1. Country and Sector Background

1.1 Economic Situation and Poverty. With a population of 140 million people, Nigeria is the largest country in Africa and accounts for 52 percent of West Africa’s population. Nigeria is the second largest economy in Africa and accounts for 60 percent of West Africa’s GDP. The GDP of the country currently stand at and the growth rate is 6% for 2006. The economy is highly dependent on oil although the majority of the people are involved in, and dependent on the agricultural sector. As such, economic growth is highly volatile due to dependence on oil. Between 2001-2007, Nigeria’s non-oil growth averaged close to 7 percent -- more than twice the level over the period 1995-2000. This is backed by the sound macroeconomic reform put in place in the last five years. GDP per capita in current US dollars has more than doubled from USD358 in 2000 to USD752 in 2005. Inflation has declined to single digits in 2006, the parallel and official exchange rates have converged reflecting the unification of foreign exchange market, and international reserves reached USD 41 billion by the end of 2006. However high population growth (about 2.5%) and great variability in oil income as well as domestic prices/income, make reducing poverty quickly very difficult task.

1.2 The recent Living Standard Survey (2004) put the poverty incidence at 54.4% or about 80 million people. Net primary school enrolment is 61%, maternal mortality is 704 per 100,000 live births and access to portable water is still very low at 48% of the population. The human development index ranking by the UNDP of 2006 puts Nigeria in 159th position out of 177 countries. A large percentage of the population of Nigeria is vulnerable to poverty (about 90% based on 1996 data) and therefore prone to becoming poor or falling deeper into poverty when exposed to a variety of risks. Limited access to basic social services, loss of job/unemployment and other labour market issues, as well as limited economic opportunities due to a dearth of infrastructure are the major challenges of the poor. Indicators show dramatic differences between

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the poor and non-poor, both in education and health status and in access to these and other key services.

1.3 **Human Development and Recent Reforms.** In the National Economic Empowerment and Development Strategy (NEEDS) and the State Economic Empowerment and Development Strategies (SEEDS), government has recognized that the major causes of poverty include weak governance, environmental factors and limited economic opportunities. Moreover, the recently developed 7-point Agenda identifies human capital development as one of its priorities. The weakness of past antipoverty initiatives was identified to include, among other reasons, poor coordination, absence of a comprehensive framework and ineffective targeting. The need to involve beneficiaries in poverty reduction initiatives as key players and partners and the need to ensure sustainability of interventions and build on the comparative advantage of the various stakeholders in the multifaceted fight against poverty was clearly enunciated in the NEEDS and SEEDS documents. One of the three major pillars of the NEEDS for instance is empowering people. Under this pillar the NEEDS document recognizes the need for an enduring mechanism at the grassroots level for the empowerment of youth, women, aged and children in the effort to fight poverty. The document states that **the attack on poverty must be sustainable, better funded, medium/long term, and as much as possible community-driven (i.e. anchored on existing initiatives of the people).**

1.4 In recent times and flowing from the NEEDS, the Federal Government has reformed some of the poverty reduction interventions and instituted new ones. Notable among such programmes/interventions are the National Poverty Eradication Programme (NAPEP), the Nigerian Agriculture, Cooperative and Rural Development Bank (NACRDB), the National Health Insurance Scheme (NHIS). With the Support of International Agencies the Federal and State Governments have also instituted and implemented community driven development (CDD) –based interventions as pilots in some selected States and communities. Such CDD type projects include Community-based Poverty Reduction Project (CPRP), the Local Empowerment and Environmental Management Project (LEEMP) and FADAMA supported by the World Bank and AfDB. While there are considerable achievements by many of the above projects, the community driven development approach and the partnership strategy adopted in the CDD has made it particularly successful – especially in increasing the access of the poor to social and economic service at the grassroots level. This has led to pressure to expand the project to additional States. This is the motivation for the Community and Social Development Project, (CSDP). The CSDP will seek to promote the human development of poor people at the grassroots level using a CDD approach.

2. **Objectives**

2.1 **Development objectives.** The project development objective is **to sustainably increase access of poor people to social and natural resource infrastructure services.** The key performance indicators are:

- Increased number of poor people (70% women) with access to social services.
• Increased number of poor people with access to natural resources infrastructure services.

• Percentage (%) of Local Government budgets that incorporate Community development plans.

2.2 Therefore the CSDP will support (i) the empowerment of communities to develop, implement and monitor micro social infrastructure projects (public and common pool goods) including natural resource management interventions and (ii) strengthening the skills and capacity of LGAs and sectoral public agencies to support communities and build a partnership between them.

3. Rationale for Bank Involvement

3.1 The World Bank in its Country Partnership Strategy (CPS), which is a direct response to the NEEDS, as well as the recently prepared 7 Point Agenda, also recognize that Nigeria faces considerable human development challenges with very poor human development indicators and high regional disparities. The CPS, in agreement with the NEEDS, states that it is crucial to empower people for poverty reduction, and that such empowerment should promote increased access to basic social services and an environment that is sustainable.

3.2 The Bank has supported multiple CDD projects and has acquired considerable experience in working effectively at the community level. The CPRP and LEEMP are on-going projects supported by the World Bank that have shown successful and replicable outputs and outcomes with respect to human development and have also demonstrated potential for improved governance – particularly at the grassroots’ level.

3.3 Even in the face of inadequate planning and budgeting capacity, financial irregularities, and poor management at the LGA level, experience on the CPRP and LEEMP has shown that the project, through appropriate institutional arrangement, can catalyse effective partnership between LGAs and Community groups and structure to enhance social and economic welfare. This is cardinal to World Bank support to Nigeria Government in the fight against poverty.

4 Description

4.1 A five-year Sector Investment Loan (SIL) has been selected to allow for (i) the scaling up of the CDD approach from the CPRP and LEEMP states, to other states in Nigeria, (ii) the institutionalization of the CDD approach in the planning approaches adopted by the three levels of government, (iii) response to the challenge of human development at the grassroots level in a sustainable and participatory manner and (iv) improved sustainable natural resource management.

4.2 The CSDP has three major components.
The CSDP has three major components.

**Project Component 1 - Federal level - Coordination and Program Support - $10m**

4.3 At the Federal level, this component will be supervised by the Federal Ministry of Finance, while the direct responsibility for implementation will rest with the existing Federal Project Support Unit. This is a result of changes in the mandate of federal agencies managing CPRP and LEEMP (NPC and FPSU in FMEnv respectively). A multisectoral Programme Advisory Committee chaired by the Federal Ministry of Finance and serviced by the FPSU, will support the FPSU to implement the following subcomponents:

(i) **Technical Support to State Agencies and Activities:** The FPSU unit will be responsible for providing technical backstopping to State Agencies on Procurement, Financial Management, Gender, Environment, and Local Government Capacity issues. The unit will organize the appropriate technical assistance based on requests from State Agencies or needs identified by the monitoring and evaluation system.

(ii) **CSDP Monitoring and Evaluation:** The Unit will support an overall result-based monitoring and evaluation framework for the CSDP in all project states and across all levels of activities. A participatory M&E scheme currently used in both CPRP and LEEMP will be adopted and strengthened. A more functional MIS will be established in partnership with the State Agencies. Periodic project performance reviews coordinated by the FPSU and with active participation of the State Agencies will be carried out to feed into the M&E and MIS.

(iii) **Poverty and CDD Policy Design and Dissemination:** Resources will be committed, under this subcomponent to develop poverty reduction, social protection and CDD related policies and programmes as well as dialogue and dissemination of best practices. This subcomponent will also support focused analytical studies, reviews of current practices, international experience sharing, stakeholder dialogue and dissemination and promotion of poverty reduction related initiatives.

**Project Component 2 - LGA/Sectoral Ministries Capacity and Partnership building Component - $20m**

4.4 This component will be implemented by the State Agency in all participating States and will provide funding for capacity building, skills training and hardware types of investments. The objective of this component is to establish and strengthen a partnership between LGAs and communities. The State Agencies will fund and support the process of strengthening the capacity of sectoral ministries and local government in program administration and accountability vis-à-vis local communities. Specifically, funds will be made available for capacity building, skills training, as well as essential facilities for specific local government officials, such as community development workers –to facilitate their activities with community groups and management of local government subprojects. The training at LGA and State Sectoral agency level will be broad
based and linked to existing public service training programs –such that trained staff can be certified.

Project Component 3 - Community-Driven Investment Component - $170m

4.5 State Agencies will manage this component. Funding will be provided for community development plans CDPs - based on specific selection criteria, including broad-based community participation in plans formulation, micro-project identification and preparation, and a matching contribution from communities. Major activities in this component to be carried out by the State Agencies include:

- information campaigns on community development plans, agency goals and funding procedures;
- support for community identification of needs and priorities and development of CDPs:
- in collaboration with LGAs, appraising, approving, and financing CDPs developed and implemented by community-based groups; and
- monitor and evaluate the implementation of the CDPs and achievement of set objectives.

Possible micro-projects that may be contained in eligible CDPs include rehabilitation, extension or construction of primary schools, health centres, rural electrification, water points, water reservoirs; rehabilitation or construction of feeder road, small bridges, culverts, drifts and stock routes, boreholes, other basic transport infrastructures; and small socio-economic infrastructure for community use (public goods) such as markets and storage; vocational training centers (skill development centers); and natural resource management facilities such as community reforestation, woodlots or community-managed measures for firewood utilization or planting of windbreaks, physical and biological measures for lowering soil erosion and environmental degradation, community sanitation, including treatment of human and livestock waste, agro-forestry, water catchments systems, drainage systems or local management of solid wastes; and community energy efficiency, including promotion of equitable access to energy-efficient stoves or biogas pits.

5 Financing

Source: ($m.)
BORROWER/RECIPIENT 180
INTERNATIONAL DEVELOPMENT ASSOCIATION 200
Total 380

6 Implementation

6.1 The CSDP would operate at two levels: Federal, and State.

(a) At the Federal level, the Coordination and Program Support Component 1 - will be supervised by Federal Ministry of Finance. This is as a result of changes in mandate of federal
agencies managing CPRP and LEEMP (NPC and FPSU in FMEnv respectively). The Federal Ministry of Finance is currently managing the CPRP and also leading the CDD harmonization process in the country – so has considerable experience in CDD activities. The Federal project support unit (FPSU), reporting to the FMF, will be responsible for implementation of the activities at the Federal level of the project. The FPSU currently manage the LEEMP project. There would also be a multisectoral Programme Advisory Committee chaired by the FMF and serviced by the FPSU. The FPSU will be the collaboration point for the various Federal Sectoral Ministries to mainstream support for the CDD agenda, such as NAPEP, National Bureau of Statistics, National Planning Commission, Ministries of Women Affairs, Environment, Intergovernmental affairs (for Local Govt.), Education, Health, Water resources.

6.2 At the State level, a State Government Agency set up by state law, in agreement with the Funding agency, which already exist in 12 States, will be responsible for implementing the state component. States that do not have existing agencies would be required to establish one and would be eligible for participating in the project upon agreement with the World Bank and Federal Ministry of Finance on the suitability of the structure. The Agency will work in collaboration with the Federal agencies, but operate independently. The State Agency will also have an advisory board or a steering committee and a Management Unit. The Board will include representatives from civil society and the government. The management unit headed by a General Manager who will supervise activities of staff within 3 major departments of the Agency: viz: Operations, Finance and Administration, and Monitoring and Evaluation. The law or legal agreement used in establishing the agency will insulate the agency and specifically the management unit from undue political or administrative interference.

In agreement with the Federal Ministry of Finance and the State Governments, during appraisal, the following categories of States have been identified by Federal Government as States where CSDP will be implemented. The categorization is as follows:

(i) **States currently implementing CPRP (12)** - that are willing to continue in a scaled-up model, including states currently funded by AfDB. They are Abia, Cross River, Ebonyi, Edo, Ekiti, Gombe, Kogi, Kwara, Osun, Yobe, and Zamfara.

(ii) **States currently implementing LEEMP (9)** – These states would join the project after exhausting resources under their current allocations in LEEMP. The States are Adamawa, Bauchi, Benue, Katsina, Niger, Bayelsa, Imo, Enugu, and Oyo and

(iii) **New States** - States that have requested to join the project and are part of the project preparation and appraisal process. These are Plateau, Ogun, Ondo, Anambra, Kaduna, Akwa-Ibom, Nasarawa, Taraba and Jigawa.

- Under this component, there would be a local government level institutional structure called the Local Government Review Committee (LGRC) and designated desk officers in key state sectoral ministries and development agencies. The LGRC (currently in use in LEEMP) will be established by a bye-law in each participating LGA and will serve as an institutional mechanism to establish and nurture a partnership relationship between the LGA and the communities. The CSDP will not operate in any Local Governments that do
not establish and fund the activities of the LGRC. The sectoral Ministry’s desk officers will be responsible for providing technical support to the State Agency in appraisal, supervision and monitoring of community development plans and microprojects.

7 Sustainability

7.1 By seeking to involve Local Government, State line ministries and Federal government agencies and Ministries, the project will mainstream the CDD approach both horizontally across government policies and programs, and vertically through all levels of government.

7.2 As in CPRP and LEEMP, the project will create sustainable structures at the community level for planning, identifying, implementing and maintaining local development initiatives. In addition, the project will institutionalize the CDD approach by establishing a permanent structure vis-à-vis the LGRC at the LGA level for engaging with communities and responding to their priority needs.

7.3 CSDP will aide in establishing the link between IDA’s existing support to the federal and lead state governments’ governance reform efforts and grass-root empowerment and democratization efforts under CDD projects. Strengthening local government capacity to appreciate and respond to community demand for public goods and services will build trust in government and create a virtuous cycle of increasing civic participation and activism and improved government effectiveness. A viable federalism requires capable and responsive governments at all levels.

8 Lessons Learned from Past Operations in the Country/Sector

8.1 It was agreed at the 2004 joint Country Portfolio Performance Review – that the Bank-financed CDD interventions need to be harmonized –in their tools and methods in the short run and in the financing windows (i.e. mergers), where possible in the long run. Harmonisation of the CDD projects will (a) make the operations of the individual projects more efficient and effective by avoiding duplications of efforts and adoption of good and proven practices and (b) ensure common process at the community level.

8.2 Combining CPRP and LEEMP. As part of the long run outcome of the CDD harmonization process, CPRP and LEEMP –that are currently focused on public goods and common (pool) goods and operating in different states – will be merged into one CDD programme focused on provision of social services and natural resource management support in rural areas. FADAMA, on the other hand, will focus on provision of productive goods in rural areas. CSDP is a response to the merger of CPRP and LEEMP. States currently running the two projects will be able to use existing structures – with some strengthening – to implement the CSDP. The Federal Structure for LEEMP, i.e. the FPSU that has proven successful and competent will also be used at the Federal level.
8.3 **Move from community projects to development plans.** One other important element of this standardization/harmonization is that Community Development Plans will be prepared by all communities. In CPRP, communities are currently preparing microproject proposals. The experience of LEEMP and FADAMA showed the advantages of comprehensive community development planning in order to ensure a single, harmonized development process at the community level. It is envisaged that the proposed CSDP and FADAMA teams will facilitate the formulation of comprehensive Community Development Plans prepared by all communities, with an open menu including all community priorities (microprojects), not just those the project might be able to finance. That way, different sources of funds can make use of the same community development plans, e.g. HIV/AIDS, Universal Basic Education FADAMA, CSDP, CURDP, etc.

8.4 **Involve Local Governments.** Despite the overall success of CPRP, it is acknowledged that the impact of the project on poverty would have been more profound if there had been greater collaboration and partnership of the communities with their Local Government Authorities and active support of the relevant sectoral ministries. The CPRP did not specifically include support to LGAs and Sectoral Ministries, in view of the prevailing situation at the design of the pilot project in 1998/99. However, the project has performed better (in terms of relative number of projects and rate of completion as well as cost) in States and in areas where the local government authority and state sectoral agencies have provided additional support to the community effort. Yobe, Kebbi and Ekiti States are good examples. The substantial and complementary role of the Local Government Review Committee in the LEEMP project also indicates that Local Governments can and should become active partners with communities in the local level development process. Katsina and Oyo provide good examples. States financed under CSDP must have LGAs willing to support CDD rules during project implementation.

8.5 **Ensure collaboration between LGA and Community groups.** The capacity of local government councils to provide public goods and services varies. Although LGAs have better infrastructure and more staff and resources than their counterparts in many African countries, leadership and the instability in the decentralization and devolution process seems to be a major challenge. At the grassroots level, the experience of the CPRP and LEEMP demonstrates the capacity of communities to organize themselves, identify their development needs, mobilize resources, and undertake collective action to implement their initiatives. There is therefore tremendous opportunity for collaboration between community groups and their Local governments – the CSDP intends to build on that.

8.6 **Build capacity of LGA personnel for participatory planning.** The value of CDD projects such as CPRP and LEEMP lies beyond their direct impact on human development indicators. Community empowerment under these projects has already created pressure on local government to respond to community needs and to use public resources more effectively. The CPRP and LEEMP Mid term review background studies showcased examples of effective and efficient response by LGAs in Oyo, Katsina and Kebbi. Strengthening local government, in this context, will be a productive effort, so local government can improve responsiveness towards community demands and citizens will have increased trust in state actors. In the CSDP, there would be an investment in building up LGA capacity to institutionalize the CDD approach, as well as basic planning, budgeting, financial management capacity to improve effectiveness,
transparency and accountability of resources managed by LGAs. The training will be broad based and linked to existing training programmes for certification.

8.7 **Support safety net micro-projects.** While the CPRP and LEEMP are focused on public social goods and “commons” – natural resource management, the issue of special programmes (safety nets) for the vulnerable and highly marginalized groups has featured prominently in the community priorities and development plans (as seen in LEEMP-CDPs and FADAMA- LDPs). Support to these groups, as well as others affected by external or endogenous shocks, would be factored into the CSDP. Some provision for support to informal and formal social risk management interventions designed by the community groups and/or in partnership with Local Government Authorities will be established. The Bank’s support to Government in the Social Protection strategy dialogue and formulation process as well as experience in other countries provides ample background for implementing safety-net intervention. Government is also planning on experimenting the use of community groups to implement Conditional Cash Transfers especially in communities where the CPRP and LEEMP have provided functional schools and or health centers.

8.8 **Use autonomous PIU or irreversible commitments for Institutional and Implementation arrangement.** Autonomy and rapid response as well as deep commitment and professionalism are a major element of success in the implementation of CDD mechanisms in Nigeria. While the Country Partnership Strategy, CPS recognizes that it is desirable to use existing civil service systems and structures to implement investment assistance, it is obvious that reforms and a large dose of capacity strengthening, especially at LGA level, is required before the current bureaucracy can be used to implement targeted and multisectoral interventions such as CPRP, LEEMP or CSDP. Experience from CPRP and LEEMP at Local, State and Federal levels indicates that Agency or Units established by law or special commitments are required for effective implementation of CSDP, especially at State and Federal Level. In the case of CPRP, the “autonomous agency” that acts as an implementation unit allows for (i) private sector participation in oversight functions as members of Board; (ii) better staff motivation as they are paid private sector salaries; and (iii) some protection from political interference as the project is seen as semi-autonomous from public service. The agency is a structure of State Government and the Board reports to the Governor’s office; hence the process is integrated into the existing governance system to avoid duplication of duties and responsibilities. In the case of LEEMP – the project support unit is created as an “agency” of a Ministry and significant level of authority and decision making was later given to the Project Management team. In the CSDP, a state government agency set up by state law in agreement with the funding agency will be responsible for implementing the state component. The Management unit of the agency will be responsible for the day to day implementation of the state component of the project. The law or legal agreement will sufficiently insulate the agency and specifically the management unit from undue political or administrative interference. These structures already exist in the 12 states of CPRP and only need to be strengthened to implement CSDP. LEEMP States and the new ones will be required to put up such institutional arrangement as agreeable to the Bank.

9 **Safeguard Policies (including public consultation)**
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10 List of Factual Technical Documents

- Mid term Evaluation Reports of CPRP and LEEMP
- Project Implementation Manual – Federal and State Level
- Aide –Memoire of the preparation mission- 11/2005
- Quality Assurance Reports
- Final QER Report – 12/2005
- World Bank Assessment reports

11 Contact point

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
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