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BLENDED FINANCE AND SUBNATIONAL INFRASTRUCTURE OF OYO STATE AGRIBUSINESS HUBS

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ABSTRACT

This study examines the impact of subnational blended finance frameworks on infrastructure development, using Oyo State Agribusiness Hubs at Fashola and Atan-Ijaiyeas case studies. It investigates whether subnational blended finance provides a viable alternative to the traditional public procurement model for infrastructure delivery in sub-Saharan Africa. The study is motivated by widening fiscal deficits, sovereign debt distress, declining public revenues, and macroeconomic instability, which have significantly constrained governments' capacity to finance critical infrastructure through conventional public expenditure. The study adopts a qualitative research design based on documentary analysis, legal frameworks, project reports, and relevant literature. The findings show that subnational blended finance enables governments to leverage public assets, particularly land, as catalytic equity to attract multilateral and private sector investments while reducing dependence on public borrowing. The framework also limits political interference, bureaucratic rent seeking, and project abandonment by embedding infrastructure delivery within legally binding long term joint venture arrangements that strengthen accountability, safeguard public assets, and improve investment certainty. However, the study finds that macroeconomic challenges, especially foreign exchange volatility and inflation, increase project costs, reduce investors' confidence, and threaten long term financial sustainability. The study concludes that subnational blended finance decouples infrastructure delivery from volatile federal statutory allocations and enhances fiscal sustainability at

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subnational level. It recommends that the Oyo State House of Assembly enact legislation institutionalizing blended finance frameworks, strengthen legal and fiscal governance mechanisms, and establish localized currency credit guarantee instruments to mitigate foreign exchange risks and improve the long-term sustainability of infrastructure investments.

KEYWORDS: - Blended finance, Fiscal sustainability, Infrastructure development, Public private partnerships (PPPs), Subnational governments.

Word Count: 249

1.0 INTRODUCTION

It has been said that there is macro-fiscal dilemma of subnational public financial management (PFM) in Nigeria; generally, the PFM contemporary architecture across the emerging market economies is facing a structural crisis driven by the convergence of sovereign debt constraints, rising global interest rates, and systemic inflation. This fiscal crunch is particularly acute at the subnational tier of government in sub-Saharan Africa. The Nigeria's federal structure makes the thirty-six subnational State governments operate under a structurally dependent fiscal framework and statutorily, States heavily rely on the Federation Account Allocation Committee (FAAC) for monthly revenue distributions, but this federal revenue pool is highly sensitive to international crude oil price volatility, production shocks, and instability caused by national macroeconomic indices. The heavy reliance on the volatile federal allocations from FAAC and internally generated revenue (IGR) weakness are the causes of traditional procurement bottlenecks which leads to unpredictable challenges of capital expenditure funding(Federal Ministry of Finance, 2024). At the same time, metrics of the majority of the Nigerian States remain structurally weak on the independent internally generated revenue as most subnational tax bases are constrained by large informal sector economies, fragmented electronic tax administration systems, and inefficient enforcement on collection, the misalignment between a State's statutory revenue inflows and its expanding socio-economic infrastructure requirements persistently create a structural budget deficit(National Bureau of Statistics, 2023)&(Nigeria Governors' Forum, 2023).

The subnational governments routinely protect non-discretionary recurrent expenditures, for example public sector payrolls, overheads, and political administrative costs and it is at the direct expense of capital expenditure when macroeconomic shocks compress the federal pool, consequently, traditional public procurement models from the ministries, departments, and agencies (MDAs)which rely strictly on cash backed budgetary allocations experience high volatility, this structural problem then leads to delayed project execution, severe contract cost overruns, and high rates of asset abandonment across the federation(Duarte, 2022).

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Historically, the subnational governments have attempted closing infrastructure gap by issuing local commercial bonds or by securing bilateral commercial bank loans. However, this traditional debt financing method has gotten to its structural limits. High rates of domestic monetary policy have driven the cost of borrowing to levels that crowd out public budgets, thereby making commercial debt servicing unsustainable for balance sheet positions. Also, international credit rating agencies put tight caps on borrowing capacity of the subnational in line with country risk profiles, and this limits access to global capital markets, hence this failure of financing through traditional debt is what led to the pivot of blended finance, so the use of blended finance framework manages these bottlenecks effectively. The blended finance architecture identifies its financing sources as coming from private capital and concessional inputs, while institutional debt and private equity and multilateral loans and land equity are the delivering instruments, the forward looking subnational administrations are deliberate in their effort in reforming their PFM and fiscal governance frameworks, and because blended finance is grounded conceptually on global benchmarks and represents the strategic deployment of concessional, public, or development capital to purposefully de-risk sustainable development projects, it leads to accelerated delivery, viable long-term assets and risk sharing mechanism that lowers or remove barriers to capital availability from investors. This financial engineering adjusts the project's risk-return profile, making it attractive to commercial private capital that would otherwise have avoided subnational assets(Organization for Economic Co-operation and Development, 2021a)**.** At the level of the subnational, finance blending does not require direct cash subsidies; rather, it utilizes non-cash public resources such as long-term land concessions, regulatory waivers, and infrastructure off-taker agreements together with low interest concessionary loans from multilateral development banks (MDBs) like the African Development Bank (AfDB). This combined public development layer acts as a first loss or equity buffer, absorbing early-stage project development risks. As a result, it creates a protected investment environment that enables conservative domestic institutional investors like the pension fund administrators (PFAs) to safely deploy long-term private capital into financing essential infrastructure projects(African Development Bank, 2022a).

Oyo State is an active, real world case study of this subnational fiscal transition when the Oyo State's Public Private Partnership Development (PPPD) Model and the Agribusiness transformation is looked at. Under its current governance blueprint, the State has indeed moved away from the traditional MDAs led procurement, shifting instead toward an integrated Public Private Partnership Development (PPPD) model for commercial infrastructure. This strategy is managed by two special purpose agencies namely the Oyo State Investment and Public-Private Partnership Agency (OYSIPA) and the Oyo State Agribusiness Development Agency (OYSADA). The primary economic objective for the State is to leverage its comparative advantage in agriculture by transforming old, under-utilized and colonial era farm settlements

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into modernized, cash positive economic zones known as agribusiness hubs, and the Fashola agribusiness hub in Oyo west local government area and Atan-Ijaiyehub in Akinyele are the flagship execution of this model(Oyo State Investment and Public-Private Partnership Agency, 2023)&(Oyo State Government, 2021).

These arrangements enable the Oyo State Government to treat its unutilized land assets not anymore as idle public property, but as high value catalytic equity, as it legally transfers thousands of hectares of surveyed, titled land to joint venture vehicles, and the State partners with international development institutions like the AfDB to provide concessional financing to execute primary infrastructure like access roads, industrial layouts, and water processing facilities particularly under the Special Agro-Industrial Processing Zones (SAPZ) program(AfDB, 2022c)&(Federal Ministry of Agriculture and Food Security, 2024). The State has successfully attracted major private anchor tenants on site to build processing plants, hatcheries, and mechanized storage facilities because of the provision of pre-serviced industrial plots within a secure regulatory framework and this infrastructure de-risking approach addresses the high upfront capital expenditure hurdles that typically discourage private commercial agro-industrialists. This model offers clear PFM benefits as it delivers critical infrastructure, as well as creates local jobs, and expands the State corporate tax base without necessarily increasing the direct debt on the State balance sheet. However, from a fiscal governance perspective, this model needs rigorous academic analysis to determine its capital multiplier efficiency, identify potential hidden contingent liabilities that may have long-term effect on the State budget, establish the need for internal control measures through value for money (vfm) audits and measure its resilience against broader macroeconomic shocks(AfDB, 2023)&(World Bank, 2017).

Statement of the Problem

Traditional procurement relies heavily on cash backed budgetary allocations that are interrupted frequently by national macroeconomic shocks, high interest rates, inflation, and oil prices fluctuations dictated by the forces of global demand and supply. As a result, critically needed infrastructural projects suffer from severe cost overruns, partial execution, or outright abandonment? The central problem confronting the provision of infrastructure in Oyo State is the serious misalignment between long term capital expenditure requirements and the highly volatile short-term internally generated public revenue streams. Due to many unmitigated risks, like long gestation periods, regulatory uncertainty, and political transitional hazards, institutional investors consciously avoid providing for subnational infrastructures, though private commercial capital exists within the domestic pension funds and commercial banks but the traditional PFM structures have failed to provide the necessary de-risking mechanisms to attract this private capital. There is certainly a critical knowledge and policy gap on how best subnational governments can strategically combine both the public land equity and multilateral development

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bank (MDB) concessionary loans to remove these risks (Infrastructure Concession Regulatory Commission, 2021),(World Bank, 2022)&(AfDB, 2022a). This study therefore addresses this gap by examining the structural efficacy of the Oyo State's agribusiness blended finance initiatives, depicted below diagrammatically:

Oyo State government when it provides — Multilateral DFIs when they provide

Land Equity & Permits — Concessional Loans

Blended finance structure gives
De-risked investment layer

Private commercial capital sourced from

Pension funds/Agro-Processors

Plowed into

Fashola agribusiness hub for
Target infrastructure &outputs

The aim of this study is to examine the role of blended finance frameworks in accelerating subnational infrastructure development in Nigeria, using Oyo State as an empirical case study, the specific objectives are to:

i. Evaluate the impact of blended finance infrastructure delivery on the capacity and operational efficiency of agro-industrial processing hubs in Oyo State
ii. Determine the extent to which the combination of concessionary capital and public land equity influences private sector capital mobilization in the Oyo State Agribusiness Hubs

2.0 LITERATURE REVIEW

In this study, three core intersecting concepts for review are blended finance, subnational public finance management (PFM), and agro-industrial infrastructure:

Blended Finance –is a deliberate structuring methodology not an independent financial asset class, and within a single transaction or project, it combines philanthropic or public capital with private commercial investments. It has as its core objective, altering the risk-return profile of sustainable development projects; this in turn makes them attractive to private investors who

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would otherwise have avoided them due to political risks, high entry barriers and other operational challenges. The blended finance architecture's public component consists of the concessionary layer like the AfDB low interest loans, technical assistance funded through grant, first loss capital, or non-cash assets like public land/State land equity from the subnational governments, while the private commercial layer component consists of equity from commercial operators/agro-processor equity, commercial bank loans or long-term debt from institutional asset managers, e.g., domestic pension fund capital(Convergence, 2023)&(International Finance Corporation, 2021b).

In Nigeria, the subnational procurement financing is traditionally limited to funds from FAAC and the internally generated revenue, hence this limit makes project delivery risk high budget volatility and or frequent abandonment whereas when blended finance is used de-risked capital pools is available, also, contractual continuity is not limited by political transitions due to the well-designed, legally enforceable, long-term PPPD contract facilitated by special purpose subnational agencies like the Oyo State Investment and Public-Private Partnership Agency (OYSIPA), with collaboration from other relevant MDAs e.g., Ministry of Finance, office of the accountant-general etc. moreover, target outcomes are made more visible as public assets like roads and power's infrastructure delivery speed is measurable, volume of private capital mobilized in Naira/USD is measurable and the metric tons per day is measurable and used to gauge the operational processing capacity (OYSIPA, 2025).

Subnational Public Finance Management (PFM) - Subnational Public Finance Management refers to the specific legal frameworks, institutional arrangements, fiscal rules and regulations, and administrative processes used by State governments to manage public revenues, expenditures, and their balance sheet assets. In the Nigerian federation, subnational PFM is dependent heavily on the statutory monthly transfers from the Federation Account Allocation Committee (FAAC), and this leads to extreme fiscal volatility. However, modern subnational PFM lays emphasis on the efficient management of public assets and the timely calculation of contingent liabilities, and financial guarantees given to private partners that do not appear on the balance sheet immediately but that pose long-term risks to the State's budget, these are some of the liabilities(OECD, 2021b)&(World Bank, 2020b).

Agro-Industrial Infrastructure - Agro-industrial infrastructure is the physical, technical, and logistical networks needed to transform primary agricultural production into high value processed goods. It includes intermodal transport corridors otherwise called logistics corridors, climate-controlled storage facilities, off grid power generation, automated processing plants, agro-processing plants, energy infrastructure, and irrigation and water treatment systems. Agro-industrial infrastructure is highly commercial and cash positive unlike traditional public

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infrastructure, which is a public good, to ensure profitability however, it needs continuous technical maintenance, specialized capital investment, sufficient market demand driven operations, and efficient operations (Food and Agriculture Organization of the United Nations, 2017).

3.0 THEORETICAL FRAMEWORK

Modern Portfolio Theory (MPT)

Modern Portfolio Theory was developed by Harry Markowitz, it States that institutional investors design portfolios to maximize expected returns for a given level of risk, this relationship can be visualized as an "efficient frontier." In developing economies like Nigeria, the traditional subnational infrastructure projects often fall below this efficient frontier due to unmitigated risks like regulatory changes, currency volatility and political transitions, so by using public or concessional funds to absorb the early-stage risks or lower capital costs, blended finance directly applies the MPT principles. The private investor's risk profile then shifts downward whenever a State government provides free land equity or an international development bank absorbs the first loss tranche, and this moves the project onto the efficient frontier, making the project legally and financially bankable for risk-averse institutional lenders, such as the Nigerian Pension Fund Administrators (Markowitz, 1952).

Blended finance combines public funds, concessional finance, development finance, and private investment to mobilize capital for infrastructural projects with significant economic and social benefits. In Oyo State, agribusiness hubs including irrigation systems, agro-processing facilities, storage infrastructure, rural roads, renewable energy, and logistics networks require substantial long-term financing that cannot be met by public resources alone, MPT provides a framework for structuring these investments to achieve an optimal balance between risk and return (Convergence, 2023).

MPT also supports diversified financing through blended capital structures. Government grants and concessional finance can absorb early-stage risks, while commercial lenders and private investors participate once projects become financially viable. This risk sharing mechanism increases investor confidence and attracts private capital into infrastructure projects that generate both financial returns and development outcomes. For subnational infrastructure planning, the concept of an efficient portfolio extends beyond financial returns to include employment creation, food security, climate resilience, and economic growth. Decision makers should therefore select a balanced portfolio of projects that delivers the greatest overall development impact while maintaining acceptable levels of financial and operational risk. The principle of diversification is very important, rather than concentrating investments in a single project or commodity, Oyo State can reduce overall risk by investing across multiple infrastructure assets,

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agricultural value chains such as cassava, maize, rice, cocoa, and poultry, and in different geographic areas, this approach minimizes the impact of commodity price fluctuations, climate shocks, or localized infrastructure failures (Convergence, 2023).

Despite its acclaimed usefulness, MPT has limitations in infrastructure financing because public projects often prioritize social benefits over profit, infrastructure assets are relatively illiquid, and political, regulatory, and climate risks are difficult to quantify. Consequently, MPT should be complemented with cost-benefit analysis, climate risk assessment, and fiscal sustainability evaluations. Overall, Modern Portfolio Theory provides a valuable framework for designing blended finance strategies for Oyo State's agribusiness hubs. By promoting diversification, efficient risk allocation, and balanced investment decisions, MPT helps mobilize private capital, improve infrastructure resilience, and support sustainable agricultural and economic development across the State (Convergence, 2023).

Review of Empirical Studies

Global research on financing innovatively emphasizes that blended finance structures are very successful at mobilizing commercial capital, although degree of success differs significantly depending on the operating institutional environment. The Organization for Economic Cooperation and Development conducted an extensive multi-country empirical study where over 500 blended finance transactions across emerging markets were evaluated. The result of the report showed that while blended finance structures successfully mobilized over $150 billion for sustainable infrastructure, more than 70% of these inflows were recorded in the middle-income nations who had stability in exchange rates and whose domestic capital markets are unarguably matured(OECD, 2020). At the level of the subnational, it was noted by the OECD that too frequently, the local and State governments struggle to access directly these models, and this difficulty is as a result of poor independent credit ratings, weak accounting frameworks e.g., absence of adoption of the International Public Sector Accounting Standards (IPSAS Accrual)and absence of technical expertise required in structuring complex standard Public-Private Development (PPPD) contracts(International Monetary Fund, 2018).However, the empirical outcomes changed dramatically in Southeast Asia and Latin America where subnational governments' successfully deployed asset backed blending models specifically "land-as-equity" frameworks. In Vietnam and Colombia for instances, a World Bank evaluation of subnational economic zones showed that when local governments contributed pre-registered public land into joint venture schemes, timelines of upfront project preparation were reduced by an average of 40%. The subnational governments successfully reduced for the private commercial developers the initial capital expenditure requirements because they provided land as an initial equity layer and without a request to the State to issue expensive commercial debt or seek sovereign federal guarantees, this approach allowed the private commercial developers to

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build logistics and industrial zones, these instances are examples of global trends alluding to the success of subnational blended finance efforts(World Bank, 2020a).

Empirical literature on the regional assessments of agro-industrial processing zones (SAPZ)focuses heavily on the agricultural infrastructure modernization centres on the African Development Bank's (AfDB) Special Agro-Industrial Processing Zones (SAPZ) program across Sub-Saharan Africa, and providing crucial empirical reference points for Phase I SAPZ rollouts is the AfDB's comprehensive completion and impact evaluation reports in East and West African nations including Ethiopia, Togo, and Ghana. A clear operational regional trend revealed that the data from these regional assessments shows the speed and operational efficiency of agro-industrial infrastructure delivery which is tied directly to the separation of roles between the public and private sectors. For instance, projects experienced severe operational declines where State ministries, departments or agencies try to manage commercial processing facilities or handle secondary utility distribution directly, the driver of these failures are insufficient technical capacity, lack of technical expertise in the application of international public sector accounting standards framework like IPSAS accrual, slow public sector procurement cycles, and political interference in hiring manpower (AfDB, 2022a). On the other hand, empirical evidence from Togo's Adétikopé Industrial Platform (PIA) demonstrates that private sector execution of projects accelerated when the national or subnational government pegged its role to providing de-risking regulations, provision of basic land equity and primary external infrastructure such as access roads connecting to main national highways, undoubtedly the integration of AfDB concessional funding to construct these primary infrastructures served as a direct financial cushion, private anchor tenants are thus empowered to focus their capital on high yielding, specialized processing equipment, and this results in a 55% increase in operational output processing within the first two years of hub operations mainly because of this arrangement, this is an important report of how blended finance is recording successes globally(AfDB, 2022b).

Empirical evaluations of public procurement models highlight severe structural weaknesses in the traditional; cash backed budgeting within the Nigerian macroeconomic context. Tracking capital project execution across the 36 States presents evidence localized within the Nigerian subnational fiscal framework and many studies revealed that a lot of the traditionally procured subnational infrastructural capital projects either experienced severe cost overruns or were abandoned permanently(Mansfield et al., 1994), (Omoregie & Radford, 2006)&(Ogunnusi et al., 2021).The identified underlying causes across these empirical datasets was the extreme volatility of inflows from the Federal Allocation (FAAC), inflation, political transitions, weak contract management for lack of technical competencies and procurement inefficiencies. Frequently, these challenges force States' ministry of finance to completely halt or suspend capital disbursements to contractors in order to safeguard and have capacity to discharge recurrent

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payroll obligations (NGF, 2023).In a bid to manage this vulnerability, many Nigerian States have piloted localized variations of enhanced credit and alternative financing structures. Empirical evidence from the Ekiti State Independent Power Project and Nasarawa State's Infrastructure Fund models show that a 90% completion rate was achieved by projects utilizing structured, but third-party credit guarantees or ring-fenced revenue escrows, this outperformance of the traditional procurement pathways is dramatic and unprecedented. Furthermore, data from the Pension Fund Operators Association of Nigeria (PenOp) reveals that domestic PFAs managing trillions of Naira in long-term retirement assets actively avoids subnational State bonds due to previous defaults and possible political transition risks capable of non-recovery of invested capital(National Pension Commission, 2021). However, in spite of that, PFAs have demonstrated a strong willingness to put capital into infrastructure bonds that have a third-party credit guarantee from institutions like Infra Credit who specializes in infrastructure debt financing and can aid or facilitate creation of local currency liquidity facility by the subnational governments (Infra Credit, 2022).

The mentioned insights notwithstanding, previous studies have failed to establish at the subnational level the exact relationship between non-cash public assets, that is, land as equity and the private capital mobilization velocity, while also failing to account for the associated long-term contingent liabilities imposed on the State's budget, therefore, a significant empirical literature gap still persists within the Nigerian context. It is noted however that existing research covers federal level PPPs and State level commercial bond issuances thoroughly but there is nearly no empirical documentation on how for example newly decentralized State level investment promotion agencies such as OYSIPA in Oyo State manage asset backed blending with specific focus on the conversion of moribund, colonial era farm settlements into viable corporate joint ventures, this study directly addresses that gap by analyzing the operational issues of the Oyo State's agribusiness hubs(AfDB, 2022a).

4.0 RESEARCH METHODOLOGY

The research approach is qualitative, while research design uses case studies and the research strategy is exploratory and descriptive. Data collection were through online sources, and data is analyzed using thematic analysis.

5.0 DISCUSSION

People in governance and leadership positions especially politicians usually behave as vote-maximizes, thus, sound fiscal decision, most especially on capital expenditure allocation are manipulated heavily to align with electoral timelines rather than with long-term economic efficiency, where for example infrastructure procurement surges in the 12 to 18 months leading up to a gubernatorial election in the Nigerian subnational level, these manifests as a political

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budget cycle (Nordhaus, 1975). To get voters' attention, administrations give priority to highly visible, but short gestation projects over the long gestation and complex investments like agro-industrial processing hubs. Incoming administrations may routinely abandon uncompleted capital projects started by their predecessors whenever a political transition occurs, new public office holders and leaders may not receive political credit for completing a predecessor's capital projects, instead, they may choose to initiate their own new contracts and projects where they may capture political capital and redirect patronage to their own support groups or networks, this is capable of leading to project abandonment, this behavior is rationalized under the public choice theory, thus the use of blended finance approach should be encouraged as it is capable of institutionalizing protection of on-going capital projects through well-crafted PPPD contract in-spite of regime changes(IMF, 2020).

Administratively, Niskanen's model of bureaucracy avers that public bureaucrat seek to maximize their agency's budget, staff size, and regulatory jurisdiction, as these factors resonate directly with personal power, job security, and opportunities for rent seeking. In Nigeria, line ministries manage infrastructure budgets directly under the traditional public procurement lines, this setting incentivizes and encourages budget padding and the creation of artificially inflated, non-bankable project specifications, and because traditional procurement allows bureaucrats to control the contract awards process, it then allows opportunities for economic rent seeking. This type of institutional environment does not encourage private capital inflows which well packaged blended finance approach can significantly encourage, additionally, private commercial entities will most likely refuse to invest when capital execution relies on discretionary, and slow-moving bureaucratic approvals that offer no legal protection against possible rent seeking exactions or administrative delays, thus bureaucratic maximization and rent seeking creates a toxic environment for businesses and is a deterrence to capital investment funding from private anchor tenants (Niskanen, 1971).

The political classes in Nigeria operate within a four-year electoral timeline, whereas a specialized agro-industrial hub like the Fashola hub requires between 15-25-years operational window to amortize its initial capital expenditures and achieve tangible scale, it is clear that an unavoidably fundamental mismatch exists between the democratic governance timelines and the lifecycle of industrial infrastructure which are needed for the viability of agro-processing hubs(Acemoglu & Robinson, 2012). This structural short-termism implies that once the initial political ribbon cutting ceremony is done, the traditional State budgets do not provide consistent, and multi-year funding timelines that can be useful for maintenance, utility provision, or expansion of the designated economic zones(World Bank, 2018).When blended finance frameworks are executed through autonomous and special purpose subnational agencies like the Oyo State Investment and Public-Private Partnership Agency (OYSIPA), it serves as an

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institutional mechanism to correct these public choice distortions. Whenever moribund State assets like the old farm settlements are legally transferred into joint venture corporate structures, this institutional restructuring ensure these State assets are removed by the State from the direct budgetary control of the line ministries, departments and agencies, stripping bureaucrats of their allocation discretion and stopping rent seeking interventions, the land ultimately becomes a commercial equity stake (OECD, 2018). Project execution is embedded within legally binding, multi-decade Public-Private Partnership Development (PPPD) contracts by blended finance structures because international multilateral development banks (MDBs) like the AfDB hold co-investment stakes and long-term debt are held by private pension funds, a heavy financial and legal penalty for cancellation is carried by the contract meaning incoming political administration cannot easily dismantle or abandon the project without incurring cross default clauses, which damages the State's credit rating, and incurs huge legal liabilities, in this area, the Oyo State House of Assembly is needed to enact legislation institutionalizing blended finance frameworks, strengthen legal and fiscal governance mechanisms, and improve the long-term sustainability of infrastructure investments. This would encourage a shift in the governance mechanism from a bureaucratic command and control format to a market driven framework encouraging private sector accountability which replaces public sector inefficiency. Private anchor tenants are under the oversight of independent boards operating on profit maximizing incentives, therefore, project survival is never premised on shifting political fortunes but rather determined by market demand, output processing, and commercial viability(IFC, 2021a).

Blended finance inputs are the independent variables where concessional capital is the total annual value of low interest loans and development grants measured in billions of Naira and disbursed by the AfDB to the Oyo State SAPZ program. Asset backed equity is the estimated monetary value of the State-owned land and existing structures measured in billions of Naira and contributed by the Oyo State Government to the Fashola and Atan-Ijaiye agri business joint venture hubs(African Development Bank, 2022a, 2022b).

Infrastructure and capital outcomes are the dependent variables where mobilized private capital is the total volume of direct equity and debt investments measured in billions of Naira and deposited into the hubs by the private anchor tenants and agro-processors. Operational infrastructure output is the physical metrics of infrastructure delivered, measured in metric of tons per day, specifically the kilometers of paved internal access roads and the daily operational output capacity of the processing facilities. The qualitative analysis in this study utilizes institutional content analysis, this process examines, codes, and evaluates specific risk allocation mechanisms, dispute resolution protocols, and the termination triggers embedded within the signed multi-decade PPPD agribusiness contract between the Oyo State Government and the

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private investors, this explains the structural reasons behind the established trends analysis African Development Bank, 2022a, World Bank. (2017).

6.0 CONCLUSION AND RECOMMENDATIONS

This study shows that subnational blended finance is a viable alternative to the otherwise traditional, and resource constrained public procurement models in Nigeria. When public assets like land is utilized as catalytic equity alongside multilateral development loans, the subnational governments can bridge infrastructure deficits without exceeding sustainable debt thresholds.

From an institutional governance perspective, blended finance approach work as an effective way to protect public investments from threats of political distortions, the State can actually protect critical infrastructure effectively from political budget cycles, bureaucratic rent seeking, and likely project abandonment as a result of adopting blended finance framework by shifting projects execution away from the direct State leadership control and embedding it into legally binding, multi-decade joint venture structures like the Fashola and Atan-Ijaiye agri business hubs.

Foreign exchange fluctuations and high domestic inflation continue to exact cost pressures on the private anchor tenants, this is a clear indication that blended finance frame work which encourages financial de-risking must be strongly supported by legal and fiscal governance protection framework instituted by the Oyo State House of Assembly through enactment of laws, guidelines, and regulations, the study therefore highlights that subnational projects remain vulnerable to these macro level shocks even though institutional risks are minimized, and blended finance functions as a highly potent capital multiplier.

Based on the empirical and qualitative findings of this study, the following recommendations are proposed to enhance the subnational fiscal governance and optimize execution of blended finance funding approach as a method of raising capital sustainably:

i. ***Oyo State House of Assembly to enact a Subnational Blended Finance and PPPD Law***
The legislative arm of government should transition the State's PPPD contract guidelines into an active and formal statutory law. This legislation should have explicit capacity to protect the State from arbitrary modification or cancellation of legally binding contracts by future political administrations, ensure the enforcement of active infrastructure concessions, land equity joint ventures, and off-taker agreements. This much needed legal anchoring will directly neutralize political transition risks and lower the risk premiums demanded by the private anchor tenants who have staked their funds in the Oyo State

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Agribusiness Hubs at Fashola and Atan-Ijaiye in anticipation of a good return on their investments.

ii. ***There is need for the establishment of a Subnational Local Currency Liquidity Facility***
The Oyo State Ministry of Finance and other relevant government agencies in partnership with specialized infrastructure debt financing organization like Infra Credit should actively look for avenues to establish a specialized, local currency liquidity facility meant to protect private agro-processors and institutional lenders from foreign exchange shocks, import inflation and other negative macro-economic indicators, this initiative will act as a buffer against currency depreciation, and enable long-term equipment financing to be stably priced in the Nigerian currency without much external shocks, this will surely drive the Oyo State Agribusiness Hubs at Fashola and Atan-Ijaiye.

iii. ***Institutionalize International Public Sector Accounting Standards (IPSAS Accrual)***
Publicly owned land, unutilized facilities, and moribund farm settlements like the one in the Oyo State agribusiness hub at Fashola must be valued professionally and subject to audit long before is pledged by the State government as equity in blended finance operations. This create the need for the State government to comprehensively upgrade its public assets registers by adopting advanced assets valuation protocols under the IPSAS accrual frameworks, which are standards used globally by public sector entities, this step will prevent the under valuation of public assets, embolden the State's equity leverage and protect it from exploitation during negotiations with private investors.

iv. ***Strengthen Technical PFM Capacity within the relevant MDAs***
The State must invest in continuous capacity building programs for the technical personnel within its workforce, most especially in the ministry of Finance, Office of the Accountant-general, investment and agribusiness agencies like OYSIPA, OYSADA etc. It is very critical for staffers to be trained in relevant and complex financial modeling methods, contingent liability estimation, and value for money (vfm) audits, otherwise, the State may be lacking and unable to properly identify, price, and monitor implicit guarantees especially when blended finance framework is in use, and this may lead to lack of protection of the subnational budget from hidden fiscal shocks.

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