PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR47 MILLION (US$60 MILLION EQUIVALENT)

TO THE

FEDERAL GOVERNMENT OF NIGERIA

FOR A

COMMUNITY BASED POVERTY REDUCTION PROJECT

November 17, 2000

Africa Regional Office
CURRENCY EQUIVALENTS

(Exchange Rate Effective 11/15/00)

Currency Unit = Naira
Naira 1.00 = US$.00903342
US$1.00 = 110.7 Naira

FISCAL YEAR
January 1 December 31

ABBREVIATIONS AND ACRONYMS

AfDB African Development Bank
APL Adjustable Program Loan
CAPPA Community Action Program for Poverty Alleviation
CAS Country Assistance Strategy
CBI Community-based Initiative
CBO Community-based Organization
CDD Community-Driven Development
CPAR Country Procurement Assessment Report
CPRP Community Poverty Reduction Project
CWIQ Core Welfare Indicators Survey
DHS Demographic and Health Survey
EA Environmental Assessment
EMP Environmental Management Plan
FGN Federal Government of Nigeria
FMS Financial Management Systems
FOS Federal Office of Statistics
HIV/AIDS Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IEC Information, Education, Communication
LACI Loan Administration Change Initiative
LGA Local Government Area
LIL Learning and Innovation Loan
MIS Management Information System
NGO Non-Governmental Organization
NPC National Planning Commission
PAD Project Appraisal Document
PAPDC Poverty Alleviation Program Development Community
PCU Project Coordinating Unit
PHRD Policy and Human Resources Development Fund
PPF Project Preparation Facility
PRI Poverty Reduction Initiative
PSR Project Supervision Report
UNICEF United Nations Children's Fund

Vice President: Callisto Madavo (AFR)
Country Director: Mark Tomlinson (AFC12)
Sector Manager: Rosemary Bellew (AFTH3)
Task Team Leader: John Elder (AFTH3)
NIGERIA
COMMUNITY BASED POVERTY REDUCTION PROJECT

CONTENTS

A. Project Development Objective

1. Project development objective 2
2. Key performance indicators 2

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project 2
2. Main sector issues and Government strategy 2
3. Sector issues to be addressed by the project and strategic choices 3

C. Project Description Summary

1. Project components 3
2. Key policy and institutional reforms supported by the project 6
3. Benefits and target population 6
4. Institutional and implementation arrangements 6

D. Project Rationale

1. Project alternatives considered and reasons for rejection 7
2. Major related projects financed by the Bank and other development agencies 7
3. Lessons learned and reflected in proposed project design 8
4. Indications of borrower commitment and ownership 8
5. Value added of Bank support in this project 9

E. Summary Project Analysis

1. Economic 9
2. Financial 9
3. Technical 9
4. Institutional 10
5. Environmental 12
6. Social 13
7. Safeguard Policies 15

F. Sustainability and Risks

1. Sustainability 15
2. Critical risks 15
3. Possible controversial aspects 16
G. Main Conditions

1. Effectiveness Condition 16
2. Other 16

H. Readiness for Implementation 17

I. Compliance with Bank Policies 17

Annexes

Annex 1: Project Design Summary 18
Annex 2: Detailed Project Description 20
Annex 3: Estimated Project Costs 26
Annex 4: Cost Benefit Analysis Summary, or Cost-Effectiveness Analysis Summary 27
Annex 5: Financial Summary 29
Annex 6: Procurement and Disbursement Arrangements 30
Annex 7: Project Processing Schedule 38
Annex 8: Documents in the Project File 39
Annex 9: Statement of Loans and Credits 40
Annex 10: Country at a Glance 42
Annex 11: State Agency for Poverty Reduction Law: Prototype 44

MAP(S)
IBRD 30944
NIGERIA
Community Based Poverty Reduction Project

Project Appraisal Document
Africa Regional Office
AFTH3

Date: November 17, 2000
Team Leader: John A. Elder
Country Manager/Director: Mark D. Tomlinson
Project ID: P069086
Sector Manager/Director: Rosemary T. Bellew
Lending Instrument: Specific Investment Loan (SIL)
Sector(s): SA - Social Assistance
Poverty Targeted Intervention: Y

Project Financing Data

For Loans/Credits/Others:
Amount (US$m): $60

Proposed Terms: Standard Credit
Grace period (years): 10
Commitment fee: Not to exceed 1/2 of 1% per annum
Years to maturity: 35
Service charge: 0.75%

Financing Plan: Source
BORROWER
IDA
AFRICAN DEVELOPMENT BANK
BORROWING AGENCY
LOCAL COMMUNITIES
SUB-BORROWER(S)

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Borrower: GOVERNMENT OF NIGERIA
Responsible agency: NATIONAL PLANNING COMMISSION

Address: The Presidency
Federal Secretariat Annex III
Shehu Shagari Way
Abuja, Nigeria
Contact Person: Mr. Ilori
Tel: 234 09-523-056
Fax: 234 09-5236625
Email:

Estimated disbursements (Bank FY/US$m):

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Project implementation period: 3/1/01-3/1/06
Expected effectiveness date: 03/01/2001
Expected closing date: 02/28/2006

DC ID#: F6522, Rev March, 2000
A. Project Development Objective

1. Project development objective: (see Annex 1)

   The objective of the project is to improve access of the poor to social and economic infrastructure and increase the availability and management of development resources at the community level.

2. Key performance indicators: (see Annex 1)

   Increased number of poor with access to social and economic infrastructure
   Number of microprojects operational and maintained one year after completion
   Increased funding controlled by poor communities

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

   Document number: Date of latest CAS discussion:

   No CAS is available at the moment. One is planned for FY01. The project fits with the recommendations of the Interim Nigeria Country Strategy Note to focus on poverty reduction and support community-based activities.

2. Main sector issues and Government strategy:

   Poverty has become an alarming problem in Nigeria. While there have been periods of positive economic growth, especially in the 1990s, this growth has not been inclusive. As a result, almost two-thirds of Nigerians are below the poverty line. What is even more alarming is the steep rise in poverty since 1980. Analysis by the Federal Office of Statistics in Nigeria ("Poverty Profile for Nigeria: 1980-1996", 1999) shows that while poverty levels stood at 27 percent in 1980, they rose to 46 percent by 1985. After a modest decline to 43 percent by 1992, poverty rose sharply to 66 percent by 1996 (the most recent national survey data available). Extreme poverty has also increased significantly - between 1980 and 1996, the proportion in extreme poverty rose from 6 percent to 29 percent. With a national population of around 102 million, these proportions imply that 67 million Nigerians remain below the poverty line and 30 million are extremely poor.

   Poverty is pervasive throughout the country. While poverty is more prevalent in rural areas (69 percent), it has become a significant problem in urban areas also (58 percent). Of the 36 states that make up the federation, all but one reported poverty levels in excess of 50 percent. In comparison, in 1980, no state reported poverty levels exceeding 50 percent (the federation consisted of 19 states in 1980). Other indices and correlates of income poverty in the country include high infant mortality and under 5 mortality (78 and 147 per 1,000 births respectively in 1996), high prevalence of malaria, dysentery, and pneumonia and about 5% of the population infected with HIV. Gross primary school enrollment is less than 85% for boys and girls and adult literacy is currently 51%. Women's rates for primary and secondary enrolment and literacy lag men's rates considerably. About 40% of the population has access to primary health care and about 30% has access to rural water supply and rural electrification (1999). As confirmed by the recent Voices of the Poor study conducted in the country, limited access to social and economic infrastructure greatly hinders opportunities for income earning by the poor. While poverty is more easily identifiable by levels of income and other welfare indicators, the root cause is widely acknowledged to be the lack of social and economic infrastructure to boost the labour potential of the poor.

   In the past, the government at all levels attempted to address this problem by allocating resources
to a range of programs that had poverty alleviation as one of their objectives. However, most of these programs have had little impact on the poor. They have been poorly targeted, sectoral in nature and have often been imposed from above with little, if any, commitment/involvement of the communities they were ostensibly attempting to help. Furthermore, there is almost no monitoring and evaluation in place to ensure that lessons learned from successes and failures of past programs are incorporated into future programs. Communities seldom identify with programs that are designed and provided by the government. In many cases, community participation is not solicited in planning and implementation, which leads to misdirected funds, lack of maintenance and low sustainability.

Recently there has been a reorientation of the government's focus towards developing community-based poverty reduction approaches. The government has constituted a Presidential panel to rationalize and streamline all the poverty alleviation related programs/agencies. The poverty reduction strategy document called "Community Action Program for Poverty Alleviation" (CAPPA), prepared by the National Planning Commission (NPC), is rooted in a community-based approach to poverty alleviation. It envisages the poor as not only being involved in the design and implementation of projects, but also as key stakeholders in the formulation and management of these poverty reduction programs. CAPPA was adopted by the government in 1996, following which a poverty alleviation framework was developed. This focused on developing a community-based National Poverty Alleviation Policy. The framework, to be finalized soon, is expected to empower the poor through grassroots participatory decision-making. In addition, the government is establishing a Poverty Reduction Initiative that will provide funds to states for community-based activities. The CPRP, which is fashioned along the strategy of the CAPPA, will serve as a model that other states may choose to follow with funding from the PRI. In addition, the NPC component of the project will have funding that states may access to help them design and implement activities under the PRI. Some of the new state governments are already displaying a strong political commitment to develop community-based, highly participatory poverty reduction programs.

3. Sector issues to be addressed by the project and strategic choices:

The project will address the problems noted above by increasing government and community capacity to work together in developing poverty reduction activities. The project will assist the Federal Government of Nigeria (FGN) to move from a top-down, supply driven and non-participatory mode of delivering services to communities to a demand-driven approach to poverty reduction covering multiple sectors depending on specific community determined needs. The project will assist in implementing the government's strategy through building FGN capacity related to policy-making and dissemination, analytical work, and monitoring and evaluation of programs. The project will also assist states by building the capacity of state governments and LGAs to work with communities in designing and implementing community-based projects, as well as, through investments in such projects.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):
<table>
<thead>
<tr>
<th>Component</th>
<th>Sector</th>
<th>Indicative Costs (US$M)</th>
<th>% of Total</th>
<th>Bank-financing (US$M)</th>
<th>% of Bank-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capacity-building: Strengthening federal, state and local government capacity for poverty reduction policy design and dissemination, advocacy and sensitization of stakeholders</td>
<td>Institutional Development</td>
<td>6.50</td>
<td>6.7</td>
<td>3.86</td>
<td>6.4</td>
</tr>
<tr>
<td>2. Community-based initiatives</td>
<td>Social Funds &amp; Social Assistance</td>
<td>89.88</td>
<td>93.3</td>
<td>56.14</td>
<td>93.6</td>
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<tr>
<td><strong>Total Project Costs</strong></td>
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<td><strong>96.38</strong></td>
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</table>

Project activities would include support to the FGN and states. Support to FGN would be focused on capacity-building related to policy-making, analysis, dissemination, monitoring and evaluation. Assistance would also be provided for building the capacity of state governments and LGA's to work with communities in designing community-based projects, as well as through investments in such projects.

Six states have been selected for pilot activities in community-based investments: Abia, Cross River, Ekiti, Kebbi, Kogi, and Yobe. These states were selected by FGN as having the highest poverty levels in their respective regions based on Federal Office of Statistics data and/or showing commitment to community-based projects. Once these initial six states have established their programs, six additional states, Benue, Delta, Enugu, Gombe, Osun and Zamfara, will be added to the component on community investments.

Project components:

**Component 1: Capacity-building: Managed by the National Planning Commission**

Poverty reduction policy: design and dissemination.

Resources will be made available for institutional strengthening of the poverty monitoring and project development activities in NPC. The role of FGN would be to:
- finalize, adjust as experience becomes available, and disseminate the policy framework for poverty reduction broadly and community-based initiatives (CBI) specifically
- monitor the poverty situation in the country through qualitative and quantitative studies in conjunction with the Federal Office of Statistics
- evaluate the impact of interventions under the project
- facilitate sharing of international experience with states and state experiences across states
- prepare more focused analytical studies (e.g. linkages between poverty and the labor market)

**Advocacy programs**

Resources would be made available to help NPC implement or contract out advocacy for the community-driven development approach in all states. Annual program reviews would be held to examine project progress and proposed future work-programs.
HIV/AIDS and Malaria: Resources will also be made available by the AfDB for advocacy work concerning HIV/AIDS and Malaria.

Capacity Building at the State and LGA level.

All states would be eligible to access resources to carry out the following activities:

- Capacity building and awareness raising on community-driven development for stakeholders and staff at community, LGA and state level
- Monitoring of trends in poverty and impact of state programs on poverty using qualitative and quantitative techniques
- Preparatory work toward establishing community-based initiatives

Preparation of second round states: The African Development Bank will fund the preparation costs of the second group of six states joining the community-based initiatives component after the project starts.

Institutional strengthening of NPC

Funds would be made available for the institutional strengthening of the poverty unit in NPC to ensure its capacity to oversee implementation of this component of the project and to monitor activities at the state level under the community investment component of the project.

Component 2: Community-based initiatives in basic social and economic infrastructure

Independent state-level social funds will be established under the project to provide funding for community-initiated activities based on specific selection criteria, including broad-based community participation in project selection and a matching contribution from communities. The state-level social funds will carryout the following activities:

- information, education and communication (IEC) campaigns on community-based projects
- support for community identification of needs and priorities (e.g. through contracting out of participatory appraisals)
- in collaboration with LGAs, soliciting, appraising, approving, financing, supervising and evaluating micro-projects developed and implemented by community-based groups
- monitoring and evaluation of micro-projects.

Detailed selection criteria for micro-projects vary across states depending on the local social and institutional assessments. A core set of eligibility criteria for micro-projects to be approved include:

- evidence of community-led development of the proposal
- technical feasibility
- type of service, to ensure that there will be self-targeting among beneficiaries (activities are among primary needs of poor populations)
- fit with LGA and state plans (e.g., no duplication of effort with other state or LGA projects)
- availability of community contributions (in cash, labor or materials)
- appropriate arrangements for sustainability (maintenance plans, funding for recurrent costs, etc.)

Joint annual assessments by financiers and the FGN would be carried out based on progress reports from the states and LGAs.
2. Key policy and institutional reforms supported by the project:

The federal government is currently in the process of finalizing a poverty program. The project will support the focus on community-based activities in order to reach the poor and provide concrete examples on how to implement this type of activity. This will require a change in current ways of implementing projects, but not radical changes in policy.

3. Benefits and target population:

The main beneficiaries of the project will be poor communities. Better design and project targeting through increased local control will ensure increased efficiency in reaching the poor. State and local governments will benefit through increased knowledge about and capacity for community-based interventions and will be able to target their scarce resources in a more cost-effective manner. The Federal Government (NPC) will benefit through increased capacity for policy analysis, monitoring and evaluation, and enhancement of their role as coordinator of the national poverty reduction strategy. The experiences of the different states with implementing community-based activities will help the federal government more fully develop its own policies towards community-based development.

4. Institutional and implementation arrangements:

Federal component

The federal project will be coordinated by a cross-sectoral steering committee, with the NPC as its secretariat and will include institutional strengthening of the NPC. The NPC has established a Poverty Unit that will be responsible for overseeing project activities at the national level. The project will support additional administrative staff and improved accounting capacity, as well as improved coordination with the Federal Office of Statistics on poverty studies, monitoring and evaluation. Most of the activities undertaken by NPC will be contracted out, including the implementation of monitoring and evaluation activities, the design of out-reach programs and poverty studies.

State component

The implementation of the component to finance micro-projects will be based on the social fund model that has proven useful in other African countries. The Bank has had extensive experience in the design and implementation of social funds. In Nigeria the state level funds will be established by the State Assemblies as autonomous agencies, exempt from public sector civil service rules. An example of a law establishing a state agency is in Annex 1. These agencies will be overseen by boards of directors that will include representatives of the government and civil society. They will operate like private firms, with a small staff employed on the basis of performance contracts, competitive remuneration and higher performance standards. Because of their operational autonomy, these funds will operate under strict accountability and transparency criteria through independent audits and intense public scrutiny. A financial and accounting manual has been developed by Bank staff in the Abuja office and is being incorporated into the state operational manuals. A management information system (MIS) will be designed using PHRD funds so that standard information on activities in each state is readily available.

Monitoring and Evaluation: Each state agency will establish a participatory monitoring and evaluation system to track the impact of project activities. A draft monitoring and evaluation plan is already available that includes a list of possible indicators of participation and indicators that need to be monitored through a participatory process, including specific recommendations for the design of such a participatory approach. In addition to participatory monitoring and evaluation, each state social fund will

-6-
have a management information system that will allow the tracking of quantitative information on the project such as the number, size and state of advancement of microprojects.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

Three alternatives were considered: (i) supporting poverty reduction through existing projects being implemented by the government; (ii) providing technical assistance only, without a component for investments, and; (iii) using an APL or LIL.

The first option was not deemed feasible, as a Bank review of these projects showed they were not designed in a participatory manner, were not well integrated into communities and had little impact on poverty.

The second option was rejected because experience has shown that investment activities are necessary to ensure that incentives exist for stakeholders to develop community-based initiatives. The government has emphasized the need to be involved in investment activities along with advocacy and capacity building.

Neither an APL or LIL were considered appropriate. The maximum size of a LIL, $5 million, would not be sufficient to have an impact in a country the size of Nigeria. An APL was not chosen due to the evolving nature of the strategy for poverty reduction and the pilot nature of this type of activity in Nigeria.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

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<td>Community-based Urban Poverty Reduction Project (under preparation)</td>
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<td>Watershed Management Project (under preparation)</td>
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<td>Fadama II Project (under preparation)</td>
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<td>HIV/AIDS Project (under preparation)</td>
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<td>Other development agencies</td>
<td>UNICEF</td>
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<td>Community-based nutrition activities</td>
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|                            | Latest Supervision (PSR) Ratings (Bank-financed projects only)         |
|                            | Implementation Progress (IP) Development Objective (DO)                |
|                            | S                                                                     | S         |
Delta Micro-Projects Programme
Micro-credit Activities
Capacity-building for State and Local governments
Rural and Social Development
European Union
The Ford Foundation
DFID
UNDP
IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

A Bank review of poverty programs in Nigeria shows that communities seldom identify with activities that are designed and provided by the government. In many cases, community participation is not solicited in planning and implementation, which leads to lack of maintenance and low sustainability of the program. Hence, many communities tend to view government initiatives with a sense of distrust and do not "own" such programs even though there is a clear need for such interventions.

On the other hand, there is evidence that when communities are involved in the design and implementation of programs, these are more likely to succeed. In addition communities have shown that they have the potential to contribute and "tax" their members if necessary, in order to meet their own needs. For example, some communities are able to levy small "taxes" on their members to provide educational scholarships. Others have provided furniture and in-kind contributions to repair primary schools. Since many communities lack experience with donor funded community-based activities, there is a need to keep procedures simple to facilitate community implementation.

There is now considerable analysis available of what has worked and not worked in social funds. Lessons learned include the importance of administrative autonomy, close coordination with line ministries, integration into sectoral policies and programs, flexible and simple procurement and disbursement requirements, simple, but rigorous, administrative procedures, and high level political support. A Nigerian team from the Poverty Alleviation Programme Development Committee (PAPDC) of the National Planning Commission NPC visited the Zambia social fund project in 1995 and the Malawi social fund project in 1996 to learn from the process of design and implementation of social funds in the two countries. The lessons gathered from these visits were used to prepare the government's poverty reduction strategy document the "Community Action Program for Poverty Alleviation" (CAPPA). The strategy document emphasizes community initiated, designed, implemented and managed interventions. The document also highlights the facilitating and supportive role of local level public institutions and agencies as well as the coordinating and monitoring role of central public administration. The role of NGOs and Civil society in community-based interventions was also clearly detailed in the CAPPA document. The Community-based poverty reduction project (CPRP) is designed with all these lessons clearly in focus.

4. Indications of borrower commitment and ownership:

The Federal government is committed to developing a community-based poverty reduction strategy. It has concluded that its former policies and projects aimed at poverty reduction (e.g. FEAP) have not proven successful, mainly as they have not involved communities in design and implementation. The CAPPA document, prepared by the NPC/PAPDC and adopted in 1996, is rooted in a community-based approach to poverty alleviation. A Poverty Policy document was also drafted from the strategy paper. The policy document will be updated and refined for adoption with support from this project.

State governments have also expressed eagerness to participate in this project and are willing to co-finance project activities. Most of the project preparation activities at the State level, including the
social and institutional assessments and the preparation of project manuals, have been financed and organized by the States themselves. The project is designed taking into account the varying levels of commitment and readiness to implement these projects among the states, by allowing for a phased entry of states into implementation.

5. Value added of Bank support in this project:

While the Bank has never lent for poverty alleviation directly in Nigeria, it has played an important role with the government on poverty assessment, policy dialogue and monitoring of poverty. The project is an outgrowth of this continuing dialogue. The Bank brings to the project substantial experience in policy development on poverty reduction as well as expertise in developing poverty targeted operations (especially using social fund mechanisms) in many countries in Africa as well as the rest of the world.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):
   - Cost benefit NPV=US$ million; ERR = % (see Annex 4)
   - Cost effectiveness
   - Other (specify)

   Cost benefit analysis will be carried out where benefits can be measured. Given that this is likely to be relevant in very few cases, most will use cost-effectiveness or least cost analysis. CPRP will develop ranges for cost per beneficiary and cost per unit delivered. Over time, NPC will refine these with a view to highlighting best practices. An ex ante appraisal will be conducted for all CPRP sub-projects by the state social fund unit in conjunction with relevant LGA authorities. A desk and field appraisal will cover the technical and financial feasibility, economic analysis, institutional assessment of executing agencies, community and beneficiary participation. As stated in the Operational Manuals, the social fund staff will determine whether the proposed sub-project has chosen the most cost-effective means of meeting the objective of the sub-project.

   Economic analysis will include a sustainability analysis which will focus on whether the right institutional arrangements are in place for operating and maintaining the sub-projects after completion. Explanations regarding how the recurrent costs will be met will be required at the time of ex ante appraisal.

2. Financial (see Annex 4 and Annex 5):
   - NPV=US$ million; FRR = % (see Annex 4)

   Fiscal Impact:

   All microproject proposals must show that they will be supported by the relevant ministry, if any, to ensure that the ministry will be capable of providing the necessary recurrent expenditures. All microprojects will be required to have a maintenance plan prepared by the community showing how maintenance will be organized and financed. Micro-project appraisal will include an assessment of the fiscal capacity of the community to sustain the required costs. Annual reviews will be undertaken to examine what the fiscal impact of interventions has been and to see whether the links between the project and sector ministries function efficiently with the required results.

3. Technical:

   Ensuring the technical quality of community infrastructure will be an important task of the social
fund agencies. Technical specifications for infrastructure will conform to the standards of the relevant ministry if applicable. For those activities outside the purview of ministries, the social fund agency will be responsible for determining the quality of the specifications, if necessary by contracting the review to a technical expert. All micro-project proposals will include an explanation of who the community is proposing for technical supervision of the works. This may be a community member with the relevant skills or a consultant engineer. The social fund agencies will closely supervise the technical quality of the construction in conjunction with local governments and ministry specialists where relevant. In addition, periodic technical audits will be done to monitor quality of construction and propose ways of improving it.

Over time, the agencies will build databases containing costs for different types of infrastructure to monitor the cost-benefit of the activities and help in screening proposals for accuracy.

4. Institutional:

Institutional assessments were carried out in each of the six states where social fund agencies will be established in the first round and will be required for those states in the second round. These indicated that although some experience with community-based activities existed in each state, there was relatively little capacity to implement this type of program on a larger scale. This led to the decision to establish independent agencies. In addition, the CFAA indicated that most government agencies at all levels have very little capacity to monitor expenditure.

4.1 Executing agencies:


4.2 Project management:

Existing NPC capacity for implementation is very weak, with no experience in procurement and little in financial management. The project will pay for the costs of hiring accounting and procurement expertise, as well as training on these issues for relevant NPC staff. The NPC will contract-out many of the activities envisaged under the project, giving it a supervisory rather than an implementation role. Procurement activities under NPC will be limited primarily to hiring consultants and consulting firms. A more critical issue is the design of a sound financial and accounting system for this component. This is being undertaken with strong support from Bank specialists in the Abuja office.

At the state level, independent social fund agencies will be established and appropriate expertise will be hired from the private sector (or from the public sector if the candidate agrees to resign). Social fund agencies will be kept small as the role of the agencies will be to provide funding rather than implement micro-projects. Institutional assessments undertaken in each state indicated that there is relatively little existing capacity in the government for this type of activity. The social funds will work in collaboration with sectoral ministries and LGAs to ensure that activities undertaken by communities supplement sectoral policies and plans. LGAs may also be involved in monitoring micro-projects in their areas and the project envisages capacity-building activities to allow them to fill this role. The institutional assessments also indicated that there was insufficient capacity at the LGA level to channel money through the LGAs to the communities. In addition, levels of trust between communities and LGAs were very low. As the project progresses and LGAs benefit from capacity-building activities through the project, their role will be reviewed with a view to increasing their active involvement in the project.

At the community level, all activities will be managed by a community committee. Communities may use existing groups or establish one specifically for managing activities funded through the project. This committee will be responsible for managing the funds, supervising the work and organizing the community counterpart contributions. There will have to be substantial capacity-building assistance to
ensure that the community committees have the skills necessary to follow Bank procedures on procurement and financial management.

4.3 Procurement issues:

Procurement processes in all six participating states and LGAs are based on the States Financial Regulations, as well as Store regulations adopted from the Federal Government Financial regulations. While about 35-40% of the LGA annual budget passes through the procurement process, that of the states stands at about 45-55%. The methods used by both the states and LGAs in administering their procurement processes in most cases are neither economical nor totally transparent. There is generally a lack of appropriate procurement planning leading, in most cases, to uneconomic procurement. The specified procurement procedures are not adequate, but even these are not followed, with a serious lack of transparency in the choice of firms selected for contracts. However, all the six first round States have implemented World Bank assisted projects in the past, and therefore have built some capacity in handling procurement under Bank financed projects in a more economic, efficient and transparent way.

Under the CPRP, each community-based organization shall have full responsibility for control and coordination of procurement processes under the project. The state agencies shall, however, provide supervisory control of the projects and assist in the monitoring and evaluation of project execution. It is expected that each CBO will (i) establish itself as a Legal entity with the right to enter into and execute contracts and (ii) have in place a management structure with key officials that shall be responsible for the CBOs day-to-day activities. There are already quite a number of well organized community-based organizations in the participating states. These CBOs have in the past managed and executed projects funded with their own resources or with external financing. In all the participating states some CBOs have benefited from Self-Help Projects financed by the Bank under the Primary Education Project. Under the CPRP, the CBOs would be expected to use pre-defined procurement and financial procedures (PFPM). The Bank has discussed procurement and financial procedures with the states and provided a sample procurement and financial procedures manual for community-based organizations. Each state has in place a well defined standardized procurement and financial manual that can be adopted by CBOs as the CBOs come on board during project implementation. Each social fund shall have a procurement unit staffed with experienced procurement personnel that shall be recruited through a competitive process. In addition, each state will hire the services of a procurement consultant to assist in overseeing the procurement activities under the project and especially those of the CBOs for the first two years of project implementation. The procurement consultants shall assist the project in preparing a global procurement strategic plan and the first year work program. The procurement consultant shall also have the responsibility to train the procurement staff of the social funds and CBOs. The arrangement will ensure building up the procurement capacity at the CBO level and invariably that of the social funds. This will also ensure that in-house capacity is built up and remains with both the social funds and the CBOs on the completion of the project.

The project procurement function is detailed in Annex 6. A complete procurement capacity assessment of NPC which reviews the existing situation in term of procurement processes is in the project files.

4.4 Financial management issues:

At the national level, the Poverty Alleviation Unit, a department within the National Planning Commission, will serve as the Project Coordinating Unit, while at the state level, a Social Fund Agency will be established as the Project Coordinating Unit. These Project Coordination Units (PCUs) will have responsibility for ensuring that financial management, procurement and reporting procedures will be acceptable to the Government, the World Bank and other collaborating partners.
The PCUs’ financial management systems (FMSs) must support management in their deployment of limited resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve desired outcomes. Specifically, the FMSs must be capable of producing timely, understandable, relevant and reliable financial information that will enable management to plan, implement, monitor and appraise the Project’s overall progress towards the achievement of its objectives.

For the PCUs to deliver on the aforementioned objectives, the financial management systems will be developed in accordance with the Financial Management Action Plan presented in Annex 13. Salient features of the Action Plan include: appointment of a Project Finance Committee (at NPC); and Finance Committee of the Board (at State Agencies); appointment of a Financial Consultant; staff recruitment and capacity building; finalization and adoption of a Financial Management Manual and a Financial Procedures Manual for Communities; establishment of a Fixed Assets Register and a Contracts Register; monthly bank reconciliations and quarterly reporting of financial information; cash flow management including variance analysis; independent monitoring by internal and external auditors.

By credit effectiveness, the PCUs will not have fully put in place a financial management system that can provide, with reasonable assurance, accurate and timely information as required by the Bank for PMR-based disbursements i.e. the Project Management Reports. (World Bank’s Loan Administration Change Initiative Handbook, LACI, September 1998). Thus, in the short term, existing disbursement procedures as outlined in the World Bank’s Disbursement Handbook will be followed, i.e. Direct Payment, Reimbursement and Special Commitment. However, the appointment of the Financial Consultant and the Project Accountants coupled with the development of a computerized financial management system, should facilitate the introduction of PMR-based disbursements within 18 months of credit effectiveness. In this regard, a financial management review of the project will be undertaken by a World Bank Financial Management Specialist to assess progress within 12 months of credit effectiveness.

5. Environmental: Environmental Category: F (Financial Intermediary Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

As a project in which activities are demand-driven, it is not possible a priori to determine the environmental impacts. We are designing, in conjunction with the Nigerians, a set of guidelines that will be used by the state social funds to ensure that each micro-project is screened for possible negative environmental impacts.

5.2 What are the main features of the EMP and are they adequate?

Each state level social fund will have in place a review process to ensure screening of all microprojects. Microproject applications will include an environmental screening sheet showing the estimated environmental impact category of the microproject. The choice of category will be based on a checklist of potential environmental impacts that will be developed by the social funds based on the World Bank’s guidelines for environmental assessment in social funds and the Nigerian government’s own environmental regulations. Confirmation of the environmental category will be done by the state environmental protection agency. Given the small-scale of the microprojects (maximum size c.$50,000, including any remedial environmental measures) it is unlikely that any micro-project with an environmental category of A, in the Bank system, would be proposed. However if there are category A microprojects, and for all category B microprojects, any necessary mitigation measures will be stipulated in the legal agreement between the community and the social fund.

The project will provide training in environmental assessment to state social fund staff and to staff
of the state environmental protection agencies working in conjunction with the project. An estimated set of training activities and training costs is in the environmental report. State environmental protection officials and selected front-line staff of the state social funds will be given a more in-depth training course to allow them to train community members and other social fund staff in environmental assessment procedures.

5.3 For Category A and B projects, timeline and status of EA:
Date of receipt of final draft: NA

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The consultant who prepared the draft environmental report consulted with the federal environmental protection agency and state environmental protection agencies in three of the six states where social funds will be established, as well as the state government staff in charge of the preparation of the state social funds and local NGOs. The environmental screening process being established will start with consultation of local communities/beneficiaries. Local communities proposing a microproject will receive, from the state social fund, a short training on environmental impact assessment to allow them to make the initial proposal on the environmental impact category for their project.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

Annual evaluations of the environmental screening process will be undertaken to ensure that screening procedures have been followed and that they have been effective in minimizing environmental impacts. These evaluations will be organized for each state by the state social funds. In addition, the NPC, as part of its mandate for the monitoring and evaluation of the whole project, will conduct periodic evaluations, in conjunction with the federal environmental protection agency.

6. Social:
6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

A Bank review of poverty targeted projects in Nigeria found that few projects in the past met the needs of the supposed beneficiary populations because few projects asked potential beneficiaries what they needed or allowed them to participate in the design and implementation of the activities. For this project, we started with social and institutional assessments in each of the six states where social funds will be established. The State governments provided teams of government officials and researchers and the Bank provided training to ensure the State teams had the requisite skills and outputs would be comparable. In each case, the State teams did an excellent job and copies of the state assessments are in the project files.

In each state the research teams examined the following issues:

- Local conceptions of poverty (definition, culture, indicators, relationship to social structure, etc.)
- Social organization of communities (including traditional structures: chiefship, age grades, etc.)
- Existing government (or other outside organizations) services and projects
- Current development initiatives and achievements (govt. non-govt. community)
- Poverty focus and relevance of current development initiatives
- Organizational issues (structure, leadership, representativeness, membership breadth and activity, equity)
- Performance issues (including local perceptions of internal and external institutions)
- Capacity issues (technical, organizational, financial)
Trust and accountability

In addition, each team did a needs assessment to determine the types of micro-projects that might be requested once the project starts.

Based on these assessments, the operational procedures for the state social funds have been designed to encourage the participation of poor and marginal groups. Monitoring and evaluation by the social funds and by the NPC will examine the composition of beneficiary groups and the process whereby micro-projects have been chosen and implemented by communities to see if the decision-making process has included social groups that are often excluded.

One of the goals of this project is to improve the capacity of the government - at federal, state and local levels - to conduct needs/social assessments in a systematic fashion, so capacity-building activities are envisaged in both project components.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The preparation process has included social and institutional assessments in each of the first six states where micro-projects will be implemented. Social and institutional assessments will be required as part of the preparation of the second group of six states. Beneficiary participation is built into project implementation by having the beneficiaries design and implement their own micro-projects. Financial resources will be channeled directly to the local communities to ensure that they maintain control of project activities. Each social fund agency will have a board of directors that includes stakeholders from civil society and government. The board will set policy for the social fund and review progress on an annual or biannual basis.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

NGOs participated in stakeholders workshops early in project preparation, analyzing what had worked and had not worked in terms of poverty reduction in Nigeria. Social and institutional assessments in each of the six states examined the capacity of NGOs and other civil society groups to participate in the project and most of the state social funds include the participation of NGOs as active partners in the implementation of the project. NGOs that participate in the project will be eligible for capacity-building activities.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

Each state social fund will have a board of directors that includes representatives from civil society. These boards will be responsible for setting policy, reviewing results and ensuring the project objectives are being met, particularly the objectives regarding poverty targeting.

6.5 How will the project monitor performance in terms of social development outcomes?

The project will strengthen the capacity of NPC to monitor the social impacts of projects in general and community-based projects in particular. CWIQ surveys, undertaken with PPF financing, will provide baseline data for the project areas and follow-up surveys will be undertaken regularly to monitor impacts. In addition, follow-up qualitative surveys will be done to examine issues such as beneficiary satisfaction with project procedures, accountability and transparency in the project selection process at the community level. The project MIS, which will be standard across all states and the NPC, will have a set of social development indicators that will be collected over the project implementation period.
7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

<table>
<thead>
<tr>
<th>Policy</th>
<th>Applicability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)</td>
<td>Yes</td>
</tr>
<tr>
<td>Natural habitats (OP 4.04, BP 4.04, GP 4.04)</td>
<td>Yes</td>
</tr>
<tr>
<td>Forestry (OP 4.36, GP 4.36)</td>
<td>Yes</td>
</tr>
<tr>
<td>Pest Management (OP 4.09)</td>
<td>Yes</td>
</tr>
<tr>
<td>Cultural Property (OPN 11.03)</td>
<td>Yes</td>
</tr>
<tr>
<td>Indigenous Peoples (OD 4.20)</td>
<td>Yes</td>
</tr>
<tr>
<td>Involuntary Resettlement (OD 4.30)</td>
<td>Yes</td>
</tr>
<tr>
<td>Safety of Dams (OP 4.37, BP 4.37)</td>
<td>Yes</td>
</tr>
<tr>
<td>Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)</td>
<td>Yes</td>
</tr>
<tr>
<td>Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

See Section 5 above.

F. Sustainability and Risks

1. Sustainability:

Sustainability of activities taken at the community-level is critical for the success of the project. Steps taken to support the sustainability of project-funded micro-projects include: (i) an assessment of community commitment and capacity to ensure local ownership and motivation to maintain and operate assets created with project support; (ii) capacity building and participative processes to strengthen the involvement of local communities, with special attention to maintenance arrangements (including choice of simple maintenance technologies); (iii) community investments in sub-project costs, and contracts on their maintenance responsibilities; (iv) where applicable, prior commitment from the relevant government agency to support recurrent expenditures; and (v) capacity building to provide communities with maintenance-related technical and managerial skills.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Risk Mitigation Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Outputs to Objective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot activities in project not accepted as models by other federal agencies</td>
<td>S</td>
<td>Inclusion of other agencies in project preparation process. Careful documentation of project impact and dissemination of results</td>
</tr>
<tr>
<td>State-level agencies do not provide usable models for community-based activities</td>
<td>M</td>
<td>Careful supervision of state-level activities.</td>
</tr>
<tr>
<td>From Components to Outputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPC implementation capacity is weak</td>
<td>H</td>
<td>Capacity-building activities as part of project preparation and implementation</td>
</tr>
<tr>
<td>States do not remain committed to community-based initiatives</td>
<td>S</td>
<td>Inclusion of states in preparation and supervision process</td>
</tr>
<tr>
<td>Insufficient capacity at State-level to implement program</td>
<td>S</td>
<td>Capacity-building activities as part of project preparation and implementation. Use of competitive hiring practices</td>
</tr>
<tr>
<td>Legal independence for state-level agencies does not provide sufficient operational independence</td>
<td>H</td>
<td>Careful supervision and review of microproject approval process</td>
</tr>
<tr>
<td>Financial management problems</td>
<td>S</td>
<td>Establishment of simple and clear financial management procedures, careful selection of financial management staff, close supervision and frequent audits Setting up of a Project Finance Committee at the National (NPC) and a Finance Committee at the States Agencies</td>
</tr>
</tbody>
</table>

| Overall Risk Rating | H |

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

None

G. Main Credit Conditions

1. Effectiveness Condition

(i) the Subsidiary Financing Agreements for at least two Project States have been executed on behalf of the Borrower and such Project States;
(ii) the Borrower has established a financial management and accounting system acceptable to the Association, for Part A of the Project;
(iii) the Borrower has adopted the PIM in form and substance acceptable to the Association;
(iv) the Borrower has appointed a Project Accountant and the Auditors;
(v) the NPC Project Account has been opened and the initial amount of US$60,000 equivalent has been deposited;
(vi) two Project States have adopted their operational manuals in form and substance satisfactory to the Association;
(vii) two Project States have opened their Project Accounts and the initial amount of US$60,000 equivalent has been deposited, and
(viii) a legal opinion, satisfactory to the Association, has been provided as to the validity of the Agreement.

2. Other [classify according to covenant types used in the Legal Agreements.]

Board Conditions:
(i) a letter from the Governor of the Association for the Federal Republic of Nigeria, or in his absence or inability to act, from his alternate, appointing a nominee to serve on the committee to be constituted under Section 1 (d) of Article V of the Association’s Articles of Agreement; and
(ii) a letter stating that the draft Development Credit Agreement, as negotiated, has been approved by the Borrower.
(iii) a letter from each of the Project States’ authorized representatives stating that each related Project Agreement, as negotiated, has been approved by each Project State.
Disbursement Conditions: Individual states will be eligible for disbursement when:

a. legally established the state social funds
b. hired a social fund manager in accordance with the procedures recommended by IDA
c. adopted an operating manual and an administrative and procedural manual satisfactory to IDA
d. An agreement between the state and social fund agency has been executed in which the state agrees to transfer to the social fund the entire proceeds of the credit on a non-reimbursable basis.
e. A project account has been opened by the state and an initial contribution of $40,000 deposited in said account.
f. An acceptable financial management system is in place.

H. Readiness for Implementation

☐ 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
☒ 1. b) Not applicable.

☐ 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
☒ 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
☐ 4. The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

☒ 1. This project complies with all applicable Bank policies.
☐ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

John A. Elder  
Team Leader

Rosemary T. Bellèw  
Sector Manager

Mark D. Tomlinson  
Country Manager
## Annex 1: Project Design Summary

**NIGERIA: Community Based Poverty Reduction**

<table>
<thead>
<tr>
<th>Hierarchy of Objectives</th>
<th>Key Performance Indicators</th>
<th>Monitoring &amp; Evaluation</th>
<th>Critical Assumptions</th>
</tr>
</thead>
</table>
| **Sector-related CAS Goal:**  
No CAS is available. The project fits with the recommendations of the Interim Nigeria Country Strategy Note to focus on poverty reduction and support community-based activities. | Sector Indicators:  
Number of people below poverty line. | Sector/ country reports:  
CAS, PRSP, FOS studies | (from Goal to Bank Mission) |
| **Project Development Objective:**  
Improve access of the poor to social and economic infrastructure and  
Increase the availability and management of development resources at the community level | Outcome / Impact Indicators:  
Increased number of poor (by gender) with access to social and economic infrastructure  
Number of microprojects operational and maintained one year after completion  
Increased funding controlled by poor communities | Project reports:  
FOS reports, DHS, MICS, HDR, CWIQ reports, project annual reports  
Project Monitoring and Evaluation reports  
Government and project budget reports | (from Objective to Goal)  
Maintenance of political stability  
Continued government commitment to poverty reduction |
| **Output from each Component:**  
1. Improved services and infrastructure in poor beneficiary communities  
2. Increased capacity of Federal government to support, monitor and evaluate poverty reduction activities  
3. Increased capacity at State level for implementing community-driven projects  
4. Establishment of effective agencies in 12 states for financing community-generated projects | Output Indicators:  
Improved services in 800 communities in 12 states  
Number of federally supported programs using community-based initiatives increases  
Increased number and quality of community-based activities undertaken by States  
12 states legally establish financing agencies for community-based initiatives  
State agencies funding community requested activities in line with operating manuals | Project reports:  
Annual and mid-term reports, beneficiary surveys  
Annual, mid-term and end of project reports, government budget reports  
Annual reports, beneficiary assessments  
Project documents, MIS reports, annual and mid-term reports, surveys of beneficiaries | (from Outputs to Objective)  
Pilot activities in project accepted as models by other federal agencies  
Agencies established provide usable models for community-based activities |
<table>
<thead>
<tr>
<th>Project Components / Sub-components:</th>
<th>Inputs: (budget for each component)</th>
<th>Project reports:</th>
<th>(from Components to Outputs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capacity-building: Strengthening federal, state and local government capacity for poverty reduction policy design and dissemination, advocacy and sensitization of stakeholders</td>
<td>10.5 million</td>
<td>Quarterly budget reports</td>
<td>Capacity of NPC sufficient to implement federal level activities. States remain committed to community-based activities</td>
</tr>
<tr>
<td>2. Community-based initiatives</td>
<td>86.2 million</td>
<td>Quarterly budget reports</td>
<td>Requisite capacity available at the State level Legal framework for independent mechanisms functions Financial management systems are adequate</td>
</tr>
</tbody>
</table>
The project will improve the availability and management of development resources at the community-level through strengthening the capacity of the NPC, and state and local governments to support community-based initiatives in twelve of the poorest Nigerian states. Preparation activities for community-funding mechanisms are underway in six states and will be started in a second group of six states after the project becomes effective.

Support to the federal government will be focused on capacity-building related to poverty, including policy-making, analysis, information dissemination, monitoring and evaluation. Assistance will also be provided for building the capacity of state governments and LGA’s to work with communities in designing community-based projects as well as through investments in such projects.

The project has been prepared in close collaboration with other donors. The African Development Bank will cofinance the project, providing funding for specific categories of activities under the NPC including IEC activities on HIV/AIDS and malaria and support for establishing social fund agencies in the second set of six states. The AfDB will also completely finance the agencies in four of the second group of six states, while the World Bank will finance the first six states and two of the second set of six states. In addition to the close collaboration with AfDB, UNICEF participated in most of the project missions as did DFID. The process of working with communities proposed in the project is based on examples provided by existing UNICEF projects in Nigeria. The European Union has shown a great deal of interest in this type of project and participated in parts of the appraisal mission.

The project will use separate special accounts for the federal level and for each state. This is to avoid problems in one state stopping disbursements in other states and preventing a bottleneck at the central level.

A joint assessment by donors and government officials will be carried out annually based on progress reports from the states.

Monitoring and Evaluation: Each state agency will establish a participatory monitoring and evaluation system to track the impact of project activities. A draft monitoring and evaluation plan is already available. It includes a list of possible indicators of participation and indicators that need to be monitored through a participatory process, including specific recommendations for the design of such a participatory approach. The plan also includes recommendations for capacity-building activities that can be implemented under the project to improve local capacity for participatory monitoring and evaluation. In addition to participatory monitoring and evaluation, each state social fund will have a management information system allowing it to track quantitative information on the project such as the number, size and state of advancement of microprojects. This MIS system will be the same for all components of the project, enabling NPC to easily compile overall project data. NPC will play a more removed role in monitoring, compiling data from the states. For evaluation, NPC will be responsible for designing and executing, in conjunction with the states, more focused studies on project impact.

Gender: The status and role of women vary from one ethnic group to the next. Women play an essential and dynamic role in socio-economic life, although in some parts of the country cultural, legal, and regulatory barriers seriously hinder their access to health, education, financial, and agricultural services. Traditionally women provide food for the family and are also responsible for fetching water and fuel wood in the community, and for other household chores. About 35% of Nigerian women marry before age fifteen
with adverse consequences for their education, maternal health and economic status. The fertility rate is approximately 4.9 children per woman with the number of births higher among rural women and those with fewer years of schooling. At the community level, the lack of health facilities, access to basic education, access to potable water and sanitation, etc. particularly affects women and children, and aggravates their poverty status. Women are primarily responsible for fetching water and this was evident in the priority they placed on access to water in the needs assessments. Women often have no access to health care especially during pregnancy and long distances to school are cited as reasons for not sending girls. The project will particularly target the needs of women and project procedures will try to ensure that women's voices are heard in the community-decision-making process.

By Component:

**Project Component 1 - US$10.50 million**

Strengthening federal, state and local government capacity for poverty policy design, advocacy and sensitization of stakeholders.

**Institutional strengthening of NPC**

Funds will be made available for the institutional strengthening of the poverty unit in NPC to assure its capacity to oversee implementation of this component of the project and to monitor activities at the state level under the community investment component of the project. In the event that the NPC becomes responsible for administering the Poverty Reduction Initiative, the project will assist in providing the necessary capacity-building activities.

**Poverty reduction policy: design and dissemination.**

Resources will be made available for institutional strengthening of the poverty monitoring and project development activities in NPC. These activities will be closely coordinated with those being financed under the EMCAP. The role of FGN would be to:

- finalize, adjust as experience becomes available, and disseminate the policy framework for poverty reduction broadly and community-driven development (CDD) specifically;
- monitor the poverty situation in the country through qualitative and quantitative studies in conjunction with FOS;
- evaluate the impact of interventions under the project;
- facilitate sharing of international experience with states and state experiences across states, and;
- prepare more focused analytical studies (e.g. linkages between poverty and the labor market).

**Advocacy programs**

Resources would be made available to help NPC implement or contract out advocacy for the community-driven development approach in all states. Annual program reviews will be held to report on project progress and develop future workprograms. Advocacy activities on HIV/AIDS and malaria will be funded by the AfDB.

**Capacity Building at the State and LGA level**

All states would become eligible to access resources to carry out the following activities:
Capacity building and awareness raising on CDD for stakeholders and staff at community, LGA and state level, and;
- Monitoring of trends in poverty and impact of state programs on poverty using qualitative and quantitative techniques.

In addition, six states will receive funding for preparatory work toward establishing community-based initiatives.

**Project Component 2 - US$86.23 million**

Community-based initiatives:

Twelve states have been selected for pilot activities in community-based investments: Abia, Cross River, Ekiti, Kebbi, Kogi, and Yobe in the first round and Benue, Delta, Enugu, Gomba, Osun and Zamfara in the second round. These states were selected by FGN as having the highest poverty levels in their respective regions based on Federal Office of Statistics data and/or showing high levels of commitment to community-based projects.

Independent state-level social funds will be established under the project to provide funding for community-initiated activities based on specific selection criteria, including broad-based community participation in project selection and a matching contribution from communities. The state-level agencies will carry out the following activities:
- Information campaigns on community-based projects, agency goals and funding procedures;
- Support for community identification of needs and priorities;
- In collaboration with LGAs, soliciting, appraising, approving, and financing micro-projects developed and implemented by community-based groups, and;
- Monitoring and evaluation of micro-projects.

Each state has carried out its own social and institutional assessment, examining the potential community-demands for funding, the experience and capacity of communities to execute community activities, and the extent to which local institutions, government and non-government, have done community-based activities in the past. Each state has also designed its own implementation manual, based on the social and institutional assessment. Because the poverty situation in each state is different, the selection criteria for micro-projects vary across states. However, a core set of eligibility criteria for micro-projects includes:
- Evidence of inclusive community-led development of the proposal;
- Technical feasibility;
- Type of service, to ensure that there will be self-targeting among beneficiaries (rich will not capture the benefits);
- Fit with LGA and state plans (e.g., no duplication of effort with other state or LGA projects);
- Availability of community contributions (in cash, labor or materials);
- Appropriate arrangements for sustainability (maintenance plans, funding for recurrent costs, etc.), and;
- Appropriate cost per beneficiary on benefit/cost ratio.

Implementation in each state will be the responsibility of an independent agency financed by the project, which will rely heavily on contractual services provided by private sector operators (NGOs, consulting firms, training institutions, etc.). Because the project is essentially demand-driven—that is, interventions to be financed will be exclusively on demand from intended beneficiaries—detailed ex ante planning and budgeting are difficult. Project design, therefore, has to allow for maximum flexibility.
The project will cover the costs of these agencies over the life of the project. These costs will include: (a) small investments, such as construction or rehabilitation of office space, office equipment, furniture and vehicles, as well as consultant services, workshops and training, and (b) operating expenditures for project implementation, management and supervision, such as staff salaries (on a contractual basis), field supervision and associated subsistence allowances, office consumables, and maintenance of buildings, vehicles and equipment.

Agency staff will be selected in a competitive process on the basis of technical expertise, experience and dynamism. Although civil servants are not prevented from applying, they are requested to leave the civil service before being hired. Overseeing the work of each agency will be a Board of Directors, which includes representatives from civil society and the government.

Administrative costs of the agencies will be kept low, with the intention of facilitating a flexible approach and allowing civil society as much opportunity for initiative as possible. Hence the social funds will focus on promotion, screening, financing and overall monitoring & evaluation. Funds will flow directly from the social funds to the communities making the requests (see Project Cycle chart). The communities will decide if they want to organize the work directly themselves or contract activities to private firms or NGOs.

The social funds will finance small socio-economic infrastructure at the community level, including preparatory identification steps and maintenance related training, as well as service delivery activities such as nutrition interventions, HIV/AIDS activities, etc. Possible interventions include: rehabilitation, extension or construction of primary schools; rehabilitation, extension or construction of health centers and dispensaries; installation of water points, reservoirs and sanitation services; rehabilitation or repair of feeder roads, small bridges and other basic transport infrastructure; and small socio-economic infrastructure for community use such as markets and storage facilities.
Micro-Project Cycle

Information Campaign by Agency

Community defines needs / submits request for financing

Rejections or request for revisions

Agency Desk Appraisal for eligibility

Community revises and re-submits

Desk appraisal of revised request

Request approved

Agency/LGA/Ministry joint field appraisal

Rejections or request for revisions

Community revises request according to comments from Field Appraisal mission

Resubmission of revised request to Agency

Request approved

Community and Agency sign contract

First tranche of funds deposited in community account

Community initiates work

Agency releases subsequent tranches

Project completion

6 months and 1 year after completion, joint community/agency evaluation

Agency/LGA/Ministry monitor work
Requests presented to the agency must be the result of a participatory process whereby the whole community, and not just the elite, took part in the discussion and agreed with the decision. To ensure sustainability, maintenance plans will have to be submitted together with a detailed budget and work plan.

<table>
<thead>
<tr>
<th>Microproject Cycle</th>
<th>Community</th>
<th>State Agency</th>
<th>LGA/Ministry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Information Campaign</td>
<td>Responsible</td>
<td>Assist</td>
<td></td>
</tr>
<tr>
<td>2. Definition of needs preparation of proposal</td>
<td>Responsible</td>
<td>Assists</td>
<td></td>
</tr>
<tr>
<td>3. Desk Appraisal</td>
<td>Responsible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Field Appraisal</td>
<td>Assist</td>
<td>Responsible</td>
<td></td>
</tr>
<tr>
<td>5. Contract</td>
<td>Responsible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Release of funds</td>
<td>Responsible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Initiative works</td>
<td>Responsible</td>
<td>Assist</td>
<td></td>
</tr>
<tr>
<td>8. Supervise works</td>
<td>Responsible</td>
<td>Assists</td>
<td>Assist</td>
</tr>
<tr>
<td>9. Evaluation</td>
<td>Assist</td>
<td>Responsible</td>
<td>Assist</td>
</tr>
</tbody>
</table>

Close collaboration with sectoral ministries will be necessary not only to make sure that recurrent costs are available, but also to make sure that interventions financed by the social funds are consistent with sectoral and regional policies. Contact people for the social funds will be designated in the relevant state ministries. No sub-project will be financed in the absence of approval by the appropriate sectoral ministry (whether on the basis of a pre-established list/procedure or on a case by case analysis) and of clear and concrete plans to cover recurrent costs and maintenance.

Preparation of social funds in the second six states will start once the project becomes effective. Disbursement conditions for these states will be the same as in the first round states.
### NIGERIA: Community Based Poverty Reduction

#### Annex 3: Estimated Project Costs

<table>
<thead>
<tr>
<th>Project Cost By Component</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
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<tr>
<td>1. Capacity-building</td>
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<tr>
<td>2. Community-based Initiatives</td>
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<tr>
<td>3. Unallocated</td>
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<tr>
<td>Price Contingencies</td>
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<td>3.54</td>
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<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>79.30</strong></td>
<td><strong>17.06</strong></td>
<td><strong>96.36</strong></td>
</tr>
<tr>
<td><strong>Total Financing Required</strong></td>
<td><strong>79.30</strong></td>
<td><strong>17.06</strong></td>
<td><strong>96.36</strong></td>
</tr>
</tbody>
</table>

#### Project Cost By Category

<table>
<thead>
<tr>
<th>Project Cost By Category</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
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<td>10.27</td>
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<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>79.30</strong></td>
<td><strong>17.06</strong></td>
<td><strong>96.36</strong></td>
</tr>
<tr>
<td><strong>Total Financing Required</strong></td>
<td><strong>79.30</strong></td>
<td><strong>17.06</strong></td>
<td><strong>96.36</strong></td>
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</table>
Annex 4: Cost Effectiveness Analysis Summary

NIGERIA: Community Based Poverty Reduction

There are two broad sets of cost effectiveness analysis which will be undertaken as part of this operation:

1. economic analysis of subprojects under the CPRP
2. economic analysis of the delivery mechanism

1. Cost Effectiveness Analysis of Sub-projects:

An appraisal will be conducted for all CPRP sub-projects by the state agency in conjunction with relevant LGA authorities. A desk and field appraisal will cover the technical and financial feasibility, economic analysis, institutional assessment of executing agencies, community and beneficiary participation. As stated in the Operational Manuals, the social fund staff will first determine whether the proposed sub-project has chosen the most cost-effective means of meeting the objective of the sub-project.

The following would be used to guide the cost-effectiveness analysis:

a. Given that the sub-project menu is broad, it is extremely difficult to develop a standard cost-benefit framework for all interventions. Cost benefit analysis will be carried out where benefits can be measured. This is likely to be relevant in very few cases, so most will use cost-effectiveness or least cost analysis. CPRP will develop ranges for cost per beneficiary and cost per unit delivered. Over time NPC will refine these with a view to highlighting best practices.

b. Economic analysis of all sub-projects would be underpinned by strict budget controls of sub project costs, based on an established unit cost data base of major sub projects. This exercise will be carried out in close collaboration with LGA level authorities who have knowledge of standard costs. It will be updated quarterly by the state social fund unit and compiled by NPC. Economic analysis will include a sustainability analysis focusing on whether the right institutional arrangements are in place for operating and maintaining the sub-projects after completion. Explanations regarding the availability of recurrent costs will be required at the time of ex ante appraisal.

c. Economic viability of CPRP subprojects will be monitored through:
   a. the Management Information System (MIS) which will provide standard reports on the number of beneficiaries, costs per beneficiary, cost per unit delivered, and other key performance indicators
   b. independent technical audits and beneficiary assessments will be conducted on a sample of sub-projects ex post and special attention will be given to cost effectiveness, beneficiary poverty level, economic impact on the community, and sustainability
   c. periodic beneficiary assessments carried out under the project to ensure that the poverty reduction objective is being achieved in a cost-effective sustainable manner.

2. Cost Effectiveness Analysis of the Delivery Mechanism

The current mode of delivering services to the poor is untested on a large scale in Nigeria. This is especially true for the federal and state governments as most of the examples of such programs are implemented by NGOs. Hence, in addition to economic analysis of sub-projects, an annual review by a multi-stakeholder team will be undertaken to ensure that the CPRP approach is providing useful lessons as to how the FGN and states can design future poverty interventions based on the experience of the project. This review will build on the above mentioned cost effectiveness analysis to derive lessons for the role of FGN in developing
and delivering poverty oriented projects and how it could provide a framework for other stakeholders to work within. The review will also assess how the project seeks to strengthen government capacity - at federal, state and local government level - to deliver services to the poor who are not being covered by existing government programs and also ensure that government is able to create an enabling environment to ensure all stakeholders collectively address the problem of poverty.

The result of the economic analysis and impact analysis will inform the government on what needs can be best addressed by specific types of community involvement. It can also give indications of the desirable level and form of funding for communities. Such information will feed into the government's strategy for achieving poverty reduction objectives that would be both cost-efficient and financially sustainable.

Summary of benefits and costs:

Main Assumptions:

Cost-effectiveness indicators:
### Annex 5: Financial Summary

**NIGERIA: Community Based Poverty Reduction**

**Years Ending**

<table>
<thead>
<tr>
<th>IMPLEMENTATION PERIOD</th>
<th>Year 1</th>
<th>Year 2</th>
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<th>Year 5</th>
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<td>0.4</td>
<td>0.4</td>
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<tr>
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<td>0.0</td>
<td>0.0</td>
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<tr>
<td><strong>Total Project Financing</strong></td>
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<td>19.9</td>
<td>23.7</td>
<td>23.7</td>
<td>0.0</td>
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</tr>
</tbody>
</table>

**Main assumptions:**
Annex 6: Procurement and Disbursement Arrangements
NIGERIA: Community Based Poverty Reduction

Procurement

All goods, works and services financed under the IDA credit would be procured in accordance with the appropriate IDA Guidelines (Guidelines: Procurement under IBRD Loans and IDA Credits, January 1995 and as revised in January and August 1996, September 1997, and January 1999; and Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997 and as revised in September 1997 and January 1999). Based on these Guidelines, simple procurement procedures for application at the community level would be prepared as part of the Project Implementation Manual. Each state shall hire the services of a Procurement Consultant to assist in overseeing/monitoring the procurement activities under the project, and especially those of the CBOs, for the first two years of project implementation. As part of Capacity building initiative under the project, the Procurement Consultants shall conduct procurement training for the PRAs and CBOs officials. Once the staff of the PRAs and CBOs have been identified, an orientation workshop would be held; topics to be covered would include Bank procurement and disbursement procedures for community based organizations under Bank financed projects.

Procurement of Works Goods and services would be the responsibility of the National Planning Commission for the Federal component and the six selected states for the state activities with assistance from procurement consultants under the project. Such state responsibilities however, shall be delegated to the Community Based Organizations for the CBI component of the project. The states and the CBOs shall use pre-defined procurement and financial procedures (i.e. procurement and financial manual) for community based projects, during project implementation. A formal assessment of the capacity of the States and the LGAs for this task is being conducted in accordance with Procurement Services Policy Group (OCSPR) guidelines dated August 11, 1998.

To the extent practicable, the Bank's Standard Bidding Documents (SBD) would be used for the procurement of all works and goods, and the Bank's Standard Request for Proposals would be used for all consulting assignments.

A General Procurement Notice (GPN) is mandatory and would be published before Board presentation in the UN Development Business and in a national newspaper as provided under the Guidelines. The GPN would be updated on a yearly basis and would show all outstanding International Competitive Bidding (ICB) for goods contracts and all international consulting services. In addition, a Specific Procurement Notice is required for all goods and works to be procured under ICB; and Expressions of Interest (EOI) for all consulting services with a value in excess of US$100,000.

Procurement under the Project

A. Goods ($13.8): The project would finance vehicles, office equipment, computers and accessories, communication equipment etc. valued at $13.8 million of which $12.8 million is foreign exchange. To the extent possible and practicable, goods and equipment to be purchased by NPC, state social funds and CBOs would be grouped into bid packages to take advantage of bulk purchase. Each contract estimated to cost the equivalent of US$ 100,000 or more would be procured under ICB procedures using IDA Standard Bidding Documents. Each contract for goods estimated to cost between US$ 30,000 and US$ 100,000 up to an aggregate of US$4 million, would be procured through National
Competitive Bidding (NCB) using procedures acceptable to IDA. Procurement for readily available off-the-shelf goods that cannot be grouped or standard specification commodities for individual contracts of less than US$ 30,000, up to an aggregate of US$6.00 million, would be procured under National shopping (NS) or International shopping procedures as detailed in paragraph 3.5 and 3.6 of the "Guidelines: Procurement under IBRD Loans and IDA Credits."

To ensure that these limits are observed, each quarterly progress report of the project would include a table setting out the number and value (in US$ equivalent) of contracts issued through Local, International Shopping and National competitive bidding during the quarter as well as the cumulative total value (in US$ equivalent) of contract under each of these two procedures from the date of the project start-up.

B. Civil Works ($24.00 million): In case of works contracts packages estimated to cost US$50,000 or more, but not exceeding US$500,000 equivalent, up to an aggregate amount not to exceed $6,000,000, the method of procurement to be used shall be National Competitive Bidding (NCB). For individual contract packages with an estimated value of US$500,000 or more, the method of procurement to be used shall be International Competitive Bidding (ICB). However, the civil works contracts under the state component of the project would be small, scattered geographically, labor intensive and spread over time. They would not lend themselves to grouping and therefore will not attract foreign bidders. Therefore, works estimate to cost less than $50,000 equivalent, up to an aggregate amount not to exceed $20.5 million will be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall among other things include a detailed description of the works, including basic specifications, relevant drawings and bill of quantities where applicable, the required completion date and a basic form of agreement acceptable to the Bank. A sufficient bid submission period would be allowed and the bids would be opened in public. Before the first three bidding packages by each state and NPC are solicited, the draft solicitation letters and other relevant documents to be used, would be reviewed and cleared by the Bank. The award shall be made to the lowest evaluated responsive contractor who has appropriate experience and resources to successfully complete the contract.

In cases where the quantity of work cannot be defined in advance, the works are too small and scattered to attract private contractors and under emergency situations (e.g. if a small section of school roof is blown off by a storm), and work must be carried out without disrupting ongoing operations, direct contracting or force account procedures can be used. The total value of such force account shall not exceed $3.50 million and the individual contract should cost less than $5,000.00.

C. Consulting Services ($6.1 million): The total value for consulting services will be $6,100,000. These services include conducting studies, technical assistance and support of project execution. As a rule, consultant services will be procured through Quality and Cost Based Selection (QCBS) methodology. All consultancy assignments estimated to cost US$ 100,000 or more would be procured through QCBS and would be advertised in Development Business and in at least one national newspaper. In addition, the scope of the service will be advertised in an international newspaper or magazine seeking "expressions of interest." In the case of assignments estimated to cost less than US$ 100,000, the assignment may be advertised nationally and the shortlist may be made up entirely of national consultants, provided that at least three qualified national firms are available in the country and foreign consultants who wish to participate are not excluded from consideration. Consultant services estimated to cost less than the equivalent of US$ 100,000 may be contracted by comparing the qualifications of consultants who have expressed an interest in the job or who have been identified.
All consulting services of individual consultants will be procured under individual contracts in accordance with the provisions of paragraphs 5.1 to 5.3 of the Guidelines. Consultants for assignments of a standard routine nature such as audits and engineering design of simple works, may be selected on the basis of Least-Cost method.

**IDA Prior Review:** Table B provides the prior review thresholds. Each contract for goods estimated to cost US$100,000 equivalent or more will be subject to IDA prior review as per paragraph 2 of appendix I of the Guidelines. For individual contracts for goods: (a) with an estimated value of US$30,000 or more but not exceeding US$100,000 equivalent, to be awarded on the basis of NCB procedures, and (b) with an estimated value of less than US$30,000 to be awarded on the basis of shopping procedures, the first three contracts packages of the NPC and first three contracts of each state, shall be subject to IDA prior review. For individual contracts for goods: (a) with an estimated value of less than US$50,000 equivalent, where lump sum fixed price contracts to be awarded on the basis of shopping procedures, and (b) with an estimated value of less than US$5,000 or less, to be awarded on direct contracting or force Account procedures, the first three contract packages of the NPC and the first three contract packages of each state shall be subject to IDA prior review. Other contracts will be subject to post review in accordance with paragraph 4 of Appendix I of the Guidelines. All consulting contracts costing US$100,000 equivalent or more for firms and US$50,000 and more for individuals will be subject to IDA prior review. All single-source selection of consultants, and terms of reference for consulting services will be subject to IDA prior review. Any exceptional extensions to non-prior review contracts raising their values to levels equivalent or above the prior review thresholds will be subject to IDA clearance. All training programs including workshops will be reviewed and agreed annually, as part of the procurement plan.

**Procurement Plans:** The Borrower will prepare a Global Procurement Strategic Plan (GPSP), and a Detailed Procurement Plan (DPP) for the first year of the project showing processing time for each component and will forward these documents to IDA before Negotiations. The GPSP and the DPP, which will be updated yearly, should be sent to IDA for clearance not later than three months before the end of each fiscal year.
Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US$ million equivalent)

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<thead>
<tr>
<th>Expenditure Category</th>
<th>ICB</th>
<th>Procurement Method</th>
<th>N.B.F.</th>
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<td></td>
<td></td>
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<td>Other</td>
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</tr>
<tr>
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<td>(0.00)</td>
<td>(0.00)</td>
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</tr>
<tr>
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</tbody>
</table>

1 Figures in parenthesis are the amounts to be financed by the IDA Credit. All costs include contingencies.
2 Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.
3* Unallocated fund (grants to communities) reserved for high performing states.
Table A1: Consultant Selection Arrangements (optional)  
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Consultant Services Expenditure Category</th>
<th>QCBS</th>
<th>QBS</th>
<th>SFB</th>
<th>LCS</th>
<th>CQ</th>
<th>Other</th>
<th>N.B.F.</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Firms</td>
<td>2.02</td>
<td>0.00</td>
<td>0.11</td>
<td>0.06</td>
<td>1.47</td>
<td>0.00</td>
<td>1.30</td>
<td>4.96</td>
</tr>
<tr>
<td>B. Individuals</td>
<td>0.57</td>
<td>0.00</td>
<td>0.02</td>
<td>0.25</td>
<td>1.40</td>
<td>0.20</td>
<td>0.35</td>
<td>2.79</td>
</tr>
<tr>
<td>Total</td>
<td>2.59</td>
<td>0.00</td>
<td>0.13</td>
<td>0.31</td>
<td>2.87</td>
<td>0.20</td>
<td>1.65</td>
<td>7.75</td>
</tr>
</tbody>
</table>

1 Including contingencies

Note: QCBS = Quality- and Cost-Based Selection  
QBS = Quality-based Selection  
SFB = Selection under a Fixed Budget  
LCS = Least-Cost Selection  
CQ = Selection Based on Consultants' Qualifications  
Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.

N.B.F. = Not Bank-financed  
Figures in parenthesis are the amounts to be financed by the Bank Credit.
Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Contract Value Threshold (US$ thousands)</th>
<th>Procurement Method</th>
<th>Contracts Subject to Prior Review (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Works</td>
<td>Less than $5</td>
<td>Direct Contracting or Force Account Shopping</td>
<td>1st three contract packages of each state and NPC</td>
</tr>
<tr>
<td></td>
<td>Not more than $50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Goods</td>
<td>$100 and above</td>
<td>ICB</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>$30</td>
<td>NCB</td>
<td>1st three contract packages of each state and NPC</td>
</tr>
<tr>
<td></td>
<td>$100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less than $30</td>
<td>Shopping</td>
<td>1st three contract packages of each state and NPC</td>
</tr>
<tr>
<td></td>
<td>$30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Services</td>
<td>$100</td>
<td>QCBS</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Below $100</td>
<td>CQ</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(firms)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$50 and above</td>
<td>IC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>above (individual)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below $50</td>
<td>IC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(individual)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Miscellaneous

5. Miscellaneous

6. Miscellaneous

Total value of contracts subject to prior review:

**Overall Procurement Risk Assessment**

High

**Frequency of procurement supervision missions proposed:** One every four months (includes special procurement supervision for post-review/audits)

( includes special procurement supervision for post-review/audits)

¹Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.
Disbursement

Allocation of credit proceeds (Table C)
The implementing agencies would be required to adopt Quarterly PMR-based disbursement procedures using the Special Account facility 12 months after the effectiveness of the credit (i.e. by June 30, 2002 latest). In cases where country/project circumstances warrant direct payment and/or special commitment procedures may be allowed as may be agreed by Loan Department prior to negotiations and clearly specified in the Credit Agreement.

The proceeds of the IDA credit would be disbursed against 100% of foreign expenditures for consultants services and goods and 90% for local expenditures. As projected by Bank’s standard disbursement profiles, disbursements would be completed by four months after project closure. Disbursements would be made against standard IDA documentation.

Table C: Allocation of Credit Proceeds

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Amount in US$million</th>
<th>Financing Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>1.80</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>Consultants/training/workshops and audits</td>
<td>3.70</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>Grants</td>
<td>30.00</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>8.20</td>
<td>80% of all expenditures</td>
</tr>
<tr>
<td>Refunding of Project Preparation Advance</td>
<td>0.98</td>
<td></td>
</tr>
<tr>
<td>Unallocated</td>
<td>15.32</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>60.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

Use of statements of expenditures (SOEs):

All application to withdraw proceeds from the credit will be fully documented, except for: (i) expenditures of contracts with an estimated value of US$ 100,000 each or less for goods, consulting firms, workshops and (iii) US$ 50,000 or less for individual consultants and incremental operating costs, and civil works which may be claimed on the basis of certified Statements of Expenditures (SOEs). Documentation supporting expenditures claimed against SOEs will be retained by NPC and the State Social Funds and will be available for review when requested by IDA supervision missions and project auditors. All disbursements are subject to the conditions of the Development Credit Agreement and the procedures defined in the Disbursement Letter.

Special account:

To facilitate disbursement of eligible expenditures for works, goods and services, the Government will open a special account in a commercial bank to cover part of IDA’s share of eligible expenditures to be managed and administered by the National Planning Commission. Authorized allocation of the special account would be US$ 750,000 covering an estimated 4 months of eligible expenditures financed by IDA. Additionally, a special account would be established for each Social Fund at the state level with an authorized allocation of US$ 500,000. NPC and the state Social Funds will be responsible for submitting monthly replenishment applications with appropriate supporting documents for expenditures. To the extent possible, all of IDA’s
share of expenditures should be paid through the special account.

The Special Account will be replenished through the submission of Withdrawal Applications on a monthly basis and will include reconciled bank statements and other documents as may be required until June 30, 2002 after which further deposits to the Special Accounts will be on a quarterly basis as determined through the Project Management Reporting System. All disbursement will be channeled through SA and in lieu of Special Account, the borrower may choose to pre-finance project expenditure and seek reimbursement from IDA.

From Appendix 2 "Procurement Capacity Assessment - Summary of Findings and Actions".

The procurement activities of the Federal agency (NPC) under contracts financed by PPF appears to be satisfactory. But that could not be said for contracts financed solely by government funds. Due to lack of adequate and experienced procurement staff, there is the need for the agency to engage qualified and experienced staff to complement the existing staff strength. This will facilitate agency staff ability to take over procurement functions from the Procurement Consultant later during the project implementation period. The existing Federal agency procurement staff (involved in procurement process) still requires relevant procurement skills to handle bidding processes and contract management in a timely and efficient manner. The staff need to obtain relevant training on Bank procurement procedures. There is the need also for the agency to reduce time spent on making decisions on the scope of procurement packages and to improve on their contract management capability. As is the case in most government agencies, considerable effort is required to improve on the agency filing system. In the agency, procurement files are not maintained in the form of individual procurement files or on a per bid package basis or a contract basis as it should be. Due to the lack of adequate procurement capability in the agency procurement unit at the Federal level, it can be concluded that the agency still requires a Procurement Consultant to assist the PIU to manage the project procurement processes of the CPRP and to train and re-train the agency's relevant staff handling procurement on Bank Procurement and Disbursement procedures. Unlike the Federal agency, State agencies shall be established and will recruit professional technical staff that shall manage implementation of the project at state level. The recruitment shall be done using a competitive process. The staff shall be on board before project effectiveness. The official job descriptions and TORs (especially that of the Procurement Specialist) shall be cleared with the Bank before contracts are signed. Having qualified and experienced procurement staff at the states level will minimize the risk of mismanagement of procurement processes at that level. The States shall, in addition, engage the services of procurement consultants to provide the CBOs relevant assistance and procurement training whenever the need arises. The agencies should finalize the project implementation manual that should include a comprehensive and coherent Procurement Manual for the Federal and States Components before project effectiveness. Also the State agencies should finalize the predefined Procurement and Financial Manual for the Community Based Initiative Component of the project (to be used by the CBOs) before effecting any disbursement in this component. Efforts should be made to differentiate the roles of the Federal and State levels regarding procurement activities, to facilitate smooth implementation of project components. Also efforts should be made to eradicate political/executive interference that exist now in procurement process, to enhance efficiency, economy and transparency.
Annex 7: Project Processing Schedule
NIGERIA: Community Based Poverty Reduction

<table>
<thead>
<tr>
<th>Project Schedule</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time taken to prepare the project (months)</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>First Bank mission (identification)</td>
<td>08/15/99</td>
<td>08/15/99</td>
</tr>
<tr>
<td>Appraisal mission departure</td>
<td>05/24/2000</td>
<td>06/26/2000</td>
</tr>
<tr>
<td>Negotiations</td>
<td>09/01/2000</td>
<td>11/02/2000</td>
</tr>
<tr>
<td>Planned Date of Effectiveness</td>
<td>11/30/2000</td>
<td></td>
</tr>
</tbody>
</table>

Prepared by:
John Elder

Preparation assistance:
Barbara Machado

Bank staff who worked on the project included:

<table>
<thead>
<tr>
<th>Name</th>
<th>Speciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudarshan Canagarajah</td>
<td>Poverty Economist</td>
</tr>
<tr>
<td>Foluso Okunmadewa</td>
<td>Poverty Specialist</td>
</tr>
<tr>
<td>Ian Knapp</td>
<td>Implementation Specialist</td>
</tr>
<tr>
<td>Steen Jorgensen</td>
<td>Social Protection</td>
</tr>
<tr>
<td>Amit Dar</td>
<td>Labor Market Economist</td>
</tr>
<tr>
<td>Bayo Awusemusi</td>
<td>Procurement</td>
</tr>
<tr>
<td>Muraino Olaseni Ogunsanya</td>
<td>Financial Expert</td>
</tr>
<tr>
<td>Anne Okigbo</td>
<td>Health Specialist</td>
</tr>
<tr>
<td>Sam Eremie</td>
<td>Agriculture Specialist</td>
</tr>
<tr>
<td>Hovsep Melkonian</td>
<td>Disbursements</td>
</tr>
<tr>
<td>Tony Hegarty</td>
<td>Quality Assurance: Financial Issues</td>
</tr>
<tr>
<td>Rogati Kayani</td>
<td>Quality Assurance: Procurement Issues</td>
</tr>
<tr>
<td>Julie van Domelen</td>
<td>Quality Assurance: Social funds</td>
</tr>
<tr>
<td>T. Mpyo-Kamulayi</td>
<td>Lawyer</td>
</tr>
<tr>
<td>Paul Francis</td>
<td>Social Assessment</td>
</tr>
<tr>
<td>Kathrin Plangemann</td>
<td>Young Professional</td>
</tr>
<tr>
<td>Abiodun Elufioye</td>
<td>Team Assistant</td>
</tr>
<tr>
<td>Isabella Micali-Drossos</td>
<td>Lawyer</td>
</tr>
</tbody>
</table>
Annex 8: Documents in the Project File

NIGERIA: Community Based Poverty Reduction

A. Project Implementation Plan
National Planning Commission Operations Manual
Cross River State: Programme Implementation Manual for Community Based Poverty Alleviation Programmes

B. Bank Staff Assessments
Financial Management Assessment of the National Planning Commission
Procurement Assessment

C. Other
Environmental Assessment of Proposed Community-based Poverty Reduction Project
Community-based Poverty Reduction Initiatives: Social/Institutional Needs Assessment in Abia State
Community Initiatives for Poverty Reduction in Cross River State
Community and Local Development in Kebbi State of Nigeria
Community-based Poverty Reduction Initiatives: Social and Institutional Assessment in Kogi State
Socio-economic and Institutional Assessment of 17 Local Governments of Yobe State
*Including electronic files
## Annex 9: Statement of Loans and Credits

**NIGERIA: Community Based Poverty Reduction**

15-Oct-2000

<table>
<thead>
<tr>
<th>Project ID</th>
<th>FY</th>
<th>Borrower</th>
<th>Purpose</th>
<th>IBRD</th>
<th>IDA</th>
<th>Cancel</th>
<th>Undisb</th>
<th>Orig</th>
<th>Frm Rev'd</th>
</tr>
</thead>
<tbody>
<tr>
<td>P065301</td>
<td>2000</td>
<td>Nigeria</td>
<td>ECON MGMT CAP BLDG.</td>
<td>0.00</td>
<td>20.00</td>
<td>0.00</td>
<td>17.33</td>
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<tr>
<td>P066571</td>
<td>2000</td>
<td>Nigeria</td>
<td>SECOND PRIMARY EDUCATION PROJECT</td>
<td>0.00</td>
<td>55.00</td>
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<td>52.59</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P064008</td>
<td>2000</td>
<td>Nigeria</td>
<td>SMALL TOWNS WATER</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>4.16</td>
<td>0.26</td>
<td>0.00</td>
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<tr>
<td>P002084</td>
<td>1991</td>
<td>Nigeria</td>
<td>WATER REHAB</td>
<td>256.00</td>
<td>0.00</td>
<td>0.00</td>
<td>27.46</td>
<td>27.46</td>
<td>27.46</td>
</tr>
</tbody>
</table>

**Total:** 256.00  80.00  0.00  101.54  27.72  27.46
NIGERIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
15-Oct-2000
In Millions US Dollars

<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>IFC Committed</th>
<th>IFC Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loan</td>
<td>Equity</td>
</tr>
<tr>
<td>1998</td>
<td>AEF Ansby</td>
<td>0.10</td>
<td>0.00</td>
</tr>
<tr>
<td>1996/98</td>
<td>AEF Bailey Bridg</td>
<td>0.68</td>
<td>0.00</td>
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<tr>
<td>1996</td>
<td>AEF Courdeau</td>
<td>0.33</td>
<td>0.00</td>
</tr>
<tr>
<td>1997</td>
<td>AEF Ekesons</td>
<td>0.18</td>
<td>0.00</td>
</tr>
<tr>
<td>1994</td>
<td>AEF Etema</td>
<td>0.70</td>
<td>0.00</td>
</tr>
<tr>
<td>1999</td>
<td>AEF Global Fabri</td>
<td>0.32</td>
<td>0.00</td>
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<tr>
<td>1999</td>
<td>AEF Hercules</td>
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<tr>
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<td>AEF Hygeta</td>
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<td>AEF Mid-East</td>
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<td>1998</td>
<td>AEF Minaj</td>
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<tr>
<td>1997</td>
<td>AEF Moorhouse</td>
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<tr>
<td>1997</td>
<td>AEF Radmed</td>
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<td>0.00</td>
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<tr>
<td>1997</td>
<td>AEF Telpoint</td>
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<td>0.00</td>
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<td>1995</td>
<td>AEF Vinfesen</td>
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</tr>
<tr>
<td>1994</td>
<td>Abuja Intl</td>
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<tr>
<td>1964/66/89</td>
<td>Arewa Textiles</td>
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<tr>
<td>2000</td>
<td>CAPE FUND</td>
<td>0.00</td>
<td>7.50</td>
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<tr>
<td>1992</td>
<td>FSDH</td>
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<td>0.86</td>
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<tr>
<td>1981/85/88</td>
<td>Ikeja Hotel</td>
<td>0.00</td>
<td>0.25</td>
</tr>
<tr>
<td>1993</td>
<td>Tourist Co Nir</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Total Portfolio:</td>
<td>8.99</td>
<td>9.63</td>
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<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>Approvals Pending Commitment</th>
<th>IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Loan</td>
<td>Equity</td>
</tr>
<tr>
<td>2000</td>
<td>AEF Gurmeet</td>
<td>700.00</td>
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<td>2000</td>
<td>AEF Oba Motors</td>
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<td>2000</td>
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<tr>
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<td>Diamond Bank</td>
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</tr>
<tr>
<td>2000</td>
<td>FSB</td>
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</tr>
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<td>2000</td>
<td>GTB</td>
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<tr>
<td>2000</td>
<td>IBTC</td>
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<td></td>
<td>Total Pending Commitment</td>
<td>125600.00</td>
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Annex 10: Country at a Glance

NIGERIA: Community Based Poverty Reduction

POVERTY and SOCIAL

<table>
<thead>
<tr>
<th>Sub-Saharan</th>
<th>Low-Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td></td>
</tr>
</tbody>
</table>

1998
Population mid-year (millions)
GDP per capita (Atlas method, US$)
GDP (Atlas method US$ billions)

Average annual growth, 1992-98
Population (%)
Labor force (%)

Most recent estimate (latest year available, 1992-98)
Poverty (% of population below national poverty line)
Urban population (% of total population)
Life expectancy at birth (years)
Infant mortality (per 1,000 live births)
Child malnutrition (% of children under 5)
Access to safe water (% of population)
Illiteracy (% of population age 15+)
Gross primary enrolment (% of school-age population)

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$ billions)</td>
<td>36.0</td>
<td>23.4</td>
<td>39.9</td>
</tr>
<tr>
<td>Gross domestic investment/GDP</td>
<td>28.3</td>
<td>16.0</td>
<td>15.3</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>24.9</td>
<td>28.6</td>
<td>40.8</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>30.7</td>
<td>19.9</td>
<td>21.9</td>
</tr>
<tr>
<td>Gross national savings/GDP</td>
<td>29.3</td>
<td>11.4</td>
<td>20.0</td>
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<tr>
<td>Current account balance/GDP</td>
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<td>-7.4</td>
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<tr>
<td>Interest payments/GDP</td>
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<td>1.4</td>
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<td>Total debt/GDP</td>
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<td>Total debt service/exports</td>
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<td>12.4</td>
</tr>
<tr>
<td>Present value of debt/GDP</td>
<td>42</td>
<td>47</td>
<td>74</td>
</tr>
<tr>
<td>Present value of debt service/exports</td>
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<td>42</td>
<td>32</td>
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<tr>
<td>Gross primary enrolment: % of school-age population</td>
<td>58</td>
<td>77</td>
<td>108</td>
</tr>
<tr>
<td>Male</td>
<td>109</td>
<td>84</td>
<td>113</td>
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<tr>
<td>Female</td>
<td>97</td>
<td>69</td>
<td>103</td>
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STRUCTURE of the ECONOMY

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<tr>
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<tbody>
<tr>
<td>Agriculture</td>
<td>28.6</td>
<td>36.7</td>
<td>32.7</td>
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<tr>
<td>Industry</td>
<td>31.4</td>
<td>33.3</td>
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<tr>
<td>Manufacturing</td>
<td>4.6</td>
<td>6.6</td>
<td>4.6</td>
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<tr>
<td>Services</td>
<td>39.0</td>
<td>30.0</td>
<td>20.4</td>
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<tr>
<td>Private consumption</td>
<td>55.9</td>
<td>66.9</td>
<td>68.6</td>
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<td>General government consumption</td>
<td>13.4</td>
<td>11.1</td>
<td>8.6</td>
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<tr>
<td>Imports of goods and services</td>
<td>22.5</td>
<td>24.7</td>
<td>34.3</td>
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Note: 1998 data are preliminary estimates.
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.
**PRICES and GOVERNMENT FINANCE**

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<tr>
<td>Domestic prices (%) change</td>
<td></td>
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<tr>
<td>Consumer prices</td>
<td>13.8</td>
<td>11.3</td>
<td>8.3</td>
<td>10.3</td>
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<tr>
<td>Implicit GDP deflator</td>
<td>10.7</td>
<td>50.1</td>
<td>10.5</td>
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</table>

**Government finance (% of GDP, includes current grants)**

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<tr>
<td>Current revenue</td>
<td>20.3</td>
<td>15.2</td>
<td>18.9</td>
<td>19.4</td>
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<tr>
<td>Current budget balance</td>
<td>-12.3</td>
<td>-1.1</td>
<td>9.7</td>
<td>-6.0</td>
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<tr>
<td>Overall surplus/deficit</td>
<td>-6.8</td>
<td>-7.6</td>
<td>1.1</td>
<td>-8.6</td>
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**TRADE**

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<tbody>
<tr>
<td><strong>Total exports (US$ millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>11,564</td>
<td>6,994</td>
<td>12,753</td>
<td>12,045</td>
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<tr>
<td>Cocoa</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Manufactures</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Total exports</td>
<td>13,225</td>
<td>6,382</td>
<td>10,246</td>
<td>10,873</td>
</tr>
<tr>
<td><strong>Total imports (US$ millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>1,373</td>
<td>871</td>
<td>1,219</td>
<td>1,479</td>
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<tr>
<td>Fuel and energy</td>
<td>240</td>
<td>27</td>
<td>143</td>
<td>130</td>
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<tr>
<td>Capital goods</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
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<tr>
<td>Export price index (1995=100)</td>
<td>54</td>
<td>100</td>
<td>112</td>
<td>82</td>
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<tr>
<td>Import price index (1995=100)</td>
<td>45</td>
<td>75</td>
<td>92</td>
<td>84</td>
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<tr>
<td>Terms of trade (1995=100)</td>
<td>210</td>
<td>134</td>
<td>122</td>
<td>98</td>
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**BALANCE of PAYMENTS**

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<tbody>
<tr>
<td><strong>Exports of goods and services (US$ millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total exports</td>
<td>12,373</td>
<td>7,532</td>
<td>15,208</td>
<td>9,727</td>
</tr>
<tr>
<td><strong>Imports of goods and services (US$ millions)</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total imports</td>
<td>13,225</td>
<td>6,382</td>
<td>10,246</td>
<td>10,873</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>-2,046</td>
<td>-2,770</td>
<td>-2,211</td>
<td>-2,661</td>
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<tr>
<td><strong>Net current transfers</strong></td>
<td>...</td>
<td>...</td>
<td>...</td>
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<tr>
<td>Current account balance</td>
<td>-1,007</td>
<td>-1,726</td>
<td>1,877</td>
<td>-3,027</td>
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<td><strong>Financing items (net)</strong></td>
<td>169</td>
<td>1,648</td>
<td>1,183</td>
<td>3,028</td>
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<tr>
<td>Changes in net reserves</td>
<td>817</td>
<td>78</td>
<td>-3,061</td>
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**EXTERNAL DEBT and RESOURCE FLOWS**

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<tbody>
<tr>
<td><strong>Total debt outstanding and disbursed (US$ millions)</strong></td>
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<tr>
<td>Total debt</td>
<td>3,146</td>
<td>29,021</td>
<td>28,712</td>
<td>28,774</td>
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<tr>
<td>IBRD</td>
<td>410</td>
<td>2,939</td>
<td>2,373</td>
<td>2,278</td>
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<tr>
<td>IDA</td>
<td>39</td>
<td>32</td>
<td>410</td>
<td>564</td>
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<tr>
<td><strong>Total debt service (US$ millions)</strong></td>
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<tr>
<td>IBRD</td>
<td>138</td>
<td>1,106</td>
<td>1,934</td>
<td>1,352</td>
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<tr>
<td>IDA</td>
<td>47</td>
<td>332</td>
<td>518</td>
<td>467</td>
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<tr>
<td><strong>Composition of net resource flows</strong></td>
<td></td>
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<tr>
<td>Official grants</td>
<td>6</td>
<td>14</td>
<td>...</td>
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<tr>
<td>Official creditors</td>
<td>38</td>
<td>378</td>
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<td>Private creditors</td>
<td>18</td>
<td>425</td>
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<td>Foreign direct investment</td>
<td>439</td>
<td>603</td>
<td>...</td>
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<tr>
<td>Portfolio equity</td>
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<tr>
<td><strong>World Bank program</strong></td>
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<tr>
<td>Commitments</td>
<td>62</td>
<td>71</td>
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<td>0</td>
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<tr>
<td>Disbursements</td>
<td>64</td>
<td>385</td>
<td>260</td>
<td>222</td>
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<tr>
<td>Principal repayments</td>
<td>18</td>
<td>125</td>
<td>339</td>
<td>314</td>
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<tr>
<td>Net flows</td>
<td>46</td>
<td>250</td>
<td>-79</td>
<td>-93</td>
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<tr>
<td>Interest payments</td>
<td>30</td>
<td>209</td>
<td>182</td>
<td>156</td>
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<tr>
<td>Net transfers</td>
<td>16</td>
<td>52</td>
<td>-261</td>
<td>-249</td>
</tr>
</tbody>
</table>

Memo:
- Reserves including gold (US$ millions) 4,259 1,199 7,222 7,221
- Conversion rate (Naira/US$) 0.9 4.6 91.1 88.0

Development Economics - 43 -
Additional
Annex No.: 11

State Agency for Poverty Law: Prototype
NIGERIA: Community Based Poverty Reduction

STATE AGENCY FOR POVERTY REDUCTION LAW, 2000

I ASSENT THIS ___ DAY OF 2000

FOR

A LAW TO PROVIDE FOR THE ESTABLISHMENT OF THE STATE AGENCY FOR POVERTY REDUCTION AND OTHER MATTERS RELATED THERETO

(___) DATE OF COMMENCEMENT BE IT ENACTED
BY THE STATE HOUSE OF ASSEMBLY AS FOLLOWS:

1. This law shall be known as the State Agency for Poverty Reduction and it shall be deemed to have come into force on the ____ day of ________, 2000

2. In this law, unless the context otherwise requires:

"Agency" means State Agency for Poverty Reduction;
"State" means the State of Nigeria;
"Governor" means the Executive Governor of the State;
"Committee" Agency's management committee;
"Project" means a piece of work or activity that is organized to improve the living conditions of the poor;
"Community" means a group of people living in one place, locality or district;
"General Manager" means the Chief Executive of the Agency;
"Member" includes the General Manager;
"Stakeholder" means a person or organization that has shares and interest in the project;
"Social Fund" means pool of resources from which the project can financed;
"House of Assembly" means State House of Assembly;
"Governor's Office" means the office of the Secretary to the State Government;
"Donor" means a country, organization or individual making contribution to the project;
"Demand-driven approach" means that the beneficiary community propose and selects desired projects;
"Operations manual" means a reference handbook to guide the implementation of the project;"
PART I

OPERATION CHARACTERISTICS OF THE AGENCY

3. The State Agency for Poverty Reduction, SAPR, established as an autonomous body with the mandate for improving the socio-economic conditions of the population at the grassroots, has the following characteristics:

(1) It will be based on a demand-driven approach to project selection. It does not itself identify projects, but selects from among those proposed by beneficiary communities;

(2) It will not implement projects, but co-operates with other implementing bodies elected by the community. It will support and facilitate the efforts of local communities, to ensure the provision of expertise in project implementation and management for communities that lack the skill or know-how to act alone;

(3) Implementation of projects will be carried out in a decentralized, practical and flexible way, and will be the responsibility of communities or other implementing bodies selected by them. Communities will be largely responsible for preparation, implementation and supervision of the projects. Funds contributed by the communities are directly managed by them;

(4) It has an independent procurement and disbursement procedure and a separate transparent management and financial system.

AIMS AND FUNCTIONS OF THE AGENCY

4. (1) The aims and objectives of the Agency shall be to:

(a) improve the socio-economic conditions of the population at the grassroots level by promoting prompt delivery of services geared towards poverty reduction in the State;
(b) encourage and increase the capacities of communities to participate in Poverty reduction projects;
(c) ensure the sustainability of community participation in such projects even after their completion.

(2) For the purpose of achieving the objectives set out in subsection (1) of this section, the agency shall establish two departments and two units as follows:
(a) operations;
(b) outreach/Management Information Services.

(3) The functions of the Agency shall be as follows:

(a) to formulate policies and utilize strategies for the effective implementation of programmes geared towards poverty reduction in States.
(b) appraise applications received on projects against effective criteria spelt out in the operational manual to determine those projects to support, reject or revise;
(c) disburse funds provided to it by the donors in support of poverty reduction to the beneficiary communities;
(d) carry out public enlightenment and mobilization of communities towards poverty;
(e) render advisory services and support to local communities, government, individuals and organizations in project implementation and management where necessary;
(f) carry out research studies and capacity building programmes aimed at improving the performance and impact of the Fund;
(g) prepare and submit to the government a consolidated annual budget and work plan of the Fund and submit quarterly reports on the financial expenditures;
(h) supervise, monitor and evaluate the implementation of Poverty Reduction Programmes in the State;
(i) ensure that regular progress reports are submitted to the appropriate authorities;
(j) ensure annual auditing of accounts;
(k) liaise with State Ministries, Departments, Local Governments, Statutory Bodies, Research Agencies, Organizations and Communities to ensure effective implementation of the Project;
(l) initiate appropriate policy action on the impact and measures aimed at combating poverty in State, and;
(m) perform any other functions as may be assigned to the Agency by the government.

PART II
THE ESTABLISHMENT AND PROCEEDINGS OF THE BOARD

5. (1) There is hereby established, by the State a body to be called the State Agency for Poverty Reduction. Which shall be a body corporate with a perpetual succession and a common seal and shall have power to sue and be sued in its corporate name.
(2) The Agency, which shall operate as a private sector organization, shall be autonomous. It shall be the administrative organ to serve as a coordinating resource base for small-scale or micro-project funding.

(3) The Agency shall have a project governing board which shall be the policy making body that will ensure that the Agency operates within the provisions of its mandate in section 3 of this Law:-

(4) It shall be made of the following members:
   (a) The Governor shall appoint a private person as Chairman;
   (b) 2 representatives of NGOs of which one must be a Woman Organisation-Member;
   (c) 1 representative of a finance institution-Member, and;
   (d) representatives of three sector (line) Ministries of Health, Finance, Works and Local Government and Chieftaincy Affairs.

The Agency shall provide the Secretariat

(5) Membership of the Board with majority of civil society representatives shall be approved by the Governor.

6. (1) Functions of the Board:
   • Provide overall policy guidance in the management of the Agency;
   • Provide direction and guidance in the interpretation of Government Sectoral Policies;
   • Approve annual work plans/budget of the Agency;
   • Ensure appropriate monitoring of project implementation;
   • Ensure that relevant reports are submitted to the Government, National Planning Commission and Donor Agency(s).

7. (1) The Board shall hold such meeting as may be necessary for the fulfillment of its functions, not more than 4 meetings in a year.

   (2) At every meeting of the Board the Chairman shall preside, if present; or in his absence, Proteme Chairman from among the other three members.

   (3) Where upon a special occasion the Board desires
to obtain the advice of any person on any particular matter, the Board may co-opt such a person to be a member for such meetings as may be required and such person whilst co-opted shall have all the rights and privileges of a member save the right to vote on any issue.

(4) The Chairman (or anyone standing in for him) and five other members shall form a quorum.

(5) At a meeting of the Board issues requiring a vote, shall be determined by a majority votes of the members present and in the case of any equal division of the vote the Chairman shall have a second or casting vote.

(6) Subject to the provision of this Law the Board or any sub-committee appointed by it may make standing orders for the purposes of regulating its own proceedings.

(8) (1) There shall be appointed for the Agency a General Manager who shall be recruited from the private sector through an open competitive selection process by a team of technical experts. The recruitment shall be in accordance with laid down conditions and guidance contained in the operations manual.

(2) The General Manager shall hold office for a term of 5 years in the first instance and such appointment shall be subject to renewal for another term of 5 years.

(3) The General Manager shall be the Chief Executive of the Agency and shall be responsible for carrying out the day to day running of the Agency.

(4) The General Manager shall perform the following duties:-

(a) Exercise powers and functions of the Agency provided for in section 4(3);
(b) Authorize expenditure in accordance with the approved work plan and annual budget of the Agency;
(c) Represent the Agency in all dealings with third parties;
(d) Liaise with donors and others capable of providing complementary technical, administrative skills and financial resources to the Agency to support the project;
(e) Coordinate all the agency's activities including the Work Plan and the annual budget and ensures the maintenance of accurate accounting records;
(f) Give provisional approval for proposal of projects recommended by management committee;
(g) Accounting Officer of the Agency;
(h) Chairman of the Agency's Management Committee;
(i) Delegate authority to staff of Agency to the extent necessary for the efficient performance of the functions of the Agency, and;
(j) Perform such other duties as may be required for the effective functioning of the Agency.

9. (1) Power to determine the terms and conditions of General Manager as of remuneration or otherwise shall be vested in the Board and other donor agencies and same shall take cognizance of the provisions in section 4(2) of this Law.

(2) Power to exercise disciplinary control over the General Manager shall be vested in the Board in consultation with the Government and donor agencies.

10. Subject to the provisions of sections 7 and 8 of this Law and with the approval of the Board and other donor agencies, the Board may engage or employ such officers or employees as it may consider necessary for the proper and efficient conduct of the business of the Agency upon such terms and conditions as to remuneration or otherwise as it may determine.

11. (1) Power to determine the Board's terms and conditions of service of the Manager as to remuneration shall be vested in the in the agreement with funding Agencies and same shall take into cognizance the provisions in section 5(2) of this Law.

12. Subject to the provisions of this Law, the Agency shall for the purpose of carrying out its functions under this Law have powers to carry out all activities which are necessary and advantageous for the improvement of the living conditions of the poor through speedy provision of basic economic and social services.

13. The Board may appoint sub-committees to advise it on any other actions on any matter which the Agency may participate in or for any other purposes whether general or special relating to the functions of the Agency which in the opinion of the Board would be better regulated or managed by means of a sub-committee.

14. The Board may, subject to the provisions of this
Law make prescribing with respect to recruitment, promotion, dismissal and disciplinary control of staff of the agency; and this includes:

- the qualifications required for appointment;
- the method of appointment (including probation and confirmation);
- the form of any agreement to be entered into between the agency and its employees;
- the terms and conditions of service including staff salaries and allowances and the grant of advances, the provision of quarters etc.
- the procedure and requirements for promotion;
- the maintenance of discipline including dismissal and termination of appointment, and;
- such other matters relating to departmental procedures, duties and responsibilities of employees as the committee considers can be best provided for by regulations.

PART III

FINANCIAL PROVISION

(a) Credit/grant to the agency by the Federal Government;

(b) At least 10% contribution by the State Government to the Agency;

(c) all such monies as may be granted to the Agency by any other body, Agency or individuals.

15. The Agency shall establish and maintain separate accounts from which shall be defrayed all expenditures incurred by the Agency other than such expenditure incurred pursuant to section 4(3) of this Law;

16. There shall be paid and credited to this fund such payments made to it by the Government for the running expenses of the Agency other than in pursuant of Section 4(3) of this Law.

17. All funds received by the Agency shall be applied in accordance with the conditions attached to the releases and shall follow the provisions contained in the operations guidelines.

18. (1) The Agency shall maintain proper and appropriate system of accounts for the purpose of ensuring proper accountability.
(2) It shall prepare in respect of each financial year, necessary statements of accounts in such forms as may be appropriate on the advice of the donor.

19. (1) The accounts of the Agency for each year or specified period shall be audited as soon as possible by auditors appointed by the Board with advice from the State Auditor General and the fees of the auditors and expenses shall be paid by the Agency.

(2) As soon as the accounts have been audited as provided for by subsection (1) of this section, the Board shall forward to the appropriate authorities, and to any relevant donor/stakeholders a copy of income and expenditure account and the balance sheet together with the report of the auditors therein in line with the funding agreement.

(3) Limitations are placed on the volume of money and projects that a specific level of management can approve in given time period. This was stated in the operations manual.

PART IV
MISCELLANEOUS

20. (1) The Agency shall as soon as may be its establishment, provide itself with a common seal.

(2) The common seal shall be authenticated by the Chairman or other member authorized by the committee to act in her behalf and the signature of the General Manager of the Agency.

(3) Judicial notice shall be taken of the common seal of the Agency and every document purporting to be an instrument made by the agency and to be authenticated in accordance with this Law shall be received in evidence and be deemed to be such instrument without further proof unless the contrary is shown.

21. The Agency shall normally at the end of each year make a report of its achievements and activities available to the Government, Donor and appropriate report as expected by other stakeholders.

22. For the purpose of enhancing its services under this Law, the Agency may:
(a) establish and promote training programmes for its staff and members of the communities and other stakeholders in order to build their capacities;

(b) collect, collate and make available through publications and other means basic scientific data and other information on poverty.

23. The Board Agency may establish an Advisory Committee which shall be made up of not less than three outstanding professionals with relevant specialization. The advisory bodies may be composed of administrative, technical or other experts as the Agency may consider useful or appropriate.
Additional
Annex No.: 12

Draft and Financial Procedure Manual
NIGERIA: Community Based Poverty Reduction

TABLE OF CONTENTS

Section 1: General
1. Title
2. Objective of the Procedures
3. The Institution
4. Definitions

Section 2: Management Committee (MC)
1. Establishment of an MC
2. Procedures at Meetings
3. Meetings
4. Functions of MC
5. Quorum
6. Minutes
7. Co-option

PROCUREMENT PROCEDURES

Section 3: General Guidelines
1. Applications
2. Competitive Bidding
3. Products
4. Contracts for Services
5. Approved Supplier
6. Requisition for procurement to be initiated
7. Splitting transactions
8. Amendments of Procedures
9. Custody of Documents
10. Storekeeper
11. Inspection of Goods and works and verification of services

Section 4: Procurement by Open Competitive Bidding
1. Advertising for Competitive Bids
2. Bidding Documents
3. Evaluation Committee
4. Certification
5. Invitation for Bids
6. Bidding and Quotation Rules
7. Bid Box
8. Opening of Bids
9. Confidentiality of Bidding Documents
10. Bidding Documents
11. Notification of Award
12. Formal Contract Agreement
13. Selective Bidding
14. Single Source or Indirect Contracting
15. Procurement Samples
16. Sample Register
17. Conflict of Interest
18. Overseas Procurement

SECTION 1: GENERAL

1. **Title:**
   This document shall be cited as “Procurement and Financial Procedures Manual” of the Community Based Organization called (specify) hereinafter referred to as “the CBO”.

2. **Objective of the Procedures:**
   The objective of these procedures is to ensure that the CBO’s resources are collected, utilized and accounted for efficiently, economically and in a transparent manner for the benefit and satisfaction of the CBO Member and its Development Partners.

3. **The CBO**
   The CBO is a community member organization in (specify location) of (specify) and is managed by a Management Committee hereinafter referred to as “the MC”.
   (a) Name of Community Based Organization:

   (b) Registration Information of the Community Based Organization:
   Date Registered:
   Where:
   By:
   Registration No.:

   (c) Specific Objectives of the Community Based Organization:

   (d) Members of the Management Committee (insert names)
   Chairman:
   Secretary:
   Treasurer:
   Other Management Committee Members (specify if applicable)
   1.
   2.
   3.

   (e) The mandate of the current Management Committee expires on (specify)

   (f) Bankers (Name and Branch): (specify if available)

   (g) Auditor(s) (name and address):- (specify if available)

4. **Definitions:**
   (i) “Management Committee” shall mean the Committee of members elected by
the general members of the CBO to run the operations of the CBO.
(ii) “Member” shall mean any individual who is recognized as a member of the CBO in accordance with the CBO’s by-laws.
(iii) “Chairman, Treasurer and Secretary” shall mean the officials of the Management Committee
(iv) “Development Partner ” shall mean Government and its Agencies, NGO, Individuals, Financing Institutions, Foundations, etc. that assists the CBO in its development efforts.
(v) “ Authorized Official (referred to in the draft manual as AO)” shall mean any member of MC, or person employed by the CBO and charged with the responsibility for executing activities of the CBO.
(vi) “Store keeper” shall mean the person nominated by the MC as responsible for the CBO’s store.
(vii) “Common User Items” shall mean items which are regularly required by the CBO. These items are listed in Annex 2 of this Manual.
(viii) “Competitive Tender” shall mean a method of Sourcing for goods, works and services by inviting suppliers, contractors and consulting firms to submit offers for supply of goods, works and services.
(ix) “LPO” shall mean Local Purchase Order and “PRF” shall mean Procurement Requisition Form.
(x) “Sole Sourcing” shall mean direct contracting without competitive tendering.
(xi) “Authorized Officer” shall mean any employee of the CBO or appointed Agent of the CBO authorized to exercise the powers or perform duties in respect of which the expression is used and as allowed in this Manual.
(xii) “Contract Price” shall mean the amount of money agreed between the supplier or contractor and the MC as payable under the contract.
(xiii) “Tenderer” and “Bidder” shall mean the same thing i.e. firm or individual that has responded by submitting a tender.
(xiv) Donor or Development Partner shall mean any person, Agency, Institution etc. that donates to the CBO free of charge money, services or goods.
(xv) “Applicable Law” shall mean the laws of the Federal Republic of Nigeria.
(xvi) “Contracted Agent” shall mean any individual, Government agency, NGO or private firm contracted by the CBO to provide services.
(xvii) “Language of the contract in this Manual” shall mean the Language in which the CBO has elected to do its business.

SECTION 2 -MANAGEMENT COMMITTEE

1. Establishment of a Management Committee
There shall be a CBO Management Committee (MC) which shall be comprised of the following officials elected by the general membership of the CBO:
Chairman
Treasurer
Secretary
Deputies (optional)
Committee members (CBO to decide number and representation)
Manager (where employed)
2. **Procedures at Meetings:**
The chairman shall preside over all meetings but in his absence the Deputy shall preside at that particular meeting. No meetings shall be held in absence of (e.g. Chairman or Deputy Chairman).

3. **Meetings:**
The MC shall meet at least once a month and as when necessary.

4. **Functions of MC:**
The MC shall deliberate on matters pertaining to the running of the CBO including procurement and financial management of the CBO. More specifically the MC will:

   (i) deal with general matters of the CBO;
   (ii) prepare CBO budget for approval by (e.g. the general membership)
   (iii) deal with employee matters.
   (iv) oversee the functions of the CBO including all procurement and financial matters.

5. **Quorum:**
The MC quorum necessary for the transaction of business shall be 3 members of the MC, inclusive of the person presiding (the number of members can be increased depending on CBO structure).

6. **Minutes:**
All proceedings of the MC shall be recorded and the minutes, shall be circulated to the MC members within 2 weeks. The minutes of the MC meetings shall be made available to any member who may wish to inspect them.

7. **Co-option:**
The MC may from time to time co-opt in its meetings other persons as it may require for the proper discharge of its business.

8. **On Tenders:**
(a) adjudicate the applications referred to it by (specify name of AO or agent) having regard to budget provision and to the evaluation and recommendations thereon;
(b) consider any matter on procurement and finance referred to it;
(c) make recommendations on matters to be attended to by (name of AO or agent); and
(d) recommend action to be taken on people who infringe these procedures.
The confirmed and signed minutes of the MC shall constitute evidence of the decisions and recommendations made thereby;

9. The (specify name of AO) shall provide to the Internal Auditor minutes of every MC meeting; and to authorized persons or agents for official purposes only, as reasonably required.
PROCUREMENT PROCEDURES

SECTION 3 - GENERAL GUIDELINES

1. Application
These procedures shall govern and apply to procurement of goods, works and services for and on behalf of the CBO and in accordance with the approved Work-plan and Budget as provided for in Section 6, paragraphs 1 and 2 of this Manual.

2. Competitive Bidding
Except as otherwise provided for in these procedures, supply of goods, works and services to the CBO shall be procured on basis of competitive bidding.

3. Products
The CBO shall procure all products having regard to economy, quality and transparency.

4. Services
The CBO will ensure that any Person, NGOs, firms or Government Agencies engaged to provide services have the necessary managerial and technical qualifications, experience and financial capabilities to carry out the assignments. The MC shall prepare terms of reference clearly stating the scope of the assignments and the required qualifications and experience. Selected Persons, NGOs, firms or Government Agencies would be requested to submit bids and MC would determine most suitable firm or individual for contract award.

5. Approved Supplier
The MC shall competitively appoint approved suppliers for common user goods and services on an annual or term basis and the list of these approved suppliers shall be maintained and monitored by the (specify e.g. AO). The MC will periodically establish a price data base for direct purchases of common user items and services. (However the procedure and criteria for appointing these suppliers need to be defined precisely in an Annex. Such criteria among others may include unit price for services over a period of time, experience of the supplier in supplying equal or greater volumes of goods, financial status of the suppliers and regular personnel of the firms)

6. Requisition for Procurement to be initiated
All requisites for procurement to be initiated shall be made on PRF forms duly authorized by AO and approved the MC chairperson.

7. Splitting of Transactions
The Financial limits set out in Part 5 of these procedures shall be strictly complied with and splitting of transactions is not allowed except with the approval of MC i.e. procurement transactions of a similar nature shall not be made separately with the cumulative effect of exceeding the established ceiling without going through an open competitive bidding process.
8. **Amendment**
Only the MC may amend these procedures.

9. **Custody of Documents**
Except as otherwise provided for in this manual, all formal contract documents shall be in the custody (specify name of AO).

10. **Storekeeper**
The MC shall (if necessary) have a store/s, managed by a "Purchasing/Storekeeper" who shall be responsible for managing procurement process/receiving and issuing of all stores (except accountable documents for which the (AO) is responsible) procured by either cash, credit, LPO, bidding or donated and shall take charge of each item in stores ledger or bin cards. Before payment is made for goods, the storekeeper must certify that goods received conform to the contract specifications.

11. **Inspection of goods and works and Verification of Services**
Prior to any payment being made for contracted goods, works and services, Authorized Officers of the CBO shall inspect and certify that the goods, works and services are carried out properly in accordance with contract conditions and specifications.

12. **Emergency procurement**
Shall mean unforeseen or unplanned for procurement done urgently in response to situations such as a disaster or crisis, urgently emerging need, for items that are not in the procurement plan or agreed work program. Procurement methods to be applied under such an emergency will be determined by the MC, but would usually be shopping and direct purchase for goods and force account for works.

**SECTION 4- PROCUREMENT BY OPEN COMPETITIVE BIDDING**

1. **Advertising for Competitive Bids**
Competitive open bids shall be invited in all cases by advertising in newspapers, posting notices in strategic places, radio announcements etc. where the costs of goods or works in one contract or transaction are estimated to cost over N100,000.00. Competitive quotations shall, where provided for be from different suppliers. Bidders shall be allowed not less than 7 days to prepare and submit bids.

2. **Bidding Documents**
Bidding Documents shall contain sufficient details and shall allow adequate time to enable prospective bidders to respond appropriately. The documents shall spell out how bids will be evaluated and specify that the contract will be awarded to the bidder determined to be the lowest evaluated bid.

3. **Evaluation Committees**
A bid evaluation committee of not less than Three (3) members shall be
constituted by the MC to evaluate each bid.

4. **Certification**
Before acceptance of any goods, the requisitioning person shall certify that the goods supplied are of the right quality and correspond in all respects to the samples or specifications in the bidding documents and shall make written certification to that effect before they are received by the storekeeper.

5. **Invitation for Bids**
Except as otherwise provided in these procedures, the AO or any authorized Agent of the MC shall be responsible for the invitation of all bids in liaison with the MC.

6. **Bidding and Quotation Rules**
All prospective bidders shall be required to comply with the following conditions:
(a) That bids and quotations shall be forwarded to the MC in plain sealed envelopes bearing only such endorsements or labels as may be specified in the invitation notice provided that no name, mark or identity of the bidder shall appear on the envelope;
(b) That bids and quotations must be addressed to the MC Chairman or:
(c) That bids and quotations must be delivered by post, by courier or by hand or by messenger or through the tender box within the time specified in the notice. Bids or quotations by telephone or telegram or fax will not be accepted unless so allowed in the invitation to quote;
(d) MC shall not be bound to accept the lowest or any tender; and
(e) All inquiries relating to any tender shall be addressed to the Chairperson of the CBO.

7. **Bid Box**
There shall be a tender box, which shall have locks, the keys to which shall be held by the AO or any other person appointed by the MC.

8. **Opening of Bids**
(a) All bids duly received shall be opened at the appointed place, date and time by a tender opening committee of at least 3 MC members appointed by the Chairman of the MC.
(b) All Bids shall be opened immediately after the time specified as the deadline for their submission.
(c) Any bidder may, if he so wishes, be present at the opening of bids either personally or by a duly authorized agent.
(d) Upon opening of bids, the bid opening committee shall cause the same to be numbered, date-stamped, initialed and listed and whenever possible, the prices shall be announced, but bidders will be reminded that the MC will not be bound to accept the lowest or any bid and the prices announced would not be an indication of who would be awarded the tender.
(e) The (AO) shall have the complete confidential custody of bids received before they are opened and shall ensure that the same are secure and that they are not opened except as provided in these procedures.
(h) All bids received after the specified time shall be marked ‘LATE’ and endorsed with the time and date of receipt and returned to the sender at the address

- 59 -
given in the said bids.

9. **Confidentiality of Bidding Documents**
All the members of the bid opening committee and other officers of the CBO who may handle bidding documents shall keep the contents thereof confidential and shall ensure that the documents are conveyed from office to office having due regard to secrecy and security.

10. **Bidding Documents**
(a) bidding documents shall specify the evaluation criteria to be used, and the MC may accept any bid other than the lowest one having due regard to, inter alia, quality, standardization policy, delivery duration, after sales service, experience in the market place, and other relevant matters as specified in the bid evaluation criteria,
(b) in adjudicating bids, the MC shall, inter alia, take into account the following factors:
   (i) compliance with specifications;
   (ii) the lowest price quoted and whether it is considered realistic judging from the prevailing market price for similar goods or services;
   (iii) qualifications and guarantees offered by the bidders;
   (iv) experience of the bidders with previous contracts;
   (v) delivery period; and
   (vi) special conditions of bid e.g. validity of prices, fluctuations of currency, taxation and transport costs.
(d) bids shall ordinarily be awarded to the lowest evaluated bidder and whenever this is not done, the reason thereof shall be clearly given in respect of each of the lower bidders.

11. **Notification of Award**
The AO shall notify the successful bidder of the award after all the necessary approvals and formalities are complied with, and also ensure that the unsuccessful bidders are appropriately notified of the outcome after the contract has been signed. Award notification and contract signature must be completed within the validity period of the bid.

12. **Formal Contract Agreement**
(a) the AO shall ensure that formal contract agreements are executed where the bid value exceeds N10,000.00;
(b) in all other cases, the AO may dispense with preparation of formal contract documents provided that clear letters of acceptance or other acceptable documents are issued on behalf of the MC;
(c) all contract agreements shall be for definite duration;
(d) renewal or extension of contracts shall not be undertaken without the prior approval of the MC.

**OTHER PROCUREMENT METHODS AND PROVISIONS**

13. **Selective Bidding**
For procurement of specialized items, e.g. printing of account documents like
receipts, only firms with capacity and credibility for such work will be invited to bid. Before initiating bidding, all selective bidding must be approved by the MC. Bids for services shall however be by selective bidding and no prior approval of MC shall be required to initiate selective bidding. Contract award shall however be subject to MC approval.

14. **Single source or direct contracting**
   Where it is established that only one firm or source can provide required categories of goods, works or services, procurement may be made directly from that firm or source without going through competitive bidding provided that the MC shall consider and approve the method, contract and proposed contract conditions, including contract price.

15. **Procurement Samples**
   Where appropriate and so required in the bidding documents, samples of goods to be supplied shall be made available to the MC for verification.

16. **Sample Register**
   The AO shall maintain a samples register.

17. **Conflict of Interest.**
   Enterprises of MC members and their immediate relatives and MC member themselves will be allowed to participate only in competitive bids. However, with clear approval of MC, single source may be accepted from such sources only if it is the only efficient source provided it is economical.

18. **Procurement from other countries**
   Where goods or services are required from other countries, the MC will (i) if the CBO is part of an on-going community-based project ask the project implementing agency to do it for them or (ii) contract a qualified agency to process the procurement following procedures of the CBO to the extent possible. Actual procedures to be followed by a contracted agent will be agreed between MC and the agent.

**SECTION 5 - FINANCIAL LIMITS AND AUTHORITY**

1. **Financial Limits**
   The following financial limits shall apply in acquisition of goods, works or services:

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<tr>
<th>Limit</th>
<th>Method</th>
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<tbody>
<tr>
<td>N10,000.00 to N50,000.00</td>
<td>At least three (3) complete quotations from 3 independent suppliers</td>
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<tr>
<td>above N50,000.00</td>
<td>Competitive bidding (open or selective)</td>
</tr>
</tbody>
</table>
2. **The Authority of AO**
The AO shall have authority to approve contract awards for procurement of goods, works or services whose value does not exceed N10, 000.00 per single transaction without reference to the MC and shall sign the LPOs to authorize the purchase. The MC will approve all contract awards above that figure.

3. **The AO shall:**
(a) ensure that procurement of goods works and services comply to procedures specified in this manual;
(b) ensure that all procurement transactions are efficiently done to fit the needs of the CBO;
(c) approve and sign all LPOs and contracts for purchases authorized in these procedures and as allowed in the approved budget;
(d) ensure that at all times, the LPOs are retained in safe custody and in the event of any loss, a report thereof shall be made to the MC. Upon such loss, he/she shall immediately cause the serial numbers of lost purchase order forms to be published in the local newsletter of the CBO LGA and other public places within the CBO environ or in a national newspaper, accompanied by a statement of disclaimer of liability arising from the said lost documents;
(e) subject to the financial limits provided under these procedures, he/she may place orders upon requisition from the store for items necessary for the maintenance of stock at authorized levels and contracts placed for common user items; and
(f) ensure that from each year’s Workplan and Budget, a list of common user items are prepared for procurement following appropriate methods and contracts are awarded in a timely manner prior to the beginning of the year.

**ANNEXES (to be prepared by CBO)**

ANNEX 1 Register of General Members of the CBO
ANNEX 2 Articles or By-laws of the CBO
ANNEX 3 Register of Approved Suppliers/Contractors/Artisans
ANNEX 4 List of Common User items/tools

**APPENDICES: PROCUREMENT**

APPENDIX 1 Invitation to Bid [advertisement notice]
APPENDIX 2 Order and contract for goods
APPENDIX 3 Order and contract for works
APPENDIX 4 Order and contract for services

**APPENDIX 1:**
Name and Address of CBO

*Invitation to Bid [advertisement notice]*

1. The *(name of the country)* has received a [loan, grant credit] from International Development Association IDA towards the cost of *(name of the*
project financed by the_. The Government has allocated a part of the loan and its own funds (amount in local currency) for implementing the name of the subproject in the (name of the state) to be implemented by (name of CBO). It is intended that part of these funds will be applied to eligible payments under contracts to be given out by the CBO.

2. We hereby invite you/your firm to make a firm sealed offer for the following:
(choose from the following list the applicable type of procurement) construction of (for instance, village dam, or other civil works, as the case may be) supply of (for instance, five spades; 200 nim trees, etc., listing the items and quantities of the goods needed) consultant assistance to (for instance, prepare designs for the dam or bridge; for preparing subproject plan for the community etc., as the case may be).

3. The specifications of the (works, goods, or consultants-choose the applicable) needed are attached to this invitation to bid.

4. You/your firm need to meet the following requirements to be eligible to bid:
(choose from the following list the applicable type of procurement) for civil works contracts (provide a list of similar works carried out earlier; have an annual turnover that is three times higher than the average contract value; have or be able to rent the equipment needed for the work); for supply of goods (provide proof that the firm has the required goods in stock or will be able to get them on a short notice; in the case of mechanical equipment such as vehicles, computers etc., provide evidence that the firm has the required service facilities within the state); for consultant assignments (provide proof that the person(s) have suitable education and required experience for the task; provide copies of documents prepared for the types of services required for the assignments, at least two cases);

5. You/your firm may obtain further information from the Chairman or Secretary of the (name of the CBO) at the following address: (address and telephone number, if any).

7. The bids, with all the information requested in the Instructions to Bidders (attached), shall be delivered to the Chairman or Secretary of the (name of the CBO) on or before (date and time). Bids should be delivered to the following address (postal address, tel. No., fax no., em address, building name, room no., street, town). Late entries cannot be considered.

Names of CBO Representatives: ________________________________

Signatures: ____________________

Date ________________________

Attachments:
1. Instructions to Bidders
2. Specifications for the applicable Works, Goods, or Consultancy/ies needed
3. Estimated Quantities (for works only)
4. Letter of Submission of Bids
5. Draft Contract

APPENDIX 2

Name and Address of CBO

______________________________

Order and Contract for Supply of Goods

To: (Name of the Director and firm which has won the supply contract)
Address: (Address of the firm)
Subject: Supply of (equipment, material, etc.)

Mr. Manager/Director,

The (Name of CBO) would like to place an order for the supply (and installation if needed) of ___, in conformity with your proforma invoice No. ___ of ___, attached, specifying the prices of the goods for whose procurement you successfully competed.

1. SUBSTANCE OF GOODS
(List of goods requested, with quantities)

2. AMOUNT OF THE CONTRACT
The amount of the order is fixed at (currency units) and is not subject to revision.

3. TIME LIMIT AND PLACE OF DELIVERY
The time limit for the delivery of goods is set for (days, weeks or months) from the date of the approval of this contract. This approval should take place in the maximum time limit of (number of days, for instance 15) days from the date of the signing of this contract by the representatives of the (name of CBO). The goods will be delivered at (destination).
4. **INTERIM RECEIPT**
An interim receipt will be issued upon delivery of all the goods. Or: If installation of the goods is required, the interim receipt will only be issued after installation of the equipment is completed (delete one). The receipt will be acknowledged as the interim receipt report.

5. **TIME LIMIT FOR THE WARRANTY AND AFTER-SALES SERVICE**
The deadline for the warranty period is set for (X) months from the date of the interim receipt. During the warranty period, excluding the current maintenance, all the repairs resulting from faulty equipment will be at the supplier's expenses, including the supply of replacement parts and the overhead costs.

The supplier is to guarantee an after-sales service to ensure the maintenance service as well as the fast and regular supply of spare parts.

6. **FINAL RECEIPT**
The final receipt will be issued at the end of the warranty period, and will be acknowledged as the final receipt report.

7. **RETENTION**
The retention amount, to be reimbursed when the final receipt has been issued, is set up at 10 percent of the total amount of this order/contract.

8. ** LIQUIDATED DAMAGES**
In case of delay within the period specified in the contract, the supplier is subject to a penalty of 1/1000 of the price of the goods ordered per calendar day of delay. However, the ceiling of these penalties is 10 percent of the total amount of the order.

In case the 10 percent ceiling is exceeded, the administration reserves the right to terminate this order/contract.

9. **SCHEDULE OF PAYMENT**
The amounts which are due will be paid in the following manner:

___% at the countersigning of this letter of order, for advance payment (if the supplier has to order the goods). *(It is recommended that the amount of this advance should not exceed 30% of the total amount).*

___% of the amount of the invoice upon issuance of the interim receipt.

10% of the amount of the invoice upon issuance of the final receipt.

Total: 100% (Total should always be 100% of the amount of the contract).

10. **FORM OF PAYMENT**
The payment will be made in cash by the signatories of the (name of CBO) or by check of the (name of bank) at (place).

11. **APPROVAL OF THE ORDER/CONTRACT**

- 65 -
This contract will be effective only after it has been signed by the supplier.

Names of CBO Representatives

Signatures ____________________________
Date _________________________________

Read and accepted:

For the Supplied by: ____________________________
Signature ____________________________
Date _________________________________

APPENDIX 3

Name and Address of CBO

Contract for Works

This Agreement is made between the Representative of the _________________ of CBO) of the one part, and ________________ on behalf of the contractor ______________ (name and address of the supplier) of the other part. It has been agreed as follows:

CLAUSE 1 - CONTRACT OBJECTIVES
This contract is for ____________________________
Subproject ____________________________
at ____________________________
the village of ____________________________
The works assigned to the contractor consist of:
(a detailed explanation or reference to a description/design/list of quantities in an attachment)

CLAUSE 2 - SUBCONTRACTING
The contractor may subcontract one or several parts of his works only under his entire responsibility.

CLAUSE 3 - CONTROL OF THE WORK EXECUTION
The execution of this contract is controlled by the Committee of the ____________________________ of CBO). The Government, that provides a major part of financing for the Subproject, may send its own technicians to inspect the work being done or completed.

In case of non conformity to the norms or rules of the profession, the Representative of the community/farmer group, upon a report of the person in charge of the
Government's technicians, may bring to the attention of the contractor the breach of contract. An assessment will be made by the Government technicians.

The works poorly executed shall be repaired or improved by the contractor.

**CLAUSE 4 - RESPONSIBILITY**
The contractor is responsible during the execution of the work for the damages and accidents of any kind caused to a third party by the personnel and equipment of the contractor.

**CLAUSE 5 - TIME LIMIT FOR THE WORK EXECUTION**
The whole work should be completed within ___ months from the date of the signature of the contract.

**CLAUSE 6 - LIQUIDATED DAMAGES**
In the event that works specified in the contract are not completed on schedule, the contractor shall be subject to a penalty of 1/1000 of the price of the works ordered per calendar day of delay, except in the case of force majeure, that would need to be confirmed by a Government's technician appointed by the authorities of the (name of CBO).

**CLAUSE 7 - INTERIM RECEIPT**
The interim receipt will be acknowledged in a report and issued upon completion of the works.

A certificate of acceptance will be provided by the Committee of (name of CBO), which may first request an opinion from a Government-appointed technician.

**CLAUSE 8 - FINAL RECEIPT**
The final receipt will be acknowledged in a report of the Committee of (name of CBO), who may seek the prior opinion of a Government technician appointed by the authorities responsible for the implementation of the (name of the Government/IDA financed project).

**CLAUSE 9 - AMOUNT OF THE CONTRACT**
The amount of the contract is (currency unit).

**CLAUSE 10 - SCHEDULE OF PAYMENTS**
The schedules of payments are:

<table>
<thead>
<tr>
<th>In money</th>
<th>In kind</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Advance</td>
<td>(amount)</td>
</tr>
<tr>
<td>2. First</td>
<td>(define the first stage) (amount)</td>
</tr>
<tr>
<td>3. Second</td>
<td>(define the second stage) (amount)</td>
</tr>
<tr>
<td>4. _________</td>
<td>(amount)</td>
</tr>
<tr>
<td>5. After</td>
<td>(amount)</td>
</tr>
</tbody>
</table>

**CLAUSE 11**
This agreement is signed as follows:
APPENDIX 4

Name and Address of CBO

Order and Contract for Services

To: (Name of the Director and firm which has won the contract)
Address: (Address of the firm)

Subject: Supply of (specify such as studies, technical assistance, consulting, supervision) Services

The (Name of CBO) would like to place an order for the supply (specify such as studies, technical assistance, consulting, supervision) services, in conformity with your bid offer No. ...... of........., attached, specifying the assignment and prices of the services for whose procurement you successfully competed.

1. CONTENT AND PROGRESS OF THE ASSIGNMENT
The study and its progress will be in accordance with the terms of reference attached to this document.

2. AMOUNT OF THE CONTRACT
The amount of the contract (or rate per day and number of days) is fixed at (currency units) and is not subject to revision.

3. TIME LIMIT AND SUBMISSION OF REPORT
The time limit for the completion of the services is scheduled for (days, weeks or months) from the date of the approval of this invoice letter by the consultant or consulting firm. This approval should take place in the maximum time limit of 15 days from the date of signing of this order/contract.

Your firm will submit an edited interim report (5 copies) to the (name of CBO) at the end of the field work.

Five (5) copies of the final edited report will be submitted to the (name of CBO) two weeks after its review of the interim report. At the same time, one copy will
be submitted to the Provincial Coordinating Committee (or similar) for information.

It is agreed that the (name of CBO) will be allowed 45 days for the review of the interim report. After that time limit, the interim report may be considered as final.

4. LIQUIDATED DAMAGES
In case of delay beyond the period specified in the contract, you (your firm) are subject to a penalty of 1/1000 of the price of the studies per calendar day of delay. However, the ceiling of these penalties is 10% of the total amount of the contract.

In case the 10% ceiling is exceeded, the (name of CBO) reserves the right to terminate this order/contract.

9. SCHEDULE OF PAYMENT
The amounts which are due will be paid in the following manner:
___% at the countersigning of this letter of order, for advance payment (the amount of this advance should in no circumstance exceed 30% of the total amount).
___% of the amount of the invoice upon issuance of the interim receipt.
___% of the amount of the invoice upon issuance of the final receipt.

10. REVIEW AND APPROVAL OF THE CONTRACT
This document will become effective only after it has been signed by both parties and reviewed and approved by the technical staff appointed by the Government (usually the provincial- or regional-level procurement assistant).

Names of CBO
Representatives:_________________________________________________________
Signatures: ____________________________________________________________
Date __________________________

Read and accepted by:

For the Consultant/Consulting Firm

Name and position of Representative:
_______________________________________________________________________

Signature(s): ____________________________________________________________

Attachments:  Terms of Reference
Work Program
Breakdown of Costs
APPENDIX 5

Name of CBO: ____________________________
Address: ..........................................

To: Messrs......................................

Address: ..........................................

Date: ..........................................

LOCAL PROCUREMENT ORDER (LPO)

FROM:

<table>
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<tr>
<th>Item No.</th>
<th>Description</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Cost</th>
</tr>
</thead>
</table>

TOTAL

CONDITIONS:

1. Purchase Order number should be quoted on Delivery Note and Invoice
2. Delivery shall be completed by date ____. After which order shall be canceled.
3. Invoices should be accompanied with duplicate copies of related LPO.

Approved by (name)  
Signature  
Date: ..........................................

Authorized by (name)  
Signature  
Date: ..........................................

- 70 -
APPENDIX 6

Name of CBO: ..............................................
Address: ..............................................
Date: ..............................................

PURCHASE REQUISITION

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<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
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Account Code No. and Description: ____________________________
Financial Position to-date: ________________________________
Total Budget for Item: ____________________________________
Amount spent to-date: ____________________________________
Balance of Account: _____________________________________

Approved by: ____________________________
Authorized by: ____________________________
Signature: ______________________________
Signature: ______________________________
Date: ________________________________
Date: ________________________________
APPENDIX 7

Name of CBO: ........................................

Address: ...........................................

Date: .............................................

GOODS RECEIVED NOTE

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TOTAL

GOODS HAVE BEEN CERTIFIED AS CORRECT RECEIPTS.

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Certified by

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Financial Management Action Plan:
NIGERIA: Community Based Poverty Reduction

A. General:

The Project Co-ordinating Units' financial management systems (FMSs) must support management in their deployment of limited resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve desired outcomes. Specifically, the FMS must be capable of producing timely, understandable, relevant and reliable financial information that will enable management to plan, implement, monitor and appraise the Program's overall progress towards the achievement of its objectives.

For the Project Coordinating Units (PCUs) to deliver on the aforementioned objectives, the financial management systems will be developed in accordance with the Financial Management Action Plan presented in Section B below.

B. Financial Management Action Plan:

Institutional Arrangements:

National (NPC Component)
The National Planning Commission (NPC) was established by the Government of the Federal Republic of Nigeria under Decree No. 71 of 1993. At the national level, the Poverty Alleviation Unit, a department within the NPC, will serve as the Project Coordinating Unit with responsibility for ensuring that financial management, procurement and reporting procedures will be acceptable to Government, the World Bank and other donors (as appropriate). The day-to-day management of the NPC component will be undertaken by the Poverty Alleviation Unit. The Project Coordinating Unit will be headed by a Project Coordinator who will be supported by a core team of technical and financial staff including a relevantly qualified Accountant as a Project Accountant. On operational matters, the Project Coordinator will report to the Director, Macro Department and will be responsible to the Poverty Alleviation Steering Committee. The membership of the Poverty Alleviation Steering Committee has been defined and documented in the Project Implementation Plan.

For the Participating States
At the state level, autonomous State's Social Funds Agency would be established in each of the participating states. The State's Agencies will be headed by a General Manager/Chief Executive with a sound background in Economics, Public Administration, Agricultural Economics or Finance and also supported by a core team of program and financial staff, including a relevantly qualified and experienced Project Accountant. Each of the State Agencies will have a Board of Directors to be constituted by the respective State Executive Governors. In all, 12 States will participate, with the first batch of six being funded by IDA. Altogether, 8 out of these 12 States will be funded by IDA while the remaining four will be funded by AfDB. Already, the first batch of six states have put in process the mechanism for the enactment of a Law for the establishment of their respective State's Social Funds Agencies. Draft of the Bills, which had earlier been submitted to the Bank for review, are to be tabled before the various States' Assemblies by Negotiation. Interviews have been concluded for the selection of the Agencies' General Managers/Chief Executives, while the other key staff are to be
recruited upon assumption of duty of the General Managers. The appointment of the critical mass of staff will be completed before Credit Effectiveness.

Financial Management Issues/Risks
The major financial management issues and risks relating to project financial management at both the State Agencies' and national levels are outlined below. It is important that these aspects be monitored closely, and required action(s) be taken promptly, during credit processing and during project implementation. The issues for the States’ Funds Agencies are: (a) readiness for implementation; and (b) diffusion of project funds among a large number of communities; while financial management will be an issue at the NPC.

States Agencies

(a) Readiness for Implementation: It is critical that a satisfactory financial management system is fully in place before the project starts, so that it is operative before expenditures on the project are incurred and IDA disbursements are made. This is especially important given the nature of the project (project funds would be lying with a large number of communities, many of which may have to be newly established). The project’s financial management system is not yet fully ready for implementation. The actions to be completed before Credit Effectiveness are:

   - **Staffing**: Project Accounts and internal audit staff will be recruited to handle the financial and internal audit functions. These include the key accounts and internal audit staff i.e., the Project Accountant and the Project Internal Auditor. Hence, each of the States’ Agencies will employ for the duration of the project and by Credit Effectiveness a Project Accountant and a Project Internal Auditor. Indicative TORs for the Project Accountant/Project Internal Auditor have been developed and included as an appendix to the main assessment.

   - **Project Financial Management Manual/Financial Procedures Manual for Communities**: These key manuals which document the proposed project financial management system should be completed and finalized. Draft Manuals have been sent to the Bank. These documents have been reviewed by the Bank and comments provided to the state technical teams. The FMM will be formally adopted by the States’ Social Funds Agencies as the document which will govern financial management aspects of the project. The action plan is to have the manuals ready by Credit Effectiveness. As outlined in the Financial Procedures Manual for Communities, each beneficiary community will at the community level maintain simple accounts for sub-projects implemented by them, and the focus at the village level would be on transparency and social audit by the community. Both the Project Financial Management Manual and the Financial Procedures Manual for Communities will be reviewed and approved by the Bank before Credit Effectiveness.

(b) Diffusion of Project Funds in the States: The second issue/risk for the States Funds Agencies arises due to the nature of the project itself. Project funds would be diffused among possibly several thousand implementing agencies (communities), many of which may be new entities created during the project. Ensuring satisfactory controls and proper utilization and accountability of these funds will be challenging. Measures which have been discussed with the States’ technical teams to address this issue are:

   - developing policies and procedures to ensure smooth flow of funds to these
communities, and at the same time ensure proper accountability for these funds. These policies and procedures would also be included in the Sub-Project Agreement between the State’s Agency and the beneficiary communities;

- providing training on financial management and bookkeeping to these communities (in some cases, right from the formation stage);
- promoting self accountability by participating communities in addition to sample audit by the project auditors;
- linking payments to the communities to completion and certification of physical works;
- requiring demonstration of regularity in accounting as one of the criteria for release of funds to the communities; and
- installation of a computerized system at the Agency’s level to enable monitoring of the funds provided to and accounted for by the communities.

These measures will be included in the Project Financial Management Manual and their full implementation is very essential.

National

Financial Management in NPC:

Staffing: A Project Accountant and an Internal Auditor from the NPC’s accounts and internal audit Units have been identified and deployed to the Project. It was also agreed that all accounts support staff will be in place by the start of the project. In the interim, NPC has commenced the arrangements to engage, on a short term basis, a financial consultant who will be a chartered accountant, under the PHRD grant to strengthen the Project Accounts Unit and finalize the Financial Management Manuals for the PCUs and the Financial Procedures Manual for the Communities which had already been put together by the technical teams at the federal and state levels. The financial expert will design the project financial management system; identify appropriate software and implement the computerized financial management system including the provision of necessary training and orientation to all financial staff. The TOR for the Financial Consultant has been developed and included as an appendix to the main assessment. To ensure that all the financial management arrangements are in place by Credit Effectiveness, the Financial Consultant will be appointed before Board Presentation.

Project Finance Committee: To ensure a smooth flow of project activities being undertaken by the NPC, a Project Finance Committee will be established with the TOR described in the Financial Management Manual.

Project Financial Management Manual: The financial management system for the project will be fully documented in a Project Financial Management Manual. The Manual will be adopted by the Poverty Alleviation Unit of NPC as the document which will govern all financial management aspects of the project. The Manual will also serve as a reference document for project staff on financial management aspects.

Sources of Funding

As a whole the Project funding will comprise: the IDA Credit, funds from the African Development Fund (AfDB) as well as Counterpart funds from the Federal and State Governments as well as from the Local Communities. The AfDB will fund only four of the additional six states to be included in the second phase while IDA will fund the first batch of six states and the remaining two of the second batch. These states will have the responsibilities for meeting the financial reporting requirements of
their respective financiers - IDA & AfDB.

Flow of Funds
As will be outlined in the Financial Management Manual and the Financial Procedures Manual for the Communities, the funds-flow process will be as follows:

The Federal Government of Nigeria will pass on IDA funds to the participating State Governments in accordance with the prevailing policies and procedures applicable to passing on of World Bank-funds from the Federal Government to States

Participating State Governments/ Federal Government of Nigeria (with respect to NPC's component) will provide counterpart funds for the project through annual budgetary allocations. Different project accounts will be opened with Commercial Banks at the NPC and the States Agencies for the counterpart funds, while an Operations Account into which the US Dollar transfers from the States' Agencies' respective Special Accounts would be credited, are to be opened, also with Commercial Banks, by the State Social Funds Agencies to meet the IDA portion of the eligible expenditures under the Project.

With respect to the NPC component, NPC will open a Special Account with a commercial bank of its choice with due guidance from the Office of the Accountant General of the Federation. The IDA credit would go directly into this account. Similar arrangements will be put in place for the States Social Funds Agencies. However, the State Social Funds Agencies will retain part of the funds for activities to be undertaken directly by the Agencies, and pass on funds to the beneficiary Communities for advances/installments for sub-projects. The Communities would utilize the funds for activities managed directly by them. Cash contributions from beneficiaries would be deposited into the Project Bank accounts of the respective communities, and used for sub-projects implemented by them. Control procedures over the Communities use of the funds will be fully documented in the Financial Procedures Manual for Communities.

All Bank Accounts will be reconciled monthly; identified differences will be expeditiously investigated.

Existing World Bank Disbursement Procedures
By effectiveness, the PCUs will not be ready for PMR-based disbursements (World Bank’s Loan Administration Change Initiative Handbook, LACI, September 1998). Thus, in the short term, existing disbursement procedures as outlined in the World Bank’s Disbursement Handbook will be followed, i.e. Direct Payment, Reimbursement and Special Commitment. However, the appointment of the Financial Consultant, coupled with the development of a computerized financial management system, should facilitate the introduction of PMR-based disbursements within 18 months of credit effectiveness. In that regard, a financial management review of the Project will be undertaken by a World Bank Financial Management Specialist within 12 months of credit effectiveness to assess progress.

Internal Audit
Project activities would be periodically reviewed by the Project Internal Auditors at both the NPC and the State Agencies levels. In view of the large number of Communities involved at the state level, the internal audit staff of the Offices of the State Accountants General will, at the request of the State Social Funds Agencies and in collaboration with the Agencies' Internal Auditors, provide support in monitoring activities at the Community level. The proposed action is to have the internal audit staff in
place by Credit Effectiveness. An indicative TOR for the Head of the Internal Audit Unit has been developed.

Accounting System And Information Technology
As a transitional arrangement, the Project Coordinating Units (at the National and State levels) will operate manual accounting systems. However, there are plans to computerize the financial management systems to facilitate timely accounting for the IDA and Counterpart Funds within 18 months Credit Effectiveness. In that regard, a financial management review of the Project (NPC's and Agencies') will be undertaken by a World Bank Financial Management Specialist to assess progress within 12 months of credit effectiveness.

Planning And Budgeting
Counterpart Funding will be approved in line with the Government's budgetary process. The Project Accountants, in consultation with the Project Coordinator/General Managers and the Procurement Officers/Consultants, would be responsible for preparing the Project's Quarterly/Annual Cash Flow Forecast.

Fixed Asset/s/Consultants/Civil Works
At the NPC, a Fixed Assets Register will be maintained, regularly updated and checked. Regarding Construction/Capital Work in Progress, controls will be established to ensure that payments are made only for certified work (including physical verification). A Contracts Register will be maintained for all contracts with consultants. Similar arrangements will be put in place at the States Funds Agencies.

Financial Reporting (Monthly and Quarterly/Annually : Reporting and Monitoring
At the NPC, financial reports generated by the financial management system would be effectively communicated to the Project Finance Committee while the reports generated at the States Agencies would be communicated to Finance Committees of their respective Boards and shared with the Project Coordinating Unit at the NPC. To achieve this, written reports should be augmented by quarterly meetings in order to discuss the reports and their ramifications.

Monthly Cash Reporting
In compliance with Government reporting requirements, Monthly Returns to the Treasury (Office of the Accountants General) for incorporation into the National/State Accounts.

Quarterly/Annually
The Project Finance Committee (National) and the Finance Committee (State Agency), having considered the recommendations of the Project Accountant, should determine:

- The Chart of Accounts - it should be consistent with the expenditure classifications per the IDA Agreement;
- Format/content of Quarterly/Annual Financial Statements; and the selection and adoption of accounting policies and accounting standards.

The Financial Statements, following determination by the Project Finance Committee (National) and Finance Committee (State) are likely to include:

- A Statement of Sources and Uses of Funds by Loan Category/ by Activity;
- Project Balance Sheet as at the reporting date;
- Notes on significant accounting policies and accounting standards adopted by
management when preparing the accounts; and on any supplementary information or explanations that may be deemed appropriate by management to enhance the presentation of a "true and fair view";

- **Special Account Statement/Reconciliation** showing deposits and replenishments received, payments substantiated by withdrawal applications, interest that may be earned on the account and the balance at the end of the fiscal year;
- **SOE Withdrawal Schedule**, listing individual withdrawal applications relating to disbursements by the SOE Method, by reference number, date and amount;
- **A Cash Forecast** for the next two quarters.


**External Audit and Financial Accountability:**

**Auditing Arrangements**

The Project Auditors would be firms of Chartered Accountants, appointed by both the NPC and the respective State's Social Funds Agencies. The terms of reference of the auditors would be included in the Project Financial Management Manual. In addition to these terms of reference, the qualifications of the firms of Chartered Accountants would also be reviewed by IDA. The proposed action is to have the Project Auditors appointed by Credit Effectiveness.

The audit by the Project Auditors, one for the NPC and one for each of the participating States, would be carried out in accordance with International Standards of Auditing. The audit will be comprehensive and cover all aspects of the project i.e., all sources and utilization of funds, and expenditures incurred by all implementing agencies. In addition, the State Agencies' Auditors would carry out a sample audit of the records and accounts of the beneficiary communities to ensure conformity to the project's financial policies and the Sub-Project Agreement. To facilitate early completion of the annual audit, and also provide regular information on the operation of the financial management system to project management, a limited quarterly audit will be carried out by the State Agencies' Auditors. As it is normal practice, the State Auditors General of the participating States will assist in providing the list of registered audit firms to the State Agencies for shortlisting.

**Required Actions And Next Steps**

**Actions to be Completed Before Negotiations**

- At least, three of the States’ Social Funds Agencies would have passed the Agency Bill into Law and also appointed full time General Managers;
- NPC to establish a Project Finance Committee and notify the Bank;
- Submission of satisfactory staff development and training programs for improving the quality of internal audit functions at the NPC Project Unit; and
- LACI/PMR Certification signed by the FMS.

**Action to be Completed Before Board Presentation**
• Financial Consultant should be appointed on TORs acceptable to the Bank

**Actions to be Completed before Credit Effectiveness**

• Open Special Accounts and notify the Bank of authorized signatories. Also, a project account has been opened by the State Agencies with the initial contribution of counterpart fund deposited;
• Financial Procedures Manual for Communities and the Financial Management Manual should be adopted by States' Agencies and NPC; and approved by the Bank;
• Project Accounts and Internal Audit staff, particularly the Project Accountant and the Project Internal Auditor should be appointed;
• Key project staff, in particular the Project Accountant and the Procurement Officer will be trained, through workshops, on the World Bank Disbursement Procedures;
• As a transitional arrangement, an acceptable financial management system (manual) will be put in place before credit effectiveness; and
• External Auditors should be appointed on TORs acceptable to the Bank.
MAP SECTION
This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

NIGERIA COMMUNITY-BASED POVERTY REDUCTION PROJECT

FIRST ROUND SOCIAL FUND STATES
SECOND ROUND SOCIAL FUND STATES
CAPACITY-BUILDING STATES
STATE CAPITALS
NATIONAL CAPITAL
OTHER SELECTED TOWNS
RIVERS
EXPRESSWAYS
PRIMARY ROADS
STATE BOUNDARIES
INTERNATIONAL BOUNDARIES