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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary loan to the Federal Republic of Nigeria for the

Community-Based Agricultural and Rural Development Programme

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Federal Republic of Nigeria for the Community-Based Agricultural and Rural Development Programme, as contained in paragraph 11.

Proposed supplementary loan to the Federal Republic of Nigeria for the Community-Based Agricultural and Rural Development Programme

I. The programme

A. Background

1. At its seventy-third session in September 2001, the Executive Board approved a loan to the Federal Republic of Nigeria to finance the Community-Based Agricultural and Rural Development Programme (CBARDP). The IFAD loan of SDR 23.8 million (equivalent to approximately US\$29.9 million) was extended on highly concessional terms. The total programme cost amounted to US\$68.5 million of which governments (federal, state and local) and beneficiaries contributed US\$31.5 million and US\$4.0 million, respectively. The loan agreement was signed on 11 December 2001 and the loan was declared effective on 31 January 2003. The programme's completion date was extended to 31 March 2013 and the closing date to September 2013. The programme is being implemented under IFAD's direct supervision.
2. This memorandum seeks approval for additional financing of US\$13.0 million from IFAD to which governments (federal, state and local) will contribute US\$1.5 million and beneficiaries US\$0.5 million.

B. Justification and rationale

3. Rural communities in the northern states of the Federal Republic of Nigeria account for the majority of the country's poor people. This is mainly the result of poor management of natural resources, limited access to economic opportunities and low involvement in the decision-making process. Cognizant of the root causes of rural poverty, the three tiers of government (federal, state and local) have been implementing CBARDP to empower rural communities to enable these communities to identify and address their own development needs.
4. Given the good performance of the programme during its implementation period, Nigeria and IFAD agreed, during the design of the results-based country strategic opportunities programme and following the agreement at completion point (ACP) of the country programme evaluation carried out by the Office of Evaluation, to pursue the community-driven development approach and deepen the activities in the participating northern states by providing supplementary funds. The ACP emphasized strongly the centrality of agriculture in ongoing and future IFAD-funded activities, as this sector is the backbone of the rural economy. The proposed supplementary loan of US\$13.0 million aims at responding to the ACP, while maintaining the same target area, components and expenditure categories of the ongoing programme, as stipulated in the existing loan agreement.

C. Programme costs

5. The revised total programme cost amounts to US\$80.4 million. The sources of funding are as follows: (i) IFAD loan (53.4 per cent); Federal, State and Local Governments (41.0 per cent); and beneficiaries (5.6 per cent). The proposed supplementary loan will finance the same components and categories.
6. The programme has disbursed about 63 per cent of the existing loan proceeds. This relatively low rate results from the fact that the loan disbursement was closely tied to the release of counterpart funds which were not available on time and in sufficient quantities. This issue – to be resolved in the amendment of the financing agreement – will contribute to increasing the disbursement rate.

D. Proposed modifications to the financing agreement

7. With the agreement of the Executive Board, the financing agreement will be amended to reflect the supplementary IFAD financing. As this supplementary financing complements the financing plan initially agreed at design, it does not imply any modification to the programme description.

II. Legal instruments and authority

8. Amendments of the current financing agreement between the Federal Republic of Nigeria and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower.
9. The Federal Republic of Nigeria is empowered under its laws to borrow from IFAD.
10. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD.

III. Recommendation

11. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a supplementary loan on highly concessional terms to the Federal Republic of Nigeria in an amount equivalent to eight million six hundred and twenty thousand special drawing rights (SDR 8,620,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President