

It is too early to assess Palladium International. The performance of FCDO has been covered in other sections.

R4: As set out in the Propcom+ Business Case, it is recommended Palladium reviews HarvestPlus's activities and results during the Inception Phase, including ensuring alignment with the main programme results framework and whether to take forward, with FCDO approval.

R5: FCDO, HarvestPlus and Palladium to review the opportunities and constraints for the management and oversight of HarvestPlus to come under Palladium for improved strategic coherence and cost efficiencies.

Monitoring & Performance of Partnership

FCDO undertook three field visits over the reporting period. The first was to Kano and Jigawa to speak to businesses, farmers, and State government stakeholders on: changes to business context, particularly impacts on food and input prices, identify opportunities for Propcom+, and assessing progress in LINKS's climate smart agriculture portfolio. Feedback highlighted how the security situation is impacting investment decisions, challenges for businesses and farmers on the availability and affordability of fertiliser, and challenges accessing finance, particularly foreign currency. Businesses also highlighted in the short-term they have the appetite to scale-up proven commercially viable models rather than to expand their scope of work. The feedback was incorporated into the design of Propcom+ and procurement.

The second visit was to Ibadan in Oyo State to the International Institute of Tropical Agriculture (IITA), who host HarvestPlus and receive central funding from FCDO. The purpose of this visit was to finalise the due diligence assessment of HarvestPlus as well as speaking to a range of business partners that work on biofortification, including seed production, processing, retail, and consumers. Feedback from businesses highlighted HarvestPlus were working well with their partners, whose support and collaboration is highly valued. IITA also presented on their research, notably on nutrition, aflatoxin controls (Aflasafe™) and biofortification that have fed into the design of Propcom+.

The final visit was to Cross River State, accompanying the British High Commissioner. The visit provided the opportunity to strengthen understanding of the forestry context in Cross River State, speak to key stakeholders on opportunities for Propcom+, and identify key risks for Propcom+ and the UK's wider Nature portfolio. Key highlights were discussions with the Governor and his team, a tour of the Wilmar oil palm plantation, a visit to the National Park to speak with forest rangers, and roundtable discussions with civil society organisations. The feedback has informed risk management for the programme in Southern Nigeria as well as informing decisions on scoping and opportunities for the Propcom+ Inception Phase and UKPACT.

Quality of Financial Management

HarvestPlus was originally allocated a FY2022/23 budget of £800,000 as per their proposal. This was subsequently revised downward to £580,000 due to delays in implementation of certain activities and staff recruitment, pausing some activities due to budget restrictions to FY2023/24, cancelling some planned partnerships due to VfM concerns during intervention design and development, and a reassessment of achievable targets by the end of the reporting period.

Over the first 6 months, HarvestPlus have had a forecasting variance of 47% against the FCDO target of 5% and a budget variance of 30%. Budgets and finances are discussed monthly at the operations meeting. Whilst there have been impacts of the ODA budget pressures on the workplan, and particularly to activities in FY2023/24, more timely and stronger financial management is required to bring the budget and forecasting variance to an acceptable level.

R6: Financial management by HarvestPlus requires improvement, particularly on forecasting accuracy and aligning financial reporting to agreed timelines.

Delivery Chain Map

FCDO holds a high-level delivery chain map for the Propcom+ programme, which will need to be revised as the programme goes through the Inception Phase. HarvestPlus maintains a delivery chain map which was updated in March 2023, with key risks and necessary controls in place.

Audit, asset monitoring and control

No audit activities were undertaken during the reporting period as the first year of the programme, and the focus on procurement.

The programme maintains an asset register which is updated by HarvestPlus on a quarterly basis and reviewed by FCDO Programme Managers and the PRO. Asset management is also reviewed during monthly FCDO-Operations meetings and forms part of submitted Quarterly reports. As part of VFM, significant assets are expected to be transferred to Palladium in early FY2023/24 from closing programmes. The asset register will be updated accordingly.

Date of last narrative financial report	Not Applicable at this stage	Date of last audited annual statement	Not Applicable at this stage
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