1. Country and Sector Background

1. Although Nigeria is the leading producer of oil in the Africa Region, agriculture remains the backbone of its national economy. In 2005, about four-fifths of the 8.2 percent growth in the economy outside the oil sector originated in agriculture. The rural areas--home to about 76 million of the total population of 140 million--employ about 60 percent of the total labor force, generate one-third of Gross Domestic Product (GDP) and account for about 5 percent of total exports. Despite its rich endowment of natural resources, Nigeria is a poor country. In 2003 more than 92 percent of the population lived on less than $2 a day, and 71 percent on less than $1 a day. Most of these poor people are in rural areas. The Federal Government of Nigeria (FGN) uses a relative poverty measure defined as less than two-thirds of mean per capita income, and 64 percent of people in rural areas fall below this line, compared to 35.4 percent of urban

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1 The Nigerian economy is dominated by oil, which accounts for about 52 percent of GDP. In 2005, oil and gas contributed about 99 percent of exports and provided about 85 percent of government revenues, although its contribution to employment is small, estimated at only 4 percent.

people. These data reflect a significant worsening of relative poverty since 1980. A greater proportion of households are poor in the North than in the South. The incidence of poverty is highest among households in which the head is engaged in agriculture as the main source of livelihood and income. Until the last three years the annual growth rate of the sector was below the population growth rate of 3 percent.

2. Nigeria’s agricultural sector has a high potential for further growth. Productivity is low and can be much improved. The rapid expansion of the oil sector has played a role in eroding the competitiveness of agriculture, since deterioration in the real exchange rate has not been offset by investments to increase productivity and reduce costs of marketing. The oil sector also creates scope for accelerated agricultural growth through redirection of public investment toward rural areas.

3. The Government recognizes that agricultural growth is the key to achieving poverty alleviation, food security, and the Millennium Development Goals (MDGs), and that further effort is urgently needed. The National Economic Empowerment and Development Strategy (NEEDS) explicitly recognizes the strategic importance of the agricultural sector and lists a number of special initiatives that the federal government intends to pursue to promote increased production. The NEEDS sets out a series of quantitative targets to be achieved by 2007, including 6 percent annual growth in agricultural GDP, US $3 billion per year in agricultural exports, and 95 percent national food self-sufficiency. The agricultural policy objectives outlined in the NEEDS are complemented by those contained in the New Agricultural Policy.

4. In addition to the strategic objectives outlined in the NEEDS, the Government has recently unveiled a seven-point agenda for economic development. The Fadama program is explicitly recognized as part of this agenda.

5. “Fadama” is a Hausa name for irrigable land—usually low-lying plains underlay by shallow aquifers found along Nigeria’s major river systems. Such lands are especially suitable for irrigated production and fishing, and traditionally provide feed and water for livestock. The enormous potential of this land is only very partially developed. The Fadama I and II projects successfully refined approaches for improved utilization of these lands. Fadama II is implementing an innovative local development planning (LDP) tool and building on the success of the community-driven development mechanisms. The cumulative impact of these earlier successful Bank-assisted projects attests to the robustness of the small-scale and community-based approach to fadama development in an environmentally sensitive manner.

6. The Fadama III operation will support the financing and implementation of five main components designed to transfer financial and technical resources to the beneficiary groups in: (i) institutional and social development; (ii) physical infrastructure for productive use; (iii) transfer and adoption of technology to expand productivity, improve value-added, and conserve land quality; (iv) support extension and applied research; and (v) provide matching grants to access assets for income-generation and livelihood improvements.

**Strategic Choices**

7. The main strategic choices made in the project design include the following:

(a) *To address constraints to productive infrastructure*: Inadequacies in rural infrastructure and essential support services, road access and dry season irrigation, and availability of relevant agricultural and land management technologies constrain growth
and adoption of more sustainable approaches to land management. The core activities to be funded by this Project address this constraint.

(b) **To improve livelihood opportunities:** The Project will support productive activities, technical assistance and investment in assets and land quality and services identified by communities as relevant to generation of higher incomes and better livelihoods.

(c) **To empower the rural poor:** The poor lack power and voice to access basic services, identify opportunities, and exercise legal rights. Information is scarce. Household, village, and local government decision-making processes are often opaque and exclusionary. Mechanisms to ensure accountability in delivery of state and local government services are weak. The Project’s facilitators working with the Fadama groups will help them overcome barriers deriving from lack of knowledge or insufficient cooperation among groups.

(d) **To promote socially-inclusive and community-based approaches:** Integration of social inclusion and community-driven principles has proven to be cost-effective, responsive to local priorities and effective in reducing conflicts over use of natural resources. This proven approach\(^3\) has demonstrated that the key is to promote investments that bring both private profitability and public benefits.

(e) **To accord adequate attention to technical quality assurance:** Limited capacity in supervising the technical aspects of community subprojects contributed to delay in implementing local development plans and subprojects funded under the Fadama II Project. The Fadama development facilitators and service providers will receive adequate training before they are deployed in the communities. The Facilitators’ training program will be designed to increase their sector-specific technical skills and provide them with the skills to perform feasibility work and technical supervision with the participation of the farmer groups. The Agricultural Development Program (ADP) offices will train the service providers.

2. **Project Objectives**

The proposed Project supports the government’s strategic objective to enhance growth in sectors other than oil in order to achieve increased food security, reduce poverty, and create employment and improved opportunities in rural areas. The Project will do so by: (i) financing investments in productive community infrastructure to increase agricultural productivity and diversify sources of livelihood; (ii) building the capacity of community organizations to increase the stock of social capital; (iii) strengthening the capabilities of participating states and local governments to deliver services to the rural poor; and (iv) promoting socially-inclusive and environmentally sustainable management of natural resources. The Project will also contribute to achieving the goals of the New Agricultural Policy (NAP) and the Rural Sector Strategy (RSS), as well as the Comprehensive African Agriculture Development Program (CAADP) target of 6 percent agricultural growth, objectives of TerreAfrica Partnership and its GEF Strategic Investment Program (SIP) for Sustainable Land Management (SLM) in Sub-Saharan Africa (SIP, led by the Bank and NEPAD).

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3 For example: Brazil (Parana and Santa Catarina), China Loess Plateau, Fadama II
9. **Project development objectives and approach.** The development objective of Fadama III Project is to increase the incomes of users of rural land and water resources on a sustainable basis. The Project’s approach is as described above, and relies on facilitation for demand-driven investments and empowerment of local community groups and to improve productivity and land quality. Supplemental GEF support will strengthen the land management dimensions.

10. **Beneficiaries.** The Project coverage will be national. It will include the 19 states that did not benefit from the ongoing IDA Fadama II Project and the Fadama II states that meet the eligibility criteria for continued participation, including: (i) satisfactory disbursement performance as indicated by at least 75 percent of the IDA credit disbursed by appraisal of the proposed Fadama III Project; (ii) demonstrated pro-poor impact from the resources disbursed directly through community subprojects (as indicated by impact evaluation and beneficiary assessment studies, including the mid-term review (MTR) of Fadama II Project); (iii) establishment and funding of the operations of the core teams of the State Fadama Coordination Offices (SFCOs) and (iii) commitment to the Project as demonstrated by payment of counterpart contributions towards the costs of the project preparation work and implementation. The Project aims to cover up to 20 Local Government Authorities (LGAs) for the 19 states that did not benefit from the Fadama II operation. In the Fadama II states, up to ten \(^4\) LGAs will be added to the ten LGAs that have already benefited. The GEF support will focus especially but not exclusively on the states of Borno, Cross-River, and Osun, selected by the Government’s newly founded National SLM Committee for their ecological and geographic diversity.

11. The beneficiaries will be assisted to organize themselves in economic interest groups, named Fadama User Groups (FUGs), each having on average around 20 members (plus these individuals’ households). The FUGs will establish Fadama Community Associations (FCAs), which are apex organizations of 15 FUGs on average at the community level.

### Rationale for Bank Involvement

12. The Bank’s continued support for the Fadama program and entry into its third phase will facilitate implementation over a broader geographic area and innovation in environmental and financial sustainability of interventions. The Government has requested the Bank’s continued financial and technical partnership as the program expands and takes on new challenges.

13. The environmental agenda under the Project will be enriched by participation of the Global Environment Facility (GEF) in a partially blended operation, with additional GEF resources supporting activities on sustainable land management. The response to threats to the land resource has so far fallen short of expectations due to an entrenched set of barriers. This issue will be addressed under the present operation through attention to enhanced knowledge for dissemination and adoption of measures to address land management and monitoring of its quality, better institutional capacity for land use planning at the level of the micro-watershed or landscape, and support for income generating options to conserve or rehabilitate production land.

14. **Performance Indicators.** The key indicators and targets of the **PDO** are (Annex 3, see Results Monitoring Framework (RMF)):

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\(^4\) Less than ten if total number of LGAs per state is less than 20.
• *Income of participating households:* 75 percent of Fadama user households, who benefit directly from project-supported activities, have increased their average real incomes by at least 40 percent by 2013.

• *Yields of primary agricultural products of participating households:* 20 percent increase in yield of primary agricultural products of participating households.

• *Savings of participating groups:* 3 percent of value of common asset of the FUGs is saved annually (with effect from year 2).

• *Physical verification* of operations, maintenance and utilization of assets at mid-term and at project closing by surveys of random selected sites

• *Surveys at mid-term* and at project closing to show that at least 75 percent of Fadama users are satisfied with operations, maintenance and utilization of community owned infrastructure and capital assets acquired through the project.

3. **Project Description**

15. The Project will be implemented over a five-year period--from July 2008 to June 2013. It will close in December 2013. The Project is anchored on the CDD approach. Community organizations will decide on how the resources will be allocated among the priorities that they themselves identify and they will manage the funds. Extensive facilitation, training, and technical assistance will be provided through the Project to ensure that poor rural communities, including women and vulnerable groups, especially the physically challenged, participate in the collective decision-making process. The Project will help give voice to the communities as well as promote the principles of transparency and accountability in planning and management of public investments within the LGAs. Improving the way the LGAs do business is expected to reinforce trust between the communities and the local government administrations. Enhanced trust will undergird popular participation in efforts of local administrations to address management of public lands and to enforce regulations on environmental protection.

16. Supplemental GEF-SIP support under the partially blended operation aims to: (i) enable FUGs and FCAs to identify and address SLM priorities; and (ii) support stakeholders and sub-national governments to better implement sustainable land management based on capacity development, knowledge, investments, and monitoring of results. GEF support will also embed technical SLM options, including local land-use planning, into the CDD framework and the Local Development Planning (LDP) tools.

17. **Project cost.** The total project cost is $450.0 M, of which, the Bank will finance with an IDA Credit of $250 M, the Borrower will contribute $200.0 M (Federal Government $40.0 M, State Governments $60.0 M, Local Governments $40.0 M), and the Communities, including the private sector and civil society, $60.0 M. Twenty percent of beneficiary contributions will be in kind (materials and/or labor). GEF aims to provide a grant of $7.0 M under the Bank-led SIP umbrella.
Component 1. Capacity Building, Communications and Information Support--$87.5 M (of which $28.2 M financed by IDA)

18. This component comprises the following three subcomponents:

(a) **Capacity Building Support for Community Organizations (US$66.7 M).** This subcomponent will include: (i) community mobilization, organizing beneficiaries into viable Fadama User Groups (FUGs)/economic interest groups (EIGs) and their apex association or federation, the FCAs (fadama community associations); training and TA support to empower the communities to identify, design, share investment costs, implement and maintain productive assets and activities at the community level in a sustainable manner; the training of women, vulnerable and marginalized groups will be emphasized in order to make the project more socially inclusive; (ii) preparation of local development plans (LDPs) (the process and guidelines applicable to the LDPs and the FCAs’ involvement are outlined in the Project Implementation Manual (PIM)); (iii) support to FUGs/FCAs in operating savings schemes, linking beneficiaries with micro-finance institutes (MFIs) and enhancing their capacity in formulating demand for and managing advisory services; and (iv) training, TA, and facilitation support for project implementation. This support includes what is needed for the establishment and operation of the Fadama Users’ Equity Funds (FUEFs under Component 5). GEF support will strengthen selective communities and local institutions to integrate land management into the LDPs.

(b) **Capacity Building for Local Governments (US$13.9 M).** Through training, technical assistance, and institutional support to local governments (LGs), particularly at District administrations, and by improving their internal and financial procedures, the LG’s capacity for decentralized administration and their effectiveness to deliver services to community operations will be enhanced. The expected outcomes of this subcomponent include: (i) innovations in local planning at the community level; (ii) integration of community plans in the LG planning program to enhance sustainability; and (iii) improvements in good governance and organizational capacity of local governments (both elected officials and line department staff) at the district level. The Project will finance to build capacity of LGs to extend technical, financial and management support to communities as well as enhance their efficiency in operational work, such as, investment planning, community mobilization, and supervision and monitoring of community development projects. There will be an MOU between the State Fadama Coordination Office (SFCO) and participating LGs. All MOUs will be signed by Project start.

(c) **Communications and Information Support (US$6.9 M).** The Project will finance: (i) technical assistance to permit the participating states to disseminate information about the Project and its guidelines to potential beneficiary communities; enhance the level of the beneficiaries’ comprehension of the contents of the project implementation manual, their rights and obligations under the project, and increase their awareness of what actions they can take to report irregularities of possible fraud, elite capture and collusion during project implementation; (ii) the design and implementation of a communications program. In addition, the Project will (in close partnership with the social CDD operations assisted by the Bank in the project zone) also fund the establishment of one pilot community radio (CR) station in the selected pilot states, to be owned, operated, and run by the FCA on a volunteer basis. The Project will provide technical assistance and funds for piloting the use of
information technology by community associations and local governments to increase transparency by making available real time information about the Fadama III program as well as using the internet to connect communities to markets. GEF financing will support the development of communication and awareness building modules on sustainable land management integrated into the above.

The instruments for implementing the various forms of capacity building under this component will include a combination of workshops, limited external training, technical exchanges, on-site/on-farm training and/or demonstration, and more traditional technical assistance, drawing upon local expertise within the state—consultants, universities/colleges, nongovernmental organizations (NGOs), and other local service providers—as well as national and international technical assistance agencies and individual consultants. The criteria for selecting facilitators, consultants, and other service providers will be specified in the PIM.

Component 2. Small-Scale Community-owned Infrastructure --$75.0 M (of which $67.5 M financed by IDA)

19. Grant resources will be allocated annually to each of the participating FCAs for implementing priority demand-driven community-owned projects. The FCA-owned infrastructure subprojects, ranging in size from $1,000 to $10,000, identified by the communities, and complementary services identified in the LDPs, will adhere to cost-sharing principles. The menu of subprojects will include: (a) rehabilitation and/or construction of feeder and access roads, culverts, and small bridges; (b) rural markets; and (c) infrastructure for sustainable natural resource management including improved conservation of soils and agronomic practices, and water harvesting techniques, and, where feasible, integration of this infrastructure into local/community land-use planning supported under Component 1. In addition, the Project will finance: (d) infrastructure that cuts across FCAs and/or LG boundaries, including stock routes, pastures and watering points. The cross-FCA infrastructure subprojects identified by groups of FCAs will range from $10,000 to $35,000. The distance of the roads to be constructed and funded will be established during the needs assessment (PNA) and the Project will rely on variable design standards to deal with local agro-ecological conditions and differential capacity to pay. The Project will finance civil works and related equipment, technical services for pre-feasibility studies, and infrastructure subproject design, including estimation of subproject costs, technical and financial viability analysis, appraisal of O&M plans, bidding documents as well as environmental and social impact analysis. Funding principles will be 90 percent grants and counterpart contributions of up to 10 percent of the investment costs (in cash or in materials and labor) from the FCAs. Prototype designs for the menu of subprojects to be funded under this component are presented in the operational manual.

Component 3. Advisory Services and Input Support--$39.5 M (of which $24.6 M financed by IDA)

20. Under this component the Project will finance the following two subcomponents: (a) delivery of advisory services responsive to the needs of Fadama users in production, processing, marketing, and supply chain management; and (b) input support.

(d) Advisory Services (US$24.5 M): The Project will provide support to empower fadama users--farmers/pastoralists and other economic interest groups (EIGs), working within their organizations and through their LGAs--to purchase advisory services from both public and private sources. Grants will be channeled from the state level of government through the SFCOs to the FCAs for use in financing
advisory service contracts. The content and scope of the advisory services will be determined by the FCAs with the assistance of the Facilitators and qualified consultants and articulated in the LDPs. Further details on the eligibility criteria to access this facility and the applicable guidelines will be outlined in the Advisory Services Operational Manual which is incorporated in the PIM.

(e) **Input Support (US$15.0 M):** The Project will continue the matching grant arrangement successfully tested under the ongoing Fadama II Project. This facility shares the risks involved in the adoption of new technology by the farmers to enhance their financial capacity to purchase farm inputs (mainly seeds, fertilizers and agro-chemicals) and to build savings from incremental earnings to finance future purchases. Farmers receive a grant, equivalent to 50 percent of the purchase price of the input per FUG, with the remaining 50 percent due as the FUG-beneficiary-counterpart contribution. Access to this facility will be for a maximum of two years, during which time the FUGs are expected to become familiar with the selected new technology. The criteria to access this input support facility are outlined in the PIM.

In order to ensure sustainability of the production process after the second season, the beneficiaries will be assisted to link with financial institutions through capacity building support (Component 1) to open savings accounts and to access credit for future purchase of inputs.

**Component 4. Support to the ADPs and Adaptive Research -- US$36.5 M (of which $5.5 M financed by IDA).**

21. This component has 5 subcomponents. The Project will provide support to the Agricultural Development Program (ADPs) offices to carry out the following specific and limited functions:

(f) **Support to Advisory Service Providers.** The Project will provide specialized technical assistance, training, experience-sharing, and knowledge-exchange opportunities to service providers with emphasis on improving the quality, effectiveness, availability, affordability and timeliness of advisory services. The beneficiaries will be established public and/or private sector service providers, with a proven record certified by the ADP. The training menu will include specific agricultural technologies, such as, new varieties and cultivation methods, participatory methodologies and facilitation skills, marketing and enterprise management, improved cultural practices, soil fertility management, sound use of agro-chemicals, soil and water conservation, sustainable pasture management, as well as sustainable ecosystem management. The Project will finance the cost of training and mentoring activities, including contracting consultant services in areas in which the ADPs lack the necessary expertise and production and provision of training materials.

(g) **Quality Assurance of Advisory Services.** The Project will fund the incremental operating costs to allow the ADPs to certify service providers and provide technical quality control to ensure that the advisory services delivered to project beneficiaries meet established quality standards. To increase ADPs’ capacity to provide training to service providers and the Facilitators and to perform quality control on advisory services, the Project will finance the setting up of a small computerized research laboratory with full internet connectivity. The laboratory will give the ADPs capability in data coding, analysis and monitoring of adoption of project-funded
technologies through improvements in the M&E system. It will also allow access to real time information and regular update of techniques relevant for the training of the Facilitators and the advisory service providers. The subject-matter specialists of the ADPs will, thus, have the opportunity to update knowledge, keep up with developments in their fields and acquire cutting-edge skills and information that they can use to support on-farm demonstrations in partnership with contractors from participating research institutions/centers.

(h) Training of Facilitators. The Project will provide periodic support to the Facilitators, including training, workshops on formulation of demand for advisory services, and participatory implementation and supervision of such activities as well as to perform quality control functions in order to ensure that the subprojects emanating from the FCAs meet minimum technical standards.

(i) Sponsored Research and On-farm Demonstrations. The Project will undertake sponsored research, through entering into a Performance-based Contract with public and private research centers including centers of excellence, such as, International Institute of Tropical Agriculture (IITA), West African Rice Development Association (WARDA), and the International Livestock Research Institute (ILRI), to develop technical propositions/recommendations on crop, livestock and other activities, and also respond to problems and constraints identified by farmers. The research centers will collaborate with the ADP extension agents to conduct on-farm demonstrations. The main objectives of this activity are to test new crop varieties and management methods for crops, agro-forestry, livestock, fisheries, and post-harvest technologies.

(j) Training of Extension Staff. The Project will fund focused training of extension staff. This activity will be contracted out by the National Food Reserve Agency (NFRA) to public/private research/extension centers and/or specialized institutions under a Project Coordinator. Limited external training will be provided in selected disciplines of high priority. The training menu will include new methods of instruction and information dissemination for the ADPs, workshops/retreats, and study visits designed to upgrade skills and acquire new ones to support demand-driven community investments.

The Project will finance: (i) contracting with third parties; (ii) minor civil works for ADP office renovations; (iii) vehicles, goods, and equipment for ADP and National Food Reserve Agency (NFRA) zonal office operations; (iv) staff training, including limited external training; (v) support to service providers and Facilitators; and (vi) operating costs for the ADPs and NFRA’s central and zonal offices as well as program monitoring and evaluation. The Head of Unit of the NFRA will use the zonal offices to coordinate the implementation of the component in all the states, drawing upon the critical mass of trained manpower resources available in the various departments of the Ministry of Agriculture and Water Resources (agriculture, irrigation, forestry, livestock, and fisheries, etc.). A Senior Agricultural Services Advisor, to be recruited by the NFRA under competitive and transparent procedures satisfactory to the Bank, will be entrusted with the responsibility of day-to-day coordination in conjunction with a core team that will include a specialist in contract management and an operational specialist with background in monitoring and evaluation.
Component 5. Asset Acquisition for Individual FUGs/EIGs--$150.0 M (of which $105.0 M financed by IDA)

22. This component will include a matching grant fund to finance acquisition of assets for income-generating activities. The Project will scale up the matching grant approach, successfully piloted under Fadama II Project to support common interest groups (FUGs/EIGs) and their apex associations (FCAs) to undertake initiatives which will assist them to increase value added from the products produced by their members and diversify their sources of livelihood. The matching grant will be targeted to poor fadama users, including the disadvantaged groups (such as the handicap, widows, the sick and economically-inactive members of the community) who do not currently have access to either subsidized or market rate credit, and, who, as individuals, are too costly to be served by financial institutions due to the perceived high risk, lack of information and high transaction costs. Moreover, by enhancing the credit worthiness of the financially handicapped rural inhabitants, the matching grant will actually help reduce their vulnerabilities and risks, thereby making them more attractive to formal financial institutions.

23. Based on the experience in Fadama II the menu of subprojects is likely to include the following: (i) improvements in existing farming systems for horticultural produce, grains, roots and tubers; (ii) rearing of small animals (birds, sheep, goats, and pigs, beekeeping); (iii) promotion of technologies and investments in the livestock sector, such as dual purpose cattle raising (dairy and meat, hides and skins); (iv) aquaculture and smallholder fisheries production activities; (v) diversification of production systems and micro-enterprise development in non-traditional crops (such as, vanilla, macadamia, ginger, gum arabica, peppers, flowers, etc.); (vi) equipment and support for processing and value addition; (vii) establishment of seed and plant nurseries; (viii) small farming equipment and tools; (ix) construction material for small-scale operations; (x) small works and installations; (xi) small irrigation and drainage works and equipment, including water lifting and distribution equipment; (xii) plantations and nurseries; (xiii) storage facilities for produce/products; and (xiv) soil and water conservation technologies that are proven to be profitable with short pay-back periods. GEF support will amplify the soil and water conservation options in the three key states it is targeting by expanding the options to include those with preponderantly public rather than private benefits.

24. For the economically active FUGs, who constitute the majority of beneficiaries, the Project will contribute 70 percent of the total cost of the demanded subproject, while the beneficiaries will make upfront cash payment of 30 percent of the subproject cost. The cash counterpart payment will be deposited in an approved commercial bank/financial institution. In addition, it is recommended that these FUGs establish a savings scheme in order to promote community-level capitalization as well as to ensure sustainability of the investment activities funded through this component. The FUGs will establish and implement a user fee for each use of the common asset. The user fee to be collected annually will be equivalent to at least 10% of the replacement value of the common asset used by the FUGs for their income generating activities. This annual user fee will be the minimum amount that the members will pay. It will be deposited in a savings account with an approved bank, and will constitute the FUG’s capitalization/revolving fund. This facility will enable the FUGs to expand their livelihood activities and/or graduate out of matching grant-dependency.

25. The vulnerable groups will receive a one-time grant as assistance to build an asset base. This grant, combined with capacity-building and targeted TA support, will help this group to engage in profitable income-generating activities, thereby helping them to graduate into an economically active FUG. The SFCO and the Facilitators assigned to the FCA will assist the
FUGs in operating the matching grant and the savings schemes and associated capitalization fund (the FUEF). Criteria to define eligibility in the vulnerable group are outlined in the PIM.

**Project Management, Monitoring and Evaluation, and EMP Compliance -- $58.8 M (of which $16.5 M financed by IDA)**

26. The institutional arrangement of the Project rely on the existing framework for Fadama II both at the national and local levels, and is mainstreamed within the overall program of the supervising ministries of agriculture and water resources at the federal and state levels. Each of the 19 incoming participating states established their core teams for their respective State Fadama Coordination Office in compliance with a key eligibility criterion to participate as a beneficiary state. Project Management includes the following three subcomponents:

(k) *Technical Assistance to National and State Level Implementation Coordination (US$2.4 M)*. Twenty-four person months of an externally recruited Procurement Advisor to the National Fadama Coordination Office (NFCO) will be provided initially over a two-year period to: (i) develop and implement a program to improve the management of procurement at both the national and local levels; and (ii) advise the National Project Coordinator on matters related to procurement and the implementation of the financial architecture of the Project. In order to ensure adequate technical quality control, especially on equipment and services provided under the Project, 48 person-months of short-term international and local consultant services will be funded over the duration of the Project. These consultancies will be deployed to reinforce the technical supervision functions of the State Fadama Coordination Offices (SFCOs). In addition, approximately 80 person-months of mostly local or short-term international consultancies will be provided to reinforce the skills and enhance the technical efficiency of NFCO and SFCO teams.

(l) *Project Coordination (US$44.8 M)*. The Project will support the operational activities of NFCO supported by 36 SFCOs plus the FCT (Fadama coordination office). NFCO will be responsible for overall coordination, while SFCOs, which are all located in the project zone and closer to the communities, will carry responsibility for coordination at the state level with the following specific duties: (i) to review community proposals for consistency with the state development strategy and compliance with project guidelines and eligibility; (ii) to monitor project performance through the MIS and to periodically report progress; (iii) to prepare annual implementation and physical performance reviews; and (iv) to submit Annual Project Operating Plans to the Bank (through NFCO) for review and approval. NFCO is answerable to NFRA. NFCO provides the quality assurance support to SFCOs and coordinates the information on implementation progress for processing and sharing with the oversight agencies.

The Project will finance the facilitation, coordination, financial management and reporting, financial auditing, financial flows, and contract management required for overall implementation coordination. Funds will also be provided to finance **Special Studies** comprising: (i) a comprehensive review and analysis of the existing technology development and extension systems; and (ii) the development of a comprehensive strategy and Action Plan for implementing the government’s vision for Nigerian agriculture by the year 2020; and (iii) a study on gender and vulnerable groups.
Monitoring and Evaluation System, MIS, Knowledge Management, and EMP Compliance (US$11.6 M). Monitoring and Evaluation (M&E) activities will accomplish the following: (a) generate Project specific information on progress, processes, and performance; (b) analyze and aggregate data generated at various levels to track progress, process quality and project sustainability; and (c) document and disseminate feedback and key lessons learnt to relevant users and stakeholders.

(i) **Generating information:** The M&E system, together combined with the knowledge base, will serve actors nationwide who seek to inform their decisions based on Fadama experience. Supplemental GEF support will enhance the SLM dimensions of the M&E system. This support will also cofinance the development of the comprehensive national Knowledge Base on productive and land conservation activities. The MIS will, therefore, be one common tool for Project staff and stakeholders to track: (a) project administration; (b) results monitoring and evaluation; and (c) knowledge management.

(ii) **Analyzing:** Based on the experience of Fadama II, the results-based M&E system will be strengthened to support the quality and spread of implementation under Fadama III. This will improve real time monitoring of the entire project cycle with a renewed emphasis on results reporting. M&E capacity at all levels of implementation will be strengthened. The system consists of self-monitoring at the community level, input-output monitoring through the Management Information System (MIS), process monitoring system, comprehensive impact evaluation, and the methodical incorporation of knowledge management. The comprehensive impact evaluation will be incorporated to measure income, welfare, environmental performance, and social capital gains.

(iii) **Reporting:** The Project will finance the costs for carrying out and managing the M&E system, including data collection, aggregation, and analysis training on M&E, impact evaluation, reporting, and supervision. The Project will finance studies to evaluate the impact of the subprojects and to provide feedback to improve project operations. One reason the Project aims to apply strong monitoring is to strengthen the Project’s adaptive management capacity and so will collect and analyze data on cost indicators and physical parameters from the most frequently approved types of subprojects, so as to calculate a range of values for the indicators and to adjust subproject eligibility criteria accordingly (these adjustments will then be incorporated in the PIM).

Lastly, the Technical Knowledge Base will consolidate best practice in the Project and in Nigeria on productive activities. It will include stocktaking, existing studies, and distillation of M&E findings and other relevant studies undertaken within and outside the Project, including experience from other parts of the world that might be relevant for Nigeria. GEF will support a needs analysis to define better the scope of the Knowledge Base and more broadly a methodical approach for the Project to transfer knowledge vertically and horizontally across the country.
4. Project Financing

Source: ($m.)
BORROWER/RECIPIENT 175
International Development Association (IDA) 250
Global Environment Facility (GEF) 7
Total 432

27. The total project cost for the Fadama III Project is US $450.0 M over the period FY2009-FY2013. The proposed lending instrument is a Specific Investment Loan in the amount of US $250 M. The Borrower selected a $250 M IDA credit, repayable in 40 years with a grace period of 10 years. Supplemental GEF support of $7 M of grant financing under the SIP\textsuperscript{5} umbrella is in the context of a partially blended operation and will be requested in FY09. The Government of Japan is financing 8 studies as part of the preparation of the Fadama III Project through a Policy and Human Resources Development (PHRD) Fund grant of $828,000.

5. Project Implementation

28. **Financial Management Arrangements.** Each participating state has established a Project Financial Management Unit (PFMU), which has been handling the Financial Management (FM) aspects of donor-assisted projects at the State level for some years. These Units will be responsible for managing the financial affairs of the Project at the State level. At the federal level, the FEM/NFRA and FMD/NFCO performed the FM functions for Fadama II satisfactorily. They will be responsible for managing the financial affairs of the Project at the Federal level. These units are staffed with relevant qualified accountants and internal auditors who have been trained and are fully familiar with Bank procedures and requirements. The PFMU, FMD/NFCO, and FEM/NFRA will be responsible for ensuring compliance with the financial management requirements of the Bank and the government, including, submission of the quarterly interim financial reports and audited annual financial statements to IDA. The Project will follow disbursement procedures described in the World Bank Disbursement Handbook.

29. The proposed Project will utilize the existing institutional structure of the Federal Ministry of Agriculture and Water Resources (FMA&WR), its federal and state level coordination offices as well as state ministries of agriculture, without creating any add-on project implementation unit.

30. **Project Implementation Period.** The Project will be implemented over a five-year period, from July 2008 to June 2013 and will close by December 2013.

31. **Executing Agency.** The Federal Ministry of Agriculture and Water Resources (FMA&WR) will have overall responsibility for execution of the Project through the National Food Reserve Agency (NFRA). This Department is entrusted with responsibility for coordinating the implementation of all agricultural sector projects, including those that are externally-funded. NFRA will delegate responsibility for day-to-day implementation coordination at the national level to NFCO. The implementation coordination function at both the national and state levels will be conducted according to the provisions of the Financing Agreement (FA).

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\textsuperscript{5} Strategic Investment Program for SLM in Sub-Saharan Africa. This is a WB-led multi-agency investment umbrella that seeks to scale up SLM approaches in the context of the TerrAfrica partnership and in line with NEPAD’s regional agriculture and environment programs.
32. **At the Federal level**, NFRA through NFCO will coordinate Project activities on behalf of FMA&WR. At the highest level in FMA&WR, a small advisory committee to be called the National Fadama Technical Committee (NFTC), which is a sub-committee of the Federal Agricultural Development Program Executive Committee (FADPEC), will be responsible for Project oversight, overall policy guidance, coordination with other projects, strategic direction and review and approval of the annual work program and budget of NFCO. It will review Project progress, review and approve work plans and budgets. The NFTC will be chaired by the Permanent Secretary of the supervising Ministry (FMA&WR). It will comprise Permanent Secretary level representation from the participating/relevant Federal Ministries, such as, Finance (FMoF), Environment (FME), Cooperatives Commission, Commerce and Industry (FMC&I), Women Affairs (FMWA); the National Planning Commission, two representatives of Federations of Farmers, a representative of the private sector, a representative of each of the co-financiers and a representative of civil society. NFTC will convene at least every six months or as determined by the chair to review progress in implementation and review and approve work plans and budgets. NFCO will serve as the secretariat for NFTC and be responsible for day-to-day federal level coordination. In this capacity NFCO will be responsible for ensuring that Bank guidelines and procedures are followed on procurement, disbursements, auditing and overall financial management, and that the environmental and social guidelines are followed in both developing and implementing components.

33. **At the State level**, the state Ministry of Agriculture will delegate responsibility for day-to-day implementation coordination to the State Fadama Coordination Office (SFCO), while the oversight, policy, and strategic orientation functions will be performed by the State Fadama Technical Committee (SFTC), which is a sub-committee of the Agricultural Development Project Executive Committee (ADPEC). SFTC will be chaired by the Permanent Secretary of the State Ministry of Agriculture and Natural Resources.

34. **At the Local Government level**, a Local Fadama Desk (LFD) and Local Fadama Development Committee (LFDC) will be established in participating states by the Project. The LFDC and the LFD, as its Secretariat, will be responsible for local level review and approval of subprojects. LFD will screen LDPs to ensure that they meet a basic set of criteria as spelled out in the PIM, and, in consultation with the Chairman of LFDC, will call meetings of the LFDC to review and approve the plans.

35. **At the Community level**, critical decisions will take place within the Fadama Community Associations (FCAs) and the various economic interest groups (FUGs/EIGs) which constitute them. FCAs will identify, prepare, execute, supervise, operate, and maintain their subprojects. The team of facilitators and other specialists will be deployed to provide related and necessary technical assistance and training support. Once subprojects are approved for financing by LFDC and successfully screened by SFCO, funds equivalent to their share of the costs for design and implementation will be earmarked by PFMU for release against delivery of the contracted services/goods. Since these are public funds, an FCA must be legally constituted as civic and non-political association, recognized by both state and local government law, as a condition of disbursement.

36. **Project implementation procedures**. The Project will adopt a phased approach to implementation of multi-year LDPs and associated subprojects. The starting point of the LDP process is the Community Needs Assessment, using the Participatory Rural Appraisal (PRA) approach, which will describe the socioeconomic setting of the community and the social-mapping, construct the livelihood profiles, identify the relevant technical, physical, environmental, and institutional constraints, leading to the development of a set of proposals
designed to overcome these constraints. The Community Needs Assessment Report will be the source of information for the collective identification of the development priorities of the communities by the FCAs and the translation of those priorities into investment subprojects and other activities to be funded under the Project. Those subprojects featured in the LDPs that have been prepared and approved in advance during the Project preparation phase will be considered for implementation in the first year. Subprojects for second year implementation will be prepared and finalized during the first year, those for the third year prepared and finalized in the second year, and so on. This approach will give flexibility in the implementation of the Project allowing for continuous adjustments in response to change in production, market, or policy environment, thereby contributing towards achieving the PDOs.

37. Overall implementation of the Project will follow detailed procedures defined in the PIM. This manual will be based on the Fadama II PIM and has been revised and updated to: (i) reflect lessons learned during Fadama II implementation, (ii) integrate the component-specific operational manuals of the proposed Project, and (iii) advance the technical quality and spread of upscaling under the proposed Project. A user-friendly summary of the PIM will be developed by the Government and made available to the FCAs to support consistent implementation and monitoring on the ground.

38. The Supervision at the state level will be carried out by the SFCOs on a continuous basis, while the zonal supervision will be carried out by six (6) Zonal Fadama Coordinators (ZFCs)s on regular basis to cover all the states within the six (6) geopolitical zones of the Federation. A key role of the Zonal Fadama Coordinators (ZFCs) will be to organize supervision missions twice a year to serve as inputs into the joint World Bank/Government supervision missions, also to be conducted twice a year. The supervision missions at state and zonal levels will involve the independent evaluators, including NGOs, and the approved consultants. Finally, the progress toward the indicators in the results framework (financial performance, procurement, intermediate results, etc.) will be continuously monitored.

6. Project Sustainability

39. **Financial sustainability of the subprojects.** The sustainability of the Project benefits at the grassroots level depends first of all on the financial soundness of the subprojects and the technical capacity with which this is considered during the design stage. Adoption of the selected technology is generally quite smooth as shown by the Fadama II Project, if it: (a) is adapted to the needs and capacities of smallholders; (b) requires relatively low investment and maintenance costs; (c) has a direct impact on labor and land productivity as well as on rural revenues; and (d) has a ready market that shows profitability ex ante under reasonable conditions. Interventions that meet these criteria will be good candidates for continuation under the self-imposed savings arrangement. The rapidly expanding Nigerian urban centers and towns provide a growing market. Financial sustainability is further reinforced through the FUEF mechanism, whereby the beneficiaries withhold and save at least 10 percent of the replacement value of the asset used for the income generating activities of the FUG/EIG annually. The accumulated funds remain as financial capital circulating in the community, or may take the form of physical capital depending on the investment decision made by the FUG/private individual. This will constitute the basis for the development of sustainable savings and loan schemes. The design of the FUEF draws from good practice experience from South Asia and Central America regions.

40. **Ownership and recipient commitment.** The establishment of LDPs is participatory and increases the likelihood that community needs, perspectives, and ownership are internalized. In
addition, sustainability will be enhanced through the project-funded: (i) innovations in local planning at the community level; (ii) integration of community plans in the local government planning program; and (iii) improvements in good governance and organizational capacity of local governments (both elected officials and line department staff) at the district level.

41. **Physical sustainability of infrastructure and assets at the community level.** In order to ensure that the project-funded infrastructure and assets are well maintained, the Project will enforce the operations and maintenance plans, which are eligibility requirements for approval of these subprojects. In addition, the Project will carry out: (i) physical verification of operations, maintenance and utilization of assets at mid-term and at project closing by surveys of random selected sites; and (ii) surveys at mid-term and at project closing to show that at least 75 percent of fadama users are satisfied with operations, maintenance, and utilization of community-owned infrastructure and capital assets acquired through the project.

42. **Capacity of communities and beneficiary associations.** The Project will make significant investments in capacity building through training and technical assistance. In addition, the investments in capacities of service providers and Facilitators will contribute to the enhancement of the supply side of advisory services.

43. **Enabling institutional environment.** Under Fadama II, local governments are showing a growing interest in the project approach and goals. At Federal level, this commitment is already reflected in government’s macroeconomic and sectoral policies, such as the Rural Sector Strategy, New Agricultural Policy, and National Economic Empowerment and Development Strategy (NEEDS). In addition, project support will be used to strengthen the capacity of government at community, local, state, and federal levels. The state, local, and community entities involved will participate in training on participatory approaches, conflict management—especially concerning natural resources--monitoring and evaluation, and environmental and social assessments.

7. **Project Benefits**

44. **Cost Benefit Analysis:** Specific investments carried out under Fadama III will be decided by communities over the life span of the Project. It is thus not possible to know *a priori* how available resources will be precisely allocated, and, therefore, an exact *ex ante* estimation of their cost-effectiveness, economic rate of return, and fiscal impact is not possible. A simulation based on realistic assumptions was done to estimate the cost-effectiveness of the investments and the economic rate of return. It is assumed that the type and mix of subprojects to be financed under Fadama III Project are similar to those financed under Fadama II Project and prototype subprojects in similar small-scale community development projects. The analysis is based on sixteen enterprise/farm models developed as a basis for the assessment of probable returns from investments in the various farm and non-farm production activities carried out under the Project as well as from investments in boreholes and rural markets. The analysis focused on horticultural, crop and livestock production patterns in Southern and Northern Nigeria, aquaculture and various agro-processing activities. The analysis is based on an assumption of the “with” and “without” Project situation and the "before" and "after" financing scenarios. Only direct costs and benefits were estimated and quantified. Social and indirect benefits arising from the Project have not been taken into account. The period of analysis is 15 years. The economic analysis is based on the expected impact of the Project at the level of an estimated 2.2 million households that benefit directly from the Project as members of FUGs, which corresponds to
about 16 million beneficiaries in these households in total. It is assumed that households realize on average an income increase of approximately 30 percent.

45. Taking into account the full economic costs, the estimated overall Economic Rate of Return (ERR) for the Project is 20.8 percent and the Net Present Value (NPV) is N16, 156 million or US$124.3 million, assuming an opportunity cost of capital of 12 percent.

46. Sensitivity Analysis: The results of this analysis indicate that the Project is very sensitive to changes in the output prices and operating costs but less sensitive to changes in investment costs. A 10 percent drop in the output prices reduces the ERR to 8 percent, and a 10 percent increase in operating costs reduces the ERR to 11.5 percent. Switching value tests show that the ERR is sensitive to changes in project costs and benefits.

47. With an ERR well above the opportunity cost of capital, the Project can be justified on economic grounds. It should be kept in mind that the analysis underestimates the Project’s economic impact as by far not all economic benefits that can be expected have been quantified. The Project is expected to create substantial employment opportunities, both among the direct beneficiaries as well as in the rural communities in general. The multiplier effect on the rural economy, resulting from increased disposable incomes and demand for goods and services, is expected to be considerable. Furthermore, the Project will bring about numerous new business opportunities for the private sector (including service providers, trainers and consultants) in rural areas. Therefore, it is reasonable to assume that the estimated economic benefits are on the low side of the potential economic returns which can be expected when the Project is implemented.

48. Cost Effectiveness: Several aspects of project design help to ensure that the infrastructure and capital assets subprojects undertaken (for components 2 and 5) represent the least-cost, best alternatives. Firstly, the demand-driven nature of each subproject permits scarce resources to flow where they are most needed. Social inclusiveness and community participation under the umbrella of FCA ensures that only those subprojects will be chosen which can be implemented by the local community and which do not create conflicts in the community. Secondly, the use of standard technical designs for the most common types of infrastructure and capital asset subprojects (including corresponding cost parameters) ensures that community associations employ least-cost models for subproject implementation and also decrease search and information costs. Thirdly, the delegation of subproject implementation directly to the decentralized implementation structures and community associations--with support from the vast network of trained Facilitators and consultants--has proven to generate cost-savings when compared to comparable quality works implemented by centralized (top-down) public sector agencies. Finally, in line with the contracting procedures, especially the community-based procurement guidelines prescribed in the PIM, the FCAs solicit three bids for the subproject and choose the least-cost bid compared to subprojects of similar quality financed by the state government.

8. Project Risks

Risk Mitigation Measures:

49. Sustainability. Subprojects will derive from LDPs and are thus demand-driven and socially inclusive. Communities will make a commitment to a withholding of at least 10 percent of the replacement value of the asset used for the income generating activities of the FUG annually which will be saved in a revolving/capitalization fund. Design of the subprojects for
income generation will include plans for marketing and assessment of profitability. Subprojects for productive infrastructure will include an operations and maintenance (O&M) plan. Technical assistance and training will be given to the FCAs.

50. **Government commitment to the CDD approach.** Commitment to the project approach was a condition of eligibility to participate. Project activities are mainstreamed into the functions of government at multiple levels, and local officials will be explicitly associated with success.

51. **Regular payment of counterpart contributions.** Approval of the annual work programs of the beneficiary-states is contingent upon compliance with counterpart obligations.

52. **The gender bias.** The Project will include subprojects, particularly beneficial to women, in the menu of activities, and will monitor the incidence of benefits according to gender.

53. **Resistance to the empowerment of communities and shift to pluralistic delivery of services.** The Project provides targeted support to potentially restive and insecure stakeholders. Such support is designed to turn them into agents of change and champions of the Project by assuring that they share in the benefits.

54. **Potential elite capture and abuse of grants.** Mechanisms for financial management and accountability will be well publicized, as will sanctions for abuse. Reporting will be reinforced by random checks and audits of local accounts.

55. **Localized social unrest and insecurity hinders implementation of the project.** The Project’s adherence to the principles of inclusion and promotion of income and employment opportunities will to some extent lessen the legacy of grievance in some areas and reduce likelihood of conflict over natural resources. In cases of sustained and severe unrest, project activities will be temporarily suspended.
## Critical Risks and Possible Controversial Aspects

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk Mitigation Measures</th>
<th>Risk Rating with Mitigation</th>
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<tbody>
<tr>
<td><strong>To project development objective</strong></td>
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<tr>
<td>Inadequate sustainability of subprojects after the project has closed and/or the grant in completed.</td>
<td>Attention to profitability of income generating activities and maintenance of infrastructure in the design phase. Creation of a revolving fund to continue internally generated financing.</td>
<td>H</td>
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<tr>
<td>Government commitment to the CDD approach falters due to change in policy and orientation towards centrally-managed large-scale projects.</td>
<td>Investment in public information and communication about the approaches and results of the project.</td>
<td>M</td>
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<tr>
<td>Counterpart Contributions not paid on time, or are irregular.</td>
<td>Deposit of counterpart contributions will be condition for approval of Annual Work Program and Budget</td>
<td>M</td>
</tr>
<tr>
<td>Gender biases curtail involvement of women and undermine principles of inclusion and equity.</td>
<td>Monitoring of benefits by gender and communication of the results. Identification of gender-targeted interventions in the menu of sub-projects.</td>
<td>H</td>
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<tr>
<td>Collusion and/or intimidation at the community level to subvert procedures of transparency and accountability in management of funds.</td>
<td>Random audits and spot-checks of accounts to confirm consistency of reports.</td>
<td>M</td>
</tr>
<tr>
<td>Risks</td>
<td>Risk Mitigation Measures</td>
<td>Risk Rating with Mitigation</td>
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<tr>
<td><strong>To component results</strong></td>
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<tr>
<td>Bureaucratic resistance to initiative on the part of communities.</td>
<td>The project will include local administrators as beneficiaries under the project, and publicize their role in accomplishment of results.</td>
<td>M</td>
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<tr>
<td>Influence peddling and/or political meddling may lead to potential elite capture and/or abuse of matching grant/grant programs, especially at the community level.</td>
<td>The project will establish mechanisms to monitor and ensure integrity of financial management, as well sanctions for abuse. Random audits.</td>
<td>S</td>
</tr>
<tr>
<td>Insecurity and violence in the Niger Delta zone may hinder community involvement and project implementation</td>
<td>Activities of the project will promote social cohesion and offer opportunities for reduced conflict. Benefits will lessen the legacy of grievance. Temporary suspension of activities if and when security conditions so warrant.</td>
<td>H</td>
</tr>
<tr>
<td>Project Financial Management. Given the large number of communities involved in this project, there is a risk of misuse of funds as in other CDD projects.</td>
<td>Auditing, comprehensive and regular supervision missions plus adequate oversight by the PFMUs. A periodic technical audit/review will also be incorporated into the project design to ensure a clear follow-up and substantiate physical progress. Regular training to FM staff at the federal, state and community levels will also be required to enhance reliance on the FM systems. Stringent accountability and transparency arrangement will be established for the FCAs, which will be made them accountable to both the communities and the State implementing agencies.</td>
<td>S</td>
</tr>
<tr>
<td>Procurement Risks. Insufficient knowledge and experience with Bank procurement may cause delays in project implementation</td>
<td>(i) Procurement and implementation training will be provided to key staff during project implementation; (ii) experienced Procurement Specialist will be hired to assist and coordinate the states’ procurement functions and provide on-the-job training to the state officials; (iii) intensive supervision of the agencies’ staff by the Bank field office Procurement Specialist.</td>
<td>S</td>
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<tr>
<td>Overall risk rating</td>
<td>Drawing from the lessons of the successful Fadama II project and scaling-up the CDD and Local Development Planning (LDP) approaches, this project builds on a foundation of known approaches.</td>
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9. Lessons Learned from Past Operations in the Country/Sector

56. **Decentralization** of fiscal and investment decision-making, using CDD and LDP mechanisms and implementation from federal to state and local governments to properly-constituted community organizations, ensures efficient program administration and superior outcomes. Under the proposed Project, the existing decentralized institutional structure will be further devolved with increased delegation of duties to Facilitators, Fadama Desk Officers and the management committee of the FCAs. In addition, there will be greater utilization and involvement of SFDOs to promote more responsive and results-based and local level monitoring, data collection, coordination, and supervision.

57. **Sustainability.** Selection and management of subprojects by communities and their cost sharing in the matching grant facilitate sustainability. The Fadama II experience also shows that FCAs frequently use their own resources to acquire additional assets rather than seek assistance from repeated matching grants. The Fadama III design will retain these features, and include the use of **Fadama Users’ Equity Funds** to facilitate the observed desire of participants to continue investment after completion of the matching grant. Under the FUEF, participants will withhold at least 10 percent of the value of net revenues for deposit into a revolving fund. The second generation funds can be utilized for new sets of LDPs and/or to finance expansion of livelihood activities of the beneficiaries. This facility can be developed further to link FCAs to commercial finance institutions as savers and borrowers.

58. **Harmonization of Local Development Plans.** The experience of Bank-assisted CDD projects shows greater pro-poor impact, synergy and complementarity from harmonization of tools and approaches. This lesson will be incorporated in the proposed Project by proactively fostering collaboration with similar projects intervening in the same zone, such as the Community Social Development Project and the Rural Access Mobility Project (RAMP).

59. **Supervision** must be adequately funded and reinforced at all levels and involve the local governments and credible NGOs. Under the proposed Project, supervision responsibilities will be increasingly devolved to the SFDOs and local government support team, who will be supported with training and technical assistance from external partners. Measures will also be taken to modernize and strengthen the participating LG-level agencies, gradually providing computers and information technology as well as training and technical assistance.

60. **Early design of a user-friendly, results-oriented monitoring and evaluation system.** The M&E system of Fadama II was inadequate. Project reports were based on outputs and expenditure activities rather than outcomes, and failed to capture results from internal and external reporting and monitoring of subprojects. Under the proposed Project, an M&E system will be established to improve real time monitoring of the entire Project cycle. A comprehensive impact evaluation will be incorporated to measure income, welfare, environmental performance, and social capital gains. M&E capacity at the state level will be strengthened with the recruitment of qualified and experienced professionals. Participatory M&E will be undertaken and fed upwards into the national level Project MIS and Knowledge Base.

61. **Standardization of subproject documents, technical designs, and unit costs** simplifies the preparation and evaluation of subprojects, improves quality at entry, facilitates the procurement of goods and works, prevents over-design, and enables participation by vulnerable groups. The existing database of standard designs and documentation, including the PIM, will be reviewed to determine adequacy and expanded as needed.
62. **Environmental monitoring.** Because of their small scale, most of the subprojects financed under Fadama II do not have a significant effect on the environment. Nevertheless, the detailed environmental checklist, developed and used in the LDP process for subproject screening and qualification, will be maintained and updated for the proposed Project. Furthermore, an environmental specialist will be maintained at the SFDO to provide additional technical assistance on environmental matters as well as provide training to increase environmental awareness of Facilitators and the FCAs. The specialist will also alert Project stakeholders to more sustainable options, depending on the local context and available SLM options.

63. **Technical assistance** can enhance the quality of subprojects. The Fadama II experience shows that inadequate provision of TA adversely affected community empowerment and the quality of decision-making within some FCAs. Technical assistance also needs to be targeted to the FUGs/EIGs of the weaker and vulnerable groups to improve their planning, management and financial capacity. Under the proposed Project, increased attention will be placed on providing adequate training for the Facilitators and FCAs. Increased efforts will also be placed on involvement of civil society (e.g., NGOs and other community-level professional associations/service providers), particularly with respect to information, mobilizing the vulnerable groups, and supporting training activities at the community level.

10. **Safeguard Policies (including public consultation)**

64. The proposed Fadama III Project is a follow-on project of Fadama II. The Project will cover the remaining 19 states in Nigeria that are not participating in the ongoing Fadama II as well the 18 states participating in Fadama II (6 of the 18 states are funded through AfDB). The Project has been classified as a B Category, implying that potential environmental and social impacts will be less adverse, easily remediable and site-specific. Less adverse environmental and social impacts may occur on new community infrastructure development, small-scale irrigation, ground water extraction and horticultural and livestock production.

65. Intensification of agricultural activities could lead to increased use of pesticides and herbicides, thereby triggering Bank’s Pest Management Policy. In essence, the Project may affect pest management in a way that harm could be done even though the Project is not envisaged to procure pesticides. Furthermore, project activities could trigger loss of land, loss of livelihood or access to sources of livelihood, leading to triggering the Involuntary Resettlement Policy.

66. Under Fadama II (which was a category A project), three safeguards instruments were prepared: Environmental and Social Impact Assessment (ESIA); Pest Management Plan (PMP); and Resettlement Policy Framework (RPF). As part of the ESIA, an Environmental and Social Management Framework (ESMF) was developed with a screening checklist to screen subproject activities in order to identify those subprojects that will need to undergo a partial or full environmental and social assessment.

67. In the different stakeholders’ consultative meetings (November 30, 2005 in Abuja; July 24, 2006 in Enugu; and January 30, 2007 in Abuja) on Fadama III, government participants were sensitized on the Bank’s safeguards policies and the different instruments for addressing them.

68. Fadama III Project will adapt the updated Pest Management Plan and the Resettlement Policy Framework of Fadama II Project. The only new instrument that will be prepared is going to be the ESMF. The purpose of this instrument is to ensure that environmental and social sustainability of the Fadama III-funded subprojects are achieved through application of safeguard measures on environmental and social issues during project implementation. ESMF will ensure
that both substantive concerns of the World Bank and National Environmental Polices and regulations are satisfactorily addressed. The objectives of this ESMF are:

- To establish methodologies for environmental and social impact assessment procedure within the community-driven development (CDD) subproject cycle;
- To assess the potential environmental and social impacts of the Project, whether positive or negative, and propose mitigation measures which will effectively address these impacts;
- To inform the stakeholders of the potential impacts of different anticipated subprojects, and relevant mitigation measures and strategies;
- To serve as a tool for project implementers at the local development plan (LDP) level to identify and mitigate potential environmental and social impacts during all stages of the subproject cycle, thereby avoiding long term negative impacts;
- Identify potential environmental policies, legal and institutional framework pertaining to Fadama III;
- To highlight Environmental Impact Assessment (EIA) procedures in the event that the screening process using the ESMF calls for the preparation of an EIA or ESIA.

69. In order to meet the above objectives of ESMF, subprojects funded by Fadama III will follow environmental and social screening process using the National EIA Guidelines and Procedures and the World Bank’s safeguard polices as stipulated in OP/BP 4.01. The guiding principle for implementation of the subprojects will be based on CDD cycle, which will involve identification, appraisal, approval, launching, implementation, supervision, monitoring and evaluation, inauguration/commissioning. All subprojects will have to complete an environmental and social evaluation form, which will be part of the subproject application.

70. The safeguards instruments (ESMF, RPF, and PMP) have been prepared by the client and reviewed and cleared by the Bank. These instruments have been disclosed in-country and at the Infoshop since May 4, 2007. The environmental officers at SFCOs will be responsible for following up on the recommendations of the prepared instruments, and will be assisted by short term consultants as and when necessary.

71. With regards to the triggered International Waterways Policy, a formal riparian notification has been made to the Niger Basin Authority and the Lake Chad Basin Commission. Bank has received non-objection (dated March 14, 2008) from the Niger Basin Authority (NBA) on Riparian Notification.

72. Six safeguards policies were triggered by this Project: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Pest Management (OP/BP 4.09), Forestry (OP/GP 4.36), Projects in International Waters (OP/BP 7.50) and Involuntary Resettlement (OP/BP 4.12). The Project will abide with the covenants of the three policies of Forestry, Natural Habitats and International Waters. The three safeguards instruments of ESMF, RPF, and PMP have been prepared and disclosed in-country and Bank’s Info Shop on May 4, 2007.
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<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
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<td>Natural Habitats (OP/BP 4.04)</td>
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<td>Pest Management (OP 4.09)</td>
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<td>Cultural Property (OPN 11.03, being revised as OP 4.11)</td>
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<td>Involuntary Resettlement (OP/BP 4.12)</td>
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<td>Safety of Dams (OP/BP 4.37)</td>
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<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)*</td>
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<tr>
<td>Projects on International Waterways (OP/BP 7.50)</td>
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11. List of Factual Technical Documents available in file:

1. Project Appraisal Document (PAD)
2. Supervision Plan
3. Project Implementation Plan (PIM)
4. Technical Implementation Manuals (to be available):
   (i) Small-Scale Community Infrastructure (Component 2)
   (ii) Advisory Services and Input Support (Component 3)
   (iii) Asset Acquisition (Component 5)
   (iv) Fadama Users’ Equity Fund (FUEF) (Component 1)
5. Studies: IFPRI - Impact Assessment of Fadama II Project

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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.